NYK LOGISTICS
& MEGACARRIER

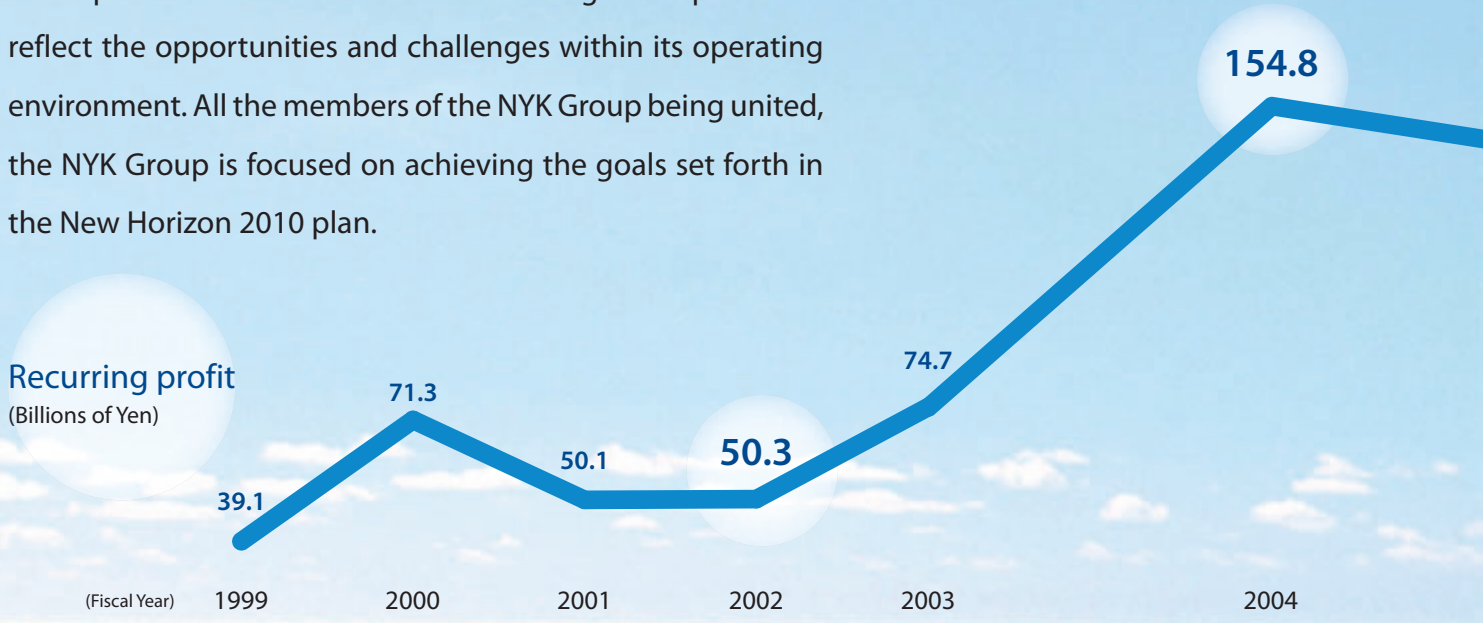
NIPPON YUSEN KABUSHIKI KAISHA

Annual Report 2010

Navigating the Way Forward

The Course of NYK's Medium-Term Management Plans

The NYK Group is pursuing increased corporate value through the implementation of medium-term management plans that reflect the opportunities and challenges within its operating environment. All the members of the NYK Group being united, the NYK Group is focused on achieving the goals set forth in the New Horizon 2010 plan.



Medium-Term Management Plan NYK21 1986–1999

NYK21 New Millennium Declaration 2000–2002

(Billions of Yen)

(FY2002)	Planned	Results
Revenues	1,280	1,249
Recurring profit	60.0	50.3

Key Strategies

Work to expand our business and increase our corporate value through "strategy of scale" and "strategy of synergy".

Results

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

NYK21 Forward 120 2003–2004

(Billions of Yen)

(FY2004)	Planned	Results
Revenues	1,360	1,606
Recurring profit	77.5	154.8

Key Strategies

To prepare for our 120th anniversary in 2005, and for the next stage of growth, implement three strategies—"expansion of global logistics business", "global development of bulk and energy transport business", and "stabilizing profitability in the container transport business".

Results

- Achieved record high profits that substantially exceeded the target in the final year of the plan
- Participated in dedicated automobile terminal in China
- Expanded car-related business
- Cultivated new businesses
- Steadily pursued cost-reductions

New Horizon 2010
2008–2010

In response to the rapid decline in economic conditions, NYK revised its current medium-term management plan in October 2009. While maintaining the original plan's core strategies, we implemented a defensive strategy to thoroughly reduce costs and strengthen our operating foundation, as well as an offensive strategy to bolster growth divisions in preparation for a recovery in market conditions over the medium term. Also, we will continue to drive toward the successful completion of the *Yosoro* (Steady Ahead!) Emergency Structural Reform Project, which was launched in January 2009, and will make a transition to an operational structure that is more resistant to changes in the external environment.

New Horizon 2007
2005–2007

(Billions of Yen)

(FY2007)	Planned	Results
Revenues	1,800	2,585
Recurring profit	160.0	198.5

Key Strategies

Implement three strategies—"expansion of maritime business", "evolution towards logistics integrator", and "enhancement of corporate fundamentals".

Results

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

Revision of New Horizon 2010

(FY2010)	Numerical targets*
Revenues	¥1,900 billion
Recurring profit	¥65 billion
Net income	¥35 billion
Shareholders' equity ratio	30.4%
Debt–equity ratio	1.53 times
ROIC	3.0%

* Revised upward on April 27, 2010

Key Strategies

Growth

- Deepen the scope of strategies for the global logistics business
- Expand the natural resource and energy transport businesses
- Extend business reach and strengthen capabilities in the BRIC nations and other high-growth regions

Stability

- Enhance service menu to provide customized and comprehensive transport and logistics support strategies for global logistics business
- Secure stable earnings through long-term contracts
- Maintain sound financial position and strive to strengthen fiscal management

Environment

- Strengthen safety measures to maintain solid track record
- Strive to set a global standard for the modern, environmentally progressive corporate group
- Proactively invest in eco-friendly technologies

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.

Dow Jones Sustainability Indexes Member 2009/10

FTSE4Good

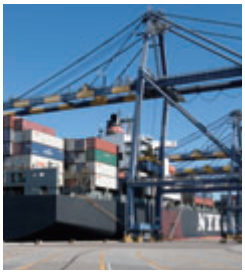
sam 2010 silver class

Most Sustainable Corporations in the World GLOBAL100

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.

Contents



Index by Topic

Consolidated Financial Highlights

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries

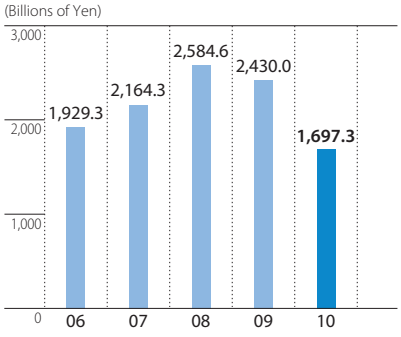
(Years ended March 31)	Millions of Yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**
Results of Operation				
Revenues	**¥1,697,342**	¥2,429,973	¥2,584,626	**$18,243,147**
Costs and expenses	**1,520,932**	2,054,595	2,128,849	**16,347,078**
Selling, general and administrative expenses	**194,505**	230,463	253,698	**2,090,552**
Operating income (loss)	**(18,095)**	144,915	202,079	**(194,483)**
Recurring profit (loss)	**(30,445)**	140,814	198,480	**(327,230)**
Net income (loss)	**(17,448)**	56,152	114,139	**(187,530)**
Capital expenditures	**237,970**	417,555	501,330	**2,557,713**
Depreciation and amortization	**98,020**	100,124	92,401	**1,053,524**
Financial Position at Year-End				
Total assets	**2,207,163**	2,071,271	2,286,013	**23,722,738**
Total liabilities	**1,503,769**	1,490,034	1,606,976	**16,162,611**
Interest-bearing debt	**1,081,871**	1,077,956	1,022,197	**11,628,017**
Shareholders' equity	**661,232**	544,121	637,962	**7,106,965**
Cash Flows				
Operating activities	**62,106**	150,474	199,526	**667,518**
Investing activities	**(43,706)**	(170,253)	(292,510)	**(469,759)**
Financing activities	**137,397**	29,571	146,829	**1,476,750**
		Yen		U.S. dollars (Note 1)
Per Share Data (Note 2)				
Net income (loss)	**¥ (12.7)**	¥ 45.7	¥ 92.9	**$(0.14)**
Equity	**389.46**	443.16	519.51	**4.19**
Dividends per share (Annual)	**4.0**	15.0	24.0	**0.04**
Dividend payout ratio (%)	**—**	32.8%	25.8%	**—**
Management Indicators				
Return on Equity (ROE)	**(2.9)%**	9.5%	17.6%	
Return on Assets (ROA)	**(0.8)%**	2.6%	5.2%	
Return on Invested Capital (ROIC)	**(0.4)%**	5.9%	7.8%	
Debt–equity ratio (times)	**1.64**	1.98	1.60	
Shareholders' equity ratio	**30.0%**	26.3%	27.9%	
Number of employees	**31,660**	29,834	31,369	

Notes: 1. U.S. dollar amounts represent the arithmetical results of translating yen to dollars using the exchange rate prevailing on March 31, 2010, which was ¥93.04 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.

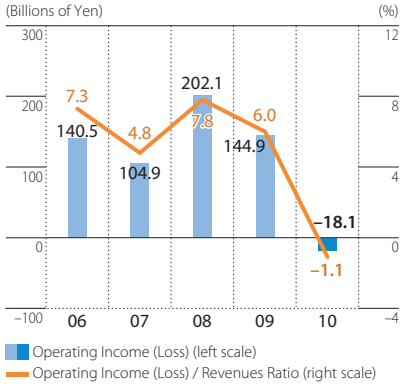
2. "Per share data" is calculated based on the weighted-average number of common shares outstanding during each fiscal year.

Growth Indicators

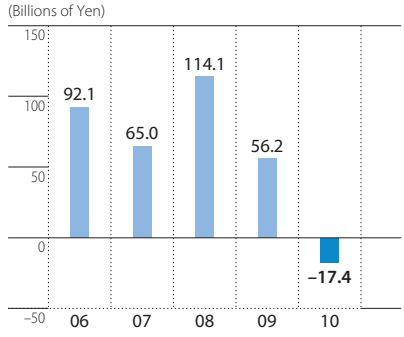
Revenues



Operating Income (Loss)

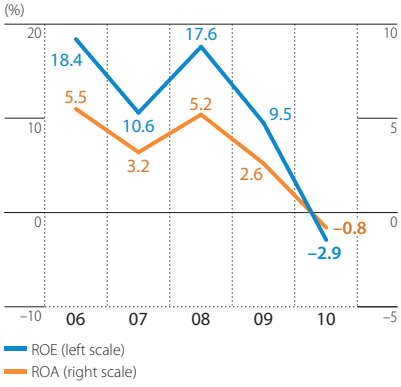


Net Income (Loss)

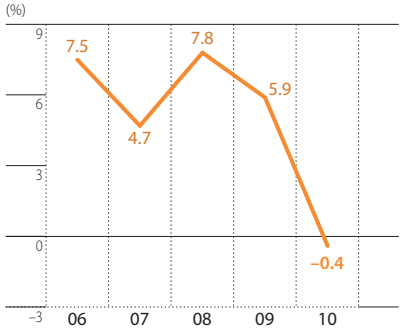


Profitability Indicators

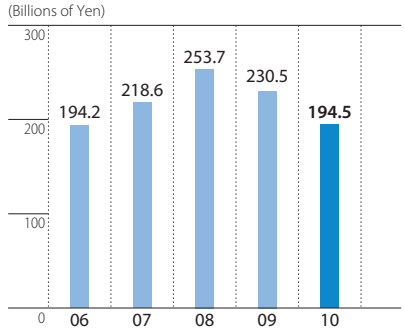
ROE ／ ROA



ROIC

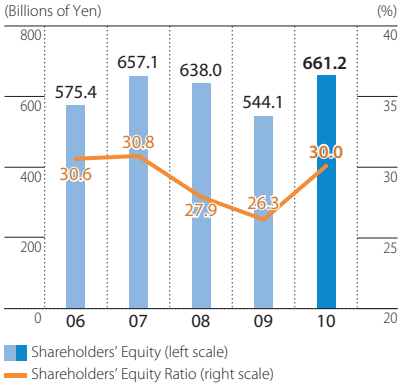


Selling, General and Administrative Expenses

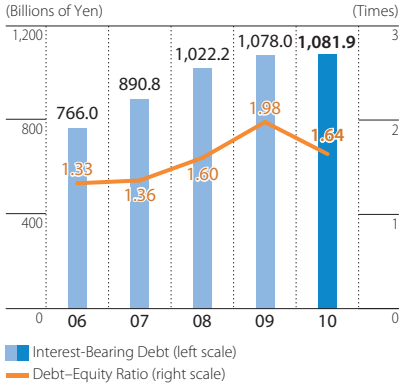


Stability Indicators

Shareholders' Equity and Shareholders' Equity Ratio



Interest-Bearing Debt and Debt–Equity Ratio



Ratings

(As of March 31, 2010)

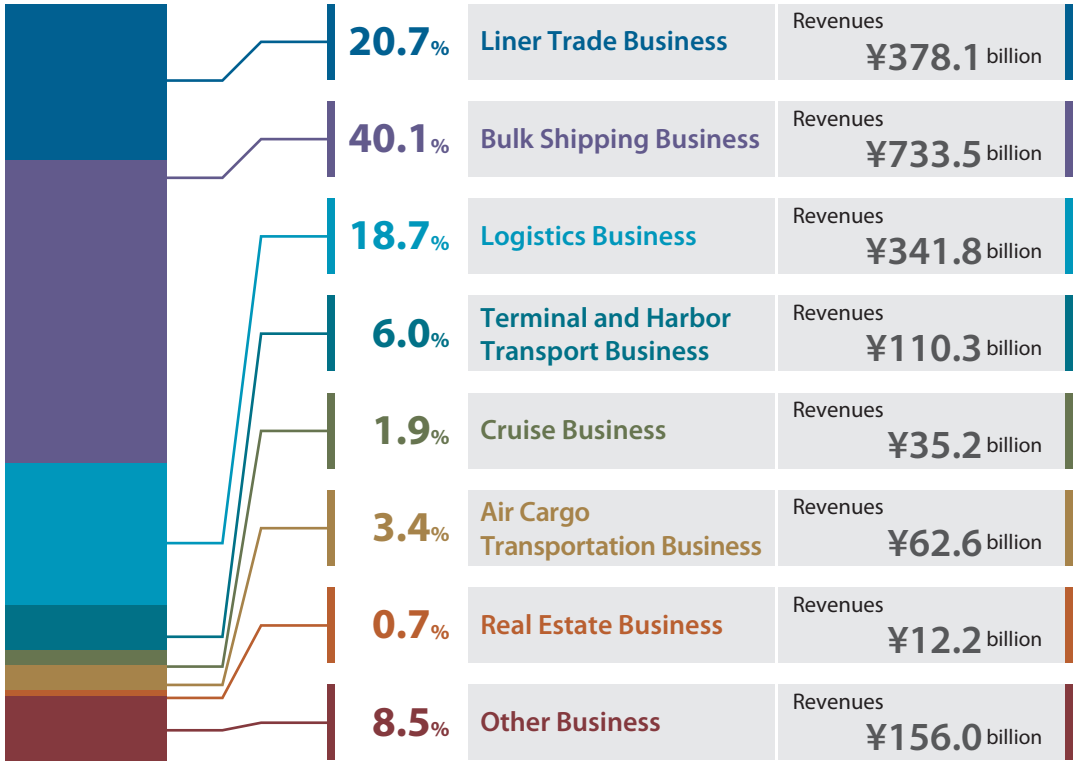
	Type	Ratings
Japan Credit Rating Agency, Ltd. (JCR)	Long term	AA–
Rating and Investment Information, Inc. (R&I)	Issuer Short term	A+ a-1+
Moody's	Issuer	Baa1

Operational Scale of the NYK Group

As of the end of March 31, 2010

Revenues Ratio

(Fiscal year ended March 31, 2010)



NYK—Comprehensive Global-Logistics Group

Over the past 125 years, NYK has steadily staked out a position of leadership among the world's shipping companies. Today, NYK is a comprehensive global-logistics group offering ocean, land, and air transportation services that draw on one of the world's largest fleets of vessels as well as warehouses, trucks, and aircraft. In this section, we explain the distinctive strengths of the NYK Group, including its comprehensive global-logistics strategy.

Meeting the Needs of the Age of Globalization

In recent years, emerging economies have made continued advances in globalization and recorded rapid economic growth, and consequently these trends have fueled a move toward multipolarization of corporate sales, production, and procurement bases. As a result, logistics operations are becoming more sophisticated and complex, and it has become increasingly difficult for customers to manage inventories and formulate optimal procurement and production plans.

In response to these changes in the global environment, a growing number of companies are moving toward outsourcing all of their logistics operations to a logistics company in order to achieve overall optimization of procurement and sales logistics while they focus on their production and sales activities. In addition, there is a clear need for extensive experience and know-how in the area of international logistics. For the NYK Group, which has built a global network covering ocean, land, and air and cultivated know-how in a vast range of industries, these changes present a matchless business opportunity.

Unmatched Around the World — NYK's One-of-a-Kind Comprehensive Global-Logistics Services

The NYK Group's development of its integrated logistics solutions services dates back to the overseas forays of Japanese customers accompanying the appreciation of the yen in the 1980s. In line with the operational development of customers, we expanded while also transforming our operational configuration, and as a result, have established a global service network spanning ocean, land, and air. Utilizing a wide range of assets, including our operating fleet, one of the world's largest at 803 vessels, and 308 distribution centers in 33 countries as well as trucks, terminals, aircraft, and other logistics assets, we have built a system that can respond flexibly to diversifying customer needs and provide optimal integrated-logistics solutions.

By combining tangible assets used to provide ocean, land, and air transportation services with the intangible strengths cultivated by our human resources over many years, including transport technologies, on-site capabilities, and proposal strengths, we help our customers to optimize their entire supply chains. This one-of-a-kind approach is unique to NYK. Moving forward, the NYK Group will make further advances in its comprehensive global-logistics strategy and strive to respond to economic globalization while meeting customer needs.

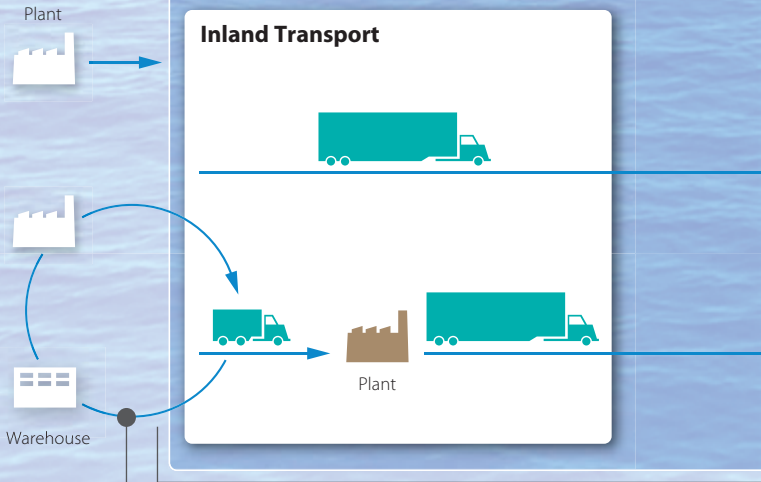
Chart of Comprehensive Global-Logistics Services

1 Ocean Transport

Container Transport

The liner trade, which utilizes our globe-spanning network, transports goods that are indispensable in daily life—such as food, daily sundries, and electronic products—and plays a central role in our comprehensive global-logistics services.

Integrated Services from the NYK Group



Milk Run

We offer a so-called "milk run" service where a single truck picks up parts at multiple factories to facilitate increased transport efficiency.

3 Freight Forwarding

We utilize other companies' containerships and aircraft to provide a menu of transport services that features higher frequencies and more destinations. In addition, we also offer integrated transport services that include customs clearance and land transport.

Car Transport

With one of the world's largest fleets, NYK transports finished automobiles to destinations around the world. In response to growth in automobile markets in emerging economies, NYK is taking steps to further enhance its infrastructure, including the establishment of coastal transport networks in Europe, China, and Southeast Asia.

4 Terminals

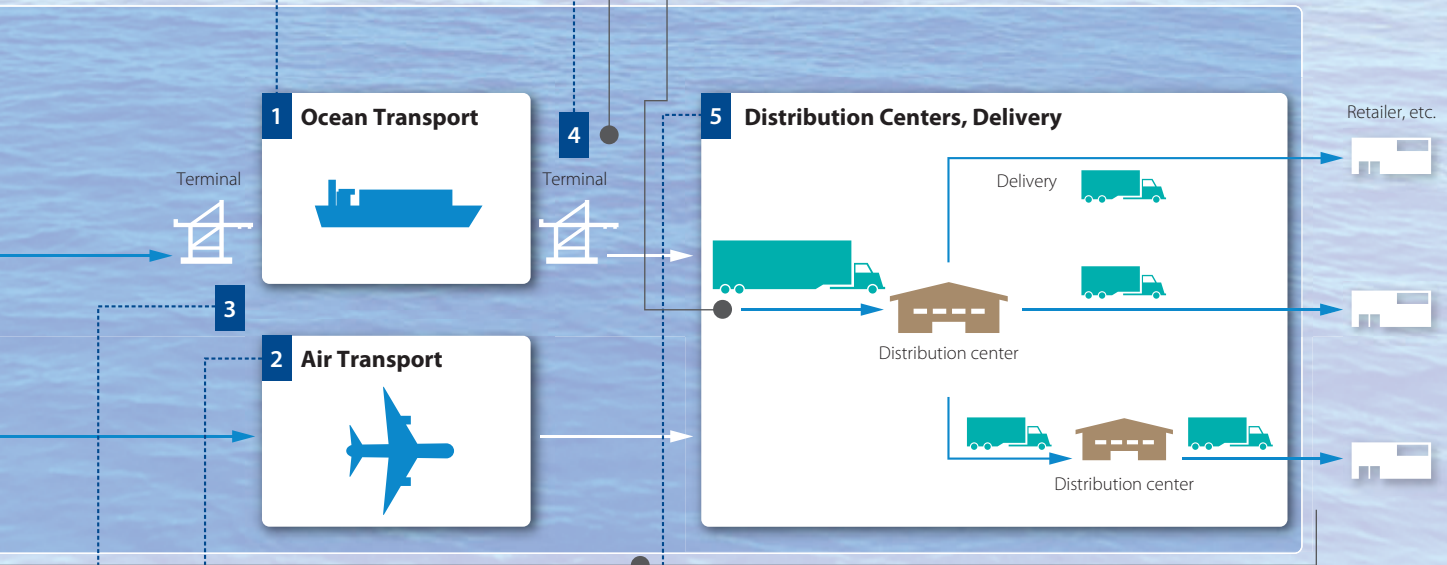
NYK operates terminals at ports around the world. These intermediary bases, which link ocean and land, facilitate our support of high logistics quality through safe and quick cargo handling.

PDI (Pre-Delivery Inspection)

We offer a range of services at terminals. In accordance with the specifications of importers and exporters, for example, we are conducting final inspections, repairs, and parts application of finished automobiles before delivery to dealers.

Cross-Docking

At warehouses in ports where cargo is unloaded, in accordance with delivery instructions from customers, cargo is transferred from containers to trucks organized by destination. This procedure increases transport efficiency and provides more time for customers to track demand trends and to decide the delivery amount to each final destination.



2 Air Transport

We are developing air cargo services with cargo freighters in order to meet needs for the transport of such cargo as precision machinery and fresh foods as well as time-sensitive cargo.

5 Distribution Centers, Delivery

The NYK Group operates 308 distribution centers with a total area of 2.34 million square meters. Through these centers, we provide services that meet a range of logistics needs, including storage, inspection, sorting, and distribution processing. In addition, we provide overland transport services that accurately meet requested delivery times.

Transport Tracking • Inventory Management System

By visualizing inventory in transit and in warehouses, we help customers to optimize inventory and work out accurate production and sales planning. In addition, we are also working on the utilization of new technologies such as RFID tags.

The NYK Group has built a diverse comprehensive-logistics portfolio, and boasts some of the world's largest fleets in each type of vessels.

NYK Group Operated Fleet (As of the end of March 2010)

Containerships (including semi-containerships and others)
142 vessels 5,528,300 Kt (DWT)

Bulk carriers (capesize)
96 vessels 17,413,056 Kt (DWT)

Bulk carriers (panamax & handysize)
225 vessels 12,708,627 Kt (DWT)

Wood chip carriers
57 vessels 2,838,103 Kt (DWT)

Car carriers
115 vessels 1,961,268 Kt (DWT)

Tankers
85 vessels 13,322,800 Kt (DWT)

LNG carriers
30 vessels 2,184,864 Kt (DWT)

Cruise ships
3 vessels 21,577 Kt (DWT)

Others
50 vessels 603,447 Kt (DWT)

Facilities and Operating Aircraft (As of the end of March 2010)

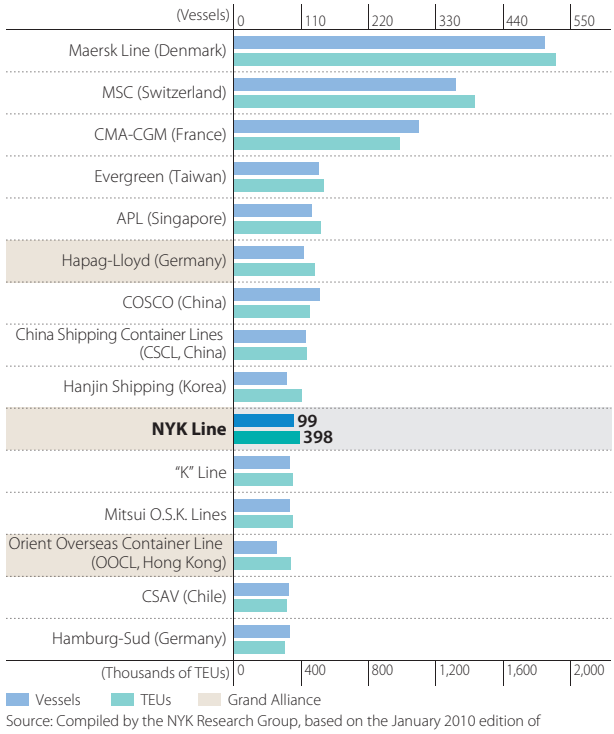
Distribution centers
33 countries
308 centers
2.34 million square meters
* As of the end of September 2009

Terminals
Container terminals: 24 locations
Automobile terminals: 12 locations
Other terminals: 6 locations

Air cargo transportation
B747-400F 8 aircraft

Fleet Size of Top 15 Full Container Transport Operators

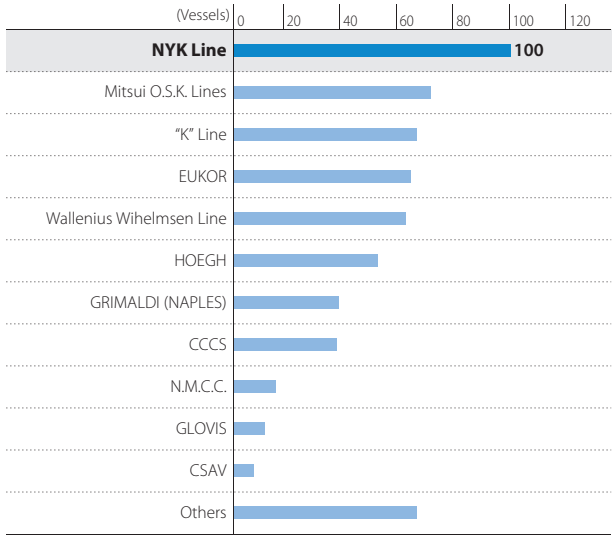
(As of January 2010)



Source: Compiled by the NYK Research Group, based on the January 2010 edition of MDS Transmodel

Fleet Size of Top Car Carrier Operators

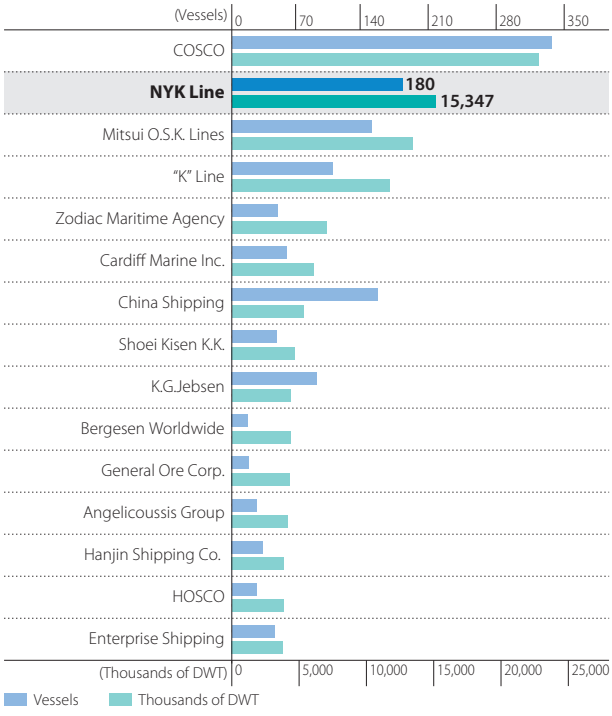
(As of January 1, 2010)



Source: Hesnes Shipping AS, The Car Carrier Market 2009
Note: This table includes only vessels with a capacity of 2,000 cars or more.

Bulk Carrier Fleet Ranking

(As of January 1, 2010)

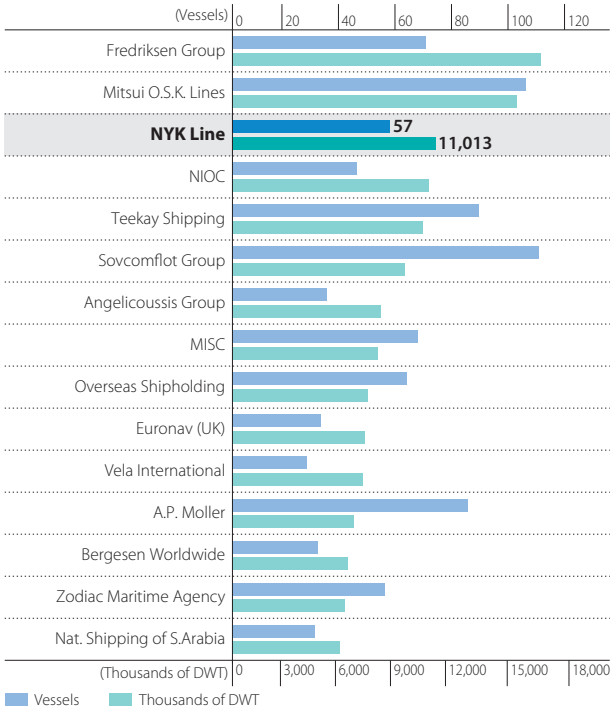


Source: Clarkson's Bulk Carrier Register 2010

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, 2010)

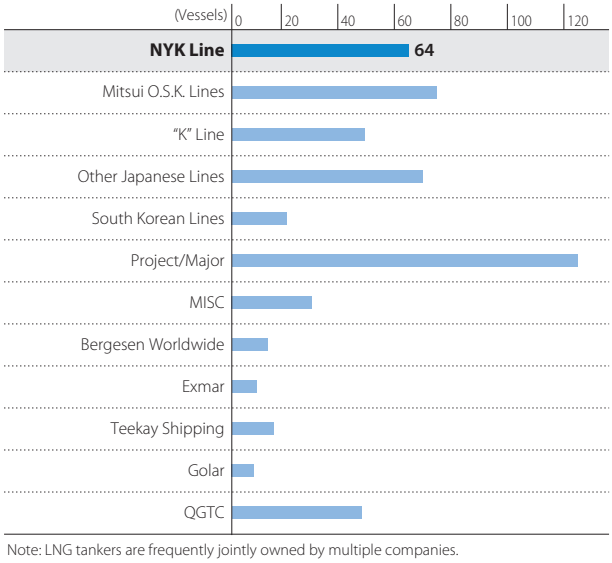


Source: Clarkson's Tanker Register 2010

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

Comparison of LNG Fleets

(Volume shipped by the end of December 2009)



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.

