



# KEEP CHALLENGING

NIPPON YUSEN KABUSHIKI KAISHA  
ANNUAL REPORT 2012

# Business Portfolio

## Other Business 11.7%

Cruises	1.7%
Real Estate	0.6%
Other Business Services	9.4%



## Global Logistics Business 51.2%

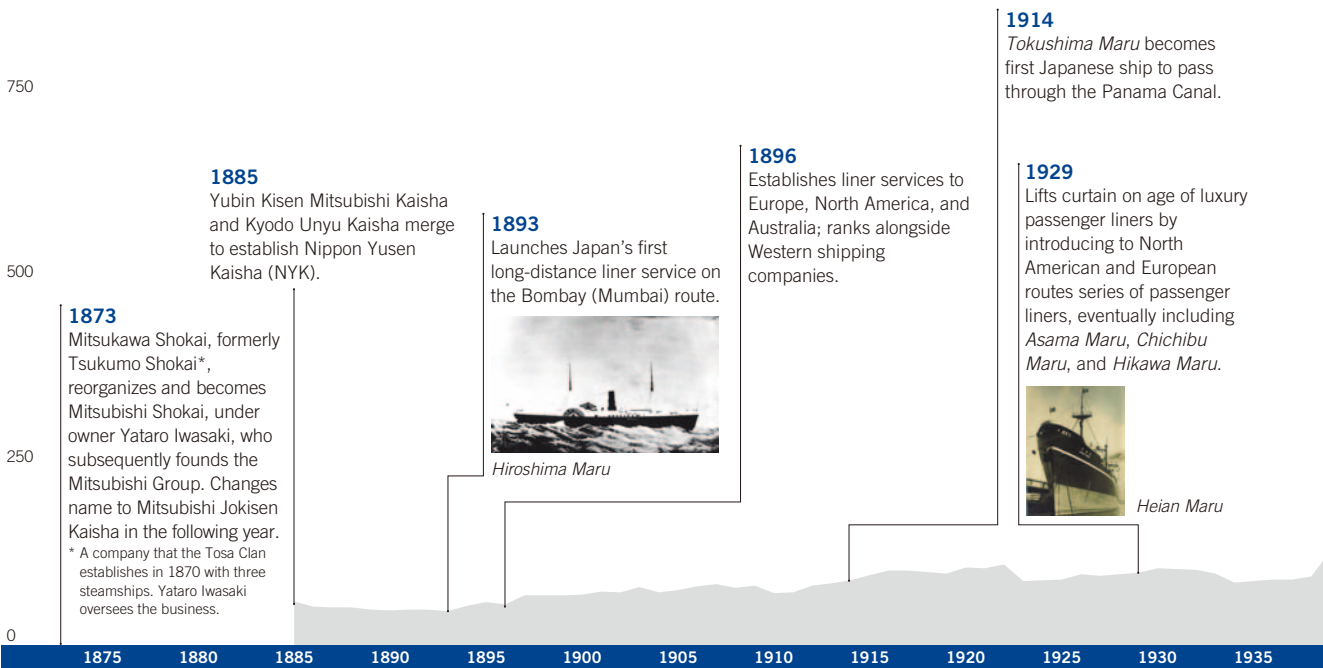
Liner Trade	21.3%
Terminal and Harbor Transport	7.1%
Air Cargo Transportation	4.2%
Logistics	18.6%

## Bulk Shipping Business 37.2%

Bulk Shipping Business	37.2%
Car Carrier Division	
Dry Bulk Carrier Division (Iron ore, coal, grains, etc.)	
Tanker Division (Crude oil, petroleum products, LPG, LNG, etc.)	

# The History of the NYK Group

1,000 ■ Operating fleet size (vessels)



## Cargo Handled / Advantages

Food  
products,  
beverages

Apparel,  
daily  
sundries

Electronic  
appliances /  
components,  
machinery

Consumer  
goods,  
other

- Boasts transportation infrastructure covering regions across the world
- Provides solutions tailored to customers' needs by integrating different types of infrastructure

## Features of Our Operations

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.

## Cargo Handled / Advantages

Iron ore,  
coal

Crude oil,  
petroleum  
products,  
LNG

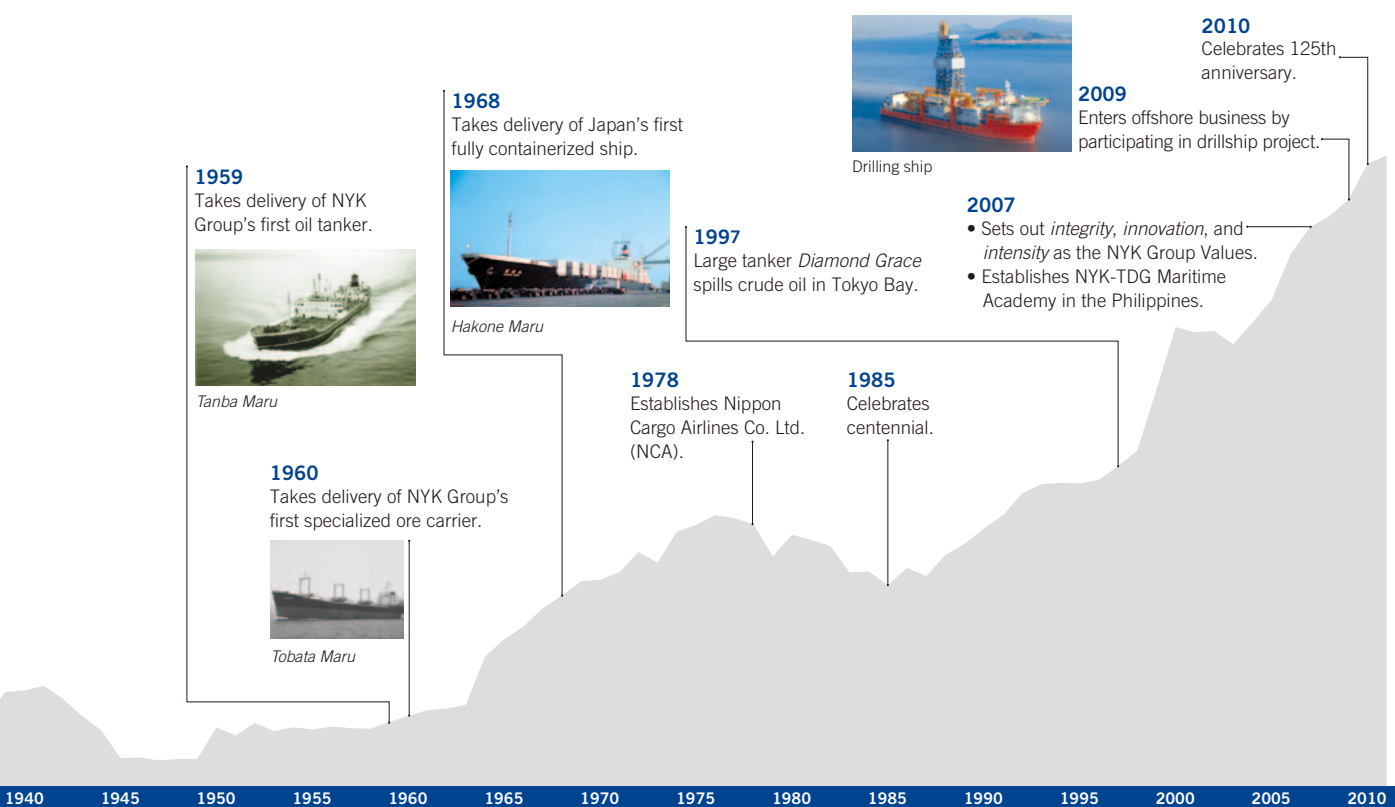
Automobiles

Grains,  
woodchips,  
other

- Controls one of the largest vessel fleets in the world
- Enjoys stable earnings thanks to long-term contracts
- Has leading-edge technological capabilities

## Features of Our Operations

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.



# Editorial Policy

NYK's 2012 annual report, as well as reported financial information, such as business results, reviews of operations, and strategies going forward, includes general non-financial information about corporate social responsibility (CSR) activities and other initiatives. This report aims to encourage further understanding of the NYK Group as a company that not only pursues earnings but also is widely engaged in environmental, human rights, and other social issues with the aim to contribute to the realization of a sustainable society.

This annual report can also be viewed on our website.

 Website

<http://www.nyk.com/english/ir/>

 Download

<http://www.nyk.com/english/ir/library/annual/>


## Other Communication Tools

Please use the communication tools below to gain an overall understanding of the NYK Group.


### CSR Report



With an emphasis on the NYK Group's initiatives in relation to CSR and the medium-term management plan "More Than Shipping 2013," this reports the effect of the NYK Group on society and the environment. In fiscal 2011, we expressed our contribution to a sustainable society using the seven core subjects of ISO 26000 as benchmarks.

 Website

<http://www.nyk.com/english/csr/>

 Download

<http://www.nyk.com/english/csr/report/current/>

### Website



As well as general information about the NYK Group's business, this includes an overview of the NYK Group and information on investor relations (IR), employment opportunities, and CSR. Also, visitors to our website can readily access the websites of group companies.

<http://www.nyk.com/english/>

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NIPPON YUSEN  
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### 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.

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The NYK Group is tackling two management tasks—building up stable earnings and curbing business results volatility. In this section, the management team explains achievements during the first fiscal year of the “More Than Shipping 2013” medium-term management plan and management strategies going forward.

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### Reporting on Our Progress under the Medium-Term Management Plan “More Than Shipping 2013”

In fiscal 2011, the NYK Group concentrated particular efforts on businesses with stable freight rates. How is the NYK Group coping with freight rate fluctuations? This feature takes an in-depth look at progress in developing these businesses.

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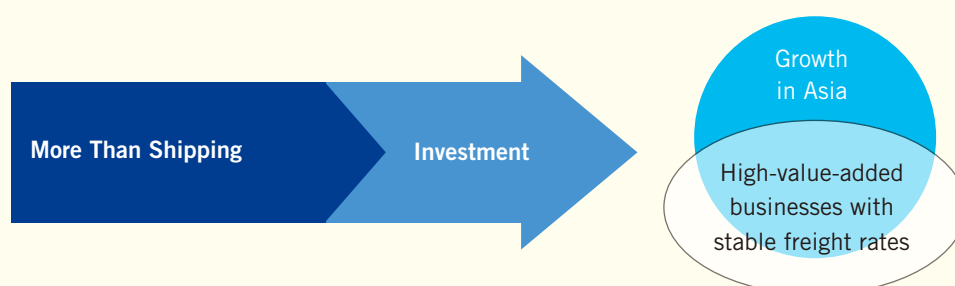
## 137 Corporate Information

## Medium-Term Management Plan “More Than Shipping 2013” Under Way

The NYK Group launched a new three-year medium-term management plan “More Than Shipping 2013” in April 2011. The plan is focused on achieving sustained growth for the NYK Group, and its overall theme is “Grow with Asia, Expand across the Globe.”

### Our Goal

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.



With the shift of manufacturing to emerging countries, Asian countries have become exporters on a par with Japan, and their imports of resources and energy are rising. These trends have triggered the establishment of numerous shipping companies in respective countries, leading to the commoditization of vessel types and services. Commoditized businesses tend to fall into price competition, a phenomenon the containership business clearly exemplifies. One way to avoid falling into this trap is to pursue value-added strategies. This means concentrating considerable resources

on business areas to which we can add value through differentiated vessels. In conjunction with these efforts—in business areas where it is difficult to achieve differentiation through vessels alone—we will differentiate ourselves by combining vessels with high-value-added services. These include ocean and air forwarding, terminal and harbor transport, customs clearance, warehousing, and distribution. In other words, we are becoming “More than just a shipping company.” An abbreviation of this slogan forms the basis of our plan’s title “More Than Shipping 2013.”

### Four Strategic Pillars

The NYK Group needs differentiation strategies that optimally leverage its unique capabilities in order to develop beyond the traditional boundaries of the shipping industry. To this end, we have set out four strategic pillars for “More Than Shipping 2013.”

Cargo	More Than Shipping (Combining traditional shipping with value-added strategies)	Strategic investments	Target regions
General cargo	① Leverage <b>logistics</b> capabilities to effectively capture Asia’s growing transportation needs	Logistics	Asia
Automobiles	② Utilize <b>automobile logistics and terminals</b> capabilities to actively respond to all automobile transportation supply chain needs in Asia	Car carriers Automobile logistics Car terminals	Asia
Energy / natural resources	③ Employ <b>technological capabilities</b> to secure highly advanced energy transportation business	LNG Offshore business	Asia (including Australia) Northern Europe (North Sea, etc.) South America (Brazil, etc.)
	④ Leverage <b>global network</b> to proactively expand overseas natural resources and energy transportation business	Small / mid-size bulkers	Asia Atlantic Region South America (Brazil, etc.)

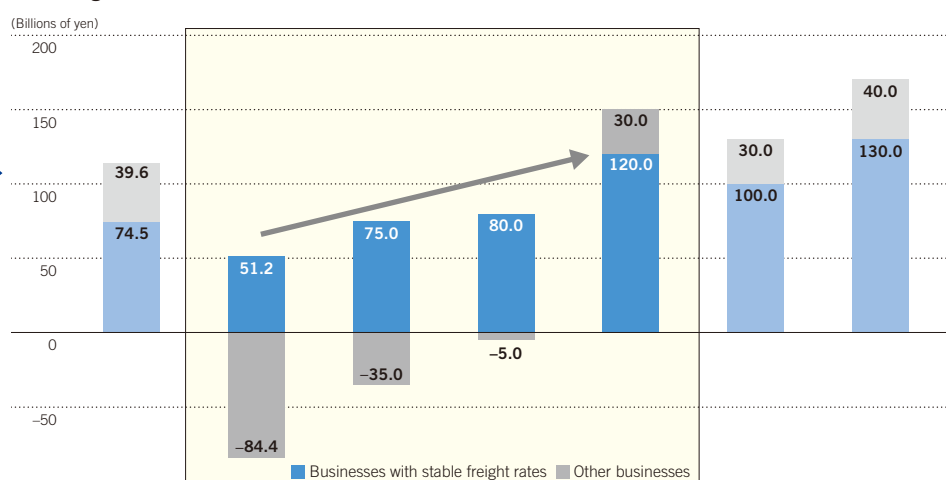
## Earnings Targets

We expect that the benefits of implementing “More Than Shipping 2013” during the three years ending in fiscal 2013 will begin to become apparent in business result figures from around 2016. We intend to accumulate earnings steadily based on businesses with stable freight rates that, thanks to long-term contracts, fluctuation affects less.

Furthermore, in light of yen appreciation, bunker oil price hikes, and slumping freight rates, we revised the numerical targets for business results at the announcement of business results for fiscal 2011. Please see the next page for details of the business conditions that prompted this revision.

**Steadily Advancing  
Businesses with  
Stable Freight Rates**

Recurring Profit and Loss



		FY2010 (result)	FY2011 (result)	FY2012 (forecast)	FY2013 (plan) (revised)	FY2016 (target) (revised)	FY2013 (plan) (original)	FY2016 (target) (original)
Recurring profit and loss (billions of yen)		114.1	-33.2	40.0	75.0	150.0	130.0	170.0
Currency exchange rate (yen)		86	79	80	80	80	85	85
Bunker oil price		\$484	\$666	\$730	\$730	\$730	\$650	\$650
Liner trade business (freight rates)*1	Asia → North America	104	100	115	115	115	105	105
	Asia → Europe	100	73	82	82	82	90	90
Bulk and energy carriers	Cape*2 (4TC*3)	\$26,895	\$15,347	\$17,000	\$25,000	\$30,000	\$30,000	\$30,000
	VLCC	\$33,918	\$18,705	\$22,500	\$30,000	\$40,000	\$50,000	\$50,000

\*1. Figures are indexed: FY2008, Q1 = 100

\*2. Capesize bulk carrier

\*3. Average of four shipping routes

## Shipping Industry again Faces Tough Business Conditions

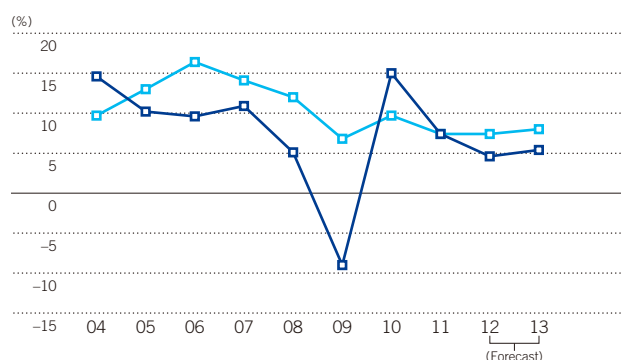
Slowdown in cargo movements due to worldwide economic slump and the completion of a large number of new vessels ordered before the collapse of Lehman Brothers created a significant imbalance between supply and demand. Consequently, most mainstay shipping divisions saw freight rates slump. In response, we rationalized our operating fleet primarily by selling or scrapping dry bulk carriers and tankers.

### Freight Rates by Vessel Type

FY2008, Q1 = 100		FY2010					FY2011				
		1Q	2Q	3Q	4Q	Full-year	1Q	2Q	3Q	4Q	Full-year
Containerships (freight rates)	Asia → North America	95	111	107	104	104	103	101	97	99	100
	Asia → Europe	105	106	99	90	100	78	74	71	66	73
							Deterioration				
US\$ / day		FY2010					FY2011				
		1Q	2Q	3Q	4Q	Full-year	1Q	2Q	3Q	4Q	Full-year
Dry bulk carriers	BDI	3,323	2,354	2,348	1,358	2,346	1,376	1,531	1,925	867	1,425
Tankers	VLCC	59,908	20,764	24,217	30,781	33,918	17,160	8,151	18,087	31,420	18,705
							Deterioration				
Average exchange rate		¥92.81	¥86.57	¥82.99	¥81.78	¥86.04	¥82.04	¥78.44	¥76.85	¥78.27	¥78.90
Average bunker oil price		\$475.08	\$462.26	\$474.93	\$523.20	\$483.87	\$625.20	\$658.82	\$680.72	\$700.14	\$666.22

\* Freight rates by dry bulk carrier type (spot charterage)

### Container Cargo Movements and Fleet Growth (year-on-year percentage change)



— Percentage change in container cargo movements  
 - - Percentage change in container shipping capacity  
 Source: Drewry Maritime Research, 2012

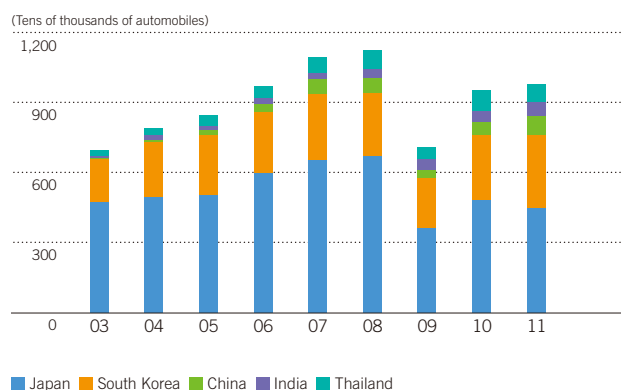
Because the year-on-year percentage increase in shipping capacity surpassed the year-on-year percentage increase in cargo movements, freight rates and charterage continued to decrease from the second half of 2011. Since the beginning of 2012, there have been signs of improvements in profitability stemming from freight rate rises. However, given the continuing concern about persistent oversupply, we expect market conditions to remain challenging.

#### Countermeasure

##### Established New Alliance, Rationalized Operating Fleet

The three companies of the Grand Alliance, an integrated consortium in container liner shipping to which the NYK Group belongs, and the three companies of the New World Alliance established a new alliance, the G6 Alliance, for Asia-Europe routes. The G6 Alliance began joint operations from March 2012.

### Automobile Exports of Major Asian Countries



■ Japan ■ South Korea ■ China ■ India ■ Thailand  
 Source: Automobile manufacturers' associations of respective countries

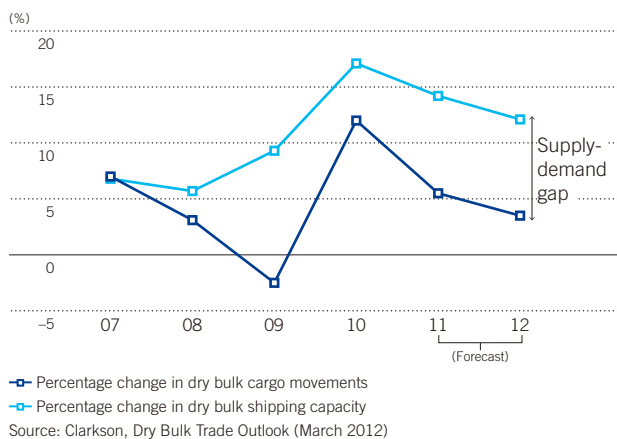
In fiscal 2011, the Great East Japan Earthquake and flooding in Thailand delayed component procurement, forcing automotive manufacturers to halt production or reduce plants' operating rates. As a result, in 2011 automobile exports from Japan decreased 7.7% year on year, to 4.46 million units. Current production levels have returned to normal, and transportation volume is expected to recover.

#### Countermeasure

##### Laid up Five Vessels Directly after the Great East Japan Earthquake

Of approximately 110 operating vessels, laid up five vessels, which have now resumed operations. Since the collapse of Lehman Brothers, we have not ordered new vessels, and we do not have any new vessels scheduled for completion from 2013 onward. We intend to consider orders for new vessels cautiously.

### Dry Bulk Transportation and Shipping Capacity Growth



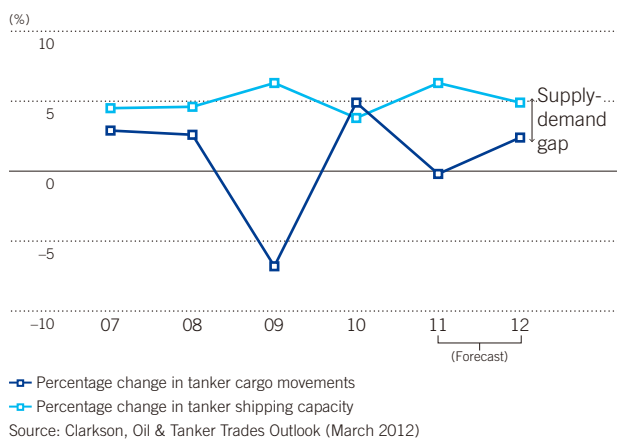
Shipping cargo movements stagnated year on year due to hikes in iron ore and coal prices as well as lower investment in infrastructure and real estate stemming from China's monetary tightening. Also, freight rates remained low because of a further increase in oversupply due to the completion of new vessels. Closing the gap between supply and demand is likely to take time as significant oversupply continues.

#### Countermeasure

##### Disposed of Six Vessels

We sold four Capesize bulk carriers and returned two before the end of their charter contract periods.

### Tanker Transportation and Shipping Capacity Growth



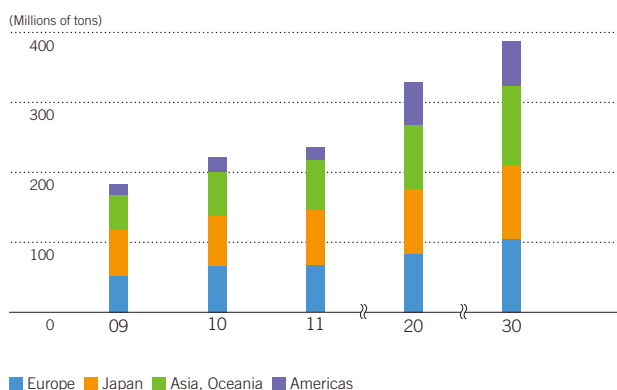
In fiscal 2011, crude oil shipping cargo movements declined marginally year on year due to a significant shift in the source of U.S. imports from the Middle East to Canada and the coming onstream of a pipeline between Russia and China, which offset a continued rise in demand for crude oil centered on emerging countries. Meanwhile, freight rates are expected to take time to recover because, as with bulk carriers, while oversupply is significant demand is not likely to rise.

#### Countermeasure

##### Disposed of Three Vessels

We sold three very large crude carriers (VLCCs) and laid up one off Malaysia.

### LNG Demand Outlook



Demand for LNG is rising as developed and emerging countries worldwide review energy policies. However, no orders have been placed for new vessel construction over the past three years. Consequently, freight rates are likely to remain high. Currently, mainly European companies are ordering new vessel construction. Completion of these orders may soften freight rates from 2013 onward.

#### Countermeasure

Decided not to order free vessels, but will place orders based on long-term contracts.

# Financial Highlights

2001–

NYK21 New Millennium Declaration

NYK21 Forward 120

New Horizon 2007

Fiscal years ended March 31

	2003	2004	2005	2006	2007	2008
<b>Results of Operation:</b>						
Revenues	¥1,249,242	¥1,398,320	¥1,606,098	¥1,929,302	¥2,164,279	¥2,584,626
Costs and expenses	1,037,373	1,158,352	1,283,769	1,594,598	1,840,784	2,128,849
Selling, general and administrative expenses	142,746	148,034	160,953	194,222	218,553	253,698
Operating income (loss)	69,122	91,933	161,375	140,481	104,941	202,079
Recurring profit (loss)	50,344	74,663	154,803	140,451	107,534	198,480
Net income (loss)	14,292	34,810	71,326	92,058	65,037	114,139
Capital expenditures	89,122	143,353	193,569	193,568	271,948	501,330
Depreciation and amortization	66,111	65,689	66,814	73,814	80,487	92,400
<b>Financial Position at Year-end:</b>						
Total assets	1,287,170	1,376,664	1,476,226	1,877,440	2,135,441	2,286,013
Interest-bearing debt	691,397	654,480	630,054	766,024	890,754	1,022,197
Shareholders' equity	288,363	358,044	427,770	575,366	657,088	637,962
<b>Cash Flows</b>						
Operating activities	88,126	111,360	175,507	138,732	86,229	199,525
Investing activities	(54,483)	(88,089)	(135,066)	(170,511)	(178,043)	(292,510)
Financing activities	(32,990)	(34,862)	(41,374)	40,339	97,363	146,829

Yen

## Per Share Data:

Basic net income (loss)	¥ 11.48	¥ 28.27	¥ 58.12	¥ 75.04	¥ 52.99	¥ 92.93
Equity	235.81	292.88	350.10	471.05	534.90	519.51
Cash dividends applicable to the year	7.50	10.00	18.00	18.00	18.00	24.00
Dividend payout ratio	64.3%	35.1%	30.8%	23.9%	34.0%	25.8%

## Managing Indicators:

Return on Equity (ROE)	4.7%	10.8%	18.2%	18.4%	10.6%	17.6%
Return on Assets (ROA)	1.1%	2.6%	5.0%	5.5%	3.2%	5.2%
Return on Invested Capital (ROIC)	4.6%	5.8%	10.4%	7.5%	4.7%	7.8%
Debt-equity ratio (DER)	2.40	1.83	1.47	1.33	1.36	1.60
Shareholders' equity ratio	22.4%	26.0%	29.0%	30.6%	30.8%	27.9%

## Environment, Society, and Governance

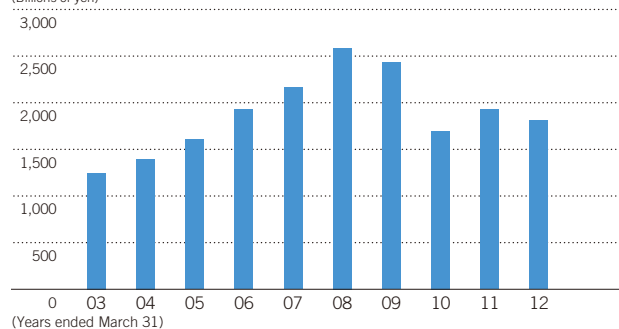
### (ESG) Data:

Number of employees	18,016	20,660	23,232	25,732	29,872	31,369
NYK fleet CO <sub>2</sub> emissions (ton thousands)	11,951	12,725	13,433	14,642	15,922	16,969
NYK fleet fuel consumption (ton thousands)	3,843	4,092	4,319	4,708	5,069	5,444

Notes: 1. U.S. dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing at March 31, 2012, which was ¥82.19 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.

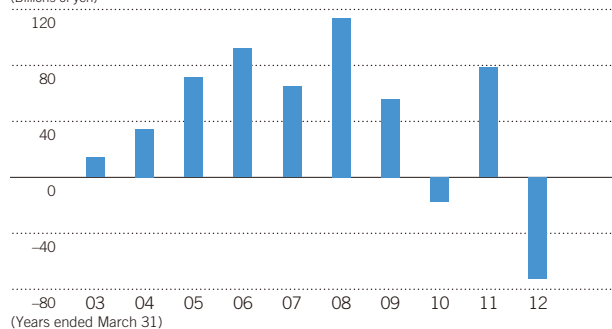
## Revenues

(Billions of yen)



## Net Income (Loss)

(Billions of yen)



## New Horizon 2010

## More Than Shipping 2013

	2009	2010	2011	2012
	¥2,429,972	¥1,697,342	¥1,929,169	¥1,807,819
	2,054,595	1,520,932	1,622,045	1,661,112
	230,463	194,504	184,777	170,831
	144,914	(18,094)	122,346	(24,124)
	140,814	(30,445)	114,165	(33,238)
	56,151	(17,447)	78,535	(72,820)
	417,555	237,969	278,570	309,288
	100,124	98,019	100,198	100,857
	2,071,270	2,207,163	2,126,812	2,122,234
	1,077,956	1,081,870	981,972	1,067,125
	544,121	661,232	684,627	579,342
	150,474	62,105	174,585	29,837
	(170,253)	(43,706)	(162,781)	(139,402)
	29,571	137,396	(100,161)	72,159

	2009	2010	2011	2012
	¥ 45.73	¥ (12.71)	¥ 46.27	¥ (42.92)
	443.16	389.46	403.46	341.54
	15.00	4.00	11.00	4.00
	32.8%	—	23.8%	—

	2009	2010	2011	2012
	9.5%	(2.9)%	11.7%	(11.5)%
	2.6%	(0.8)%	3.6%	(3.4)%
	5.9%	(0.4)%	4.6%	(0.6)%
	1.98	1.64	1.43	1.84
	26.3%	30.0%	32.2%	27.3%

	2009	2010	2011	2012
	29,834	31,660	28,361	28,498
	16,739	13,991	14,525	14,749
	5,373	4,491	4,662	4,734

Thousands of U.S. dollars

2012
\$21,995,617
20,210,642
2,078,496
(293,521)
(404,404)
(886,004)
3,763,087
1,227,128
25,821,078
12,983,643
7,048,816
363,025
(1,696,100)
877,955

U.S. dollars

\$(0.52)
4.16
0.05
—

## 2014 Targets

## Medium-Term Management Plan Targets

Revenues

¥2.13 trillion

Recurring profit

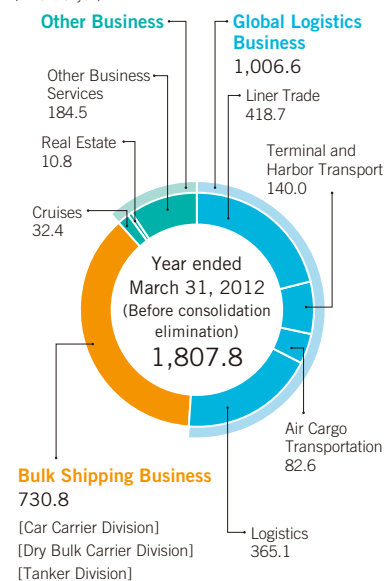
¥75 billion

Net income

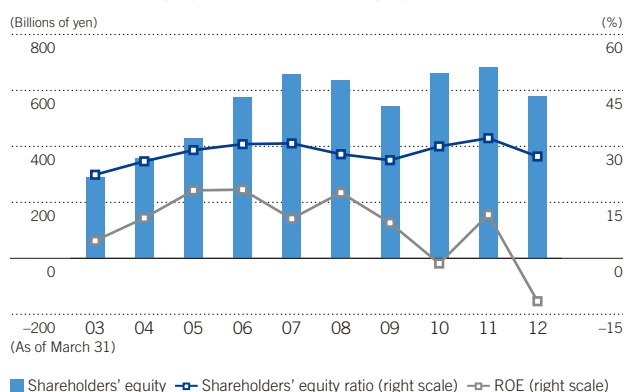
¥65 billion

## Revenues Breakdown

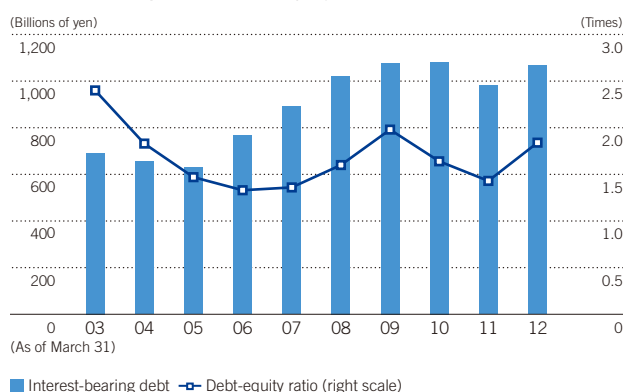
(Billions of yen)



## Shareholders' Equity / Shareholders' Equity Ratio / ROE



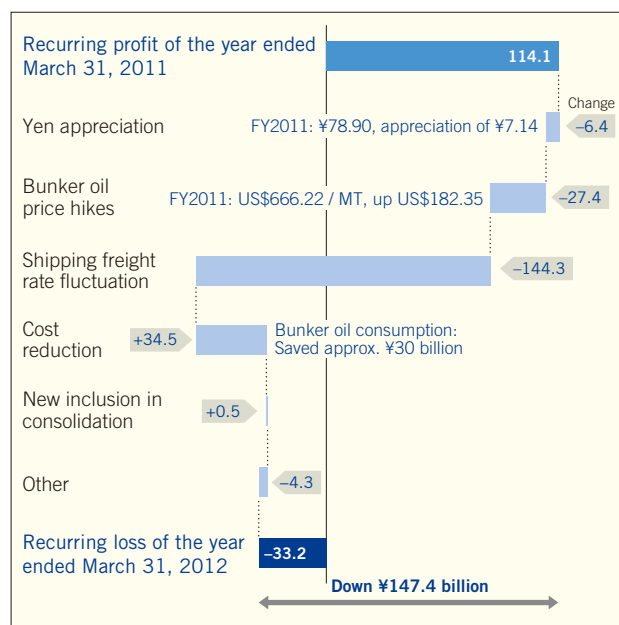
## Interest-bearing Debt / Debt-equity Ratio (DER)



# Fiscal 2011 Business Results Summary

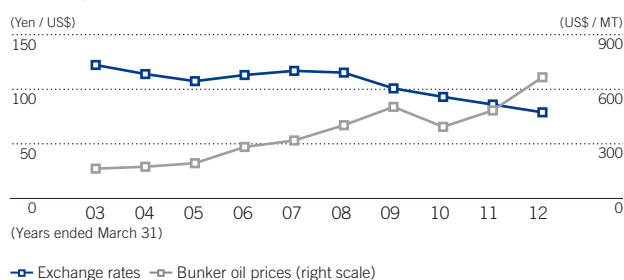
## Analysis of Changes in Recurring Profit and Loss

(Billions of yen)



In fiscal 2011, amid mounting uncertainty in the global economy, cargo movements for general cargo and finished automobiles declined due to the Great East Japan Earthquake and flooding in Thailand. Further, the liner trade business and the dry bulk division and tanker division of the bulk shipping business faced slumping freight rates, reflecting shipping capacity oversupply due to the completion of numerous new vessels. For fiscal 2011, the NYK Group incurred a recurring loss of ¥33.2 billion, compared with the previous fiscal year's recurring profit of ¥114.1 billion, because yen appreciation and bunker oil price hikes counteracted slow-steaming operations and a range of other cost reduction measures.

## Exchange Rates / Bunker Oil Prices



## Current Fiscal Year Business Results Outlook

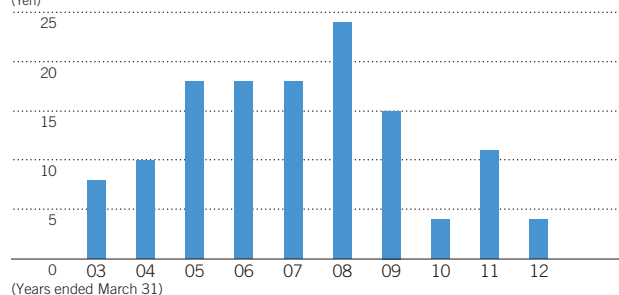
(Billions of yen)

	Year ended March 31, 2012			Year ending March 31, 2013			Full-year change
	1st Half	2nd Half	Full-year	1st Half	2nd Half	Full-year	
Revenues	911.1	896.6	1,807.8	995.0	1,005.0	2,000.0	192.1
Operating income (loss)	-9.6	-14.4	-24.1	22.0	28.0	50.0	74.1
Recurring profit (loss)	-15.1	-18.1	-33.2	17.0	23.0	40.0	73.2
Net income (loss)	-12.0	-60.7	-72.8	10.0	13.0	23.0	95.8
Average exchange rates	¥80.24	¥77.56	¥78.90	¥80.00	¥80.00	¥80.00	Yen up ¥1.10
Average bunker oil prices	\$642.01	\$690.43	\$666.22	\$730.00	\$730.00	\$730.00	Price up \$63.78

In the liner trade business, although freight rates are currently trending toward recovery, we will continue reducing cost across the board. In the bulk shipping business, the automobile transportation business is likely to see an upturn in automobile transportation volume as it recovers from the effect of natural disasters. In the energy transportation business, freight rates for oil tankers are picking up, and demand for LNG carriers is solid. Having reorganized, the logistics business aims to capture robust cargo movements in Asia and grow earnings steadily. As a result, we expect business results will improve significantly in fiscal 2012.

## Dividends per Share

(Yen)



We determine dividends in light of comprehensive consideration of our basic policy of realizing a consolidated payout ratio of 25%, maintaining internal reserves at levels capable of withstanding freight rate fluctuations, and the business results outlook. Because we expect better business results in fiscal 2012 as business conditions for shipping improve, despite incurring a net loss, we decided to pay an annual dividend of ¥4 per share for fiscal 2011.

# Management's Message

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## Containership



### Supporting Everyday Life through One of the World's Largest Shipping Route Networks

Containerships transport a wide selection of goods essential for our daily lives, such as food, commodities, and consumer electronics. The transportation of goods is expected to continue rising as emerging economies and the global population grow. The NYK Group will cater to increasing transportation demand through one of the world's largest shipping route networks and the rigorously customized services it provides globally.





# Our President's Statements

"For the NYK Group, being just a shipping company is not enough.  
We will survive in the logistics industry by providing customers not only with shipping  
but also high-value-added solutions satisfying their needs."

*April 2011, fiscal 2011 initiation ceremony for new employees*

"We are a shipping company, but our ambition is to become a provider of high-value-added services  
as well as traditional shipping. This lies at the heart of our differentiation strategy."

*April 2011, The Japan Maritime Daily*

"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."

*June 2011, Annual Report*

"Before the collapse of Lehman Brothers, whether or not you had vessels determined whether you won  
or lost. I think companies that timed their development of vessels well and secured large earnings from  
2003 onward did well. However, this was not a new approach to business—it was based on an existing  
paradigm. Because anyone is able to do this readily, the result is commoditization. In this situation,  
the only way to make a profit is through an oligopoly. But this is difficult."

*September 2011, Kaiji Press*

"Rather than trying to secure huge earnings on the upside of demand fluctuation, in other words when  
container freight rates are high, the NYK Group is aiming to create an organization that,  
as far as possible, avoids going into the red during downturns."

*December 2011, The Japan Maritime Daily*



# on “The Route to Growth”

“Being part of the fast-growing Asian region is an opportunity for Japan.”

*January 2012, company opening ceremony, [The Sankei Shimbun](#)*

“In fiscal 2012, our first priority is moving back into the black.”

*January 2012, [Nikkei Sangyo Shimbun](#)*

“We will compensate for the tough conditions the containership operations are facing by creating earnings through the logistics business, which carries cargo to ports and from ports to destinations.

In particular, we intend to focus efforts on Asia and its growing demand.”

“This year is the second year of the medium-term management plan, and we need to produce results. Our efforts will be founded on integrity, innovation, and intensity. By this I mean human abilities.

If we can hone our human abilities and gather together human abilities from around the world, we will be able to achieve great success.”

*January 2012, [Nikkan Kogyo Shimbun](#)*

“There were some trying events in 2011. Tough business conditions have persisted into the beginning of this year. However, the goal we must pursue remains constant. Let’s do our utmost to move forward positively.”

*January 2012 edition of NYK Group newsletter, [Yusen](#)*

“Going forward, oil field development will center on deepwater sea areas.

We are stepping up our operations for shuttle tankers—which moored at sea load oil from offshore storage bases, transport it to onshore oil refining bases, and then return—as well as for drillships.”

*February 2012, [The Sankei Shimbun](#)*

## To All of Our Stakeholders



# The Direction of Our Business Management Remains Constant

The global shipping industry is currently facing major challenges related to oversupply of tonnage and high bunker oil prices. Additionally, the Japanese shipping industry is facing problems with yen appreciation. Some claim shipping lacks potential going forward due to structural recession. Judging solely on the deficit we recorded for fiscal 2011, which ended March 31, 2012, this may seem the obvious conclusion.

Despite such factors, I am by no means pessimistic about current business conditions or the shipping industry's future. Certainly the market does not have the momentum it once had, but I think this is because it is in the process of returning to its normal state.

Further, recent business conditions have underscored that NYK Group is proceeding in the correct strategic direction under our "More Than Shipping 2013" medium-term management plan.

That market fluctuations affect the shipping industry significantly is a fact. In the NYK Group, we are not aiming for business management that seeks to exploit peaks and troughs in the market to generate earnings. Instead, our business management policy is to realize stable earnings by consistently providing customers with a variety of services that add value to our shipping activities in a wide range of areas, including logistics and air cargo transportation. In shipping, we capitalize on outstanding physical infrastructure, operational assets and personnel to continue accumulating long-term contracts that bring steady earnings. The NYK Group's basic strategy is to react deftly to market changes while bringing unique strengths to bear. Although business conditions have changed dramatically since we launched the medium-term management plan in April 2011, the two critical tasks of our business management remain unchanged—generating stable earnings and curbing fluctuation risk.

In the following pages, I explain my approach and how I see the NYK Group's outlook in more detail.

June 2012



Yasumi Kudo  
President

## Business Conditions

## The Environment Is Far from Unfavorable

Undoubtedly, conditions in the shipping industry have transformed when compared with the booming market between 2003 and 2008. However, the shift to present market conditions is only a return to normal levels. The previous soaring market levels were abnormal. Therefore, I do not agree with suggestions that the shipping industry is in recession.

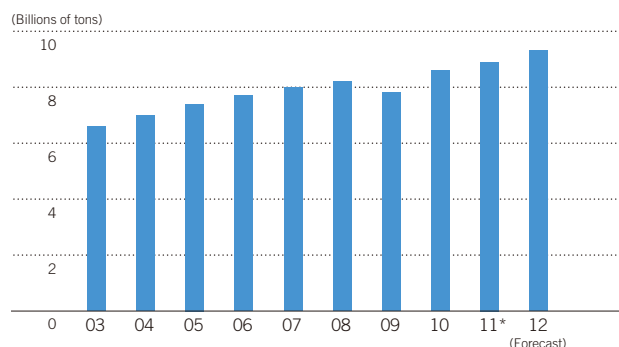
At the time, one of the drivers of the boom was excessive consumption among Western countries. The wealth effect, a byproduct of rising U.S. house prices and undisciplined fiscal spending in Europe, led to consumption on an unprecedented scale. Such excessive consumption was unsustainable, and the counteraction appeared in the form of the 2008 collapse of Lehman Brothers. In the shipping industry, because companies had been providing more shipping capacity to deal with the excessive consumption, this counteraction naturally gave rise to an oversupply of capacity. Ships take several years to complete, so we cannot suddenly halt their construction. Consequently, the gap between supply and demand widened even further.

The widening gap caused freight rates to fall significantly, and inevitably shipping companies' business results worsened. On the other hand, excessive consumption was in some respects "useful" because it created new demand.

It generated new demand in China and other emerging Asian countries that enabled the West's excessive consumption. These countries grew their gross domestic product (GDP) by increasing exports to the West. In turn, higher GDP ignited consumption in Asia. Consequently, demand for such resources as iron ore and crude oil rose steeply in China and other countries, and their import volumes increased substantially. To cater for their surging domestic demand, Asian countries' resource imports are unlikely to fall below a certain level. Despite Western economies having fallen back, due to the growth of economies in Asia, there has been a steady rise in global demand compared with the period before 2003. Our research shows that international shipping volume worldwide grew from 7.4 billion tons in 2005 to 8.9 billion (preliminary figures) tons in 2011. Although I do not expect a repeat of the boom that the bulk carrier market saw between 2003 and 2008, I think the business conditions we are facing now are by no means unfavorable.



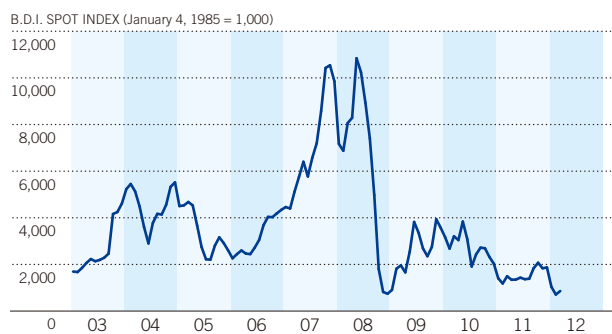
International Shipping Volume



Source: Clarkson Research Services

\* Preliminary figures

Dry Bulk Freight Rate Index



Baltic Dry Index (BDI) monthly average

## Fiscal 2011 Business Results

## Non-Shipping Businesses Create Stable Earnings

For fiscal 2011, the NYK Group recorded a ¥121.3 billion year-on-year decline in revenues, to ¥1,807.8 billion, and a recurring loss of ¥33.2 billion, compared with the previous fiscal year's recurring profit of ¥114.1 billion.