We believe that our workforce of 55,000 people around the world is the driver of the NYK Group's future growth. Accordingly, proactive human resources development is a top priority for the NYK Group.

NYK Group Values: Corporate Spirit Shared by Employees Around the World

With a history stretching back 125 years, NYK now has about 55,000 employees around the world. From our roots as a company with operations centered on marine transportation, we have developed into a comprehensive global-logistics company with operations spanning ocean, land, and air. Based on the belief that employees are the foundation of our operational development, in 2007 we formulated a basic statement of the NYK Group Values—*integrity*, *innovation*, and *intensity*—in order to share the corporate philosophy and values that we have cultivated throughout our extensive history. This statement not only documents the corporate spirit that has been handed down within NYK for the past 125 years; it also reflects the corporate DNA that will ensure our continued growth as a comprehensive global-logistics company for many years to come. The statement demonstrates the NYK Group's fundamental approach to its business.

Employee Effort: The Key to Growth

In order to establish solid relationships of trust with our customers and to record continued growth as a comprehensive global-logistics group, we must work together to resolve the problems faced by our customers. In addition, we must propose value-added solutions that leverage our tangible assets, such as our ships, aircraft, trucks, and warehouses. Employees who can use their innovation and ingenuity to resolve the problems of customers are the NYK Group's most important asset, and they are the source of our ability to differentiate the NYK Group from its competitors. The key to growth is for each employee to put into practice the NYK Group Values—*integrity*, *innovation*, and *intensity*—and to enhance his or her human abilities and on-site capabilities.

To strengthen these capabilities, the NYK Group is actively working on human resources development initiatives. The nurturing of employees who are well versed in ocean, land, and air transportation is an especially urgent issue, and accordingly we are aggressively promoting personnel exchanges among NYK Group companies. Our objective in these endeavors is to cultivate the ability to make flexible yet comprehensive improvement proposals by facilitating the acquisition of extensive experience in a range of work environments. In addition, we are also enhancing business training programs and bolstering training for sales staff on the front line.

The NYK Group will strive to become a good partner that resolves the logistics-related challenges faced by its customers through the implementation of the NYK Group Values and the cultivation of human resources with wide-ranging experience and vision.

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.

Number of Group Employees

As of the end of March 2009

54,963 employees

	(Employees)
Japan	9,009
Europe	6,297
Asia	13,316
North America	3,149
Oceania	1,009
Central and South America	633

NYK	368
Japan-based Group companies	253
International Group companies	9,467
Seafarers of chartered vessels	11,462

Navigating the Way Forward

—Message from Management

Message From the Chairman and the President

The *Yosoro* (Steady Ahead!) Project was launched by the NYK Group as a two-year emergency structural reform project to guide us through the current economic crisis and into the years beyond. Through this project, we are implementing thorough cost-cutting measures and establishing a growth strategy for the future. To ensure that we can move ahead at full speed when business conditions recover, all of the NYK Group's directors and employees are working together to successfully implement the Yosoro Project and to achieve the objectives set out in our current medium-term management plan.

from left

Chairman
Koji Miyahara

President
Yasumi Kudo

On behalf of the entire NYK Group, we would like to take this opportunity to thank all of our stakeholders, including shareholders and other investors as well as customers, business associates, and local communities. We appreciate your understanding and support of the NYK Group's activities.

Fiscal 2009, ended March 31, 2010, was marked by dramatic swings in business conditions around the world, due to the financial crisis that began in fall 2008. The NYK Group was also affected by unprecedented changes in its management environment, including a substantial decline in cargo movements. However, we approach this type of challenging situation as a hurdle that we must overcome in order to record sustained growth. Rather than taking a pessimistic view of the challenges that we face, we approach them as opportunities to build a stronger management platform.

This approach is the foundation of the Yosoro Project, the emergency structural reform project that the NYK Group launched in January 2009. "Yosoro!" is a command given by the captain of a vessel after safely navigating a dangerous spot. It means "return the wheel to its upright position and sail safely straight ahead." By taking this opportunity to sort out problem areas that were difficult to recognize when conditions were favorable, we will build an operating system that can respond flexibly to changes in the external environment and position the NYK Group for dramatic growth when business conditions recover. In the fiscal year under review, we implemented a range of thorough cost-cutting initiatives. These extended from scrapping or returning surplus vessels and other assets to reducing fuel expenses and port charges by suspending the operation of excess vessels. In this way, we trimmed costs by about ¥100 billion. However, in the first half of the year container-cargo and finished-automobile movements were sluggish. In addition, handling volumes declined in the logistics and air cargo businesses. As a result, we recorded a net loss for the year of ¥17.4 billion.

Currently, the entire NYK Group is advancing an aggressive strategy of strengthening divisions that are in a competitive position, with an eye to a recovery in business conditions over the medium term. In October 2009, we reevaluated the New Horizon 2010 medium-term management plan and clarified key policies. These include further deepening the scope of our comprehensive global-logistics strategy and implementing aggressive investment in growth fields such as natural resources and energy transport. In the following pages, President Yasumi Kudo provides a detailed explanation of how NYK will further differentiate its operations from those of competitors as it restructures its business portfolio.

In October 2010, the NYK Group will mark its 125th anniversary. Since our founding, we have been sustained by the NYK Group Values—*integrity*, *innovation*, and *intensity*—which constitute our corporate DNA. Going forward, the operating environment will remain difficult. Nonetheless, all of our directors and employees can leverage this DNA, and the entire NYK Group will work to successfully complete the Yosoro Project and achieve the objectives of the medium-term management plan.

June 2010

Chairman

President

Navigating the Way Forward

By implementing a business model capable of flexibly adapting to changes in the business environment, the NYK Group will generate stable cash flows while meeting the diverse needs of our customers. We have formulated a new growth strategy to leap forward to the next stage. By providing one-of-a-kind, high-value-added services that make full use of our unique capabilities in comprehensive global logistics, we will navigate the way forward to attain further growth.

President
Yasumi Kudo

Operating Environment and Future Direction

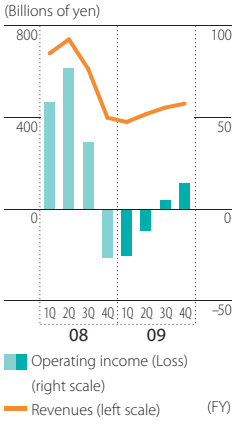
"Our goal—to be the first choice of customers."

The financial crisis that broke out in fall 2008 triggered a worldwide economic slowdown. Global cargo movements plummeted, and the marine transportation industry suffered a major blow. In response, in January 2009 the NYK Group launched the *Yosoro* (Steady Ahead!) Project, a two-year emergency structural reform project. Through this project, we have implemented cost-cutting initiatives targeting the elimination of excess capabilities in a wide range of areas. For example, we have taken steps to streamline our vessel fleet and eliminate other surplus assets, and have worked to reduce fuel expenses. As a result, although we recorded a full-year loss in fiscal 2009, we generated operating income of ¥19 billion in the second half of the fiscal year. We have consequently achieved an urgent goal—returning to profitability—ahead of schedule. Since I became president a year ago, we have seen some respectable results, and I am confident that we are on the right track.

In fiscal 2010, the final year of the Yosoro Project, we will work to further strengthen our sales and marketing capabilities. The key to those endeavors will be enhancing our "human ability." Among marine transportation companies, there are really no significant differences in the costs of vessels and crew members; thus, it is difficult to sustain a competitive edge by competing solely on the basis of freight rates. That is why it is important to offer value-added services that leverage our strengths and provide a sophisticated response to the diversifying needs of our customers. To do so, we need to take the customer's point of view and strive to resolve issues by drawing fully on the innovation and ingenuity of our employees to resolve the problems faced by our customers. That capability is what we consider our "human ability."

The NYK Group has a highly distinctive position in the development of comprehensive global-logistics operations that extend from marine transportation to land and air transportation as well as warehousing and other services. We are aiming to be the first choice of customers by integrating a range of transportation methods and related know-how to make optimized proposals that draw on that "human ability."

Quarterly Results



Management Challenges and Revision of Medium-Term Management Plan

"In addition to streamlining assets, we are introducing a new business model."

Marine transportation and logistics are growth industries that expand in proportion to increases in economic activity and populations. Emerging economies in Asia are posting especially notable economic expansion, and over the medium term worldwide cargo movements are expected to return to a course of strong growth.

Under the Yosoro Project, we have worked to formulate a new growth strategy to leap forward to the next stage in our development following the recovery of business conditions. We need to implement a new business model capable

of flexibly adapting to changes in the business environment so as to generate stable cash flows while meeting the diverse logistics needs of our customers.

For example, demand for consumables, which account for the majority of liner trade and air cargo, fluctuates highly. While natural resources and energy transportation involve long-term contracts that guarantee freight rates and shipping volumes, the liner trade and air cargo segments do not. As a result, these segments are characterized by rapid rises in freight rates when the supply–demand balance tightens and rapid declines when it loosens. Because market volatility is so high, increasing assets, such as vessels and aircraft, to drive operational growth is an approach that increases the risk of fluctuations in performance. On the other hand, without tangible assets, a company cannot implement creative cost-cutting initiatives or achieve differentiation from the operations of its competitors. Consequently, these assets are essential to the provision of flexible responses to customer needs.

Facing these challenges, in October 2009, the NYK Group revised its New Horizon 2010 medium-term management plan effective to the end of fiscal 2010. The plan calls for establishing a business model with two essential elements: asset businesses, which use containerships and aircraft to provide transportation services, and non-asset businesses, such as marine and air forwarding* in which transportation space is procured from third parties. Also under the plan, we will work to reinforce those divisions in which the NYK Group has a competitive edge. We will advance strategies targeting further growth, such as pursuing continued development in comprehensive global logistics, and will implement aggressive initiatives in growth areas, centered on emerging economies. These growth-area initiatives will include ocean and land car transportation, natural resources and energy transportation, and offshore operations.

* Operations that do not own the actual means of transport but rather use those of other companies to transport the cargo received from customers.

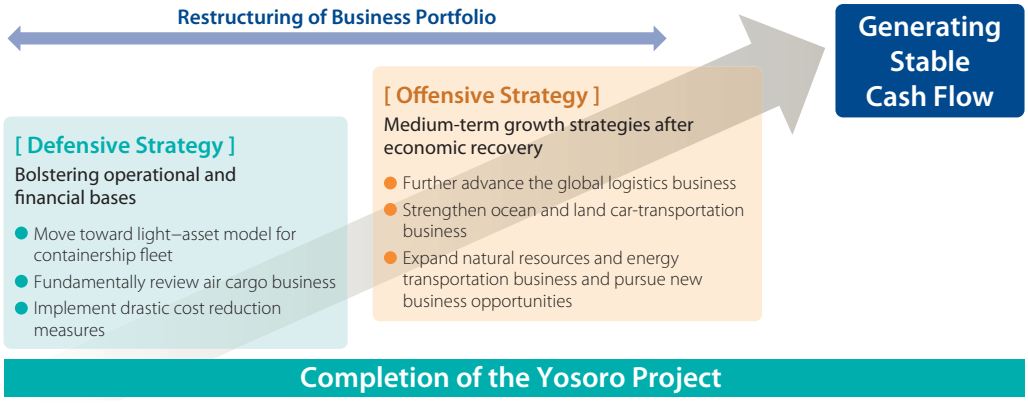
Revision of New Horizon 2010 Medium-Term Management Plan

"We are actively moving toward a light-asset model for our core containership fleet."

Over the 10 years to 2007, worldwide container cargo movements roughly tripled. During that period, marine transportation companies built many containerships to meet rapidly growing demand. Consequently, due to the rapid drop-off in demand accompanying the economic crisis, revenues have declined and the fixed expense burden has put pressure on profits. As a result, the container business has suffered a major impact.

Learning from the hard lesson, we have developed a strategy to move ahead with the transition to a light-asset model (streamlining assets) for our containership fleet. This model addresses the problem of excess assets that are fixed for extended periods of time. We have decided to make a 50% reduction in our core fleet (owned and long-term chartered vessels) by 2015. The fleet, which had reached 120 vessels at its peak, will be reduced to 60 vessels, with shipping capacity dropping to about two-thirds of the peak level. If we face a shortage of space when business conditions are favorable, we will supplement our fleet with short-term charters and space charters. On the other hand, our system enables us to readily return vessels so that we can flexibly downsize the fleet when needed. In addition, as we move toward a light-asset model, we will also bolster operations in freight forwarding, a non-asset business, and bring more value for customers by incorporating other logistics services such as customs clearance and warehousing, which are what we are good at. In this way, we will work to increase handling volumes. We are confident that NYK is the only company in the world that can effectively implement this business strategy.

NYK's Strategy After Revision of "New Horizon 2010"



"We will fully leverage our flexibility to improve profits in the air cargo business."

We have revised the basic strategy for consolidated subsidiary Nippon Cargo Airlines Co., Ltd. (NCA), aiming to achieve the break-even point for air cargo in fiscal 2011. For the time being, we will maintain a fleet of eight aircraft and work to increase profitability by making full use of the distinctive strengths of an airline specializing in cargo transportation—mobility and flexibility.

We have implemented thorough cost reductions and established an operating structure that can flexibly utilize charter flights, and as a result profitability has started to increase. NCA's results in fiscal 2009 show gains in revenues and profits, with net sales of ¥62.6 billion, compared with initial forecasts of ¥54.5 billion, and a recurring loss of ¥15.2 billion, compared with initial forecasts of ¥20 billion. The effective use of chartered aircraft has also made a substantial contribution to the recovery in profits. We made the most of our own fleet assets and our own system of fleet operation and management, and strove to move abruptly to meet customer needs as we do in bulk shipping. In the year under review, the number of chartered flights surpassed 100.

For fiscal 2010, we are forecasting a substantial improvement in recurring loss, and in fiscal 2011 we expect to reach break-even at the recurring level. Moving forward, we will continue to accelerate the improvement in air cargo revenues and profits by developing operations in a manner that leverages mobility and thorough cost-cutting initiatives.

"We will deepen the scope of our comprehensive global-logistics business."

We aim to deepen the scope of our comprehensive global-logistics business through the further development of non-asset businesses. This move will complement our transition to a light-asset model in the containership fleet.

In recent years, a growing number of companies have been outsourcing logistics. We are seeing an increase in customer needs for comprehensive global-logistics proposals that include not only marine transportation services but also air transportation, land transportation, customs clearance, and warehousing services. To meet those demands, we decided to integrate NYK Logistics and Yusen Air & Sea Service Co., Ltd. (YAS). NYK Logistics principally offers contract logistics services*1, such as ocean freight forwarding, warehousing, land transportation, and consolidation services*2, while YAS's main business is air forwarding. By moving away from a system where there are two logistics companies in the NYK Group, each with its own sales force, we will enhance our customer orientation by establishing a system that can propose comprehensive global-logistics services spanning ocean, land, and air. Another advantage of this integration is that it will enable the companies to offset their weak points while fully leveraging their strengths.

But even after these operations are integrated, we will still face a number of challenges. To increase our ability to respond to the problems confronted by our customers, we must cultivate professionals who can propose one-stop comprehensive global-logistics service solutions. As one facet of those endeavors, we have increased personnel exchanges between NYK Group companies.

Through interaction between people who have direct on-site experience in such areas as ocean, land, and air transportation operations, we will work to develop our "human ability"—our sales and marketing strength—at an even faster pace.

*1 A business whereby long-term contracts are concluded and overall optimization of customer supply chains is achieved through the provision of logistics services

*2 A service whereby products purchased from multiple factories are consolidated on behalf of customers such as retailers at the port where the goods are subsequently loaded and then shipped

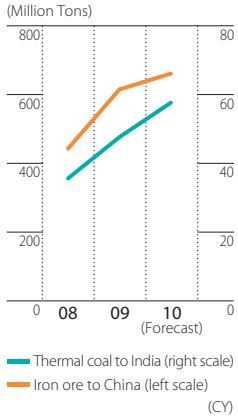
"We are working to bolster the ocean and land car-transportation business."

Over the 10-year period prior to the collapse of Lehman Brothers, we saw a steady increase in the number of finished cars transported by sea. As space tightened, customer needs were met in a variety of ways. Sometimes, for example, cars were transported by containership or reefer vessel. Twelve years ago, there were no ports in Thailand equipped with automobile terminals. To meet export demand, we established a terminal, and today Thailand has become an export base. In addition, in response to customer cost-reduction initiatives, we have taken steps to build a more-efficient transportation network by creating a hub terminal in Singapore for use in transshipment.

As a result of these types of initiatives to meet customer needs, the NYK Group has begun to establish comprehensive global-logistics services that add value not only through marine transportation but also through terminals, PDI* services, and land transportation services; and moving forward we will further differentiate our operations from those of our competitors. In China, which has become the world's No. 1 market for automobile sales, we have established terminal operations at all of the major four ports. These terminals enable us to meet coastal transportation demand, which is currently expanding. At the same time, these terminals will be the foundation of future export bases. In the future, we will take steps to enhance our infrastructure, such as expanding our land transportation network for both production parts and service parts. (For more information, see the special feature section on pages 21–28.)

* PDI (Pre-Delivery Inspection): Services for finished vehicles, such as final inspections, repairs, and parts application, before delivery to dealers

Seaborne Imports



Source: Clarksons Dry Bulk Trade Outlook

"We are taking great steps to reinforce our natural resources and energy transportation operations."

The economic crisis has had a comparatively limited influence on natural resources and energy transportation. In conjunction with economic growth in emerging economies, centered on China and India, transportation volumes have continued to increase. China imported about 620 million tons of iron ore in 2009, a year-on-year increase of nearly 200 million tons. Meanwhile, Japan's 2009 imports of iron ore were only about 100 million tons. This means that the amount of increase in China's imports alone was about two year's worth of Japan's annual imports. This is a truly remarkable fact. In addition, imports of coal and oil are also increasing rapidly in China and India. Backed by expansion in automotive production and infrastructure development, continued strong growth in natural resources and energy transportation is expected in the years ahead.

The NYK Group will continue to strengthen its natural resources and energy transportation fleet. Of the total of about 180 vessels that had been ordered as of the end of the fiscal year, about 80% are intended for use in the natural resources and energy transportation divisions. Already, many of these vessels have been committed under long-term contracts with major manufacturers in China and India and with natural resources companies in Brazil. In the future, we will continue to strengthen our relationships with existing customers and aggressively conclude long-term contracts.

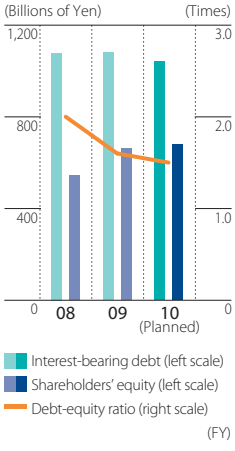
Moreover, we will also participate in offshore operations related to oil production in deep sea wells, an area in which we anticipate growth. We consider this to be a business with strong potential, ranging from deep-water drilling activities utilizing drilling ships to floating production, storage, and offloading (FPSO) operations. These operations offer many opportunities for the NYK Group to leverage its strengths, such as the positioning technologies used to keep vessels at fixed points and the highly specialized navigational techniques cultivated in tanker and LNG transportation operations. Accordingly, we will aggressively develop our operations in this area. (For more information, see the topics section on page 50.)

"We are making steady progress toward the completion of the Yosoro Project in preparation for a recovery in market conditions."

For fiscal 2010, which will be the final year of the Yosoro Project, our current results targets call for revenues of ¥1,900 billion, recurring profit of ¥65 billion, and net income of ¥35 billion. These figures are upward revisions from the targets that we made in October 2009. We increased the initial targets of recurring profit by ¥25 billion and net income by ¥15 billion. Rapid recovery in market conditions was a factor in the revision, but I am certain that the effects from cost-reduction and business portfolio restructuring initiatives under the Yosoro Project also played a big role. To prepare for a full-scale recovery in market conditions, we will work to complete the Yosoro Project, and when the storm is over and I call the command "Yosoro!" we will be ready to move forward at full speed.

Financial Strategy

Financial Base



"We will work to further strengthen our financial position."

The funds raised through a public offering in November 2009 will be allocated to investment in growth fields, such as bulk and energy transportation, and in new businesses, such as offshore operations.

The prospects for the recovery of the global economy still being uncertain, a strong financial foundation is needed in order deploy forward-looking management activities. As a result of the public offering, our debt–equity ratio (DER), which shows interest-bearing debt to equity, decreased 0.34 point to 1.64 times. I believe that we have bolstered our financial position well enough to be ready for sustained gains in corporate value. Over the medium to long term, I would like to improve our DER to about 1.0 times.

However, when the global economy makes a full-scale return to the growth track, I also want us to have the option of accelerating the NYK Group's growth by expanding investment through financial leverage. Although we target a DER of 1.0 times over the medium to long term, we would ascertain the optimal capital structure by carefully assessing the future operating environment while we work to generate cash flows through our growth strategy and to improve our financial position.

Aiming to Increase Corporate Value over the Long Term

"We are targeting a consolidated payout ratio of at least 25%."
The NYK Group has positioned the return of profits to shareholders as a management issue of the utmost importance, and targets maintaining a consolidated payout ratio of at least 25%. On the other hand, we will strictly evaluate investment projects and aggressively make effective use of the capital entrusted to us by our shareholders by investing in projects offering returns higher than the cost of capital. Going forward, we will continue working toward sustained growth in corporate value by expanding earning capacity through investment in growth fields while we also work to maintain a stable dividend.

"Through stable *monohakobi* (transport), the NYK Group will continue to contribute to society."
In the medium-term management plan, "strengthening CSR management" is identified as the foundation of our growth strategy. Logistics is an important element of social infrastructure that supports the global economy, and the provision of reliable distribution services is directly linked to the stabilization and improvement of our lives around the world. I believe that it is the NYK Group's social mission to continue to provide stable transportation services, and that leads us to increase corporate value in the long run. That is why safety must always be our overriding priority. In addition, initiatives to reduce CO_2 emissions from transportation operations are indispensable from the viewpoint of environmental conservation. The NYK Group has actively advanced initiatives targeting safe operations and environmental conservation, and this policy will always be the same going forward. (For more information, see the special feature section on pages 21–28.)

Japan's marine transportation industry faced an extremely difficult situation in the operating environment when the yen appreciated abruptly following the Plaza Accord in 1985. With the majority of their revenues accounted for by dollar-based transactions, Japanese marine transportation companies were forced to substantially revise their cost structures, and this eventually lead to a strengthening of their international competitiveness. I strongly believe that the challenges we are facing this time will also become the springboard for our leap into the future and that we can move forward powerfully as I give the command "Yosoro!"

More than anything else, we have the whole world as our business field to leverage our strength. Our operations are not limited to countries or regions affected by sluggish economic conditions. We are fortunate to be able to expand our operations in countries such as China that are posting rapid growth.

Marine transport and logistics are growth industries. So as we work internally to raise the "human ability" of each employee, the NYK Group will attain further growth and we will strengthen our claim of being "more than a shipping company" by providing value-added services that draw on our capabilities as a comprehensive global-logistics group. We would like to ask our shareholders and investors for their continued support in the years ahead as the NYK Group navigates the way forward.

June 2010

President
Yasumi Kudo

Special Feature

Bold Initiatives to Fuel Further Growth

Shipping and logistics are the industries certain to receive higher demand as emerging economies record economic growth and the global population increases. In particular, newly emerging economies in Asia and other regions are posting notable growth, and the distribution volumes in these markets are increasing by large margins. On the other hand, the shipping and logistics industries play an important role as social infrastructure, and they are increasingly being called upon to implement a range of initiatives. These include the provision of stable distribution services as well as the reduction of CO_2 emissions and the implementation of other environmental conservation measures. The NYK Group was the first company in the industry to respond to these changes in the operating environment, and we moved forward in advance of other companies with a range of measures. This special feature section introduces the NYK Group's operational development in Asia, which will be the focus of growing attention in the years ahead, and our initiatives targeting environmental and safety problems, on which we place the highest priority.

Transporting Finished Automobiles in Asia

- Participating in dedicated automobile terminals in China's four major ports
- Operating about 550 car carriers (largest scale among foreign companies)

Dalian
Tianjin
Shanghai
Guangzhou

- Starting PDI operations at Mundra Port
- Establishing relationships with manufacturers that have leading market shares
- Transporting about 100,000 automobiles to Europe
- Operating about 50 car carriers

Mundra

Thailand

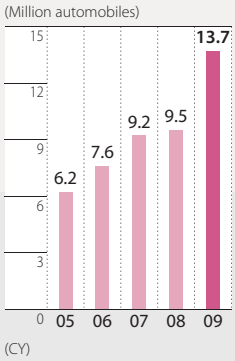
- Operating export terminals
- Operating about 50 car carriers
- Starting stevedore operations through a joint venture

Singapore

- Establishing transshipment terminals
- Bringing in cargo temporarily from Asian nations and then loading it on ships bound for destinations around the world

Area covered in this Special Feature

Automobile Unit Sales in China



1 China: The World's Largest Market

Market Trends

World's Largest Automobile Sales Market

In 2009, China surpassed the United States to become the world's largest market for automobile sales. The 13.7 million automobiles sold in China in 2009 represent a year-on-year gain of nearly 4 million automobiles, which is equal to the entire number of cars exported from Japan in 2009. China extends over a vast geographic area, and the domestic market is enormous. Finished automobiles need to be transported from manufacturing plants to each region of the country. This demand presents a wide variety of business opportunities, including not only land transport via car carriers but also coastal vessel transport. In addition, China's domestic automakers are expanding their production capacity, and in the future exports from China to all regions of the world are expected to increase.

China is a market that offers a broad range of opportunities for a company like the NYK Group that can leverage the transport capabilities and know-how that it has cultivated, including both ocean and land transport, as a comprehensive global-logistics company. Accordingly, we are aggressively moving ahead with business development initiatives. We not only built an ocean transport network as a shipping company, but also were one of the first car carrier operators to commence land transport operations for finished automobiles within China. Moreover, we also provide logistics services for production parts. In these ways, we provide support for customer needs in all areas of automotive logistics.

NYK's Operational Development

One of the Leaders in Land Transport Operations

In the land transport of finished automobiles, we operate about 550 car carriers throughout China. These operations



Car carrier in China

are centered on a joint venture between a wholly owned subsidiary, NYK Logistics (China) Co., Ltd., and the Shanghai Automotive Industry Corporation Group. In addition to working with Japanese automakers, the NYK Group has also worked to expand its business with European, U.S., and Chinese automakers. As a result, we have achieved a scale of operations among the largest for foreign companies in this market.

For example, we handle the transport of finished automobiles from a European automakers' plant in northern China to dealers across the country. For Japanese automakers, meanwhile, in addition to providing transport services for the domestic market, we also handle the transport of finished automobiles for the export market. In this area, we are providing seamless logistics services that extend from the plant to the export port and on to ocean transport.

In production-parts logistics, as an value-added service that complements our land transport operations, we conduct highly efficient "milk runs*" for the transport of production parts from the parts manufacturer to the automobile assembly plant. In the case of one Japanese automaker, for example, we operate several hundred routes a day on a minute-by-minute basis. Our transport system, which is interlocked with the customer's production plan, functions almost as if it were a part of the production line.

*A parts-collection service whereby a single truck picks up parts at each of several factories for delivery to assembly plants

Growing Demand in Coastal Transport

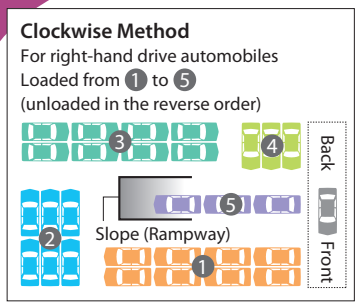
Due to the rapid expansion of China's automobile market, demand for domestic transport is growing, and coastal vessels are increasingly being used to meet that demand. In 2003, NYK started up NYKCOS Car Carrier Co., Ltd. (NYKCOS), a joint venture with the COSCO Group, and began to advance its coastal and ocean transport operations, with consideration for increases also in exports and imports in the future. About 30,000 vehicles a year are transported along the coast of China through NYKCOS. Coastal transport demand is expected to expand. In this setting, the NYK Group will make full use of the know-how and sales and marketing capabilities that it has cultivated over many years in the ocean transport of finished automobiles in order to steadily capture growing demand.

Participating in the Operation of Terminals Equipped to Be Import/Export Hubs

In China, almost all domestic automobile production is destined for the domestic market, with exports still at the level of several hundred thousand vehicles a year. However, that number is expected to increase in the years ahead. Due to the rise in income levels, imports of luxury cars are also recording notable growth. In China, imports of automobiles are permitted only at four ports—Tianjin, Dalian, Shanghai, and Guangzhou. In conjunction with the development of NYKCOS operations, NYK has gone in

Focus

A Cargo Loading Method that Results in Damage Rates of Only 0.001%



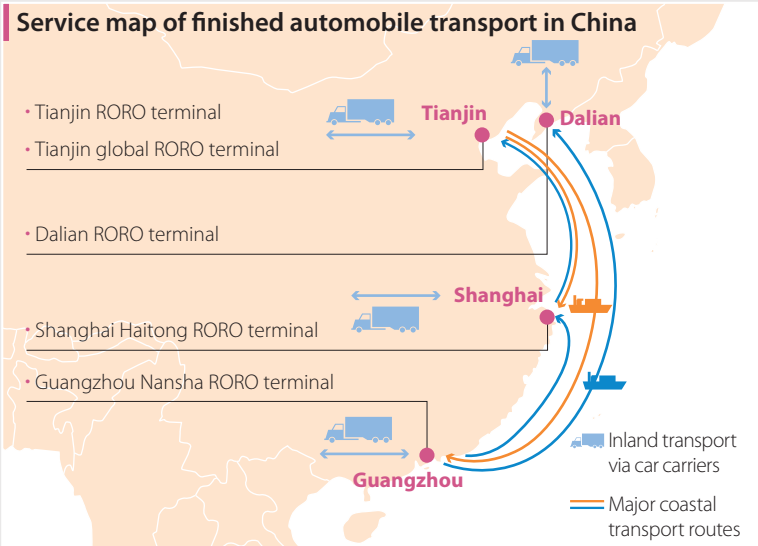
Of the 3.26 million automobiles that the NYK Group transported in fiscal 2008, less than 100 experienced damage to the car body during transport, for a damage rate of about 0.001%. This low damage rate was made possible by NYK's development of a cargo-loading method known as the clockwise method. In 1977, prior to the introduction of this method, the damage rate was about 17%, but only two months after the clockwise method was introduced, the rate improved to 6%. Based on those results, we provided instruction in the use of this cargo-loading method to cargo-handling companies outside Japan, competing marine transport companies, and automakers. Thus, the method developed by the NYK Group to avoid damage to its cargo of finished automobiles has now become a standard method around the world.

as the first shipping company to operate at all four ports. We are taking steps to develop these terminals into hubs for imports, exports, and coastal transport.

Terminal Operations: The Key to Export Quality

Because automobiles cannot be packaged, they are easily damaged, and given their high value, any such damage substantially impairs their product value. The key to ensuring transport quality for finished automobiles is the cargo-handling operation at terminals. If highly advanced techniques are not used in the loading and unloading of finished automobiles, the result can be damaged vehicles. However, it takes a considerable amount of time to acquire those techniques. To leverage the skills that it has acquired, NYK works together with port and harbor authorities from an early stage in the process of starting up terminals. NYK is also striving to ensure transport quality and cargo-handling efficiency by posting its technical supervisors in local areas and by instructing local workers in the cargo-handling techniques that the NYK Group has cultivated since the 1970s.

Service map of finished automobile transport in China

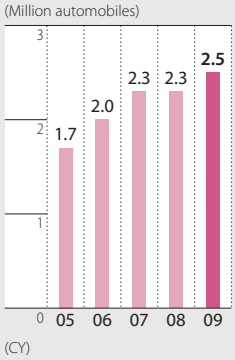


Future Operating Strategy Trends

Providing Comprehensive Global-Logistics Services

In China, the NYK Group began aggressive development of a variety of logistics operations from 2000, and today we have essentially completed the infrastructure necessary for the provision of logistics services for finished automobiles and automobile production parts. Moving forward, the NYK Group's basic strategy is (1) to provide more-advanced comprehensive global-logistics services by seamlessly combining all types of logistics services, and (2) further enhance transport efficiency and quality.

Automobile Unit Sales in India



2 India: A High Growth Market

Market Trends

Top Three Automakers Have a 70% Market Share

In India, sales of automobiles are surging. Unit sales of automobiles in India's domestic market, which were about 1.3 million in 2004, are expected to surpass 3 million in 2011 and to exceed 4 million by 2016. In the Indian market, the top three automakers currently have a combined market share of about 70%. Many manufacturers are planning to establish operations in the market or to expand their production facilities there.

The NYK Group has had a presence in ocean transport in the Indian market for some time. In addition, from 2004 the NYK Group commenced finished-automobile land transport operations, and we are currently building relationships with manufacturers that have leading market shares. With a strong foundation comprising the know-how cultivated through finished-automobile transport and PDI*, the NYK Group will work to provide even higher-quality transportation services and to expand its operations.

* PDI (Pre–Delivery Inspection): Services for finished vehicles, such as final inspections, repairs, and parts application, before delivery to dealers

NYK's Operational Development

Meeting the Diverse Logistics Needs of Customers

Currently, the annual export volume from the west coast of India to Europe is about 100,000 vehicles, or one-fourth of total exports. The NYK Group is actively involved in operations related to these exports. We handle ocean transport from Mundra Port, which is a major port on the west coast of India, to Europe. In addition, as an value-added service, we are also conducting PDI operations at Mundra Port. Domestically, we are responding to growth in the market, providing land transport over such routes as Delhi–Mumbai and Delhi–Chennai with a fleet of about 50 car carriers. In addition, we are also preparing for par-

Car carrier in India

ticipation in rail transport, which offers comparatively lower CO_2 emissions. First, we plan to commence commercial operations on the Delhi–Chennai route, and subsequently we will build a service network that is responsive to cargo volumes and environmental concerns.

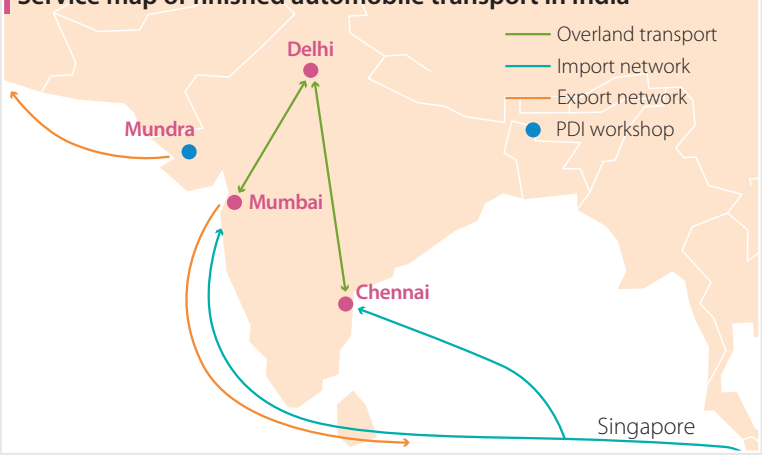
The east coast of India will be a point of focus for future development. In Chennai, market activity is intensifying. For example, multiple automakers have already advanced into the region, and some automakers are planning to use Ennore as an export port. Based on the know-how that it has cultivated, the NYK Group will actively respond to developments at new ports.

Leveraging NYK's Distinctive Strengths in Efficient Ocean Transport

The market for exports of finished automobiles from India is still relatively small, but it is expected to grow in the years ahead. In addition, export destinations are also expected to expand, reaching beyond Europe to include other regions around the world, such as the Middle East and Africa.

In handling exports to Europe, our car carriers can simply load cars in India and transport them to Europe. In exporting to regions around the world, however, we need a more efficient transport method. Accordingly, we have begun to utilize the transshipment terminal that we operate in the Port of Singapore, where cargo from India and other Asian nations is temporarily brought in and then loaded onto ships bound for destinations around the world. Combining this method with our world's-largest shipping network, we will facilitate efficient and competitive transport.

Service map of finished automobile transport in India



Future Operational Development

Using Know-How Cultivated Around the World in India

Because India has a population of about 1.2 billion, second only to China, expansion in the demand for logistics is expected in India. To ensure that we make the most of this business opportunity, the NYK Group is following three basic strategies. The first strategy is the strengthening of land transport operations. Growth in the Indian market is expected to lead to a shortage of car carriers, and accordingly we will take steps to enhance the scale and efficiency of our operations. The second strategy is establishing terminal operations. NYK is yet to operate terminals in India, but we are currently planning to move forward with the construction of terminals in conjunction with the Mundra Port & Special Economic Zone and other companies. Since Mundra Port has good access from the plants of automakers in northern and western India, it has a strong need for terminals dedicated to meeting the requirements of automakers as a hub port for exports from India. The third strategy is bolstering operations on the east coast. We are moving ahead with these initiatives in line with the business development of automakers.

Focus

Singapore: Asian Hub Port

Singapore is an important hub port for the NYK Group's transport of finished automobiles. In these operations, Singapore mainly functions as a port for the transshipment of finished automobiles from Asian countries to export markets around the world. In 2009, to respond to further transport demand from Asian countries, we established Singapore's first dedicated automobile terminal operation company*1. Located on 250,000 square meters, and with a water depth of 15 meters, this terminal can handle one million automobile moves*2 annually. In addition, as a dedicated automobile terminal, this facility has an unique five-level vertical yard for finished automobiles.

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

*2. Rolling one finished automobile on and off is counted as two moves

Taking the Lead as the Industry Front-Runner in Targeting Environmental and Safety Problems

Pursuing Environmental Technologies with a Goal of Zero Emissions

Taking on Environmental Issues

Contributing to a 50% Reduction in CO_2 Emissions by 2050

The CO_2 emissions from ocean transport around the world, which were 870 million tons in 2007, are thought to account for about 2.7% of total global emissions. If international trade expands at 3% annually driven by global economic growth centered on emerging economies, then CO_2 emissions in 2050 will be about three times the current level. The NYK Group believes there is a need to introduce environmental technology that will reduce CO_2 emissions to foster sustainable growth around the world. From April 2008, we launched the NYK Cool Earth Project, and formulated the long-term vision of "contributing to global efforts to cut greenhouse gas in half by 2050."

In order to cut the amount of CO_2 emissions in half while cargo ship capacity rises threefold, it will be necessary to reduce CO_2 emissions by about 85% per cargo ton-mile. In taking on this challenging goal, we are working to develop technologies and transform business models to reduce CO_2 emissions, aiming for zero emissions by 2050.

Medium-Term Objectives for 2030

Concept Ship Featuring 69% Reduction in CO_2 Emissions

Innovation in the equipment we use is indispensable for the purpose of contributing to a 50% reduction in CO_2 emissions by 2050. Through the introduction of fuel cells and accumulators, we are aiming to replace heavy oil, which is currently the primary power source for vessels, with recyclable energy or hydrogen, and thereby achieve zero emissions by 2050. Meanwhile, we have set medium-term objectives for 2030. In April 2009, we announced the *NYK Super Eco Ship 2030* (center, photo on right), which marks a new generation of containerships incorporating technologies that are currently theoretically feasible. In addition to minimizing the weight of the hull and water friction, the concept ship uses LNG-based fuel cells, solar cells, and wind power for propulsion. This will make it possible to achieve a reduction in CO_2 emissions of 69% per container carried in comparison with current levels. This concept ship has clarified the technical development roadmap that the NYK Group will follow in the years ahead. Moving forward, we will continue to develop environmental technologies and strive to improve them.

NYK Cool Earth Project: Objectives and Initiatives

NYK's CO_2 emission reduction targets	Long-term vision	Contribute to global efforts to cut greenhouse gas in half by 2050
	Emission reduction target	Minimum 10% reduction on ton/mile basis from fiscal 2006 levels by 2013
Initiatives	Investment of ¥70 billion over six years in the development of innovative environmental technology	
	Leadership in international environmental policy debates in the marine transport sector	
	Conversion of the business model	

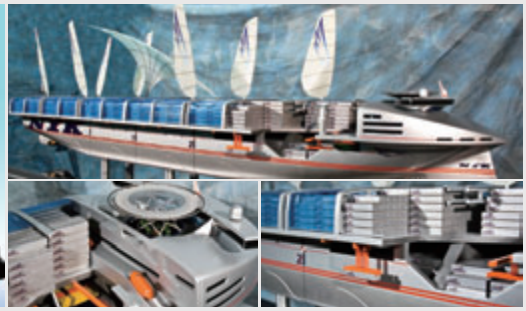
Technical Development Targeting Zero Emissions

Steady Progress in Testing and Verification of Basic Technologies

Targeting our medium-term 2030 objectives, we are already moving forward with the testing of basic technologies. For example, in December 2008 we began testing and verification of *Auriga Leader* (right, photo on right), the world's first car carrier equipped with solar panels to assist in propulsion. Currently, we are enjoying excellent results from the testing of the solar power generation system on this vessel. It operates favorably even in harsh conditions at sea, and generated about 1.4 times the power that a similar system would have generated on land in Tokyo. In the near future, we are also planning technical development and testing of storage-battery systems to facilitate the use of stable solar power even in inclement weather.

In April 2010, we completed *Yamatai* (left, photo on right), a module carrier that reduces CO_2 emissions with an air-lubrication system that draws on the power of bubbles. An air-blower system is used to generate bubbles by supplying air to the bottom of the vessel, thereby reducing friction between the vessel bottom and the seawater. It is expected that CO_2 emissions will be reduced by about 10%, and we plan to continue testing and verification of this system. In addition, we are currently doing design

Image of *Yamatai* from the bottom



NYK Super Eco Ship 2030

Auriga Leader

and development work on a car carrier that will utilize a range of technologies to reduce fuel consumption by up to 50% per car transported. Going forward, the NYK Group will continue to focus on the development of environmental technologies.

Initiatives Targeting Safety in Ship Operations

Ensuring Safety for all Operating Vessels

Unified Group Safety Standards

Given its role as the carrier of the valuable cargo entrusted to it by its customers, the NYK Group follows a basic policy of rigorous safety management in all NYK operating vessels. In 1998, we introduced the NAV9000 safety management system, and have formulated original, comprehensive safety standards that are intended to ensure safety in vessel operations above a specified level in all of the NYK Group's operating vessels. We also require strict compliance from shipowners and ship-management companies and integration of each company's own standards into the NYK Group's unified standards.

The NAV9000 requirements were established on the basis of international regulations and international quality standards, to which we added the operating know-how we have garnered over many years and the lessons learned from past accidents and problems. Full-time auditors directly visit vessels, shipowners, and ship-management companies, and, in accordance with established procedures, identify and rectify the sources of potential problems. In this way, we implement improvement activities that prevent accidents.

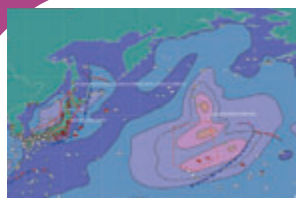
Prevention of Accidents and Marine Troubles

Implementing Safety Campaigns

As an additional accident-prevention measure, the NYK Group periodically conducts safety-promotion campaigns. People responsible for sales, operations, and technology form teams and visit vessels. While confirming basic items such as administrative procedures, they deepen mutual understanding between onboard crew members and onshore staff. In this way, people are brought together in a united effort to increase safety awareness. Under the campaign conducted in winter 2009, over a two-month period, about 200 of the NYK Group's office workers, including employees in and outside Japan, visited about 140 operating vessels, where they confirmed the condition of the vessels and exchanged opinions about safety in vessel operations. In addition, in conjunction with

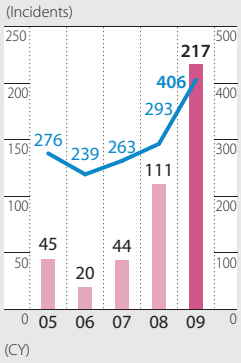
Focus

NYK e-missions' Operation-Monitoring System



In January 2010, we updated our operation-monitoring system with the introduction of *NYK e-missions'*, a system that enables integrated management of the positions of all NYK operating vessels as well as information on sea and weather conditions. With this system, in addition to the monitoring of NYK operating vessels, which is an indispensable part of supporting safety in ship operations, information can be monitored 10 days ahead for sea and weather conditions such as wind, waves, typhoons, ocean currents, and sea ice. Because related parties can conduct monitoring from any location over the Internet, risks such as encounters with rough weather can be shared in a timely manner, and countermeasures in accordance with the situations can be implemented promptly.

Number of Piracy Incidents



*Somalia • Gulf of Aden • Red Sea
Source: Maritime Bureau, Annual Report

campaigns, we gather together shipowners and ship-management companies, which are indispensable partners in the achievement of safety in vessel operations, and hold events such as safety promotion meetings and safety seminars. With the participants exchanging opinions and sharing information, we maintain a spectrum of high-value communication. Thus, we are working to rigorously ensure safety in ship operations.

Piracy Countermeasures

Central Management of the Movements of all NYK Operating Vessels

There were 406 incidents of piracy in 2009, up 113 from the previous year, making 2009 the third year in a row of piracy growth. This rapid increase is centered in the coastal region of Somalia, and the entire NYK Group is working each day on countermeasures. At the head office, the Marine Group uses a monitoring system to monitor all NYK operating vessels, enabling it to immediately grasp the occurrence of an incident or trouble if it happens. Preventive measures include obtaining the latest information regarding piracy and reports from vessels, and providing that information to ships heading for dangerous areas. In this way, we are ensuring that strict attention is paid to piracy countermeasures. As additional measures, we determine which vessels are comparatively easy targets for pirates and direct them to avoid dangerous waters. And when vessels are going to go across the Gulf of Aden, we arrange naval escort such as those of the Japan Maritime Self-Defense Force in accordance with the situation. These types of initiatives are drawing attention and have been featured on the TV and in newspapers. We will continue to implement all possible piracy countermeasures.

Training of Personnel Who Support Safety

Securing and Training Seafarers

Global Supply and Development System

The securing and training of high-quality seafarers is an essential part of ensuring safety in vessel operations, which is the foundation of the shipping industry. Against a background of expanding fleets in recent years, the demand for seafarers is expected to steadily increase. To secure superior seafarers, the NYK Group employs qualified onboard crew through manning companies established in five countries in Eastern Europe and Asia. At the same time, we employ new graduates of merchant marine colleges located around the world, including an academy in the Philippines established by NYK, where we foster them to be officer candidates. We hire about 200 people a year as candidates to become highly skilled crew members, and offer these candidates onboard training on four NYK operating vessels equipped with additional private rooms and training rooms for trainees.

In addition, in training seafarers, the techniques and knowledge necessary for safety in vessel operations are common to all seafarers without regard to nationality. Accordingly, under the name of NYK Maritime College, we utilize a standardized education and training system to offer a globally integrated training curriculum. Under this system, requirements are specified by vessel type and duties, and the system is implemented with the cooperation of each training center and manning company. Based on this standardized educational system, we are working to further enhance the quality of seafarers.

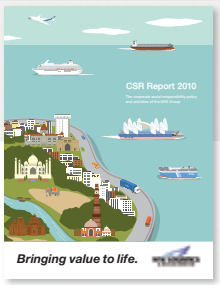
Pre-boarding ceremony for NYK-TDG Maritime Academy's first class of students

NYK's Own Merchant Marine College

NYK-TDG Maritime Academy

In June 2007, we established NYK-TDG Maritime Academy (NTMA), a four-year merchant marine college in the suburbs of Manila in the Philippines. This is an official college that has been licensed by the Commission on Higher Education of the Philippines. Each class of 120 students is educated under a residential system. For the NYK Group, the Philippines is an important source of seafarers, and through education at this academy, we will work to develop officer candidates and foster higher quality and competitiveness.

In March 2010, a pre-boarding ceremony was held for the first class of students enrolled at NTMA. Having completed their three-year academic requirements, these students set off on one year of onboard training. The first class of students underwent a wide range of training, such as basic classes, training courses using operational simulators, and lectures on becoming officer candidates, including the Kumon method of learning. As a result, on a test that is held for students attending merchant marine colleges in the Philippines, NTMA was among the top in academic performance. After completing one year of onboard training, each of these students will acquire a seaman's certificate of competency. The students will then be ready to start their careers as officer candidates operating on the world's oceans.



For further information about other NYK Group initiatives in safety and the environment, please refer to the *CSR Report 2010*. The *CSR Report 2010* highlights initiatives in the area of social issues important in the NYK Group's operations.

Web site http://www.nyk.com/english/csr/

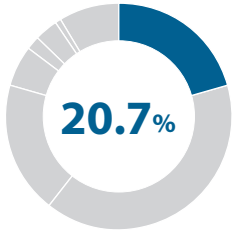
Review of Operations

Highlights by Segment

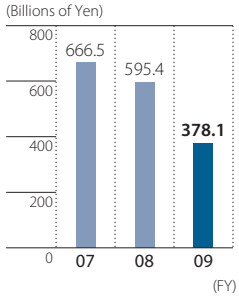
Liner Trade Business

➡P.32

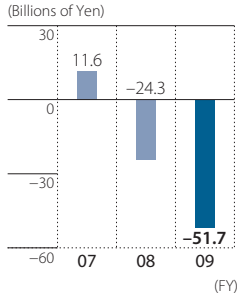
Revenues Ratio



Revenues



Operating Income (Loss)

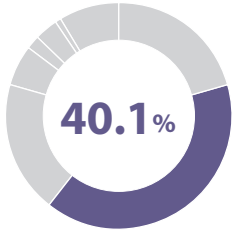


Bulk Shipping Business

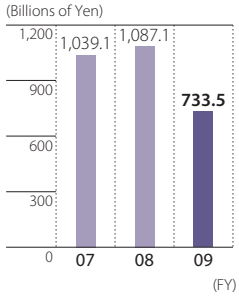
- Car Transport
- Dry Bulk Transport
- Petroleum Transport, Petroleum Product Transport and LPG Transport
- LNG Transport

➡P.34

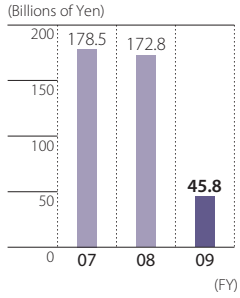
Revenues Ratio



Revenues



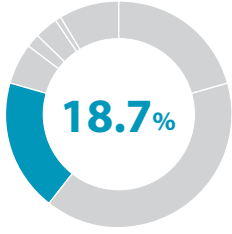
Operating Income



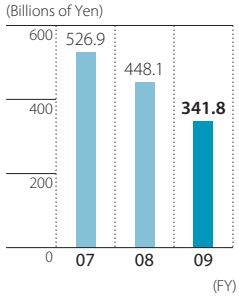
Logistics Business

➡P.42

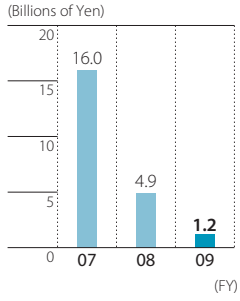
Revenues Ratio



Revenues



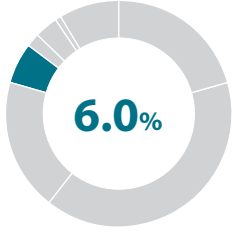
Operating Income



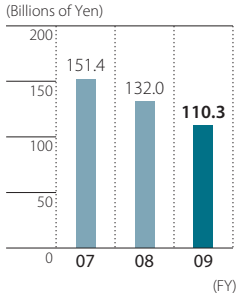
Terminal and Harbor Transport Business

➡P.44

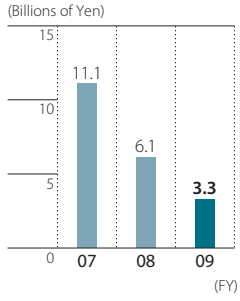
Revenues Ratio



Revenues



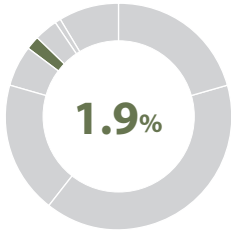
Operating Income



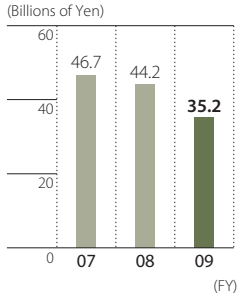
Cruise Business


P.46

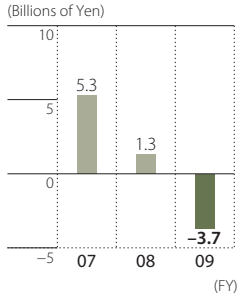
Revenues Ratio



Revenues



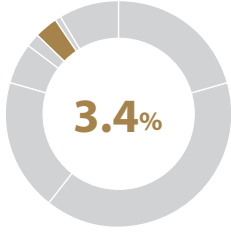
Operating Income (Loss)



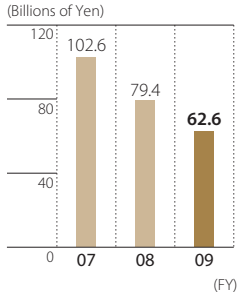
Air Cargo Transportation Business


P.48

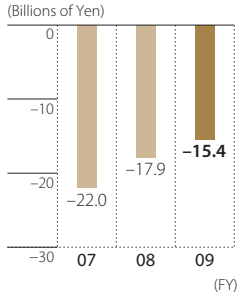
Revenues Ratio



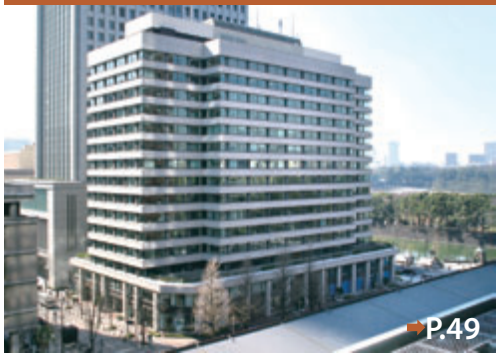
Revenues



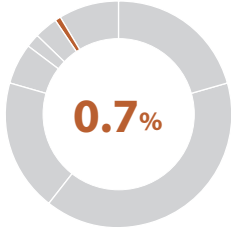
Operating Loss



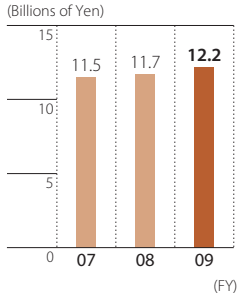
Real Estate Business


P.49

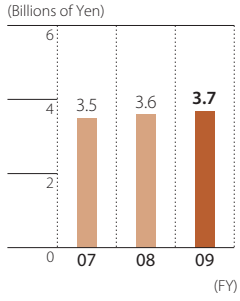
Revenues Ratio



Revenues



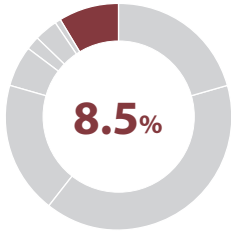
Operating Income



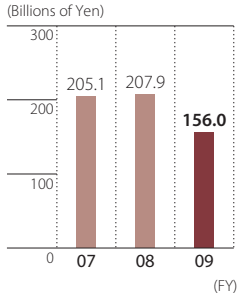
Other Business

P.49

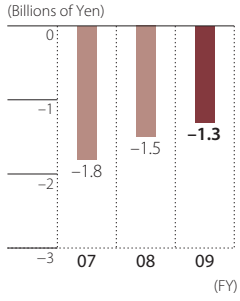
Revenues Ratio



Revenues



Operating Loss



Liner Trade Business

The liner trade business comprises the container transport division and the conventional cargo transport division. In the container transport division, NYK Line offers services linking Asia to Europe, North America, Australia, Latin America, and Africa, as well as those across the Atlantic. T.S.K Line takes the lead in providing service within Asia, where it has garnered a leading market share. In the conventional cargo transport division, NYK-Hinode Line primarily engages in transporting heavy-lift cargo and steel. In this field, we have one of the largest fleets and service networks in the world.

Container ship *NYK Virgo*

Container ship *NYK Rigel*

Nature of Business

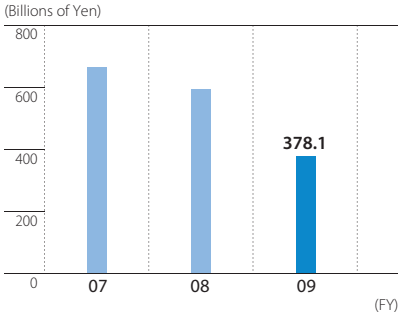
The NYK Group has built one of the world's largest shipping networks. For example, together with Germany's Hapag-Lloyd and Hong Kong's Orient Overseas Container Line, the NYK Group has formed the Grand Alliance, an integrated consortium in container liner shipping. Also, to further expand the network, we are moving ahead with regional tie-ups that extend beyond the framework of the Grand Alliance. We are meeting customers' global transport needs by leveraging economies of scale—such as handling volume, number of vessels, and number of port calls.

Market Environment

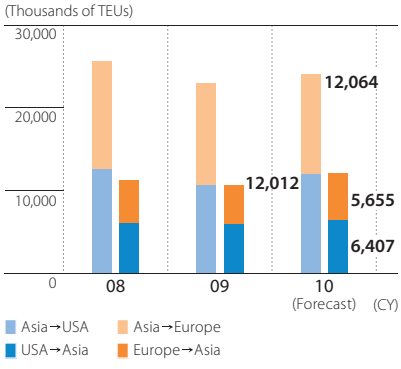
In the first half of fiscal 2009, cargo movements declined substantially under the influence of the global economic recession that began with the financial crisis. However, there were signs of recovery in the second half of the fiscal year. Against a background of robust economic growth, cargo movements were strong, especially on routes within Asia, and are already on track to increase back to the level recorded prior to the financial crisis. Freight rates were sluggish in the first half of the fiscal year due to slack cargo movements, but in the second half rates rose as the rationalization of services and vessels improved the supply-demand balance. In revenues and expenses, we worked to reduce expenses for the full fiscal year, and in the second half cargo volumes and rates both increased. Nonetheless, we were unable to offset the first-half decline, and for the full year revenues were down 36.5%, to ¥378.1 billion, and operating loss was ¥51.7 billion.

Moving forward, cargo movements are expected to be solid on routes within Asia, but on the core liner trade connecting Asia with Europe and North America more time will be required for the underlying recovery trend to develop into a full-scale recovery.

Liner Trade Revenues

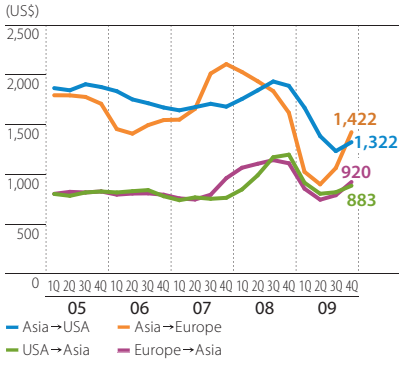


Container Cargo Transport Volume



Source: Trade HORIZONS 2009/4Q, Drewry Shipping Consultants Ltd 2010/1Q

Freight Rates per TEU



Source: Containerization International

By moving toward a light-asset model for the fleet, we will build a system that can respond quickly and flexibly to changes in market conditions as we strive to stabilize earnings.

Toshinori Yamashita
Representative Director,
Senior Managing
Corporate Officer

Q What measures did the liner trade business implement to cut costs in fiscal 2009?

A We took steps to implement thorough cost reductions, such as slow-steaming and rationalizing services.

The liner trade was significantly affected by the decline in cargo movements stemming from the economic crisis, and by the resulting rapid drop in freight rates. In response, the NYK Group implemented a variety of countermeasures and succeeded in reducing costs by more than ¥70 billion.

Fuel accounts for the largest share of containership transport expenses. Particularly in recent years, the rise in crude oil prices has led to higher fuel expenses, putting pressure on the profits of shipping companies. In dealing with this issue, it is vitally important to reduce fuel consumption. In general, fuel consumption is basically proportional to the cube of vessel speed. For example, a 20% decrease in vessel speed can reduce fuel consumption by about 50%. That is why we reduced operating speed as much as possible, and were able to achieve considerable results.

In addition, we responded to trends in transport demand by taking steps to rationalize operations through the active suspension and consolidation of services. While limiting overall operating costs, we were able to increase the space utilization of containerships. As a result of these types of initiatives, the supply-demand balance improved, and freight rates turned toward recovery.

In fiscal 2010, we will continue to implement these types of cost-reduction initiatives as we strive to achieve a return to profitability.

Q What is the future operating strategy for the liner trade business?

A With a light-asset model, we will build a system capable of responding quickly and flexibly to changes in the economic environment and market conditions.

Container transport was on a growth trend up to the point when the economic crisis broke out, and during that period the NYK Group and other shipping companies increased their fleets rapidly. Consequently, when the economic crisis led to declining transport demand and plummeting freight rates, the fixed expenses related to the NYK Group's owned and long-term chartered vessels (assets) put pressure on profits.

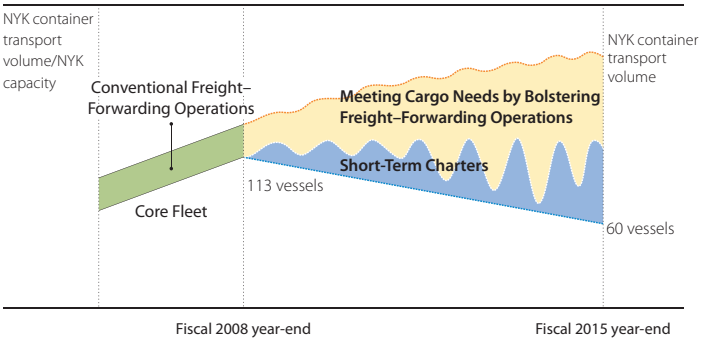
In order to reduce fixed expenses and respond flexibly to market conditions, the NYK Group is advancing the light-asset strategy. Our core fleet of owned and long-term chartered vessels comprises assets that are fixed for extended periods of time. This fleet, which had reached 120 vessels at its peak in 2008, will be reduced by 50%, to 60 vessels, by the end of fiscal 2015. When space is insufficient, we can adjust supply up with short-term charters; and when business conditions are poor and transport demand weakens, we can flexibly adjust supply down by returning vessels. This system limits the risk from worsening economic conditions.

As we move toward a light-asset model, we will also bolster freight forwarding*, a non-asset business. Over the long term, container transport volume is expected to record firm expansion against a background of economic growth in emerging economies. We will strive to capture the growth in container-cargo transport by strengthening our freight-forwarding operations, one of the NYK Group's key logistics businesses. Through this type of business strategy, we will aim to register growth and achieve stable profits.

* Operations that do not own the actual means of transport but rather use those of other companies to transport the cargo received from customers

Light-Asset Model

		Fiscal 2008 year-end (Result)	Fiscal 2009 year-end (Result)	Fiscal 2010 year-end (Planned)	Fiscal 2015 year-end (Planned)
Core fleet	Vessels	113	89	82	60
Core capacity	TEU	400,000	370,000	350,000	290,000



Bulk Shipping Business

Car Transport

In the car transport division, in addition to the export of finished automobiles from Japan, in recent years NYK has stepped up its non-Japan-related transport in response to growing production by automakers in world markets. NYK has also been a trailblazer in the development of related infrastructure. These initiatives include the establishment of coastal transport networks in China, Southeast Asia, and Europe; the construction and operation of automobile terminals in many regions; and the creation of land transport networks. We also provide value-added services such as PDI services for finished automobiles at terminals.