In response to the spike in demand between 2003 and 2008, as mentioned above, the NYK Group developed its fleet. However, demand decreased rapidly, the gap between supply and demand widened, and as a result profitability worsened across the board, centered on vessels that had been generating high earnings carrying iron ore or crude oil. In particular, its susceptibility to market conditions severely affected the performance of the containership business, which recognized a recurring loss of ¥44.7 billion. Meanwhile, different factors have been affecting the car transportation business significantly. After the collapse of Lehman Brothers, demand fell drastically for a time but then rebounded rapidly. But natural disasters such as the Great East Japan Earthquake and flooding in Thailand had a negative impact. Sluggish cargo movements reflected supply-side problems due to the stagnation of manufacturing hit hard by the disasters. However, since demand itself is stable, we believe we can secure earnings continuously as automakers' manufacturing systems recover fully.

In contrast to the hard-pressed shipping division, the logistics business has been expanding its operations. However, cargo volume did not increase as much as we had hoped due to lackluster cargo movements worldwide. Nevertheless, this division generated earnings steadily, posting a 19.6% year-on-year increase in recurring profit, to ¥9.2 billion. Also, the air cargo transportation business achieved recurring profit of ¥3.3 billion thanks to ongoing cost reduction, which counteracted the division's susceptibility to market conditions. As minimizing the effect of market fluctuations on the shipping business and building a stable earnings foundation is one of our key goals, I am particularly pleased that, when the shipping business faced tough conditions, our non-shipping businesses posted profits.

## Business Management Policy in Light of Business Conditions

## Our Direction Is Unwavering

Changes in business conditions have proved a good opportunity to vindicate the strategies set out in the medium-term management plan. Amid advancing commoditization, securing earnings based only on vessels that are caught up in price competition is extremely difficult. More than ever I am certain that the way to prevail in the shipping industry and heighten corporate value is through a strategy of providing value-added differentiated services. Despite challenging conditions that the shipping business is facing, we are generating the stable earnings we aimed for by exploiting technological capabilities in the energy transportation business and developing the logistics business. To create stable earnings, we must curb losses. "More Than Shipping 2013" calls on us to mitigate business result fluctuations and pursue long-term stability. Our direction going forward is clear and absolutely unwavering.

### More Than Shipping

This 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 a unique shipping company.

## We Are Progressing Steadily on Two Key Fronts

Next, I would like to focus on how we are tackling two critical tasks—generating stable earnings and curbing fluctuation risk.

### 1. Generating Stable Earnings: Cementing the Foundations of Businesses with Stable Freight Rates

The 2011 annual report focused on businesses with stable freight rates as an area on which we want to concentrate particular effort. By “businesses with stable freight rates,” we mean the logistics business in the global market and the car transportation business and businesses with long-term contracts in the bulk shipping business. One of the priority strategies of the medium-term management plan is to acquire the majority of our earnings from businesses with stable freight rates. In fiscal 2011—the plan’s first year—we focused on cementing foundations with a view to secure earnings.

Although handling the same cargo type as the containership business, for which earnings are extremely volatile, the logistics business by contrast promises stable earnings. One of our efforts, focused on expansion, was the establishment of Yusen Logistics Co. Ltd. (YLK) by integrating former NYK Logistics companies and former company Yusen Air & Sea Service Co. Ltd. (YAS). After relaunching under a new format in 2010, YLK—which provides one-stop services encompassing ocean forwarding, air forwarding, and other NYK Group logistics businesses—reorganized and integrated bases in Japan and overseas to establish lean operational foundations that will support us to have dramatic advantage. This integration has widened our menu of services and taken our overall capabilities to a new level, attracting the interest of potential customers. A conspicuous increase in requests for bid submissions from shippers testifies to the benefits these changes are producing. Now that we have finished consolidating our foundations through these efforts, the future promises great leaps forward.

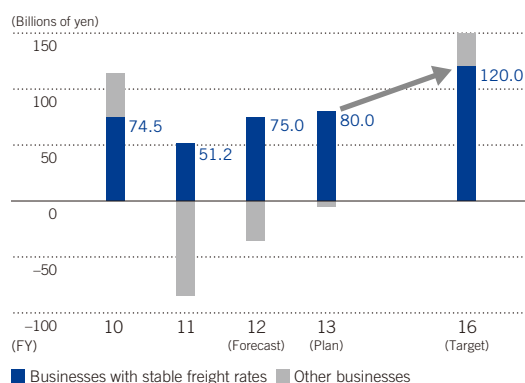
Meanwhile, we are steadily building up long-term contracts in the bulk shipping business, principally within LNG transportation and the shuttle tanker businesses. The latter transports oil from offshore installations to onshore facilities. As long-term contracts materialize in stages, at this juncture, businesses with stable freight rates, including the logistics and the car transportation businesses, can expect a recurring profit of approximately ¥75 billion for fiscal 2012 and ¥80 billion for fiscal 2013.

The logistics business has finished reinforcing its foundations, and the bulk shipping



**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.

Businesses with Stable Freight Rates  
—Recurring Profit



Logistics Business—Business Results

	FY2010 (result)	FY2011 (result)	FY2012 (forecast)
Revenues (Billions of yen)	390.9	365.1	397.0
Recurring profit (Billions of yen)	7.7	9.2	11.0

Forwarding, cargo handling volume

	FY2010 (result)	FY2011 (result)	FY2012 (forecast)	FY2013 (target)
Ocean forwarding (TEU 10,000)	42	45	64	100
Air forwarding (Ton 10,000)	34	35	42	50

business is steadily building up long-term contracts. Looking at our progress to date, I believe that our ¥120 billion target for recurring profit from businesses with stable freight rates is well within reach.

## 2. Curbing Business Result Fluctuation: Building a Format that Avoids Deficits during Downturns

While capturing growing cargo movements through multifaceted initiatives, we are taking steps to curb market fluctuation risk. One example is our efforts to move toward a light-asset business model in our containership business. As the consumer goods the containership business handles have short lifecycles, it tends to be a “spot” business where long-term contracts are few. Consequently, demand in this area is extremely volatile. How can one achieve stability in such an environment? We came to the conclusion that conditions affect us because we own vessels, and that we should, therefore, reduce the number of owned vessels. This approach entails minimizing our core fleet, which incurs fixed cost, and using short-term chartered vessels to cope with demand fluctuations. If market conditions deteriorate, we can return short-term chartered vessels to their owners. Of course, during freight rate upturns short-term chartered vessels become relatively expensive and diminish earnings. However, rather than maximizing earnings when the market is booming, avoiding moving into the red during market slumps is more important.

In accordance with the investment program in the medium-term management plan, we have curbed orders for new containerships and are steadily reducing our owned fleet.

Furthermore, in the bulk shipping business some Capesize bulk carriers that transport iron ore and product tankers that carry naphtha and other petroleum products are free vessels, prone to the effect of demand trends at any given time. As the current widening gap between supply and demand is creating a surplus of free vessels, we disposed of them through sale and scrap.

Chartered vessels  
Vessels chartered (leased) from other companies

## Moving Back into the Black Is Our Biggest Task for Fiscal 2012

I view returning to the black as our first-priority mission for fiscal 2012. The key measures to regaining profitability will be expanding well performing businesses with stable freight rates and rebuilding the liner trade business. Businesses with stable freight rates are already meeting with a very positive response, and we will continue pursuing further earnings growth in this area.

In the liner trade business, plans call for moving further toward a light-asset business model to create a format resistant to downside risk. Accordingly, over the coming three years we intend to reduce containership assets, including chartered vessel liabilities, by around ¥100 billion. Moreover, from March 2012 we expanded joint operations on European routes. Also, we implemented joint operations with other companies for routes to North America, South America, and Asia and introduced larger vessels. We estimate that the resulting rationalization benefits, stemming from reorganization of calling ports and lower fuel cost, will significantly surpass ¥10 billion and enable us to shrink recurring loss to approximately ¥3 billion.

In the bulk shipping business, shipping cargo movements for iron ore and other cargoes as well as freight rates are likely to pick up going forward. At the same time, thanks to the sale of vessels and the cancelation of chartered vessels in fiscal 2011, we will likely see the



benefits of fleet rationalization. Also, overcoming the stagnation stemming from the Great East Japan Earthquake and flooding in Thailand, transportation of finished automobiles will return to normal levels.

As a result, we expect to post revenues of ¥2,000 billion and recurring profit of ¥40 billion for fiscal 2012.

### Investment Strategy

## Rigorously Select Divisions for Investment, Advance Cautiously

Regarding new investment in fiscal 2012 and fiscal 2013, prevailing business conditions will force us to move forward cautiously. However, based on strict selection criteria, we will invest decisively in projects that promise long-term stable earnings, such as LNG carriers, shuttle tankers, and car carriers. Fiscal 2014 onward will see a decline in the number of predetermined investments. At that juncture we will explore new investments.

We will present the outlook for investment at the announcement of our investment plan in July.

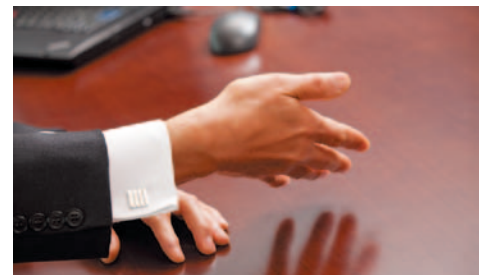
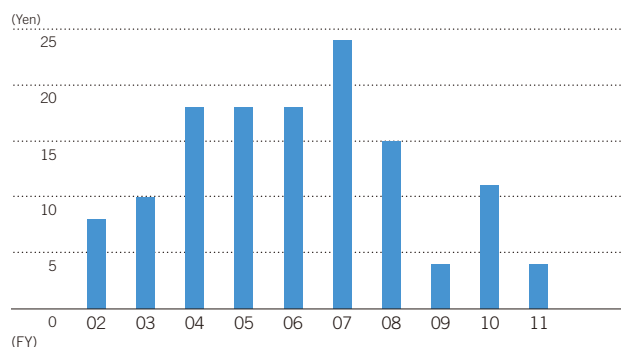
### Returns to Shareholders

## Consolidated Payout Ratio of 25% and Stable Dividends

Our basic policy for returns to shareholders is to realize a consolidated payout ratio of 25% and stable dividends. Mindful of this policy, we decided to pay a dividend of ¥4.00 per share, despite the deficit recorded for fiscal 2011.

I fully understand that shareholders expect dividends. However, because logistics is an industry that is growing proportionally to population increases and operates in a global market, there are many investments the NYK Group needs to make in this area as well as in the offshore business and LNG transportation business areas. As long as we have investment candidates worth considering, we want to invest internal reserves actively and thereby increase corporate value. I would like our shareholders to understand that for the time being we are targeting a consolidated payout ratio of 25%.

Dividends per Share



## To Our Stakeholders

## Pursuing Stability Will Heighten the NYK Group's Corporate Value

Some are of the opinion that we should withdraw from businesses where freight rates impact significantly and which continue to record deficits, such as the liner trade business. However, my view is different. I believe that logistics businesses are the blood of a global economy and a part of society's infrastructure. Therefore, I think it is the natural responsibility of shipping companies participating in the global market to provide a variety of services to numerous customers at home and abroad so that the world's economic activities do not stagnate. Because the services it provides support the global economy, the NYK Group's business activities fulfill a corporate social responsibility.

However, we cannot provide diverse services stably without unshakable business foundations. Therefore, the medium-term management plan's strategy corresponds with a key goal of our basic CSR policy. In other words, the strategy of steadily accumulating earnings and minimizing various fluctuation risks fulfills our CSR policy by supporting the global economy. Bearing this in mind, I am sure building stable foundations for earnings as well as stable foundations for services is the best way to enhance our corporate value over the long term.

As I have said before, we are a shipping company, but we cannot survive based on shipping alone. This is self-evident if we look at present business conditions. Our mission and target is to be a company that is consciously engaged in the logistics business and which expertly combines vessels, warehouses, trucks, and aircraft to provide services and solutions tailored to customers' logistics needs. We can win in today's competitive market by contributing to customers' operations in all logistics areas, not just shipping. As the president of a group with approximately 50,000 employees, I am determined to lead the entire NYK Group forcefully and steadily toward achieving the medium-term management plan and enhancing corporate and shareholder value.

On behalf of the NYK Group, I would like to ask our shareholders and other stakeholders for their continued support and understanding.



## Q&A Four Questions for the NYK Group's President Yasumi Kudo

### Q1 Is the strong yen negatively affecting the NYK Group?

**A** The NYK Group records approximately 30% of revenues in Japan and approximately 70% internationally. Because U.S. dollars account for the majority of revenue from international shipping, yen appreciation does not affect profitability as much as it used to. Appreciation of one yen against the U.S. dollar means an approximate ¥0.9 billion decline in recurring profit. For fiscal 2011, yen appreciation had a ¥6.4 billion negative effect on recurring profit. Rather the degree to which the strong yen is affecting Japan's export industries, such as automakers, and air cargo levels is more of a cause for concern.

As a specific yen appreciation countermeasure, for revenue denominated in U.S. dollars we are advancing the conversion of cost into U.S. dollars. We are approaching a reasonable balance, with 70% of revenues generated internationally and 60% of cost denominated in U.S. dollars.

### Q2 How will you deal with the hike in bunker oil prices?

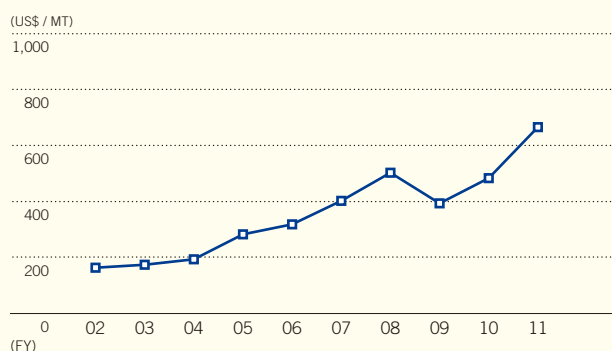
**A** Every increase of US\$1/MT translates roughly into a ¥150 million decrease in recurring profit. For fiscal 2011, the bunker oil price rose US\$182.35 year on year, to US\$666.22, which had a negative impact of about ¥27.4 billion. For some time now, we have been offsetting high bunker oil prices through slow-steaming operations. Generally speaking, reducing the steaming speed of 8,000 TEU (twenty-foot equivalent unit) containerships by 20% more than halves fuel consumption volume. This allows us to cut fuel cost per day by about 50%, from ¥20 million to ¥10 million.

Although high bunker fuel prices are a difficult problem, they also represent an opportunity, because we can differentiate ourselves from competitors through efforts to save fuel. One such initiative is the Innovative Bunker and Idle-time Saving (IBIS) Project, tasked with realizing optimized and extremely economic vessel operations through the exchange of a variety of real-time information about vessel operations between operations onshore and vessels. (Please see page 42 for details.) By taking advantage of an original website—i.e., the NYK IBIS Portal—developed under the auspices of this project, we are pursuing further reductions in fuel consumption volume.

Crew members, with operational experience, and divisions that manage vessel operations onshore are carrying



Bunker Oil Price (annual average)



out painstaking strategies to reduce fuel cost. On paper this may seem straightforward but the technical support of crew members is essential to realize these strategies. We cannot implement them simply by setting up a cooperative system. This is where the integrity and diligence of each employee comes to the fore. Fuel cost accounts for the "lion's share" of operating cost. Therefore, if we can reduce it, we can look forward to significant improvements in profitability.

### Q3 How will you secure and develop personnel able to tackle and solve customers' global logistics problems?

**A** Our differentiation strategy basically involves identifying customers' needs, deploying assets efficiently, and offering low-cost, high-quality services. Recently, I have stressed repeatedly that our staff (personnel) are pivotal to realizing such differentiation. This is because only they have the crucial ability to draw on assets and thereby provide high-value-added solutions that solve customers' logistics problems.

Also, if we are to increase our business lines, securing and developing world-class personnel is key. Appointing only Japanese personnel is not enough, so we need to hire talented non-Japanese personnel continuously. To this end, our human resources division is developing training programs for non-Japanese employees. I want our Japanese employees to bridge differences by explaining to non-Japanese personnel how we work at the NYK Group while instilling in them the NYK Group Values: *integrity*, *innovation*, and *intensity*.

### Q4 Recent years have seen the NYK Group increasingly invest in strong business partners and participate in joint projects more. What is your basic strategy for business partners?

**A** We do our utmost to build win-win relationships with partners with whom we have values in common. For example, the fact that both parties emphasize long-term relationships with customers was a decisive factor when we took a stake in the shuttle tanker operator Knutsen Offshore Tankers ASA, now Knutsen NYK Offshore Tankers AS (KNOT). I think this relationship remains favorable because the experience we have garnered in the offshore business enables us to better appreciate KNOT's technological capabilities. Further, when KNOT orders new vessels, we believe we are able to leverage the established relationships we have with shipyards to get vessels completed more efficiently than KNOT would be able to on its own. In addition, together we can establish projects that we would not have been able to invest in alone. I believe that building win-win relationships in this way while respecting each other's business philosophy is of the utmost importance.



The KNOT management team  
(from left) Svein Steimler, chairman; Trygve Seglem, president and CEO; Toshi Nakamura, executive vice-president (seconded from the NYK Group)

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# A Message from the Chief Financial Officer



## “Balance” is the key word for business plans and financial strategy

### Kenji Mizushima

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

### Recurring Profit and Loss

For fiscal 2011, ended March 31, 2012, the Company unfortunately saw deterioration in business results, with a year-on-year decrease of ¥121.3 billion in revenues, to ¥1,807.8 billion, and recurring loss of ¥33.2 billion, compared with a recurring profit of ¥114.1 billion for the previous fiscal year. These declines were mainly attributable to the challenging business conditions that the liner trade business faced. The liner trade business recognized a recurring loss of ¥44.7 billion, compared with the previous fiscal year's recurring profit of ¥30.2 billion, due to bunker oil price hikes at a time when freight rates for the core liner trade were slumping as a result of oversupply. Similarly, falling freight rates due to oversupply and sluggish cargo movements because of the Great East Japan Earthquake and flooding in Thailand

significantly affected the recurring profit and loss of certain businesses operating other types of vessels.

Fiscal 2011's recurring loss—in a comparison with the previous fiscal year's recurring profit—mainly resulted from two significant factors: the ¥27.4 billion negative effect of bunker oil price hikes and the ¥144.3 billion negative effect of changing conditions in the shipping market. We have reduced cost across a variety of areas to counter risk associated with these changing conditions in the shipping market. Unfortunately, these measures were unable to fully absorb a larger-than-expected downturn in market prices.

Furthermore, the majority of cost reduction measures entailed reducing bunker oil consumption volume through slow-steaming operations, which led to a benefit of approximately ¥30 billion. This saving combined with reductions in

### Recurring Profit (Loss) by Segment

(Billions of yen)

	FY2010	FY2011	Increase / decrease	FY2012 (forecast)
Global logistics business				
Liner trade	30.2	-44.7	-75.0	-3.0
Terminal and harbor transport	6.6	7.7	1.0	7.0
Air cargo transportation	7.8	3.3	-4.4	1.0
Logistics	7.7	9.2	1.5	11.0
(Total)	52.5	-24.3	-76.8	16.0
Bulk shipping business	60.4	-7.7	-68.1	20.0
Other business				
Cruises	-2.6	-5.8	-3.1	0.5
Real estate	4.3	3.9	-0.4	3.7
Other business services	-0.4	0.8	1.2	-0.2
Consolidated recurring profit (loss)	114.1	-33.2	-147.4	40.0

### Analysis of Changes in Recurring Profit (Loss) of FY2011

(Billions of yen)

	Change year on year	
Yen appreciation	-6.4	FY2011: ¥78.90, appreciation of ¥7.14
Bunker oil price hikes	-27.4	FY2011: US\$666.22/MT, up US\$182.35
Shipping freight rate fluctuation	-144.3	
Cost reduction	34.5	Bunker oil consumption: Saved approx. ¥30 billion
New inclusion in consolidation	0.5	
Other	-4.3	
Total	-147.4	

selling, general and administrative expenses and variable expenses in the liner trade business to give a total cost reduction of ¥34.5 billion.

## Fiscal 2012 Business Results Outlook

For fiscal 2012, we have a strong sense of crisis based on the fact that we absolutely must move into the black.

Even if they recover slightly going forward, freight rates are unlikely to see a marked recovery. Nevertheless, we plan to achieve profitability through further cost reductions and contributions to business results from businesses with stable freight rates, which we are focusing on expanding under the medium-term management plan.

For the liner trade business, which was the main cause of our deficit for fiscal 2011, we aim to balance income and expenditures as far as possible and thereby minimize the deficit. Although freight rates are picking up gradually, we plan to eliminate most of the deficit through cost reduction. Some may wonder if there is any scope left for further cost reduction. I believe additional cost reduction is more than realizable through drastic rationalization, such as route reorganization under new alliances. (Please see Global Logistics Business on page 40 for details.)

Meanwhile, in the bulk shipping business, which is expected to see an improvement in freight rates, we decided to revise the depreciation periods of oil tankers and LNG carriers. Until now, the NYK Group has depreciated vessels more rapidly than the shipping industry average. However, we intend to return depreciation to standard industry levels. Lowering the depreciation burden for each year will heighten cost competitiveness, which will create new business opportunities.

Furthermore, corporate divisions will play an important role in efforts to move into the black. One contribution will be the 3M\* Elimination Project. There is a limit to the cost reduction achievable through efforts to lower travel expenses and entertainment expenses that we are already implementing. Realizing more significant benefits requires structural reform. Leading this reform, the 3M Elimination Project comprises two main categories. Under the first category, we will launch project teams tasked with tackling specific cross-divisional issues that individual divisions are unable to resolve alone. Initially, we will identify important issues and cross-divisional issues and set out targets. For each target, we will establish a subcommittee under the direct control of the president. Then we will appoint a leader for each project, which will advance operational improvements through its cross-divisional team. Operations related to vessels under management, identified as a target for fiscal

2012, are fragmented among many related divisions and overlap in some places. With this in mind, we intend to explore how to make these operations more visible and efficient.

The second category of the project will focus on the individual operations of each division. Each division will list its earnings-related and organizational issues and then identify those it should tackle. Individual divisions, under the leadership of their chief executives, will decide timeframes and promote operational improvement. Divisions will establish subcommittees under the direct control of their chief executives, who will report on progress to the Executive Committee for Strategic Management.

Although fiscal 2012 business results will not immediately reflect the benefits of all these initiatives, we expect they will enable us to post recurring profit of ¥40 billion for fiscal 2012. Of this amount, we aim to increase recurring profit from businesses with stable freight rates by ¥23.8 billion, compared with fiscal 2011's ¥51.2 billion, to ¥75.0 billion. As for other divisions, we expect to reduce fiscal 2011's recurring loss of ¥84.4 billion by approximately ¥50 billion, to recurring loss of ¥35 billion.

\* This stands for *muda*, *mura*, and *muri*, which is Japanese for wastefulness, irregularity, and unreasonableness.

## Progress of Investment Plan

Announced last year, the medium-term management plan called for investment of ¥1.8 trillion over the six years from fiscal 2011 to fiscal 2016. However, we are currently revising this investment plan as the business results of fiscal 2011 were significantly below expectations. We are currently analyzing the specific breakdown of investments for the revised investment plan, which we should be announcing in July 2012. The overall thrust of the revision is to select projects for investment rigorously based on the four strategic pillars set out in the medium-term management plan while curbing the total capital we invest.

Moreover, we want to maintain our investment policy to date of ensuring investment cash flows are commensurate with operating cash flows. Nevertheless, because some investments target long-term returns, it is not possible to cover all investments using the operating cash flows of one year. Therefore, we will raise funds required through a combination of bank loans, fund raising from the market, and off-balance sheet allocations.

### Financial Position

In light of business result fluctuation risk in the shipping industry, we believe that simultaneously investing in growth while strengthening our financial position is indispensable. Accordingly, our basic financial strategy focuses on maintaining sustainable levels of debt. However, interest-bearing debt at the end of fiscal 2011 amounted to ¥1,067.1 billion, up ¥85.2 billion from the previous fiscal year-end. Meanwhile, due to the deficit, at the end of fiscal 2011 shareholders' equity was down ¥105.3 billion, and the debt-equity ratio (DER) was 1.84 times, up from 1.43 times at the previous fiscal year-end. We would like to improve DER by reducing interest-bearing debt and increasing shareholders' equity. However, given business conditions and operating cash flows, interest-bearing debt is likely to rise, even if we select projects for investment stringently. We plan to present the outlook for our financial position going forward at the July announcement.

### Financial Policy Going Forward

Under the basic policy of maintaining sustainable levels of debt set out in fiscal 2011, the finance division is presently advancing three measures: using PDCA (plan-do-check-act) cycles to strengthen balance sheet management, strengthening central finance functions, and advancing the conversion of cost into U.S. dollars. Rather than generating short-term results, we aim to realize long-term improvements through these measures. Regardless of income and expenditure trends, we intend to resolutely continue measures aimed at reinforcing our financial foundations.

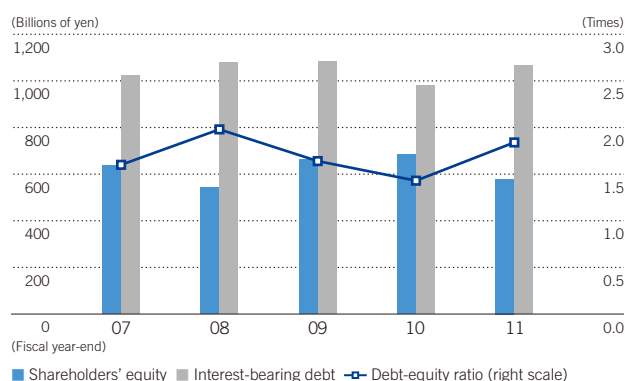
The key word for fiscal 2012 is "balance." Ultimately, financial strategy is a tool for realizing business plans. However, we should not automatically approve every business plan. If, based on consideration of overall balance, we identify a threat to the NYK Group's financial soundness, we will firmly ask for plans to be changed. Having said that, we intend to positively consider plans targeting growth opportunities, even if it means



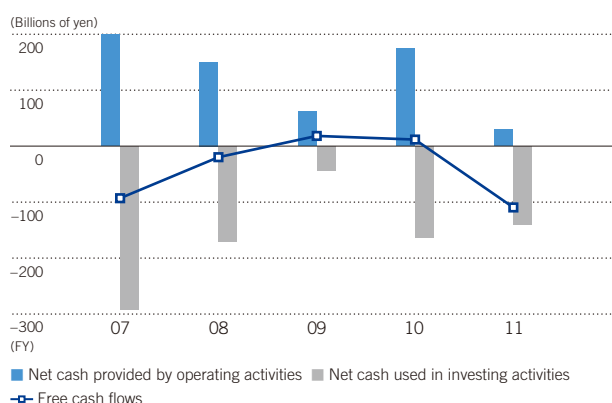
stretching our capabilities slightly. Consequently, I think a modest increase in interest-bearing debt is to some extent unavoidable. Here, again, balance is important.

Allocating management resources in a well-balanced manner is extremely difficult. If a business we invest in succeeds, this is beneficial. But an investment must not become a future burden. On the other hand, we must not be left behind by the market because we have not taken action. To minimize such risks, intensifying communication within the NYK Group is important. Having previously been the executive responsible for the liner trade business, I became chief financial officer in April 2012. This has made me more aware of the need to intensify personnel exchanges between sales divisions and corporate divisions, not only at the executive management level but among group general managers in the next managerial tier. For example, when finance managers explain to financial institutions how we plan to use capital, if they are unable to make presentations effectively highlighting the potential of the businesses we want to invest in, raising funds will be difficult. If we can hone such capabilities in our sales divisions, it will be a significant advantage for the NYK Group and its personnel. Sales divisions must understand that they need the support of corporate divisions to advance their businesses. I am confident that achieving mutual understanding among sales divisions and corporate divisions as well as among sales divisions will enable us to overcome challenging conditions. Having transferred from a sales division to a corporate division, I feel that developing in-house structures to facilitate such understanding is my mission.

Financial Position



Cash Flows





# Taking on the Challenge of Stabilizing Earnings

Reporting on Our Progress under the Medium-Term Management Plan  
“More Than Shipping 2013”

Special Feature: Taking on the Challenge of Stabilizing Earnings



Based on the philosophy set out in its medium-term management plan “More Than Shipping 2013,” the NYK Group is going beyond the shipping industry’s traditional boundaries by pursuing a high-value-added strategy. Through this strategy, we are building up stable earnings so that we can grow further even in volatile business conditions. To develop the mainstays of these stable earnings, we concentrated particular effort on businesses with stable freight rates during fiscal 2011, the first year of the medium-term management plan. This special feature focuses on how we are developing such businesses to offset freight rate fluctuations.



Business with Stable Freight Rates: Logistics Business

# Creating New Business Opportunities through Integration

## Reorganizing the Logistics Business

The medium-term management plan “More Than Shipping 2013” calls on us to tap into the swelling demand for container cargo, particularly in Asia. To this end, we are leveraging our logistics business to capture cargo movements likely to pick up as markets grow. While increasing overall lifting volume, our aim is to reduce our exposure to freight rate fluctuation risk. Therefore, although we will continue capturing cargo movement directly as a shipping company, we intend to reduce owned and long-term chartered vessels as a percentage of our overall operating fleet. At the same

time, we will strengthen forwarding in the logistics business. Containership operations are prone to service commoditization and price competition. With this in mind, we intend to differentiate these operations from those of competitors by providing an extensive menu of additional services, including customs clearance, ocean and air forwarding, warehousing, and distribution. This is one of the differentiation strategies embodying the philosophy of

**To be the first choice of customers, we had to broaden the scope of our service menu.**

“More Than Shipping 2013.” However, no matter how much we succeed in differentiation or heighten competitiveness, ultimately we need customers to choose us.

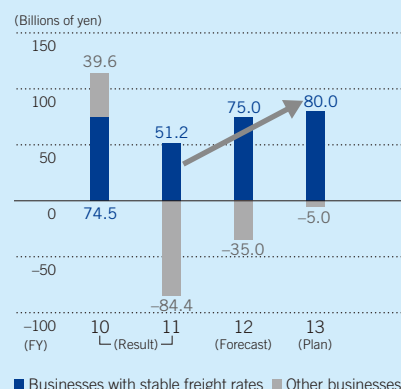
To cater to customers’ diversifying needs, we realized that we had to widen the scope of our menu of services in relation to capturing cargo movement directly in containership operations and in relation to forwarding. The first task we tackled was reorganizing our logistics business.



## What Are Businesses with Stable Freight Rates?

Because they handle consumer goods with short lifecycles, containership operations do not have long-term contracts—the balance between supply and demand at any given time determines freight rates. If demand exceeds supply, freight rates rise. In recent years, however, shipping capacity for containerships has gone up sharply, putting constant downward pressure on freight rates. By contrast, some of our businesses, although they may not generate huge earnings, enjoy stable freight rates. These include the logistics business, which has numerous points of contact with customers and is consistently profitable, and the natural resources and energy transportation business, which is based on long-term contracts. We therefore view these two businesses, where we can bring strengths to bear, as businesses with stable freight rates. They will play a leading role as we move toward the recurring profit targets of the medium-term management plan.

Recurring Profit by Business





To launch this initiative, we established Yusen Logistics Co. Ltd. (YLK) in October 2010, by integrating former companies NYK Logistics (Japan) Co. Ltd. (NLJ) and Yusen Air & Sea Service Co. Ltd. (YAS), and consolidated the overseas logistics business under the new company. As part of this reorganization in North America and Europe, after the integration of companies in Hungary and Poland, we integrated two mainstay U.S. companies and a European holding company in April 2011. As for Asia, we have integrated individual companies in Hong Kong, Taiwan, Korea, and Singapore, and as of April 2012 we have nearly completed similar integration efforts in China and Malaysia. This largely concludes our reorganization efforts for the overseas logistics business. Moreover, the NYK Group has reorganized its Container Trade Management Group and Logistics Group to create a group with overall control of logistics and container shipping routes. Also, we changed the worldwide organization of the liner trade business from a three-pronged system to one centered on Singapore.

## What Changes Will Integration Bring?

Customer needs are evolving. As well as requiring high quality and the cost

competitiveness on each service, they want high-value-added one-stop logistics services that cover shipping, air transportation, land transportation, and warehousing. In such an environment, having a broad array of service options that match customer needs is essential in order to increase the NYK Group's overall container handling volume. In this respect, combining the strengths of NYK Logistics and Yusen Air & Sea Service, which had few overlapping business lines, has enabled us to realize this diverse lineup of services. The benefits of reorganizing are emerging steadily. For example, there is a growing awareness of Yusen Logistics as a company able to provide comprehensive logistics services.

Being able to cater rapidly to needs that individual group companies were unable to cope with single-handedly is one of the benefits of integration. The spike in requests for bid submissions from customers with more advanced logistics needs since integration testifies to these benefits. One example of an integration benefit is



being able to cater to customers requiring transportation of plant equipment, construction equipment, and other materials for projects. Thanks to the integration, we were able to make the

best use of personnel and their expertise as well as pool expertise that had been dispersed within the NYK Group and across various regions. In conjunction with this initiative, we established structures that facilitate collaboration among group

companies. These changes have allowed us to prepare urgent bids quickly. Realignment not only means we can meet customers' expectations swiftly, it also creates new business opportunities. For example, after we complete transportation for a project, customers may contract us to transport components to or the products from the plant.

**We have seen requests for bid submissions jump from customers with complex logistical needs.**

## Integrating the Logistics Business and Establishing Yusen Logistics Co. Ltd.



\* Including equity-method affiliates



### From Integrating to Fusion

Having established Yusen Logistics through integration, we are now advancing measures to merge the new company's in-house operations. In particular, there is not yet enough understanding and penetration of the Yusen Logistics brand's main premise, "Service Made in Japan." Integration

has given Yusen Logistics a workforce of roughly 15,000. Of these, approximately 80% are local employees hired overseas. To further understanding of the brand's premise throughout the company, Japanese employees will have to guide local employees. Further, local employees must be aware that unless they realize their capabilities, Yusen Logistics will be unable to heighten its presence overseas as an international logistics provider.

**Yusen Logistics will finish merging operations by the end of fiscal 2012.**

Given that the most important management resource of a non-asset business is personnel, fusion after integrating is critical. Aiming to complete the merging of operations by the end of fiscal 2012, we will take steps to cultivate a further sense of solidarity. For instance, the new organization will introduce a global human resources system, partly based on NYK's human resources system.

## Business with Stable Freight Rates: Automotive Logistics Business for Finished Automobiles

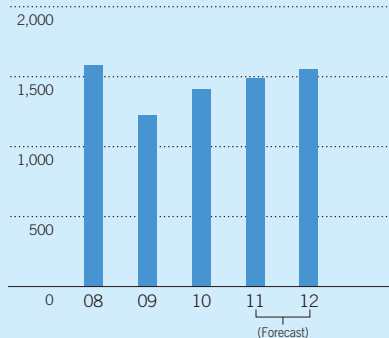
# Laying the Foundations for Stable Earnings

### Building a Structure to Capture Solid Demand

This business involves transporting unpackaged high-price finished automobiles—a unique mode of transportation. The high-quality transportation this requires plays to one of our greatest strengths while

Global Shipping Cargo Movements for Finished Automobiles

(Tens of thousands of automobiles)



creating a formidable barrier for companies wanting to enter the market. Our medium-term management plan calls for establishing an integrated transportation system for finished automobiles in regions worldwide through participation in the dedicated automobile terminal business. Based on shipping, this initiative takes advantage of the outstanding transportation quality that we have developed.

Although finished automobile shipments have fluctuated dramatically due to the collapse of Lehman Brothers and the Great East Japan Earthquake, this is essentially an area of stable demand. Exports from Japan of finished automobiles fell from around 6 million units before the collapse of Lehman Brothers to approximately 4 million units in 2011. On the other hand, overall cargo

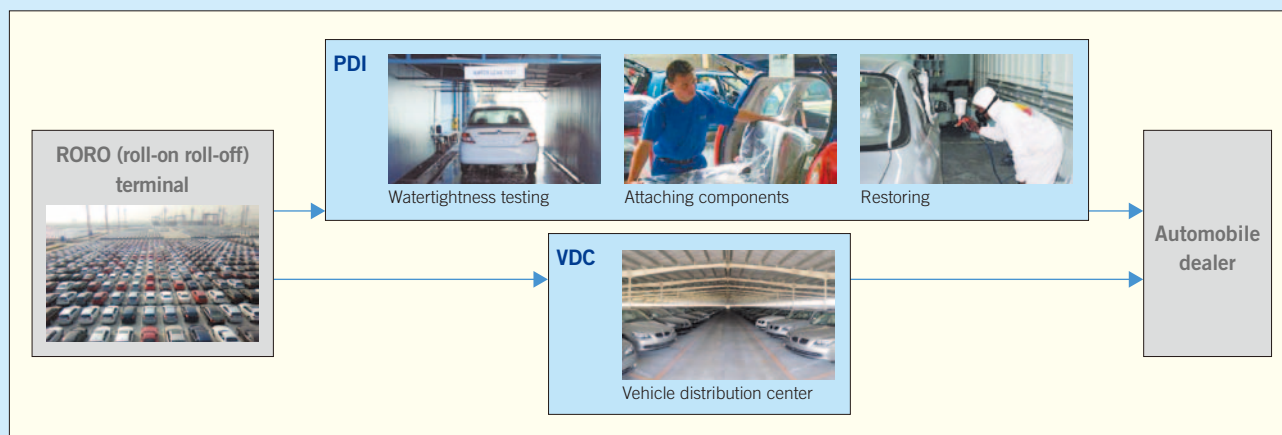


movements are rising steadily thanks to rising exports from Thailand and India.

### Seeds Beginning to Bud

The NYK Group is the only shipping company to operate dedicated automobile terminals at four of China's major ports. Moreover, we are expanding this business. In 2011, the four terminals handled a total of 2 million units. Also, we have developed the kind of high-value-added services that are our forte, including pre-delivery

## Pre-Delivery Inspection and Vehicle Distribution Center Services



inspection, vehicle distribution centers, inland transportation, and coastal transportation. These services, together with the establishment of an integrated transportation system for finished automobiles, are increasing our points of contact with customers and gradually generating new businesses opportunities. Further, we expect opportunities to expand this business will increase because China's stepped-up automotive manufacturing and exporting is already

**Our points of contact with customers are increasing, thereby creating new business opportunities.**

putting the handling capacity of terminals under strain.

In India, meanwhile, using our operations in China as a model, we are pressing ahead with the creation of an integrated transportation system for finished automobiles. We already provide pre-delivery inspection and land transportation services in the country. Developing port infrastructure is an urgent task for India, which is seeing automotive sales surge as its

economy grows and higher exports of finished automobiles. For our part, we are conducting a feasibility study with a view to participating in terminal operations at Kattupalli Port in southeast India. Near the port, several automotive manufacturers are ramping up output. Our aim is to capture the resulting burgeoning demand for the finished automobile exports from India.

## Business with Stable Freight Rates: Natural Resources and Energy Transportation

# Covering Upstream to Downstream Areas

### Capitalizing on Technology and Expertise to Provide More Advanced Energy Transportation

During many years of involvement in oil and LNG transportation and other natural resources and energy transportation, we have garnered highly

specialized safety capabilities for vessel operations, handling dangerous cargo, and vessel management. By exploiting these capabilities to realize even more advanced natural resources and energy transportation, we will raise the bar for entry into this market

while securing stable earnings. Further, in light of the high growth that rising worldwide demand for energy promises, we have made a foray into the offshore business, which mainly competes in the area of deep-water oil production.



## From Upstream to Downstream

With the offshore business as one of the pillars of its growth strategy, the NYK Group established the Offshore Business Group in October 2008 and became the first shipping company to venture upstream. Since then, we have embarked on a series of initiatives. In 2009, we launched a drillship for offshore oil field development, and in 2010 we established a shuttle tanker business that delivers crude oil ashore. Further,

**The NYK Group  
has built a  
business structure  
engaged with all  
value chain stages.**

in July 2011 we decided to begin floating production, storage, and offloading (FPSO). This made us the first company to complete such a value chain linking up-stream and down-stream areas. At present, global oil consumption is about 85 million barrels per day, of which 9%, or 8 million barrels, comes from deepwater oil production. By 2020, this is projected to rise to 13%, or more than 12 million barrels per day. Consequently,

demand for drillships, FPSO, and shuttle tankers is also projected to grow.

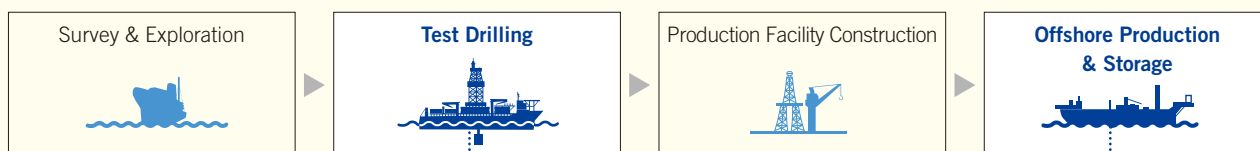
## Our Vision for the Offshore Business

Our goals for the offshore business go beyond catering to deepwater oil production. We are also setting our sights on servicing deepwater gas production. Hitoshi Nagasawa, the director and managing corporate officer with responsibility for the offshore business, explains the NYK Group's ambitions.

"In the near future we expect to see the emergence of offshore gas field

## Offshore Business Value Chain

### Upstream



### Drillships

#### December 2011

Built through a consortium to which the NYK Group belongs, the drillship *Etesco Takatsugu J* was completed on December 15. From April 2012—after the vessel's charterer, Petróleo Brasileiro S.A. (Petrobras) of Brazil, conducted final trials before acceptance—the drillship began ultra-deepwater exploration of pre-salt fields off Brazil at maximum depths of 10,000 feet, approximately 3,000 meters. For up to 20 years, Petrobras will charter the drillship, which boasts state-of-the-art drilling capabilities and is one of only 50 such vessels.



### Floating Production, Storage, and Offloading (FPSO)

#### July 2011

The NYK Group participated in the establishment of a joint-venture company that owns and operates an FPSO system in an ultra-deepwater pre-salt field for Petrobras of Brazil. Contracts for the 20-year charter and operation of the FPSO system have been concluded. The joint-venture company will convert a very large crude carrier (VLCC) in order to build the FPSO system, which is scheduled to begin producing crude oil at an oil field off Brazil from the second quarter of fiscal 2013.





development, FPSO for LNG, and LNG shuttle tankers. To facilitate these advances, expertise in LNG and the offshore business is indispensable. Looking around the world, there are few companies with both of these capabilities. However, we have a strong LNG transportation business and offshore business. We believe that combining these two businesses will allow us to establish a mainstay of stable earnings in the coming era."

"The important thing at the moment is to build our competence steadily in the LNG transportation and the offshore business. Obtaining information and

know-how as we do so is essential right now. Personnel are another key factor, but I am not concerned in this regard. With a vessel management company for LNG transportation in London and another in Tokyo, we have many navigation officers and engineers with solid technical skills. Further, equipped with advanced and practical maritime skills, outstanding graduates of our merchant marine college in the Philippines will play important roles on board high-value-added vessels. I believe the capabilities that we accumulate in this way will prove a significant differentiating factor."



**Hitoshi Nagasawa**  
Director, Managing Corporate Officer  
Chief Executive of Energy Division

## Downstream



### Shuttle Tankers

#### August 2011

The first time-charter contract of the shuttle tanker business was concluded by Knutsen NYK Offshore Tankers AS (KNOT) and the international energy company Repsol YPF S.A. of Spain. The contract covers the five years from the fourth quarter of 2012. Repsol YPF plans to use the 157,000 DWT Suezmax tanker, which includes a dynamic positioning system\*, to transport crude oil produced off Brazil and in other areas.



#### October 2011

KNOT concluded a time-charter contract for two shuttle tankers with an Italian oil and gas company, Ente Nazionale Idrocarburi S.p.A. (ENI). For both shuttle tankers, the contract is for up to 10 years beginning summer 2013. ENI plans to use the two 123,000 DWT Suezmax tankers, each equipped with a dynamic positioning system, to transport ashore crude oil produced in the North Sea.

#### December 2011

KNOT concluded a time-charter contract for a shuttle tanker with a subsidiary of ExxonMobil Exploration of the United States, Standard Marine Tønsberg AS (SMT) of Norway. Slated to commence in the first quarter of 2014, the 10-year contract includes an option for extension. SMT plans

to use the 112,000 DWT tanker to transport ashore crude oil produced in the North Sea.

\* This system keeps the vessel's position stationary with thrusters using various sensors to measure forces on the vessel and position reference systems, including GPS (Global Positioning System) and APRS (Acoustic Position Reference System).



## Business with Stable Freight Rates: Natural Resources and Energy Transportation, Long-Term Contracts

### Long-to-Medium-Term Contracts Beginning from Fiscal 2012 Onward

Beginning ▼	Contract Period ▼	
<b>2012</b>		
April	<b>10 years</b> + Option (10 years)	<u>Energy transportation: Offshore business</u> <b>Drillship for Petrobras of Brazil</b> <a href="#">▶ See page 32</a>
May	<b>15 years</b>	<u>Dry bulk transportation</u> <b>Vessel dedicated to the transport of ironsand loaded as a slurry* for New Zealand Steel Mining</b>
Summer	<b>4 years</b>	<u>Energy transportation: LNG</u> <b>LNG carrier for GDF Suez of France</b> <a href="#">▶ See page 33</a>
<b>2013</b>		
January–March	<b>5 years</b>	<u>Energy transportation: Offshore business</u> <b>Shuttle tanker for international energy company Repsol YPF of Spain</b> <a href="#">▶ See page 33</a>
	<b>20 years</b>	<u>Dry bulk transportation</u> <b>Ore carrier for Rio Tinto of the United Kingdom and Australia</b>
	<b>12 years</b> (Longest)	<u>Dry bulk transportation</u> <b>Ore carrier for BHP Billiton of Australia and the United Kingdom</b>
Summer	<b>10 years</b>	<u>Energy transportation: Offshore business</u> <b>Two shuttle tankers for ENI of Italy</b> <a href="#">▶ See page 33</a>
June–September	<b>20 years</b>	<u>Energy transportation: Offshore business</u> <b>FPSO in ultra-deepwater pre-salt field for Petrobras of Brazil</b> <a href="#">▶ See page 32</a>
<b>2014</b>		
January–March	<b>10 years</b>	<u>Energy transportation: Offshore business</u> <b>Shuttle tanker for subsidiary of ExxonMobil Exploration of the United States</b> <a href="#">▶ See page 33</a>
	<b>15 years</b>	<u>Energy transportation: LNG</u> <b>LNG carrier for TEPCO</b>

Agreed to a 15-year extension of a long-term shipping contract with New Zealand Steel Mining Ltd. (NZSM). Will use world's only vessel dedicated to transporting ironsand loaded as a slurry to transport approximately 1.2 million tons of ironsand from New Zealand to China and Japan annually.