Pure car carrier *Auriga Leader*

Singapore transshipment terminal

Nature of Business

As of March 31, 2010, the car transport division operated a fleet of about 100 pure car carriers, one of the world's largest fleets. Our comprehensive global-logistics services include the transshipment of finished automobiles at hub terminals, PDI*, land transport of finished automobiles to dealers, and just-in-time delivery of production parts to manufacturing plants. Thanks to our excellent track record in the transport of finished automobiles and production parts, and to our innovative provision of value-added services, the car carrier division has built stable, long-term relationships of trust with Japanese automakers and other customers. In this way, the division has established a profit structure that is less susceptible to fluctuations in freight rates and other market conditions.

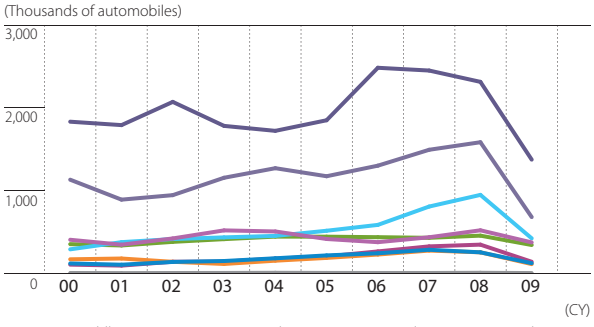
Market Environment

In 2009, worldwide sales of new cars declined only by about 3% year on year, with sales of about 64 million units, thanks to a dramatic increase of sales in China, where there is a strong characteristic of local production and local consumption. On the other hand, the marine transport volume for finished automobiles was 10.5 million units in 2009, compared with 16.4 million in 2008, a year-on-year decline of 36%. In the second half of 2009, there were signs of a gradual recovery in market conditions, but nonetheless marine transport volume remained at about 70% of its peak level in 2008. Exports of new vehicles from Japan set a record high of about 63 million units in 2008, but decreased substantially from the beginning of 2009. For the year, exports totaled about 33 million units, a year-on-year decline of about 50%.

In 2010, automakers are increasing production capacity in emerging economies that are highly cost-competitive. In particular, exports from Thailand, India, and other emerging economies in Asia are expected to grow. As a result, the worldwide marine transport volume for finished automobiles is projected to increase 26% from 2009, to 13.20 million units.

* PDI (Pre-Delivery Inspection): services for finished vehicles, such as final inspections, repairs, and parts application, before delivery to dealers

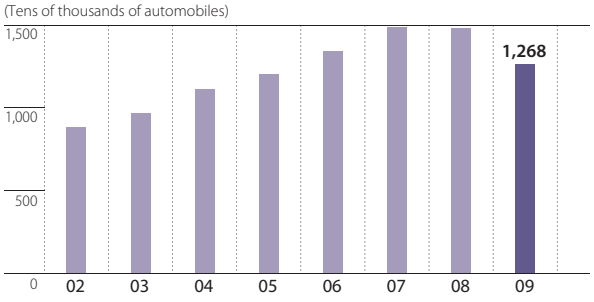
Japanese Automaker Exports



Source: Japan Automobile Manufacturers Association, Inc.

Worldwide Car Transport Volume

(Cargo movements between regions)



Source: NYK Research Group

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

We will work to meet diverse needs by leveraging all of our hardware and further strengthening our intangible resources.

Masahiro Kato
Representative Director, Senior Managing Corporate Officer

Q What measures did the car transport business implement to cut costs in fiscal 2009?

A In addition to streamlining our fleet to match declines in demand, we worked to reduce fuel costs and handling expenses.

In response to the rapid decline in demand from the second half of 2008, we removed about 30 vessels from our fleet before the end of fiscal 2009 by returning some vessels and scrapping others, principally aged vessels, while we launched nine new vessels in fiscal 2009 and increased fleet vessel quality. As a result, we downsized our operating fleet to about 100 vessels in operation at the end of the fiscal year. These decisive measures were attributable to our basic policy for fleet maintenance of fixed-period, fixed-amount ordering. By maintaining a balanced fleet of new and older vessels, we are able to adjust our fleet through such measures as scrapping while keeping a certain fleet size. Moving forward, we will strive for a fleet composition that reflects changes in cargo volumes by focusing on the basic policy of fixed-period, fixed-amount ordering and by avoiding any excess ordering of new vessels, even when high demand is anticipated. In regard to further changes in allocation, we will make judgments as appropriate while tracking future cargo movements.

In addition to slow-steaming for all vessels to reduce fuel consumption, we worked to limit overtime pay. To that end, we conducted loading operations during the daytime on weekdays as much as possible and avoided weekend and holiday work as well as nighttime work.

Q What is the future operating strategy for the car transport business?

A We will work to meet diverse needs by seamlessly linking ocean and land transportation.

Looking at the worldwide automobile market over the medium to long term, there is room for further growth in new-automobile sales, and we expect exports to increase in 2010, centered on emerging economies. The NYK Group wants to provide one-of-a-kind services that meet customer needs, and thereby make NYK the first choice of customers. We will meet transport demand with a marine transport network that is based on the world's largest fleet of pure car carriers, and will efficiently link those operations with other NYK strengths, such as in automobile terminals, land transport, and PDI services. Accordingly, we are expanding the focus of our business scope to include not only marine transport but also land transport. We currently operate 12 automobile terminals around the world, and in 2009 we handled about 3 million finished automobiles. We have established a solid position as an operator with its own automobile terminals. In China, which is posting notable economic growth, we are participating in the operation of terminals in each of the four major ports that can handle finished automobiles: Dalian, Tianjin, Shanghai, and Guangzhou. In this way, we will build a system that can accommodate expansion in exports and coastal transport.

We will also position our terminals as hub ports for the marine transport of finished automobiles and work to expand our hub-and-spoke service network, which links the hubs with the destination ports. For example, Singapore is a hub port in the transport of finished automobiles from Asia and Oceania to the Middle East and Europe. And because using such hubs is more efficient than operating vessels directly from the loading port to the destination port, the hub-and-spoke system contributes greatly to cost reductions for customers. In Belgium and Italy, we operate hub terminals where finished automobiles transported from Asia are transferred to feeder vessels and then transported to destinations throughout Europe. Moving forward, we will focus our creativity and strive to offer customers the optimal transport service.

In addition, at dedicated automobile terminals, we offer value-added services in accordance with customers' needs. These services include storage of automobiles after they are unloaded from vessels, PDI, and installation of parts such as air-conditioning equipment. We are also aggressively expanding land transport to meet customer needs in areas beyond marine transport. Currently, we operate about 800 car carriers on roads around the world, and in 2009 we transported about 1 million finished automobiles. In 2010, we will add more car carriers to our fleet and strive to raise the number of automobiles transported.

Bulk Shipping Business

Dry Bulk Transport

In the dry bulk transport division, the NYK Group transports natural resources that are an indispensable part of global economic activity, such as iron ore, coal, grains, and woodchips. We have one of the world's largest fleets of various types of vessels designed for specific cargo characteristics, including Capesize, Panamax, and Handysize bulk carriers as well as woodchip carriers. Moreover, our safe, high-quality transport services and our global sales and marketing network have earned high evaluations from customers around the world.

Bulk carrier *Ocean Clarion*

Large-scale, specialized ore carrier *Oita Maru*

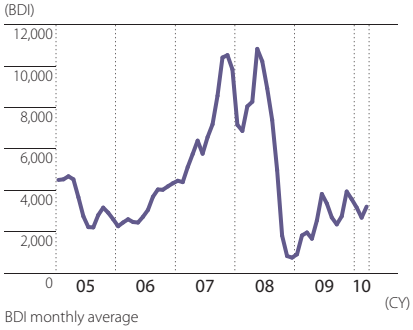
Nature of Business

In the dry bulk transport division, the major clients extend over a wide range and include steelmakers, paper companies, electric power companies, natural resource companies, and trading companies in Japan, Asia, and Europe. We offer these clients safe, stable transport services through the use of sophisticated transport technologies and the provision of detailed information. In recent years, there has been increasing demand for the transport of natural resources to emerging economies such as China and India. Making use of our diverse fleet, we propose the optimal transport services for customer needs, including short-term and long-term contracts for dedicated vessels and transport quantities.

Market Environment

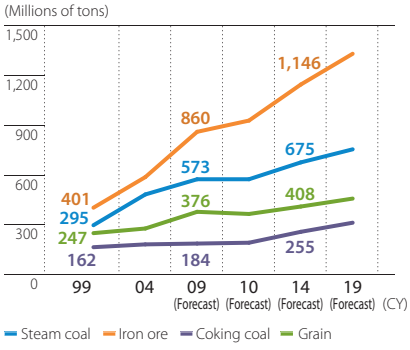
Due to the V-shaped recoveries in emerging Asian markets, centered on China and India, and to improvement in economic conditions in developed countries, global steel and energy demand made a rapid recovery. As a result, seaborne dry bulk cargo volumes began to increase. On the supply side, there had been concern that a large volume of new vessels would be introduced in 2010. However, due to cancelled orders and postponed delivery dates, bulk carrier capacity did not increase by a substantial margin. Additionally, chronic shipping congestion developed in China and Australia. These factors led to improvement in the supply–demand balance. In regard to dry bulk market conditions, although Capesize freight rates were highly volatile, in general freight rates followed a rising trend throughout the fiscal year. The dry bulk carrier division's full-year revenues and earnings were down year on year, but nonetheless the division emerged from its most difficult period.

Dry Bulk Market Trends



BDI monthly average

Volume and Forecast of Dry Bulk Seaborne Trade



(CY)	99	04	09 (Forecast)	10 (Forecast)	14 (Forecast)	19 (Forecast)
Steam coal	295	481	573	573	675	754
Iron ore	401	586	860	928	1,146	1,332
Coking coal	162	179	184	189	255	310
Grain	247	275	376	363	408	456

Source: NYK Research Group

Dry bulk transport is expected to continue to expand, centered on emerging economies, and we will once again advance a growth strategy.

Hidenori Hono
Representative Director,
Senior Managing
Corporate Officer

Q What measures did the dry bulk transport business implement to cut costs in fiscal 2009?

A We have worked steadily to review the cost of new vessels and charter contracts.

Improving cost competitiveness is one of the NYK Group's top priority issues. Our profits have come under pressure from expensive new vessels that were introduced when operating conditions were strong prior to the economic crisis, as well as from high-cost charter contracts. To improve this situation, under the Yosoro Project we have returned high-cost chartered vessels ahead of schedule and scrapped aging vessels, and we have worked to reduce charterage fees by extending the charter period. In addition, we have endeavored to steadily reduce costs, such as by trimming fuel expenses through the implementation of slow-steaming operations. We have done everything we can, and believe that we have achieved a certain degree of results.

Over the long term, we must further increase our cost competitiveness by reducing the average cost of our fleet. To that end, we will carefully track favorable market opportunities and consider placing orders for competitive vessels.

Q What is the future operating strategy for the dry bulk transport business?

A We will work to bolster integrated management of fleet maintenance and grain transport.

We expect continued growth in dry bulk transport, centered on emerging economies such as China and India. In particular, imports of iron ore and coal to China are posting remarkable growth, with imports of iron ore up about 180 million tons and imports of coal up about 90 million tons in a single year. There is still room for further progress in China's infrastructure and inland-region development, and production of crude steel in developed countries has begun to recover. Consequently, global conditions for dry bulk transport are expected to be firm, centered on raw materials for steelmaking. There was concern about the "2010 problem" of a large number of new vessels being put into service, but with strong natural resource transport demand, centered on emerging markets, there appears to be sufficient demand to absorb the new supply, and we do not anticipate a significant adverse influence.

As it expands the scale of its fleet, the NYK Group will work to increase its revenues and profits with combinations of long-term contracts and short-term contracts, including spot contracts. In this way, we will be able to take advantage of opportunities to expand revenues and profits. To secure business in non-Japan-related services, the division has established local subsidiaries in major markets. Through sales initiatives, these local sales forces have already generated substantial results, and moving forward we will further strengthen their sales capabilities.

In the transport of raw materials for steelmaking, we have concluded many long-term contracts with steel companies in Japan, China, and other countries, and will work to secure additional contracts as we move forward. On the other hand, in recent years there has been a notable increase in the extent to which major natural resource companies are advancing into ocean transport. The NYK Group has already established relationships with natural resource majors, and in the future we will further strengthen those relationships.

As a new challenge, we will strive to bolster our grain transport operations, and to that end, we have established a grain team. In the future, we expect growth in this area, including the transport of soybeans and other grains from South America to China. We have already established relationships with grain majors in such areas as the transport of soybean meals to Europe, and on that basis we will build a system to flexibly meet transport needs and enhance our sales and marketing capabilities.

These operations will be centered on Panamax bulkers that are now mainly used to transport coal. At one point, the primary customers for these vessels were steel companies and electric power companies, but in recent years the range of customers has diversified. These vessels are starting to be used throughout the world, so strong demand is expected. Accordingly, in April 2010 we established a unit to conduct integrated management of Panamax bulker procurement and utilization. We will respond quickly to demand trends and conduct prompt, efficient vessel-supply adjustments.

Bulk Shipping Business

Petroleum Transport, Petroleum Product Transport and LPG Transport

The petroleum transport, petroleum product transport and LPG transport division operates very large crude carriers (VLCCs) and Aframax tankers that transport crude oil; product tankers that carry petroleum products; chemical tankers that transport chemical products, inorganic chemicals, animal and plant oils, and methanol; and LPG tankers that carry LPG and ammonia. The division provides transport service for major petroleum companies, petrochemical companies, and energy companies around the world.

VLCC *Tango*

Product tanker
Challenge Prelude

Nature of Business

Approximately 90% of the fleet of VLCCs operates under long-term contracts with specific customers, such as major oil companies from Japan and many other countries, which results in a highly stable profit structure. LPG tankers and chemical tankers, which principally transport methanol, also provide stable earnings under long-term contracts. Product tankers*1 and Aframax tankers*2 have been affected by market changes, but fleet expansion is aimed to accommodate anticipated demand.

The division is implementing thorough measures to ensure safety in vessel operations. With the introduction of the NYK Group's NAV9000 safety standards, safety in vessel operations is being continually supported. The implementation of safety standards is periodically audited, and necessary improvements are administered as needed. In addition, the transition to double-hull vessels has been completed, and environmental-contamination countermeasures are prepared in case of any unanticipated accidents. These initiatives, based on consideration for the environment and safety, have been highly evaluated by our customers.

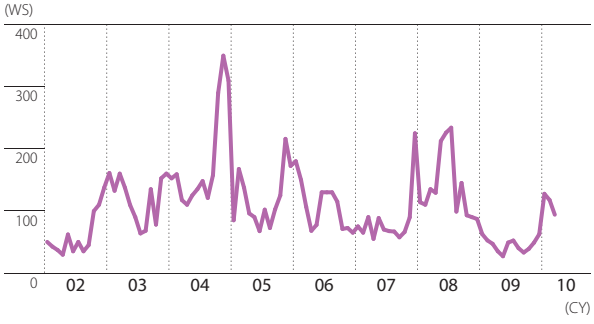
Market Environment

In fiscal 2009, demand in emerging economies, such as China and India, recovered, but oil demand in Europe and North America—the largest markets—was weak. Crude oil and petroleum product inventories remained high, and consequently cargo volumes were sluggish overall. Due to the introduction of many newly built tankers, the market's supply–demand balance did not improve, and as a result, tanker market conditions were slack. However, in the second half of the fiscal year, when demand is typically stronger, market conditions showed signs of turning upward, due in part to cold weather in the northern hemisphere. The division's earnings began to recover in the second half, but for the full fiscal year the division recorded lower revenues and profits than last fiscal year's.

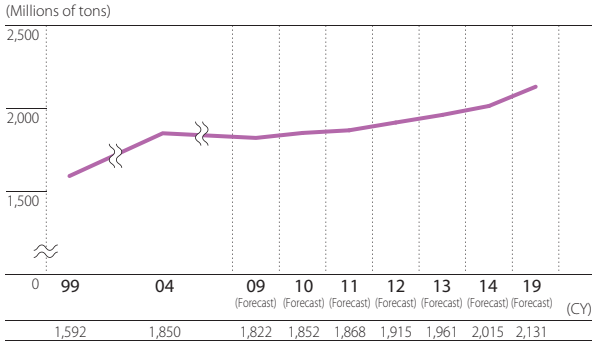
*1. These tankers transport petroleum products, such as gasoline, naphtha, gas oil, kerosene, and jet fuel, and are divided into the following categories: MR (medium range, 25,000–55,000 DWT) and LR (large range, more than 55,000 DWT)

*2. AFRA stands for "average freight-rate assessment" (a rate indicator created by the London Tanker Brokers' Panel); Aframax tankers 80,000–120,000 DWT crude carriers

Oil Tanker Market (Middle East→Japan)



Volume and Forecast of Crude Oil Seaborne Trade



Source: NYK Research Group

We will leverage our global network and assemble the latest information collected directly by employees in every region.

Hitoshi Nagasawa
Managing Corporate Officer

Q What measures did the petroleum transport, petroleum product transport and LPG transport business implement to cut costs in fiscal 2009?

A We reduced maintenance costs by using docks in China.

To operate vessels safely and efficiently, it is essential to conduct periodic dock inspections, which cost considerably. In the past, dock-based inspections and repairs were principally conducted in Japan and Singapore, but in 2009, for an LPG vessel, we used a comparatively inexpensive dock in China for the first time.

A key point in the use of this dock was to ensure that maintenance operations were carried out at an international level. By dispatching personnel from Japan to supervise the work, we were able to ensure quality, and consequently we succeeded in substantially reducing expenses.

Q What is the future operating strategy for the petroleum transport, petroleum product transport and LPG transport business?

A We will work to expand operations by being the first to link the latest information to accurate decision-making.

In fiscal 2010, demand for petroleum and petroleum products is expected to show solid growth, centered on China and other emerging economies. On the other hand, a large number of newly built vessels will be introduced, so supply is expected to continue to exceed demand. In this setting, the division will strive to strengthen its sales system so that we can quickly seize business opportunities when market conditions recover.

In expanding operations, it is essential to secure timely information. For example, in oil-producing countries in the Middle East, there are moves to construct large-scale petrochemical plants and to produce and export high-value-added refined products. If we can be the first to grasp this type of information and promptly prepare proposals that reflect it, we can take advantage of new business opportunities.

Because cargo movements are becoming more complex and diverse in response to changes in the external environment, it is important to be able to respond swiftly to these changes. We will take steps to ensure that employees in every region strive to collect the latest information so that we can leverage our global network and get a head start over our competitors. Through discussions based on the information that we acquire, we can not only facilitate accurate decision-making but also reinforce our customer-oriented proposal and marketing capabilities.

NYK takes delivery of the VLCC *Tsuruga*

In October 2009, *Tsuruga*, a new VLCC built at Imabari Shipbuilding Co., Ltd., was delivered to NYK. The vessel is now used to transport crude oil for Chevron, a major U.S. oil company.

Tsuruga	
Length	332.9 meters
Breadth	60.0 meters
Deadweight tonnage	309,960 tons

Bulk Shipping Business

LNG Transport

The LNG transport division has grown in tandem with Japan's gas and electric power companies since NYK commissioned Japan's first LNG carrier in 1983. Demand for LNG is steadily expanding on a global scale, including not only shipments to Japan but also shipments to Europe and the Americas as well as emerging economies such as China and India. With LNG demand expected to increase further over the medium to long term, we will strive to appropriately allocate our operating fleet to meet diversifying LNG transport needs as we work to be the world's No. 1 LNG carrier.

LNG carrier *Energy Confidence*

LNG carrier *Lusail*

Nature of Business

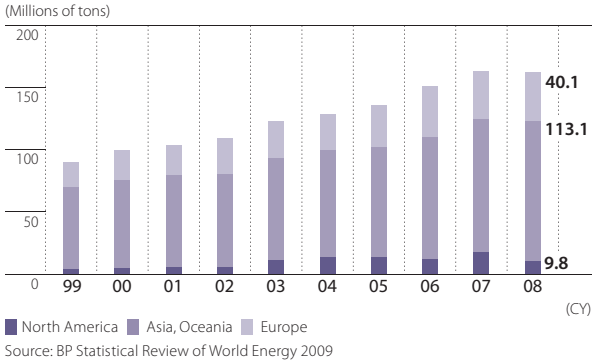
One of the distinctive features of the LNG transport business includes long-term contracts with customers, typically 20–25 years. In the shipping business, market fluctuations generally pose a risk of considerable instability in financial performance, but LNG transport can provide a stable source of revenues. NYK has concluded long-term charter contracts of 20–25 years for many of its LNG vessels, and consequently the division has stable revenues that are less susceptible to market fluctuations. Moving forward, we expect that stable transport volumes based on these long-term contracts will continue to generate steady revenues.

Market Environment

LNG has the lowest CO_2 emissions of any fossil fuel. As an environmentally friendly source of clean energy, LNG is the focus of growing demand around the world. Accordingly, there are active LNG development projects in such areas as the Middle East, Indonesia, Australia, Nigeria, and Sakhalin. However, in 2009 LNG marine transport volume was sluggish. One reason was delayed start-up at certain projects. Another was a rapid rise in the production of more-cost-competitive unconventional natural gas in the United States, where growth in imports of LNG had been anticipated.

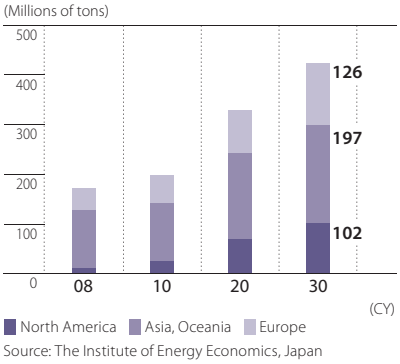
In the LNG transport industry, many new vessels are scheduled for completion, and it will likely be some time before the supply–demand balance is restored. Nonetheless, as the scrapping of aging vessels progresses, it is expected that the world's LNG carrier capacity should peak in 2012 and subsequently decline, resulting in a gradual tightening of the supply–demand balance.

LNG Transactions In the Three Major Markets



Source: BP Statistical Review of World Energy 2009

LNG Demand Forecast



Source: The Institute of Energy Economics, Japan

We will use our strong business foundation and give the highest priority to safety as we strive to meet long-term needs as well as short-term needs.

Hitoshi Nagasawa
Managing Corporate Officer

Q What measures did the LNG transport business implement to cut costs in fiscal 2009?

A While enhancing operational safety, we steadily implemented cost-reduction initiatives by paying keen attention to each expense and consolidating training facilities.

In LNG transport, safety is the overriding priority. It is necessary to maintain a sophisticated ship-management system while taking steps to strengthen cost competitiveness. Our current ship-management system comprises two companies: NYK LNG Shipmanagement (Japan) and NYK LNG Shipmanagement (UK). Rather than outsourcing ship management to third parties, we are working to maintain the trust of customers with a focus on world-class safety and cost competitiveness achieved through in-house management. By placing the ship-management function in separate companies and thereby increasing cost-structure transparency, we are aiming to raise quality as well as reduce costs. Moving forward, we will target further gains in administrative efficiency by considering fundamental revisions of our organizational structure, including possible consolidation initiatives with ship-management companies in other regions.

We are also working to enhance the quality of our seafarers. We use our own facilities for all LNG vessel training, which demands a high level of expertise from onboard crew members. In fiscal 2009, by consolidating multiple training centers into a center in Singapore, we reduced training expenses and lowered operating costs. In addition, we are making steady efforts to reevaluate operating costs, which are the key for our participation in future LNG development projects.

Q What is the future operating strategy in LNG transport?

A We will work to raise the quality of our ship management and aim to expand long-term contracts.

Because LNG transport is based primarily on long-term contracts, participating companies need to maintain systems that facilitate stable, safe operations over extended periods of time. In ship management as well, companies that do not meet the TMSA (Tanker Management and Self Assessment*1) standards set by the oil majors are not eligible to participate in new projects.

Based on the high-quality ship-management system that it has cultivated, the NYK Group will work to secure stable earnings while maintaining relationships of trust with a wide range of customers, such as Japan's gas and electric power companies, global gas and oil majors in Europe and the Americas, as well as customers in such regions as Taiwan, Sakhalin, and Nigeria. Our fundamental policy is to develop our operations on a base of long-term contracts. However, in regions where demand is expected to increase, such as in China and other Asian countries, we will also seek spot contracts and work to achieve a balanced earnings structure.

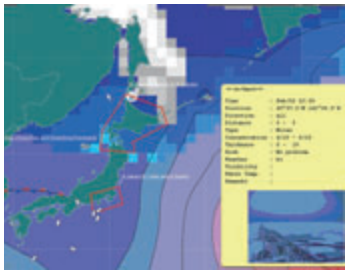
In regard to fleet expansion, we plan to increase the number of NYK-participating vessels*2 to 71 by fiscal 2011, including 38 vessels managed by NYK. Our fleet of NYK-participating vessels makes up about 20% of all LNG carriers in the world. We are aiming to be the world's largest LNG marine transport company, and in that endeavor we will focus not only on operational scale but also on simultaneously enhancing both quality and earnings.

*1. TMSA (Tanker Management and Self Assessment): standards for tanker companies prepared by the Oil Companies International Marine Forum (OCIMF), a shippers' organization centered on the oil majors

*2. Vessels jointly owned, managed, or operated by NYK (LNG tankers are frequently jointly owned by multiple companies)

Introduction of a Navigation System for Ice-Covered Seas on LNG Tankers Bound for the Russian Far East and Sakhalin

During the winter season, sea-ice conditions can pose potential problems for vessels calling at and departing from ports in the Russian Far East and Sakhalin. These problems include damage to vessel hulls and damage that renders vessels inoperable. Therefore, it is essential that both operation-management divisions and vessels in service share up-to-date, accurate information on weather and sea conditions for use in everything from navigation planning to deciding whether cargo handling is possible. That is why the NYK Group and Weathernews Inc. have jointly developed and introduced the world's first navigation system for ice-covered seas, one intended for LNG tankers going to the Russian Far East and Sakhalin. This is also the world's first system to employ live reports sent in real time from vessels in operation. The new system can be monitored on the *NYK e-missions'* integrated operation management system. For further information about *NYK e-missions'*, please refer to page 27.



Logistics Business

The logistics business offers comprehensive global-logistics services through NYK Logistics,* whose operations are centered on warehousing, delivery, and ocean forwarding, and through Yusen Air & Sea Service Co., Ltd. (YAS), which chiefly handles air forwarding. These two companies will be merged into Yusen Logistics, starting with operations in Japan in October 2010. Operational bases in other countries will be gradually merged in the future.

*** A group of consolidated subsidiaries that promote overland logistics services worldwide under the same brand name.**

Interior of warehouse in Kolin (Czech Republic)

Truck during reloading operations

Nature of Business

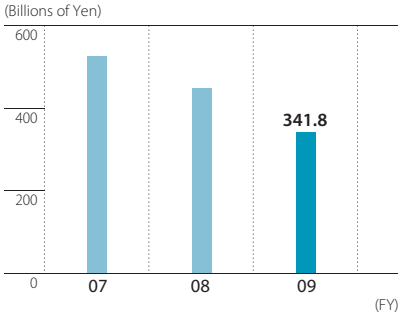
NYK's logistics segment has bases in each region of the world and operates 308 distribution centers with a total floor space of 2.34 million square meters (equivalent to 327 soccer fields), making the segment one of the largest among Japanese logistics companies. The segment offers comprehensive services that facilitate an overall optimization of logistics, including: product and cargo pickup; warehouse storage; logistics processing such as inspection, sorting, labeling, and repackaging; delivery to designated recipients; and IT-based supply chain management. We also provide a wide range of other services such as land transport by truck and train, customs clearance, ocean and air freight forwarding using the space of other companies, and services to facilitate arrangement for shipping and loading of goods in the country of export on behalf of importers. Through the use of this network of diverse transport and logistics services over ocean, land, and air, the NYK Group is providing solutions that meet customer needs for reduced inventories and shorter transport lead times.

Market Environment

In the first half of fiscal 2009, handling volumes declined significantly under the adverse influence of the global economic recession. In the second half, however, cargo movements gradually picked up, and against a backdrop of firm economic growth in emerging economies, such as China, there was a marked trend of recovery in distribution volumes in the Asian region. Moving forward, we expect continued growth in cargo movements in Asia, and also anticipate gradual expansion in distribution volumes in the Americas and Europe, where the recovery had been delayed.

NYK Logistics recorded improved results in Asia, but that gain was not enough to offset the weak results in the Americas, Europe, and Japan. Overall, results at NYK Logistics are improving, but were nonetheless down year on year. Results at YAS were also below those of the previous year, on weak global demand for air cargo transport and air freight rate increases implemented in the second half of the year. As a result, the logistics division recorded revenues of ¥341.8 billion, down 23.7%, and operating income of ¥1.2 billion, a decrease of 75.6%.

Logistics Revenues



Number of Distribution Centers

NYK Logistics

(Locations)

	2005	2006	2007	2008	2009
Japan	20	21	21	22	23
Asia, China	52	63	66	70	78
Oceania	13	13	11	9	7
The Americas	24	24	25	32	30
Europe	67	69	67	68	59
World total	176	190	190	201	197

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

Yusen Air & Sea Service

(Locations)

	2005	2006	2007	2008	2009
Japan	19	19	22	20	18
Asia, China	30	37	43	44	44
Oceania	2	2	3	3	3
The Americas	25	25	25	25	24
Europe	22	22	21	21	22
World total	98	105	114	113	111

We aim to advance as a comprehensive global-logistics provider with world-class scale and service quality by leveraging our global network covering ocean, land, and air.

Hidetoshi Maruyama
Corporate Officer

Q What measures did the logistics business implement to cut costs in fiscal 2009?

A We implemented thorough cost-cutting measures, such as consolidating warehouses and reducing overheads.

To eliminate excesses in spending, we started by taking steps to ensure that we had an accurate understanding of the current situation. The scale of our operations had grown steadily until the outbreak of the economic crisis. In the past year, we clarified areas where excess assets had been generated during the expansionary phase, and areas that were not necessary for our growth strategy moving forward. We then worked to cut fixed expenses. We steadily took steps to make rigorous cost cuts, such as consolidating warehouses with low utilization rates and reducing payments to subcontractors as well as various overhead expenses. In this way, we increased operational efficiency.

Consequently, despite the fact that cargo movements were sluggish worldwide due to the economic crisis, we succeeded in generating a profit for the year. We will continue to implement these types of cost cuts in fiscal 2010.

Q What is the future operating strategy for the logistics business?

A We aim to be a comprehensive global-logistics provider with world-class scale and service quality.

In recent years, there has been expansion in customer needs related to the globalization of distribution and procurement logistics and to overall logistics optimization. To meet those needs, the NYK Group will gradually merge the operations of NYK Logistics and YAS to create Yusen Logistics, with a target date of March 2012. We aim to be a comprehensive global-logistics provider with world-class scale and service quality. We will have two essential elements—ocean and air freight forwarding*1, and contract logistics*2 including warehousing, land transport, and consolidation services*3.

Through the merger, we will establish a system for the comprehensive proposal of logistics services covering ocean, land, and air; we will also make full use of synergy effects resulting from the merger, such as the realization of increased operational efficiency and the establishment of a well-balanced operational configuration. In addition, customers' global operations have become increasingly complex in recent years, and in response we will provide logistics services that resolve the challenges our customers face.

Moving forward, we will endeavor to increase volume in ocean freight forwarding, which we will position as a complement to the liner trade. We will regard container cargo transport as a business comprising two essential elements: actual transport in containerships, which is an asset business, and ocean forwarding, which is a non-asset business. We will build an optimal portfolio by raising the contribution of non-asset services. In securing stable revenues and profits while responding flexibly to the risk of worsening economic conditions, we believe that a substantial level of non-asset contribution will be ideal. Currently, these operations contribute less than 10%, and accordingly we will move at a faster pace as we work to expand handling volumes in the years ahead.

In addition, we will also devote resources to the development of professional employees who can readily make proposals for comprehensive global-logistics services. It is extremely important that we have the ability to accurately grasp the problems faced by our customers and to flexibly create comprehensive solutions that resolve those problems. To develop these types of proposal capabilities, employees must not only acquire knowledge through training and other means but also have direct experience in multiple areas, such as in warehousing and front-line sales positions. The personnel exchanges between Group companies that we are currently implementing are one facet of our efforts in this area. In the future, we would like to leverage our creativity in such areas as personnel allocation and accelerate the enhancement of our sales capabilities.

*1. Operations that do not own the actual means of transport but rather use those of other companies to transport the cargo received from customers

*2. A business whereby long-term contracts are concluded and overall optimization of customer supply chains is achieved through the provision of logistics services

*3. A service whereby products purchased from multiple factories are consolidated at the shipping port where they are then loaded and shipped to customers such as retailers

Terminal and Harbor Transport Business

The terminal and harbor transport business operates container terminals in major regions around the world. These terminals are intermediate bases in the provision of seamless ocean and land transport. Through an operational system that is managed at an advanced level, the division provides safe, accurate, and quick cargo handling at container terminals and thereby contributes to enhanced service quality in the NYK Group's containership operations. The division also conducts tugboat operations in Japan.

Container cargo handling

Self-managed terminal at the Port of Los Angeles

Nature of Business

The division's mainstay container terminal business operates a total of 15 terminals in Japan and other countries. Leveraging the operational know-how that we have cultivated over many years in Japan, we are working to meet the high-level requirements of users at these terminals. In terms of efficiency, accuracy, and safety, we are taking steps to raise the level of our service and to ensure uniform service quality at all locations. In addition, we are moving forward with environmental initiatives. At some terminals, for example, we have already introduced cargo-handling equipment that is highly effective at reducing CO_2 and NO_x emissions.

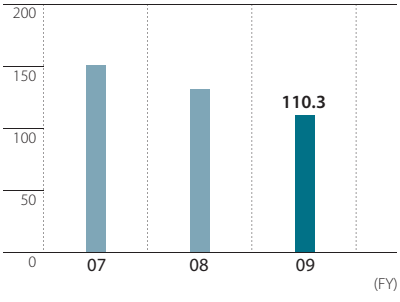
Market Environment

In fiscal 2009, container terminal handling volumes declined significantly year on year as a result of sluggish container cargo movements accompanying the global economic recession. In particular, a decline in port calls by Grand Alliance vessels due to service adjustments on North American and European routes had a substantial adverse effect. As a result, the terminal and harbor transport business recorded revenues of ¥110.3 billion, down 16.5%, and operating income of ¥3.3 billion, a decline of 45.0%.

Due to the adjustments in container transport services, a rapid improvement in cargo-handling volume is unlikely in fiscal 2010, but gradual gains are expected due to robust economic growth in Asia and a moderate economic recovery in Europe and the Americas.

Terminal and Harbor Transport Revenues

(Billions of Yen)



NYK's Handling Volume and Number of Container Terminals

(Years ended December)

	2004	2005	2006	2007	2008	2009
Terminal Operations						
Millions of TEUs	5.6	5.5	5.7	6.2	6.4	5.9
No. of terminals	13	14	13	13	14	15
Stevedoring Operations						
Millions of TEUs	2.6	2.9	2.6	2.6	2.7	2.5
No. of terminals	19	20	21	19	20	18
Total						
Millions of TEUs	8.3	8.4	8.3	8.8	9.1	8.4
No. of terminals	32	34	34	32	34	33

We will work to increase cost-competitiveness, raise operational efficiency, and further improve the service level of our operations.

Toshinori Yamashita
Representative Director,
Senior Managing Corporate Officer

Q What measures did the terminal and harbor business implement to cut costs in fiscal 2009?

A We reevaluated all of our expenses across the board and implemented thorough cost reductions.

In the past, the cargo-handling volume in container terminal operations increased steadily in tandem with global container cargo movements. However, accompanying the recent economic crisis, the handling volume declined rapidly, and in response we reevaluated the appropriate scale and cost structure for our operations. First, in Japan we took steps to reduce fixed expenses and implemented thorough, across-the-board cost reductions, including steps to reduce general and administrative expenses and increase efficiency by reevaluating operations. In this way, we were able to implement cost cuts that exceeded our initial projections.

In other countries as well, we worked to improve operational efficiency and took steps to cut costs, such as reducing general and administrative expenses, and negotiating reductions in terminal lease payments. Our wide-ranging initiatives even extended to reducing fuel expenses for loading equipment.

Q What is the future operating strategy for the terminal and harbor business?

A We will work to differentiate our services by strengthening the intangible aspects of our operations, such as improving operational efficiency.

In the terminal business, there is very little difference between companies in terms of their tangible assets, such as equipment. That means we cannot differentiate our operations simply through cargo loading and unloading, and accordingly it is important to strengthen the intangible aspects of our operations, such as the provision of high-quality services at a low cost. For example, when a ship arrives, if we cannot quickly and appropriately deliver a container to the customer who has come to pick it up, then the customer will not continue to choose the NYK Group. That is why we will work to further improve cost competitiveness, raise operational efficiency, and further improve these intangible aspects of our operations.

We will consider new terminal investment when there are attractive business opportunities, without limitation as to region. In making investments, our basic policy is to focus on regions where redevelopments of port infrastructure are expected and solid growth in handling volume is anticipated. Currently, we are looking into countries such as Vietnam and India, where rapid economic growth is driving expansion in distribution volumes. Moving forward, we will seek development in these areas while considering economic conditions.

We will also implement regional strategies tailored to specific markets. In North America, we will work to steadily capture cargo demand, which is expected to increase as the economy picks up. On the other hand, at terminals in Asia, cargo-handling volumes have recently started to expand. We will strive to steadily increase handling volumes by capturing cargo demand not only in the core liner trade to Europe and the United States but also in regional feeder services.

Solar Power Generation Equipment in Operation at a Container Terminal

CIS solar cell* equipment is highly anticipated as next-generation solar cell equipment. We installed this equipment at NYK Tokyo Container Terminal—the first installation of CIS solar cell equipment at a terminal in Japan—and began full-scale operations on April 1, 2010. This large-scale, 135-kilowatt solar power generation equipment is environmentally friendly and has an annual power generation capacity of about 130,000 kilowatts, equivalent to about 1% of the terminal's power use.

* The term CIS is formed from the initial letters of its three elements—copper, indium, and selenium. This thin-film compound solar cell is superior to conventional solar cells in its excellent absorption of sunlight.

Overview of Solar Power Generation Equipment	
Name	Terminal solar power generation system
Area	1,317 square meters
Solar panels	1,590 panels (671mm x 1,235mm)
Power–generating capacity	135.15kW
Annual power generation capacity	About 130,000kWh

Cruise Business

In the cruise business, NYK offers services through subsidiaries in Japan and in the United States. NYK Cruises Co., Ltd., based in Japan, operates *Asuka II*, the largest cruise ship targeting the Japanese market, and Crystal Cruises, Inc., based in the United States, operates *Crystal Symphony* and *Crystal Serenity*, which serve international clientele in the luxury cruise segment, with the majority sourced from North America. We take pride in our products, which receive high recognition from guests.

Asuka II

Crystal Symphony

Nature of Business

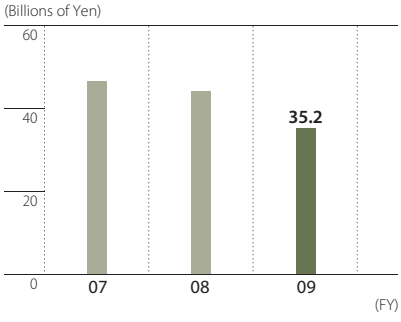
In the cruise business, evaluations from individual guests are highly important, where the key to acquiring loyal guests who repeatedly come back to our products is to ensure that guests fully enjoy our services while they are on board. Our fundamental mission is to create cruises of unrivaled quality and to make sure that guests have delightful and memorable experiences; we make continual efforts to enhance the quality of our services and hardware.

Market Environment

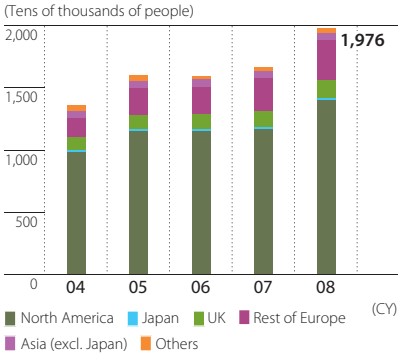
While cruise products do not currently account for a large share within overall travel products, with interest in cruises increasing each year around the world, the cruise business boasts considerable growth potential. The cruise markets have expanded since the mid-1980s, mainly in North America and Europe. In North America the number of cruise guests has grown from about 2.5 million in 1985 to about 14 million today. At the same time, the cruise population is increasing steadily in Europe, mainly the United Kingdom and Germany, as well as in Asia.

However, in fiscal 2009 our business environment, significantly affected by the global financial crisis, remained challenging. In the United States, sales declined substantially as consumers put off purchases of high-end products. On the other hand, in Japan, sales of cruises on *Asuka II* were favorable in the summer season, at about the same level as in the previous year, while revenues in the second half of the fiscal year declined, due in part to typhoon-related cancellations. On the cost side, we implemented various initiatives to reduce expenses such as vessel-repair expense. Overall, the cruise business recorded revenues of ¥35.2 billion, a 20.5% decrease from the previous year, and an operating loss of ¥3.7 billion.

Cruise Revenues



Global Cruise Population



Source: "Complete Guide to Cruising & Cruise Ships 2009"

Ranking: Berlitz "Complete Guide to Cruising & Cruise Ships 2009"

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

We will make continuous efforts to differentiate our products as a leading cruise ship operator with the best hardware and service quality.

Masahiro Kato
Representative Director,
Senior Managing
Corporate Officer

Q What is the future operating strategy for the cruise business?

A We will further refine and differentiate our products in both tangible and intangible aspects.

Worldwide, cruises are generally divided into three major segments; Crystal Cruises is categorized in the highest segment—luxury. Our brands have been applauded by guests around the world, not only for the tangible aspects of our operations but also for our heartfelt services and other intangible factors. The NYK Group's cruise business plays an important role in the overall enhancement of NYK's brand image, and moving forward we also would like to make a contribution to the Group's profits as well. While fiscal 2009 ended with an unsatisfactory result, to our regret, the key target in our future strategy is to steadily generate profits close to the level achieved in fiscal 2007, our best year ever. We will make continuous efforts to differentiate our products from those of our competitors and thus secure our position as a world-leading cruise ship operator in the quality of both hardware and services.

In service quality, we will strive for further enhancement. With a high priority on educating our personnel, we conduct periodic trainings that emphasize our principles and philosophy, aiming that our diverse workforce, representing a broad array of cultures and customs, can share values and work together as a team. On *Asuka II*, we are planning to upgrade the customer relations management system in order to better respond to each specific requirement of our guests. Through these initiatives, we are aiming to enhance guests' convenience and satisfaction.

In sales, Crystal Cruises marked its 20th anniversary in 2010 with special campaign fares. We took steps to increase the number of guests with various campaigns, such as providing package plans including air flights between the guests' home cities and the ports of embarkation and disembarkation. As a result, 2010 reservations have been increasing, with a broader range of guests and more frequent cruising by each guest. Sales of cruise products in the United States are significantly linked to trends in the stock market, and because stock prices are on a recovery course, we anticipate a growth trend in reservations in the future.

For hardware, we completed a major renovation of *Crystal Symphony* in November 2009, and of *Asuka II* in January 2010. The latter includes a complete renovation of the royal suites, the highest category of suites on *Asuka II*. We will continue to implement required capital investment so that our cruise ships are maintained in the best condition to ensure the satisfaction of our guests. The introduction of new ships, on the other hand, will be decided in consideration of the profit trends in the cruise business.

We believe that the customer-oriented spirit that we have cultivated over the past 125 years is an exceptionally valuable asset in the operation of cruise ships. Moving forward, we will maintain and strengthen our top brand, expand the appeal of cruises, and work to contribute to the ongoing creation of "cruise culture."

Crystal Cruises has Received a Large Number of Awards.

Readers of *Condé Nast Traveler*, a major U.S. travel magazine, voted Crystal Cruises as the Best Large-Ship Cruise Line 16 times, while readers of *Travel + Leisure* selected Crystal Cruises as World's Best Cruise Line 14 years in a row. Crystal Cruises has also received a large number of awards from travel industry magazines and travel agents. With intensifying competition in the industry and increasing expectations from guests, these types of high evaluations by guests are highly significant.

In the environmental area, in April 2010 we received the Venice Blue Flag Award for the third year in a row. Our voluntary use of low-sulphur fuel, implemented with the objective of preserving the Venice environment and buildings with high artistic value, was highly evaluated.

Air Cargo Transportation Business

In the air cargo transportation business, Nippon Cargo Airlines Co., Ltd. (NCA), a consolidated subsidiary of NYK, provides international air cargo services. This business is centered on flights between Japan and North America, Europe, and Asia. On these routes, NCA utilizes large widebody freighters and partnerships with airlines around the world.

Interior of New hangar (Narita)

Boeing 747-400F

Nature of Business

NCA currently operates eight of the latest Boeing 747-400F aircraft. To support safe operations, NCA utilizes its own fleet operation and maintenance systems. The company is working toward becoming an air cargo specialist with a leading position in global markets in terms of costs and service quality. With its current fleet of eight aircraft, NCA is targeting to reach break-even at the recurring level in fiscal 2011, and moving forward the company plans to introduce the next-generation Boeing 747-8F cargo freighter.

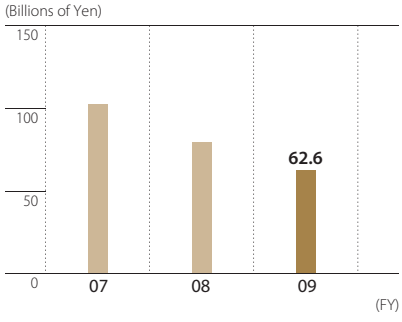
Market Environment

In the first half of the fiscal year, NCA was adversely affected by the sluggishness in the air cargo sector that has continued since fall 2008. From the second half, however, air cargo movements recovered to a certain extent, rising about 30% year on year. Cargo movements have begun to pick up, but in comparison with the peak in fiscal 2007, movements still remain about 20%–30% lower, and returning to the former peak level will require some time.

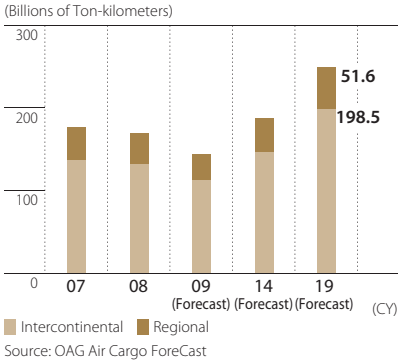
On the supply side, several major companies have withdrawn from the Japan–U.S. cargo market and supply capacity has declined substantially, and as a result, the supply–demand balance is recovering.

In revenues and expenditures, although NCA responded to rising fuel prices with fuel surcharges and increased scheduled flights and charter flights in line with the recovery in demand in the second half, revenues for the full fiscal year were down year on year due to recovery in demand being moderate. In response to these challenging conditions, we implemented thorough cost reductions, including aircraft-operation and maintenance expenses, and consequently the recurring loss improved in comparison with the previous fiscal year. As a result, in the year under review revenues in the air cargo transportation business were down 21.2%, to ¥62.6 billion, and operating loss was ¥15.4 billion.

Air Cargo Transportation Revenues



Air Cargo Demand



Source: OAG Air Cargo ForeCast

We will use our flexibility as a cargo airline and work to steadily capture expanding demand.

Hitoshi Oshika
Corporate Officer

Q What measures did the air cargo transportation business implement to cut costs in fiscal 2009?

A We implemented rigorous cost reductions, such as increasing the percentage of on-time flights and raising aircraft utilization.

Since air cargo transportation is an asset-heavy industry with a high fixed-cost ratio, there are limits to what can be achieved simply by reducing unit-transportation cost. In addition, cost-reduction initiatives must not have any influence, no matter how small, on operational safety.

Given these characteristics of the air cargo business, we worked to increase the utilization rate of our aircraft. As a result, we increased the number of operating hours per aircraft per day from 11.6 hours in the first half of the fiscal year under review to 13 hours in the second half. We fine-tuned our aircraft arrangements and aggressively implemented charter flights utilizing the standby time between scheduled flights. In this way, we were able to make full use of our flexibility as a cargo airline, which is an advantage we have over the cargo operations of passenger airlines, as well as our own operational and maintenance systems. These initiatives were a major factor in the improved aircraft-utilization rates. Going forward, we will revise our fleet-operation system as needed, including charter flights, and will work to boost our earnings capacity through higher aircraft-utilization rates.

Moreover, we focused on maintaining on-time flights, and achieved an on-time ratio of more than 90%, placing us in the top ranks of the industry worldwide. Flight delays increase costs; therefore, a strict observance of schedules and standardization of operations are important means of controlling expenses. We also consolidated work sites and airport-based cargo-handling facilities. In northern Europe, we combined the Frankfurt base into Amsterdam, and in Japan we consolidated related facilities at Narita into a new hangar.

Q What is the future operating strategy for the air cargo transportation business?

A In Asia, which is posting strong growth, we will aggressively develop our operations and expand our use of charter flights.

Strong growth is expected in the Asian market, also for air cargo, and we believe that aggressive business development in Asia will be the key to growth for NCA. In particular, we expect growth in air cargo demand from Asian countries, centered on China, to Europe and North America. NCA will leverage its strengths as a dedicated air cargo company—its flexibility and cost competitiveness—to steadily meet expanding demand. We will also continue to expand the charter flights that we aggressively launched in the year under review. There is still substantial room for growth in the charter business. Our fleet-operation system can flexibly adapt to changing circumstances, and we will use that flexibility as a key asset in our efforts to capture new cargo demand. As mentioned above, expanded charter flights not only generate higher revenues but also lead to cost reductions on account of higher aircraft-utilization rates.

Conditions in our operating environment have bottomed out and turned upward, but nonetheless the environment remains challenging. As we step up our initiatives in the areas of on-time flights and safe operations, we will continue working to achieve further gains in cost competitiveness. Freight rates remain sluggish, and therefore it is difficult to secure profits, even with cost-competitive operations. We believe that improved freight rates in some form will be necessary. NCA, which plays a key role in the NYK Group's comprehensive global-logistics strategy, will offer customers high-quality transport services that support the establishment of efficient supply chains. In this way, we will strive to achieve customer acceptance of rates that are aligned with the added value of our services.

Real Estate Business, Other Business

The real estate business focuses on the management of real estate owned by NYK and its Group companies involved in the real estate business. In fiscal 2009, in sluggish market conditions, the real estate business recorded higher revenues and profits as a result of maintaining high occupancy rates at major office buildings.

The other business segment comprises NYK Trading Corporation, which primarily handles the sale of petroleum products and ship equipment, as well as the businesses of consolidated subsidiaries engaged in such fields as shipping-agency services and restaurant/sightseeing operations. In fiscal 2009, the trading business was affected by a lower handling volume and a decline in prices for bunker oil. In addition, the manufacturing and processing business was also affected by sluggish market conditions. As a result, the segment recorded lower revenues and profits compared with the previous fiscal year.

(Billions of Yen)

		2007	2008	**2009**
Real Estate Business	Revenue	11.5	11.7	**12.2**
Other Business	Revenue	205.1	207.9	**156.0**

(FY)

Topics: Entering Offshore Business

Drilling Ship

Nature of Business

In October 2008, we established the Offshore Business Group and made an entry into offshore business. In June 2009, we decided to participate in a drillship charter project for the exploration of offshore oil and gas fields, and we invested in Etesco Drilling Services LLC (EDS), which was established by Etesco Construções e Comércio Ltda. of Brazil. The drillship will be chartered by Petrobras from 2012 for ultra-deepwater drilling in the pre-salt region of Brazil.

We are also looking into the business area of floating production, storage, and offloading units (FPSO) and floating storage and regasification units (FSRU). Our target is to succeed in 10 projects by 2018. We will work to make this business area an established NYK division, one that like crude oil and LNG transport brings a stable source of revenues.

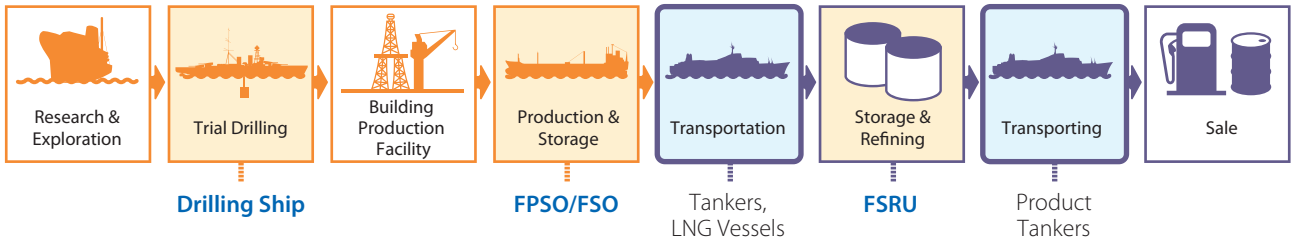
Our Experience Will Drive the Offshore Business

The majority of oil and natural gas is produced from land or shallow-water fields, but we can no longer expect new discoveries in those areas. Instead, deepwater fields are expected to expand as a new source of crude oil and natural gas.

NYK Group companies have been involved in the operation of the oceanographic research vessel *Mirai* and the deep-sea drilling vessel *Chikyu*, which are owned by the Japan Agency for Marine-Earth Science and Technology (JAMSTEC). This experience gave us the opportunity to become accustomed to drillship operation and the expertise necessary in the operation. One of the special skills is capability to keep the vessel in a fixed position for months and more in an unstable environment of winds, waves, and sea currents. This expertise is also important in commercial drillship operations. For other know-how, the NYK Group has long and vast experience in ship management and special skills in the handling of such dangerous cargo as crude oil, LNG, and LPG.

NYK believes the offshore-related business will strengthen our relationships with existing customers in both upstream and downstream areas thanks to the synergy effect with other divisions' businesses. Given the outlook that offshore oil and gas development is expected to accelerate further in the years ahead, the NYK Group will work to expand and develop the business into a major source of revenues.

Process for Offshore Business



Upstream → Downstream

Operations currently providing transport services

Operations targeted for future entry

FPSO: Floating, Production, Storage and Offloading unit
FSO: Floating, Storage and Offloading unit
FSRU: Floating, Storage and Regasification Unit

Toward Sustained Growth

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

Corporate Governance

(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. The Board of Corporate Auditors oversees the Auditing Department, which comprises full-time corporate auditors.

The Board of Directors consisted of 16 members, of whom two were outside directors, on March 31, 2010. The Board is responsible for making decisions on legal matters, formulating major management policies and strategies, and supervising the execution of operations. NYK maintains an executive officer system. The Committee of Corporate Officers comprises 43 members, including officers who concurrently serve on the Board of Directors. (But outside directors do not concurrently serve as executive officers.) Members of this committee execute operations based on resolutions and under the supervision of the Board of Directors.

Matters of particularly critical importance from the perspective of management strategy are discussed by the Executive Committee for Strategic Management, which consists of members at the level of senior managing director or above. This committee provides direction for the Board of Directors. Meanwhile, the NYK Group Conference of Presidents seeks to enhance Group–wide 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.

(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.

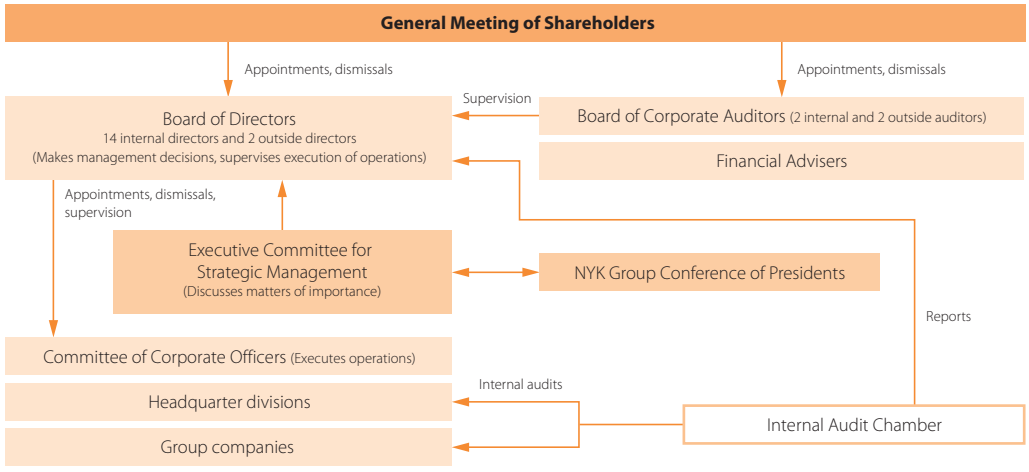
Frequency of Committee Meetings

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

■ Executive Committee for Strategic Management

The Executive Committee for Strategic Management, as a general rule, is composed of directors at the rank of senior managing corporate officer and above. The committee

Corporate Governance Organizational Chart (As of March 31, 2010)



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.

(3) Executive Compensation

Classification	Number of people	Compensation
Directors (Amount allocated to outside directors)	18 (2)	¥573 million (¥36 million)
Corporate Auditors (Amount allocated to outside corporate auditors)	5 (2)	¥90 million (¥24 million)
Total	23 (4)	¥663 million (¥60 million)

(4) Auditing System

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

All four corporate auditors, including the two outside corporate auditors, undertake auditing activities in accordance with audit plans determined by the Board of Corporate Auditors. These activities include attending Board of Directors' meetings and other important sessions; ascertaining the status of duties executed by directors, the Internal Audit Chamber, and other personnel and corporate sections; and examining paperwork, such as important approval documents. The Corporate Auditor's Chamber, staffed by two full-time auditors, 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 two-way 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 with them. They also meet with the Internal Audit Chamber on a regular basis and convene meetings with the independent auditor, thereby strengthening communication between all three audit-related groups.

The certified public accountants who audit NYK's books are Takashi Nagata, Yuji Itagaki, Toshiharu Matsuura, and Toru Igarashi, all of whom are with the accounting firm Deloitte Touche Tohmatsu LLC and have been auditing the Company's accounts for less than seven consecutive years. These four accountants are assisted by 15 certified public accountants and 49 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

(Millions of Yen)

Classification	Fiscal 2008		Fiscal 2009	
	Compensation paid for audit certification activities	Compensation paid for non-audit activities	Compensation paid for audit certification activities	Compensation paid for non-audit activities
Filing company	155	21	150	32
Consolidated subsidiaries	132	17	141	—
Total	287	39	291	32

■ 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 consulting fees for internal control projects.
- Fiscal year under review
  Compensation for non-audit activities of certified public accountants and others engaged in audits of the Company consisted of fees related to stock issuance and other activities.

■ **Policy for determining auditor compensation**

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

(6) Relationship with Outside Directors and Outside Corporate Auditors

■ **Past years' transaction relationships, conflicts of interest**

NYK had no conflicts of interest with the two outside directors and the two outside auditors as of March 31, 2010.

■ **Attributes and experience of outside directors and outside corporate auditors**

At the 122nd General Meeting of Shareholders, which was held in June 2009, Yukio Okamoto and Yuri Okina were reappointed as outside directors, and Hidehiko Haru and Takaji Kunimatsu were reappointed as outside corporate auditors. Yukio Okamoto, who is president of Okamoto Associates, Inc., offers opinions based on his wide-ranging knowledge and insight as a specialist with thorough knowledge of international affairs. Yuri Okina, who is Counselor of The Japan Research Institute, Ltd., offers opinions as a specialist with thorough knowledge of economics and financial affairs. Hidehiko Haru, who is a former vice-president of the Tokyo Electric Power Company, Inc., has wide-ranging knowledge and insight, based on abundant experience and achievements in company management and financial policy, that are utilized in the Company's auditing. Takaji Kunimatsu, who is a former commissioner of the National Police Agency, has experience, and advanced insight cultivated through that experience, principally in government service, that are utilized in the Company's auditing.

■ **Attendance at meetings of the Board of Directors and other important meetings**

Outside Directors

Name	Attendance at Board of Director's Meetings (Number of meetings attended/ Total number of meetings)
Yukio Okamoto	17/19
Yuri Okina	18/19

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	17/19	15/15
Takaji Kunimatsu	19/19	15/15

2. Internal Control System

(1) Internal Control Activities

The Internal Control Committee was established with cross-sectional functionality spanning related internal departments in order to strengthen compliance with internal control under the Japanese Company Law, the Financial Instruments and Exchange Law, and other laws. The committee's principal functions are ensuring compliance, the reliability of financial reports, and the effectiveness of auditing; managing risk; advancing appropriate Group management; implementing IT oversight and information management; and facilitating effective operational execution by executives. We are strengthening our systems, formulating internal bylaws, and creating operational manuals so that the committee is better able to prevent illegal and improper behavior while facilitating the appropriate and efficient operation of our business units.

(2) Internal Control Related to Financial Reporting

In regard to internal control related to financial reporting, the NYK Group has designed and operates an internal control reporting system in conformance with the implementation 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 150 domestic Group companies. Internal audits of about 220 overseas Group companies

are implemented by internal auditors at five regional management companies overseas (the Americas, Europe, East Asia, South Asia, and Oceania), and reports are made to the Internal Auditing Chamber and the heads of regional management companies. In addition, NYK sub-subsidiaries with management rights and NYK subsidiaries and affiliates in which NYK's ownership is less than 50% are also subject to audits. These companies, including international Group companies, are audited about once every three years. At the same time, these audits are supplemented with annual investigations of domestic and international Group companies implemented through written questions.

■ Major auditing activities in fiscal 2009

1. Group companies audited: regular audits of 35 domestic companies, 112 international bases
2. Audits of divisions and branches at NYK's head office
3. Audits of confirmation documents related to production of the Yuho Securities Report and quarterly reports
4. Auditing of payment control at domestic and international Group companies to which payment operations have been assigned
5. Auditing of control of operations involving inflows and outflows of funds to and from NYK's head office
6. Regular annual liaison meetings between domestic Group companies and the Internal Audit Chamber.

3. Status of IR-related Activities

2009 IR Highlights

	No. of participating companies	No. of participating individuals
Meetings with investors in Japan*1	478 (55)*2	541 (63)
Overseas IR tours	229 (29)	337 (52)

Tours of Facilities

1 in Japan	18	18
1 overseas	9	9

IR Seminar for Individuals

3 in Japan	—	884

*1 Seminar for individual investors sponsored by securities company

*2 Parentheses indicate participation by the NYK president

■ Holding periodic presentations for individual investors

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

■ Holding periodic presentations for analysts/ institutional investors

The president and other directors host financial results meetings on a quarterly basis and small meetings twice a year. In addition, we hold divisional presentations and endeavor to offer tours of facilities about three times a year.

■ Holding periodic presentations for overseas investors

We implement overseas IR activities about 12 times a year, of which two are hosted by the president. In addition, we have a permanent CFO International who conducts IR activities for overseas investors in London.

■ Making IR materials available on NYK's website

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

■ Establishment of IR department (person in charge)

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

■ Other

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

4. Risk Management

(1) Risk Management

Economic and political conditions, as well as such social factors as environmental protection and safety and security measures, in countries around the world have the potential to affect the NYK Group's operations and financial results. The Company comprehensively aggregates and controls business risk from a company–wide perspective and strives to implement appropriate organizational operations.

■ Understanding risk

To achieve an understanding of Company–wide risk, we periodically investigate and evaluate risk, centered on business processes. In addition, we confirm and evaluate the implementation of appropriate countermeasures for the risks that are identified.

■ **Information security measures**

Security measures for electronic information are an important issue. For example, NYK implements hard disk encryption, 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 major operations, including Group companies, so that, in the event of damage, such as from a disaster or accident, the Company will be able to maintain its important functions uninterrupted wherever possible, or if interrupted, to quickly restore them. The Company is strengthening its ability to withstand disasters by creating systems to maintain services during times of emergency, functional continuity for important locations, backup computer systems and backups of important data, safety confirmation systems that enable the Company to immediately secure required staffing, an emergency remittance system, and other practical measures. NYK also performs regular training and reviews its systems and practices as appropriate.