\* A pipeline from shore is used to load this vessel by pumping ironsand slurry into the vessel cargo holds. After the loading operation is completed, water in the hold is discharged before the vessel leaves port.

Vessel will engage in LNG transportation for four years from summer 2012, based on time-charter contract with GDF Suez S.A. This contract resulted from successful tender submitted jointly with Mitsui & Co. Ltd.

Based on the first long-term transportation contract with mining major Rio Tinto, a 250,000 DWT ore carrier is scheduled to transport annually 2.7 million tons of iron ore produced in Western Australia to China over 20 years beginning in 2013.

Based on a long-term transportation contract with mining major BHP Billiton, a 250,000 DWT ore carrier is scheduled to transport annually 2.7 million tons of iron ore produced in Western Australia to China over 12 years beginning in 2013.

Based on a time-charter contract with LNG Marine Transport Ltd. (LMT) of Tokyo, plan to complete LNG carrier in 2014. For 15 years after delivery, the LNG carrier will transport LNG for Tokyo Electric Power Company (TEPCO) from various locations mainly in Papua New Guinea under operational management of LMT.

# Review of Operations

- 36 Fleet Portfolio and Market Positioning
- 38 At a Glance
- 40 Global Logistics Business
- 45 Bulk Shipping Business
- 54 Other Business

Terminal

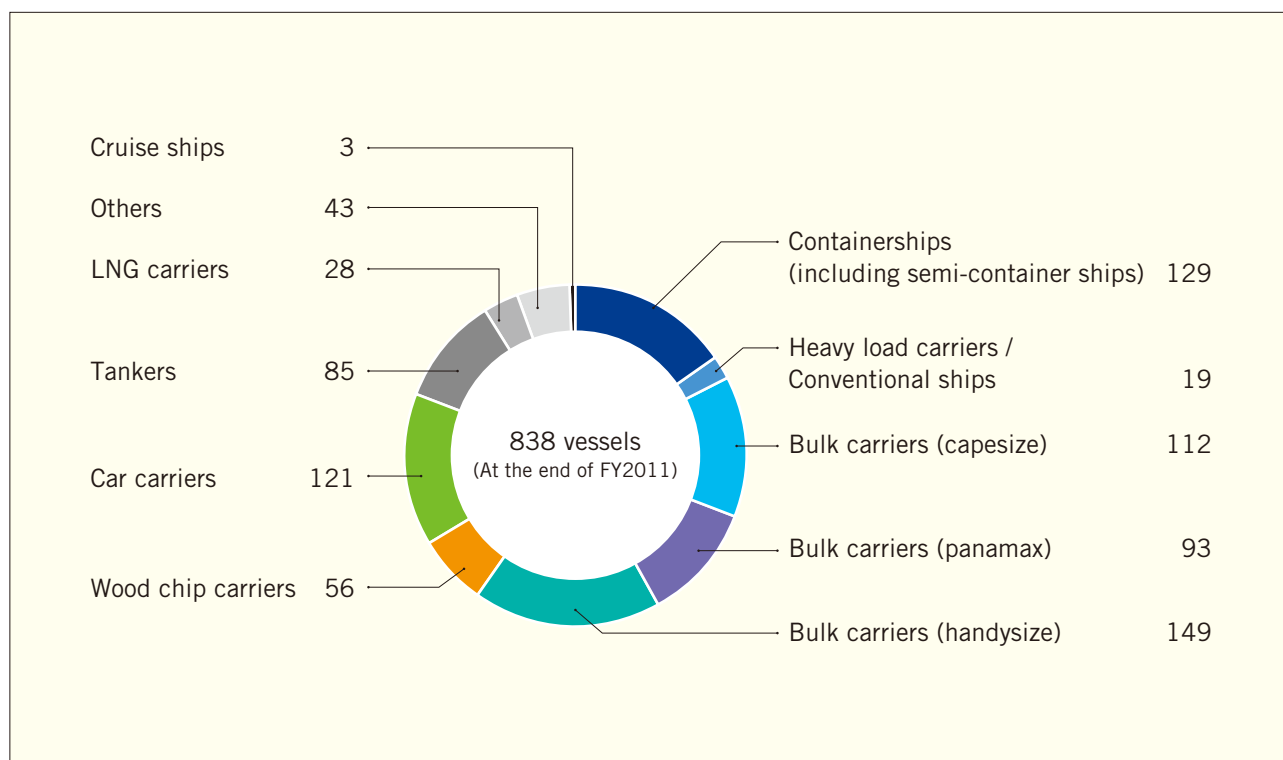
## Operating a Network of Terminals that Serve as Intermediary Bases for International Logistics

Terminals act as intermediary bases that enable integrated shipping and land transportation. Against the backdrop of a growing global economy, the role of terminals as infrastructure that facilitates international logistics is becoming increasingly pivotal. In such countries and regions as Japan, Asia, North America, Europe, and Australia, the NYK Group operates extensive networks of terminals, which provide customers with safe, precise, and efficient terminal cargo-handling services for containerships, car carriers, and cruise ships.



# Fleet Portfolio and Market Positioning

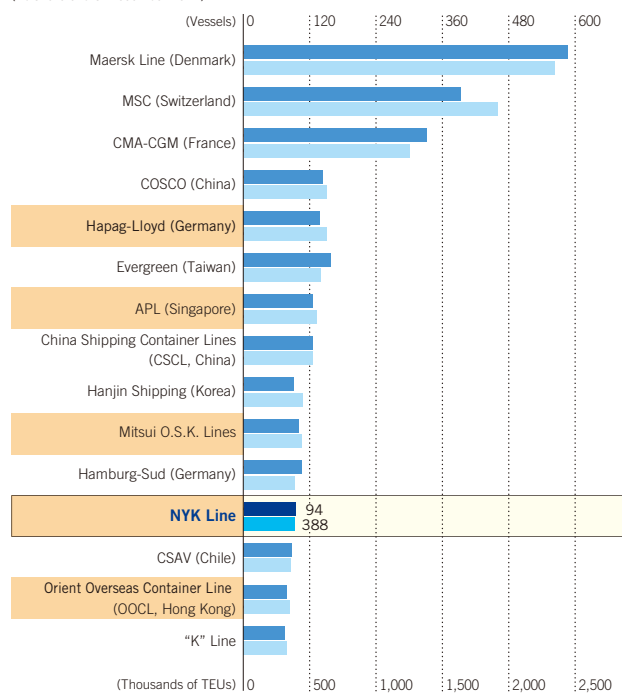
## NYK Group Transportation Infrastructure



## Comparison with Other Companies by Vessel Type

### Fleet Size of Top 15 Full Container Transport Operators

(As of the end of December 2011)



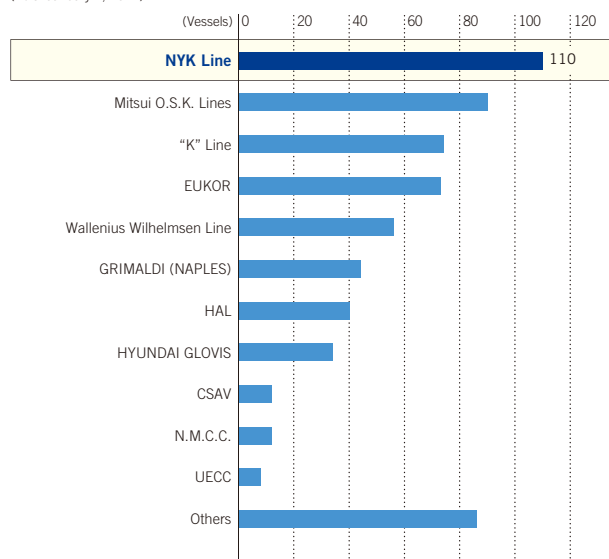
■ Vessels ■ TEU ■ G6 Alliance\*

Source: Compiled by the NYK Research Group, based on the January 2012 edition of MDS Transmodel

\* Hyundai Merchant Maritime Co., Ltd., of Korea is also a member.

### Global Car Transport Fleet Ranking

(As of January 1, 2012)

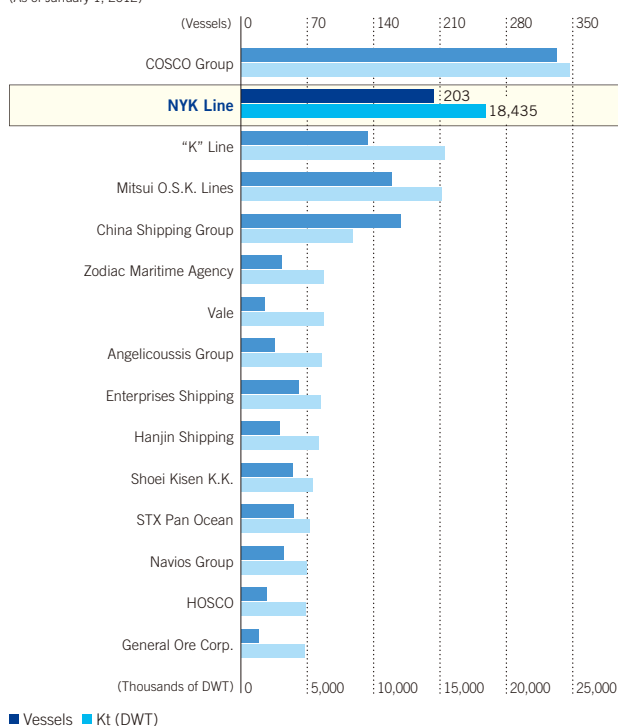


Source: Hesnes Shipping As "The Car Carrier Market 2011"

Note: This table includes only vessels with a capacity of 2,000 cars or more.

## Bulk Carrier Fleet Ranking

(As of January 1, 2012)

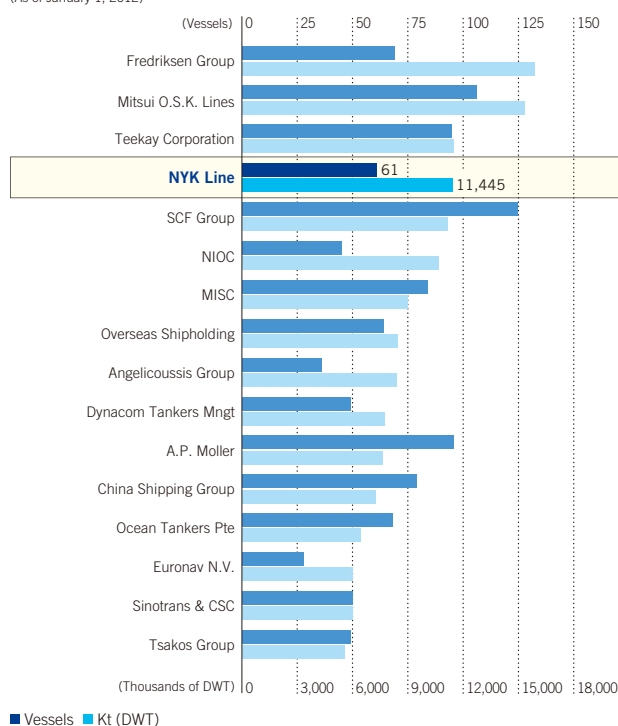


Source: Clarkson's Bulkcarrier Register 2012

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, 2012)

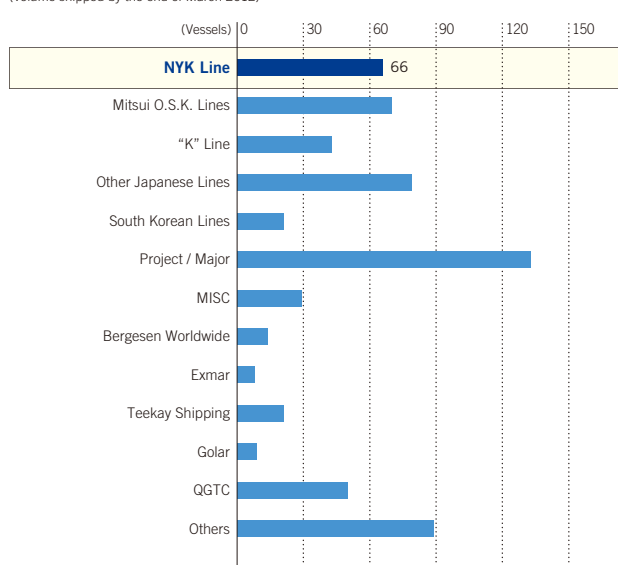


Source: Clarkson's Tanker Register 2012

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 March 2012)

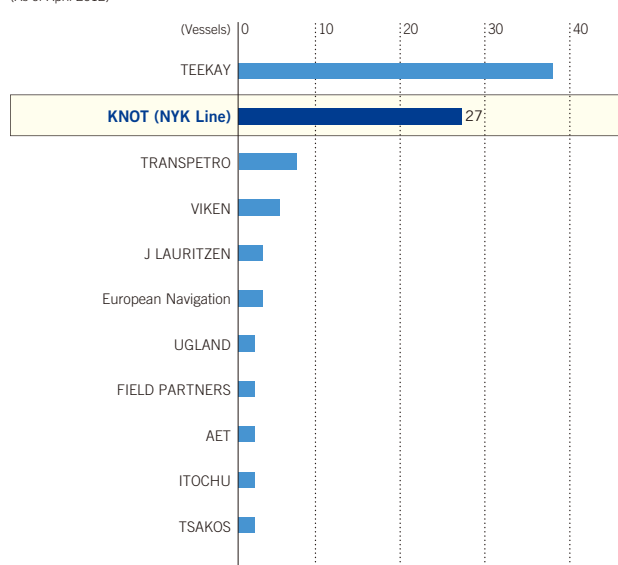


Source: Investigated by NYK Line

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.

## Shuttle Tanker Fleet Ranking

(As of April 2012)



Source: Fearnley Consultants & Fearnresearch

## Global Logistics Business

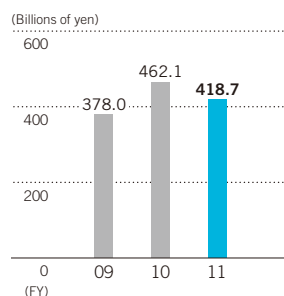


### Liner Trade

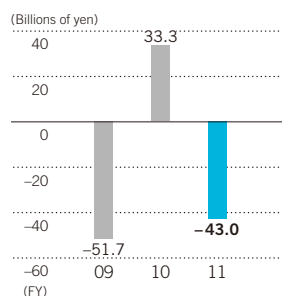
#### Review of Operations

- With completion of numerous large containerships, mainly on European routes, supply-demand balance worsens. As a result, freight rates slump
- Develops new services in Asia, which continues economic growth. Meanwhile, aiming to rationalize European service, establishes G6 Alliance
- Continues reducing bunker oil consumption volume

#### Revenues



#### Operating Income (Loss)

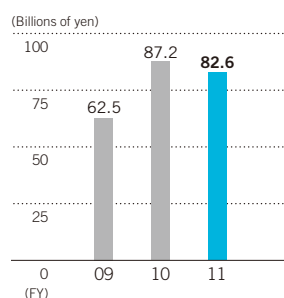


### Air Cargo Transportation

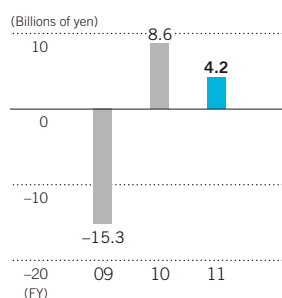
#### Review of Operations

- Continues cost reduction and flexible aircraft arrangements
- Also, caters actively to emergency demand arising from Great East Japan Earthquake and flooding in Thailand, secures profit for second consecutive fiscal year

#### Revenues



#### Operating Income (Loss)

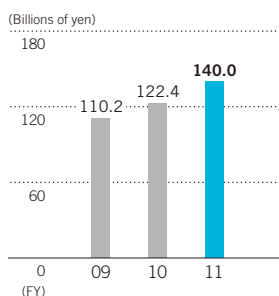


### Terminal and Harbor Transport

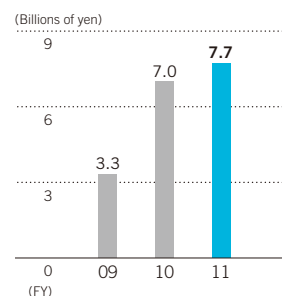
#### Review of Operations

- Sees year-on-year rise in handling volume at container terminals in Japan and overseas

#### Revenues



#### Operating Income

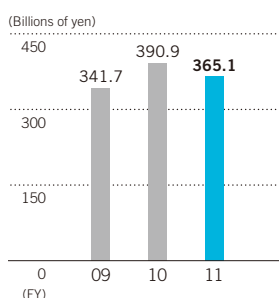


### Logistics

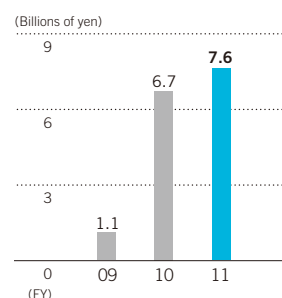
#### Review of Operations

- Largely completes integration of former companies NYK Logistics and Yusen Air & Sea Service by April 2012
- Despite temporary slowdown of cargo movements due to Great East Japan Earthquake and flooding in Thailand, ocean and air forwarding picks up steadily, posts stable earnings

#### Revenues



#### Operating Income



# Bulk Shipping Business

## Car Carrier Division

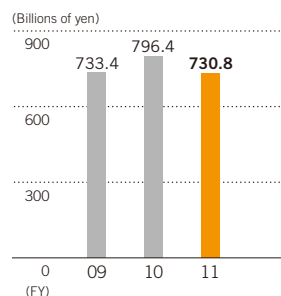
## Dry Bulk Carrier Division

## Tanker Division

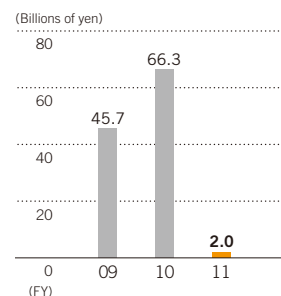
### Review of Operations

- **Car Carrier Division:** Great East Japan Earthquake and flooding in Thailand cause drop in automobile transportation volume. Introduces six new vessels. Disposes of four small aged vessels. Develops automotive logistics actively in emerging countries
- **Dry Bulk Carrier Division:** Iron ore and coal prices trend around high-water mark. Shipping cargo movements are soft. Supply-demand balance worsens with completion of many new vessels, freight rates slump below previous fiscal year's level
- **Tanker Division:** Shipping volume of crude oil and petroleum products edges up year on year due to heightened geopolitical risk among producing countries. Supply-demand balance deteriorates with completion of numerous new vessels, freight rates slump below previous fiscal year's level. Meanwhile, LNG carriers see demand growth and secure stable earnings. Offshore business completes first drillship. Also, enters FPSO operations in earnest

### Revenues



### Operating Income



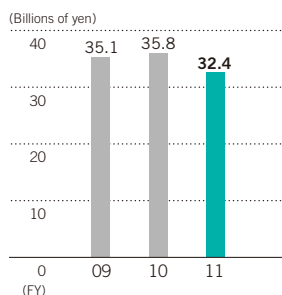
# Other Business

## Cruises

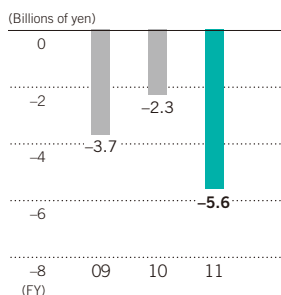
### Review of Operations

- In Japan, NYK Cruises Co. Ltd. sees sales decline due to Great East Japan Earthquake. Reservations currently on track for recovery
- In North America, sales decline because sales initiatives of Crystal Cruises Inc., slightly out of sync with consumer sentiment. Has revised sales initiatives, reservations currently rising

### Revenues

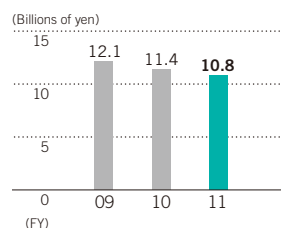


### Operating Income (Loss)

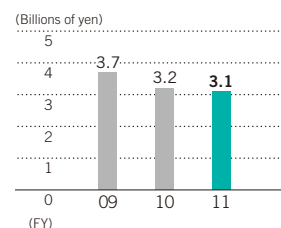


## Real Estate

### Revenues

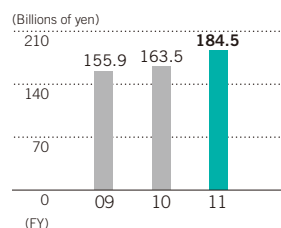


### Operating Income

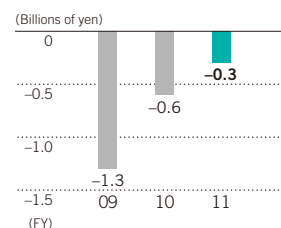


## Other Business Services

### Revenues



### Operating Income (Loss)





**Tadaaki Naito**

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

Areas of Responsibility

Liner Trade

Terminal and Harbor Transport

Air Cargo Transportation

Logistics

# Global Logistics Business

## Basic Strategy of the Global Logistics Business

In the global logistics business, our basic strategy is to build a structure that is less susceptible to freight rate fluctuation while increasing our cargo handling volume in step with market expansion. The medium-term management plan calls on us to move toward a light-asset business model, but this does not mean we are downsizing the liner trade business. Moving toward a light-asset business model is a business portfolio strategy that reduces our fleet of owned and long-term chartered vessels while increasing short-term chartered vessels. This enables us to establish a vessel portfolio able to cater flexibly to increases and decreases in cargo movements. The main objective of this strategy is to cater to the expected increases in container cargo transportation by using a range of formats to source vessels. I would like to emphasize again that this strategy does not involve reducing the scale of our operations.

Moreover, the scope of this strategy is not restricted to vessels. We are also selling surplus assets such as container vans, which hold cargo, and using leasing to create a structure that is able to respond flexibly to changes in market conditions.

Also, in fiscal 2011 the three companies of the Grand Alliance, of which one is the NYK Group, and the three companies of the New World Alliance, established a new alliance, the G6 Alliance, for Asia–Europe routes. Although the resulting rationalization of shipping routes promises to yield cost reduction benefits, differentiation is problematic within the alliance because companies' calling ports and vessel performance are almost identical. In such conditions, the key is to strengthen services that we provide before loading cargo onto vessels and after unloading it from them. To this end, based on the medium-term management plan—as well as strengthening our ability to capture cargo directly as a shipping company—we aim to expand the forwarding business to cater to the projected rise in container cargo.

Improving profitability is the theme of fiscal 2012. Reducing the deficit of the liner trade business is a particularly urgent task. We are already moving forward with several reform initiatives, one of which is the G6 Alliance. The following pages detail these initiatives, but I think the rough targets the liner trade business should be pursuing are net sales of ¥400 billion and recurring profit of ¥20 billion. Reaching these figures will give the liner trade business a return on assets (ROA) above 3%, surpassing the NYK Group's target ROA. However, because in reality this business faces volatile freight rates, the immediate task is to ensure that, even in the worst case scenario, the deficit does not rise beyond ¥20 billion. Also, I am determined to ensure that the global logistics business as a whole reaches the break-even point on a recurring profit basis by generating recurring profit of approximately ¥20 billion from businesses other than the liner trade business. While freight rates are steadily recovering at present, conditions remain challenging. Aiming to post business results better than breakeven, we will steadily undertake structural reform of the liner trade business and capture the growth in container cargo.

#### Business Lines

- Containership transportation of a wide variety of cargoes, such as food products, daily sundries, and electronic appliances
- Transportation of plant, steel, and other cargoes of various shapes and weights using conventional vessels

### Fiscal 2011 Overview

For containerships, cargo movements were lackluster due to the slow recovery of the U.S. economy and prolonged fiscal and financial problems in Europe. In addition, freight rates slumped as a result of shipping capacity oversupply accompanying the completion of large containerships, principally for European routes. In response to these conditions, in fiscal 2011 the NYK Group established China–India and Asia–Middle East services to strengthen routes in Asia, which is seeing solid growth. Meanwhile, we rationalized European routes by launching new services under the G6 Alliance. At the same time, we continued the previous fiscal year's efforts to reduce a variety of costs, including efforts to lower bunker oil consumption volume through rigorous slow-steaming operations. Despite these efforts, slumping freight rates throughout the year significantly affected the business, which recorded a 9.4%, or ¥43.4 billion, year-on-year decline in revenues, to ¥418.7 billion, and incurred a recurring loss of ¥44.7 billion, compared with the previous fiscal year's recurring profit of ¥30.2 billion.

### Market Trends

Having risen continuously since 1990, global container cargo movements recorded negative growth in 2009 due to the worldwide economic slowdown in the wake of the 2008 collapse of Lehman Brothers. In 2010, cargo movements rebounded, growing 15% year on year. As for 2011, although cargo movements stagnated on North American and European routes, they were up overall. Nevertheless, uncertainty about the global economy is growing due to concerns over the West's fiscal issues. The World Trade Organization (WTO) has downwardly revised the growth rate for worldwide export volume from 6.5% to 5.8%.

Meanwhile, in 2011 the rise in shipping capacity for containerships exceeded the growth rate of cargo movements. Consequently, the gap between supply and demand, which had closed briefly in 2010, widened again. Since this tipping point—when the increase in shipping capacity overtook the growth rate of cargo movements—freight rates have been in a downward phase. In 2011, the slackening of supply and demand, particularly for our core liner trade, caused freight rate levels to continue falling. As oversupply is likely to outpace the projected growth in worldwide cargo movements, rationalizing vessel allocation is indispensable if freight rate levels are to improve.

### Fiscal 2012 Outlook

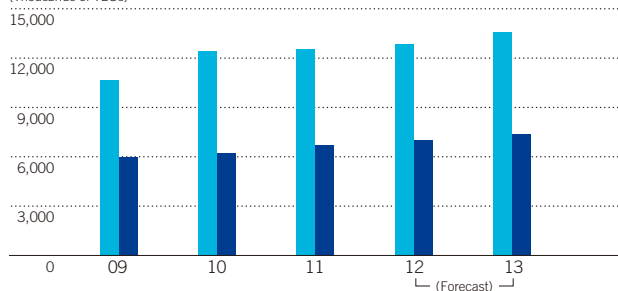
Aiming to build a fleet portfolio that is able to respond flexibly to freight rate volatility, we are making steady progress in efforts to move toward a light-asset business model. Currently, we have 84 owned and long-term chartered vessels with a shipping capacity of 370,000 TEUs (twenty-foot equivalent units). In accordance with the strategy of the medium-term management plan, we intend to reduce this fleet to 63 vessels with a shipping capacity of 330,000 TEUs by fiscal 2016. However, we will maintain an appropriate fleet size by steadily increasing the proportion of short-term chartered vessels in the fleet in step with growing cargo demand.

As well as this basic policy, in fiscal 2012 we will pursue structural reform initiatives to address low freight rates. Through three main initiatives, we aim to reduce fixed cost by about ¥20 billion. Among these initiatives, reorganizing shipping routes will produce the biggest cost reduction benefits. Replacing small vessels with large ones enables the transportation of more cargo at one time, which heightens cost competitiveness. Introducing large

#### Container Cargo Transport Volume

##### Asia ↔ U.S.

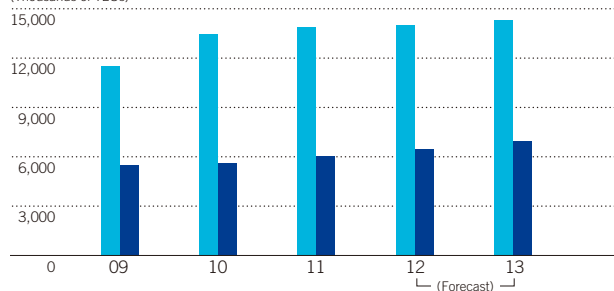
(Thousands of TEUs)



Source: Trade HORIZON 2012/1Q

##### Asia ↔ Europe

(Thousands of TEUs)



Source: Drewry Maritime Research, 2012/1Q

vessels is, however, a double-edged sword. This is because we risk being unable to fill transportation space on our own, which would, on the contrary, lead to higher shipping cost. Therefore, we intend to share transportation space with multiple partners to ensure that we fill it. One example of this approach is the G6 Alliance for Asia–Europe routes. Moreover, taking a cue from establishment of the G6 Alliance, we intend to explore reorganization of Asia–North America and north–south routes. In particular, the distances of north–south routes between Asia and Latin America and Europe and Latin America are longer than east–west routes between Asia and Europe. As a result, introducing large economical vessels promises considerable benefits. In May 2012, we finished replacing vessels, which together with the G6 Alliance should deliver cost improvements of around ¥10 billion.

Our second initiative realizes optimally economic shipping by exploiting shipping technology to reduce bunker oil consumption volume. We call these efforts Innovative Bunker and Idle-time Saving (IBIS). Mainly comprising personnel from NYK Group South Asia Pte. Ltd. of Singapore, which has overall control of the liner trade business, the IBIS implementation team includes personnel from several divisions, such as the NYK Group's Environment Group and Marine Group. Furthermore, the IBIS implementation team collaborates with the NYK Group's Monohakobi Technology Institute (MTI) and such outside bodies as the meteorological information company Weathernews Inc. In the IBIS initiative, onshore and onboard operations share real-time forecasts of weather and sea conditions; ocean current data; data on vessels' operational status, such as speed and engine revolutions; navigation plans; and other information. In particular, being able to monitor onboard bunker oil consumption volume in real-time has made onshore vessel operations personnel even more aware and proactive about saving bunker oil. Also, IBIS is helping us economize on bunker oil by increasing the accuracy of information about sea and weather conditions. We believe putting this type of infrastructure in



place ahead of competitors will give us a competitive advantage.

The third initiative is tasked with rationalizing container vans. Accordingly, we are selling surplus assets while actively using leasing. As with vessels, our aim is to build a portfolio that is able to react flexibly to cargo demand. Furthermore, we are likely to reap considerable cost reduction benefits through this initiative.

### Our Long-Term Vision for the Liner Trade

In fiscal 2012, our main focus will be on a “defensive” strategy aimed at reducing the deficit. From a long-term viewpoint, however, I have set my sights on an “offensive” strategy. First of all, we will use our technological competence to establish ourselves head and shoulders above competitors. The NYK Group has many navigation officers and engineers with outstanding expertise in marine engineering and shipping technology. I want to draw on the technological capabilities these personnel have developed to build competitive superiority and differentiate us from other companies. On the other hand, if we provide these capabilities to other companies, we should make sure we receive appropriate compensation. Examples of bringing our technological know-how to bear include the IBIS initiative, which is currently under way, as well as the use of contactless RFID (radio frequency identification) tags in containerships, an area in which the logistics business is working toward practical application.

Another offensive strategy entails differentiating ourselves through multinational management. Two years have elapsed since we transferred the head office functions of the liner trade business to Singapore. We have appointed a non-Japanese CEO, and the mid-echelon managerial team comprises personnel from 10 different countries. We are intensifying communication with these personnel, granting them discretionary power, and giving them credit where it is due. I think these are key attributes of a successful multinational management operation. Having already begun working under this structure, the CEO and the other members of the management team are carrying out their daily duties and are highly motivated. In this way, by building structures that allow personnel to realize their capabilities fully, irrespective of their nationality, I want to heighten our presence in the global market even further.

#### New Alliance Structures (Asia–N. Europe Trade)

January 1, 2012 Deployment

Carrier / Alliance	Number of Services	Total Ships
Maersk Line	6	67
CMA CGM	2	22
MSC	2	22
CKYH	4	36
Grand Alliance	3	32
The New World Alliance	4	40
Evergreen	1	9
Others	4	38
<b>Total</b>	<b>26</b>	<b>266</b>

Commencing April 2012

Carrier / Alliance	Number of Services	Total Ships
Maersk Line	6	67
CMA CGM / MSC	4	44
CKYH / Evergreen	8	78
G6 Alliance (NYK Line, etc.)	6*	60
Others	1	10
<b>Total</b>	<b>25</b>	<b>259</b>

Source: Drewry 2012 Container Forecaster 2012/1Q

\* G6 Alliance planning to launch a 7th services



## Logistics

### Business Lines

- Ocean and air forwarding business, inland transportation, provision of warehousing, inventory control, distribution, and other logistics services

### Fiscal 2011 Overview

In 2010, as part of the reorganization of its logistics business, the NYK Group established Yusen Logistics Co. Ltd. (YLK) by integrating former NYK Logistics companies and former company Yusen Air & Sea Service Co. Ltd. (YAS). In the space of two years, we have integrated bases in regions worldwide. As initially planned, we had almost completed these activities by April 2012.

In fiscal 2011, the ocean and air forwarding business saw cargo movements stagnate for a time due to the Great East Japan Earthquake and flooding in Thailand. However, cargo movements picked up subsequently, and the business realized stable earnings. Thanks to stepped-up efforts to expand in priority countries and regions, such as China, India, and Southeast Asia (Vietnam, Indonesia, and Thailand), this business performed solidly, with year-on-year increases in cargo handling volumes of 7.1% in the ocean forwarding business, to 450,000 TEUs, and 2.9% in the air forwarding business, to 350,000 tons. Meanwhile, despite the effect of a slow economic recovery in North America and fiscal uncertainty in Europe, the logistics division managed to improve profitability through further cost reduction.

As a result, the logistics business posted lower revenues but higher earnings. Year on year, revenues were down 6.6%, or ¥25.7 billion, to ¥365.1 billion, while recurring profit was up 19.6%, or ¥1.5 billion, to ¥9.2 billion.

### Fiscal 2012 Outlook

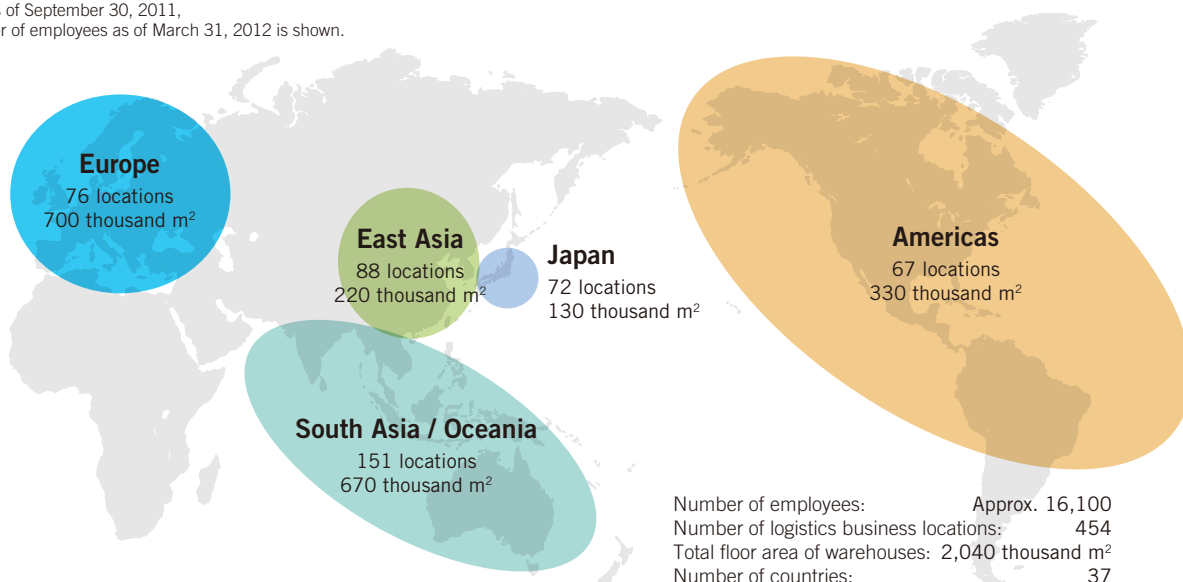
The overriding aim of the logistics business is to grow steadily, but without overstretching, toward achievement of the fiscal 2013 targets set out in the medium-term management plan—cargo handling volumes of 1 million TEUs in the ocean forwarding business and 500,000 tons in the air forwarding business. Completing integration has laid the foundations for business expansion. The major contracts won since integration show that this initiative is steadily bearing fruit.

In addition, YLK is following a three-year medium-term management plan beginning from fiscal 2011—Go Forward, Yusen Logistics—which calls for revenues of ¥430 billion and recurring profit of ¥13 billion in fiscal 2013, its final year.

Looking at current conditions, uncertainty remains about the economic outlook for Europe because of its prolonged fiscal crisis, while the previously vigorous economic growth among Asian emerging countries has less momentum. Nevertheless, we intend to realize integration benefits to the utmost and continue increasing cargo handling volume steadily. For fiscal 2012, we expect to post year-on-year increases of 8.7%, or ¥31.8 billion, in revenues, to ¥397 billion, and 18.7%, or ¥1.7 billion, in recurring profit, to ¥11 billion.

### NYK Group Logistics Center Locations

Total as of September 30, 2011,  
Number of employees as of March 31, 2012 is shown.





## Air Cargo Transportation

### Business Lines

- Transportation of international air cargo, principally from Japan to North America, Europe, and Asia

### Fiscal 2011 Overview

For fiscal 2011, the air cargo transportation business of Nippon Cargo Airlines Co. Ltd. (NCA) recorded year-on-year decreases of 5.3%, or ¥4.6 billion, in revenues, to ¥82.6 billion, and 56.7%, or ¥4.4 billion, in recurring profit, to ¥3.3 billion. NCA has been reducing cost steadily. Consequently, it was able to move into the black in fiscal 2010, one year ahead of the target set out in the previous medium-term management plan, which called on the business to reach the break-even point by fiscal 2011. In fiscal 2011, remaining profitable was challenging due to sluggish cargo movements for air cargo originating from Japan and Asia and bunker oil price hikes. However, we reduced cost across a variety of areas, continued flexible aircraft arrangements, and actively catered to emergency transportation demand arising from the Great East Japan Earthquake and flooding in Thailand. This enabled the business to post earnings for the second consecutive fiscal year. Particularly noteworthy was the establishment of a dynamic sales system. In charter flight operations, the mainstay of the return to profitability, personnel made a concerted effort to tackle and overcome a series of difficult problems. These included conducting preliminary surveys of the aviation regulations of respective countries, establishing backup systems for aircraft at destinations, and arranging aircraft to avoid wasting any transportation space.

### Fiscal 2012 Outlook

Originating from fiscal uncertainty in Europe, the economic slowdown is giving rise to concerns that cargo volume will

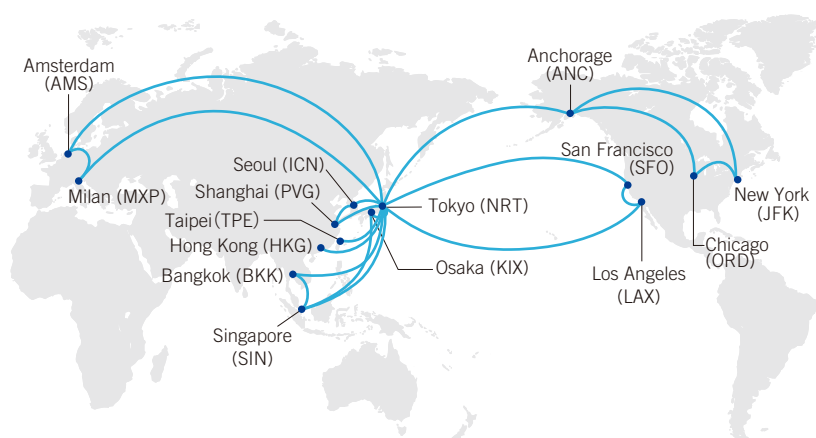
decline in the global air cargo market. Also, in the medium-term competition is likely to become fiercer due to open skies agreements enabling airlines to determine takeoff and landing slots, routes, and numbers of flights as well as an increase in the capacity of metropolitan airports.

In response to these business conditions, NCA prepared a new medium-term management plan in April 2012—the Phoenix Rising Plan (PRP)—under which it will further develop the business foundations it has been strengthening and realize its next growth phase. Covering the three years from fiscal 2012, NCA's PRP sets out a fundamental strategy of becoming an industry-leading company by catering flexibly and rapidly to diversifying customer needs while maintaining sound business management. By fiscal 2014, the final year of the plan, we aim to have a fleet of 10 in-house aircraft and to achieve net sales of ¥100 billion and operating income of ¥10 billion. To realize these targets, we intend to pursue further cost improvements while reforming our operational management system. For scheduled flights and charter flights, we have set our sights on moving away from Japan-centered business development in order to build a business organization that can provide transportation between countries outside of Japan in the medium-to-long term.

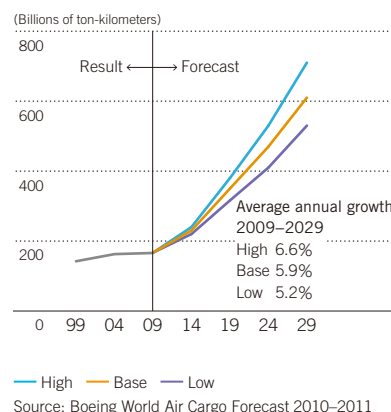
For the first year of the plan, fiscal 2012, in light of the outlook for business conditions, we anticipate a tough earnings environment. Therefore, although we expect revenues to increase 4.1%, or ¥3.3 billion, year on year, to ¥86.0 billion, we forecast a 70.4%, or ¥2.3 billion, decrease in recurring profit, to ¥1.0 billion.

### NCA Service Network

(As of March 31, 2012)



### Air Cargo Demand Forecast



# Bulk Shipping Business

## The Basic Strategy of the Bulk Shipping Business

The bulk shipping business is adhering to the NYK Group's strategic priorities by further expanding the operations of three businesses that generate stable earnings. These are the car transportation business, which provides an extensive menu of transportation services; the energy transportation business, based on long-term contracts for LNG and other cargoes; and the offshore business, operating in a challenging area to enter that requires outstanding technological capabilities. The importance of these businesses is evident from the medium-term management plan's positioning of them as strategic priority areas. Meanwhile, the dry bulk transportation business continues to operate amid a worldwide oversupply, with the market slumping to a level below breakeven. In response, we will curb active investment for the time being and focus on maintaining relationships with existing customers.

Clearly then there are businesses we are developing aggressively and others we are consolidating. To correctly modulate the flow of management resources we allocate to each business, accurate information is absolutely vital. Therefore, we must closely be involved with customers on a day-to-day basis, identify customers' needs ahead of competitors, and make precise use of the information we gather in each of our businesses initiatives.

What do we need in order to quickly and accurately grasp customers' needs? I think there are two requirements: good information gathering skills and an extensive worldwide network.

To heighten our information gathering skills, we have to cultivate personnel, who will actually gather the information. Early in their careers, we post the NYK Group's employees overseas to gain first-hand experience of the operational systems used at overseas bases. This takes time, but we believe learning the job on-site provides invaluable training. Subsequently deploying personnel with experience of multiple sites to various regions increases the relevance and accuracy of the information we are able to collect. Also, having close relationships with customers is critically important. In this respect, some areas remain where we are still not responsive enough to customers. Aiming to address this, I personally intend to make an overall assessment and rectify the areas where we are falling short.

As for network building, our basic principle is to deploy Japanese representative staff to areas where we have customers and business. Taking the car transportation business as an example, we already have a considerable number of such staff in China, and we are extending our network in Southeast Asia on an unprecedented scale. In addition, with a view to speeding up decision making so that we do not miss business opportunities, we are encouraging local subsidiaries, where Japanese and local personnel work as a team, to become more autonomous in all areas, from sales activities through to fleet development and fund raising.

We have already identified what needs to be done. Although some businesses face challenges, we will steadfastly implement the measures of the medium-term management plan with "moving forward cheerfully and energetically" as our motto.



**Masahiro Kato**

Representative Director,  
Executive Vice-President Corporate Officer  
Chairman of Tramp Shipping Strategy Committee

### ► Bulk Shipping Business

#### Dry Bulk Carrier Division



► P46

**Hidenori Hono**

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

#### Tanker Division



► P48

**Hitoshi Nagasawa**

Director, Managing Corporate Officer  
Chief Executive of Energy Division

#### Car Carrier Division



► P52

**Shunichi Kusunose**

Director, Managing Corporate Officer  
Chief Executive of Automotive Transportation  
Headquarters

## Dry Bulk Carrier Division



### Business Lines

- Transportation of iron ore, coal, wood chips, and other bulk cargoes

### Hidenori Hono

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

## Fiscal 2011 Overview

In fiscal 2011, market conditions were extremely tough because, while shipping capacity rose, demand for the transportation of iron ore and coal was flat, which widened the gap between supply and demand. In particular, there is a worldwide oversupply of the largest bulk carriers, called Capesize bulk carriers. Consequently, market conditions slumped to a level significantly below breakeven.

The two years from 2010 to 2011 saw the completion of approximately 460 Capesize bulk carriers, which mainly carry iron ore and coal from Brazil and Australia to Japan and China. These new vessels resulted from the large number of orders placed prior to the collapse of Lehman Brothers in anticipation of rising demand for resources in China and other emerging countries. As a result, the market is saturated. Currently, there are about 1,400 Capesize bulk carriers in operation—nearly twice as many as there were in 2007 before the collapse of Lehman Brothers.

In response to these business conditions, we reduced surplus Capesize vessel capacity by scrapping one existing bulk carrier, selling several others, and returning two bulk carriers with high charterage fees. Also, we took thoroughgoing measures to reduce vessel operation cost through slow-steaming operations. As well as doing this for owned vessels, we sought the cooperation from shipowners, and in some cases undertook ultra-slow-steaming operations, which reduce speeds by more than half. Despite producing benefits, these initiatives were unable to fully compensate for worsening market conditions, making it a challenging year.

For the full fiscal year, the transportation volume of Panamax bulk carriers that transport coal for electric power plants was below

the level of average years. This decline was due to the suspension of operations at certain coal-fired power plants damaged by the Great East Japan Earthquake, which offset demand from coal-fired power plants that are operating at full capacity as a result of the suspension of operations at nuclear power plants in Japan due to the earthquake.

Wood-chip carriers that transport raw material for paper manufacturing faced tough earning conditions because stagnant paper sales in Japan led to a decline in demand for raw material. Until 2010, we secured earnings in this area by redeploying surplus shipping capacity to the transportation of soybean cake, which had relatively stable freight rates. In fiscal 2011, however, as had happened with dry bulk freight rates, soybean cake freight rates slumped. Due to oversupply in the market, securing earnings was very difficult, making it an extremely challenging year.

Handysize bulk carriers, which group company NYK Global Bulk Corporation operates, enjoyed favorable conditions and grew earnings significantly until fiscal 2010. However, fiscal 2011 saw a downturn in freight rates, which led to tough earning conditions. Even though freight rates slumped, we were able to avoid incurring a large loss by reducing the number of new chartered vessels and shortening their charter period.

## Market Trends

Looking at business conditions going forward, challenging conditions will probably continue for the time being. However, the period from the second half of fiscal 2013 to fiscal 2014 is likely to see an easing of shipping capacity oversupply and an upturn in shipping cargo movements. Until then, the considerable gap

## Bulk Carrier Freight Rates

(US\$ / day)	FY2010 (Result)	FY2011 (Result)					FY2012 (Forecast)		
	Full-year	1Q	2Q	3Q	4Q	Full-year	1st Half	2nd Half	Full-year
BDI	2,346	1,376	1,531	1,925	867	1,425	1,426	1,603	1,515
Capesize (4TC)	26,895	8,606	17,058	28,728	6,997	15,347	14,500	19,500	17,000
Panamax (Pac)	19,520	12,379	10,410	12,410	7,571	10,693	9,750	11,000	10,375
Handymax (Pac)	17,062	12,730	11,285	9,397	7,672	10,271	11,000	11,000	11,000
Handysize (Pac)	13,637	11,148	9,512	7,709	6,055	8,606	9,000	9,000	9,000

\* Market per vessel (spot charterage) 4TC = average of 4 routes, Pac = Pacific-round

between supply and demand is expected to persist because the completion of new vessels will continue at the high level of between 100 and 200 per year.

On the other hand, from around the end of 2013 the iron ore industry will start up a series of projects to extend excavation at mines worldwide. The resulting jump in iron ore production volume is expected to bring down iron ore prices. If the price of iron ore drops, China—the world's biggest consumer of iron ore—will probably shift increasingly from domestic procurement to importing, which would increase iron ore transportation volume. Until now, China has sought iron ore and coal domestically and built steelworks inland. Recently, however, it has been building large steelworks along its coast, which need good-quality raw material rather than low-quality domestic iron ore. Many of China's steelworks mix imported iron ore and local iron ore to produce steel. However, for steelworks located along coastal areas efficient high-volume imports of iron ore using large vessels will be easier than transporting it by train from inland. Against this backdrop, as iron ore prices steadily fall worldwide, iron ore shipping cargo movements are likely to become brisker.

### Tasks of the Dry Bulk Carrier Division

Worldwide, the trend toward a surplus supply of shipping capacity will continue given that more than 200 new vessels are due for completion in fiscal 2012. This trend is projected to continue into fiscal 2013. As long as the gap between supply and demand does not narrow, freight rates are unlikely to recover in the near term. Amid such conditions, reducing shipping capacity is necessary to put a brake on the deterioration of business results. Accordingly, at the NYK Group we have scrapped vessels aged 25 years or older. However, we are considering scrapping vessels aged 20 years, and in some cases those 18 years.

Furthermore, we will continue implementing slow-steaming operations rigorously. We also plan to lay up vessels as required. There is an argument that states it is preferable during market

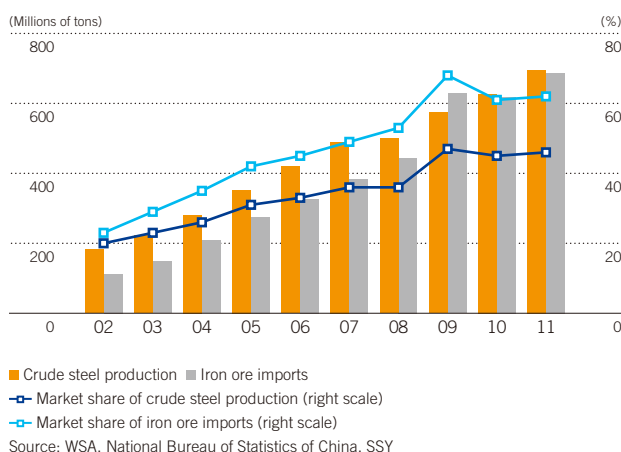
slumps to operate vessels at a loss than to have no revenue whatsoever. However, we believe that it is important to adopt a robust posture that, by halting vessels, demonstrates our resolve to improve the freight rate market. With a stronger sense of crisis than ever, we will tackle this difficult situation head on.

### Fiscal 2012 Outlook

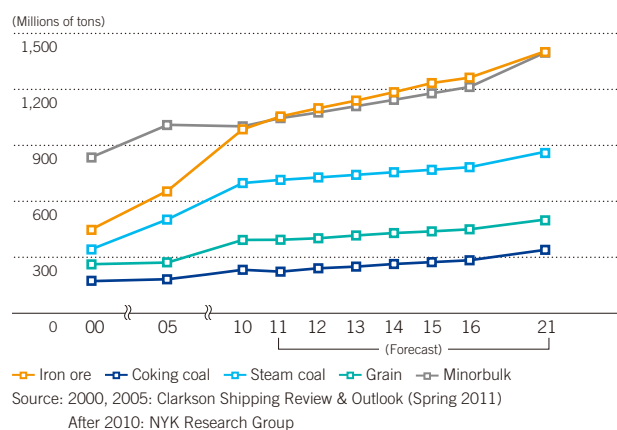
As mentioned in the "Market Trends" section, a significant shipping capacity oversupply will continue in fiscal 2012. Although cargo movements may pick up modestly, we do not expect them to become vigorous. Also, the increase in iron ore and coal imports by steelworks built along China's coastal areas seems likely to come a little further in the future. In these challenging business conditions, we intend to secure earnings through efficient vessel allocation and the reduction of vessel operation cost through slow-steaming operations. In conjunction with these efforts, we will try to raise the base level of the freight rate market and mitigate the gap between supply and demand by taking decisive steps to scrap vessels, cancel charter contracts, and lay up vessels.

At present, our bulk carrier fleet has approximately 410 vessels, and we do not plan to expand it any further. We only intend to consider ordering new vessels for major projects based on long-term contracts. Normally, this would be a period for building up the fleet because new vessel orders are down worldwide, pushing shipbuilding cost downward. Instead, as set out in the medium-term management plan, the NYK Group will direct investment toward businesses that promise stable earnings, such as the car transportation business, the LNG transportation business, and the offshore business. Accordingly, the dry bulk carrier division is currently rationalizing the bulk carrier fleet by temporarily postponing the construction of already ordered Capesize bulk carriers or changing their designs to other vessel types. Through such efforts, we will continue defensive strategies in fiscal 2012.

China's Crude Steel Production, Iron Ore Imports, and Global Market Share



Volume and Forecast of Dry Bulk Seaborne Trade





#### Business Lines

- Transportation of crude oil, petroleum products, and LPG
- Transportation of LNG, offshore business (drillship, floating production, storage, and offloading (FPSO), and shuttle tanker operations)

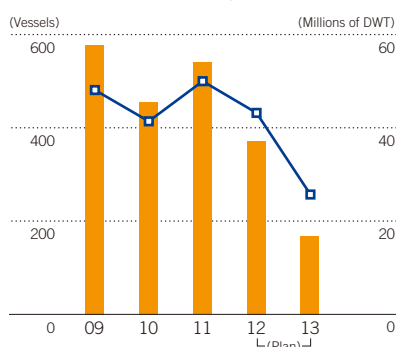
#### Hitoshi Nagasawa

Director, Managing Corporate Officer  
Chief Executive of Energy Division

### Fiscal 2011 Overview

Completely different types of events, such as the Great East Japan Earthquake and the Arab Spring, occurred in various parts of the world. Further, the economic recession stemming from Europe's financial crisis led to lower demand for energy. Also, uncertainty about supply rose due to heightened geopolitical risk in the Middle East and North Africa and the prolonging of problems related to Iran. As a result, oil prices approached record highs and shipping volumes of crude oil and petroleum products were sluggish. Meanwhile, a record number of VLCCs were completed. Although the number of small and medium-sized tankers completed was unchanged year on year,

#### Tanker Newbuild Tonnage



■ Completed vessels  
— Shipping capacity of completed vessels (right scale)  
Source: Clarkson "World Shipyard Monitor"

scrapping did not advance. Consequently, the oversupply of vessel capacity remained.

By contrast, the accident at the Fukushima nuclear power plant has triggered transportation demand for LNG as a realistic alternative energy. In fiscal 2011, demand rose 18% year on year, to 83.18 million tons. Due to the shale gas revolution, U.S. gas prices dropped to their lowest in 10 years, and the differences in gas prices among regions increased rapidly. Thanks to this trend, the NYK Group's LNG transportation business performed well. However, it was unable to capture the entire current rise in shipping volume because it is based on long-term contracts.

Furthermore, in fiscal 2011 our offshore business—which we have been developing in earnest in recent years ahead of competitors—followed up on fiscal 2010's foray into the shuttle tanker business by participating in the FPSO business, which produces and stores crude oil at sea. Together with drillship operations already begun, this latest addition completes the NYK Group's offshore business value chain, which now stretches from upstream to downstream operations. This type of initiative epitomizes the philosophy of *More Than Shipping 2013* by exploiting our technological prowess to create earnings sources for the coming age. As demand grows, the offshore business promises to contribute to earnings.

### Offshore Business Value Chain



► For explanations of market trends, business strategies, and projects,

please see the special feature on page 32.

### Tasks of the Tanker Division

Some forecasts predict that, if its present domestic development of shale oil leads to full-scale production, the United States will almost have stopped importing crude oil by 2030. If this happens, it will undoubtedly have a major impact on our business. In addition, as momentum toward revising energy policy builds in Japan and overseas, gathering accurate information promptly is becoming an important task. Therefore, building appropriate information networks and developing personnel who are thoroughly versed in multiple types of business is key—particularly for information gathering overseas.

With a view to building such information networks, we have revised the roles of Japanese representative staff members deployed to regions worldwide to emphasize “specialization.” Until now, representative staff members had gathered information for all of the NYK Group’s businesses, with no emphasis on any particular business area. However, aiming to obtain more precise information more rapidly, we have dedicated some representative staff members to collecting information on energy transportation. Also, to facilitate exchanges of useful information and heighten awareness that each individual must take the initiative, we convene an annual conference that all representative staff members attend.

Meanwhile, we are focusing on developing staffs “laterally.” At first, oil and LNG may seem to be different areas. However, because their demand trends correlate closely, expertise in only one of these areas is not enough. Going forward, we need staff members that have extensive knowledge and experience as “energy specialists” and a firm grasp of the oil and LNG industries. Accordingly, we have intensified personnel exchanges in this division among oil-related businesses, LNG-transportation-related businesses, and the offshore business. We believe fostering personnel who can put a wide range of knowledge to practical use and deploying them to bases will enable us to gather information that is more beneficial.

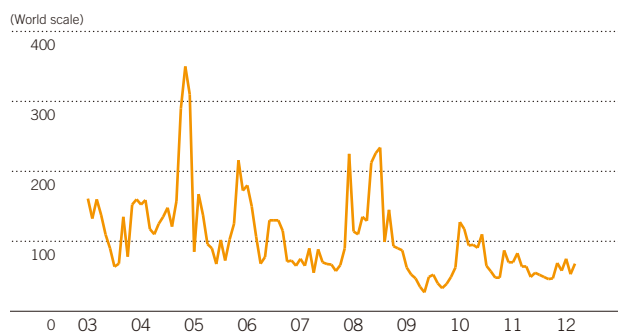
### Fiscal 2012 Outlook

We see fiscal 2012 as a period of *rebirth and acceleration*. *Rebirth* means we will reassess the potential of each existing business and advance the ones we choose to continue. I believe that, by drawing on the range of knowledge and expertise we have accumulated, we are more than capable of revitalizing and advancing the crude oil transportation business, which has been struggling in lackluster market conditions. One example of the measures we are taking is the long-term contract (see next page for details) concluded with Thai Oil Public Co. Ltd. at the end of March 2011. Attempting to maintain all our businesses would not only stunt the development of the Tanker Division as a whole but also hinder our efforts to foster specialists. Therefore, I want us to correctly analyze the information that we gather from various regions and decisively withdraw from businesses lacking potential.

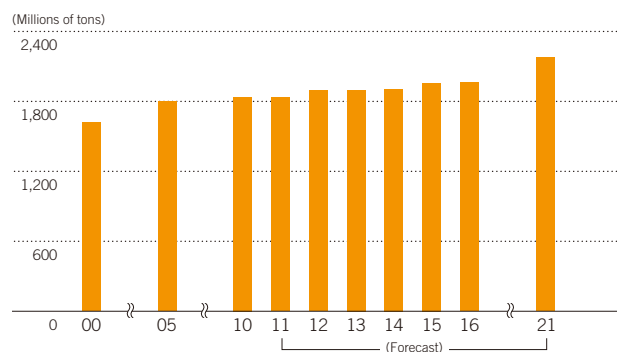
As for *acceleration*, we will concentrate management assets on growth areas likely to see demand going forward and further cement business foundations. For example, in the offshore business, where we have established operations from the upstream area to the downstream area, our basic policy is to stabilize operations thoroughly and then steadily build up a track record and practical expertise.

Energy transportation makes an extremely important contribution to society by supporting domestic power supplies. Employees in this division work with pride and a sense of achievement. Furthermore, in the context of the NYK Group as a whole, the tanker division should become a pillar of long-term stable earnings. I think that my role is to communicate the NYK Group’s policies and business management direction so that employees can work cheerfully and energetically toward shared goals.

Oil Tanker Market (Middle East → Japan)



Volume and Forecast of Crude Oil Seaborne Trade



Source: 2000, 2005: Clarkson Shipping Review & Outlook (Autumn 2011),  
After 2010: NYK Research Group

### Market Trends

In fiscal 2011, oil demand rose around only 1% year on year due to a decline in demand among developed countries reflecting advances in environmental technology, which counteracted demand growth centered on China, India, and other emerging countries that continued to see solid economic growth. Furthermore, shipping volume edged down year on year, to 1,833 million tons, due to oil price hikes, which were attributable to a significant shift in the origin of U.S. imports from the Middle East to Canada, an increase in import volume via non-shipping modes such as pipelines, heightening geopolitical risk in the Middle East and North Africa, and prolonged problems related to Iran.

At the same time, the number of new vessels remained high, and consequently oversupply continued. As a result, freight rates did not pick up, even during the winter demand period, and remained lackluster throughout the fiscal year.

### Fiscal 2012 Business Policy

The outlook for oil demand by volume is year-on-year growth of just 1% due to the stabilizing of economic growth in China. There is unlikely to be any change in the current demand structure, in which demand from developed countries is sluggish—because of low growth and ongoing fuel-efficiency improvements—while new shipping volume mainly originates from China, India, and other emerging countries. Moreover, the entry

barriers for non-local shipping companies are becoming higher due to policies in China and other countries of independently transporting commodities for their own consumption. Given that this is a transition period for national energy policies worldwide, this business, developed extensively to date, must respond by moving forward with strategic prioritization. In other words, we must reform those areas requiring reform while concentrating management resources on areas that promise growth.

### Key Project

April 2011

#### Thai Oil and the NYK Group Own a VLCC Tanker Jointly, Conclude Long-Term Contract

The NYK Group established a company in Singapore through a joint investment with Thai Oil of Thailand in February 2011. The NYK Group sold a very large crude carrier (VLCC) tanker to the new company, making the VLCC jointly owned. The new company concluded a long-term contract, covering a 10-year period, with Thai Oil.

Both companies agreed on this project because, in response to the growing demand for crude oil in Thailand, one of Thailand's major oil refiners, Thai Oil, was considering acquiring a VLCC tanker to transport crude oil for in-house refining, while the NYK Group sought long-term business in Thailand. The VLCC tanker *Tenyo* will shuttle between the Arabian Gulf and Thailand, mainly transporting crude oil that Thai Oil will refine.



*Tenyo*

## LNG Transport

### Market Trends

Demand for LNG is up in Japan, Europe, developed countries of other regions, and in emerging countries, including China, Brazil, and India. By 2030, demand is expected to increase steeply versus 2010 levels, with increases of 1.2 times in Japan, to 83.60 million tons; 6.8 times in China, to 63.22 million tons; and 3.3 times in India, to 30.45 million tons. As for supply, Qatar—the world's largest exporter of LNG—ramped up annual production to 77 million tons at the end of 2010 and increased exports to Japan and Europe. As there have been no orders for new vessels for the past three years, there has been a temporary shortage of free LNG carriers in the market. Consequently, prices in the market for LNG carriers were rising even before the Great East Japan Earthquake. In fiscal 2011, this trend became more pronounced, with spot charterage fees surpassing US\$100,000. In the meantime, there are many new vessels on order, approximately 60, most of which are slated for completion from fiscal 2013 onward.

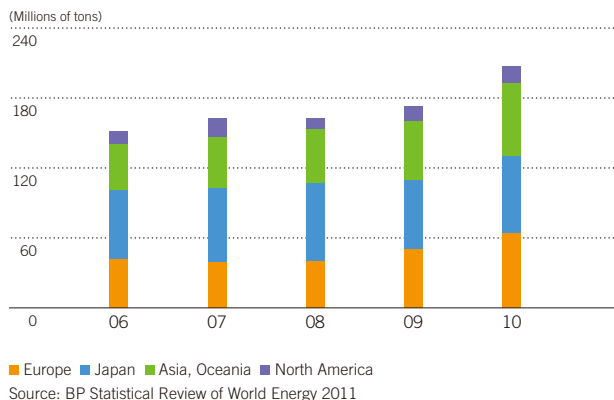
### Business Trends

Because the large-scale practical application of solar and wind power generation as an alternative to nuclear power generation will take time, fossil fuels will probably remain an important source of energy for at least the next 20 or 30 years. Amid these trends, highly competitive prices and environment-friendliness are likely to make LNG a mainstay of power generation.

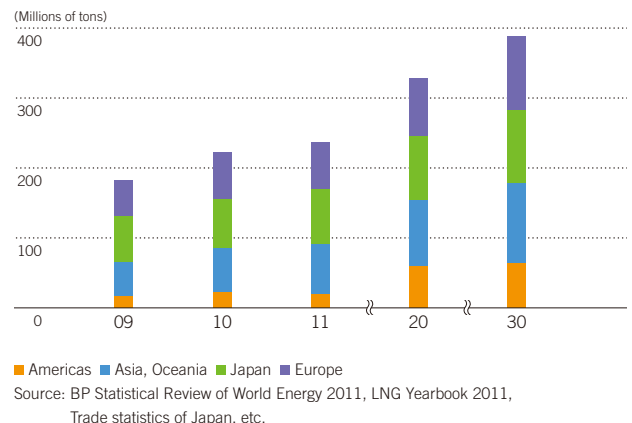
As it has until now, the NYK Group intends to continue steadily providing high-quality transportation services based on long-term contracts. In the shipping business, there are few long-term contracts. For LNG transportation, however, contracts of 15 or 20 years are the norm. Therefore, this business is set to become an extremely important source of stable earnings for the NYK Group. As it develops in tandem with market growth, LNG transportation will contribute significantly to business results.



LNG Transactions in Major Markets



LNG Demand Forecast



## Car Carrier Division



### Business Lines

- Transportation of finished automobiles, operation of dedicated automobile terminals, automotive logistics business for finished automobiles

### Shunichi Kusunose

Director, Managing Corporate Officer  
Chief Executive of Automotive Transportation Headquarters

## Fiscal 2011 Overview

In fiscal 2011, this business remained at the mercy of outside conditions. For approximately two months after the Great East Japan Earthquake, not only domestic automotive manufacturers but the overall economy stagnated. Subsequently, thanks to the all-out efforts of automotive manufacturers and component manufacturers, automotive production recovered at a higher than expected pace. Some manufacturers even managed to plan for second-half export volume higher than planned before the earthquake. In the second half, however, just when it appeared that the market was recovering from its first half slump, Thailand suffered major flooding in October, and export volume dropped again. The effect of this disaster continued into 2012, and from April 2012 export volume is forecast to finally recover to the level it was before the flooding. Moreover, an ultra-strong yen at ¥70 to the U.S. dollar caused further difficulties.

The NYK Group currently has approximately 110 car carriers. After the earthquake, setting our sights on a recovery in cargo movements in step with the restoration of manufacturing, we coped by implementing slow-steaming operations and laying vessels up rather than by scrapping vessels.

The automotive logistics business, an area that we are focusing on under the medium-term management plan, has largely completed the establishment of bases in key regions worldwide, including China, Thailand, and Belgium. In each region, we have gradually built up systems that not only provide shipping but also enable integrated transportation from plants to automobile dealers.

## Market Trends

In 2011, finished automobile cargo movements were 14.88 million units, up roughly 5.5% from 14.11 million units in 2010.

The economic climate in each region significantly affects

automotive sales. Looking around the world, as a whole the market in Europe—particularly in Western Europe—is flat due to structural fiscal problems. In Asia, meanwhile, emerging countries are growing vigorously. Furthermore, the U.S. market is beginning to show signs of a recovery, which is gradually gaining momentum.

Regarding export trends for new automobiles, while exports from Japan are decreasing, exports from South Korea are increasing. However, this rise does not directly benefit us because Japanese shipping companies do not account for a large share of the transportation market in Korea. We expect that unit exports from Thailand—sluggish in fiscal 2011 due to flooding—will come close to the one-million-unit level in fiscal 2012 as the production of Japanese automotive manufacturers recovers.

## Tasks of the Car Carrier Division

Automotive cargo movements rarely trend as forecast. For example, if we look at unit exports\* from Japan before and after the collapse of Lehman Brothers, compared with 6.73 million units for 2008, after the collapse they dropped almost 50%, to 3.62 million units for 2009. Therefore, to deal effectively with such sudden changes in transportation demand, maintaining systems that enable us to respond rapidly and flexibly no matter what business conditions we face is important.

To this end, for vessels the key is maintaining fleet size above a certain level. Striking a balance between old vessels and new vessels in the fleet enables us to adjust shipping capacity when cargo movements slump by scrapping the old vessels. Furthermore, owning vessels is important. The NYK Group's fleet comprises 50% owned vessels and 50% vessels chartered long-term from shipowners. With long-term chartered vessels, responding quickly and flexibly when we need to streamline fleet size is often complicated because negotiations with shipowners take time.

## Automobile Transportation Volume by NYK

	FY2010 (Result)	FY2011 (Result)					FY2012 (Forecast)		
	Full-year	1Q	2Q	3Q	4Q	Full-year	1 <sup>st</sup> Half	2 <sup>nd</sup> Half	Full-year
Transportation volume (Tens of thousands of vehicles)	310	60	77	77	79	292	164	167	332
Year on year	31%	−20%	2%	−5%	−1%	−6%	20%	8%	13%

In sales, the challenge is balancing demand regions, or destinations. Without a doubt, the global automotive market is set to expand centered on Asia's emerging countries. However, we must not focus exclusively on Asia. Admittedly, Asian emerging countries and Russia are likely to see favorable near-term sales demand. But even in the doldrums, Europe's market remains huge in terms of absolute numbers, selling more than 15 million units. To keep our finger on the pulse of emerging trends in such markets worldwide, we need to gather and analyze information constantly.

\* Including knockdown parts (vehicle components)

### Fiscal 2012 Business Policy

To a large extent, we have finished building bases in important regions. Going forward, our focus will be on fleshing out the structure we have built. Even though we have established an integrated transportation system, we do not intend to force this upon customers. Ultimately, we still need customers to choose our services. We offer a menu of high-value-added services based on shipping—such as automobile terminals at each base, pre-delivery inspection, and inland transportation—from which customers select the services they want. Irrespective of how business conditions change, our policy in this regard will remain consistent.

In addition, automotive manufacturers are expected to step up the pace at which they are shifting operations overseas. However, as we have car carriers around the world, no matter where these manufacturers export from we will be able to cater to their needs. Cost competitiveness is similar. If we are able to effectively combine our vessels worldwide, business opportunities will increase as loading ports become more developed, and we will be able to maintain cost competitiveness.

Quality transportation services underpin mutual trust with customers. Offering a wide array of services is important, but the phrase *not damaging finished automobiles*, which are transported unpackaged, encapsulates the level of commitment to service quality that is also needed to earn customers' trust.

Due to the effect of the earthquake and flooding on operations in fiscal 2011, at the beginning of fiscal 2012 we finally reached the starting line, one year behind schedule. The goals of the medium-term management plan are unchanged. All that remains is to advance steadily toward their achievement. Without fail, we will achieve what we have stated we will do. At the same time, we will tirelessly tackle the exacting task of carrying cargo even more safely and rapidly.

### Key Project

June 2011

#### Strengthening the Automotive Logistics Business for Finished Automobiles in China

To further bolster the automotive logistics business for finished automobiles in China, which has rapidly become the world's largest automotive market, we established NYK Automotive Logistics (China) Co. Ltd. (NALC) in Tianjin, China, in 2011. NALC is a one-stop point of contact that provides optimal solutions tailored to customer needs by fully exploiting a service network for finished automobile logistics that reaches throughout the whole of China.

Since entering China's market in 2003, the NYK Group has grown into one of the largest non-Chinese transporters of finished automobiles in the country. So far, we have begun operating car carrier terminals at four major ports; rolled out high-value-added services, such as vehicle distribution centers<sup>\*1</sup> and pre-delivery inspection (PDI);<sup>\*2</sup> and realized inland transportation services based on approximately 700 car carrier trucks, which have transported more than 850,000 finished automobiles.

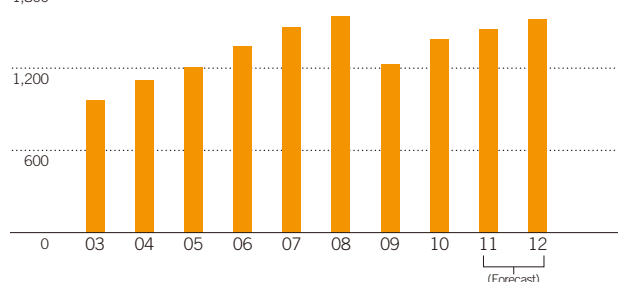
In China, new automobile sales are projected to surpass 20 million units within a few years. Therefore, demand for logistics is likely to increase further as exports and imports and inland transportation rise.

\*1. A logistics center that accepts finished automobiles shipped from plants and transports them to domestic automobile dealers

\*2. Final inspections, repairs, and parts application of finished automobiles before delivery to automobile dealers

Worldwide Automobile Transport Volume  
(Cargo movements between regions)

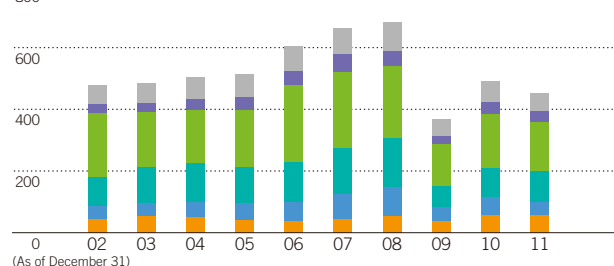
(Tens of thousands of automobiles)  
1,800



Source: NYK Research Group

Japanese Automaker Exports (by destination)

(Tens of thousands of automobiles)  
800



Source: Japan Automobile Manufacturers Association, Inc.

\* Including knockdown parts (vehicle components)

## Cruises



### Business Lines

- Operation of three cruise ships in Japan and the United States

### Masahiro Kato

Representative Director, Executive Vice-President Corporate Officer  
Chief Executive of Cruise Headquarters

## Fiscal 2011 Overview

The NYK Group has three cruise ships. For Japan's market, NYK Cruises Co. Ltd. operates *Asuka II*, while for the North America market Crystal Cruises Inc. operates *Crystal Symphony* and *Crystal Serenity*. In fiscal 2011, both cruise companies faced extremely difficult conditions due to the effects of the fiscal uncertainty among European countries and the Great East Japan Earthquake.

In addition to the significant effect of the Great East Japan Earthquake, the piracy problem in the Indian Ocean affected NYK Cruises. Originally, the *Asuka II* round-the-world cruise followed a route from the Indian Ocean to the Mediterranean via the Suez Canal. In light of the frequency of piracy in the Indian Ocean, however, we gave first priority to our customers' peace of mind and changed to a route that accesses Europe via the Cape of Good Hope in South Africa. Nevertheless, partly because the cruise was unable to call at its originally scheduled ports, some customers cancelled reservations.

As for Crystal Cruises, despite solid demand from the North America market, reservations did not grow as envisioned because its pricing was unable to respond flexibly or precisely enough to competitive conditions, and the company struggled as a consequence.

As a result, for fiscal 2011 the cruise business recorded a 9.5% year-on-year decline in revenues, to ¥32.4 billion, and a recurring loss of ¥5.8 billion.

## Tasks of the Cruise Business

Developed countries in North America, Europe, and other regions are seeing a trend toward customers seeking spiritual rather than material fulfillment. As a result, demand for cruises has been rising, even in the period since the collapse of Lehman Brothers. Unfortunately, the NYK Group's cruise business has not benefited from this market growth. Despite the fact that our three cruise ships have earned reputations for world-leading quality and services, other companies are capturing the demand growth. Therefore, it goes without saying that strengthening our marketing and sales capabilities is a pressing task.

In particular, Crystal Cruises, although enjoying high prestige as a brand, was behind in establishing pricing suited to customer needs. With this in mind, we have revised our previously rigid pricing system to create all-inclusive prices that cover tips and alcoholic beverages. Also, we have decided to revise pricing flexibly in light of

the popularity of respective cruises. These types of initiatives are proving successful, and current reservations are on a recovery track.

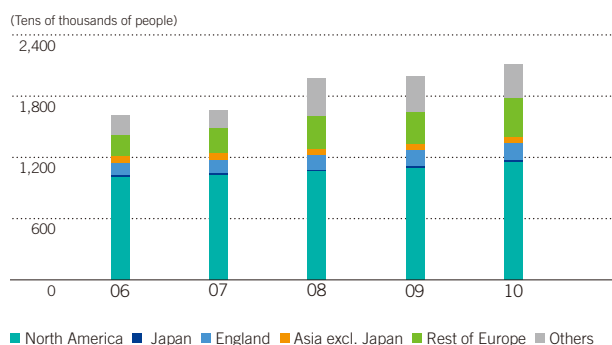
In addition, the *Asuka II* round-the-world cruise is witnessing an upturn in reservations compared with those of fiscal 2011 and promises to move into the black for the current fiscal year. However, we think the pricing put in place for Crystal Cruises, while suited to overseas markets, would be less effective in Japan's market. Accordingly, rather than adjusting pricing for *Asuka II*, we want to attract more customers by offering products that are unique and compelling.

## Fiscal 2012 Business Strategy

For the past several years the cruise business has been recording a deficit, which means our most important target for fiscal 2012 is to move into the black. Key strategic initiatives toward achieving this goal will involve revising the sales initiatives of Crystal Cruises and rolling out new services for *Asuka II*. Rapidly strengthening our sales capabilities and transforming into a business that generates stable earnings will open up the possibility of building new cruise ships in the future. From a long-term viewpoint, unless they introduce new cruise ships, NYK Cruises and Crystal Cruises will be unable to maintain their competitiveness.

As the only business catering to consumers, the cruise business is the NYK Group's core business for receiving direct feedback about customer needs. Realizing profitability will enable us to provide customers with new services that deliver even greater enjoyment and exhilaration.

## Global Cruise Population



Sources: "Complete Guide to Cruising & Cruise Ships 2012"  
North America: CLIA The Overviews 2011  
Japan: The Ministry of Land, Infrastructure and Transport 2010

# Sustainability

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Dry Bulker



## Providing High-Quality Transportation Services through Transportation Technology and Optimal Level Fleet Catering to Specific Cargoes

For many years, we have safely transported bulk cargoes vital for the world's economic activities, commodities such as iron ore, coal, and wood chips. Based on the properties of cargoes, we introduce transportation technology and expand our fleet to optimal levels. This expertise and our global sales network have earned us a strong reputation among customers around the world. Currently, we are developing operations overseas aggressively—concluding long-term transportation contracts with steelmakers, power utilities, and paper manufacturers in Japan, China, Asia, and Europe.



# Corporate Social Responsibility Initiatives

## Environment

## Protecting the Environment, Enriching the Earth

Overall CO<sub>2</sub> emissions of international shipping (2007)

# 870

 million tons

In 2007, international shipping as a whole emitted approximately 870 million tons of CO<sub>2</sub>. This represents roughly 3% of the world's total emissions, or the equivalent of Germany's total emissions. As the international transportation of goods increases, shipping is projected to emit 1.5 to 2.5 times more CO<sub>2</sub> than at present by 2050.

Futuristic containership *NYK Super Eco Ship 2030* reduces CO<sub>2</sub> emissions

# 69%

Our ambition is to realize vessels with zero CO<sub>2</sub> emissions by 2050. On the road to this goal, *NYK Super Eco Ship 2030* marks the midway point. As tomorrow's containership, *NYK Super Eco Ship 2030* is on a mission to reduce CO<sub>2</sub> emissions by 69% through advanced environmental technologies, many of which are still on the drawing board or under development.

### May 17, 2011 World's First Solar Energy Vessel Evolves Further

Having installed a hybrid power supply system on *Auriga Leader*, a solar power-assisted car carrier, we began proving tests in June 2011.



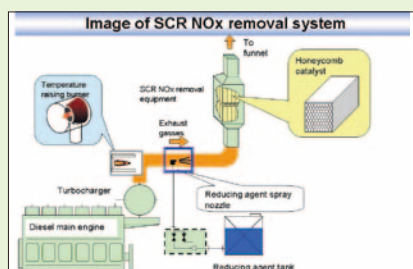
A twenty-foot container, fitted with equipment, undergoing tests



*Auriga Leader*

### June 21, 2011 World's First Test Installation of SCR NO<sub>x</sub> Removal Equipment on Coal Carrier

We installed selective catalytic reduction (SCR) nitrogen oxide (NO<sub>x</sub>) removal equipment on the coal carrier *Initial Salute* and began shipboard tests. This was the world's first attempt to fit a low-speed marine diesel engine with SCR NO<sub>x</sub> removal equipment.



*Shin Koho*

### May 31, 2011 Completion of *Shin Koho*, World's First Bulk Carrier with Hybrid Turbocharger

The 180,000 DWT bulk carrier *Shin Koho* became the first vessel in its class to incorporate a hybrid turbocharger. The ship will mainly transport iron ore from Australia.

CO<sub>2</sub> emissions from vessels under our operation and improvement in our environmental management indicator (fiscal 2011)

# 14.749 million tons

# -13.8%

versus fiscal 2006

We have introduced environmental management benchmarks to assess vessels' operational efficiency. For the performance of respective vessel classes based on this indicator, please see page 72.

Environmental management indicator = Environmental load (CO<sub>2</sub> emissions from shipping) ÷ Value added by the business (Mass of cargo in tons x Transport distance in kilometers)

## July 26, 2011 Earn Clean Air Award for First Time

NYK received its first Clean Air Action Plan (CAAP) award from the Port of Los Angeles. The award recognizes NYK's early measures to comply with the California Air Pollution Control Law and subsequently reduced air pollutants by 24% over those produced prior to the implementation of the measures.



## October 17, 2011 NYK Group Develops CO<sub>2</sub> e-calculator System Enabling Online Monitoring of CO<sub>2</sub> Emissions During Transportation

The NYK Group developed a CO<sub>2</sub> e-calculator, which calculates CO<sub>2</sub> emitted when containerships or international airfreighters transport cargo, and added it to the NYK Group's websites.

e-calculator

## December 8, 2011 First Asian Shipping Company to Gain Green Ship Accreditation in Singapore

Three of our Singapore-flag tankers have earned recognition for outstanding attributes based on the energy efficiency design index (EEDI)\* under the Maritime and Port Authority of Singapore's Green Ship Programme. We are the first Asian shipping company to receive this recognition.

\* A formula for measuring a vessel's CO<sub>2</sub> emissions. The EEDI is calculated using characteristics of the vessel at build, incorporating parameters that include vessel capacity, engine power, and fuel consumption.



Challenge Paragon

## Safety Targeting Outstanding Safety and Reliability

### NAV9000 improvements (requests)

To fulfill our obligation to ensure the safety of operating vessels and protect the environment, we implemented our own safety management system, NAV9000, in 1998. In addition to enforcing this system for owned vessels and chartered vessels, we disclose our requirements for safe vessel operations to other vessels, shipowners, and ship-management companies and seek their compliance.

Audits: **298** vessels, **37** companies

Improvements:  
More than **3,500**

### Safety promotion campaign

**756** participants and **475** vessels

We conduct summer and winter safety campaigns featuring on vessel visits by personnel involved in sales, operations, and technology. These campaigns aim to deepen mutual understanding among seafarers and onshore personnel while heightening everyone's safety awareness.

July 26, 2011

#### Joint Drill with Japan Coast Guard Using LNG Carrier

We conducted a major accident-response drill with the Japan Coast Guard using one of our LNG carriers, *Al Khor*. Coordinating with the Japan Coast Guard, we addressed a Tokyo Bay oil spill scenario.



July 6, 7, and 27, 2011

#### Safety Meetings for NYK Group Fleet

As part of the safety campaigns that we implement every July targeting all personnel, we held safety promotion meetings for the entire NYK Group fleet. In 2011, 149 shipowners and representatives of 72 ship-management companies attended the meetings.

July 26, 2011

#### Anti-Terrorism Exercise with Hong Kong Police Force

We conducted a joint anti-terrorism exercise with the Hong Kong Police Force envisioning a scenario where terrorists had taken over one of our containerships, *NYK Venus*, while it was calling at Hong Kong's port.



NYK Venus

Number of near misses reported

More than **50,000** incidents per year

We undertake Near Miss 3000 activities with a view to preventing accidents on board vessels. These activities reflect Heinrich's Law, which holds that underlying every major work-related accident there are 29 minor accidents and 300 near misses.

Near misses due to failure to follow procedures or lack of safety awareness

**70%**

Analysis of Near Miss 3000 activities reveals that failure to follow procedures or lack of safety awareness accounts for approximately 70% of near misses. Therefore, we need to be aware of safety and follow procedures constantly to reduce accidents and problems.



**August 24, 2011**

**NYK President Yasumi Kudo Discusses Safety with Captains and Chief Engineers**

NYK president Yasumi Kudo convened a meeting of six captains and chief engineers to hear directly from personnel working on the frontline of operations and reflect their views in initiatives to improve the safety of vessel operations. The participants had a lively exchange of opinions.

**November 15, 2011**

**Joint Serious Accident Response Drill with Singapore's Port Authority**

We conducted an accident-response drill with Singapore's Port Authority for a serious accident scenario in which one of our containerships, *NYK Themis*, had collided with a containership in the Singapore Strait, causing an oil spill.



**December 1, 2011–January 31, 2012  
Winter Safety Campaign—Sail on Safety**

During our Sail on Safety winter safety campaign, 329 NYK Group onshore personnel, including NYK executives, visited 224 vessels. Onboard crew and onshore personnel exchanged opinions on the status of each vessel and safe ship operations.

Right: Masamichi Morooka, senior managing corporate officer (at the time), NYK Group

Personnel

## Enabling Outstanding Safety and Reliability

### Crew members (NYK Group total)

Approximately 90% of our 32,000 crew members are overseas group company employees.

# 32,000

### Trainees in the first graduating class of the NYK-TDG Maritime Academy (NTMA) in the Philippines

### Percentage of Filipinos among crew members

We employ many Filipino crew members because they have a good command of English, the Philippines has a large working population, and the country is socially stable.

# 70%

# 116

For more than three decades, we have been hiring and training Filipino crew members. In 2007, we established NTMA and began training crew members independently. In September 2011, the academy produced its first class of 116 graduates, who became NYK Group personnel.

**August 31, 2011**

### Our Merchant Marine College in the Philippines Acquires Accreditation under Ministry of Land, Infrastructure, Transport and Tourism's New Program

Our Merchant Marine College in the Philippines, the NYK-TDG Maritime Academy (NTMA), became one of the first three maritime academies to gain accreditation under a new certification program created by Japan's Ministry of Land, Infrastructure, Transport and Tourism for overseas maritime academies.



**September 16, 2011**

### NTMA Graduates First Class of 116 Trainees

On its campus, NTMA held a graduation ceremony for the first class of students enrolled at the academy. We will deploy the new graduates as 3rd officers and 3rd engineers on vessels operated by the NYK Group.



**Global NYK Week participants  
(since fiscal 2002)**

312

This training event aims to further understanding of the NYK Group Mission Statement, the NYK Group Values, and its business strategies among mid-ranking personnel of overseas group companies. The program includes direct discussions with our president and workshop-style training. More than 300 personnel have benefited from the program since it began in fiscal 2002. In fiscal 2011, we cancelled the 15th Global NYK Week due to the Great East Japan Earthquake. For fiscal 2012, however, we have updated its content, and plans call for organizing the event jointly with Yusen Logistics Co., Ltd.

**Shipboard personnel trained in-house (NYK only)**

In 2006, we established an in-house training program, through which we hire graduates with diverse backgrounds from general universities in Japan and give them the opportunity to work as shipboard personnel. In the seven years since then, this program has employed 42 personnel—23 officers and 19 engineers.

42

**Subjects in the NYK Business College curriculum**

70

Every year, we upgrade and expand the NYK Business College, a training program that aims to strengthen the overall capabilities of onshore personnel. In fiscal 2011, the NYK Group conducted more than 70 types of training, with more than 3,000 of its employees participating.



**September 16, 2011**

**Ground-Breaking Ceremony for Expansion of Our Merchant Marine College and the New Construction of Adjacent Crew-Training Facilities in the Philippines**

NTMA held a Ground-Breaking Ceremony for the extension of its facilities and the construction of crew-training facilities adjacent to the academy. Both projects are slated for completion in 2013.

From left: Rashid A. Delgado, TDG president and director; Koichi Akamine, NYK Group managing corporate officer; Patricia A. Sto. Tomas, Chairman of NTMA; Rosalinda D. Baldoz, secretary of Department of Labor and Employment, the Philippines; J. Roberto C. Delgado, TDG founder and chairman; Yasumi Kudo, president, NYK Group



**November 24, 2011**

**Our Philippine Manning Company Gains Certification from ClassNK**

At a ceremony, NYK-Fil Ship Management Inc. of the Philippines received certification from Nippon Kaiji Kyokai (ClassNK) as an institution with seafarer recruitment and placement services pursuant to the International Labor Organization's Maritime Labor Convention 2006.

Social Contribution

## Coexisting with Global Society as a Good Corporate Citizen

Volunteers dispatched to the Great East Japan Earthquake disaster area (three-month total)

# 120

Following the Great East Japan Earthquake, we sent 120 NYK Group employees in 22 teams during the three months from October 2011 to help restore the town of Rikuzentakata.

Containers provided to support resumption of fishing in Tohoku region

# 100

Participating in the Signal of Hope Fund's Project aimed at rapidly restarting the operations of the fishing industry and fishing ports, we provided 100 of our refrigerated containers.

Relief supplies carried to the Great East Japan Earthquake disaster area (TEUs (twenty-foot equivalent units))

# 152

Drawing on our *monohakobi* (transportation) expertise and capabilities, we carried relief supplies to the disaster area.



Yamatai

March–August 2011

### Free Transportation of Relief Supplies to the Great East Japan Earthquake Disaster Area

After loading relief supplies, the module carrier “Yamatai” left the port of Kobe on March 24 and arrived at the port of Hachinohe on March 27. After unloading, the relief supplies were delivered to the Great East Japan Earthquake disaster areas in Aomori, Iwate, and Miyagi prefectures. In another initiative, between April 11 and 25 we used our container trailers to transport to refugee shelters relief supplies that Miyagi and Iwate prefectures had requested. We also provided free transportation of relief supplies from overseas using our containerships.

June 2011

### Support for Early Recovery of Tohoku's Fisheries

The NYK Group is contributing to the Signal of Hope Fund's Project to provide free materials and equipment to assist the rapid recovery of the fishing industry in tsunami-devastated areas. We committed to providing 100 refrigerated containers originally used for shipping. The first 10 of them to Onagawa in Miyagi Prefecture in June.



August 2011

### Support for Early Recovery of Tohoku's Fisheries

NYK donated containers previously used for shipping to the towns of Onagawa and Ishinomaki, and the Signal of Hope Fund, which was founded at the suggestion of NYK Group outside director Yukio Okamoto, then remodeled the containers so that they would freeze fish rapidly. Once the containers were ready for use, a presentation ceremony was held locally.

Second from left: Yukio Okamoto, outside director, NYK Group  
Far right: Toshinori Yamashita, representative director and senior managing corporate officer (at the time), NYK Group



Reconditioned bicycles transported since fiscal 2000

# 29,314

To support the Reconditioned Bicycle Donation Program of a non-government organization (NGO), the Japanese Organization for International Cooperation in Family Planning (JOICFP), we provide free overseas transportation of reconditioned bicycles. To date, we have delivered bicycles to Tanzania and more than 60 other countries. In fiscal 2011, we shipped 1,480 bicycles.

Picture books transported since fiscal 2004

# 143,383

The NYK Group transports picture books on behalf of the Campaign to Deliver Picture Books, organized by a public interest incorporated association, the Shanti Volunteer Association (SVA). Fiscal 2011 saw us deliver 13,967 books to Cambodia, Laos, and other countries.



## October 2011 Sent Volunteers to Earthquake and Tsunami Disaster Area

Between October and December 2011, we dispatched 120 employees in 22 teams to the town of Rikuzentakata in Iwate Prefecture. Responding to on-site needs, the teams removed rubble and cleared gutters of mud.

Fourth from left: Yasumi Kudo, president, NYK Group



## December 2011 Helped Typhoon-Damaged Areas in the Philippines

We donated 1.5 million pesos, roughly ¥2.7 million, to assist the restoration of regions that a typhoon significantly damaged in the Philippines. Also, the NYK Group's executives and employees conducted fundraising activities.

## October 2011 Supported Flooding Disaster Area in Thailand

In response to the massive damage flooding caused in Thailand, we shipped relief supplies for free and donated three million baht, roughly ¥7.5 million.



Second from right: Minoru Sato, president, NYK (Thailand) Co., Ltd.