5. Compliance

■ **Fundamental approach**

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

■ **Compliance training**

NYK implements a range of compliance training activities to enhance awareness of compliance-related issues and to foster knowledge regarding compliance implementation. From 2002, group training sessions have been implemented for directors and employees of NYK and domestic Group companies. We offer training sessions for such groups as newly hired employees, employees in similar ranks, people posted overseas, and directors. From 2005, we have also implemented e-learning activities. Since 2002, we have implemented 273 training sessions, which were attended by a total of 6,109 people.

Compliance Training Sessions in Fiscal 2009

	Number of sessions	Number of attendees
Group training sessions	28	852

Message from Outside Directors

Yukio Okamoto
Outside Director

I have observed NYK for two years since assuming my post as an outside director in June 2008. Based on my observations, I believe that the executives at NYK are making management decisions from the perspective of the Company's stakeholders rather than from management's own perspective.

The international economic environment in which NYK operates is undergoing dramatic change, in part because the demand for natural resources and energy is shifting from developed countries to emerging countries. As a result of the growing economic prominence of these emerging countries, such as the BRICs, they now account for a major percentage of demand. As a company that operates internationally, it is vital that NYK be aware of these changes and implement appropriate measures if it is to ensure stable growth.

Predicting fleet demand trends, which requires a great deal of precision, is a task that will prove particularly challenging. For example, in the United States, shale gas is forecast to become a principal source of energy in the near future. If this were to occur, it would signal a subsequent reduction in the demand for crude oil in the United States. Also, because Brazil is expected to become the world's fourth-largest producer of crude oil, there is a possibility of increased demand for shipments of natural resources and energy from Brazil. I believe that if NYK is able to accurately recognize these trends as quickly as possible, and adjust its fleet accordingly, then it will continue to record growth. I am working in my own way to ensure that NYK's management strategies reflect global trends and new developments.

I also would like to have more connections with younger employees in NYK. Currently, Japan accounts for 7.9% of global GDP. Considering the recent increase in economic strength among emerging countries, it is expected that this number will drop even lower. In the future, internationalization will become increasingly important for Japanese companies. For this reason, I would like to send messages in the form of lectures or training programs to younger employees on what skills they need to compete on the global stage.

I believe that, rather than focusing on maximizing income in the short term, it is important that NYK focus on the next generation and on increasing income over the long term. In my position as an outside director, I will continue working to increase NYK's corporate value by offering advice on international conditions.

Yuri Okina
Outside Director

My specialty is in finance, and I research the domestic and global economies from both a macroeconomic and a microeconomic viewpoint. Drawing on my knowledge and experience in this field, I strive to evaluate NYK's strategies based on the current economic environment and the financial market. As a director, I always consider whether these strategies will increase corporate value over the long term, and whether shareholders will find these strategies easy to understand and accept.

I express my views at meetings of the Board of Directors, especially when management decisions involving fund-raising must be made. For example, in 2009 NYK made a public offering. Previously the Company's fund-raising had relied heavily on borrowing, and for some time I have been stressing the importance of a capital policy targeting a stronger financial position. In order for NYK to continue developing into the future, I believe it is essential that the Company improve its shareholders' equity ratio and strengthen its financial position. While this public offering lowered the Company's stock price temporarily, I believe that from a long-term perspective it will lead to increased corporate value.

At NYK, there is a great deal of debate during the course of decision-making processes. In particular, many opinions are offered when it comes to major decisions, such as those related to fund-raising and business strategies. In response to these opinions, I believe that it is important for outside directors to mention any doubts they have and to clearly express any risks that they perceive. It is also important to go and observe actual work sites. Recently, I observed operations at Nippon Cargo Airlines. I was able to observe the vitality of the work site, something that cannot be seen by looking at numbers alone. While the air cargo business faces harsh operating conditions, I believe the vitality that young employees bring to this company will help to ensure its future growth.

The economic environment is undergoing great change, such as a global shift of consumer demand from developed countries to emerging countries. In this type of changing environment, it is vital that Japanese corporations develop international operations if they want to be able to compete with the rest of the world. I believe that the main issues faced by NYK, which offers global logistics services, are streamlining its balance sheet to the greatest extent possible and improving its profitability. Moving forward, I will continue to fulfill my role as an outside director by making proposals that draw on my experience and insights in regard to these issues.

Directors, Auditors & Corporate Officers

(As of June 23, 2010)

Koji Miyahara

Chairman,
Chairman Corporate Officer

Yasushi Yamawaki

Director,
Executive Vice-Chairman Corporate Officer

Yasumi Kudo

President,
President Corporate Officer
Chief Executive of Bulk/Energy Resources Transportation Headquarters, Chairman of Tramp Shipping Strategy Committee, Chairman of Bulk/Energy Resources Transportation Strategy Committee

Masahiro Kato

Representative Director,
Senior Managing Corporate Officer
Chief Executive of Automotive Transportation Headquarters, Vice-Chief Executive of Bulk/Energy Resources Transportation Headquarters, Chief Executive of Cruise Headquarters

Hidenori Hono

Representative Director,
Senior Managing Corporate Officer
Vice-Chief Executive of Bulk/Energy Resources Transportation Headquarters

Tadaaki Naito

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

Masamichi Morooka

Representative Director,
Senior Managing Corporate Officer
Chief Executive of Technical Headquarters

Naoya Tazawa

Representative Director,
Senior Managing Corporate Officer
Chief Executive of General Affairs/CSR Headquarters

Toshinori Yamashita

Representative Director,
Senior Managing Corporate Officer
Chief Executive of Global Logistics Headquarters
Chairman of IT Strategy Committee

Hiroshi Hiramatsu

Director,
Managing Corporate Officer

Kenji Mizushima

Director,
Managing Corporate Officer

Outside Directors (Part-time)

Yukio Okamoto
Yuri Okina

Managing Corporate Officers

Hiroshi Hattori
Fukashi Sakamoto
Hitoshi Nagasawa

Corporate Officers

Takatake Naraoka
Yasuyuki Usui
Mikitoshi Kai
Koichi Akamine
Takuji Nakai
Hidetoshi Maruyama
Takao Ito
Takashi Abe
Yoko Wasaki
Yasuo Tanaka
Naoyuki Ohno
Masahiro Samitsu
Koichi Chikaraishi
Kunihiko Miyoshi
Yuji Isoda
Shunichi Kusunose
Kenichi Miki
Hitoshi Oshika
Kazuo Ogasawara
Chak Kwok Wai

Corporate Auditors (Full-time)

Yukio Ozawa
Naoki Takahata

Outside Corporate Auditors (Part-time)

Hidehiko Haru
Takaji Kunimatsu

Financial Section

Consolidated 10–Year Summary

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries

	Millions of yen			
	2010	2009	2008	2007[2]
Years ended March 31:				
Revenues	**¥1,697,342**	¥2,429,973	¥2,584,626	¥2,164,280
Costs and expenses	**1,520,932**	2,054,595	2,128,849	1,840,785
Selling, general and administrative expenses	**194,505**	230,463	253,698	218,553
Operating income (loss)	**(18,095)**	144,915	202,079	104,942
Income (loss) before income taxes and minority interests	**(9,975)**	77,660	200,491	115,137
Income taxes—current	**12,818**	30,997	78,790	44,172
Income taxes—deferred	**(8,042)**	(11,969)	3,122	4,430
Minority interests in net income	**2,697**	2,480	4,440	1,497
Net income (loss)	**(17,448)**	56,152	114,139	65,038
As of March 31:				
Total current assets	**¥ 653,590**	¥ 490,589	¥ 602,068	¥ 539,971
Total current liabilities	**450,537**	574,989	775,067	697,050
Net vessels, property, plant, and equipment	**1,111,122**	1,167,657	1,131,946	946,328
Total assets	**2,207,163**	2,071,271	2,286,013	2,135,442
Long-term debt	**945,273**	811,715	699,241	584,566
Total equity	**703,394**	581,237	679,037	700,718
Retained earnings	**408,017**	426,217	401,045	312,606

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

Notes: (1) "Per share 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 Boards of Japan ("ASBJ") Statement No. 5, December 9, 2005) and the Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8, December 9, 2005).

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

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

	Millions of yen						Thousands of U.S. dollars (Note 2)
	2006	2005[3]	2004	2003[4]	2002	2001	**2010**
	¥1,929,302	¥1,606,098	¥1,398,320	¥1,249,242	¥1,142,934	¥1,133,906	**$18,243,147**
	1,594,598	1,283,769	1,158,352	1,037,373	945,950	918,646	**16,347,078**
	194,223	160,954	148,035	142,746	131,425	127,620	**2,090,552**
	140,481	161,375	91,933	69,123	65,559	87,640	**(194,483)**
	145,560	127,213	61,536	32,647	31,709	57,804	**(107,208)**
	53,839	51,366	33,798	15,350	13,159	26,591	**137,770**
	(3,262)	580	(9,512)	(93)	(337)	(5,134)	**(86,434)**
	2,924	3,941	2,439	3,097	1,348	785	**28,986**
	92,059	71,326	34,811	14,293	17,539	35,562	**(187,530)**
	¥ 460,536	¥ 399,501	¥ 370,674	¥ 350,228	¥ 313,917	¥ 322,779	**$ 7,024,828**
	612,155	477,865	425,754	370,522	387,322	378,955	**4,842,403**
	856,065	701,157	652,405	651,160	685,712	750,325	**11,942,414**
	1,877,440	1,476,227	1,376,664	1,287,170	1,339,923	1,381,594	**23,722,738**
	506,231	464,196	491,233	548,926	547,657	659,358	**10,159,856**
	575,366	427,771	358,045	288,363	320,096	278,748	**7,560,127**
	266,568	203,774	146,756	122,272	116,350	113,684	**4,385,396**
	Yen						U.S. dollars (Note 2)
	¥ 75.04	¥ 58.12	¥ 28.27	¥ 11.48	¥ 14.23	¥ 28.88	**$(0.14)**
	—	—	—	—	14.23	28.21	**—**
	471.05	350.10	292.88	235.81	260.80	225.36	**4.19**
	18.00	18.00	10.00	7.50	7.50	7.50	**0.04**

Overview of Operating Performance

The weakness in the global economy seen in the previous fiscal year continued during the fiscal year ended March 31, 2010, and the volume of trade declined significantly. Nevertheless, as a result of large–scale public finance and monetary policies in various countries, signs of a recovery in the global economy gradually began to appear from mid-2009, with China and India in particular returning to a growth track relatively quickly.

Against this backdrop, even though the shipping industry's operating environment finally began to point toward a recovery in the second half of the fiscal year, a full-scale recovery did not materialize and NYK experienced the most difficult year in its history in terms of operating performance. Revenue declined significantly in the shipping segments—liner trade and bulk shipping—on the effects of weak container transport volumes and declines in freight rates, a weak tanker market, and a delayed recovery in automotive transport movements, especially during the first half. In addition, the volume of cargo handled by the non-shipping segments, which include the logistics segment, the terminal and harbor transport segment, and the air cargo transportation segment, declined and as a result, revenues declined by ¥732.6 billion (30.1%) from the previous fiscal year. Costs and expenses decreased ¥533.7 billion (26.0%) and efforts were also made to reduce selling, general and administrative expenses. Given the large decline in revenues, however, the ratio of operating income to revenues fell to -1.1% from 6.0% in the previous fiscal year, a decrease of 7.0 percentage points. This led to a ¥171.3 billion decline in recurring profit. Net income was significantly lower as well, down ¥73.6 billion despite the recording of extraordinary profit from the sales of investment securities and noncurrent assets, and a reduced extraordinary loss from lower impairment losses.

The impact of fluctuations in foreign exchange rates and bunker oil prices on recurring profit was as follows.

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Change	Impact
Average exchange rate	¥100.82/US$	¥93.04/US$	Yen up ¥7.78	-¥5.4 billion
Average bunker oil price	US$503.21/MT	US$393.83/MT	Price down US$109.38	+21.9 billion

Notes: (1) A ¥1 change in the exchange rate against the US dollar had an annualized impact of approximately ¥0.7 billion on recurring profit in the fiscal year ended March 31, 2010.
(2) A US$1 change per metric ton in the price of bunker oil had an annualized impact of approximately ¥0.2 billion on recurring profit in the fiscal year ended March 31, 2010.

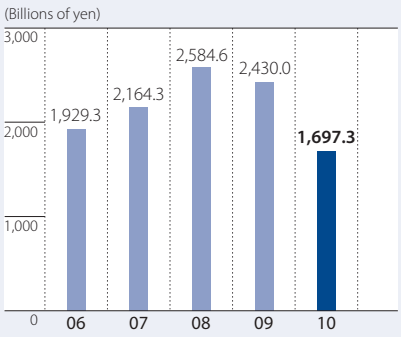
Industry Segments

Performance by business segment is as follows.

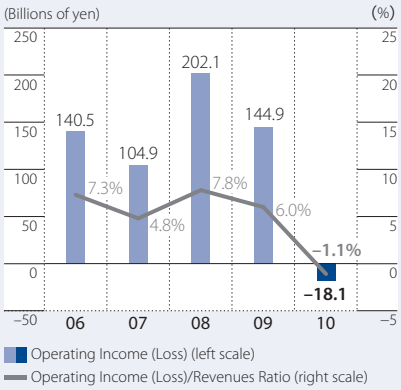
Liner Trade

Against the backdrop of a recovery trend in container transport volume from the third quarter, cargo volumes on many routes, especially North American and European routes, were higher year-on-year for the fourth quarter and the second half, but given the first half's weak transport volume, cargo volume for the full year was lower than in the previous year. An improved supply–demand environment also led to a significant rebound in freight rates on European routes and latin American routes, but average freight rates were lower on a full-year basis and segment revenues declined as a result. Bunker oil prices were lower than in the previous year and major cost reductions were achieved, but results for the liner trade segment as a whole were significantly below the previous fiscal year's level.

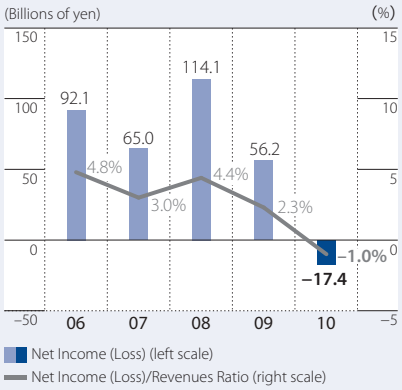
Revenues



Operating Income (Loss) and Operating Income (Loss)/Revenues Ratio



Net Income (Loss) and Net Income (Loss)/Revenues Ratio



Bulk Shipping

Car Carrier Division — Transport volume was weak during the first half, reflecting the global economic recession, and failed to fully recover in the second half as well. Car transport volume during the third quarter was approximately 70% of the year-ago level, and although a trend of recovery was maintained in the fourth quarter, car transport volume for the full year was down from the previous year. Given this environment, although we added nine newly constructed vessels to our fleet during the year, we scrapped and/or sold five vessels (mainly aging vessels) and laid up seven vessels, while at the same time working to adapt to the changing environment through activities targeting reduced fuel consumption and the efficient allocation of vessels. We also strove to expand our automotive logistics business, which complements our sea transport business, with the transport of finished automobiles in China; terminal operations for finished automobiles in China, Europe, and Singapore; and aggressive efforts to capture demand in emerging markets such as India.

Dry Bulk Carrier Division — With a "V-shaped" economic rebound in China, India, and other emerging markets in Asia, and stronger economies in developed markets, global demand for iron, steel, and energy showed a rapid recovery and seaborne dry bulk cargo volumes turned around to growth. At the same time, the supply–demand balance in shipping capacity improved, as the large volume of capacity completion that was initially feared failed to materialize because of canceled orders for newly built vessels and completion delays and postponements, and shipping congestion in China and Australia persisted. The dry bulk market maintained an upward trend throughout the fiscal year despite significant fluctuations in the average freight rate for Capesize bulk carriers, and although the segment's full-year revenues and profits were down from the previous fiscal year, the division was able to emerge from its most difficult period.

Tanker Division — Petroleum demand recovered in emerging markets such as China and India but was weak in developed markets, and with high inventory levels for both crude oil and petroleum products, sea transport was generally weak. In shipping capacity, single-hull tankers were scrapped and renovated and tankers were used in speculators for floating storage, but a large number of newly built tankers were completed, and the supply–demand balance did not improve. The tanker market was similarly weak, but with a cold wave in the Northern Hemisphere during the period of strong demand in the second half, the market showed signs of emerging from its lows. Division earnings began to improve in the second half, but full-year revenues and profits were lower than in the previous year.

Logistics

Against a backdrop of stagnant transport volume among its major customers—the logistics industry and manufacturers including automakers and electrical machinery manufacturers—NYK Logistics strove to further cut costs and improve operating efficiency by reducing staffing levels and warehouse space around the world. Although handling volumes rose in Asia along with the economic recovery and earnings showed improvement, this was not enough to offset the weak performances seen in the Americas, Europe, and Japan. Results at Yusen Air & Sea Service Co., Ltd. were also below those of the previous fiscal year, on weak global demand for air cargo transport and higher purchasing costs due to air freight rate increases implemented in the second half. As a result, the logistics segment recorded overall declines in both revenues and profits.

Terminal and Harbor Transport

Total handling volumes at container terminals domestic and overseas declined from the previous year on weak global container cargo transport volumes, and revenues and profits from terminal and harbor transport operations declined from the previous fiscal year as a result.

Cruise

In the U.S. market, Crystal Cruises' sales declined as the global economic downturn dampened consumer demand across all luxury goods markets. In the Japanese market, *Asuka II*'s sales were buoyant during the summer cruise season, tracking in line with their year-ago level, but ended up declining on a full-year basis, largely because of cruise cancellations due to typhoons in the fiscal second half. Despite efforts to reduce expenses, most notably vessel repair and maintenance, the cruise segment's overall revenues and profits declined relative to the previous fiscal year.

Air Cargo Transportation

Although Nippon Cargo Airlines Co., Ltd. (NCA) felt the effects of the weak transport volume that had continued since autumn 2008, efforts were made to collect surcharges in the face of high jet fuel prices, and with a tone of recovery in demand from the second half, the charter business grew along with business on regular routes. The recovery over the course of the fiscal year was gradual and revenues declined from the previous fiscal year, but as a result of extensive cost reductions, including aircraft operating and maintenance expenses, the company reduced its loss for the fiscal year.

Real Estate and Other Business Services

The real estate business maintained high occupancy rates in major office buildings despite a weak market, and recorded both revenues and profit growth. In other services, the trading business faced declines in both handling volume and prices for bunker oil for vessels, and the manufacturing and processing business also felt the effect of weak markets. As a result, both revenues and profits declined from the previous fiscal year for the real estate and other business services segment as a whole.

Analysis of Financial Position

Assets

Total assets amounted to ¥2,207.2 billion, an increase of ¥135.9 billion from the end of the previous fiscal year. This mainly reflects a ¥163.0 billion increase in current assets, primarily from increases in cash and cash equivalents as well as in short-term investment securities.

Liabilities

Total liabilities increased ¥13.7 billion from the end of the previous fiscal year to ¥1,503.8 billion. Although loans payable decreased, interest-bearing debt increased from the issuing of corporate bonds.

Equity

Total net assets as of the fiscal year-end stood at ¥703.4 billion, consisting of ¥661.2 billion of shareholders' equity (the aggregate of shareholders' capital and valuation and translation adjustments) and minority interests of ¥42.2 billion. Common stock increased ¥55.8 billion and capital surplus increased ¥58.5 billion as a result of payments under the capital increase via public offering carried out in December 2009 and a share exchange with Taiheiyo Kaiun Co., Ltd. The debt-equity ratio as of the year–end was 1.64.

Analysis of Capital Sources and Liquidity

Cash Flows

Net cash provided by operating activities in the fiscal year ended March 31, 2010, was ¥62.1 billion, mainly reflecting a net loss before income taxes and minority interests of ¥10.0 billion; depreciation and amortization of ¥98.0 billion, a non-cash expense, and interest expenses paid of ¥21.1 billion. Net cash used in investing activities was ¥43.7 billion, with outlays for the acquisition of noncurrent assets, mainly investments in vessels, as the main item. Net cash provided by financing activities was ¥137.4 billion, which included ¥110.8 billion received from issuance of stock. As a result, the balance of cash and cash equivalents stood at ¥281.7 billion at the fiscal year-end, an increase of ¥154.9 billion compared with the beginning of the fiscal year (April 1, 2009), after taking into account the effect of exchange rates on cash and cash equivalents.

Funding Requirements and Capital Expenditures

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

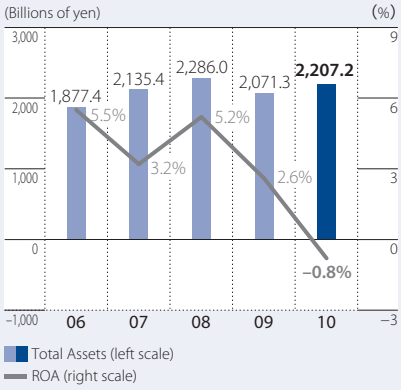
The Group also invests in vessels and in logistics and terminal facilities. Capital expenditures during the year totaled ¥238.0 billion.

Financial Policies

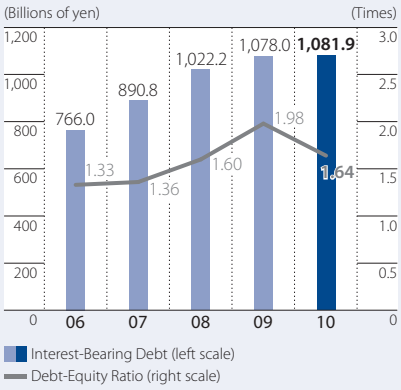
The NYK Group uses a variety of sources to stably procure the funds required for its business activities and growth. The objective is to procure funds in a manner that is not detrimental to the Group's financial soundness and that does not expose the Group to excessive risk in any category of market risk. To accomplish this objective, the Group obtains funds through loans from financial institutions and sales of bonds and commercial paper. The Group also uses leases for vessels and aircraft and medium to long-term charters for vessels. New shares were issued during the fiscal year ended March 31, 2010, procuring a total of ¥110.8 billion, primarily to secure funds for capital expenditure for vessels and to strengthen NYK's financial base.

Expenditures for vessels, the Group's main category of equipment, are made using long-term borrowings with currencies and tenors

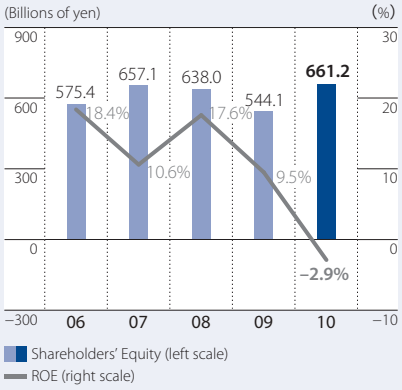
Total Assets and Return on Assets (ROA)



Interest-Bearing Debt and Debt-Equity Ratio



Shareholders' Equity and Return on Equity (ROE)



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 instability that has continued in the financial environment since the autumn of 2008, long-term loans are used as well. As of March 31, 2010, the outstanding amount of long-term borrowings stood at ¥687.7 billion, denominated in U.S. dollars, euros, and other currencies in addition to yen, and including both fixed and floating-rate loans. The outstanding amount of funds procured via capital markets from corporate bond issues totaled ¥251.1 billion as of March 31, 2010.

The Group strives to maintain capital liquidity, and in addition to its ¥100.0 billion facility for the issuing of commercial paper and the syndicated commitment line (borrowing facility) from financial institutions, a new commitment line totaling ¥179.9 billion was newly established during the fiscal year for investment capital for vessels. At the same time, a cash management system is used to improve capital efficiency through financing within the Group.

NYK has credit ratings from two agencies in Japan and one overseas. As of June 23, 2010, NYK bonds were rated AA- by Japan Credit Rating Agency, Ltd., A+ by Rating and Investment Information, Inc., and Baa1 by Moody's Investors Service.

Dividend Policy and Dividends for the Fiscal Year Ended March 31, 2010, and the Fiscal Year Ending March 31, 2011

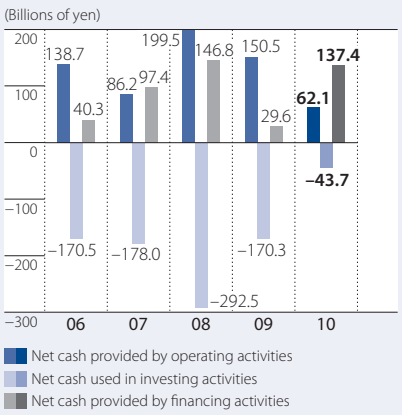
NYK considers the return of profits to shareholders one of its highest priorities, and sets dividends by comprehensively taking into account factors including its performance outlook and dividend payout ratio and other factors. A capital increase via public offering was carried out in November 2009 to secure funds for capital expenditures, primarily for vessels, and to establish a firm financial foundation. Nevertheless, given the need to maintain sufficient internal reserves to withstand market volatility, we will pay a year-end dividend of ¥2 per share for the fiscal year ended March 31, 2010, as we announced on January 29, 2010. Combined with the interim dividend of ¥2 per share, this will result in a total annual dividend of ¥4 per share. For the fiscal year ending March 31, 2011, we are targeting a consolidated dividend payout ratio of roughly 25%, and accordingly intend to pay an interim dividend and year-end dividend of ¥2.5 per share each, for a total annual dividend of ¥5 per share.

Forecasts

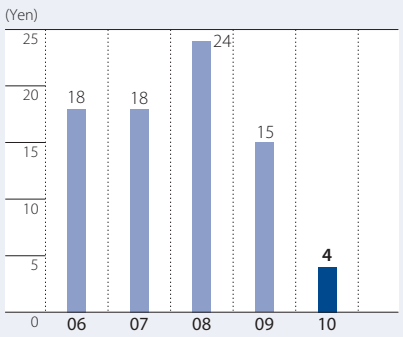
NYK expects revenues of ¥1,900.0 billion, operating income of ¥74.0 billion, recurring profit of ¥65.0 billion, and net income of ¥35.0 billion for the fiscal year ending March 31, 2011.

In the liner trade segment, there is a trend of steady recovery in freight rates against a backdrop of supply adjustments at all shipping companies and a recovery in transport volumes, and we will strive to improve the balance of income relative to expenses by continuing activities for cost reduction, such as operating vessels at reduced speed. In the bulk shipping segment, car transport volumes are expected to recover, and with economic growth in emerging markets, we are forecasting dry bulk and tanker freight routes to be firm. In the air cargo transportation segment, we will continue to aggressively work to acquire demand, which is recovering, while at the same time pursuing operational efficiency. In the logistics segment, we will move forward on the business integration with Yusen Air & Sea Service Co., Ltd., working to promote sales and optimize efficiency in operations, with the aim of increasing operating revenues.

Cash Flows



Cash Dividends Applicable to the Year



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, 2010.

(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.

As a result of global economic stagnation, the economic activity in many regions of the world fell off sharply. The Japanese economy also registered a particularly steep decline owing to a dramatic drop in export demand. Economic conditions were also lackluster in other regions of the world that are important to the NYK Group's business, especially in the United States and EU countries. Worldwide economic malaise could continue to affect the global shipping market and the NYK Group's operations.

Demand for container ship, dry bulk carrier, tanker, air, and other cargo transport has declined. Furthermore, recent lackluster economic conditions have reduced the availability of credit for the settlement of visible trading transactions. For the NYK Group, this situation has resulted in falling demand for its vessels, caused freight rates to contract markedly and prompted a significant decrease in cargo transport volume. Accordingly, the NYK Group's performance declined in fiscal 2009, with revenues and income falling year on year. The continuation or worsening of current global economic conditions 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. Many marine transport companies, including the NYK Group, have excess shipping capacity because of lackluster demand for their vessels, and some of these companies have halted operations of container ships and certain other vessels. Consequently, even if

the global economy recovers, freight rates are unlikely to improve significantly for some time, particularly those for liner trade.

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, financial condition, and operating performance.

(3) INSURANCE

As a vessel owner and operator, the NYK Group insures itself against a host of fleet risks through hull insurance, insurance against the risk of war, insurance against environmental destruction and pollution, vessel owner liability insurance, charter contractor liability insurance, and others. The NYK Group's insurance policies do not, however, guarantee coverage for all possible risks. Furthermore, there is no guarantee that an insurer will pay the full claim amount. Even if the NYK Group were to receive an insurance claim payment that entirely offset its loss of a vessel, there is no guarantee that the Group could secure an alternative vessel promptly. In addition, there is no guarantee that the NYK Group will be able to secure reasonable premiums sufficient to insure its fleet.

Insurance premiums are not determined solely by the claim history of the NYK Group itself. Rather, they also may be affected by insurance claim trends among other policyholders. In some instances, the burden of paying high insurance premiums could impact the NYK Group's income and operating performance. Also, although the NYK Group recognizes that the exemptions, restrictive clauses, and exceptions included in insurance policies are standard throughout the shipping industry, they may limit the Group's ability to recover its loss through insurance.

(4) 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, financial condition, and operating performance could be affected.

(5) FLUCTUATIONS IN CURRENCY EXCHANGE RATES

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

(6) 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 businesses. Bunker oil prices and purchase availability are subject to global crude oil supply and demand, foreign exchange market fluctuations, changes involving OPEC and other crude oil producing countries, the state of environmental legislation, competition, and changes in myriad other factors, and forecasting the changes in all of

these conditions is difficult. The NYK Group seeks to minimize the impact of such factors on its operating performance by purchasing bunker oil from diverse regions, using derivative transactions to hedge against fuel price fluctuations, and economizing on fuel consumption. Even so, these measures have limited effect, and there is no guarantee that they will be sufficient to protect the Group against price fluctuations and supply shortages. Furthermore, low-sulfur fuel regulations that are slated for future expansion and enhancement call for vessels to use fuels that are more expensive. The NYK Group typically is unable to pass on all the costs of bunker fuel price increases to customers through rate hikes or fuel surcharges. Consequently, a rise in fuel costs could affect the NYK Group's business, financial condition, and operating performance.

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

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

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

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

Through its container ship 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 container ship operations and the ability to maintain a global network. At the same time, it is difficult to maintain the same safety and service standards and management directions and procedures across alliance activities, and the alliance could be dissolved or members could withdraw from the alliance, which presents the risk that the alliance may not deliver the anticipated results. If it is unable to respond appropriately to such factors, the NYK Group's business, operating performance, and financial condition could be affected.

The NYK Group's business depends on having sufficient marine crew members. High-quality crew members are particularly vital to the safe operation of vessels. The majority of the NYK Group's crew members hail from Asian countries outside Japan, particularly the Philippines. The NYK Group employs various methods to secure quality crew members, such as providing education and training and recruiting in other countries, but there is no guarantee that the Group will always be able to employ enough crew members that have the necessary skills at an appropriate price. For instance, for several years before the financial crisis hit, shipping demand was high, and personnel costs for crew members skyrocketed. If the NYK Group becomes unable to employ a sufficient number of crew members for a reasonable price, its business, financial condition, and operating performance could be affected. Additionally, 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, financial condition, and operating performance.

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 Gulf of Aden, an area of frequent piracy attacks in recent years. Current political unrest and wars in that region could impact the NYK Group's business operations. A piracy attack in the Gulf of Aden on an NYK Group oil tanker, the *Takayama*, has affected the Group's operations in the region, as have other terrorist and piracy attacks in the Strait of Malacca, the Gulf of Aden, and bays off the Indian Ocean near Kenya and Somalia. The exclusion of regions in which NYK Group vessels operate from coverage by standard war risks insurance (The Gulf of Aden is already so designated.) could impact insurance premiums and claim payments.

(8) 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 on line 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.

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

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

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

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

(10) AIR CARGO TRANSPORTATION BUSINESS

The 747–8F aircraft that the NYK Group has ordered from The Boeing Company are presently scheduled for delivery at some point in or after fiscal 2011. However, the delivery of these 14 aircraft could be delayed, which could engender 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 financial condition and operating performance.