# NYK Group Mission Statement

## 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.

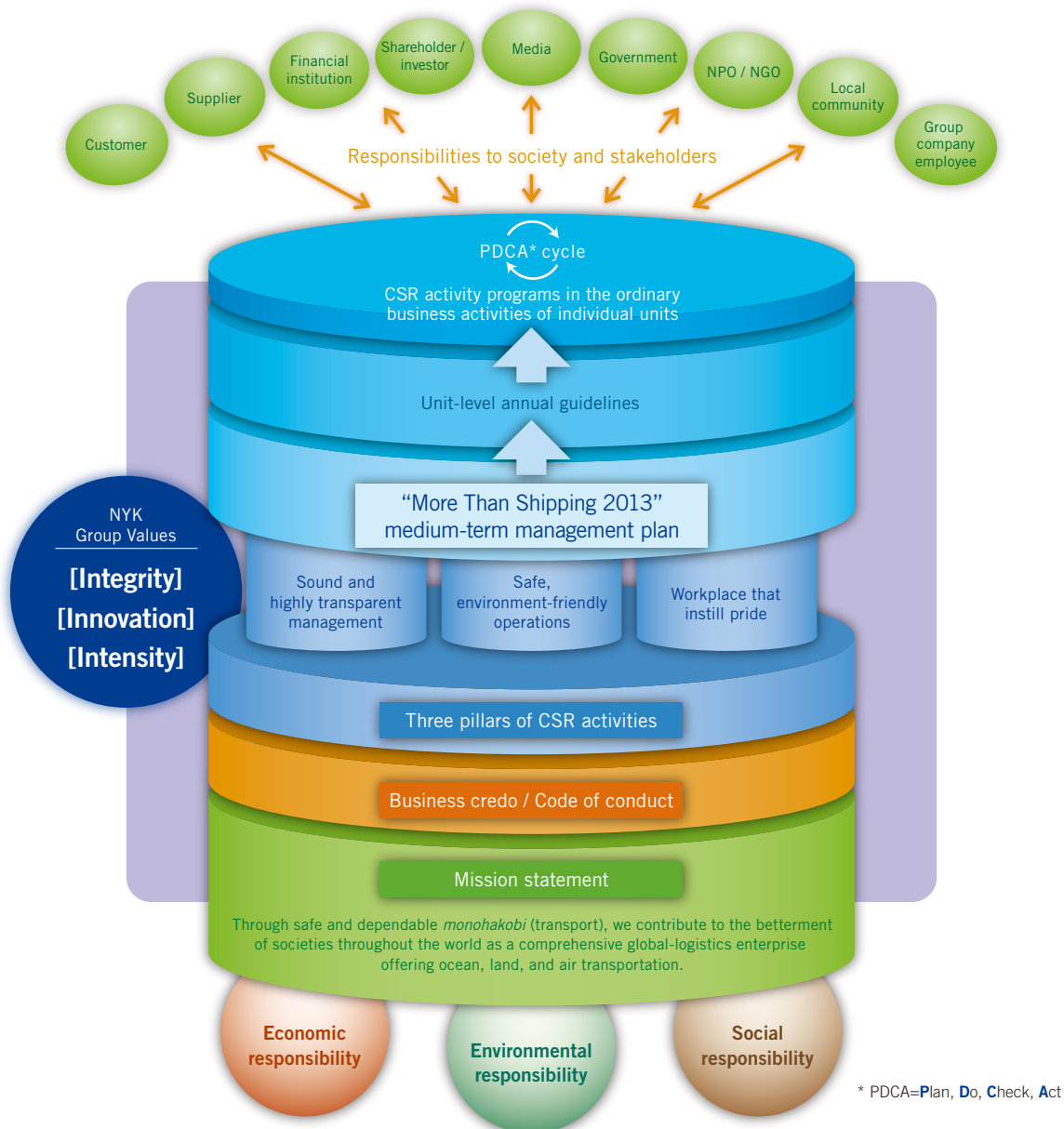
### Socially Responsible Investment

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.



## The NYK Group's CSR Management

There are three concepts at the core of CSR in the NYK Group: “economic responsibility,” “environmental responsibility,” and “social responsibility.” We believe that the way to increase our corporate value is for each and every NYK Group employee to go about his or her ordinary duties, keeping in mind the perspectives of economy, environment, and society, and endeavoring to carry out the “More Than Shipping 2013” medium-term management plan.



### Business credo / Code of conduct

The business credo and code of conduct contain guidelines for day-to-day activities that all officers and employees of the NYK Group are expected to adhere to in their duties. We designate one month of each year as “comprehensive compliance checkup month,” and at this time we conduct a survey to evaluate the degree to which compliance awareness has penetrated the organization.

# The NYK Group's CSR Activities

## Organizations to Promote CSR Activities

The General Affairs / CSR Headquarters is located in the head office, and the officers are stationed at Japan-based group companies and six overseas regions\*<sup>1</sup>. The CSR Coordination Group coordinates and provides support for all CSR activities in the NYK Group. The CSR Coordination Group is also responsible for spearheading internal reforms and communicating information both inside and outside the organization so that we better respond to the requirements of our stakeholders, meet society's expectations, and earn credibility and trust. Among its specific activities are creating the CSR report, conducting CSR training programs, and administering the SRI Survey\*<sup>2</sup>.

The "Global CSR Newsletter" is published to report and share information on CSR activities from around the world. We also gather CSR officers to the Tokyo head office to hear regional activity reports and discuss proposals from the headquarters.

\*1. Six overseas regions: East Asia, South Asia, Oceania, Europe, North America, Latin America

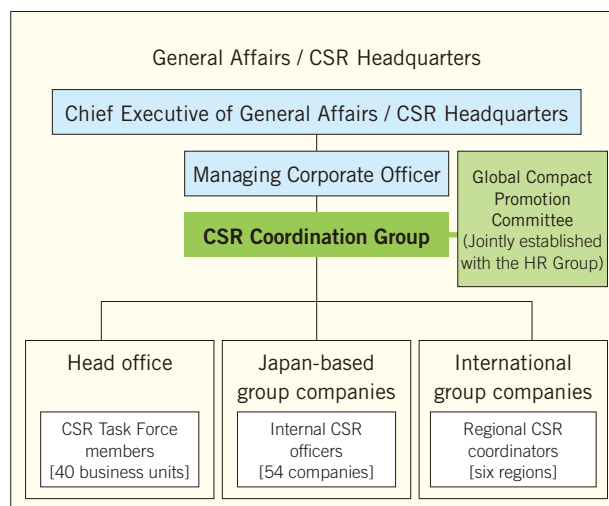
\*2. SRI Survey: Survey from socially-responsible investment perspectives



Global CSR Newsletter

## CSR Management Chart

(As of April 1, 2012)



CSR officers are established within 54 leading group companies in Japan. Internationally, CSR coordinators are established within six regional headquarters to promote CSR activities that address local concerns and issues. CSR officers and CSR coordinators share information with the headquarters, General Affairs / CSR Headquarters, and other officers as they develop and implement activities.

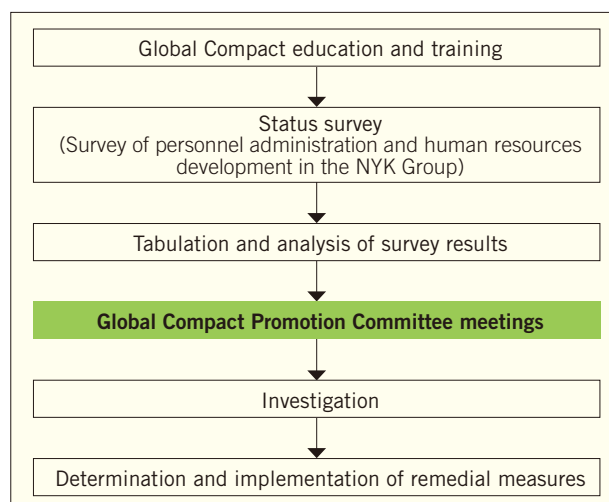
## Global Compact Promotion Committee

In September 2010, we established a Global Compact Promotion Committee in the headquarters to spearhead our efforts to promote the United Nations (UN) Global Compact (GC hereinafter) and to oversee investigations into and responses to human rights infringements. The committee is made up of representatives from the HR Group and the CSR Coordination Group under the chief executive of the General Affairs / CSR Headquarters, and their initiatives focus on GC Principles 1–6, which deal with human rights and labor standards.

During fiscal 2011, a total of 134 Japanese and international subsidiaries and affiliates performed self-checks to promote greater understanding of this area.

The Environment Group heads up initiatives for the environment sections of the GC; the Compliance Chamber and Fair Trade Promotion Group, initiatives for anti-corruption.

## Global Compact Promotion Process



## CSR Training

We offer a wide variety of training options, including new employee training and discussion-based group training so that employees have a basic knowledge of CSR, understand the Group's CSR concepts, and are able to put them into practice. In fiscal 2006 we began an e-learning program that allows employees to learn at their own pace. The new program that began in November 2011 includes information on ISO 26000\*, CSR supply chain management, and other recent CSR trends. So far, more than 2,000 NYK Group employees in Japan have completed the program.

\* The first global-scale international standard for social responsibility that covers all forms of organization



e-learning screen

## CSR Guidelines for Partners and Suppliers

NYK is responsible for bringing safe and certain *monohakobi* to its customers' supply chains, and in April 2010, we formulated "CSR guidelines for partners and suppliers" to better achieve this. The document contains guidelines related to the supply chain and covers issues

such as legal compliance, fair trade, building trust, safety and confidence, the environment, human rights, labor, and corruption. Explanations were given to Japan-based group companies in fiscal 2011, together with training programs to ensure the spread of the CSR guidelines.

### CSR Guidelines for Partners and Suppliers

As a global logistics business, the NYK Group is a part of its customers' supply chains, working with the support of a large number of stakeholders to provide safe and dependable *monohakobi*. We have formulated the CSR guidelines described below as a means of identifying and solving issues in the supply chain in areas like legal compliance, fair trade, trustworthiness, safety and security, environment, human rights, labor, and anti-corruption. We work with our partners and suppliers to encourage them to understand and practice these concepts.

#### 1. Legal compliance

Awareness that the company is a member of society and, in the interest of justice and fairness, must adhere to laws and ordinances, and must also respect the praiseworthy cultures and practices of local communities and adhere to the praiseworthy ethics and mores of local societies in all corporate activities.

#### 2. Fair trade

Companies must contribute to the betterment of global society engaging in fair, transparent, and free competition and conducting business activities in an appropriate manner in all regions of the world.

#### 3. Trustworthiness

Companies must build relationships of mutual trust by engaging in fair, transparent transactions and observing all applicable laws, ordinances, and social codes of conduct.

#### 4. Safety and security

The safety and security of services must be viewed as one of our highest priorities, achieved through ongoing efforts to improve.

#### 5. Environment

Companies must endeavor to protect the global environment and prevent environmental destruction and pollution.

#### 6. Human rights

Companies must respect the dignity of the individual and must not discriminate on the basis of gender, age, national origin, ethnicity, race, creed, religion, social status, etc.

#### 7. Labor







Companies must endeavor to provide safe, sanitary, and healthy working environments. Companies must not engage in inhumane employment practices or forced labor.

#### 8. Anti-corruption

Companies must work to prevent corruption in all its forms, on both the receiving and giving sides.

# FY2011 Summary of CSR Activities and Outline of Next Year's Goals

The NYK Group asks all business units to set CSR activity goals each year and continually work to improve their activities in a PDCA cycle. This report outlines achievements in fiscal 2011 and goals for fiscal 2012, following the structure of the seven core subjects found in ISO 26000, which was published in November 2010.

ISO 26000 core subjects	Initiatives	FY2011 targets	FY2011 programs	
 <b>Organizational governance</b>	Strengthening of CSR management	<ul style="list-style-type: none"> <li>Strengthen CSR promotion organization within the NYK Group</li> <li>Communicate CSR information inside and outside the organization</li> </ul>	<ul style="list-style-type: none"> <li>Internal briefings, domestic group company meetings, meeting by CSR coordinators in six overseas regions</li> <li>Publication of CSR report and enhancement of website in coordination with relevant business units. Dissemination of information in expert lectures and other events</li> </ul>	
	Dialogue with stakeholders	<ul style="list-style-type: none"> <li>Enhance comprehensive explanations and information disclosure to investors</li> </ul>	<ul style="list-style-type: none"> <li>Frequent meetings with investors and analysts; facility tours for institutional investors and analysts; continued, enhanced feedback to employees through IR meetings</li> </ul>	
 <b>Human rights</b>	Respect for human rights, prohibition of discrimination	<ul style="list-style-type: none"> <li>Protect human rights</li> <li>Improve human rights awareness</li> </ul>	<ul style="list-style-type: none"> <li>Human rights training by NBC</li> <li>Self-checks of adherence to the United Nations (UN) Global Compact by the headquarters and domestic and international group companies</li> </ul>	
	Promotion of diversity	<ul style="list-style-type: none"> <li>Spread the United Nations (UN) Global Compact</li> <li>Monitor status at group companies</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of Global Compact Promotion Committee to spread the compact's principles throughout the NYK Group</li> <li>HR data survey for domestic and international group companies</li> </ul>	
 <b>Labor practices</b>	Support for diversity of work styles	<ul style="list-style-type: none"> <li>Facilitate work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the Third Action Plan (2011-2014) for the Law for Measures to Support the Development of the Next Generation                             <ol style="list-style-type: none"> <li>At least five men taking parental leave during a four-year period</li> <li>Internal seminars on work-life balance</li> <li>Programs to encourage employee children to understand their parents' workplaces</li> </ol> </li> </ul>	
	Human resources development	<ul style="list-style-type: none"> <li>Use NBC and NMC in human resources development</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of training programs</li> </ul>	
 <b>Fair operating practices</b>	Compliance enforcement	<ul style="list-style-type: none"> <li>Consider development of compliance program newly requested by others in society</li> </ul>	<ul style="list-style-type: none"> <li>Announcement of revised Business Credo, formulation of anti-corruption and social media policies</li> </ul>	
	Promotion of fair competition and trade	<ul style="list-style-type: none"> <li>Continue ongoing activities to ensure awareness of fair trade statutes and penalties in all countries served</li> </ul>	<ul style="list-style-type: none"> <li>New employee training, team leader training, general employee training, unit-level training, affiliate company training, local training, international training, and e-learning training</li> </ul>	
	Protection and management of information	<ul style="list-style-type: none"> <li>Implement NYK Group Information Security Structures Project</li> </ul>	<ul style="list-style-type: none"> <li>Rollout of ISMS-based security standards to affiliated companies, improvement of information security levels throughout the group</li> </ul>	
 <b>Consumer issues</b>	Improvement of customer satisfaction and services	<ul style="list-style-type: none"> <li>Ensure quality assurance</li> </ul>	<ul style="list-style-type: none"> <li>Rigorous quality assurance by the CS Improvement Committee (<i>Asuka II</i>)</li> </ul>	
	Promotion of safety	<ul style="list-style-type: none"> <li>Promote ship safety management</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of Safety and Environmental Management Committee (SEMC) activities including expansion of SEMC organizations, measures to deal with growing fleet (measures to deal with shipping environmental change)</li> </ul>	
	Development of safety programs	<ul style="list-style-type: none"> <li>Enforce terminal safety policies</li> </ul>	<ul style="list-style-type: none"> <li>Enforcement of terminal safety standards for companies operating at NYK-operated terminals in Japan</li> </ul>	
 <b>Community involvement and development</b>	Social contribution activities	<ul style="list-style-type: none"> <li>Promote employee donation opportunities and volunteer activities in line with social contribution activity guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Affixing of picture-book stickers, family events, NPO reporting meetings, Heartful Donation Campaign, and other events</li> </ul>	
		<ul style="list-style-type: none"> <li>Promote disaster relief and international cooperation activities using transportation services and other business resources</li> </ul>	<ul style="list-style-type: none"> <li>Transportation assistance (picture books, school backpacks, bicycles, etc.)</li> </ul>	
		<ul style="list-style-type: none"> <li>Develop initiatives to increase visitors to the NYK Maritime Museum and NYK <i>Hikawamaru</i></li> </ul>	<ul style="list-style-type: none"> <li>Events, coordination with community facilities, services for foreign nationals</li> </ul>	
	Support for areas affected by the Great East Japan Earthquake	<ul style="list-style-type: none"> <li>Encourage assistance activities by NYK Group employees</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing dispatch of volunteers to Rikuzentakata, Iwate</li> </ul>	
	Involvement in community development	<ul style="list-style-type: none"> <li>Operate merchant marine academy in the Philippines</li> </ul>	<ul style="list-style-type: none"> <li>Training to develop highly-skilled seafarers</li> </ul>	

Glossary NBC: **N**YK **B**usiness **C**ollege NMC: **N**YK **M**aritime **C**ollege ISMS: **I**nformation **S**ecurity **M**anagement **S**ystem HR: **H**uman **R**esources


► For more details please see pages 20-21 of the 2012 CSR report

	Achievement as at the end of March 2012	Evaluation	FY2012 targets
	<ul style="list-style-type: none"> <li>• All meetings held</li> </ul>		<ul style="list-style-type: none"> <li>• Hold CSR task force member and group company CSR officer meeting</li> </ul>
	<ul style="list-style-type: none"> <li>• 2011 CSR report presented the Sustainability Report Grand Prize at Environmental Communication Awards sponsored by the Ministry of the Environment. Expert lectures held</li> </ul>		<ul style="list-style-type: none"> <li>• Study collaboration with relevant department on integrated report (to comply with ESG information disclosure requirements)</li> </ul>
	<ul style="list-style-type: none"> <li>• 13 presentation meetings held for individual investors</li> <li>• Shanghai facilities tour held jointly with Yusen Logistics Co. Ltd.</li> <li>• 10 monthly newsletters published internally. Internal IR feedback meetings for employees held</li> </ul>		<ul style="list-style-type: none"> <li>• Maintain meetings for individual investors at the same frequency as the previous year; hold meetings and facilities tours for institutional investors and analysts; provide support for institutional investors and analysts at international offices; coordinate relevant units in interactions with ratings agencies</li> </ul>
	<ul style="list-style-type: none"> <li>• NBC, new employee training, new manager training program, international assignment training, etc., held as scheduled</li> </ul>		<ul style="list-style-type: none"> <li>• Hold NBC human rights training</li> </ul>
	<ul style="list-style-type: none"> <li>• Implemented for approximately 9,000 domestic and international NYK Group employees</li> </ul>		<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
	<ul style="list-style-type: none"> <li>• Publicized in training sessions, CSR report, group newsletter, etc.</li> </ul>		<ul style="list-style-type: none"> <li>• Further spread Global Compact Promotion Committee activities in NYK Group</li> </ul>
	<ul style="list-style-type: none"> <li>• Implemented in June. Companies requested to make improvements after tabulation of results</li> </ul>		<ul style="list-style-type: none"> <li>• Conduct HR data survey, analyze findings, and issue instructions for improvement</li> </ul>
	<ul style="list-style-type: none"> <li>• Third Action Plan for the Law for Measures to Support the Development of the Next Generation               <ul style="list-style-type: none"> <li>① Two men took parental leave in fiscal 2011</li> <li>② Potential to hold workplace tours studied. Plan to implement in 2012</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• Continue implementation of the Third Action Plan for the Law for Measures to Support the Development of the Next Generation and activities by the Work-Life Balance Promotion Committee to promote work-life balance</li> </ul>
	<ul style="list-style-type: none"> <li>• Diverse training provided for both onshore and offshore employees</li> </ul>		<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
	<ul style="list-style-type: none"> <li>• All items implemented. E-learning opportunities provided to increase employee understanding. Classes taken by 4,821 employees</li> </ul>		<ul style="list-style-type: none"> <li>• Continue compliance activities and education</li> </ul>
	<ul style="list-style-type: none"> <li>• Training programs held for domestic and international employees. Total of 40 programs (8 overseas, 32 in Japan); total of 1,289 participants (298 overseas, 991 in Japan)</li> </ul>		<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
	<ul style="list-style-type: none"> <li>• New three-year plan in implementation</li> </ul>		<ul style="list-style-type: none"> <li>• Continue promotion</li> </ul>
	<ul style="list-style-type: none"> <li>• 40 items from customer surveys and cruise reports discussed (16 improvements made, 24 in ongoing, medium-, and long-term implementation)</li> </ul>		<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
	<ul style="list-style-type: none"> <li>• SEMC held in April to review the previous year and discuss activity policy for fiscal 2011</li> </ul>		<ul style="list-style-type: none"> <li>• Deploy safety activities for all NYK Group employees</li> </ul>
	<ul style="list-style-type: none"> <li>• Regular safety meetings held for relevant employees. Safety compliance confirmed in morning work meetings. Reviews conducted of any issues encountered during work</li> </ul>		<ul style="list-style-type: none"> <li>• Enhance safety measures to prevent accidents</li> </ul>
	<ul style="list-style-type: none"> <li>• Kids events (two bread-making classes) and picture-book sticker attachment sessions (four times) held</li> </ul>		<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
	<ul style="list-style-type: none"> <li>• Transportation services: 13,967 picture books, 16,362 school backpacks, 1,480 bicycles</li> </ul>		<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
	<ul style="list-style-type: none"> <li>• Several events held, announcements on <i>NYK Hikawamaru</i> provided in four languages</li> </ul>		<ul style="list-style-type: none"> <li>• Collaborate with the city of Yokohama and neighboring facilities</li> </ul>
	<ul style="list-style-type: none"> <li>• Total of 120 employees sent between October and December 2011</li> </ul>		<ul style="list-style-type: none"> <li>• Continue dispatch of volunteers to Rikuzentakata, Iwate</li> </ul>
	<ul style="list-style-type: none"> <li>• First class of 116 appointed as NYK Group employees in January 2012</li> </ul>		<ul style="list-style-type: none"> <li>• Further improve education levels</li> </ul>

CS: Customer Satisfaction

[Self-evaluation standard]  Achieved  Almost Achieved

## FY2011 Summary of CSR Activities and Outline of Next Year's Goals

ISO 26000 core subjects	Initiatives	FY2011 targets	FY2011 programs	
 <b>The Environment</b>	Using ISO 14001 certification to promote environmental activities	<ul style="list-style-type: none"> <li>Maintain and expand NYK Group environmental certification (roll out to regional management companies in the six global regions)</li> </ul>	<ul style="list-style-type: none"> <li>Maintain activities appropriate for communities and businesses and expanded certification as requested by customers</li> </ul>	
	Adherence to domestic and international laws and regulations, formulation of and adherence to industry and company standards	<ul style="list-style-type: none"> <li>Identify and rigorously adhere to treaties, laws, and regulations that impact ships</li> <li>Contribute to the achievement of sustainable societies by participating in the formulation of international rules regarding greenhouse gases, air pollutants, and ship dismantlement</li> </ul>	<ul style="list-style-type: none"> <li>Monitor treaties, laws, and regulations, perform rigorous NAV9000 audits (ship management company and ships)</li> <li>Proactively participate in the formulation of international rules through industry bodies</li> </ul>	
	Reduction of fleet accidents	<ul style="list-style-type: none"> <li>Fleet downtime of 10 hours/year/ship</li> </ul>	<ul style="list-style-type: none"> <li>Reduce fleet downtime</li> <li>Promote Near Miss 3000 activities (increase companies to be covered)</li> <li>Conduct safety and security campaign</li> <li>Continue activities to minimize engine accidents</li> </ul>	
	Creation and administration of emergency response network	<ul style="list-style-type: none"> <li>Emergency preparedness and response</li> </ul>	<ul style="list-style-type: none"> <li>Conduct emergency response exercises and reviews</li> <li>Conduct media response training and reviews</li> </ul>	
	Reduction of CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>Monitor environmental management indicators, improve precision</li> <li>Reduce fleet unit CO<sub>2</sub> emissions ① by 10% from fiscal 2006 levels by fiscal 2013; ② by 10% from fiscal 2010 levels by fiscal 2015</li> <li>Monitor total CO<sub>2</sub> emissions from consolidated group companies</li> </ul>	<ul style="list-style-type: none"> <li>Extract data for the calculation of environmental management indicators from SPAS for more accurate monitoring</li> <li>Promote NENSETSU 2011</li> <li>Operate environmental load data tabulation system</li> </ul>	
	Reduction of NO <sub>x</sub> and SO <sub>x</sub> emissions	<ul style="list-style-type: none"> <li>Reduce emissions of nitrogen oxide compounds (NO<sub>x</sub>) and sulfur oxide compounds (SO<sub>x</sub>)</li> </ul>	<ul style="list-style-type: none"> <li>Increase usage of electronically controlled engines</li> <li>Cooperate with the California Speed Reduction Program</li> <li>Cooperate with SCR onboard testing</li> <li>Rigorously enforce EU and California low-sulfur fuel guidelines</li> </ul>	
	Recycling, conservation of resources, reduction of toxic substance emissions	<ul style="list-style-type: none"> <li>Scrap vessels in an environment-friendly manner</li> </ul>	<ul style="list-style-type: none"> <li>Adhere to NYK Standards on ship recycling</li> </ul>	
	Protection of the ozone layer	<ul style="list-style-type: none"> <li>Increase usage of cooling devices that use no ozone-depleting substances</li> </ul>	<ul style="list-style-type: none"> <li>Fully convert all refrigerated containers to devices that use no ozone-depleting substances</li> </ul>	
	Reduction of office environmental load	<ul style="list-style-type: none"> <li>Reduce paper, water, and electricity usage by at least 1% from fiscal 2010 levels</li> </ul>	<ul style="list-style-type: none"> <li>Endeavor to reduce usage of water, electricity, and paper</li> </ul>	
	Research and development of new technologies	<ul style="list-style-type: none"> <li>Develop hybrid turbochargers</li> <li>Verify the energy-conservation impact of air lubrication module vessels</li> <li>Research and develop large-volume nickel hydrogen batteries</li> </ul>	<ul style="list-style-type: none"> <li>Use offshore testing to confirm energy-conservation performance, and use voyages to confirm performance and equipment reliability</li> <li>Collect and analyze oceangoing data from air-lubrication systems</li> <li>Install secondary batteries on car carriers in dock in June, collect oceangoing operational data, conduct general performance evaluations, including generators and other onboard electrical equipment</li> </ul>	
	Use of equipment that reduces air and marine pollution and protects biodiversity	<ul style="list-style-type: none"> <li>Install the NYK Total Bilge System</li> <li>Operate shoreside generator facilities</li> <li>Install ballast water systems</li> </ul>	<ul style="list-style-type: none"> <li>Install in new ships at shipyards able to adhere to NYK standards</li> <li>Expand operations</li> <li>Expand installation</li> </ul>	
	Stimulation of interest in environmental protection activities	<ul style="list-style-type: none"> <li>Conduct environmental training programs</li> <li>Conduct environmental e-learning programs</li> </ul>	<ul style="list-style-type: none"> <li>Hold training sessions and study groups; use EMI report card and ECO Channel classes</li> <li>Create content and increase student numbers</li> </ul>	
	Disclosure of environmental information	<ul style="list-style-type: none"> <li>Disclose CO<sub>2</sub> emissions information as requested by customers</li> <li>Develop NYK Group CO<sub>2</sub> e-calculator</li> </ul>	<ul style="list-style-type: none"> <li>Participate in and provide data for the CCWC of BSR (a U.S. NPO)</li> <li>Develop e-calculator and publish on website</li> </ul>	

Glossary SPAS: Ship Performance Analyzing System SCR: Selective Catalytic Reduction EMI: Environmental Management Indicator

► For more details please see pages 22-23 of the 2012 CSR report

	Achievement as at the end of March 2012	Evaluation	FY2012 targets
	<ul style="list-style-type: none"> <li>Expanded to 17 sites and five companies for a total of 122 sites at 49 companies (All regional management companies in the six global regions have been certified)</li> </ul>		<ul style="list-style-type: none"> <li>Maintain and expand NYK Group environmental certification (maintain certification at the six global regions; new certification planned for NYK Group companies in Chile, China, and Japan)</li> </ul>
	<ul style="list-style-type: none"> <li>298 ships / 37 companies, 3,524 improvement proposals</li> </ul>		<ul style="list-style-type: none"> <li>Identify and rigorously adhere to treaties, laws, and regulations that impact ships</li> </ul>
	<ul style="list-style-type: none"> <li>Participated in industry body steering committees and the International Marine Organization's (IMO) Marine Environment Protection Committee</li> </ul>		<ul style="list-style-type: none"> <li>Contribute to the formulation of international rules for sustainable societies</li> </ul>
	<ul style="list-style-type: none"> <li>19.6 hours/year/ship</li> <li>40 companies, 54,917 reports</li> <li>475 ships, 756 participants</li> <li>5.9 hours/year/ship</li> </ul>		<ul style="list-style-type: none"> <li>Reduce fleet downtime (10 hours/year/ship)</li> </ul>
	<ul style="list-style-type: none"> <li>Eight times</li> <li>Media response training session held in July</li> </ul>		<ul style="list-style-type: none"> <li>Emergency preparedness and response</li> </ul>
	<ul style="list-style-type: none"> <li>784 ships, 6,665 reports</li> </ul>		<ul style="list-style-type: none"> <li>Monitor environmental management indicators, improve precision</li> </ul>
	<ul style="list-style-type: none"> <li>Improvement rate ① 13.8% (against fiscal 2006); ② 4.4% (against fiscal 2010); fuel reduction of 288,891 t</li> </ul>		<ul style="list-style-type: none"> <li>Reduce fleet unit CO<sub>2</sub> emissions to ① 10% from fiscal 2006 levels by fiscal 2013; ② 10% from fiscal 2010 levels by fiscal 2015</li> </ul>
	<ul style="list-style-type: none"> <li>114 NYK ECOM companies (overseas), 69 ECODATANET companies (domestic)</li> </ul>		<ul style="list-style-type: none"> <li>Commission NYK ECOM to monitor total CO<sub>2</sub> emissions for the entire NYK Group (domestic and overseas)</li> </ul>
	<ul style="list-style-type: none"> <li>Eight ships (cumulative 37)</li> <li>Los Angeles water: 99% (20 miles); Long Beach water: 98% (40 miles)</li> <li>Environment targets satisfied. Specific numbers to be published later by the Ministry of Land, Infrastructure, Transport and Tourism</li> <li>Two ships (chartered vessels) found not to use required low-sulfur fuel</li> </ul>		<ul style="list-style-type: none"> <li>Reduce NO<sub>x</sub> and SO<sub>x</sub> emissions, eliminate leased ships not using required low-sulfur fuel</li> </ul>
	<ul style="list-style-type: none"> <li>Fiscal 2011 five ships</li> </ul>		<ul style="list-style-type: none"> <li>Scrap vessels in an environment-friendly manner</li> </ul>
	<ul style="list-style-type: none"> <li>100%</li> </ul>		<ul style="list-style-type: none"> <li>Achieved and removed from fiscal 2012 targets</li> </ul>
	<ul style="list-style-type: none"> <li>Paper: 11.4%; water: 11.5%; electricity: 27.6% savings</li> </ul>		<ul style="list-style-type: none"> <li>Reduce paper and water usage by at least 1% from fiscal 2011 levels; reduce electricity usage by at least 3% from fiscal 2011 levels</li> </ul>
	<ul style="list-style-type: none"> <li>Confirmed performance and safety in oceangoing testing. Confirmed performance as planned in voyage performance monitoring, collected data on energy conservation impact</li> </ul>		<ul style="list-style-type: none"> <li>Develop technology to deploy hybrid turbochargers to ships</li> </ul>
	<ul style="list-style-type: none"> <li>Determined optimal operating mode. Energy conservation impact assessed at 6.0% in optimal mode</li> </ul>		<ul style="list-style-type: none"> <li>Analyze actual data from oceangoing module vessel using air lubrication</li> </ul>
	<ul style="list-style-type: none"> <li>Installed secondary battery on car carrier to confirm operations. Confirmed environmental performance of secondary battery (vibration, pitching) and lack of problems in parallel operation with the ship's generators</li> </ul>		<ul style="list-style-type: none"> <li>Research and develop ways to expand usage of secondary batteries (large new nickel hydrogen batteries) on oceangoing vessels</li> </ul>
	<ul style="list-style-type: none"> <li>Installed in six ships (cumulative 150)</li> </ul>		<ul style="list-style-type: none"> <li>Install the NYK Total Bilge System</li> </ul>
	<ul style="list-style-type: none"> <li>Six ships with equipment to make use of shoreside generators; shoreside generators used eight times (full-year)</li> </ul>		<ul style="list-style-type: none"> <li>Operate shoreside generator facilities</li> </ul>
	<ul style="list-style-type: none"> <li>Installed in six car carriers</li> </ul>		<ul style="list-style-type: none"> <li>Promote ballast water systems installation</li> </ul>
	<ul style="list-style-type: none"> <li>Conducted training for NYK Line (Australia) Pty. Ltd. in August, published five EMI report cards, held four ECO Channel classes</li> <li>Domestic: 1,789 participants; overseas: 2,078 participants</li> </ul>		<ul style="list-style-type: none"> <li>Increase participation in environmental protection activities by the entire NYK Group</li> </ul>
	<ul style="list-style-type: none"> <li>Manager of NYK Line (North America) Inc. participated in the November CCWG meeting. Third-party institution verified environmental load data submitted in February</li> <li>Developed the NYK Group CO<sub>2</sub> e-calculator and released it on the website on October 17</li> </ul>		<ul style="list-style-type: none"> <li>Disclose environmental information by NYK Group companies and newly adopt measures based on Scope 3</li> </ul>

ECO Channel: Environmental training (classroom)

[Self-evaluation standard] Achieved Almost Achieved Partially Achieved

# The NYK Group's CSR Activity Report

## Environment

The NYK Group works to protect the global environment and mitigate the impact of the environmental load generated by its business activities.

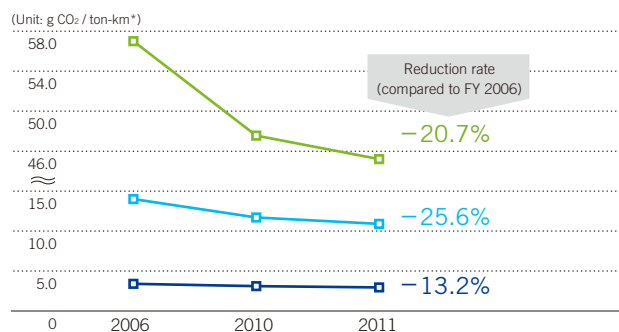
► For more details

please see pages  
24-30 of the 2012  
CSR report

### Reduction of CO<sub>2</sub> Emissions

NYK began calculating environmental management indicators to monitor the operational efficiency of its ships. It currently has two goals for its fuel economy activities: reduce CO<sub>2</sub> emissions by a minimum of 10% in fiscal 2013 compared to fiscal 2006 levels, and improve fuel efficiency by 10% from fiscal 2010 by fiscal 2015.

Environmental Management Indicator for Certain Types of Vessels  
(Unit CO<sub>2</sub> emissions)



■ VLCCs ■ Containerships ■ Car carriers

\* The amount of CO<sub>2</sub> emitted when transporting one ton of cargo one kilometer

consumption and CO<sub>2</sub> emissions. In fiscal 2011, under the NENSETSU 2011 program, each group nominated a person responsible for the Save Bunker Mission and conducted programs to ensure operations were maintained at eco speed\*.

\* Operating ships at lower speeds that reduce engine revolutions while maintaining schedules. This approach conserves fuel and reduces CO<sub>2</sub> emissions without impacting delivery times.

### Optimized Voyages (IBIS Project)

We work to reduce CO<sub>2</sub> emissions during voyages by sharing information in real time between land and ships on weather conditions, ship plans, and ship conditions. This information helps to optimize ship operations. Weather and port conditions change from moment to moment, but the introduction of offshore broadband and better monitoring of ship conditions onshore helps ships to react in real time. The "IBIS Project\*\*" that began with containerships has achieved significant results and is beginning to be expanded to other types of ship.

\* Innovative Bunker & Idle-Time Saving Project

### Save Bunker Campaign

The NYK Group began its "Save Bunker" fuel economy activities in October 2005 as a campaign to reduce ship fuel

### Energy Conservation Initiatives

#### Stacked Container Storage

The Tokyo Container Terminal, which is owned and operated by NYK, became the world's first container facility to use the "stacker\*" approach. On the rooftop of the storage facility, 1,107 solar panels have been installed to provide 4.1% (manufacturer's estimate) of the facility's electric power requirements in the form of renewable energy, further reducing environmental load.

\* A cargo handling approach that uses forking to insert, retrieve, raise, lower, and move cargo.



Stacked container storage

## Preservation of Biodiversity

NYK has created a map showing the relationship between its business activities and biodiversity. The map captures the potential impact on biodiversity at each stage, from ship sourcing to operations to decommissioning.

### Ballast-water Management Systems

In September 2010, in preparation for the implementation of the International Convention for the Control and Management of Ship's Ballast Water and Sediments, the car carrier *Emerald Leader* became NYK's first ship to install a ballast-water management system approved by the Ministry of Land, Infrastructure, Transport and Tourism. Group company Monohakobi Technology Institute was involved in the demonstration testing of the system in preparation for approval. As of the end of March 2012, six of the company's

car carriers have completed the installation of the system, and we plan to continue to install it on bulk carriers and other ships that we own and manage.

### Ship Decommissioning

The decommissioning of a ship generates toxic substances that impact the environment and make it urgent that an international treaty be put in place. NYK has formulated its own decommissioning guidelines and allows decommissioning to be performed only at yards with equipment for properly disposing of toxic substances, safeguards for labor and the environment, and practices that conform to international environmental standards. We are also creating lists of toxic substances in ships in preparation for the treaty.

## Cooperator's Message



**“Thank you for reporting accurate environmental data”**

### Angie Farrag

Manager, Advisory Services  
Lead, Transport & Logistics Practice  
Business for Social Responsibility

NYK is a longstanding member of the Clean Cargo Working Group (CCWG)\*<sup>1</sup>, established by BSR\*<sup>2</sup> in 2003. All member carriers report details of their performance on indicators such as carbon, SOx, NOx, waste, water, chemicals, environmental management systems, and transparency. NYK and several other carriers have chosen to verify the data submitted as an additional level of assurance. The reported data—the most comprehensive environmental data sets in the shipping industry—is then turned into scorecards used by CCWG members for their internal metrics and contracting discussions, and is also used for detailed analysis of the industry's environmental impact. Annual environmental impact reporting is central to the CCWG's work, and BSR appreciates NYK's continued participation in the reporting process as well as NYK's collaborative approach to supply chain management.

\*1. A group for the world's major container cargo shippers and ship operators. Conducts an environmental performance survey as a uniform standard for measuring environmental performance in marine transport, formulates environmental performance metrics for the calculation of CO<sub>2</sub> and other emissions, and evaluates environmental initiatives.

\*2. **B**usiness for **S**ocial **R**esponsibility

International business organization for CSR that was founded in 1992 in the United States. Provides a wide range of CSR information, formulates ethical standards, and provides support for initiatives on environmental issues, human rights, and community development.

## Safety

The NYK Group seeks to grow “together with society” as a trusted member that uses safe, certain technology to deliver reliable transportation services. Our ongoing pursuit of safety supports better lives for the future.

► For more details

please see pages  
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### Safety on the Sea

#### Safety Promotion System

Each year, the Safety and Environmental Management Committee chaired by the president reviews activities for the previous year and sets the next year's targets and guidelines. In addition, subcommittees for specific types of vessels formulate specific activity guidelines based on the committee's decisions and move safety activities into implementation.

#### Safety Promotion System

(As of April 1, 2012)



#### Emergency Response Network

An emergency response network (ERN)\* was created to prepare for maritime accidents and problems no matter where they occur in the world.

\* Our emergency response network divided the world into six regions so as to be able to respond more quickly and minimize damage in the event of an accident or problem anywhere on the seas.

#### World Map



#### Anti-Piracy Measures

On April 1, 2011, the Marine Group established the Security Management Team to deal with the threat of piracy in waters off Somalia and in the Indian Ocean. The team significantly strengthens the company's organization in this area. We have also sent two of our captains to work with the EU's anti-piracy headquarters in the UK as Merchant Navy liaison officers in an effort to maintain close and ongoing exchanges of information and opinions with relevant domestic and international institutions. At the request of sea rescue agencies in Hong Kong and Australia, NYK ships have participated in training exercises using a pirate attack scenario.

To minimize damage and injury in the event of an attack, the glass on the bridge of a vessel passing through dangerous waters is covered with bulletproof film and crew members are provided with bulletproof helmets and vests. Ships are also equipped with water cannons and barbed wire.

#### Tsunami-Response Guideline for Ships in Port

The lessons from the tsunami that followed the Great East Japan Earthquake on March 11, 2011, have been formulated into guidelines for ships in port when a tsunami strikes. We used the tsunami prediction model for the Tonankai/Nankai earthquakes to perform simulations of moored and operating ships and study the limits of moorings in the face of tsunami, the potential for emergency evacuation to the shore, and strategies for ship operations. The document includes decision-making criteria in the event that a tsunami warning is issued.

## Safety on Land and in the Air

### Safety Initiatives at Ports and Terminals

The prevention of accidents is the foundation of safety, and at our NYK-operated terminals in Japan (Tokyo, Yokohama, and Kobe), we continue to strengthen emergency communications systems, analyze the causes of accidents, and share information. Terminal safety officers hold regular joint safety promotion meetings to discuss reports and information from terminals and share and standardize accident-prevention measures. We also exchange information with companies in other industries who do business with the terminal as we work to improve the safety of our systems and cargo handling.



Safety meeting

### Advancing Initiatives in the Air Transport Sector

In FY 2011, Nippon Cargo Airlines Co. Ltd. (NCA) continued existing initiatives, such as the Safety Risk Management Study Group, safety lectures, and the yearly safety awards, as well as new initiatives like the monthly safety awards to more actively show appreciation for employees who have contributed to safety, direct talks between the president and frontline employees, and education for management about safety risks.

### Safety in Logistics

Yusen Logistics Co. Ltd. uses a proprietary ADS\* to quickly communicate and share information among the people involved in the event of accident. The company also extracts and analyzes data from the system for use in the prevention of similar accidents going forward. Transportation audits are another way in which the company works to eliminate accidents and improve quality.

\* Accident Disclosure System

A system to categorize accidents and problems when they occur, profile them, identify responses, and immediately share information.

## Cooperator's Message



**“We expect industry-leading performance”**

**Nobutaka Kimura**

Manager  
Certification Service Department  
Nippon Kaiji Kyokai (ClassNK)

NYK Line has created safety management systems that reflect its safety culture, and the entire company is focused on the achievement of safe ship operations and the protection of the marine environment. In April 2011, group company safety management systems were revised and integrated, and ongoing improvements have enabled management systems to be maintained at the very highest levels anywhere to be found.

NYK is the industry leader, so we expect excellent performance from the company's systems.

## Personnel Development

**We are concentrating on fostering personnel that will underpin our growth in the coming era based on a human resources philosophy that calls on us to “continually develop diverse talent at all group companies across global fields.”**

▶ For more details  
please see pages  
40-41 of the 2012  
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### Personnel Development Overseas

#### The NYK Group's Seafarer Strategy

With worldwide shipping capacity set to keep rising, recruiting seafarers has become a pressing task for international shipping companies. Furthermore, although society has always expected companies to operate vessels safely, in recent years it has been calling on them to shoulder greater environmental responsibilities. This makes talented seafarers even more pivotal. However, companies employ non-Japanese seafarers mainly for fixed periods. If a company trains an employee, there is no guarantee he or she will return after the contract ends.

To address the problems of securing and training seafarers, the NYK Group is focusing on a strategy of fostering personnel. This involves educating future personnel during their student years, before they board vessels, by providing them with rigorous onshore and onboard training and a full set of self-study tools. Although training takes time and money—compared with recruiting seafarers with high salaries as needed—this approach secures seafarers with a strong sense of loyalty toward the NYK Group.

#### Personnel Recruitment

##### Establishing Manning Offices

In the Philippines, Indonesia, India, Croatia, and Romania, we have established manning offices that hire seafarers able to contribute to our operations immediately. Also, in respective countries we select cadets from merchant marine colleges that we have tie-ups with and give the cadets the opportunity to train as officer candidates on board vessels in operation.

##### Introducing Cadet-Training Ships

For cadets who have studied at the merchant marine colleges of respective countries, we have introduced cadet training ships equipped with onboard training facilities. Under the guidance of exclusively assigned instructors, cadets learn the practical basics of onboard duties and the NYK Group's policy on safe vessel operations. More than 642 cadets trained on board these ships between 2008, when we began this program, and 2011.

#### NYK-TDG Maritime Academy (NTMA)

NTMA is a merchant marine college that we established jointly with business partner Transnational Diversified Group (TDG) of the Philippines. While emphasizing the acquisition of the management skills the students will need as Filipino officer candidates, before they begin their careers the college gives them the practical knowledge and skills needed in frontline operations.

In August 2011, NTMA became the first merchant marine college to earn accreditation from Japan's Ministry of Land, Infrastructure, Transport and Tourism. In September, NTMA graduated an inaugural class of 116 students who now work as 3rd officers and 3rd engineers on board NYK Group vessels.



Graduation ceremony for NTMA's first class (Third from left: Yasumi Kudo, president, NYK Group)

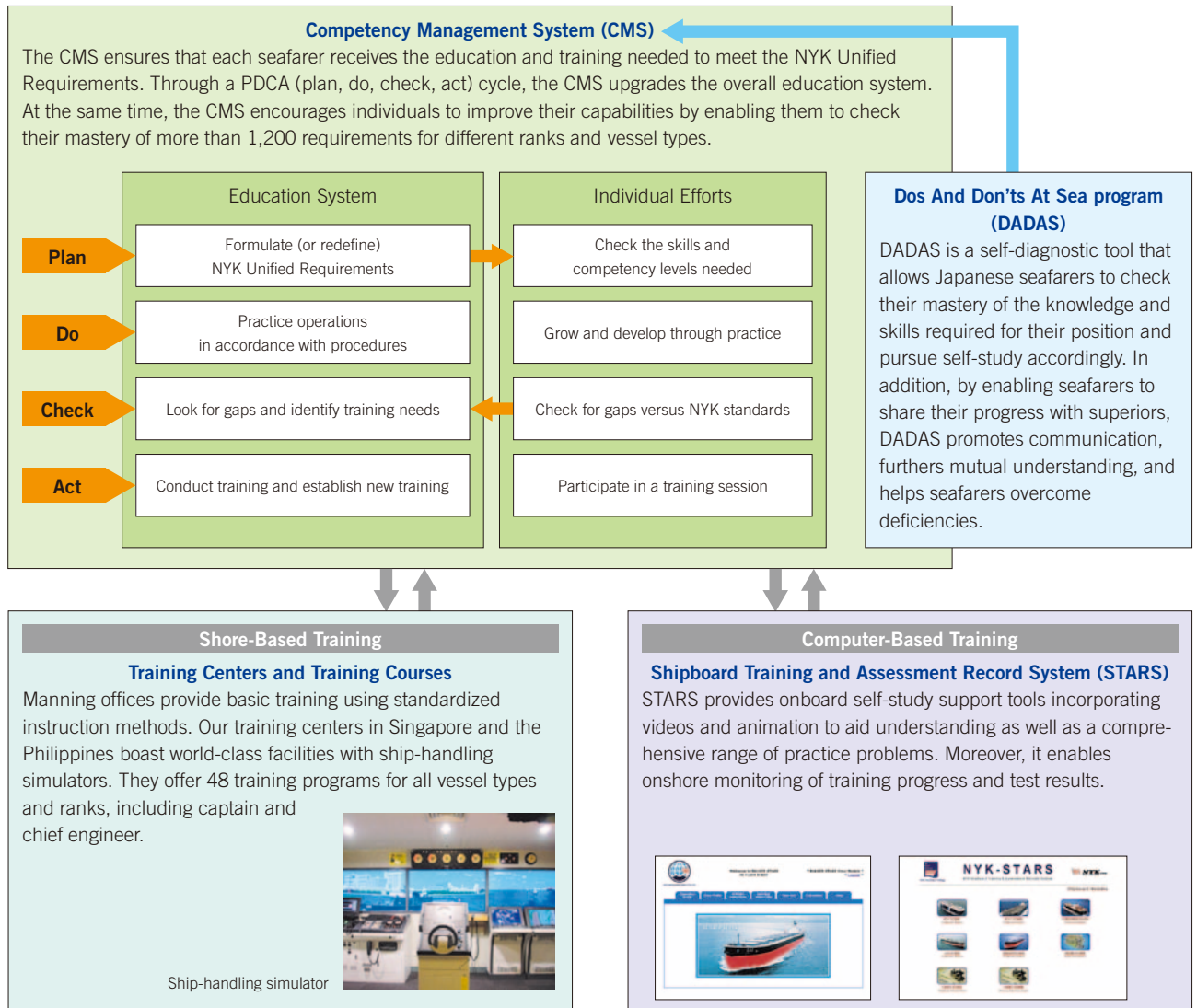
#### NTMA Overview

Opened	: June 3, 2007
Class size	: (For single academic year) Navigation class: 60 trainees, Engineering class: 60 trainees (plan to increase class size for single academic year to 180 trainees)
Staff	: Approximately 40 (including part-time instructors)
System	: Four-year course, three years of lectures and practical skills training and one year of practical training on board vessels

## Personnel Development

### NYK Maritime College (NMC)

NMC sets the NYK Unified Requirements, which clearly stipulate the knowledge and skills required for each position and rank, and conducts a range of education and training programs to develop seafarers that meet these requirements.



## Personnel Development Onshore

### Expanding and Improving Our Training System

Every year, we extend and enhance the NYK Business College training program, which strengthens the overall capabilities of onshore staff. In fiscal 2011, the NYK Group conducted more than 70 types of training, and more than 3,000 of its employees took part.

In response to accelerating globalization, we conduct training for senior personnel that equips them to manage businesses overseas. The curriculum includes business management strategy, evaluating investments and corporate value, and assessing own achievements and tasks and establishing a

management vision. Furthermore, for young personnel we not only teach them English but also Chinese and Portuguese.

### Training Personnel Overseas

For personnel working at overseas group companies, we apply basically same HR principle as that for Japanese employees. The recent business circumstance has been forcing us to speed up our development of overseas personnel in various countries and we are always reviewing our program to manage these business requirements.



## What we can learn about social contribution activities from the Great East Japan Earthquake recovery assistance

Our corporate activities involve many different individuals, organizations, and local communities worldwide. Therefore, to remain a sound organization, our business management must take into account the interests of all types of stakeholders—customers, shareholders, investors, suppliers, employees, and local communities.

We believe each employee should listen to stakeholders' opinions to expose them to a variety of viewpoints and values they can draw on in day-to-day duties.

Our most recent stakeholder dialogue was entitled "What we can learn about social contribution activities from the Great East Japan Earthquake recovery assistance." In order to discuss the kind of social contribution activities we should pursue, we gathered experts and members of a disaster volunteer center that we sent volunteers to and which belongs to the social welfare council of Rikuzentakata in Iwate Prefecture.

▶ For more details

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**Takufumi Hoshi**

President, Disaster Relief Volunteer Center  
Rikuzentakata City Social Welfare Council

Dispatched to Rikuzentakata after the earthquake by the Iwate Prefectural Council of Social Welfare. Serves as the hosting organization for volunteer activities involving more than 90,000 participants.



**Keiko Kiyama**

Trustee, Secretary General  
JEN (nonprofit organization)

Participated in the founding of JEN in 1994. Engages in global-scale relief activities. Involved in earthquake relief in Ishinomaki, Miyagi Prefecture.



**Takatsugu Kitajima**

Representative, Light C's

Supports the creation of corporate CSR activity structures as a CSR consultant. Currently involved in environmental issues from the legal perspective.



**Hiroshi Maniwa**

General Manager, Business Group No.2  
NYK Global Bulk Corp.

Active participant in volunteer activities. Serves as volunteer coordinator of the NYK Group.

# Business Management System

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Tanker



## Offering Environment-Friendly, Safe Transportation Services

This division operates very large crude carriers (VLCCs) and Aframax tankers for transporting crude oil, product tankers for carrying petroleum products, chemical tankers for transporting petrochemicals and other liquid chemical products, and LPG tankers for carrying LPG and ammonia. The division mainly makes use of long-term contracts to provide transport services for major petroleum, petrochemical, and energy companies around the world. We continue to be thoroughly committed to safe and environment-friendly vessel operations.



# A Dialogue with Outside Directors

Yukio Okamoto ✕ Yuri Okina

Interviewer: Yoko Wasaki, Corporate Officer

## Discussing the NYK Group's Growth and Governance

At the NYK Group, we are strengthening oversight of business management by asking outside directors from a diverse range of fields to contribute to our business management.

For this annual report, we sought frank evaluations of our corporate governance and the current medium-term management plan from our two outside directors. (Interview conducted May 8, 2012)



**Yuri Okina**

Outside director of NYK  
(part-time outside director, independent director)  
Research Director of the Japan Research Institute Ltd.  
Outside director of the Enterprise Turnaround Initiative  
Corporation of Japan (ETIC)

**Yukio Okamoto**

Outside director of NYK  
(part-time outside director, independent director)  
President of Okamoto Associates Inc.  
Outside director of Mitsubishi Materials Corporation  
Outside corporate auditor of Mitsubishi Motors Corporation

### The NYK Group's Corporate Governance

—In 2011, Japanese companies' corporate governance came under severe scrutiny.

**Okamoto** Last year, the problems that emerged were due to the inadequate corporate governance of certain Japanese companies. My first thought was that the NYK Group is unlikely to experience these types of problems. I consistently feel the atmosphere within the Group is extremely open. The NYK Group's senior management team actively discloses information in response to questions from outside directors. However, they do not just disclose information. Each executive frankly discusses the dilemmas they are facing about business vision and management. This open attitude helps us to become involved in business management uninhibitedly. Also, it cultivates a sense of unity among executives, meaning that the kind of insularity we see in companies with corporate governance problems is not evident in the NYK Group.

As I said last year, we are in an era when—even if legal problems do not arise—society scrutinizes companies about

social awareness, morality, and other facets of social justice. Particularly in the West, pension funds, religious organizations, and education-related investment funds have requirements relating to the social and moral ramifications of companies' corporate governance. Rather than asking if a company is complying with the laws of the countries it operates in and paying employees the minimum wage, their approach is to ask such questions as "Can employees live with dignity on such wages?" Therefore, companies need to understand that merely complying with the law is not enough. Society expects them to contribute to social development. In this regard, I am impressed that the NYK Group's board of directors conducts discussions based on a commitment to pursuing social development together with society.

**Okina** I also basically feel that there are not any problems with the NYK Group's corporate governance. At board of directors' meetings, we receive the necessary information in advance. Further, we have opportunities outside the board of directors to discuss business management freely. This affords us a good

**The NYK Group's board of directors conducts discussions based on a philosophy that pursues social development together with society. Members of the senior management team always seek our opinions eagerly.**



understanding of issues difficult to grasp fully from meetings with the board of directors alone, such as the long-term vision and issues beyond the agenda of the board of directors. These opportunities enable us to assess the direction of the NYK Group's business management objectively.

When a problem arises that calls for some type of response, the NYK Group immediately prepares appropriate countermeasures through its Compliance Committee. Then, the group makes a concerted effort to implement them. The committee reports on thoroughly examined countermeasures and explains preventative measures to the board of directors. At this juncture, we have an opportunity to state our opinions. Although preventative measures are of course important, this fiscal year allowed us to confirm that when problems arise the NYK Group's corporate governance functions reliably.

At present, given that society as a whole is examining corporate governance stringently, I believe outside directors need to bring an even higher awareness to their involvement in business management. Rather than purely formal involvement, further information sharing is indispensable. As Mr. Okamoto said, to become a company that society values, a variety of activities, not just corporate governance, contribute to society's view of a company. These include environmental measures and responses to such emergencies as the Great East Japan Earthquake.

**Okamoto** Witnessing the NYK Group's unstinting support of the region affected by the Great East Japan Earthquake moved me.

Also, irrespective of whether a problem is large or small, when the NYK Group makes a mistake, it takes preventative measures immediately. Responding at once to mistakes in this manner and building up preventative measures has become a beneficial component of the NYK Group's DNA.

—Last year, Ms. Okina mentioned that she would like to see more lively discussion at meetings of the board of directors. One year on, what is your view of the board of directors in this regard?

**Okina** After discussing items thoroughly, the Committee of Corporate Officers submits them to the board of directors for consideration. Consequently, there is a tendency for meetings

to become a formality in which directors report on agenda items to outside directors. I appreciate the difficulty directors may have in further advancing the discussion of items at board of directors' meetings that they have debated exhaustively in the Committee of Corporate Officers. That said, I still think that it would be good to hear directors express opinions more freely. After board of directors' meetings, however, many directors speak freely at informal gatherings. The NYK Group does not have the kind of negative atmosphere where directors withhold their opinions out of consideration for other directors.

**Okamoto** It would be a problem if everyone held back their opinions at the Committee of Corporate Officers before the board of directors' meetings. The tendency to avoid conflict and not state opinions about other divisions can develop in any organization. However, just getting along well with each other is not going to vitalize an organization.

The mindset of the NYK Group's "More Than Shipping 2013" is to collaborate with other divisions in order to expand businesses. Regardless of whether operations are under the jurisdiction of other divisions, having an unreserved exchange of opinions and being "impolite" in a constructive way is perhaps needed sometimes.

—How do you see your role as an outside director?

**Okina** I think it is my responsibility as an outside director to monitor constantly whether the NYK Group is being accountable. If I identify something that is acceptable within the NYK Group but questionable from the standpoint of stakeholders, I state my opinion frankly. As an economist specializing in the financial sector, I have analyzed the economy extensively. Instability remains due to such factors as the recurrence of debt-related uncertainty in Europe and shifts in the U.S. economic and financial situation. I want to use the experience and knowledge I have garnered to provide global economic outlooks that are as detailed as possible, thereby contributing to the development of the NYK Group. I also want to continue rigorously monitoring the NYK Group from an independent external viewpoint.

**Okamoto** Sometimes there are differences between the way employees and I interpret information or ideas. In light of these differences, I present my analysis and outlooks regarding international affairs, my specialist field. As the NYK Group implements measures under its medium-term management plan, I provide opinions about global economic trends and international affairs—which form the backdrop of this plan—so that the NYK Group can reflect them in its business strategies.

Also, I want to communicate more closely with junior employees. Young personnel have a tendency to become stuck in one mold as they build up experience. I would like to communicate my experiences from a variety of viewpoints so that they as far as possible maintain a flexible outlook. Young employees will shoulder the NYK Group. While discussing a range of topics, I want to grow with them.

### Medium-Term Management Plan

—What are your frank opinions about the appropriateness of the strategies set out in the medium-term management plan “More Than Shipping 2013” and the progress made in its first year?

**Okamoto** Admittedly, business results are unfavorable due to adverse external conditions. However, the NYK Group is steadily moving important measures forward. The strategies of “More Than Shipping 2013” aim to put the NYK Group in what we could call the pole position, the most advantageous position from which to win a Formula One grand prix. The NYK Group is readying itself so that as the global economy recovers it will be able to accelerate forward at any time. In this sense, it is progressing well.

Responsible for the NYK Group’s logistics business, Yusen Logistics has almost finished integrating overseas logistics bases. Based on this integration, Yusen Logistics is now fusing operations, which is important. The whole is greater than the sum of the parts. If we put all of the components together, we complete the machine. But companies are different. To function, they need an organic combination of people, energy (vision), and other elements. It is not simply a matter of integration. Whether or not the NYK Group can merge operations is the question. I look forward to numerical results for the final year of the plan, fiscal 2013, reflecting these efforts.

**Okina** I also agree with the direction of “More Than Shipping 2013.”

The shipping industry is constantly exposed to the waves of market volatility. In this context, expanding businesses other than shipping, such as the logistics business, promises to mitigate volatility. In fact, a look at the NYK Group’s consolidated financial statements testifies to the fact that the logistics division is generating stable earnings. Further, cargo movements within Asia are sure to increase as its economic development continues. Therefore, the strategy of concentrating efforts on the logistics business in Asia makes sense. In its first year, fiscal 2011, the plan got off to a difficult start, with the NYK Group posting lower revenues and losses. Nevertheless, I think that it should continue proceeding steadily in the same direction.

Tangible evidence of the NYK Group’s progress is the integration of the logistics business that Mr. Okamoto mentioned. However, the NYK Group has integrated a large number of bases, and because the logistics business is very complex, progress is difficult for those outside the NYK Group to grasp. Accordingly, it has to explain changes to shareholders and other stakeholders in a readily understandable manner. In addition, I think it would be a good idea to have a roadmap for the medium-term management plan that shows progress, including milestones in developing the shipping business. I think that if it is possible as the NYK Group moves forward for employees to follow progress under the plan and business result trends simultaneously, motivation to realize the plan would heighten among all employees.

**Okamoto** When expanding businesses other than shipping, it is important to approach cargo as an interconnected “area” rather than as discrete “points.” If you can develop it as an area, you can synchronize your growth with that of the global economy. The view is that population growth plus technological advances determine economic growth potential. However, as the differences in technological progress among countries lessen, population growth is becoming a larger factor proportionally for economic development. In other words, regions with growing populations have growing economies.

Meanwhile, the source of the earnings for industry lies upstream. China has taken Japan’s place and can now negotiate as the world’s largest consumer not only of oil and gas but also of





**The NYK Group's board of directors conducts discussions based on a commitment to pursuing social development together with society. Further, the senior management team actively seeks the opinions of employees. The corporate governance of a senior management team reflects its attitude. Whether or not senior executives can sincerely accept criticism from outside and share it within the company is important. The approach of our president, Yasumi Kudo, exemplifies this type of openness.**

such resources as copper ore. Now, however, mining majors have begun deciding on custom ore projects. Analyzing this trend shows that the power to determine the prices of iron and copper is moving upstream. I therefore think that the NYK Group's strategy of entering upstream areas is the correct choice.

### The NYK Group's Future Corporate Profile

—How do you see the role of the shipping industry changing on the global stage? Also, against this backdrop what type of corporate profile should the NYK Group aspire to?

**Okamoto** Shipping companies will develop in tandem with the global economy. The NYK Group generates approximately 70% of its sales overseas. And, it needs to work to heighten this percentage further still.

To succeed in the global business arena, diversity and speed are important. The NYK Group is a dynamic enterprise, so I do not think there is any cause for concern with respect to speed. As for diversity, of course the NYK Group needs to hire talented local personnel overseas. In addition, it should have the vision to include Japanese employees who are individualistic or highly specialized. Further, I would definitely like to see the NYK Group promote female employees to the senior management team. The NYK Group still does not have any female directors. When this changes, it will have taken the first step on the way to diversity.

Also, it is critical that each employee makes an effort to acquire a specialist field. In particular, accumulating overseas-related specialist knowledge is necessary. For example, I would like the NYK Group to dispatch employees for a year to a country without requiring them to report to headquarters in order to foster many employees who are conversant with particular countries.

—What are the keys for the NYK Group to realize growth amid tough business conditions?

**Okina** While Japan's population is declining, the populations of emerging countries in Asia and other regions are rising. Also, globalization is advancing. These trends will certainly produce business opportunities. Having identified a particular opportunity,

the NYK Group should confirm that the inherent risk is manageable and then take on the challenge boldly. Amid advancing globalization, China and Korea are investing aggressively. It is important for the NYK Group to obtain information ahead of others and, based on rigorous analysis of growth opportunities and risk, tackle ambitious new challenges swiftly.

Also, as Mr. Okamoto said, developing personnel is a key task. In the Philippines, the NYK Group established a merchant marine college, which produced its first graduates in 2011. I think establishing a merchant marine college was an excellent decision. As well as enabling the NYK Group to secure personnel, this is an extremely important initiative because, by fostering outstanding personnel while they are still students, it will contribute to the NYK Group's growth.

### To Stakeholders

—In closing, what message would you like to send stakeholders?

**Okamoto** The NYK Group is an extremely good company. Shareholders tend to focus on recent share prices or dividends. However, there are some areas that cannot be fully understood simply by looking at the short-term business results of a company operating in a rapidly changing world. I recommend shareholders to take a long-term view of the NYK Group and become long-term shareholders.

**Okina** I think the NYK Group, with the world as a market, has growth potential. There is considerable scope to expand and improve the customer bases that it has built in regions worldwide. Recently, the buds of new growth have begun to emerge in the natural resources and energy area and other areas. Although, looking at the near-term global situation, shipping companies seem likely to face tough conditions for some time to come given their susceptibility to volatility, I urge stakeholders to as far as possible adopt a long-term perspective and focus on the NYK Group's growth potential.

—Thank you.

# Corporate Governance

To earn the trust of stakeholders—not only shareholders but also customers, business partners, the regional communities in which the NYK Group maintains a presence, Group employees, and others involved with the company—and to meet their expectations, the NYK Group 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 consists of 13 members, of whom two were outside directors, as of June 20, 2012. The board is responsible for making decisions on legal matters, formulating major management policies and strategies, and supervising the execution of operations. NYK maintains a Corporate Officers 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 Corporate 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

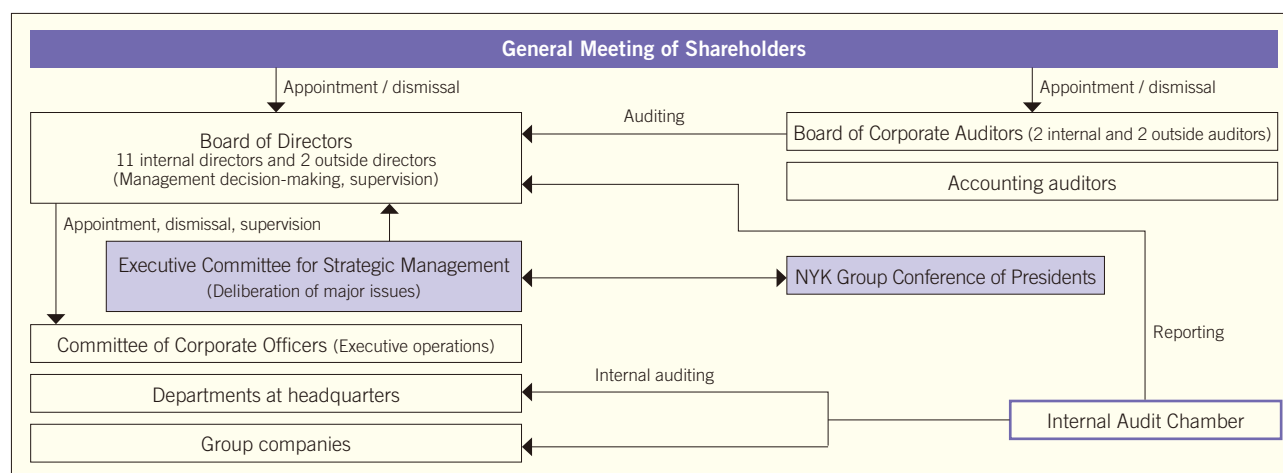
consists of members at the level of senior managing director or above. This committee provides direction for the board of directors. Meanwhile, the NYK Group Conference of Presidents seeks to enhance groupwide management practices and to improve management transparency.

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

- |             |  |
|-------------|--|
| <b>2002</b> | <ul style="list-style-type: none"> <li>Introduced Committee of Corporate Officers to strengthen operational execution system</li> <li>Established Executive Committee for Strategic Management</li> </ul>  |
| <b>2005</b> | <ul style="list-style-type: none"> <li>Reduced number of directors from 25 or fewer to 18 or fewer to increase business management efficiency</li> </ul>   |
| <b>2006</b> | <ul style="list-style-type: none"> <li>Established advisory board to heighten transparency of business management</li> <li>Reduced number of directors from 18 or fewer to 16 or fewer</li> </ul>  |
| <b>2008</b> | <ul style="list-style-type: none"> <li>Abolished advisory board, appointed outside directors</li> <li>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</li> </ul> |
| <b>2010</b> | <ul style="list-style-type: none"> <li>Filed notification of independent directors / corporate auditors as stipulated by stock exchanges in Japan for all four outside directors / outside corporate auditors</li> </ul>   |

NYK's Corporate Governance Organization Chart



## (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 corporate officers 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 of 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)	14 (2)	¥553 million (¥37 million)
Corporate Auditors (Amount allocated to outside corporate auditors)	6 (3)	¥90 million (¥24 million)
Total	20 (5)	¥643 million (¥61 million)

\* This includes directors that retired in the fiscal year ended March 31, 2012.

## (4) Auditing System

The NYK Group'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 Auditors' 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 the NYK Group's books are 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 three accountants are assisted by 8 certified public accountants and 17 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 2010		Fiscal 2011	
	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	22	150	14
Consolidated subsidiaries	152	—	143	0
Total	302	22	294	15

### 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 consultation and guidance in relation to International Financial Reporting Standards (IFRS) 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 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

The NYK Group had no conflicts of interest with the two outside directors and the two outside corporate auditors as of March 31, 2012.

### 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 the NYK Group. Takaji Kunimatsu principally used abundant experience in government service and the advanced insight developed from this experience in order to audit the NYK Group. Fumio Kawaguchi principally used an abundance of experience in relation to corporate management and the insight developed from this experience in order to audit the NYK Group.

### 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	14/14
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 (Retired June 23, 2011)	2/3	3/4
Takaji Kunimatsu	14/14	17/17
Fumio Kawaguchi (Appointed June 23, 2011)	11/11	13/13

## 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. Internal control is a means of achieving four corporate goals: reliable financial reporting, compliance with statutory laws and regulations, effective and efficient operations, and the safeguarding of assets. Based on this viewpoint, the Internal Control Committee periodically checks the status of internal control and reflects 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. The NYK Group 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 120 domestic Group companies. Internal audits of about 180 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 overseas Group companies, are audited about once every three years.

### Major auditing activities in fiscal 2011

1. Group companies audited: regular audits of 27 domestic companies, 49 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

## Status of Investor Relations (IR)-Related Activities

## Fiscal 2011 IR Highlights

	No. of participating companies	No. of participating individuals
Meetings with investors in Japan	554 (52)*	613 (52)
Overseas IR tours	263 (25)	330 (31)
Tours of Facilities and Briefings		
In Japan (3 times)	82	83
Overseas (1 time)	12	12
IR Seminar for Individuals		
In Japan (13 times)	—	1,069

\* Parentheses indicate participation by the NYK president

## Approach to IR Activities

NYK Line believes that the keys to fair assessment of its corporate value are timely, fair, and appropriate disclosures to shareholders, investors, and all other stakeholders, and mutual communications with them. The president and other management take the initiative of disclosure for the business environment and management strategy. Furthermore, we are mindful of creating even more opportunities to explain the company. We hold various meetings, including the annual General Meeting of Shareholders (avoiding the dates most Japanese companies hold their annual meetings), quarterly results presentation meetings, round-table meetings with the president, as well as presentation meetings for individual investors. In fiscal 2011, we enhanced comprehensive explanations about the medium-term

management plan “More Than Shipping 2013” released in March 2011. Amid tumultuous change in the operating environment, we are determined to continue conducting vigorous IR activities to cultivate trust in the sustainable growth of our business performance.

## Publication of IR Information

The “NYK Plus” pamphlet is published twice a year (spring and fall) specifically for individual shareholders and investors to provide them with insights into the breadth of NYK's core ocean, land, and air business activities and the company's social contribution initiatives. We are also enhancing the content of our website so that up-to-date information is available. On the site you will find the monthly container market freight rate index and trends of the bulk carrier and tanker market, as well as the schedule for upcoming presentation meetings for individual investors.

## Tours of Facilities

In October 2011, NYK and Yusen Logistics Co. Ltd. held a joint IR tour for institutional investors and analysts in China (Shanghai and surrounding areas). We showed our warehouse in the Suzhou Industrial Park and the Shanghai Northwest Logistics Center, in addition to a RORO ship terminal at Waigaoqiao. We also visited our customers' steel and paper companies to hear explanations of their businesses and tour their facilities. Lively question-and-answer sessions and discussions occurred at each place, and participants became more convinced of the NYK Group's growth potential in China.

## Risk Management

## (1) Risk Management

Economic and political conditions, such as social factors as environmental regulations and safety and security measures, natural disasters, and technological innovation 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 NYK Group comprehensively aggregates and controls business risk from a companywide perspective and has established a system for responding appropriately to risk.

## Enterprise Risk Management (ERM)

To achieve an understanding of companywide risk, we periodically investigate and evaluate risk, and executives themselves identify risks that have critical impacts on business management. Furthermore, executives themselves conduct checks and evaluations of whether appropriate measures are being taken in response to the identified risk and issue directions for measures to be taken accordingly.

For risk that does not have a critical impact on 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. The NYK Group 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 the major operations in the headquarters, so that, if

disasters, accidents, or other events damage them, the company will be able to maintain its important functions uninterrupted wherever possible, or if interrupted, to quickly restore them. In fiscal 2011, responding to the Great East Japan Earthquake in March 2011, we prepared more practical BCPs that include preparations for working from home, established the necessary infrastructure to enable working from home, supplemented and revised stockpiles for disasters, and conducted training.

## Compliance

### Fundamental Approach

The NYK Group 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. The NYK Group 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

The NYK Group implements a range of compliance training activities to enhance awareness of compliance-related issues and to foster knowledge regarding compliance implementation. From fiscal 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 fiscal 2005, we have also implemented e-learning activities. Since fiscal 2002, we have implemented 303 training sessions, which were attended by a total of 7,257 people.

#### Compliance Training Sessions in Fiscal 2011

	Number of sessions	Number of attendees
Group training sessions*	12	462
e-learning training sessions	1	4,821

\* Since fiscal 2002, we have implemented 303 training sessions, which were attended by a total of 7,257 people.

### Compliance with Antitrust / Competition Law

In July 2008, the NYK Group established its Antitrust Law Task Force to respond to the rapid expansion and stricter enforcement of antitrust / competition law around the world and to regrettable violations of such law by group companies. In April 2011, the NYK group advanced this project and established the Fair Trade Promotion Group. This group communicates accurate information to the employees of NYK and its group companies so that they do not inadvertently infringe antitrust / competition law in the performance of their day-to-day duties. At the same time, the group responds to inquiries and provides consultation about antitrust / competition law. In fiscal 2011, we continued training for numerous group company employees in Japan and overseas. In collaboration with the antitrust law project facilitators that have been appointed by more than 200 group companies worldwide, the NYK Group checked the antitrust / competition law compliance of respective companies and sought to enhance the awareness of individual NYK Group employees in relation to antitrust / competition law.

#### Fiscal 2011 Antitrust Law Training

In fiscal 2011, we held 40 training sessions, eight overseas and 32 in Japan, with 1,289 personnel participating, 298 overseas and 991 in Japan.

Further, cumulative totals to date are as follows.

	Number of sessions	Number of attendees
Training sessions for groups in Japan	109	2,929
Training sessions for groups overseas	28	1,310
Total	137	4,239

# Directors, Auditors & Corporate Officers

(As of June 20, 2012)



**Koji Miyahara**

Chairman, Chairman Corporate Officer

1970 Joined the Company  
1996 General Manager of Management Coordination Group  
2000 Director  
2002 Managing Director and Corporate Officer  
2003 Senior Managing Director and Corporate Officer (Representative Director thereafter)  
2004 President and Corporate Officer  
2009 Chairman, Chairman Corporate Officer (to the present)



**Yasumi Kudo**

President, President Corporate Officer

1975 Joined the Company  
1998 General Manager, Semi-Liner Group  
2002 Corporate Officer  
2004 Managing Director and Corporate Officer  
2006 Representative Director, Senior Managing Corporate Officer  
2008 Representative Director, Executive Vice-President Corporate Officer  
2009 President, President Corporate Officer (to the present)



**Masahiro Kato**

Representative Director,  
Executive Vice-President Corporate Officer  
Chairman of Tramp Shipping Strategy Committee  
Chief Executive of Cruise Headquarters

1977 Joined the Company  
2002 General Manager of Car Carrier Group  
2004 Corporate Officer  
2006 Managing Corporate Officer  
2007 Director, Managing Corporate Officer  
2009 Representative Director, Senior Managing Corporate Officer  
2012 Representative Director, Executive Vice-President Corporate Officer (to the present)



**Hidenori Hono**

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

1978 Joined the Company  
2002 General Manager of Petroleum Group  
2004 Corporate Officer  
2006 Managing Corporate Officer  
2008 Director, Managing Corporate Officer  
2009 Representative Director, Senior Managing Corporate Officer (to the present)



**Tadaaki Naito**

Representative Director,  
Senior Managing Corporate Officer  
Chief Executive of Global Logistic Services Headquarters  
Chief Executive of Technical Headquarters  
(Executive Chief of Environmental Management (ECEM), Chairman of Technology Strategy Committee)

1978 Joined the Company  
2004 General Manager of Petroleum Group  
2005 Corporate Officer  
2007 Managing Corporate Officer  
2008 Director, Managing Corporate Officer  
2009 Representative Director, Senior Managing Corporate Officer (to the present)



**Naoya Tazawa**

Representative Director,  
Senior Managing Corporate Officer  
Chief Executive of General Affairs/  
CSR Headquarters (Chief Compliance Officer (CCO))

1978 Joined the Company  
2002 General Manager of Human Resources Group  
2005 Corporate Officer  
2007 Managing Corporate Officer  
2009 Director, Managing Corporate Officer  
2010 Representative Director, Senior Managing Corporate Officer (to the present)

## Managing Corporate Officers

**Hiroshi Hattori**  
**Koichi Akamine**  
**Yasuo Tanaka**

**Fukashi Sakamoto**  
**Takashi Abe**

## Corporate Officers

**Takuji Nakai**  
**Masahiro Samitsu**  
**Kenichi Miki**  
**Chak Kwok Wai**  
**Yoshiyuki Yoshida**  
**Susumu Tanaka**

**Hidetoshi Maruyama**  
**Kunihiko Miyoshi**  
**Hitoshi Oshika**  
**Keizo Nagai**  
**Kazuo Kato**

**Yoko Wasaki**  
**Yuji Isoda**  
**Kazuo Ogasawara**  
**Tsutomu Shoji**  
**Eiichi Takahashi**



### **Kenji Mizushima**

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

---

1979 Joined the Company  
2007 Corporate Officer, General Manager of  
Container Trade Management Group  
2008 Managing Corporate Officer  
2009 Director, Managing Corporate Officer  
2012 Representative Director, Senior Managing  
Corporate Officer (to the present)



### **Hiroshi Hiramatsu**

Director, Managing Corporate Officer

---

1978 Joined the Company  
2004 General Manager of Corporate Planning  
Group  
2006 Corporate Officer  
2008 Managing Corporate Officer  
2009 Director, Managing Corporate Officer  
(to the present)



### **Hitoshi Nagasawa**

Director, Managing Corporate Officer  
Chief Executive of Energy Division

---

1980 Joined the Company  
2004 General Manager of LNG Group  
2007 Corporate Officer  
2009 Managing Corporate Officer  
2011 Director, Managing Corporate Officer  
(to the present)



### **Koichi Chikaraishi**

Director, Managing Corporate Officer

---

1980 Joined the Company  
2003 General Manager of Petroleum Product and  
LPG Group  
2009 Corporate Officer  
2012 Director, Managing Corporate Officer  
(to the present)



### **Shunichi Kusunose**

Director, Managing Corporate Officer  
Chief Executive of Automotive Transportation  
Headquarters

---

1981 Joined the Company  
2004 General Manager of Car Carrier Group  
2009 Corporate Officer  
2012 Director, Managing Corporate Officer  
(to the present)

## **Corporate Auditors (Full-time)**

**Naoki Takahata**

**Mikitoshi Kai**

# Independent Directors

(As of June 20, 2012)



## Yukio Okamoto

Outside Director

### Resume

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

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

### Significant Concurrent Positions

Research Director of the Japan Research Institute Ltd.  
Outside director of the Enterprise Turn-around Initiative Corporation of Japan (ETIC)



## Fumio Kawaguchi

Outside Corporate Auditor

### Resume

1964	Joined the Chubu Electric Power Company, Incorporated	2001	President of and director of the above company
1997	Director, and general manager of the Purchasing & Contracting Department of the above company	2006	Chairman of the board of directors of the above company
1999	Managing director, general manager of the Nagoya regional office 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 Position

Adviser of Chubu Electric Power Company, Incorporated



## Mitsuoki Kikuchi

Outside Corporate Auditor

### Resume

1967	Joined Prime Minister's Office	2001	President, the National Archives of Japan, an Independent Administrative Institution
1996	Director-General of Personnel Bureau, Management and Coordination Agency	2009	Adviser of the National Archives of Japan (to the present)
1997	Director-General of the Secretariat of the Agency	2012	Outside corporate auditor of NYK (part-time, outside corporate auditor, independent auditor)
1999	Vice-Minister of the Agency		
2001	Retired from the above position		

### Significant Concurrent Position

President of the National Archives of Japan, an Independent Administrative Institution

# Financial Section

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Car Carrier



## Contributing to Development of the Automobile Industry through Transportation Technology and One of the World's Largest Fleets

Operating the world's largest fleet at some 110 vessels, we not only transports cars and trucks from Japan to overseas but also caters to the demand for trilateral transport resulting from auto manufacturers' production overseas. In addition, we are currently establishing coastal transportation networks in Europe, China, and Southeast Asia, constructing and operating dedicated terminals for vehicles as well as developing inland transportation networks. In an effort to strengthen the overall logistics system for cars and trucks, we offers value-added services such as pre-delivery inspections (PDIs) at dedicated terminals.



# Consolidated 11-Year Summary

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries

	Millions of yen				
	2012	2011	2010	2009	2008
Year ended March 31:					
Revenues	¥1,807,819	¥1,929,169	¥1,697,342	¥2,429,972	¥2,584,626
Costs and expenses	1,661,112	1,622,045	1,520,932	2,054,595	2,128,849
Selling, general and administrative expenses	170,831	184,777	194,504	230,463	253,698
Operating income (loss)	(24,124)	122,346	(18,094)	144,914	202,079
Income (loss) before income taxes and minority interests	(30,948)	113,187	(9,974)	77,660	200,491
Income taxes—current	13,941	15,861	12,818	30,996	78,789
Income taxes—deferred	25,221	15,286	(8,041)	(11,968)	3,122
Minority interests in net income	2,710	3,503	2,696	2,480	4,439
Net income (loss)	(72,820)	78,535	(17,447)	56,151	114,139
As of March 31:					
Total current assets	¥ 541,180	¥ 562,457	¥ 653,590	¥ 490,588	¥ 602,067
Total current liabilities	452,492	401,728	450,537	574,988	775,066
Net vessels, property, plant and equipment	1,186,543	1,150,901	1,111,122	1,167,656	1,131,945
Total assets	2,122,234	2,126,812	2,207,163	2,071,270	2,286,013
Long-term debt	923,200	883,603	945,273	811,715	699,241
Total equity	622,490	728,094	703,394	581,237	679,036
Retained earnings	389,767	472,277	408,017	426,217	401,044
	Yen				
Per share of common stock <sup>(1)</sup> :					
Basic net income (loss)	¥ (42.92)	¥ 46.27	¥ (12.71)	¥ 45.73	¥ 92.93
Diluted net income	—	—	—	—	—
Equity	341.54	403.46	389.46	443.16	519.51
Cash dividends applicable to the year	4.00	11.00	4.00	15.00	24.00

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)
2007 <sup>(2)</sup>	2006	2005 <sup>(3)</sup>	2004	2003 <sup>(4)</sup>	2002	2012
¥2,164,279	¥1,929,302	¥1,606,098	¥1,398,320	¥1,249,242	¥1,142,934	\$21,995,617
1,840,784	1,594,598	1,283,769	1,158,352	1,037,373	945,950	20,210,642
218,553	194,222	160,953	148,034	142,746	131,425	2,078,496
104,941	140,481	161,375	91,933	69,122	65,558	(293,521)
115,136	145,560	127,213	61,535	32,647	31,708	(376,547)
44,171	53,838	51,365	33,797	15,350	13,158	169,621
4,430	(3,261)	579	(9,511)	(92)	(336)	306,862
1,496	2,924	3,940	2,439	3,097	1,347	32,973
65,037	92,058	71,326	34,810	14,292	17,538	(886,004)
¥ 539,971	¥ 460,536	¥ 399,500	¥ 370,673	¥ 350,228	¥ 313,916	\$ 6,584,508
697,050	612,154	477,865	425,753	370,521	387,321	5,505,447
946,328	856,065	701,157	652,405	651,159	685,711	14,436,590
2,135,441	1,877,440	1,476,226	1,376,664	1,287,170	1,339,922	25,821,078
584,566	506,230	464,196	491,233	548,926	547,656	11,232,518
700,717	575,366	427,770	358,044	288,363	320,096	7,573,801
312,605	266,567	203,774	146,755	122,271	116,349	4,742,276
Yen						U.S. dollars (Note 2)
¥ 52.99	¥ 75.04	¥ 58.12	¥ 28.27	¥ 11.48	¥ 14.23	\$(0.52)
—	—	—	—	—	14.23	—
534.90	471.05	350.10	292.88	235.81	260.80	4.16
18.00	18.00	18.00	10.00	7.50	7.50	0.05

# Management's Discussion and Analysis

## Overview of Operating Performance

During the fiscal year ended March 31, 2012, the shipping market remained sluggish worldwide due to the continuing gap between shipping capacity supply and demand. These lackluster conditions reflected a slump in transportation demand centered on the automotive manufacturing industry—due to the Great East Japan Earthquake in March last year and the effect of flooding in Thailand from the summer onward—as well as the negative effect of Europe's fiscal crisis. Moreover, marked bunker oil price hikes and yen appreciation resulting from international instability affected business results adversely.

Amid these conditions, the liner trade business saw freight rate levels fall, primarily on European routes, due to the oversupply that resulted from the completion of new large containerships. Similarly, in the bulk shipping business, the dry bulk carrier division and the tanker division faced slumping freight rates as the completion of a series of new vessels led to shipping capacity oversupply. Meanwhile, non-shipping segments—the logistics business, the terminal and harbor transport business, and the real estate business—generated steady earnings. The air cargo transportation business and other businesses also secured earnings. However, the cruise business incurred a larger loss

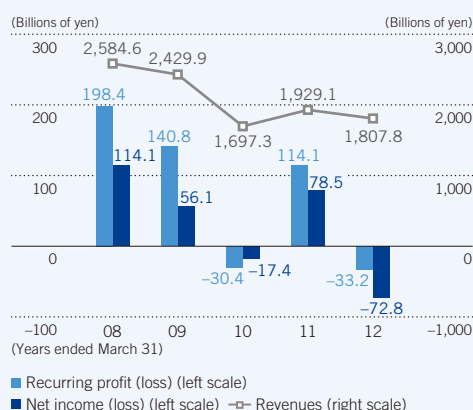
due to continuing unfavorable sales because of the economic downturn among developed countries.

As a result of the above factors, consolidated revenues declined by ¥121.3 billion (6.3%) from the previous fiscal year. Despite initiatives to cut costs through such means as reducing vessels' operating speed, costs and expenses increased ¥39.0 billion (2.4%) from the previous fiscal year as a result of higher bunker oil prices and others. Performance on the operating income/loss line worsened by ¥146.4 billion from the previous fiscal year and operating income margin declined 7.6 percentage points to -1.3% from 6.3% in the previous fiscal year in spite of continued efforts to reduce selling, general and administrative expenses. Performance on the recurring profit/loss line worsened by ¥147.4 billion from the previous fiscal year. On the net income/loss line, performance worsened by ¥151.3 billion from the previous fiscal year, a result of reversal of deferred tax assets at fiscal year-end and others. In sum, NYK Line incurred operating, recurring, and net losses substantially below the previous fiscal year's operating, recurring, and net income.

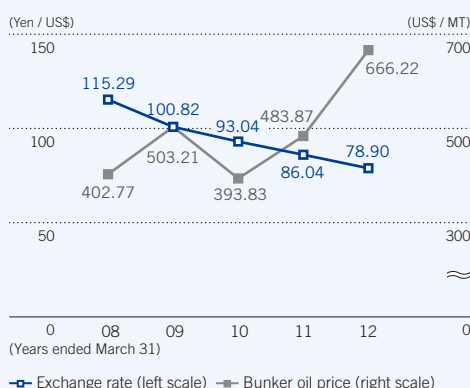
Changes in foreign exchange rates and bunker oil prices from the previous fiscal year are summarized in the following table.

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Change
Average exchange rate	¥86.04/US\$	¥78.90/US\$	Yen up ¥7.14
Average bunker oil price	US\$483.87/MT	US\$666.22/MT	Price up US\$182.35

### Operating Results



### Movements in Exchange Rates and Bunker Oil Prices



## Industry Segments

### Results by Segment

(Billions of yen)

(Years ended March 31)		Revenues				Recurring Profit (Loss)		
		2011	2012	Change	% change	2011	2012	Change
Global logistics business	Liner trade	462.1	418.7	-43.4	-9.4%	30.2	-44.7	-75.0
	Terminal and harbor transport	122.4	140.0	17.6	14.4%	6.6	7.7	1.0
	Air cargo transportation	87.2	82.6	-4.6	-5.3%	7.8	3.3	-4.4
	Logistics	390.9	365.1	-25.7	-6.6%	7.7	9.2	1.5
Bulk shipping business		796.4	730.8	-65.5	-8.2%	60.4	-7.7	-68.2
Other business	Cruises	35.8	32.4	-3.4	-9.5%	-2.6	-5.8	-3.1
	Real estate	11.4	10.8	-0.6	-5.3%	4.3	3.9	-0.4
	Other business services	163.5	184.5	21.0	12.9%	-0.4	0.8	1.2

#### Liner Trade

Freight rates fell as the supply-demand balance worsened in the wake of a steady influx of large newly built containerships, mainly on European routes, in addition to a downshift in freight demand stemming from the European debt crisis and North American economic slowdown. Amid this environment, the liner trade segment launched a new service between China and India and a service between Asia and the Middle / Near East so as to strengthen interregional service in rapidly growing Asia. On European routes, the liner trade segment launched new services by the G6 Alliance and continued streamlining of route networks in the aim of rationalizing operations. The segment also further implemented cost reductions through various cost-cutting measures, including operation of vessels at reduced speeds and reduction in cargo handling and other freight expenses. By the movement of freight rate restoration initiated by various activities including service rationalization, freight rates finally started to rise at the end of the fourth quarter. Nonetheless, the liner trade segment saw its revenues decline substantially from the previous fiscal year and incurred a loss.

#### Terminal and Harbor Transport

The terminal and harbor transport segment's revenues and earnings grew relative to the previous fiscal year as a result of year-on-year growth in domestic and overseas container terminals' overall cargo handling volume.

#### Air Cargo Transportation

Nippon Cargo Airlines Co., Ltd., (NCA) experienced earnings decline, largely as a result of a rise in fuel prices coupled with slowdown in airfreight shipments from Japan and Asia. However, it remained profitable for a second consecutive fiscal year by actively pursuing further cost reductions and nimbly

redeploying aircraft to capture urgent transport demand in the aftermath of the Great East Japan Earthquake and Thai floods.

#### Logistics

As a result of the Great East Japan Earthquake and Thai floods, both airborne and seaborne cargo volumes temporarily reduced, but they subsequently embarked on a recovery trend, and generally secured stable profitability through the year. Logistics operations were adversely affected by the North American and European economic slowdown despite the various cost-cutting efforts. As a result of above, the logistics segment as a whole achieved year-on-year earnings growth despite a decline in revenues. The former NYK Logistics companies and Yusen Logistics Co. Ltd. have nearly completed the final phase of their business integration with the April 2012 merger of their Chinese and Malaysian operations. The Logistics segment will continue to develop network linkages, improve asset efficiency, and effectively utilize its human resources.

#### Bulk Shipping Business

**Car Carrier Division** – The car carrier division's earnings declined year-on-year as a result of the Great East Japan Earthquake and Thai floods' heavy impact on automobile shipments. The division upgraded its fleet during the fiscal year by receiving six newly built car carriers while scrapping or redelivering four small, aged ships. Meanwhile, the auto logistics business, which complements seaborne transport operations, aggressively expanded its operations to meet growing demand in emerging market economies while also operating automobile terminals in China, Europe, Singapore and Thailand.

**Dry Bulk Carrier Division** – In the dry bulk carrier division, growth in seaborne cargo traffic slowed relative to the previous fiscal year in response to record high prices for iron ore and

coal. Additionally, with a delivery of newbuilt tonnage running at a high level, the market's supply-demand balance slackened, resulting in a year-on-year decline in freight rates across all regions and types of bulk carriers.

**Tanker Division** – With crude oil prices rising in response to prolongation of Iranian tensions and escalation of geopolitical risk in the Middle East and North Africa, seaborne crude oil and petroleum product cargo volumes increased only slightly from the previous fiscal year. VLCC (very large crude carrier) freight rates briefly rebounded in response to Iranian economic sanctions but were otherwise generally soft due to large volume of newbuilt deliveries. LNG tanker operations earned stable profits by meeting growing demand for LNG transport. The offshore business took delivery of its first drillship and began preparing for its operation.

Overall, the bulk shipping segment incurred a loss as its revenues decreased substantially from the previous fiscal year.

## Cruises

In the North American market, Crystal Cruises experienced sluggish sales as U.S. consumer sentiment was dampened by global economic uncertainties. In the Japanese market, Asuka Cruises' sales also decreased, largely as a result of the Great East Japan Earthquake. The cruises segment's overall revenues declined and its loss worsened relative to the previous fiscal year, partly due to higher bunker oil prices.