- 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

NYK and Japan Airlines International Co., Ltd., have entered an agreement under which NYK Group consolidated subsidiary Nippon Cargo Airlines Co., Ltd., and Japan Airlines International will cooperate in the mutual realignment and integration of their air cargo businesses. However, if it proves difficult to form a joint business structure, which is one premise of the agreement, the cooperation will end.

(11) 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, financial condition, and operating performance. 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.

(12) PORT CONGESTION AND INLAND TRANSPORT COSTS

The NYK Group could be affected by port congestion and an increase in inland transport costs. An increase in demand for marine transport could result in delays in cargo loading and unloading, particularly during high seasons, and ports may have insufficient infrastructure or workforces. Such delays or infrastructure and workforce shortages could impact the NYK Group's operating performance.

(13) OPERATIONAL RESTRUCTURING

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

(14) MEDIUM-TERM MANAGEMENT PLAN AND EMERGENCY STRUCTURAL REFORM PROJECT

In January 2009, the NYK Group launched a two-year Emergency Structural Reform Project, named Yosoro. Later, in October 2009, the Group announced that in accordance with the objectives set in Yosoro, it would further review the long-term goals outlined in "New Horizon 2010," its medium-term management plan. The Yosoro project and "New Horizon 2010" set targets for slashing costs by reducing the number of container ships in the core fleet, among other restructuring measures. Expenses may accompany these measures. Furthermore, these structural reforms are subject to the influence of numerous factors, and cannot be guaranteed of success.

(15) 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.

(16) 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.

(17) 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.

(18) 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, shifts in stock market conditions could affect the operating performance and financial condition of the NYK Group.

(19) RETIREMENT BENEFITS PLAN

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

(20) 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.

(21) LITIGATION

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

1. Nippon Cargo Airlines Co., Ltd.

Major airline companies around the world are being investigated by European and South Korean authorities as part of a probe into price-cartel activity regarding air cargo transport services. NYK Group consolidated subsidiary Nippon Cargo Airlines Co., Ltd. (NCA), is cooperating with these investigations. In Europe, NCA was served with an objection notification in December 2007, and a public hearing was held by the European Commission in this regard. The European Commission may come to a decision in the near future, and charges may be levied against NCA as a result. In addition, in October 2009 NCA received an audit report from the Korean Fair Trade Commission, and in May 2010 the commission announced its imposition of a fine.

As of March 31, 2010, the NYK Group had set aside a provision for loses related to antitrust law based on current estimates of future losses associated with the European Commission's and the Korean Fair Trade Commission's investigations.

Although the commission announced in May that that it was imposing a fine of approximately 1.2 billion won (approximately ¥100 million), but due to the fact that investigations are ongoing, it is difficult to reasonably estimate the outcome. Consequently, the announcement of this fine has not been reflected in the provision for loses related to antitrust law.

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

2. Yusen Air & Sea Service Co., Ltd.

In April 2008, the Japan Fair Trade Commission began investigating consolidated subsidiary Yusen Air & Sea Service Co., Ltd. (YAS), and other major users in Japan of international air cargo services for alleged violations of the Anti-Monopoly Act involving freight rates and fuel surcharges. In March 2009, the commission issued a cease-and-desist order and surcharge payment order. Following an examination and confirmation of these orders and the careful consideration of a response, YAS concluded that these orders cannot be accepted. Consequently, the Board of Directors of YAS approved a resolution at an extraordinary meeting held in April 2009 to file an application with the Fair Trade Commission to initiate a hearing regarding this matter. In July 2009, the Company received notice concerning the initiation of hearing procedures, which are currently in process.

Despite taking this action, as of March 31, 2010, YAS had established an anti-monopoly law allowance equal to the surcharge that the Japan Fair Trade Commission has ordered this company to pay.

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

Consolidated Balance Sheets

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(March 31, 2010 and 2009)

ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 2) 2010
CURRENT ASSETS:			
Cash and cash equivalents (Notes 4 and 10)	**¥ 281,660**	¥ 126,768	**$ 3,027,304**
Short-term investment securities (Notes 4 and 10)	**984**	779	**10,573**
Notes and operating accounts receivable–trade (Note 4)	**188,293**	172,458	**2,023,782**
Inventories (Note 5)	**44,345**	32,856	**476,623**
Deferred tax assets (Note 11)	**14,756**	5,130	**158,598**
Other (Notes 4 and 10)	**126,778**	155,613	**1,362,625**
Allowance for doubtful accounts (Note 4)	**(3,226)**	(3,015)	**(34,677)**
Total current assets	**653,590**	490,589	**7,024,828**
VESSELS, PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Notes 6, 7, 8 and 10):			
Vessels	**651,501**	688,860	**7,002,380**
Buildings and structures	**81,076**	76,164	**871,410**
Aircraft	**4,765**	5,222	**51,212**
Machinery, equipment and vehicles	**28,817**	29,567	**309,722**
Equipment	**6,226**	6,500	**66,923**
Land	**62,578**	59,952	**672,594**
Construction in progress	**271,659**	295,424	**2,919,812**
Other	**4,500**	5,968	**48,361**
Net vessels, property, plant and equipment	**1,111,122**	1,167,657	**11,942,414**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 10)	**188,918**	172,978	**2,030,503**
Investments in unconsolidated subsidiaries and affiliates	**103,004**	88,887	**1,107,088**
Long-term loans receivable (Note 4)	**18,594**	13,521	**199,850**
Deferred tax assets (Note 11)	**16,639**	31,699	**178,842**
Intangible assets (Note 10)	**14,811**	16,439	**159,191**
Goodwill	**21,014**	20,043	**225,860**
Other (Notes 4 and 10)	**83,041**	73,070	**892,534**
Allowance for doubtful accounts (Note 4)	**(3,570)**	(3,612)	**(38,372)**
Total investments and other assets	**442,451**	413,025	**4,755,496**
TOTAL ASSETS	**¥2,207,163**	¥2,071,271	**$23,722,738**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 2) 2010
CURRENT LIABILITIES:			
Short-term loans payable (Notes 4, 9 and 10)	**¥ 66,459**	¥ 164,245	**$ 714,305**
Commercial paper	**—**	4,000	**—**
Current portion of long-term debt (Notes 4, 9 and 10)	**70,139**	97,997	**753,856**
Notes and operating accounts payable–trade (Notes 4 and 10)	**164,876**	145,088	**1,772,097**
Income taxes payable	**8,037**	12,400	**86,383**
Provision for bonuses	**7,004**	8,044	**75,283**
Provision for losses related to antitrust law	**4,580**	8,518	**49,223**
Deferred tax liabilities (Note 11)	**655**	368	**7,041**
Other (Notes 4 and 10)	**128,787**	134,329	**1,384,215**
Total current liabilities	**450,537**	574,989	**4,842,403**
NONCURRENT LIABILITIES:			
Long-term debt (Notes 4, 9 and 10)	**945,273**	811,715	**10,159,856**
Provision for retirement benefits (Note 17)	**16,348**	16,061	**175,713**
Provision for directors' retirement benefits	**2,462**	2,571	**26,463**
Provision for periodic dry docking of vessels	**19,435**	13,499	**208,888**
Provision for losses related to antitrust law	**1,728**	1,728	**18,576**
Deferred tax liabilities (Note 11)	**7,955**	10,504	**85,501**
Other (Notes 4 and 10)	**60,031**	58,967	**645,211**
Total noncurrent liabilities	**1,053,232**	915,045	**11,320,208**
Total liabilities	**1,503,769**	1,490,034	**16,162,611**
COMMITMENTS AND CONTINGENT LIABILITIES (Note 14)			
EQUITY (Notes 9, 12 and 23)			
Common Stock			
Authorized: 2,983,550,000 shares; issued,			
1,700,550,988 shares in 2010	**144,320**	—	**1,551,159**
1,230,188,073 shares in 2009	**—**	88,531	**—**
Capital surplus	**155,664**	97,189	**1,673,083**
Retained earnings	**408,017**	426,217	**4,385,396**
Unrealized gain on available-for-sale securities	**30,008**	10,936	**322,527**
Deferred loss on hedges	**(30,155)**	(37,890)	**(324,109)**
Foreign currency translation adjustments	**(45,046)**	(39,369)	**(484,147)**
Treasury stock			
2,726,440 shares in 2010	**(1,576)**	—	**(16,944)**
2,376,101 shares in 2009	**—**	(1,493)	**—**
Total	**661,232**	544,121	**7,106,965**
Minority interests	**42,162**	37,116	**453,162**
Total equity	**703,394**	581,237	**7,560,127**
TOTAL LIABILITIES AND EQUITY	**¥2,207,163**	¥2,071,271	**$23,722,738**

	Yen		U.S. dollars (Note 2)
Equity per share	**¥389.46**	¥443.16	**$4.19**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Years ended March 31, 2010 and 2009)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
REVENUES	**¥1,697,342**	¥2,429,973	**$18,243,147**
COSTS AND EXPENSES	**1,520,932**	2,054,595	**16,347,078**
Gross profit	**176,410**	375,378	**1,896,069**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**194,505**	230,463	**2,090,552**
Operating income (loss)	**(18,095)**	144,915	**(194,483)**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**6,522**	11,334	**70,097**
Equity in earnings of unconsolidated subsidiaries and affiliates	**2,417**	4,205	**25,978**
Interest expense	**(19,467)**	(22,367)	**(209,233)**
Foreign exchange gains (losses)	**(3,466)**	358	**(37,254)**
Gain on sale and retirement of vessels, property, plant, equipment and intangible fixed assets, net	**8,249**	4,180	**88,660**
Gain on sale of short-term and long-term investment securities, net (Note 4)	**14,590**	6,957	**156,809**
Loss on impairment of vessels, property, plant and equipment (Note 13)	**(4,099)**	(27,050)	**(44,056)**
Reversal of provision for periodic dry docking of vessels	**3,690**	—	**39,664**
Software development costs	**—**	(14,412)	**—**
Provision for losses related to antitrust law	**—**	(10,246)	**—**
Loss on cancellation of chartered vessels	**—**	(8,872)	**—**
Provison of allowance for doubtful accounts	**(1,853)**	—	**(19,914)**
Others, net	**1,537**	(11,342)	**16,524**
Other income (expenses), net	**8,120**	(67,255)	**87,275**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**(9,975)**	77,660	**(107,208)**
INCOME TAXES (Note 11) **:**			
Current	**12,818**	30,997	**137,770**
Deferred	**(8,042)**	(11,969)	**(86,434)**
Total income taxes	**4,776**	19,028	**51,336**
MINORITY INTERESTS IN NET INCOME	**2,697**	2,480	**28,986**
NET INCOME (LOSS)	**¥ (17,448)**	¥ 56,152	**$ (187,530)**

	Yen		U.S. dollars (Note 2)
Per share of common stock (Note 3.L) **:**			
Basic net income (loss)	**¥(12.71)**	¥45.73	**$(0.14)**
Diluted net income	**—**	—	**—**
Cash dividends applicable to the year	**4.00**	15.00	**0.04**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(March 31, 2010 and 2009)

	Millions of Yen										
	Outstanding Number of Shares of Common Stock (Thousands)	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, April 1, 2008	1,230,188	¥ 88,531	¥ 97,212	¥ 401,045	¥ 85,668	¥ (20,712)	¥ (12,443)	¥ (1,339)	¥ 637,962	¥ 41,075	¥ 679,037
Net income		—	—	56,152	—	—	—	—	56,152	—	56,152
Dividends from surplus, ¥25 per share		—	—	(30,699)	—	—	—	—	(30,699)	—	(30,699)
Purchase of treasury stock		—	—	—	—	—	—	(301)	(301)	—	(301)
Disposal of treasury stock		—	(23)	—	—	—	—	147	124	—	124
Change of scope of consolidation		—	—	(6)	—	—	—	—	(6)	—	(6)
Adjustments due to change in the fiscal period of consolidated subsidiaries		—	—	187	—	—	—	—	187	—	187
Change of scope of equity method		—	—	482	—	—	—	—	482	—	482
Effect of changes in accounting policies applied to foreign subsidiaries		—	—	161	—	—	—	—	161	—	161
Other		—	—	(1,105)	—	—	—	—	(1,105)	—	(1,105)
Net change of items other than shareholders' capital		—	—	—	(74,732)	(17,178)	(26,926)	—	(118,836)	(3,959)	(122,795)
Total changes of items during the period		—	(23)	25,172	(74,732)	(17,178)	(26,926)	(154)	(93,841)	(3,959)	(97,800)
Balance, March 31, 2009	1,230,188	88,531	97,189	426,217	10,936	(37,890)	(39,369)	(1,493)	544,121	37,116	581,237
Net loss		**—**	**—**	**(17,448)**	**—**	**—**	**—**	**—**	**(17,448)**	**—**	**(17,448)**
Issuance of new shares	**460,000**	**55,789**	**55,789**	**—**	**—**	**—**	**—**	**—**	**111,578**	**—**	**111,578**
Dividends from surplus, ¥4 per share		**—**	**—**	**(4,911)**	**—**	**—**	**—**	**—**	**(4,911)**	**—**	**(4,911)**
Increase through share exchange	**10,363**	**—**	**2,705**	**—**	**—**	**—**	**—**	**—**	**2,705**	**—**	**2,705**
Purchase of treasury stock		**—**	**—**	**—**	**—**	**—**	**—**	**(129)**	**(129)**	**—**	**(129)**
Disposal of treasury stock		**—**	**(19)**	**—**	**—**	**—**	**—**	**46**	**27**	**—**	**27**
Change of scope of consolidation		**—**	**—**	**3,489**	**—**	**—**	**—**	**—**	**3,489**	**—**	**3,489**
Adjustments due to change in the fiscal period of consolidated subsidiaries		**—**	**—**	**(92)**	**—**	**—**	**—**	**—**	**(92)**	**—**	**(92)**
Change of scope of equity method		**—**	**—**	**934**	**—**	**—**	**—**	**—**	**934**	**—**	**934**
Other		**—**	**—**	**(172)**	**—**	**—**	**—**	**—**	**(172)**	**—**	**(172)**
Net change of items other than shareholders' capital		**—**	**—**	**—**	**19,072**	**7,735**	**(5,677)**	**—**	**21,130**	**5,046**	**26,176**
Total changes of items during the period	**470,363**	**55,789**	**58,475**	**(18,200)**	**19,072**	**7,735**	**(5,677)**	**(83)**	**117,111**	**5,046**	**122,157**
Balance, March 31, 2010	**1,700,551**	**¥144,320**	**¥155,664**	**¥408,017**	**¥30,008**	**¥(30,155)**	**¥(45,046)**	**¥(1,576)**	**¥661,232**	**¥42,162**	**¥703,394**

	Thousands of US dollars (Note 2)										
	Outstanding Number of Shares of Common Stock (Thousands)	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, March 31, 2009	1,230,188	$ 951,537	$1,044,600	$4,581,009	$117,540	$(407,241)	$(423,145)	$(16,052)	$5,848,248	$398,926	$6,247,174
Net loss		**—**	**—**	**(187,530)**	**—**	**—**	**—**	**—**	**(187,530)**	**—**	**(187,530)**
Issuance of new shares	**460,000**	**599,622**	**599,622**	**—**	**—**	**—**	**—**	**—**	**1,199,244**	**—**	**1,199,244**
Cash dividends, $0.04 per share		**—**	**—**	**(52,787)**	**—**	**—**	**—**	**—**	**(52,787)**	**—**	**(52,787)**
Increase through share exchange	**10,363**	**—**	**29,070**	**—**	**—**	**—**	**—**	**—**	**29,070**	**—**	**29,070**
Purchase of treasury stock		**—**	**—**	**—**	**—**	**—**	**—**	**(1,387)**	**(1,387)**	**—**	**(1,387)**
Disposal of treasury stock		**—**	**(209)**	**—**	**—**	**—**	**—**	**495**	**286**	**—**	**286**
Change of scope of consolidation		**—**	**—**	**37,500**	**—**	**—**	**—**	**—**	**37,500**	**—**	**37,500**
Adjustments due to change in the fiscal period of consolidated subsidiaries		**—**	**—**	**(987)**	**—**	**—**	**—**	**—**	**(987)**	**—**	**(987)**
Change of scope of equity method		**—**	**—**	**10,038**	**—**	**—**	**—**	**—**	**10,038**	**—**	**10,038**
Other		**—**	**—**	**(1,847)**	**—**	**—**	**—**	**—**	**(1,847)**	**—**	**(1,847)**
Net change of items other than shareholders' capital		**—**	**—**	**—**	**204,987**	**83,132**	**(61,002)**	**—**	**227,117**	**54,236**	**281,353**
Total changes of items during the period	**470,363**	**599,622**	**628,483**	**(195,613)**	**204,987**	**83,132**	**(61,002)**	**(892)**	**1,258,717**	**54,236**	**1,312,953**
Balance, March 31, 2010	**1,700,551**	**$1,551,159**	**$1,673,083**	**$4,385,396**	**$322,527**	**$(324,109)**	**$(484,147)**	**$(16,944)**	**$7,106,965**	**$453,162**	**$7,560,127**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Years ended March 31, 2010 and 2009)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
OPERATING ACTIVITIES			
Income (loss) before income taxes and minority interests	¥ (9,975)	¥ 77,660	$ (107,208)
Adjustments for:			
Depreciation and amortization	98,020	100,124	1,053,524
Impairment loss	4,099	27,050	44,056
Software development costs	—	14,412	—
Gain on sales and retirement of vessels, property, plant and equipment and intangible assets	(8,249)	(4,180)	(88,660)
Gain on sales of short-term and long-term investment securities	(14,590)	(6,957)	(156,809)
Loss on valuation of short-term and long-term investment securities	738	8,851	7,925
Equity in earnings of unconsolidated subsidiaries and affiliates	(2,417)	(4,205)	(25,978)
Interest and dividend income	(6,522)	(11,334)	(70,097)
Interest expense	19,467	22,367	209,233
Foreign exchange losses (gains)	51	(4,166)	546
Decrease (increase) in notes and accounts receivable-trade	(11,040)	69,944	(118,657)
Decrease (increase) in inventories	(11,545)	22,423	(124,085)
Increase (decrease) in notes and accounts payable-trade	15,296	(66,164)	164,401
Other, net	(5,612)	6,241	(60,319)
Subtotal	67,721	252,066	727,872
Interest and dividend income received	10,338	16,488	111,114
Interest expense paid	(21,095)	(22,903)	(226,737)
Income tax refunds (paid)	5,142	(95,177)	55,269
Net cash provided by (used in) operating activities	62,106	150,474	667,518
INVESTING ACTIVITIES			
Purchase of short-term investment securities	(2,147)	(1,852)	(23,073)
Proceeds from sales of short-term investment securities	2,493	3,226	26,791
Purchase of vessels, property, plant and equipment and intangible assets	(237,970)	(417,555)	(2,557,713)
Proceeds from sales of vessels, property, plant and equipment and intangible assets	183,732	248,234	1,974,767
Purchase of investment securities	(14,249)	(15,125)	(153,155)
Proceeds from sales of investment securities	28,184	13,012	302,927
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 15)	(3,358)	—	(36,092)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation (Note 15)	(2,931)	(331)	(31,499)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 15)	214	—	2,297
Payments of loans receivable	(8,667)	(6,675)	(93,160)
Collections of loans receivable	5,069	9,275	54,485
Other, net	5,924	(2,462)	63,666
Net cash provided by (used in) investing activities	(43,706)	(170,253)	(469,759)
FINANCING ACTIVITIES			
Net increase (decrease) in short-term loans payable	(85,903)	(35,523)	(923,295)
Net increase (decrease) in commercial paper	(4,000)	(15,000)	(42,992)
Proceeds from long-term loans payable	169,632	223,311	1,823,219
Repayments of long-term loans payable	(84,571)	(94,520)	(908,971)
Proceeds from issuance of bonds	59,788	—	642,602
Redemption of bonds	(20,000)	(16,000)	(214,961)
Proceeds from issuance of stock	110,776	—	1,190,630
Purchase of treasury stock	(129)	(301)	(1,387)
Proceeds from sales of treasury stock	27	124	286
Cash dividends paid to shareholders	(4,911)	(30,699)	(52,787)
Cash dividends paid to minority shareholders	(720)	(779)	(7,733)
Other, net	(2,592)	(1,042)	(27,861)
Net cash provided by (used in) financing activities	137,397	29,571	1,476,750
Effect of exchange rate change on cash and cash equivalents	(5,521)	(2,478)	(59,334)
Net increase (decrease) in cash and cash equivalents	150,276	7,314	1,615,175
Cash and cash equivalents at beginning of period	126,768	115,964	1,362,512
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	4,665	3,476	50,142
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	15	—	159
Increase (decrease) in beginning balance of cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	(64)	14	(684)
Cash and cash equivalents at end of period	¥ 281,660	¥126,768	$ 3,027,304

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Years ended March 31, 2010 and 2009)

1. Basis of Presenting Consolidated Financial Statements:

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of 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 2009 consolidated financial statements to conform to the classifications used in 2010.

2. United States Dollar Amounts:

The accompanying consolidated financial statements are stated in Japanese yen, and the dollar amounts represent the arithmetical results of translating yen to United States dollars using the exchange rate prevailing at March 31, 2010, which was ¥93.04 to US$1.00. The statements in such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been or could be readily converted, realized or settled in dollars at that rate, or any other rates, of exchange.

3. Summary of Significant Accounting Policies:

A. Consolidation Policies

(1) The consolidated financial statements include the accounts of Nippon Yusen Kabushiki Kaisha (the "Company") and its 711 and 693 consolidated subsidiaries, at March 31, 2010 and 2009, respectively.

During the consolidated fiscal year ended March 31, 2010, the Company newly established 8 companies and judged 38 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, 2010. 14 companies became consolidated subsidiaries through the acquisition of shares.

The Company judged 6 companies to have a material impact on the consolidated financial statements. Consequently, the Company excluded these companies from the scope of companies accounted for by the equity method and brought them under the scope of consolidation.

One company, which had been accounted 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.

2 companies, which had been consolidated subsidiaries, became affiliated companies to be accounted for by the equity method and were excluded from the scope of consolidation as a result of the sale of some of the shares.

39 companies were excluded from consolidation, due to liquidation.

7 companies were excluded from consolidation, due to merger.

One company was excluded from consolidation, due to the sale of the shares.

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

(2) Investments in unconsolidated subsidiaries and affiliates are accounted for either by the cost method or the equity method, depending on the extent of influence or fiscal significance each carries. The Company accounted for 13 unconsolidated subsidiaries and 61 affiliates by the equity method at March 31, 2010, and 21 unconsolidated subsidiaries and 57 affiliates at March 31, 2009.

In the consolidated fiscal year ended March 31, 2010, 5 companies were judged 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.

2 companies, which had been consolidated subsidiaries, became affiliated companies to be accounted for by the equity method and were excluded from the scope of consolidation as a result of the sale of some of the shares.

The Company judged 6 companies to have a material impact on the consolidated financial statements. Consequently, the Company excluded these companies from the scope of companies accounted for by the equity method and brought them under the scope of consolidation.

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.

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

One company was excluded from the scope of companies accounted for by the equity method, due to merger.

(3) Any material difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary upon inclusion in the consolidation, unless specifically identified and reclassified to the applicable accounts from which the value originates, is treated as goodwill and negative goodwill, as the case may be, and amortized over a period of 5 to 20 years on a straight-line basis.

(4) The Company adopts the "full fair value method" so that the full portion of the assets and liabilities of the consolidated subsidiaries is marked to fair value as of the acquisition of control.
(5) 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, 2010, December 31 was used by 65 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 fiscal year–end of December 31 and February 28 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, 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 the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

D. Valuation of Assets

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

E. Depreciation and Amortization

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

F. Capitalization of Interest Expenses

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

G. Provisions

(1) Allowance for doubtful accounts:
   The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in receivables outstanding.
(2) Provision for bonuses:
   Bonuses to employees are accrued at year end to which such bonuses are attributable.
(3) Provision for directors' bonuses:
   Bonuses to directors and corporate auditors are accrued at year end to which such bonuses are attributable.
(4) Provision for retirement benefits:
   To provide for employees' retirement benefits, this provision is recorded based on the estimated actuarial present value of the Company's and its consolidated subsidiaries' retirement benefit obligations and the estimated fair value of pension assets at the end of the fiscal year. The Company amortizes prior service cost using the straight–line method over the term that does not exceed the average remaining service period (eight years) of employees who are eligible for postretirement benefits.
   Unrecognized net actuarial differences are mainly amortized beginning immediately the following year on a straight-line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (eight years).
(5) Provision for directors' retirement benefits:
   To provide for the payment of retirement benefits to directors and corporate auditors, in accordance with internal policies, consolidated subsidiaries record such provisions calculated as the estimated amount which would be payable if all directors and corporate auditors were to retire at the balance sheet date.
(6) Provision for periodic dry docking of vessels:
   Provision for periodic dry docking of vessels is provided based on

the estimated amount of expenditures for periodic drydocking in the future.

(7) Provision for losses related to antitrust law:
There are two provisions for antitrust law losses:
i) Consolidated subsidiary Nippon Cargo Airlines Co., Ltd. is being investigated by European and Korean authorities as part of a probe into price–cartel activity in air cargo transport services. NCA was issued a complaint by the European Commission in December 2007 as a result of its investigation and received an Examiner's Report from the Korean Fair Trade Commission in October 2009 on suspicion of violating the Monopoly Regulation and Fair Trade Law. The Company has therefore recorded a provision based on current estimates of future losses arising from the European Commission's and Korean Fair Trade Commission's investigations.
ii) Major domestic companies conducting international air cargo transport including consolidated subsidiary Yusen Air & Sea Service Co., Ltd. received a cease-and-desist order and a surcharge payment order from the Japan Fair Trade Commission ("JFTC") in March 2009 for violations of Article 3 of the antitrust law (prohibition of undue restriction of business activities) with regard to international air cargo transport. Upon careful examination of the details of the order, Yusen Air & Sea Service Co., Ltd. resolved in April 2009 to file an application for the commencement of hearings with the JFTC. Yusen Air & Sea Service Co., Ltd. subsequently received a notification of the commencement of hearings in July 2009, and the hearings are currently being held. Nevertheless, the Company has recorded a provision for the surcharge payment based on the order received from the JFTC.

H. Income Taxes

The Company and 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 included in the consolidated statement 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 completion of unloading cargoes at the final destination port.

J. Accounting for Leases

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

K. Method of Accounting for Material Hedge Transactions

For derivative financial instruments 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 financial instruments 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 financial instruments, 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 rate of these contracts. In addition, for interest rate swap contracts and interest rate cap contracts that meet specified conditions under the accounting standard, the related interest differentials paid or received under the contracts are included in the interest income/expense of the hedged financial assets and liabilities. In addition, the following hedging methods for various risks are utilized: interest rate swaps to hedge the risk of interest rate fluctuations related to borrowings, bonds and others; currency swap contracts, forward foreign exchange contracts, debts and credits in foreign currency to hedge the foreign exchange risk associated with monetary assets and liabilities, expected transactions and others; and fuel swap contracts to hedge the risk of price fluctuations in fuel oil and others. Semi-annually, the Company and its consolidated subsidiaries evaluate the effectiveness of hedging methods, except interest rate swaps and interest rate caps that meet specified conditions under the accounting standard, by analyzing the ratios of the cumulative amount of market fluctuation or cash flow among the hedging financial instruments and the hedged items.

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

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

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

L. Per Share Information

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

Diluted net income per share is not disclosed because of the Company's net loss position.

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

M. Cash and Cash Equivalents

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

N. Change in Accounting Policies

With the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan ("ASBJ") Statement No. 15 of December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18 of December 27, 2007) being applied from the fiscal year ended March 31, 2010, the accounting standard for earnings related to subcontracted construction, which was previously accounted for on a completed-contract basis, has been changed to a percentage-of-completion basis (with the percentage of completion estimated using a cost proportion method) for construction contracts beginning during the current fiscal year, for the portion of construction recognized as having been reliably completed from the time of the contract until the fiscal year end. The completed-contract method will be applied for other construction. The impact of these changes on profit and loss is negligible.

4. Financial Instruments

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal year ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal year ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

1. Disclosure on Financial Instruments

(1) 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.

(2) 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 their 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 swaps 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 rate of these contracts. In addition, for interest rate swap contracts that meet specified conditions as exceptional accounting under the accounting standard, the related interest differentials paid or received under the contracts are included in the interest income/expense of the hedged financial assets and liabilities.

② Principal hedging methods and items hedged

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

③ Risks inherent in derivative transactions

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

(3) Risk management for financial instruments

① Credit risk management

The Company utilizes credit management regulations to mini-

mize 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 as well as regulations and are subject to internal control operated principally by the divisions in charge of accounting. In addition, to prevent improper transactions, the back-office function for these transactions is performed by personnel of the Company and its consolidated subsidiaries who are not directly involved in the dealings. 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.