## Real Estate and Other Business Services

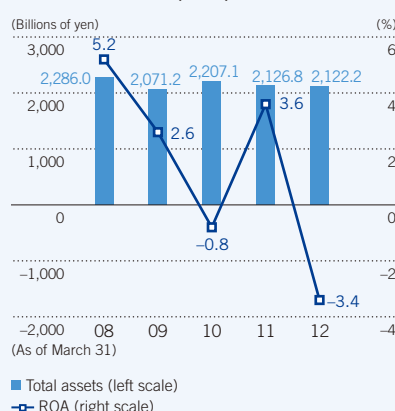
The real estate business's revenues and earnings decreased from the previous fiscal year in the wake of a decline in rents. In other business services, the trading business achieved revenue growth by virtue of higher prices for bunker oil, its main product. Overall, the other business services segment achieved year-on-year revenue growth and earned a profit.

## Analysis of Financial Position

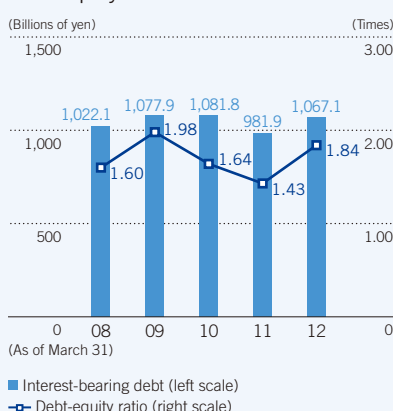
Consolidated assets at fiscal year-end (March 31, 2012) totaled ¥2,122.2 billion, a decrease of ¥4.5 billion from the previous fiscal year-end. Consolidated liabilities at March 31, 2012, totaled ¥1,499.7 billion, an increase of ¥101.0 billion from the previous fiscal year-end. The increase was mainly attributable to growth in long-term debt.

In the consolidated equity, retained earnings decreased ¥82.5 billion from the previous fiscal year-end. The shareholders' equity—the aggregate of shareholders' capital and accumulated other comprehensive income—totaled ¥579.3 billion at March 31, 2012, and adding minority interests of ¥43.1 billion, the consolidated equity totaled ¥622.4 billion at March 31, 2012. As a result, the debt-equity ratio ended the fiscal year at 1.84.

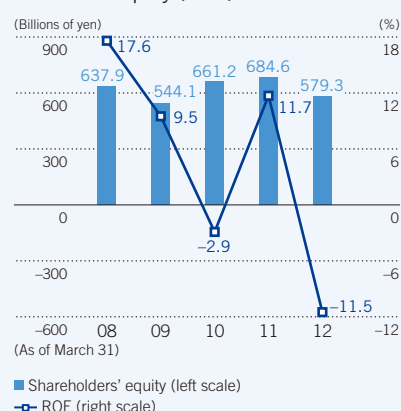
**Total Assets and Return on Assets (ROA)**



**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, 2012, totaled ¥151.3 billion, a decrease of ¥38.3 billion compared with the beginning of the fiscal year (April 1, 2011).

Net cash provided by operating activities totaled ¥29.8 billion, reflecting loss before income taxes and minority interests of ¥30.9 billion and depreciation and amortization of ¥100.8 billion, as well as outlays of ¥16.2 billion for interest expenses paid.

Net cash used in investing activities amounted to ¥139.4 billion, primarily reflecting expenditures for noncurrent assets, the majority of which were investments in vessels.

Net cash provided by financing activities totaled ¥72.1 billion, which included ¥192.4 billion for proceeds from long-term loans payable.

### Funding Requirements and Capital Expenditures

Most of the working capital that the NYK Line 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 aircraft and in logistics and terminal facilities. Capital expenditures during the year totaled ¥309.2 billion.

### Financial Policies

The NYK Line 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.

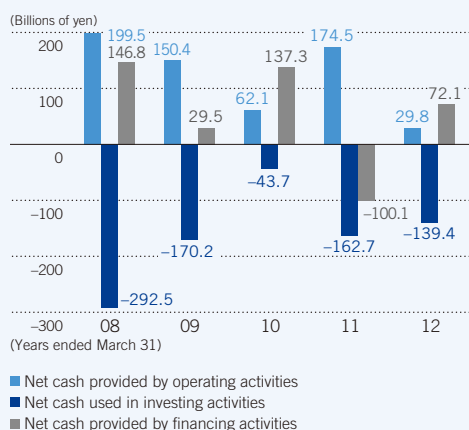
Expenditures for vessels—the group's main category of equipment—are made using long-term borrowings with currencies and tenors matching the future cargo freight revenue and vessel rental income generated by the operating activities of individual vessels, as well as funds procured through issues of shares 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 autumn 2008, long-term loans are used as well. As of March 31, 2012, the outstanding amount of long-term borrowings stood at ¥710.8 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 ¥250.4 billion as of March 31, 2012.

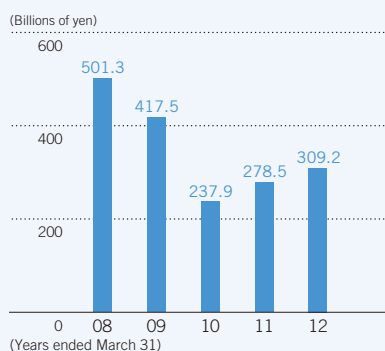
The group strives to maintain capital liquidity, and in addition to its ¥100.0 billion facility for the issuing of commercial paper as of March 31, 2012, and a syndicated commitment line (borrowing facility) from financial institutions denominated in yen and U.S. dollars, a cash management system is used to improve capital efficiency through financing within the group.

NYK Line has credit ratings from two agencies in Japan and one overseas. As of March 31, 2012, NYK Line's long-term corporate credit was rated A+ by Japan Credit Rating Agency, Ltd. (JCR), A by Rating and Investment Information, Inc. (R&I), and Baa2 by Moody's Investors Service, Inc.

#### Cash Flows



#### Capital Expenditures



#### Ratings

(As of March 31, 2012)

Japan Credit Rating Agency, Ltd. (JCR)	
Long term	A+
Rating and Investment Information, Inc. (R&I)	
Issuer	A
Short term	a-1
Moody's	
Issuer	Baa2

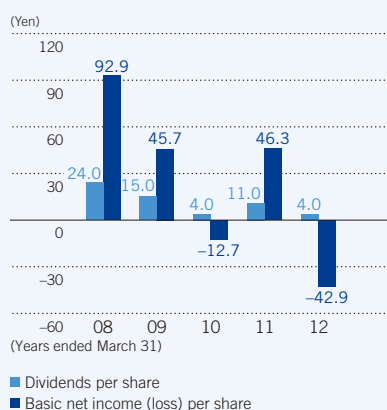
## Dividend Policy and Dividends for the Fiscal Year Ended March 31, 2012, and the Fiscal Year Ending March 31, 2013

NYK Line regards returning profits to shareholders to be one of its top management priorities. NYK Line determines the amounts of its dividend distributions in light of its earnings forecasts and various other considerations.

Although NYK Line incurred a net loss in the fiscal year ended March 31, 2012, the environment surrounding the shipping industry is showing signs of improvement, accordingly NYK Line expects to earn a profit in the fiscal year ending March 31, 2013. Therefore for the fiscal year ended March 31, 2012, NYK Line plans to pay a year-end dividend of ¥2 per share as previously forecasted. Adding previously paid interim dividend of ¥2 per share, full-year dividend will be ¥4 per share for the fiscal year ended March 31, 2012.

For fiscal year ending March 31, 2013, NYK Line continues to aim to pay dividends equivalent to a 25% consolidated payout ratio, however, in view of stable shareholder returns, NYK Line plans to pay ¥2 per share for both interim and year-end dividend, which makes ¥4 per share for full-year.

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



## Forecasts

NYK Line expects consolidated revenues of ¥2,000.0 billion, operating income of ¥50.0 billion, recurring profit of ¥40.0 billion, and net income of ¥23.0 billion for the fiscal year ending March 31, 2013.

In the liner trade, freight rate restoration is currently underway and the liner trade segment plans to radically streamline its route network and continue cutting costs. In bulk shipping, the car carrier division anticipates recovery in cargo volume having overcome the impact of the previous fiscal year's disasters. Although the dry bulk carrier division awaits an improvement in

the supply-demand balance, crude oil tanker rates are recovering and demand for LNG transport is booming in the tanker division. The logistics segment is pursuing earnings growth by capturing buoyant Asian cargo traffic. The air cargo transportation segment will continue to cut costs and flexibly operate aircrafts. The cruises segment will strive to intensify sales efforts and improve occupancy rates.

In preparing these forecasts, we have assumed an exchange rate of US\$1=¥80 and a bunker oil price of US\$730/MT.

### Forecasts for the Fiscal Year Ending March 31, 2013

(As of April 2012)

(Years ended/ending March 31)	2012	2013	Change
Revenues (billions of yen)	1,807.8	2,000.0	192.1
Operating income (loss) (billions of yen)	-24.1	50.0	74.1
Recurring profit (loss) (billions of yen)	-33.2	40.0	73.2
Net income (loss) (billions of yen)	-72.8	23.0	95.8
Assumptions:			
Average exchange rate	¥78.90/US\$	¥80/US\$	Yen up ¥1.10
Average bunker oil price	US\$666.22/MT	US\$730/MT	Price up US\$63.78

# 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, 2012.

## (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 consolidated overseas 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, the future expansion or strengthening of environmental regulations could require vessels to use better quality fuel with low environmental burden, thereby compelling the NYK Group to purchase higher priced fuel. The NYK Group typically is unable to pass on all the costs of bunker fuel price increases to customers through freight 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

Because the NYK Group's operations extend to many areas around the world, 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 integrated or 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 (for example the Philippines and India). 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 collapse of Lehman Brothers in 2008,

shipping demand was strong, and personnel costs for crew members skyrocketed. If the NYK Group becomes unable to employ a sufficient number of crew members at 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. The NYK Group takes piracy countermeasures, such as gathering information from relevant agencies and getting escorts by the Maritime Self-Defense Force in the Gulf of Aden region. However, 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<sub>2</sub>, SOx, and NOx 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 2012.

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, an employees' pension fund plan, and a retirement payment. 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. Including the example below, depending on the outcome, litigation could affect the operating performance and financial condition of the NYK Group.

#### ■ Nippon Cargo Airlines Co. Ltd. (NCA)

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.

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, 2012 and 2011)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Notes 4 and 12)	¥ 151,336	¥ 189,685	\$ 1,841,305
Short-term investment securities (Notes 4, 5 and 12)	283	619	3,450
Notes and operating accounts receivable-trade (Note 4)	196,333	182,276	2,388,773
Inventories (Note 7)	60,884	53,734	740,778
Deferred tax assets (Note 13)	4,562	15,061	55,516
Other (Notes 4 and 12)	130,566	123,752	1,588,588
Allowance for doubtful accounts (Note 4)	(2,786)	(2,672)	(33,903)
Total current assets	541,180	562,457	6,584,508
<b>VESSELS, PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Notes 8, 9, 10 and 12):</b>			
Vessels	769,402	707,819	9,361,260
Buildings and structures	74,748	75,561	909,462
Aircraft	4,068	4,271	49,502
Machinery, equipment and vehicles	29,121	29,361	354,322
Equipment	6,316	5,647	76,850
Land	63,280	61,768	769,930
Construction in progress	234,976	262,227	2,858,940
Other	4,628	4,244	56,320
Net vessels, property, plant and equipment	1,186,543	1,150,901	14,436,590
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 4, 5 and 12)	147,226	161,713	1,791,296
Investments in unconsolidated subsidiaries and affiliates	109,543	117,744	1,332,806
Long-term loans receivable (Note 4)	16,228	18,575	197,449
Deferred tax assets (Note 13)	6,798	10,029	82,721
Intangible assets (Note 12)	14,791	13,160	179,969
Goodwill	23,531	19,064	286,301
Other (Notes 4, 5 and 12)	79,812	76,852	971,077
Allowance for doubtful accounts (Note 4)	(3,422)	(3,686)	(41,644)
Total investments and other assets	394,510	413,454	4,799,979
<b>TOTAL ASSETS</b>	<b>¥2,122,234</b>	<b>¥2,126,812</b>	<b>\$25,821,078</b>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
<b>CURRENT LIABILITIES:</b>			
Short-term loans payable (Notes 4, 11 and 12)	¥ 17,816	¥ 15,780	\$ 216,771
Current portion of long-term debt (Notes 4, 11 and 12)	126,108	82,587	1,534,353
Notes and operating accounts payable-trade (Notes 4 and 12)	165,002	157,835	2,007,568
Income taxes payable (Note 13)	6,788	10,680	82,594
Provision for bonuses	7,461	8,210	90,780
Provision for directors' bonuses	280	438	3,414
Provision for losses related to antitrust law	1,436	199	17,474
Deferred tax liabilities (Note 13)	3,106	873	37,792
Other (Notes 4 and 12)	124,492	125,122	1,514,697
Total current liabilities	452,492	401,728	5,505,447
<b>NONCURRENT LIABILITIES:</b>			
Long-term debt (Notes 4, 11 and 12)	923,200	883,603	11,232,518
Provision for retirement benefits (Note 19)	15,861	15,294	192,985
Provision for directors' retirement benefits	2,000	2,077	24,342
Provision for periodic dry docking of vessels	18,218	18,473	221,658
Provision for losses related to antitrust law	1,728	1,728	21,027
Deferred tax liabilities (Note 13)	29,692	10,070	361,267
Other (Notes 4 and 12)	56,549	65,741	688,029
Total noncurrent liabilities	1,047,250	996,989	12,741,829
<b>Total liabilities</b>	<b>1,499,743</b>	<b>1,398,718</b>	<b>18,247,277</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 17)</b>			
<b>EQUITY (Notes 11, 14 and 24)</b>			
<b>SHAREHOLDERS' CAPITAL:</b>			
Common stock			
Authorized: 2,983,550,000 shares; issued,			
1,700,550,988 shares in 2012	144,319	—	1,755,929
1,700,550,988 shares in 2011	—	144,319	—
Capital surplus	155,623	155,658	1,893,465
Retained earnings	389,767	472,277	4,742,276
Treasury stock			
4,261,997 shares in 2012	(1,988)	—	(24,196)
3,660,980 shares in 2011	—	(1,905)	—
Total shareholders' capital	687,722	770,349	8,367,474
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>			
Unrealized gain on available-for-sale securities	21,876	24,846	266,175
Deferred (loss) gain on derivatives under hedge accounting	(52,306)	(43,182)	(636,411)
Foreign currency translation adjustments	(77,466)	(67,385)	(942,529)
Pension liability adjustment of foreign subsidiaries and affiliates	(484)	—	(5,892)
Total accumulated other comprehensive income	(108,380)	(85,721)	(1,318,658)
Minority interests	43,148	43,466	524,985
<b>Total equity</b>	<b>622,490</b>	<b>728,094</b>	<b>7,573,801</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>¥2,122,234</b>	<b>¥2,126,812</b>	<b>\$25,821,078</b>
	Yen		U.S. dollars (Note 2)
Equity per share	¥ 341.54	¥ 403.46	\$ 4.16

See notes to consolidated financial statements.

# Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries  
(Years ended March 31, 2012 and 2011)

(Consolidated Statements of Operations)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
REVENUES	¥1,807,819	¥1,929,169	\$21,995,617
COSTS AND EXPENSES	1,661,112	1,622,045	20,210,642
Gross profit	146,707	307,124	1,784,974
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	170,831	184,777	2,078,496
Operating (loss) income	(24,124)	122,346	(293,521)
OTHER INCOME (EXPENSES):			
Interest and dividend income	7,067	6,079	85,988
Equity in earnings of unconsolidated subsidiaries and affiliates	2,164	6,387	26,333
Interest expenses	(16,209)	(16,826)	(197,220)
Foreign exchange losses	(2,345)	(4,865)	(28,534)
Gain on sale and retirement of vessels, property, plant, equipment and intangible fixed assets, net	10,785	8,227	131,225
Gain on sale of short-term and long-term investment securities, net (Note 5)	3,266	5,155	39,740
Loss on impairment of vessels, property, plant and equipment (Note 15)	(5,511)	(2,443)	(67,058)
Loss on cancellation of chartered vessels	(4,020)	(8,019)	(48,920)
Loss on valuation of investment securities	(3,513)	(9,470)	(42,745)
Reversal of provision for losses related to antitrust law	—	3,883	—
Others, net	1,493	2,731	18,166
Other expenses, net	(6,823)	(9,159)	(83,025)
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(30,948)	113,187	(376,547)
INCOME TAXES (Note 13):			
Current	13,941	15,861	169,621
Deferred	25,221	15,286	306,862
Total income taxes	39,162	31,148	476,483
NET (LOSS) INCOME BEFORE MINORITY INTERESTS	(70,110)	82,038	(853,030)
MINORITY INTERESTS IN NET INCOME	2,710	3,503	32,973
NET (LOSS) INCOME	¥ (72,820)	¥ 78,535	\$ (886,004)
	Yen		U.S. dollars (Note 2)
Per share of common stock (Note 3.L):			
Basic net income (loss)	¥ (42.92)	¥ 46.27	\$ (0.52)
Cash dividends applicable to the year	4.00	11.00	0.05

(Consolidated Statements of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Net (loss) income before minority interests	¥ (70,110)	¥ 82,038	\$ (853,030)
Other comprehensive income (Note 16)			
Unrealized gain on available-for-sale securities	(2,936)	(5,019)	(35,733)
Deferred (loss) gain on derivatives under hedge accounting	505	(12,765)	6,144
Foreign currency translation adjustments	(7,807)	(19,980)	(94,993)
Pension liability adjustment of foreign subsidiaries and affiliates	(469)	—	(5,711)
Share of other comprehensive income of associates accounted for using equity method	(10,022)	(2,277)	(121,941)
Gain or loss on change in equity	1,340	—	16,309
Total other comprehensive loss	(19,390)	(40,043)	(235,925)
Comprehensive (loss) income	¥ (89,501)	¥ 41,995	\$ (1,088,955)
Comprehensive (loss) income			
Comprehensive (loss) income attributable to owners of the parent	¥ (91,419)	¥ 39,827	\$ (1,112,294)
Comprehensive income attributable to minority interests	1,918	2,167	23,338

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries  
(Years ended March 31, 2012 and 2011)

	Outstanding Number of Shares of Common Stock (Thousands)	Millions of yen											
		Common stock	Capital surplus	Retained earnings (deficits)	Treasury stock	Total shareholders' capital	Unrealized gain (loss) on available- for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Foreign currency translation adjustments	Pension liability adjustment of foreign subsidiaries and affiliates	Total accumulated other comprehensive income	Minority interests	Total equity (deficit)
Balance, April 1, 2010	1,700,550	¥144,319	¥155,663	¥408,017	¥(1,576)	¥706,424	¥30,007	¥(30,155)	¥(45,044)	¥ —	¥ (45,192)	¥42,162	¥ 703,394
Net income	—	—	—	78,535	—	78,535	—	—	—	—	—	—	78,535
Dividends from surplus	—	—	—	(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	(329)	63,925	(5,161)	(13,027)	(22,340)	—	(40,529)	1,304	24,700
Balance, March 31, 2011	1,700,550	144,319	155,658	472,277	(1,905)	770,349	24,846	(43,182)	(67,385)	—	(85,721)	43,466	728,094
Net loss	—	—	—	(72,820)	—	(72,820)	—	—	—	—	—	—	(72,820)
Dividends from surplus	—	—	—	(11,878)	—	(11,878)	—	—	—	—	—	—	(11,878)
Purchase of treasury stock	—	—	—	—	(140)	(140)	—	—	—	—	—	—	(140)
Disposal of treasury stock	—	—	(34)	—	57	23	—	—	—	—	—	—	23
Change of scope of consolidation	—	—	—	295	—	295	—	—	—	—	—	—	295
Adjustments due to change in the fiscal period of consolidated subsidiaries	—	—	—	60	—	60	—	—	—	—	—	—	60
Change of scope of equity method	—	—	—	332	—	332	—	—	—	—	—	—	332
Gain or loss on change in equity	—	—	—	1,340	—	1,340	—	—	—	—	—	—	1,340
Other	—	—	—	160	—	160	—	—	—	—	—	—	160
Net change of items other than shareholders' capital	—	—	—	—	—	—	(2,969)	(9,124)	(10,081)	(484)	(22,659)	(318)	(22,977)
Total changes of items during the period	—	—	(34)	(82,509)	(82)	(82,626)	(2,969)	(9,124)	(10,081)	(484)	(22,659)	(318)	(105,603)
Balance, March 31, 2012	1,700,550	¥144,319	¥155,623	¥389,767	¥(1,988)	¥687,722	¥21,876	¥(52,306)	¥(77,466)	¥(484)	¥(108,380)	¥43,148	¥ 622,490

	Thousands of U.S. dollars (Note 2)												
	Outstanding Number of Shares of Common Stock (Thousands)	Common stock	Capital surplus	Retained earnings (deficits)	Treasury stock	Total shareholders' capital	Unrealized gain (loss) on available- for-sale securities	Deferred (loss) gain on derivatives under hedge accounting	Foreign currency translation adjustments	Pension liability adjustment of foreign subsidiaries and affiliates	Total accumulated other comprehensive income	Minority interests	Total equity (deficit)
Balance, March 31, 2011	1,700,550	\$1,755,929	\$1,893,880	\$ 5,746,164	\$(23,188)	\$ 9,372,785	\$302,300	\$(525,396)	\$(819,869)	\$ —	\$(1,042,966)	\$528,857	\$ 8,858,677
Net loss	—	—	—	(886,004)	—	(886,004)	—	—	—	—	—	—	(886,004)
Dividends from surplus	—	—	—	(144,524)	—	(144,524)	—	—	—	—	—	—	(144,524)
Purchase of treasury stock	—	—	—	—	(1,710)	(1,710)	—	—	—	—	—	—	(1,710)
Disposal of treasury stock	—	—	(414)	—	702	288	—	—	—	—	—	—	288
Change of scope of consolidation	—	—	—	3,598	—	3,598	—	—	—	—	—	—	3,598
Adjustments due to change in the fiscal period of consolidated subsidiaries	—	—	—	735	—	735	—	—	—	—	—	—	735
Change of scope of equity method	—	—	—	4,047	—	4,047	—	—	—	—	—	—	4,047
Gain or loss on change in equity	—	—	—	16,309	—	16,309	—	—	—	—	—	—	16,309
Other	—	—	—	1,948	—	1,948	—	—	—	—	—	—	1,948
Net change of items other than shareholders' capital	—	—	—	—	—	—	(36,125)	(111,014)	(122,659)	(5,892)	(275,692)	(3,872)	(279,564)
Total changes of items during the period	—	—	(414)	(1,003,888)	(1,007)	(1,005,311)	(36,125)	(111,014)	(122,659)	(5,892)	(275,692)	(3,872)	(1,284,875)
Balance, March 31, 2012	1,700,550	\$1,755,929	\$1,893,465	\$ 4,742,276	\$(24,196)	\$ 8,367,474	\$266,175	\$(636,411)	\$(942,529)	\$(5,892)	\$(1,318,658)	\$524,985	\$ 7,573,801

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries  
(Years ended March 31, 2012 and 2011)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
<b>OPERATING ACTIVITIES</b>			
(Loss) income before income taxes and minority interests	¥ (30,948)	¥ 113,187	\$ (376,547)
Adjustments for:			
Depreciation and amortization	100,857	100,198	1,227,128
Impairment loss	5,511	2,443	67,058
Gain on sales and retirement of vessels, property, plant and equipment and intangible assets	(10,785)	(8,227)	(131,225)
Gain on sales of short-term and long-term investment securities	(3,266)	(5,155)	(39,740)
Loss on valuation of short-term and long-term investment securities	5,490	10,045	66,808
Equity in earnings of unconsolidated subsidiaries and affiliates	(2,164)	(6,387)	(26,333)
Interest and dividends income	(7,067)	(6,079)	(85,988)
Interest expenses	16,209	16,826	197,220
Foreign exchange losses	1,684	505	20,490
(Increase) decrease in notes and accounts receivable-trade	(15,479)	2,890	(188,340)
Increase in inventories	(7,194)	(9,875)	(87,532)
Increase (decrease) in notes and accounts payable-trade	8,812	(4,596)	107,221
Other, net	(6,684)	(10,790)	(81,324)
Subtotal	54,976	194,985	668,895
Interest and dividends income received	8,613	10,013	104,800
Interest expenses paid	(16,297)	(17,221)	(198,288)
Income taxes paid	(17,455)	(13,192)	(212,381)
<b>Net cash provided by operating activities</b>	<b>29,837</b>	<b>174,585</b>	<b>363,025</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of short-term investment securities	(64)	(323)	(790)
Proceeds from sales of short-term investment securities	916	1,013	11,153
Purchase of vessels, property, plant and equipment and intangible assets	(309,288)	(278,570)	(3,763,087)
Proceeds from sales of vessels, property, plant and equipment and intangible assets	173,272	121,920	2,108,190
Purchase of investment securities	(10,399)	(23,742)	(126,524)
Proceeds from sales of investment securities	8,404	15,842	102,262
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(5,412)	—	(65,858)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(147)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	106	—
Payments of loans receivable	(14,290)	(6,304)	(173,865)
Collections of loans receivable	11,525	3,851	140,235
Other, net	5,932	3,573	72,185
<b>Net cash used in investing activities</b>	<b>(139,402)</b>	<b>(162,781)</b>	<b>(1,696,100)</b>
<b>FINANCING ACTIVITIES</b>			
Net increase (decrease) in short-term loans payable	4,385	(47,383)	53,353
Proceeds from long-term loans payable	192,444	102,683	2,341,462
Repayments of long-term loans payable	(110,872)	(139,789)	(1,348,982)
Proceeds from issuance of bonds	54,722	—	665,810
Redemption of bonds	(54,555)	—	(663,766)
Proceeds from stock issuance to minority shareholders	799	53	9,729
Purchase of treasury stock	(140)	(347)	(1,710)
Proceeds from sales of treasury stock	23	10	288
Cash dividends paid to shareholders	(11,878)	(13,577)	(144,524)
Cash dividends paid to minority shareholders	(1,360)	(861)	(16,550)
Other, net	(1,409)	(949)	(17,154)
<b>Net cash provided by (used in) financing activities</b>	<b>72,159</b>	<b>(100,161)</b>	<b>877,955</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(1,324)</b>	<b>(6,041)</b>	<b>(16,109)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(38,730)</b>	<b>(94,400)</b>	<b>(471,228)</b>
Cash and cash equivalents at beginning of period	189,685	281,660	2,307,887
Increase in cash and cash equivalents resulting from change of scope of consolidation	556	460	6,772
Increase in cash and cash equivalents resulting from merger of subsidiaries	—	226	—
(Decrease) increase in beginning balance of cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	(174)	1,737	(2,126)
<b>Cash and cash equivalents at end of period</b>	<b>¥ 151,336</b>	<b>¥ 189,685</b>	<b>\$ 1,841,305</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries  
(Years ended March 31, 2012 and 2011)

## 1. Basis of Presentation of 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 the 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 2011 consolidated financial statements to conform to the classifications used in 2012.

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 dollar are rounded down to the nearest thousand dollars, except for per share data.

## 2. U.S. Dollar Amounts

The accompanying consolidated financial statements are stated in Japanese yen, and the U.S. dollar amounts represent the arithmetic results of translating yen to United States dollars using the exchange rate prevailing at March 31, 2012, which was ¥82.19 to USD1.00. 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 675 consolidated subsidiaries at March 31, 2012.

During the fiscal year ended March 31, 2012, the Company newly established 16 companies and judged 12 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, 2012. Nine companies became consolidated subsidiaries through the acquisition of shares.

One company, which had been accounted for by the equity method, became a consolidated company and was excluded from the scope of companies accounted for by the equity method as a result of the additional acquisition of the shares.

Thirty-six companies were excluded from consolidation due to liquidation.

Thirteen companies were excluded from consolidation due to merger.

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 10 unconsolidated subsidiaries and 110 affiliates by the equity method at March 31, 2012.

In the consolidated fiscal year ended March 31, 2012, the Company newly established four companies and judged seven 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.

One company, which had been an affiliated company to be accounted for by the equity method, became a consolidated subsidiary and was excluded from the scope of affiliated companies to be accounted for by the equity method as a result of the additional acquisition of the shares.

Two companies were excluded from the scope of companies accounted for by the equity method due to liquidation.

- (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 or 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, 2012, December 31 was used by 49 consolidated subsidiaries as the closing date for their financial statements. Necessary adjustments have been made to address transactions that occurred between closing dates different to that of the Company and March 31.

Two 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, two consolidated subsidiaries changed their year-end closing date from December 31 to March 31 and one consolidated subsidiary changed its year-end closing date from February 28 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 and "Minority interests". 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 three 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 (five 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 Company's 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 that 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:

- i) The Company's consolidated subsidiary, YUSEN LOGISTICS CO., LTD. ("YUSEN LOGISTICS"), has recorded a provision for possible future losses associated with U.S. antitrust laws in the amount estimated as of the present time. Moreover, YUSEN LOGISTICS 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.
- ii) The Company's consolidated subsidiary, Nippon Cargo Airlines Co., Ltd. ("NCA") has recorded a provision for possible future losses associated with Korean Fair Trading Law.

#### 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 that 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. Semiannually, 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.

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. Additional Information

The Company has applied the “Accounting Standard for Accounting Changes and Error Corrections” (The Accounting Standards Board of Japan (“ASBJ”) Statement No. 24, December 4, 2009) and the

“Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009) to accounting changes and corrections of prior-period errors that were made on or after the beginning of the current fiscal year.

## 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 contracts	Charterage paid and loans payable
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.

##### ② Market 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 and regulations, and are subject to internal controls 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.

③ Management 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's 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, 2012 and 2011, 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)		
	2012			2011			2012		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
① Cash and cash equivalents	¥ 151,336	¥ 151,336	¥ —	¥ 189,685	¥ 189,685	¥ —	\$ 1,841,305	\$ 1,841,305	\$ —
② Time deposits with a maturity of more than three months	2,738	2,738	—	7,883	7,883	—	33,321	33,321	—
③ Notes and operating accounts receivable-trade	196,333			182,276			2,388,773		
Allowance for doubtful accounts*1	(2,010)			(1,323)			(24,461)		
Balance	194,322	194,322	—	180,953	180,953	—	2,364,312	2,364,312	—
④ Short-term and long-term investment securities (Note 5)									
Held-to-maturity debt securities	886	852	(33)	1,512	1,512	(0)	10,780	10,374	(405)
Available-for-sale securities	125,094	125,094	—	136,950	136,950	—	1,522,011	1,522,011	—
Investments in unconsolidated subsidiaries and affiliates	13,695	8,403	(5,291)	14,505	9,979	(4,525)	166,628	102,246	(64,382)
⑤ Long-term loans receivable	16,228			18,575			197,449		
Allowance for doubtful accounts*1	(1)			(958)			(21)		
Balance	16,226	17,111	884	17,616	18,413	797	197,427	208,193	10,765
Subtotal	504,300	499,860	(4,440)	549,106	545,378	(3,728)	6,135,787	6,081,764	(54,022)
① Notes and operating accounts payable-trade	165,002	165,002	—	157,835	157,835	—	2,007,568	2,007,568	—
② Current portion of bonds	45,000	45,000	—	—	—	—	547,511	547,511	—
③ Short-term loans payable	97,846	97,846	—	97,641	97,641	—	1,190,489	1,190,489	—
④ Bonds payable	205,445	213,622	8,177	251,059	258,637	7,577	2,499,634	2,599,134	99,499
⑤ Long-term loans payable	710,892	727,410	16,517	627,054	643,513	16,458	8,649,377	8,850,348	200,971
Subtotal	1,224,185	1,248,881	24,695	1,133,591	1,157,627	24,035	14,894,582	15,195,052	300,470
Derivative financial instruments*2	¥ (31,416)	¥ (31,416)	¥ —	¥ (50,228)	¥ (50,228)	¥ —	\$ (382,241)	\$ (382,241)	\$ —

\* 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, ② current portion of bonds, and ③ 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.
- ④ Bonds payable  
The market value of the corporate bonds issued by the Company is calculated based on the market price.
- ⑤ 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

Segment	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
	Book value	Book value	Book value
Investments in unconsolidated subsidiaries and affiliates	¥ 85,935	¥ 94,082	\$1,045,571
Shares in unlisted companies	21,314	23,565	259,328
Others	215	304	2,626
Total	¥107,465	¥117,952	\$1,307,526

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							
	2012				2011			
	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	¥151,336	¥ —	¥ —	¥ —	¥189,685	¥ —	¥ —	¥ —
Time deposits with a maturity of more than three months	2,738	—	—	—	7,883	—	—	—
Notes and operating accounts receivable-trade	195,387	945	—	—	180,114	2,162	—	—
Short-term and long-term investment securities:								
Held-to-maturity debt securities (government bonds)	150	—	100	—	130	150	100	—
Held-to-maturity debt securities (corporate bonds)	100	500	—	—	220	200	425	—
Held-to-maturity debt securities (others)	—	25	10	—	250	25	10	—
Available-for-sale securities with maturity dates (government bonds)	—	60	—	—	—	42	—	—
Available-for-sale securities with maturity dates (others)	33	—	—	—	39	—	—	—
Long-term loans receivable	—	7,588	3,463	5,176	—	8,405	5,778	4,392
Total	¥349,747	¥9,119	¥3,573	¥5,176	¥378,322	¥10,984	¥6,313	¥4,392

	Thousands of U.S. dollars (Note 2)			
	2012			
	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	\$1,841,305	\$ —	\$ —	\$ —
Time deposits with a maturity of more than three months	33,321	—	—	—
Notes and operating accounts receivable-trade	2,377,271	11,502	—	—
Short-term and long-term investment securities:				
Held-to-maturity debt securities (government bonds)	1,825	—	1,216	—
Held-to-maturity debt securities (corporate bonds)	1,216	6,083	—	—
Held-to-maturity debt securities (others)	—	304	121	—
Available-for-sale securities with maturity dates (government bonds)	—	730	—	—
Available-for-sale securities with maturity dates (others)	409	—	—	—
Long-term loans receivable	—	92,331	42,137	62,979
Total	\$4,255,348	\$110,951	\$43,476	\$62,979

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

	Millions of yen				
	2012				
	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
Bonds payable	¥45,000	¥ —	¥ 50,000	¥ —	¥ 40,000
Long-term loans payable	—	92,979	84,117	60,280	62,581
Total	¥45,000	¥92,979	¥134,117	¥60,280	¥102,581

## Notes to Consolidated Financial Statements

Thousands of U.S. dollars (Note 2)

2012					
	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
Bonds payable	\$547,511	\$ —	\$ 608,346	\$ —	\$ 486,677
Long-term loans payable	—	1,131,270	1,023,449	733,423	761,430
Total	\$547,511	\$1,131,270	\$1,631,796	\$733,423	\$1,248,108

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
Bonds payable	¥—	¥ 45,000	¥ —	¥ 50,000	¥ —
Long-term loans payable	—	76,229	94,104	84,794	60,025
Total	¥—	¥121,229	¥94,104	¥134,794	¥60,025

## 5. Securities

(1) Short-term and long-term investment securities held-to-maturity with fair value as of March 31, 2012 and 2011, are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2012			2011			2012		
	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	¥250	¥255	¥ 5	¥ 380	¥ 385	¥ 5	\$ 3,044	\$ 3,106	\$ 62
Corporate bonds	300	305	5	445	453	8	3,654	3,718	64
Others	—	—	—	—	—	—	—	—	—
Subtotal	550	561	10	826	839	13	6,698	6,825	127
Securities for which fair value is equal to or less than book value:									
Government bonds and others	—	—	—	—	—	—	—	—	—
Corporate bonds	300	261	(39)	401	390	(10)	3,656	3,176	(480)
Others	35	30	(4)	285	281	(3)	425	372	(52)
Subtotal	335	291	(43)	686	672	(13)	4,082	3,549	(533)
Total	¥886	¥852	¥(33)	¥1,512	¥1,512	¥ (0)	\$10,780	\$10,374	\$(405)

(2) Short-term and long-term investment securities classified as available-for-sale securities with fair value as of March 31, 2012 and 2011, are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2012			2011			2012		
	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	¥105,542	¥65,477	¥40,064	¥107,302	¥62,992	¥44,310	\$1,284,131	\$ 796,665	\$487,466
Government bonds and others	59	59	0	41	41	0	726	720	6
Corporate bonds	—	—	—	—	—	—	—	—	—
Others	69	51	18	67	54	13	844	625	219
Subtotal	105,671	65,588	40,083	107,412	63,087	44,324	1,285,702	798,010	487,692
Securities for which book value is equal to or less than acquisition costs:									
Corporate shares	19,367	26,538	(7,170)	29,478	33,599	(4,121)	235,642	322,886	(87,244)
Government bonds and others	—	—	—	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—	—	—	—
Others	54	63	(8)	60	69	(9)	666	772	(106)
Subtotal	19,422	26,601	(7,179)	29,538	33,669	(4,130)	236,308	323,659	(87,350)
Total	¥125,094	¥92,190	¥32,904	¥136,950	¥96,757	¥40,193	\$1,522,011	\$1,121,670	\$400,341

“Acquisition costs” are the book value after the recording of impairment losses. Impairment losses were recognized in the fiscal year ended March 31, 2012, and were recorded as a loss on valuation of investment securities in the amount of ¥3,513 million (\$42,745 thousands).

(3) Proceeds, gains, and losses on sales of available-for-sale securities in the fiscal years ended March 31, 2012 and 2011, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Proceeds from sales	¥6,209	¥15,226	\$75,551
Gross realized gains	3,501	7,221	42,605
Gross realized losses	(273)	2,164	(3,325)

## 6. Derivatives

Derivative financial instruments with fair value as of March 31, 2012 and 2011, are summarized as follows:

(1) Derivative transactions not qualifying for hedge accounting

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2012			2011			2012		
	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
<b>a. Currency-related</b>									
Forward foreign currency exchange contracts:									
Buy U.S. dollar, sell Japanese yen	¥ 5,271	¥ 682	¥ (43)	¥ 2,514	¥ 682	¥ (13)	\$ 64,135	\$ 8,307	\$ (531)
Sell U.S. dollar, buy Japanese yen	3,817	682	17	2,619	682	7	46,450	8,309	217
Buy Euro, sell Japanese yen	80	—	4	82	—	3	979	—	54
Sell Euro, buy Japanese yen	1,812	—	(14)	783	405	(33)	22,058	—	(182)
Buy U.S. dollar, sell Euro	970	—	(1)	3,424	119	(98)	11,809	—	(22)
Sell Pound sterling, buy U.S. dollar	3,561	—	(0)	—	—	—	43,334	—	(11)
Others	1,548	—	6	1,817	—	4	18,835	—	79
	¥17,062	¥ 1,365	¥ (32)	¥11,242	¥ 1,891	¥ (131)	\$207,603	\$ 16,617	\$ (395)
<b>b. Interest rate-related</b>									
Interest rate swaps:									
Receive fixed, pay floating	¥25,138	¥20,326	¥ 646	¥31,237	¥25,350	¥ 846	\$305,857	\$247,314	\$ 7,861
Receive floating, pay fixed	23,990	20,128	(857)	29,054	23,920	(1,130)	291,892	244,903	(10,436)
	¥49,129	¥40,455	¥(211)	¥60,292	¥49,271	¥ (283)	\$597,749	\$492,218	\$ (2,574)
<b>c. Commodity-related</b>									
Freight (chartered-freight) forward transactions:									
Forward chartered-freight agreements on buyer's side	¥ 126	¥ —	¥ (13)	¥ 228	¥ —	¥ (24)	\$ 1,541	\$ —	\$ (163)
Forward chartered-freight agreements on seller's side	—	—	—	149	—	39	—	—	—
Fuel option									
Buy call option, sell put option	1,734	—	70	—	—	—	21,102	—	857
	¥ 1,861	¥ —	¥ 57	¥ 378	¥ —	¥ 14	\$ 22,644	\$ —	\$ 694

\* 1. Indicated values are based on the market rates reported by the financial institutions handling these transactions for the Company as of March 31, 2012 and 2011.

2. Fuel option contracts are zero-cost option contracts, and call options and put options are shown as a lump sum because they are included in integrated contracts.

## Notes to Consolidated Financial Statements

### (2) Derivative transactions qualifying for hedge accounting

		Millions of yen						Thousands of U.S. dollars (Note 2)		
		2012			2011			2012		
		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
<b>a. Currency-related</b>										
<b>Derivative transactions qualifying for general accounting policies, deferral hedge accounting</b>										
Forward foreign currency exchange contracts:	Principal items hedged:									
Buy U.S. dollar, sell Japanese yen	Forecasted capital expenditures	¥ 10,076	¥ 3,108	¥ (592)	¥ 30,491	¥ 8,002	¥ (4,461)	\$ 122,600	\$ 37,822	\$ (7,207)
Sell U.S. dollar, buy Japanese yen		1,810	—	(41)	132	—	(1)	22,026	—	(502)
Others		115	0	(3)	21	3	0	1,402	11	(42)
Currency swaps:	Principal items hedged:									
Receive U.S. dollar, pay Japanese yen	Loan payable, charterage paid	223	223	43	1,887	226	(150)	2,723	2,723	534
Receive U.S. dollar, pay Malaysian ringgit		1,035	736	(45)	645	460	(95)	12,598	8,966	(557)
Receive Japanese yen, pay U.S. dollar		39	0	25	118	79	37	482	1	305
Currency options:	Principal items hedged:									
Buy U.S. dollar put option, sell U.S. dollar call option	Freight	6,221	—	(6)	5,699	—	(7)	75,691	—	(77)
<b>Foreign exchange contracts and other derivative transactions qualifying for designation accounting</b>										
Forward foreign currency exchange contracts:	Principal items hedged:									
Buy U.S. dollar, sell Japanese yen	Forecasted capital expenditures	¥245,783	¥142,585	¥(19,482)	¥299,336	¥194,481	¥(37,042)	\$2,990,425	\$1,734,823	\$(237,044)
Sell U.S. dollar, buy Japanese yen		4,884	—	(31)	21,949	—	72	59,425	—	(387)
Others		9	—	(0)	3,226	—	(53)	114	—	(0)
		¥270,198	¥146,655	¥(20,134)	¥363,510	¥203,253	¥(41,702)	\$3,287,491	\$1,784,349	\$(244,979)
<b>b. Interest rate-related</b>										
<b>Derivative transactions qualifying for general accounting policies, deferral hedge accounting</b>										
Interest rate swaps:	Principal items hedged:									
Receive floating, pay fixed	Long-term loans payable	¥127,654	¥113,469	¥(13,656)	¥146,378	¥118,316	¥(10,144)	\$1,553,169	\$1,380,571	\$(166,152)
<b>Interest rate swap derivative transactions qualifying for exceptional accounting</b>										
Interest rate swaps:	Principal items hedged:									
Receive fixed, pay floating	Long-term loans payable	¥ 10,000	¥ 10,000	*2	¥ 406	¥ —	*2	\$ 121,669	\$ 121,669	*2
Receive floating, pay fixed		75,208	68,665		96,509	86,781		915,052	835,449	
		¥212,863	¥192,134	¥(13,656)	¥243,294	¥205,097	¥(10,144)	\$2,589,890	\$2,337,690	\$(166,152)
<b>c. Commodity-related</b>										
<b>Derivative transactions qualifying for general accounting policies, deferral hedge accounting</b>										
Freight (chartered-freight) forward transactions:	Principal items hedged:									
Forward chartered-freight agreements on seller's side	Charterage received	¥ —	¥ —	¥ —	¥ 1,085	¥ —	¥ 22	\$ —	\$ —	\$ —
Forward chartered-freight agreements on buyer's side		—	—	—	121	—	10	—	—	—
Fuel swap:	Principal items hedged:									
Receive floating, pay fixed	Fuel	15,436	362	2,483	8,190	—	1,868	187,811	4,410	30,211
Fuel oil collar transaction:	Principal items hedged:									
Buy call option, sell put option	Fuel	6,504	—	135	1,969	—	191	79,137	—	1,647
		¥ 21,940	¥ 362	¥ 2,618	¥ 11,366	¥ —	¥ 2,093	\$ 266,949	\$ 4,410	\$ 31,858

- \* 1. Indicated values are based on the market rates reported by the financial institutions handling these transactions for the Company, as of March 31, 2012 and 2011.  
 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, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Products and goods	¥ 2,385	¥ 2,807	\$ 29,020
Real estate for sale	1	1	14
Fuel and supplies	57,835	50,315	703,677
Others	662	609	8,065
Total	¥60,884	¥53,734	\$740,778

## 8. Vessels, Property, Plant and Equipment

As of March 31, 2012 and 2011, vessels, property, plant and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Vessels, property, plant and equipment, at cost:			
Vessels	¥1,440,016	¥1,360,798	\$ 17,520,577
Buildings and structures	162,193	160,914	1,973,397
Aircraft	5,334	5,309	64,910
Machinery, equipment and vehicles	77,422	76,981	941,996
Equipment	24,266	23,981	295,246
Land	63,280	61,768	769,930
Construction in progress	234,976	262,227	2,858,940
Other	12,514	11,385	152,258
Total	2,020,004	1,963,366	24,577,258
Less accumulated depreciation	(833,461)	(812,465)	(10,140,668)
Net vessels, property, plant and equipment	¥1,186,543	¥1,150,901	\$ 14,436,590

## 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 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 ¥3,825 million (\$46,541 thousand).

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)
	2012	2011	2012
Amount recorded in consolidated balance sheet			
Balance at end of the previous year	¥ 39,745	¥ 39,308	\$ 483,584
Increase during the fiscal year	3,071	437	37,369
Balance at end of the current year	42,817	39,745	520,954
Fair value as of current fiscal year-end	¥102,089	¥102,553	\$1,242,113

\* 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 ¥4,044 million (\$49,203 thousand) from acquisition and the primary decreases were ¥994 million (\$12,105 thousand) from depreciation and ¥932 million (\$11,343 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 ¥5,425 million (\$66,016 thousand) and ¥5,566 million as of March 31, 2012 and 2011, respectively.

## 11. Short-Term and Long-Term Debt

(1) Short-term debt had weighted-average interest rates of 1% and 1.1% as of March 31, 2012 and 2011, respectively.

(2) Long-term debt as of March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Loans from banks and other financial institutions, with a weighted-average interest rate of 1.13 percent and 1.17 percent at March 31, 2012 and 2011, due from 2013 to 2031	¥ 790,922	¥708,915	\$ 9,623,095
Lease obligations: with a weighted-average interest rate of 4.82 percent at March 31, 2012, due from 2013 to 2021	7,941	6,215	96,629
Unsecured 1.67 percent bonds, due on June 20, 2012	30,000	30,000	365,007
Unsecured 1.01 percent bonds, due on February 21, 2013	15,000	15,000	182,503
Unsecured 1.58 percent bonds, due on June 9, 2014	20,000	20,000	243,338
Unsecured 0.968 percent bonds, due on August 11, 2014	30,000	30,000	365,007
Unsecured 2.06 percent bonds, due on June 22, 2016	20,000	20,000	243,338
Unsecured 0.475 percent bonds, due on September 9, 2016	20,000	—	243,338
Unsecured 2.05 percent bonds, due on June 20, 2017	30,000	30,000	365,007
Unsecured 1.782 percent bonds, due on August 9, 2019	30,000	30,000	365,007
Unsecured 1.218 percent bonds, due on September 9, 2021	25,000	—	304,173
Unsecured 2.36 percent bonds, due on June 7, 2024	10,000	10,000	121,669
Unsecured 2.65 percent bonds, due on June 22, 2026	10,000	10,000	121,669
Unsecured 2.13 percent bonds, due on September 9, 2031	10,000	—	121,669
Convertible bonds with warrants, due on September 24, 2026	445	56,059	5,414
Subtotal	1,049,309	966,191	12,766,871
Less current portion due within one year	(126,108)	(82,587)	(1,534,353)
Long-term debt, less current portion	¥ 923,200	¥883,603	\$11,232,518

A partial early redemption of the Zero Coupon Convertible Bonds due 2026 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) was carried out on September 20, 2011.

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, 2012, were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 2)
2014	¥ 93,953	\$ 1,143,130
2015	134,932	1,641,718
2016	61,071	743,054
2017	103,082	1,254,193
2018 and thereafter	530,160	6,450,421
Total	¥923,200	\$11,232,518

### 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 (\$9.47 (Note 2))
Total amount of debt securities issued	¥445 million (\$5,414 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

## 12. Pledged Assets and Secured Liabilities

As of March 31, 2012, the following assets were pledged as collateral for short-term loans payable, current portion of long-term debt, long-term debt, and others:

Pledged assets	Net book value	
	Millions of yen	Thousands of U.S. dollars (Note 2)
Vessels	¥ 84,661	\$1,030,070
Buildings and structures	3,290	40,029
Aircraft	1,495	18,197
Land	5,747	69,926
Investment securities	7,798	94,880
Others	917	11,166
<b>Total</b>	<b>¥103,910</b>	<b>\$1,264,270</b>

Secured liabilities	Net book value	
	Millions of yen	Thousands of U.S. dollars (Note 2)
Short-term loans payable and current portion of long-term debt	¥11,015	\$134,029
Long-term debt	52,524	639,062
Others	46	566
<b>Total</b>	<b>¥63,586</b>	<b>\$773,657</b>

## 13. Income Taxes

(1) Significant components of deferred tax assets and liabilities as of March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
<b>Deferred tax assets:</b>			
Provision for bonuses	¥ 2,582	¥ 3,146	\$ 31,415
Provision for retirement benefits	5,282	3,479	64,267
Impairment loss on vessels, property, plant and equipment	7,135	9,211	86,819
Losses on revaluation of securities	1,813	1,275	22,066
Tax loss carryforwards	67,277	51,848	818,557
Unrealized gains on sale of vessels, property, plant and equipment	2,423	3,352	29,485
Provision for periodic dry docking of vessels	5,964	6,566	72,575
Accrued expenses	1,301	3,078	15,829
Foreign tax credit carry forward	2,712	1,176	33,001
Deferred loss on derivatives under hedge accounting	11,629	18,954	141,500
Others	12,596	12,756	153,260
<b>Subtotal of deferred tax assets</b>	<b>120,719</b>	<b>114,846</b>	<b>1,468,781</b>
Valuation allowance	(103,251)	(63,120)	(1,256,248)
<b>Total deferred tax assets</b>	<b>17,468</b>	<b>51,725</b>	<b>212,532</b>
<b>Deferred tax liabilities:</b>			
Gain on securities contribution to employee retirement benefit trust	(3,193)	(3,754)	(38,857)
Depreciation	(6,590)	(7,936)	(80,180)
Reserve for reduction entry	(4,286)	(4,407)	(52,156)
Reserve for special depreciation	(69)	(134)	(841)
Valuation difference on available-for-sale securities	(10,492)	(14,939)	(127,664)
Deferred gain on derivatives under hedge accounting	(1,828)	(570)	(22,251)
Others	(12,443)	(5,837)	(151,402)
<b>Total deferred tax liabilities</b>	<b>(38,904)</b>	<b>(37,579)</b>	<b>(473,353)</b>
<b>Net deferred tax (liabilities) assets</b>	<b>¥ (21,436)</b>	<b>¥ 14,146</b>	<b>\$ (260,821)</b>

(2) Reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2012 and 2011, were 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, 2012, 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.

(3) Revisions to amounts of deferred tax assets and deferred tax liabilities resulting from change to legally effective tax rate

With the enactment on December 2, 2011, of Amendment to the 2011 Tax Reform Bill and Special Measures to Secure the Financial Resources to Implement the Restoration from the Tohoku Earthquake, the legally effective tax rate used to calculate deferred tax assets and liabilities (expiring on or after April 1, 2012) for the fiscal year ended March 31, 2012, has been changed from the 37.5%, used in the previous fiscal year, to

34.4% for those for which recovery or payment is expected from April 1, 2012 to March 31, 2015, and to 31.9% for those for which recovery or payment is expected on or after April 1, 2015.

This had the effect of reducing the amount of deferred tax liabilities (net of deferred tax assets) by ¥4,413 million, decreasing income taxes-deferred by ¥2,332 million, and increasing the unrealized gain on available-for-sale securities by ¥1,817 million and the deferred gain (loss) on derivatives under hedge accounting by ¥264 million.

## 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 the 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 net assets 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 of capital surplus) depending on the equity account charged upon the payment of such dividends, until the 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 year ended March 31, 2012, were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
At March 31, 2011	1,700,550	3,660
Increase in number of shares	—	718
Decrease in number of shares	—	117
At March 31, 2012	1,700,550	4,261

#### (B) Matters concerning dividends

(1) Total dividend payments to be paid for the consolidated fiscal year ended March 31, 2012, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Approved at the regular general meeting of shareholders on June 23, 2011	¥ 8,484	\$103,231
Approved by the Board of Directors on October 31, 2011	3,393	41,292
Total	¥11,878	\$144,524

(2) The effective date for dividends, including retained earnings, as of March 31, 2012, 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 20, 2012	¥3,392	\$41,278
Total	¥3,392	\$41,278

## 15. Impairment Losses

The Company and its consolidated subsidiaries divide operating assets based on management accounting and group such assets according to the business that makes investment decisions. For rental property, assets to be disposed of by sale, and idle assets, the Company and its consolidated subsidiaries group the assets by structure.

In the consolidated fiscal year ended March 31, 2012, the target price of assets to be disposed of by sale fell below book value and land prices dropped on rental property and idle assets, causing noticeable deterioration in profitability. The Company reduced the book value on these asset groups to recoverable amounts and booked the reductions as important losses of ¥5,511 million (\$67,058 thousands).

The breakdown is as follows:

Location	Application	Type	Millions of yen	Thousands of U.S. dollars (Note 2)
United Kingdom, Sweden	Assets for operations	Vessels and goodwill	¥1,969	\$23,960
Others	Mainly assets for operations and assets to be disposed of by sale	Vessels and others	3,542	43,097
Total			¥5,511	\$67,058

Impairment loss by location

Location	Millions of yen	Thousands of U.S. dollars (Note 2)
United Kingdom	¥1,517	\$18,458 (Vessels ¥1,517 (\$18,458))
Sweden	452	5,502 (Goodwill ¥452 (\$5,502))
Others	3,542	43,097 (Vessels ¥3,368 (\$40,978) and others ¥174 (\$2,118))

The recoverable amount for these asset groups will be the higher value of the asset's net selling price or its value in use.

The net selling price is based on sales contract and the value in use is calculated from the projected future cash flows discounted at a rate from 3.09% to 8.23%.

## 16. Other Comprehensive Income

Year ended March 31, 2012:

The components of other comprehensive income for the year ended March 31, 2012, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Unrealized gain (loss) on available-for-sale securities:		
Losses arising during the year	¥ (9,196)	\$(111,892)
Reclassification adjustments to profit or loss for the year	1,911	23,261
Amount before income tax effect	¥ (7,284)	\$(88,631)
Income tax effect	4,347	52,898
Total	¥ (2,936)	\$(35,733)
Deferred gain (loss) on derivatives under hedge accounting:		
Gains arising during the year	¥ 1,470	\$ 17,891
Reclassification adjustments to profit or loss for the year	(6,012)	(73,156)
Adjustment for the acquisition cost of assets	19,572	238,133
Amount before income tax effect	¥ 15,030	\$ 182,869
Income tax effect	(14,525)	(176,724)
Total	¥ 505	\$ 6,144
Foreign currency translation adjustments:		
Losses arising during the year	¥ (7,278)	\$(88,557)
Reclassification adjustments to profit or loss for the year	(502)	(6,119)
Amount before income tax effect	¥ (7,781)	\$(94,676)
Income tax effect	(26)	(316)
Total	¥ (7,807)	\$(94,993)
Pension liability adjustment of foreign subsidiaries and affiliates:		
Losses arising during the year	¥ (588)	\$(7,157)
Amount before income tax effect	¥ (588)	\$(7,157)
Income tax effect	118	1,446
Total	¥ (469)	\$(5,711)
Share of other comprehensive income of associates accounted for using equity method:		
Losses arising during the year	¥(12,129)	\$(147,581)
Reclassification adjustments to profit or loss for the year	2,483	30,216
Adjustment for the acquisition cost of assets	(376)	(4,576)
Total	¥(10,022)	\$(121,941)
Gain or loss on change in equity:		
Gains arising during the year	¥ 1,340	\$ 16,309
Total other comprehensive loss	¥(19,390)	\$(235,925)

The corresponding information for the year ended March 31, 2011, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

Gain or loss on change in equity is attributable to reorganization accompanying integration with the overseas operations of NYK Group's consolidated subsidiary YUSEN LOGISTICS.

## 17. Commitments and Contingent Liabilities

(1) Commitments made by the Company and its consolidated subsidiaries as of March 31, 2012, totaled ¥285,971 million (\$3,479,394 thousand) for the construction of vessels, ¥349,071 million (\$4,247,125 thousand) for the purchase of aircraft, and ¥267 million (\$3,260 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, 2012, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Notes receivable discounted and endorsed	¥ 26	\$ 323
Guarantees of loans	119,435	1,453,162
Joint debt of indebtedness	1,488	18,109
Total	¥120,950	\$1,471,595

(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 ¥39,383 million (\$479,181 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 June 2021.

(3) Certain operating leases entered into by the Company and its consolidated subsidiary, NCA, in relation to aircraft include guarantees of residual value.

The potential maximum payment under these guarantees of residual value is ¥20,633 million (\$251,045 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 November 2018.

(4) The Company's consolidated subsidiary, NCA, has been filed for a damage suit without a specified amount of damage (class action lawsuit) in the United States 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.

## 18. Accounting for Leases

As discussed in Note 3. J, the Company accounts for leases that 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 years ended March 31, 2012 and 2011, 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, 2012 and 2011, 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:

	2012					2011				
	Vessels	Aircraft	Equipment	Other	Total	Vessels	Aircraft	Equipment	Other	Total
Acquisition cost	¥14,562	¥29,427	¥49,969	¥917	¥94,875	¥20,002	¥29,427	¥57,692	¥1,431	¥108,553
Accumulated depreciation	11,103	14,389	39,501	721	65,716	15,122	13,895	40,820	986	70,825
Accumulated impairment loss	—	5,441	—	—	5,441	—	5,441	—	—	5,441
Net balance at end of the year	3,458	9,596	10,467	195	23,718	4,879	10,089	16,872	444	32,286

	2012				
	Vessels	Aircraft	Equipment	Other	Total
Acquisition cost	\$177,176	\$358,038	\$607,974	\$11,159	\$1,154,348
Accumulated depreciation	135,095	175,075	480,613	8,777	799,562
Accumulated impairment loss	—	66,208	—	—	66,208
Net balance at end of the year	42,081	116,754	127,360	2,381	288,577

b. Future lease payments as of March 31, 2012, which included the portion of interest thereon, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 6,887	\$ 83,797
More than one year	17,401	211,726
Total	¥24,289	\$295,524
Accumulated impairment loss on leased property	¥ 3,463	\$ 42,139

c. Lease expenses, depreciation, interest expenses, and impairment loss for the years ended March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Lease expenses for the year	¥9,861	¥10,772	\$119,988
Reversal of impairment loss on leased property	659	659	8,022
Depreciation	9,970	11,305	121,307
Interest expenses	549	730	6,682

## Notes to Consolidated Financial Statements

### 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, 2012, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 70,348	\$ 855,928
More than one year	320,214	3,896,030
Total	¥390,563	\$4,751,958

### As lessors

Future lease income as of March 31, 2012, is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 4,153	\$ 50,535
More than one year	53,473	650,608
Total	¥57,627	\$701,143

## 19. 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 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, 2012 and 2011)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Projected benefit obligations	¥ (87,078)	¥ (88,317)	\$(1,059,475)
Plan assets	101,333	106,089	1,232,919
Unfunded obligations	14,255	17,772	173,444
Unrecognized actuarial gain (loss)	4,819	(4,140)	58,634
Unrecognized prior service cost	1,207	1,612	14,689
Net obligations in the consolidated balance sheets	20,281	15,244	246,768
Prepaid pension costs	36,143	30,538	439,753
Provision for retirement benefits	¥ (15,861)	¥ (15,294)	\$ (192,985)

### (3) Amounts Related to Retirement Benefit Costs (years ended March 31, 2012 and 2011)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Service costs	¥ 4,374	¥ 4,457	\$ 53,223
Interest costs	1,756	1,770	21,374
Expected return on plan assets	(1,452)	(1,433)	(17,672)
Recognized actuarial loss	(4,074)	(3,292)	(49,573)
Amortization of prior service cost	316	584	3,846
Retirement benefit costs	¥ 920	¥ 2,085	\$ 11,197

\* In addition to the costs shown above, certain consolidated subsidiaries had ¥1,376 million (\$16,752 thousand) and ¥1,654 million for the fiscal years ended March 31, 2012 and 2011, 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 the Employees' Pension Fund as retirement benefit costs.

(4) Assumptions in Calculation of the above Information (as of March 31, 2012 and 2011)

	2012	2011
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

## 20. 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 year ended March 31, 2011.

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) Intersegment 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 subsidiaries 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

Adjustments of segment profit or loss is internal exchanges or transfer to other amount among segments. Adjustments of segment asset is ¥481,766 million (\$5,861,618 thousand) of receivable or asset relating to internal exchange among segments and ¥44,355 million (\$539,675 thousand) of corporate asset. Major corporate asset is excess of operating funds (cash and deposits).

## Notes to Consolidated Financial Statements

(Additional information)

The order used in listing reporting segments has been changed from the fiscal year ended March 31, 2012. This change of listing order had no effect on the amounts of net sales, profit or loss, assets, and other items for the respective segments.

The table below presents certain segment information for the years ended March 31, 2012 and 2011.

Year ended March 31, 2012:

Millions of yen											
	Global Logistics				Others				Total	Adjustments*	Consolidated Total
	Liner Trade	Terminal and Harbor Transport	Air Cargo Transport	Logistics	Bulk Shipping	Cruise	Real Estate	Others			
I Revenues:											
(1) Revenues from customers	¥414,748	¥111,070	¥73,301	¥361,712	¥ 727,492	¥32,458	¥ 9,096	¥ 77,938	¥1,807,819	¥ —	¥1,807,819
(2) Intersegment revenues	3,995	29,018	9,310	3,478	3,362	12	1,753	106,639	157,571	(157,571)	—
Total	418,744	140,089	82,612	365,191	730,854	32,471	10,849	184,577	1,965,391	(157,571)	1,807,819
Segment (loss) profit	(44,757)	7,748	3,384	9,266	(7,786)	(5,823)	3,902	811	(33,253)	15	(33,238)
Segment assets	¥261,554	¥158,466	¥69,766	¥205,224	¥1,295,649	¥28,117	¥54,596	¥457,568	¥2,530,945	¥(408,711)	¥2,122,234
II Other items:											
Depreciation and amortization	¥ 11,471	¥ 4,776	¥ 787	¥ 6,214	¥ 73,710	¥ 1,860	¥ 924	¥ 1,122	¥ 100,868	¥ (10)	¥ 100,857
Amortization of goodwill and negative goodwill	9	17	—	(257)	1,162	—	0	(29)	903	—	903
Interest income	355	92	6	292	932	1	4	8,163	9,849	(7,013)	2,836
Interest expenses	2,275	717	604	657	12,065	274	105	6,386	23,085	(6,876)	16,209
Equity in earnings of unconsolidated subsidiaries and affiliates	80	254	—	167	1,623	—	37	—	2,164	—	2,164
Investments in equity method affiliates	83	10,700	—	3,022	67,095	—	940	—	81,843	—	81,843
Capital expenditures	27,224	4,753	10,096	5,980	253,120	2,631	4,095	1,386	309,288	—	309,288
III Information about impairment loss by reportable segments:											
Impairment loss	¥ —	¥ —	¥ —	¥ —	¥ 5,396	¥ —	¥ 96	¥ —	¥ 5,493	¥ 17	¥ 5,511
IV Information about balance of goodwill by reportable segments:											
Balance of goodwill (negative goodwill) at the end of current period	¥ 9	¥ 2,670	¥ —	¥ 1,606	¥ 19,246	¥ —	¥ 0	¥ (1)	¥ 23,531	¥ —	¥ 23,531

Thousands of U.S. dollars (Note 2)											
	Global Logistics				Others				Total	Adjustments*	Consolidated Total
	Liner Trade	Terminal and Harbor Transport	Air Cargo Transport	Logistics	Bulk Shipping	Cruise	Real Estate	Others			
I Revenues:											
(1) Revenues from customers	\$5,046,221	\$1,351,393	\$ 891,856	\$4,400,929	\$ 8,851,347	\$394,923	\$110,675	\$ 948,271	\$21,995,617	\$ —	\$21,995,617
(2) Intersegment revenues	48,618	353,066	113,280	42,328	40,905	154	21,333	1,297,472	1,917,160	(1,917,160)	—
Total	5,094,839	1,704,459	1,005,137	4,443,257	8,892,252	395,078	132,009	2,245,744	23,912,777	(1,917,160)	21,995,617
Segment (loss) profit	(544,559)	94,271	41,183	112,748	(94,738)	(70,851)	47,477	9,870	(404,597)	192	(404,404)
Segment assets	\$3,182,320	\$1,928,047	\$ 848,845	\$2,496,952	\$15,764,082	\$342,109	\$664,276	\$5,567,206	\$30,793,841	\$(4,972,762)	\$25,821,078
II Other items:											
Depreciation and amortization	\$ 139,570	\$ 58,120	\$ 9,579	\$ 75,610	\$ 896,833	\$ 22,640	\$ 11,250	\$ 13,654	\$ 1,227,261	\$ (132)	\$ 1,227,128
Amortization of goodwill and negative goodwill	116	216	—	(3,129)	14,146	—	0	(356)	10,993	—	10,993
Interest income	4,330	1,121	74	3,563	11,350	21	58	99,320	119,840	(85,334)	34,505
Interest expenses	27,682	8,723	7,351	8,005	146,799	3,335	1,283	77,703	280,884	(83,664)	197,220
Equity in earnings of unconsolidated subsidiaries and affiliates	985	3,102	—	2,033	19,758	—	453	—	26,333	—	26,333
Investments in equity method affiliates	1,021	130,193	—	36,779	816,347	—	11,438	—	995,781	—	995,781
Capital expenditures	331,243	57,836	122,847	72,760	3,079,697	32,011	49,824	16,865	3,763,087	—	3,763,087
III Information about impairment loss by reportable segments:											
Impairment loss	\$ —	\$ —	\$ —	\$ —	\$ 65,664	\$ —	\$ 1,175	\$ —	\$ 66,840	\$ 218	\$ 67,058
IV Information about balance of goodwill by reportable segments:											
Balance of goodwill (negative goodwill) at the end of current period	\$ 116	\$ 32,487	\$ —	\$ 19,547	\$ 234,171	\$ —	\$ 0	\$ (23)	\$ 286,301	\$ —	\$ 286,301

Adjustments of segment profit or loss is internal exchanges or transfer to other amount among segments. Adjustments of segment asset is ¥472,059 million (\$5,743,511 thousand) of receivable or asset relating to internal exchange among segments and ¥63,347 million (\$770,748 thousand) of corporate asset. Major corporate asset is excess of operating funds (cash and deposits).

## Notes to Consolidated Financial Statements

The operations and divisions of responsibility were reviewed for the Terminal and Harbor Transport Business, the Logistics Business, and the Bulk Shipping Business in line with a restructuring of the NYK Group's logistics business from the fiscal year ended March 31, 2012. Information related to the amounts of net sales, profit or loss, assets, and other items for the previous fiscal year reflecting these changes are as follows:

Year ended March 31, 2011:

Millions of yen											
	Global Logistics				Bulk Shipping	Others			Total	Adjustments*	Consolidated Total
	Liner Trade	Terminal and Harbor Transport	Air Cargo Transport	Logistics		Cruise	Real Estate	Others			
I Revenues:											
(1) Revenues from customers	¥458,742	¥114,039	¥77,745	¥388,529	¥ 771,327	¥35,865	¥ 9,421	¥ 73,498	¥1,929,169	¥ —	¥1,929,169
(2) Intersegment revenues	3,421	30,748	9,488	3,608	10,657	12	2,037	90,036	150,009	(150,009)	—
Total	462,163	144,788	87,234	392,138	781,984	35,877	11,458	163,535	2,079,179	(150,009)	1,929,169
Segment profit (loss)	30,248	6,928	7,817	8,678	59,258	(2,688)	4,368	(459)	114,152	13	114,165
Segment assets	¥259,367	¥155,251	¥59,992	¥205,063	¥1,296,598	¥27,397	¥53,842	¥507,564	¥2,565,077	¥(438,264)	¥2,126,812
II Other items:											
Depreciation and amortization	¥ 9,535	¥ 5,213	¥ 740	¥ 6,295	¥ 74,373	¥ 1,843	¥ 831	¥ 1,375	¥ 100,209	¥ (11)	¥ 100,198
Amortization of goodwill and negative goodwill	18	29	—	(124)	1,162	—	0	(29)	1,057	—	1,057
Interest income	256	108	101	243	984	3	5	7,356	9,060	(7,086)	1,973
Interest expenses	1,705	767	630	606	12,057	318	103	7,577	23,767	(6,941)	16,826
Equity in earnings of unconsolidated subsidiaries and affiliates	80	79	—	84	6,098	—	45	—	6,387	—	6,387
Investments in equity method affiliates	54	11,629	—	3,015	72,136	—	925	—	87,761	—	87,761
Capital expenditures	45,976	4,881	330	5,975	218,350	1,945	254	855	278,570	—	278,570
III Information about impairment loss by reportable segments:											
Impairment loss	¥ —	¥ —	¥ 134	¥ 439	¥ 1,869	¥ —	¥ —	¥ —	¥ 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	¥ 2,734	¥ —	¥ 1,517	¥ 14,825	¥ —	¥ 0	¥ (31)	¥ 19,064	¥ —	¥ 19,064

Adjustments of segment profit or loss is internal exchanges or transfer to other amount among segments. Adjustments of segment asset is ¥482,620 million (\$5,872,012 thousand) of receivable or asset relating to internal exchange among segments and ¥44,355 million (\$539,675 thousand) of corporate asset. Major corporate asset is excess of operating funds (cash and deposits).

## 21. 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, 2012:

	Millions of yen					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	¥1,373,071	¥125,530	¥155,902	¥145,533	¥7,781	¥1,807,819
II Tangible fixed assets	962,925	24,278	144,736	54,046	556	1,186,543

	Thousands of U.S. dollars (Note 2)					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	\$16,706,071	\$1,527,316	\$1,896,859	\$1,770,696	\$94,673	\$21,995,617
II Tangible fixed assets	11,715,842	295,396	1,760,996	657,583	6,772	14,436,590

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

## 22. Related Party Transactions

The Company was contingently liable as guarantor of indebtedness of related parties at March 31, 2012 and 2011, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Guarantee amount	¥29,450	¥31,303	\$358,318

## 23. Business Combinations

Transactions under common control

(Integration of overseas businesses)

The Company and YUSEN LOGISTICS have been integrating overseas businesses (the "Integration") in accordance with the basic policy and the basic terms and conditions set forth in the basic agreement for each subsidiary of the Company and YUSEN LOGISTICS to be integrated in a country or region, dated December 22, 2010. Details of the Integration are as follows;

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:

① NYK LOGISTICS (AMERICAS) INC.	YUSEN AIR & SEA SERVICE (USA) INC.
② NYK LOGISTICS (EUROPE CONTINENT) B.V.	YUSEN AIR & SEA SERVICE (EUROPE) B.V.
③ NYK LOGISTICS (HONG KONG) LTD.	YUSEN AIR & SEA SERVICE (HONG KONG) LTD.
④ NYK LOGISTICS (UK) LTD.	YUSEN LOGISTICS (EUROPE) B.V.

Business Description: Logistics

- (2) Date of Business Combination

①②③ April 1, 2011

④ April 17, 2011

- (3) Legal Framework of Business Combination

- ① Absorption-type merger, with YUSEN AIR & SEA SERVICE (USA) INC. as the surviving entity and NYK LOGISTICS (AMERICAS) INC. as the absorbed company.
- ② Absorption-type merger, with YUSEN AIR & SEA SERVICE (EUROPE) B.V. as the surviving entity and NYK LOGISTICS (EUROPE CONTINENT) B.V. as the absorbed company.
- ③ Business transfer, with YUSEN AIR & SEA SERVICE (HONG KONG) LTD. as the receiving entity and NYK LOGISTICS (HONG KONG) LTD. as the transferring company.
- ④ Assignment of shares of NYK LOGISTICS (UK) LTD., with NYK GROUP EUROPE LTD. as assignor company and YUSEN LOGISTICS (EUROPE) B.V. as assignee company.

- (4) Name of Company Subsequent to the Combination

- ① YUSEN LOGISTICS (AMERICAS) INC.
- ② YUSEN LOGISTICS (EUROPE) B.V.
- ③ YUSEN LOGISTICS (HONG KONG) LTD.
- ④ YUSEN LOGISTICS (EUROPE) B.V.

- (5) Overview of the Transaction, including its Objectives

The Company and Yusen Logistics have been implementing the Integration in different countries and regions with the aim of positioning the NYK Group as a truly global player in the logistics industry by optimizing and increasing the efficiency of the logistics business of the NYK Group and improving the business value of the two companies by making maximum use of NYK Group synergies.

2. Overview of Accounting Treatment

The integration was accounted for as a transaction under common control as per the "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).

## 24. Subsequent Events

### (1) Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2012 was approved at the Company's shareholders' meeting held on June 20, 2012:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Year-end cash dividends, ¥2.00 (\$0.02) per share	¥3,392	\$41,278

### (2) Fiscal year under review (April 1, 2011, to March 31, 2012)

At a Board of Directors meeting held on May 31, 2012, the Board passed a comprehensive resolution regarding the issue of domestic unsecured straight bonds, as described below.

An overview is as follows.

#### (A) Total amount to be issued

Upper limit of ¥60.0 billion. However, multiple issues that are within the scope of the amounts on the left are possible.

#### (B) Issue price

More than ¥99 per par value of ¥100

#### (C) Coupon rate

Fixed rate not to exceed 0.8% more than the swap rate for the corresponding period (all in cost)

#### (D) Issue period

From May 31, 2012, to September 30, 2012

#### (E) Redemption method

Redemption at par (However, redemption through purchase or advance redemption stipulations can be included.)

#### (F) Redemption period

5 years to 20 years

#### (G) Use of funds

As operating funds, allocated to bond redemption, working capital, capital investment, etc.

#### (H) Other

Provisions, etc., for individual issues, will be decided by the Finance Group or the responsible representative director, within the scope of the resolution. This representative director will report to the Board of Directors regarding issued corporate bonds.

In accordance with the above resolution, issuance was implemented as follows, and payment was received on June 18, 2012.

#### 1. Unsecured straight bonds No.33 (5-year bonds)

##### (a) Total face value

¥20,000 million

##### (b) Total amount to be issued

¥20,000 million

##### (c) Issue price

¥100 per par value of ¥100

##### (d) Coupon rate

0.472% per annum

##### (e) Maturity date

June 16, 2017 (redemption at par)

##### (f) Use of funds

Principally allocated to funds for bond redemption, with the remainder allocated to a portion of capital expenditures.

#### 2. Unsecured straight bonds No.34 (6-year bonds)

##### (a) Total face value

¥10,000 million

##### (b) Total amount to be issued

¥10,000 million

##### (c) Issue price

¥100 per par value of ¥100

##### (d) Coupon rate

0.594% per annum

##### (e) Maturity date

June 18, 2018 (redemption at par)

##### (f) Use of funds

Principally allocated to funds for bond redemption, with the remainder allocated to a portion of capital expenditures.

#### 3. Unsecured straight bonds No.35 (10-year bonds)

##### (a) Total face value

¥10,000 million

##### (b) Total amount to be issued

¥10,000 million

##### (c) Issue price

¥100 yen per par value of ¥100

##### (d) Coupon rate

1.177% per annum

##### (e) Maturity date

June 17, 2022 (redemption at par)

##### (f) Use of funds

Principally allocated to funds for bond redemption, with the remainder allocated to a portion of capital expenditures.

# 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 Kenji Mizushima, 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, 2012, 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 20, 2012



Kenji Mizushima  
Representative Director, Senior Managing Corporate Officer

# Independent Auditor's Report

To the Board of Directors of Nippon Yusen Kabushiki Kaisha:

## **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Nippon Yusen Kabushiki Kaisha and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### **Convenience Translation**

Our audit 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.

## **Report on Internal Control**

We have audited management's report on internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2012.

### ***Management's Responsibility for Report on Internal Control***

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on management's report on internal control based on our audit. We conducted our internal control audit in conformity 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 from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2012 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.



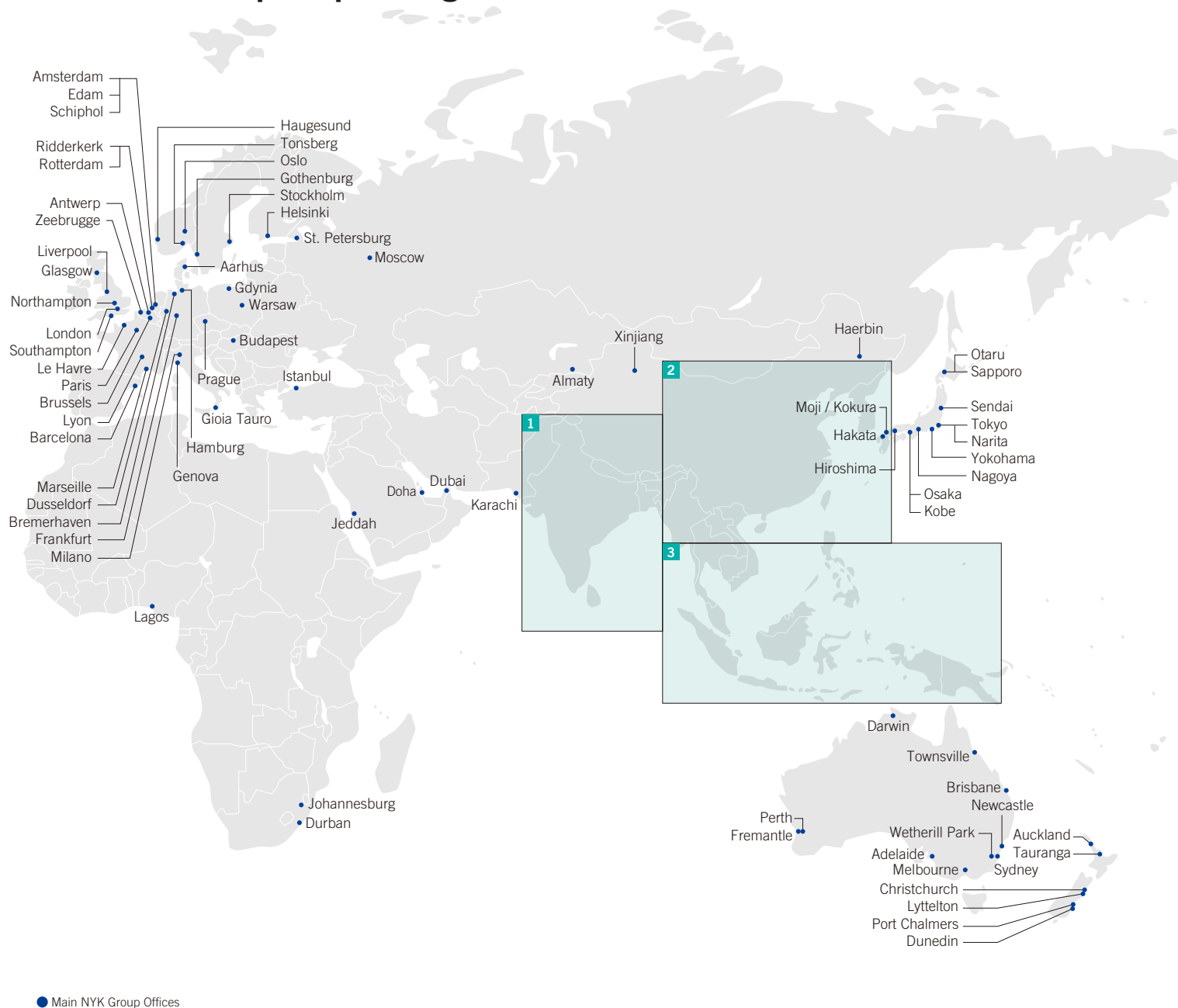
June 20, 2012



## Corporate Information

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# The NYK Group—Operating Worldwide





# Investor Information

(As of March 31, 2012)

## Established

September 29, 1885

## Paid-in Capital

¥144,319,833,730

## Employees

Consolidated: 28,498 (NYK and consolidated subsidiaries)

Non-consolidated: 1,591 (Land: 1,248 Sea: 343)

## 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: 4,261,997)

## Stock Exchange Listings

First Section of the Tokyo Stock Exchange, the Osaka Securities Exchange, and the Nagoya Stock Exchange

## 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.

## American Depositary Receipts

Symbol: NPNYY

CUSIP: 654633304

Exchange: OTC

Ratio (ADR: shares of common stock): 1:2

Depository: The Bank of New York Mellon

101 Barclay Street, New York, NY 10286, U.S.A.

Toll-free:

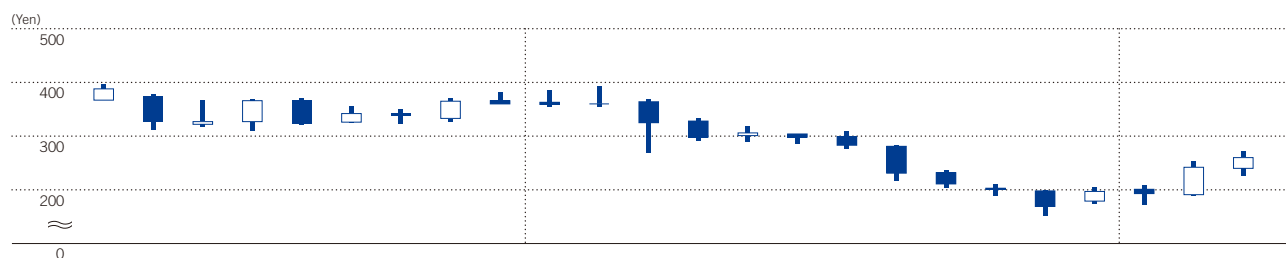
Within the United States: +1-888-BNY-ADRS (+1-888-269-2377)

From overseas: +1-201-680-6825

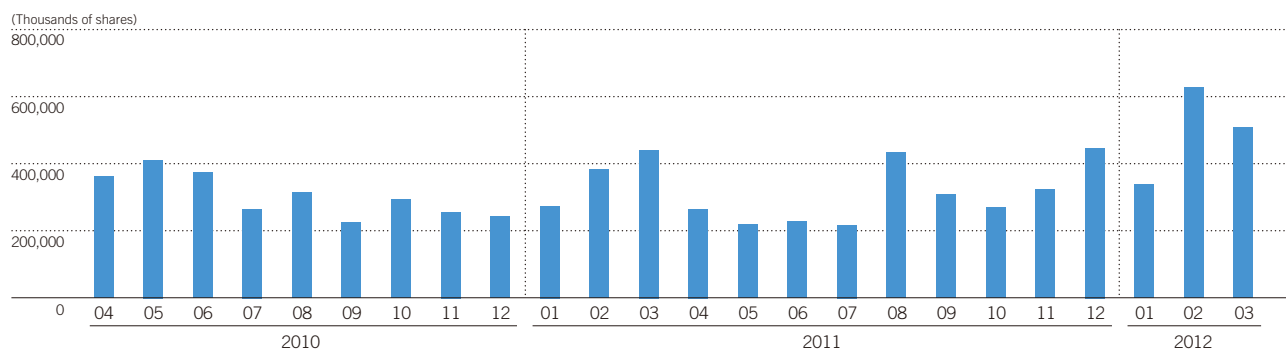
Website: <http://www.adrbnymellon.com/>

## Stock Price Range and Trading Volume

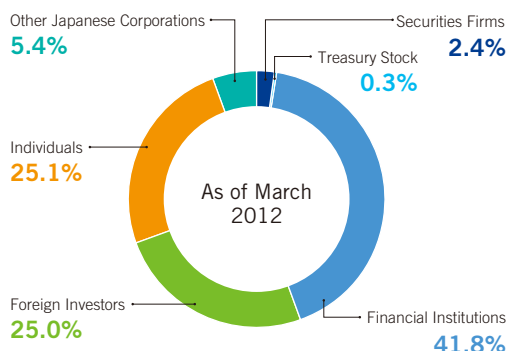
### Stock Price



### Trading Volume



### Shareholder Composition

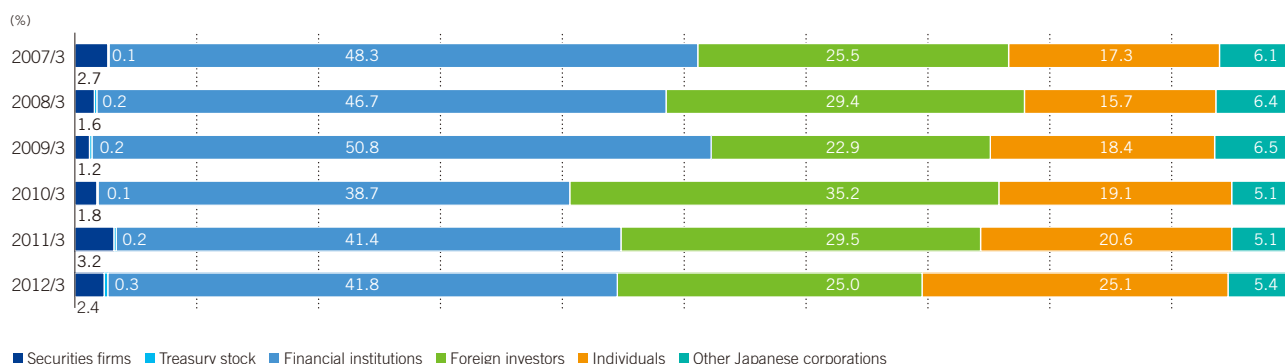


### Principal Shareholders

Name	Shareholdings	
	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	117,232	6.91
Japan Trustee Services Bank, Ltd. (Trust Account)	105,999	6.25
The Master Trust Bank of Japan, Ltd. (Mitsubishi Heavy Industries, Ltd. Account, (Retirement Allowance Trustee Account))	54,717	3.23
Tokio Marine & Nichido Fire Insurance Co., Ltd.	46,435	2.74
Japan Trustee Services Bank, Ltd. (Trust Account 9)	45,343	2.67
Meiji Yasuda Life Insurance Co.	34,973	2.06
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	34,168	2.01
Mizuho Corporate Bank, Ltd.	22,867	1.35
Trust & Custody Services Bank, Ltd. (4 Securities Trust Accounts)	22,000	1.30
National Mutual Insurance Federation of Agricultural Cooperatives	21,962	1.29

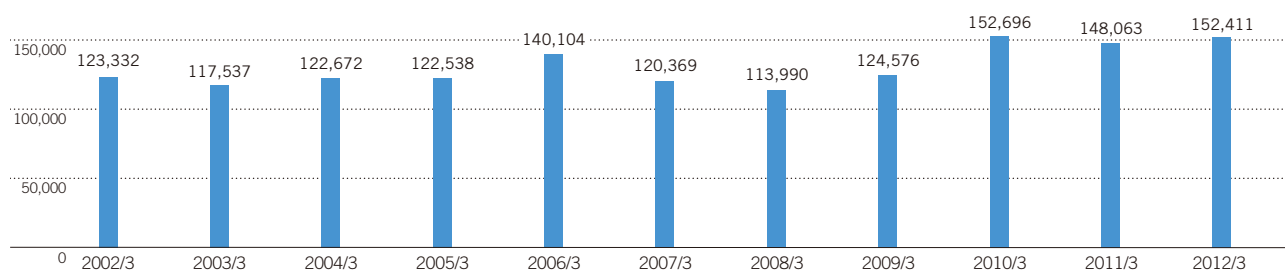
Note: The shareholding ratio is calculated after deducting treasury stock (4,261,997 shares).

### Shareholder Composition (2007–2012)



### Number of Shareholders

(Number of shareholders)  
200,000



# Major Consolidated Subsidiaries

(As of March 31, 2012)

		(Millions of yen)				
		Company	NYK's ownership + (%)	Revenues	Total assets	Paid-in capital
Domestic	Liner	NYK-Hinode Line, Ltd.	100.00	¥27,629	¥37,065	¥2,100
	Terminal Related Services	Uni-X Corporation	80.33	¥21,202	¥14,496	¥934
		Asahi Unyu Kaisha, Ltd.	95.00	10,527	9,008	100
		Geneq Corporation	55.00	15,173	16,295	242
		Asia Pacific Marine Corporation	55.00	5,991	2,266	35
		Nippon Container Terminals Co., Ltd.	51.00	11,293	9,072	250
		Yusen Koun Co., Ltd.	80.02	9,872	2,508	100
		Nippon Container Yuso Co., Ltd.	50.80	7,095	2,197	250
		Naikai Tug Boat Service Co., Ltd.	100.00	5,793	8,729	97
	Air Cargo Transportation	Nippon Cargo Airlines Co., Ltd.	100.00	¥82,737	¥69,292	¥50,574
	Logistics	Yusen Logistics Co., Ltd.	59.76	¥77,331	¥55,333	¥4,301
		Kinkai Yusen Logistics Co., Ltd.	100.00	18,222	12,940	465
		Camellia Line Co., Ltd.	51.00	5,333	1,562	400
	Bulk Shipping	NYK Global Bulk Corporation	100.00	¥76,798	¥98,569	¥4,150
		Hachiuma Steamship Co., Ltd.	74.72	15,509	6,805	500
		Asahi Shipping Co.,Ltd.	69.67	12,129	12,752	495
	Cruise	NYK Cruises Co., Ltd.	100.00	¥11,795	¥12,317	¥2,000
	Real Estate	Yusen Real Estate Corporation	100.00	¥8,425	¥15,185	¥450
	Others	NYK Trading Corporation	78.20	¥144,886	¥26,312	¥1,246
		NYK Business Systems Co., Ltd.	99.98	10,113	1,840	99
		Sanyo Trading Co., Ltd.	45.23	7,581	5,715	100
		Boltech Co., Ltd.	100.00	3,354	2,431	30

		(Millions of indicated units)				
		Company	NYK's ownership + (%)	Revenues	Total assets	Paid-in capital
Overseas	Liner	Astarte Carriers, Ltd.	100.00	US\$2	US\$0.5	US\$0.6
		NYK Line (North America) Inc.	100.00	US\$90	US\$109	US\$4
	Terminal Related Services	Yusen Terminals Inc.	100.00	US\$248	US\$195	US\$2
		NYK Terminals (North America) Inc.	100.00	US\$331	US\$259	US\$0.001
	Logistics	Yusen Logistics (Americas) Inc.* <sup>1</sup>	79.48	US\$871	US\$265	US\$70
		Yusen Logistics (Hong Kong) Ltd.* <sup>2</sup>	59.76	HK\$2,066	HK\$1,081	HK\$55
		Yusen Logistics (Deutschland) GmbH* <sup>3</sup>	78.39	EU119	EU57	EU2
		Yusen Logistics (UK) Ltd.* <sup>4</sup>	78.39	£212	£76	£44
		Yusen Logistics (Thailand) Co., Ltd.* <sup>5</sup>	68.87	B5,732	B5,008	B70
	Bulk Shipping	Adagio Maritima S.A.	100.00	¥739	¥85	¥0.1
		NYK LNG (Atlantic) Ltd.	100.00	US\$128	US\$97	US\$50
		NYK Bulkship (Atlantic) N.V.	100.00	US\$171	US\$401	US\$66
		NYK Bulkship (Asia) Pte. Ltd.	100.00	US\$292	US\$382	US\$7
	Cruise	Crystal Cruises, Inc.	100.00	US\$267	US\$63	US\$0.04

\*1. Former name: Yusen Air & Sea Service (USA) Inc.

New name effective from April 1, 2011.

\*2. Former name: Yusen Air & Sea Service (Hong Kong) Ltd.

New name effective from April 1, 2011.

\*3. Former name: NYK Logistics (Deutschland) GmbH

New name effective from October 1, 2011.

\*4. Former name: NYK Logistics (UK) Ltd.

New name effective from April 17, 2011.

\*5. Former name: NYK Logistics (Thailand) Co., Ltd.

New name effective from October 1, 2011.

+ Includes holdings of subsidiaries

Currencies: [B] Thai Baht [EU] Euro [HK\$] Hong Kong dollar [US\$] U.S. dollar [£] Pound sterling





***Bringing value to life.***

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