(4) Supplementary explanation of fair value of financial instruments and others

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

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

2. Disclosure of the Fair Value of Financial Instruments and Others

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

	Millions of yen			Thousands of U.S. dollars (Note 2)		
	2010			2010		
	Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)
(1) Cash and cash equivalents	¥ 281,660	¥ 281,660	¥ —	$ 3,027,304	$ 3,027,304	$ —
(2) Time deposits with a maturity of more than three months	5,585	5,585	—	60,033	60,033	—
(3) Notes and operating accounts receivable-trade	188,293			2,023,782		
Allowance for doubtful accounts (*1)	(817)			(8,777)		
Balance	187,476	187,476	—	2,015,005	2,015,005	—
(4) Short-term and long-term investment securities and Investment securities						
Held-to-maturity dete securities (*2)	1,239	1,262	23	13,312	13,569	257
Available-for-sale securities (*3)	162,526	162,526	—	1,746,838	1,746,838	—
(5) Long-term loans receivable	18,594			199,850		
Allowance for doubtful accounts (*1)	(760)			(8,169)		
Balance	17,834	18,692	858	191,681	200,907	9,226
Subtotal	656,320	657,201	881	7,054,173	7,063,656	9,483
(1) Notes and operating accounts payable-trade	164,876	164,876	—	1,772,097	1,772,097	—
(2) Short-term loans payable	135,772	135,772	—	1,459,283	1,459,283	—
(3) Bonds payable	251,129	256,711	5,582	2,699,147	2,759,145	59,998
(4) Long-term loans payable	687,719	701,971	14,252	7,391,645	7,544,834	153,189
Subtotal	1,239,496	1,259,330	19,834	13,322,172	13,535,359	213,187
Derivative financial instruments (*4)	¥ (38,328)	¥ (38,328)	¥ —	$ (411,949)	$ (411,949)	$ —

*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. Short-term and long-term investment securities held to maturity with fair value as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2010			2009			2010		
	Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)
Securities for which fair value exceeds book value:									
Government bonds and others	¥ 382	¥ 387	¥ 5	¥ 281	¥ 286	¥ 5	$ 4,107	$ 4,156	$ 49
Corporate bonds	847	868	21	803	810	7	9,098	9,327	229
Others	—	—	—	1	1	0	—	—	—
Subtotal	1,229	1,255	26	1,085	1,097	12	13,205	13,483	278
Securities for which fair value is equal to or less than book value:									
Government bonds and others	—	—	—	100	99	(1)	—	—	—
Corporate bonds	—	—	—	45	42	(3)	—	—	—
Others	10	7	(3)	10	6	(4)	107	86	(21)
Subtotal	10	7	(3)	155	147	(8)	107	86	(21)
Total	¥1,239	¥1,262	¥23	¥1,240	¥1,244	¥ 4	$13,312	$13,569	$257

*3. Short-term and long-term investment securities classified as available-for-sale securities with fair value as of March 31, 2010 and 2009 are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2010			2009			2010		
	Acquisition costs	Book value	Unrealized gain (loss)	Acquisition costs	Book value	Unrealized gain (loss)	Acquisition costs	Book value	Unrealized gain (loss)
Securities for which book value exceeds acquisition costs:									
Corporate shares	¥ 75,387	¥135,358	¥ 59,971	¥ 67,205	¥102,093	¥ 34,888	$ 810,261	$1,454,837	$644,576
Government bonds and others	59	60	1	58	59	1	629	640	11
Corporate bonds	—	—	—	—	—	—	—	—	—
Others	61	68	7	—	—	—	657	729	72
Subtotal	75,507	135,486	59,979	67,263	102,152	34,889	811,547	1,456,206	644,659
Securities for which book value is equal to or less than acquisition costs:									
Corporate shares	39,465	26,996	(12,469)	60,135	43,476	(16,659)	424,170	290,154	(134,016)
Government bonds and others	2	2	—	—	—	—	25	25	—
Corporate bonds	—	—	—	—	—	—	—	—	—
Others	53	42	(11)	119	81	(38)	574	453	(121)
Subtotal	39,520	27,040	(12,480)	60,254	43,557	(16,697)	424,769	290,632	(134,137)
Total	¥115,027	¥162,526	¥ 47,499	¥127,517	¥145,709	¥ 18,192	$1,236,316	$1,746,838	$510,522

*4. Derivative financial instruments with fair value as of March 31, 2010 and 2009 are summarized as follows:
a. Derivative transactions not qualifying for hedge accounting

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2010			2009			2010		
	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
1. Currency—related									
Forward foreign currency exchange contracts:									
Buy U.S. dollar, sell Japanese yen	**¥11,175**	**¥ 8,225**	**¥ (760)**	¥ 1,371	¥ —	¥3	**$120,105**	**$ 88,400**	**$ (8,171)**
Sell U.S. dollar, buy Japanese yen	**2,768**	**—**	**(89)**	3,684	—	0	**29,748**	**—**	**(955)**
Buy Euro, sell Japanese yen	**322**	**—**	**(6)**	306	—	(1)	**3,459**	**—**	**(66)**
Sell Euro, buy Japanese yen	**676**	**—**	**(3)**	—	—	—	**7,262**	**—**	**(29)**
Buy U.S. dollar, sell Euro	**188**	**—**	**0**	188	—	(5)	**2,018**	**—**	**4**
Buy Singapore dollar, sell U.S. dollar	**2,332**	**—**	**(4)**	1,913	—	27	**25,062**	**—**	**(46)**
Others	**2,029**	**—**	**(34)**	1,874	—	18	**21,811**	**—**	**(370)**
Currency swaps:									
Receive Japanese yen, pay U.S. dollar	**—**	**—**	**—**	403	—	96	**—**	**—**	**—**
2. Interest rate-related									
Interest rate swaps:									
Receive fixed, pay floating	**¥38,964**	**¥36,477**	**¥1,000**	¥47,055	¥45,480	¥1,144	**$418,784**	**$392,055**	**$10,753**
Receive floating, pay fixed	**39,143**	**32,985**	**(1,645)**	46,773	45,180	(1,831)	**420,710**	**354,526**	**(17,684)**
3. Commodity-related									
Freight (chartered-freight) forward transactions:									
Forward chartered-freight agreements on buyer's side	**¥ 268**	**¥ —**	**¥ (9)**	¥ 351	¥ —	¥(69)	**$ 2,880**	**$ —**	**$ (101)**
Forward chartered-freight agreements on seller's side	**172**	**—**	**19**	574	—	291	**1,845**	**—**	**207**
Fuel swap:									
Floating receipts/fixed payments	**—**	**—**	**—**	80	—	(5)	**—**	**—**	**—**

Notes 1. The market price of forward foreign currency exchange contracts at March 31, 2010 is based on the forward foreign exchange rate then prevailing in the market.
2. The values of currency swap, interest rate swap and freight (chartered-freight) forward transactions are valued at the market rates reported by the financial institutions handling these transactions for the Company, as of March 31, 2010.

b. Derivative transactions qualifying for hedge accounting
(Derivative transactions qualifying for general accounting policies, deferral hedge accounting)

		Millions of yen			Thousands of U.S. dollars (Note 2)		
		2010			2010		
		Contracts outstanding	Contracts outstanding (More than one year)	Fair value	Contracts outstanding	Contracts outstanding (More than one year)	Fair value
1. Currency-related							
Forward foreign currency exchange contracts:	Principal items hedged:						
Buy U.S. dollar, sell Japanese yen	Forecasted capital expenditures	¥ 36,143	¥ 15,743	¥ (3,173)	$ 388,471	$ 169,211	$ (34,099)
Sell U.S. dollar, buy Japanese yen		45	—	(1)	487	—	(10)
Others		46	15	3	490	159	33
Currency swaps:	Principal items hedged:						
Receive U.S. dollar, pay Japanese yen	Charterage paid	4,432	2,329	(66)	47,633	25,036	(713)
Receive U.S. dollar, pay Malaysia ringgit		877	689	(63)	9,423	7,403	(677)
Receive Japanese yen, pay U.S. dollar		159	119	36	1,704	1,278	382
2. Interest rate-related							
Interest rate swaps:	Principal items hedged:						
Receive floating, pay fixed	Long-term loans payable	172,273	150,709	(11,368)	1,852,602	1,619,832	(122,181)
3. Commodity-related							
Fuel swap:	Principal items hedged:						
Floating receipts/fixed payments	Fuel	¥ 21,509	¥ 3,830	¥ (1,266)	$ 231,184	$ 41,163	$ (13,609)

(Foreign exchange contracts and other derivative transactions qualifying for designation accounting)

		Millions of yen			Thousands of U.S. dollars (Note 2)		
		2010			2010		
		Contracts outstanding	Contracts outstanding (More than one year)	Fair value	Contracts outstanding	Contracts outstanding (More than one year)	Fair value
Forward foreign currency exchange contracts:	Principal items hedged:						
Buy U.S. dollar, sell Japanese yen	Forecasted capital expenditures	¥309,451	¥191,950	¥(20,017)	$3,326,005	$2,063,092	$(215,142)
Sell U.S. dollar, buy Japanese yen		45,355	—	(930)	487,474	—	(9,992)
Others		924	—	5	9,929	—	51

(Interest rate swap derivative transactions qualifying for exceptional accounting)

		Millions of yen			Thousands of U.S. dollars (Note 2)		
		2010			2010		
		Contracts outstanding	Contracts outstanding (More than one year)	Fair value	Contracts outstanding	Contracts outstanding (More than one year)	Fair value
Interest rate swaps:	Principal items hedged:						
Receive fixed, pay floating	Long-term loans payable	¥ 814	¥ 408	(Note) 2	$ 8,749	$ 4,385	(Note) 2
Receive floating, pay fixed		96,618	88,638		1,038,456	952,688	

Notes: 1. Indicated values are based on the market rates reported by the financial institutions handling these transactions for the Company, as of March 31, 2010.
2. As exceptional accounting for interest rate swaps is handled together with the long-term loans hedged, their fair value is included in that of the long-term loans.

(Note 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 investment securities and 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.

Derivative financial instruments

Refer to Page 83 and 84

Liabilities

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

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

(3) Bonds payable

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

(4) Long-term loans payable

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

(*) As to the long-term loans payable involved in the interest rate swap agreement that meet the requirements for exceptional accounting (Refer to Page 84), the total amount of its principal and interest income at the post-swap rate is applied.

(Note B) Proceeds, gains and losses on sales of available-for-sale securities in the fiscal years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Proceeds from sales	**¥27,002**	¥10,698	**$290,216**
Gross realized gains	**14,893**	2,989	**160,071**
Gross realized losses	**(97)**	(13)	**(1,047)**

(Note C) Financial instruments for which fair value is extremely difficult to determine

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2010	2010
Segment	Book value	Book value
Shares in unlisted companies	¥24,809	$266,651
Others	1,328	14,275
Total	¥26,137	$280,926

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."

And, "Investments in unconsolidated subsidiaries and affiliates" (their book values are ¥93,542 million ($1,005,391 thousand)) are not included in "(4) Short-term and long-term investment securities."

(Note D) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen			
	2010			
	Within one year	More than one year, within five years	More than five years, within ten years	Within ten years
Cash and cash equivalents	¥281,660	¥ —	¥ —	¥ —
Time deposits with a maturity of more than three months	5,585	—	—	—
Notes and operating accounts receivable-trade	187,111	1,182	—	—
Short-term and long-term investment securities				
Held-to-maturity debt securities (government bonds)	—	280	—	200
Held-to-maturity debt securities (corporate bonds)	—	320	—	425
Held-to-maturity debt securities (others)	—	—	—	10
Available-for-sale securities with maturity dates (government bonds)	20	42	—	—
Available-for-sale securities with maturity dates (others)	30	—	—	—
Long-term loans receivable	—	7,656	6,082	4,856
Total	¥474,406	¥9,480	¥6,082	¥5,491

	Thousands of U.S. dollars (Note 2)			
	2010			
	Within one year	More than one year, within five years	More than five years, within ten years	Within ten years
Cash and cash equivalents	$3,027,304	$ —	$ —	$ —
Time deposits with a maturity of more than three months	60,033	—	—	—
Notes and operating accounts receivable-trade	2,011,078	12,704	—	—
Short-term and long-term investment securities				
Held-to-maturity debt securities (government bonds)	—	3,009	—	2,150
Held-to-maturity debt securities (corporate bonds)	—	3,439	—	4,568
Held-to-maturity debt securities (others)	—	—	—	107
Available-for-sale securities with maturity dates (government bonds)	218	451	—	—
Available-for-sale securities with maturity dates (others)	326	—	—	—
Long-term loans receivable	—	82,289	65,365	52,196
Total	$5,098,959	$101,892	$65,365	$59,021

(Note E) Maturity analysis for corporate bonds and long-term loans after the balance sheet date

	Millions of yen						
	2010						
	Within one year	More than one year, Within two years	More than two years, Within three years	More than three years, Within four years	More than four years, Within five years	More than five years, Within ten years	More than ten years
Bonds payable	¥ —	¥ —	¥ 45,000	¥ —	¥ 50,000	¥ 80,000	¥ 76,129
Long-term loans payable	—	81,541	79,144	121,149	80,079	283,377	42,429
Total	¥ —	¥81,541	¥124,144	¥121,149	¥130,079	¥363,377	¥118,558

	Thousands of U.S. dollars (Note 2)						
	2010						
	Within one year	More than one year, Within two years	More than two years, Within three years	More than three years, Within four years	More than four years, Within five years	More than five years, Within ten years	More than ten years
Bonds payable	$ —	$ —	$ 483,663	$ —	$ 537,403	$ 859,845	$ 818,236
Long-term loans payable	—	876,407	850,641	1,302,116	860,698	3,045,759	456,024
Total	$ —	$876,407	$1,334,304	$1,302,116	$1,398,101	$3,905,604	$1,274,260

5. Inventories:

Inventories as of March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Products and goods	¥ 3,097	¥ 4,005	$ 33,282
Real estate for sale	1	1	13
Fuel and supplies	40,761	28,075	438,108
Others	486	775	5,220
Total	¥44,345	¥32,856	$476,623

6. Vessels, Property, Plant and Equipment:

As of March 31, 2010 and 2009, vessels, property, plant and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Vessels, property, plant and equipment (at cost)			
Vessels	**¥1,358,210**	¥1,353,666	**$14,598,129**
Buildings and structures	**163,258**	152,500	**1,754,714**
Aircraft	**27,939**	28,171	**300,289**
Machinery, equipment and vehicles	**76,332**	74,154	**820,419**
Equipment	**25,775**	25,387	**277,031**
Land	**62,578**	59,952	**672,594**
Construction in progress	**271,659**	295,424	**2,919,812**
Other	**12,452**	12,488	**133,831**
Total	**1,998,203**	2,001,742	**21,476,819**
Less: accumulated depreciation	**(887,081)**	(834,085)	**(9,534,405)**
Net vessels, property, plant and equipment	**¥1,111,122**	¥1,167,657	**$11,942,414**

7. Investment and Rental Property

On November 28, 2008, the ASBJ issued ASBJ Statement No. 20 "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No.23 "Guidance on Accounting Standard for Investment Property and Related Disclosures". This accounting standard and the guidance are applicable to investment property and related disclosures at the end of fiscal year ending on or after March 31, 2010. The Company and consolidated subsidiaries applied the new accounting standard and guidance effective March 31, 2010.

The Company and certain of its consolidated subsidiaries own offices and other buildings (including land) for earning rentals and other purposes in Tokyo and in other regions. Profit from rentals related to these properties (with main rental income recorded as revenues and main rental expense recorded as costs and expenses) in the current fiscal year totaled ¥4,235 million ($45,522 thousand).

The amounts recorded on the consolidated balance sheet, 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)
	2010	**2010**
Amount shown on consolidated balance sheet		
Balance as of March 31, 2009	**¥ 40,390**	**$ 434,120**
Increase/decrease during the fiscal year	**(1,082)**	**(11,632)**
Balance as of March 31, 2010	**39,308**	**422,488**
Fair value as of current fiscal year-end	**¥105,376**	**$1,132,586**

Notes 1. The amount shown on 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 ¥193 million ($2,074 thousand) from capital expenditures, and the primary decrease was ¥940 million ($10,102 thousand) from depreciation.
3. The market value as of the fiscal year-end is the amount calculated primarily based on the Real Estate Appraisal Standard.

8. 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 ¥5,630 million ($60,508 thousand) and ¥5,740 million as of March 31, 2010 and 2009, respectively.

9. Short-Term and Long-Term Debt:

(1) Short-term debts had weighted-average interest rates of 0.79 percent and 1.27 percent as of March 31, 2010 and 2009, respectively.
(2) Long-term debt as of March 31, 2010 and 2009, consisted of the following.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Loans from banks and other financial institutions, with a weighted-average interest rate of 1.27 percent and 1.70 percent at March 31, 2010 and 2009, due from 2011 to 2031	**¥ 757,031**	¥688,559	**$ 8,136,623**
Lease obligations			
interest rate of 4.76 percent at March 31, 2010, due from 2011 to 2021	**7,252**	9,956	**77,942**
Unsecured 0.81 percent bonds, due on October 16, 2009	**—**	20,000	**—**
Unsecured 1.67 percent bonds, due on June 20, 2012	**30,000**	30,000	**322,442**
Unsecured 1.01 percent bonds, due on February 21, 2013	**15,000**	15,000	**161,221**
Unsecured 1.58 percent bonds, due on June 9, 2014	**20,000**	20,000	**214,961**
Unsecured 0.968 percent bonds, due on August 11, 2014	**30,000**	—	**322,442**
Unsecured 2.06 percent bonds, due on June 22, 2016	**20,000**	20,000	**214,961**
Unsecured 2.05 percent bonds, due on June 20, 2017	**30,000**	30,000	**322,442**
Unsecured 1.782 percent bonds, due on August 9, 2019	**30,000**	—	**322,442**
Unsecured 2.36 percent bonds, due on June 7, 2024	**10,000**	10,000	**107,481**
Unsecured 2.65 percent bonds, due on June 22, 2026	**10,000**	10,000	**107,481**
Convertible bonds with warrants, due on September 24, 2026	**56,129**	56,197	**603,274**
Subtotal	**1,015,412**	909,712	**10,913,712**
Less current portion due within one year	**(70,139)**	(97,997)	**(753,856)**
Long-term debt, less current portion	**¥ 945,273**	¥811,715	**$10,159,856**

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, 2010 were as follows.

Year ending March 31, 2010	Millions of yen	Thousands of U.S. dollars (Note 2)
2012	**¥ 82,202**	**$ 883,508**
2013	**124,747**	**1,340,791**
2014	**121,602**	**1,306,985**
2015	**130,458**	**1,402,169**
2016 and thereafter	**486,264**	**5,226,403**
Total	**¥945,273**	**$10,159,856**

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 ($8.36 (Note 2))
Total amount of debt securities issued	¥55,000 million ($591,144 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

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

10. Pledged Assets and Secured Liabilities:

As of March 31, 2010, the following assets were pledged as collateral for short-term loans payable, current portion of long-term debt, long-term debt and others:

	Net book value	
Pledged assets	Millions of yen	Thousands of U.S. dollars (Note 2)
Vessels	¥50,967	$547,794
Buildings and structures	4,677	50,268
Aircraft	1,800	19,349
Land	5,860	62,984
Investment securities	11,121	119,533
Others	2,707	29,088
Total	¥77,132	$829,016

Secured liabilities	Millions of yen	Thousands of U.S. dollars (Note 2)
Short-term loans payable and current portion of long-term debt	¥12,047	$129,483
Long-term debt	26,638	286,307
Others	183	1,965
Total	¥38,868	$417,755

11. Income Taxes:

(1) Significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Deferred tax assets:			
Provision for bonuses	¥ 2,689	¥ 2,989	$ 28,900
Provision for retirement benefits	5,184	5,326	55,721
Impairment losses on vessels, property, plant and equipment	10,843	11,286	116,542
Losses on revaluation of securities	3,044	3,190	32,719
Losses on revaluation of noncurrent assets	328	1,172	3,534
Tax loss carryforwards	70,409	52,545	756,756
Unrealized gains on sale of vessels, property, plant and equipment	4,028	4,322	43,294
Provision for periodic dry-docking of vessels	6,634	4,341	71,303
Accrued expenses	2,630	2,838	28,261
Deferred loss on hedges	13,933	18,528	149,747
Others	11,565	9,920	124,303
Subtotal of deferred tax assets	131,287	116,457	1,411,080
Valuation allowance	(68,908)	(57,577)	(740,628)
Total deferred tax assets	62,379	58,880	670,452
Deferred tax liabilities:			
Gain on securities contribution to employee retirement benefit trust	(3,754)	(3,754)	(40,352)
Valuation difference on available-for-sale securities	(16,932)	(6,390)	(181,989)
Depreciation	(8,511)	(8,527)	(91,480)
Special tax purpose reserve	(4,679)	(5,389)	(50,287)
Unrealized losses on sale of vessels, property, plant and equipment	(85)	(9)	(912)
Deferred gain on hedges	(519)	(2,573)	(5,573)
Others	(5,114)	(6,281)	(54,962)
Total deferred tax liabilities	(39,594)	(32,923)	(425,555)
Net deferred tax assets (liabilities)	¥ 22,785	¥ 25,957	$ 244,897

(2) Reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2010 and 2009, are as follows.

	2009
Normal statutory income tax rate	37.5%
Increase (decrease) in taxes resulting from:	
Amortization of goodwill	0.9
Impairment of goodwill	3.3
Equity in earnings of unconsolidated subsidiaries and affiliates	(2.0)
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	3.3
Permanently non-taxable income, such as dividend income	(3.2)
Changes in valuation allowance	28.5
Loss on valuation of non-taxable shares of affiliates	(36.3)
Tax exemption of overseas subsidiaries	(7.9)
Other	0.4
Actual effective income tax rate	24.5%

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

12. Equity:

The consolidated financial statements have been reported in accordance with the provisions set forth in the Japanese Companies Act ("the Companies Act").

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as:

(a) having a Board of Directors, (b) having independent auditors, (c) having a Board of Corporate Auditors, and (d) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution of the company as stipulated.

The Companies Act provided certain limitations on the amounts available for dividends or the purchase of treasury stock.

The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a component of equity. The Companies Act also provides that companies can purchase both treasury stock purchase rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(A) Matters Concerning Outstanding Shares

Changes in the number of outstanding shares in the consolidated fiscal years ended March 31, 2010, were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
At March 31, 2009	**1,230,188**	**2,376**
Increase in number of shares	**470,363**	**425**
Decrease in number of shares	**—**	**(75)**
At March 31, 2010	**1,700,551**	**2,726**

(B) Matters Concerning Dividends

(1) Total dividend payments to be paid for the consolidated fiscal year ended March 31, 2010, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Approved at the regular general meeting of shareholders on June 23, 2009	**¥2,456**	**$26,394**
Approved by the Board of Directors on October 27, 2009	**2,455**	**26,393**
Total	**¥4,911**	**$52,787**

(2) The effective date for dividends, including retained earnings as of March 31, 2010, shall be determined in the subsequent consolidated fiscal year, as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
At the regular general meeting of shareholders on June 23, 2010	**¥3,396**	**$36,498**
Total	**¥3,396**	**$36,498**

(C) In December 2009, we completed the sale of 427,000,000 shares of common stock in public offerings at a issue price of ¥253 per share and additional 33,000,000 shares of common stock through a third-party allotment at ¥242.56 per share. As a result, Common Stock increased ¥55,789 million ($599,622 thousand) and Capital Surplus increased the same amount. In addition, Capital Surplus increased ¥2,705 million ($29,070 thousand) as a result of a share exchange with Taiheiyo Kaiun Co., Ltd. (Refer to Page 100 and 101)

13. 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, 2010, 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 impairment losses of ¥4,099 ($44,056 thousands) million.

The breakdown is as follows.

Location	Application	Type	Millions of yen	Thousands of U.S. dollars (Note 2)
CANADA	Assets for operations (*1), Other	Intangible assets, Machinery and equipment	**¥1,940**	**$20,847**
PANAMA	assets to be disposed of by sale	Vessels	**932**	**10,022**
Others	Mainly idle assets, assets to be disposed of by sale	Tangible assets, Aircraft, Land, Other	**1,227**	**13,187**
Total			**¥4,099**	**$44,056**

Impairment loss by location

	Millions of yen	
CANADA	**¥1,940**	(Intangible assets ¥1,694, Machinery and equipment ¥246)
PANAMA	**¥932**	(Vessels ¥932)
Others	**¥1,227**	(Other tangible fixed assets ¥560, Aircraft ¥292, Land ¥198, Other ¥177)

	Thousands of U.S. dollars (Note 2)	
CANADA	**$20,847**	(Intangible assets $18,203, Machinery and equipment $2,644)
PANAMA	**$10,022**	(Vessels $10,022)
Others	**$13,187**	(Other tangible fixed assets $6,018, Aircraft $3,135, Land $2,135, Other $1,899)

The recoverable amount for these asset groups will be the higher value of the asset's net selling price and its value in use.
The net selling price is based on Sales contract or property appraisal assessments and the value in use is calculated from the projected future cash flows discounted at a rate of 10.7%.

14. Commitments and Contingent Liabilities:

(1) Commitments made by the Company and its consolidated subsidiaries as of March 31, 2010 totaled ¥366,015 million ($3,933,958 thousand) for the construction of vessels, ¥361,878 million ($3,889,484 thousand) for the purchase of aircraft and ¥24 million ($257 thousand) for the purchase of other equipment.

Contingent liabilities for notes receivable discounted and endorsed, loans guaranteed, and joint debts of indebtedness as of March 31, 2010, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Notes receivable discounted and endorsed	¥ 3	$ 34
Guarantees of loans	102,351	1,100,078
Joint debt of indebtedness	6,884	73,981
Total	¥109,238	$1,174,093

(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 ¥32,347 million ($347,669 thousand). There is a possibility that payments will be made under these guarantees if lease assets are returned without exercise of the lease purchase option. These operating lease contracts will expire by December 2018.

(3) Certain operating lease contracts entered into by the Company and its consolidated subsidiary Nippon Cargo Airlines Co., Ltd. (NCA) in relation to aircraft include guarantees of residual value. The potential maximum payment under these guarantees of residual value is ¥25,858 million ($277,924 thousand). There is a possibility that payments will be made under these guarantees if lease assets are returned upon the conclusion of the lease term. These operating lease contracts will expire by December 2013.

(4) Consolidated subsidiary NCA is being investigated by European and Korean authorities as part of a probe into price-cartel activity in air cargo transport services. NCA was issued a complaint by the European Commission in December 2007 as a result of its investigation, and received an Examiner's Report from the Korean Fair Trade Commission in October 2009 on suspicion of violating the Monopoly Regulation and Fair Trade Law. In addition, in regard to this matter, in the United States a lawsuit (class action) has been filed against NCA for damages for an unspecified amount. The Company has therefore recorded provisions for losses associated with the European Commission's and Korean Fair Trade Commission's investigations. The outcome of the class action lawsuit could have an impact on the business results of NCA, but it is difficult to rationally estimate the outcome.

15. Statements of Cash Flows:

(1) The assets and liabilities arising from the acquisition of the 15 companies at the beginning of consolidation are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2010	2010
Current assets	¥ 5,223	$ 56,131
Noncurrent assets	18,709	201,089
Total assets	¥23,932	$257,220
Current liabilities	¥ 7,163	$ 76,989
Noncurrent liabilities	13,298	142,928
Total liabilities	¥20,461	$219,917

(2) The following exculded assets and liabilities are associated with the exclusion of 3 companies from the scope of consolidation due to the sale of shares.

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2010	2010
Current assets	¥ 3,489	$ 37,500
Noncurrent assets	33,093	355,681
Total assets	¥36,582	$393,181
Current liabilities	¥ 7,107	$ 76,391
Noncurrent liabilities	31,378	337,250
Total liabilities	¥38,485	$413,641

(3) Significant non-cash transaction is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2010	2010
Increase in Capital surplus by share exchange	¥2,705	$29,071

16. Accounting for Leases:

As discussed in Note 3J, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transaction date of "as if capitalized" basis for the year ended March 31, 2010 and 2009 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, 2010 and 2009, which included the portion of interest thereon, would have been shown in the consolidated balance sheets as follows, if the leased assets had been capitalized.

	Millions of yen									
	2010					2009				
	Vessels	Aircraft	Equipment	Other	Total	Vessels	Aircraft	Equipment	Other	Total
Acquisition cost	¥21,188	¥29,427	¥64,172	¥1,346	¥116,133	¥21,810	¥29,427	¥69,567	¥1,393	¥122,197
Accumulated depreciation	14,540	11,443	40,285	859	67,127	13,368	8,991	37,788	801	60,948
Accumulated impairment loss	—	5,442	—	—	5,442	—	5,442	—	—	5,442
Net balance at end of the year	6,648	12,542	23,887	487	43,564	8,442	14,994	31,779	592	55,807

	Thousands of U.S. dollars (Note 2)				
	2010				
	Vessels	Aircraft	Equipment	Other	Total
Acquisition cost	$227,728	$316,285	$689,725	$14,466	$1,248,204
Accumulated depreciation	156,280	122,994	432,981	9,234	721,489
Accumulated impairment loss	—	58,487	—	—	58,487
Net balance at end of the year	71,448	134,804	256,744	5,232	468,228

b. Future lease payments as of March 31, 2010, which included the portion of interest thereon, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 9,905	$106,456
More than one year	34,931	375,444
Total	¥44,836	$481,900
Accumulated impairment loss on leased property	¥ 4,782	$ 51,400

c. Lease expenses, depreciation, interest expenses and impairment loss for the years ended March 31, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Lease expenses for the year	¥11,911	¥13,027	$128,016
Reversal of impairment loss on leased property	659	—	7,087
Depreciation	12,037	12,652	129,372
Interest expenses	926	1,174	9,954
Impairment loss	—	5,442	—

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, 2010, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 74,071	$ 796,121
More than one year	377,088	4,052,965
Total	¥451,159	$4,849,086

As lessors

Future lease income as of March 31, 2010, is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 2,615	$ 28,107
More than one year	47,867	514,481
Total	¥50,482	$542,588

17. Accounting for Employees' Retirement Benefits:

(1) Outline of employees' retirement benefit plans:
The Company and its domestic consolidated subsidiaries maintain the following defined benefit plans: the Tax-Qualified Pension Plan, the national government's Employees' Pension Fund and a retirement lump-sum allowance system.

Some overseas consolidated subsidiaries also maintain defined contribution plans or defined benefit plans.

(2) Amounts related to projected benefit obligations (As of March 31, 2010 and 2009):

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Projected benefit obligations	**¥(89,286)**	¥(86,700)	**$ (959,653)**
Plan assets	**105,490**	79,860	**1,133,817**
Unfunded obligations	**16,204**	(6,840)	**174,164**
Unrecognized plan assets	**—**	—	**—**
Unfunded liabilities at time of accounting standard change	**—**	—	**—**
Unrecognized actuarial gain (loss)	**(9,469)**	11,934	**(101,781)**
Unrecognized prior service cost	**2,167**	2,495	**23,293**
Net obligations on the consolidated balance sheets	**8,902**	7,589	**95,676**
Prepaid pension costs	**25,250**	23,650	**271,389**
Provision for retirement benefits	**¥(16,348)**	¥(16,061)	**$ (175,713)**

(3) Amounts related to retirement benefit costs (Years ended March 31, 2010 and 2009):

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Service costs	**¥ 4,219**	¥ 4,948	**$ 45,344**
Interest costs	**1,802**	1,839	**19,369**
Expected return on plan assets	**(1,249)**	(1,401)	**(13,430)**
Unfunded liabilities at time of accounting standard change	**—**	—	**—**
Recognized actuarial loss	**293**	(3,873)	**3,153**
Amortization of prior service cost	**549**	429	**5,905**
Retirement benefit costs	**¥ 5,614**	¥ 1,942	**$ 60,341**

Note: In addition to the costs shown above, certain consolidated subsidiaries had ¥1,915 million ($20,578 thousand) and ¥1,981 million for the fiscal years ended March 31, 2010 and 2009, respectively, in defined contribution retirement benefit costs. Besides the retirement benefit costs shown above, certain domestic consolidated subsidiaries treated the amount of defined contributions paid to their Employees' Pension Fund as retirement benefit costs.

(4) Assumptions in calculation of the above information (As of March 31, 2010 and 2009):

	2010	2009
Method of attributing the projected benefits to periods of service	**Straight-line basis**	Straight-line basis
Discount rate	**Mainly 2.0%**	Mainly 2.0%
Expected rate of return on plan assets	**Mainly 2.0%–3.0%**	Mainly 2.0%–3.0%
Amortization period of prior service cost	**Mainly 8 years**	Mainly 8 years
Recognition period of actuarial gain/loss	**Mainly 8 years**	Mainly 8 years

18. Industry Segment Information:

The Company and its consolidated subsidiaries operate in eight business: Liner Trade, Bulk Shipping, Logistics, Terminal and Harbor Transport, Cruise, Air Cargo Transport, Real Estate and Others. The tables below contain segment information for the consolidated fiscal years ended March 31, 2010 and 2009.

Year ended March 31, 2010:

	Millions of yen										
	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Others	Total	Elimination or Corporate	Consolidated Total
I Revenues and Operating Income (loss)											
Revenues:											
(1) Revenues from customers	¥374,035	¥ 727,666	¥340,437	¥ 85,249	¥35,155	¥ 55,494	¥ 9,828	¥ 69,478	¥1,697,342	¥ —	¥1,697,342
(2) Inter-segment revenues	4,051	5,805	1,345	25,031	—	7,086	2,326	86,505	132,149	(132,149)	—
Total revenues	378,086	733,471	341,782	110,280	35,155	62,580	12,154	155,983	1,829,491	(132,149)	1,697,342
Operating costs and expenses	429,824	687,719	340,592	106,949	38,859	77,938	8,414	157,304	1,847,599	(132,162)	1,715,437
Operating income (loss)	¥ (51,738)	¥ 45,752	¥ 1,190	¥ 3,331	¥ (3,704)	¥(15,358)	¥ 3,740	¥ (1,321)	¥ (18,108)	¥ 13	¥ (18,095)
II Total Assets, Depreciation and Amortization, Impairment loss, and Capital Expenditures											
Total assets	¥275,877	¥1,237,619	¥208,478	¥135,984	¥33,214	¥ 64,330	¥56,790	¥507,599	¥2,519,891	¥(312,728)	¥2,207,163
Depreciation and amortization	8,453	73,354	6,563	4,677	1,796	689	1,028	1,472	98,032	(12)	98,020
Impairment loss	—	932	879	1,996	—	292	—	—	4,099	—	4,099
Capital expenditures	41,900	169,890	7,120	6,367	2,824	9,394	308	167	237,970	—	237,970

	Thousands of U.S. dollars (Note 2)										
	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Others	Total	Elimination or Corporate	Consolidated Total
I Revenues and Operating Income (loss)											
Revenues:											
(1) Revenues from customers:	$4,020,154	$ 7,821,000	$3,659,042	$ 916,262	$377,853	$ 596,451	$105,636	$ 746,749	$18,243,147	$ —	$18,243,147
(2) Inter-segment revenues	43,536	62,396	14,459	269,034	—	76,163	25,001	929,755	1,420,344	(1,420,344)	—
Total revenues	4,063,690	7,883,396	3,673,501	1,185,296	377,853	672,614	130,637	1,676,504	19,663,491	(1,420,344)	18,243,147
Operating costs and expenses	4,619,772	7,391,648	3,660,706	1,149,500	417,663	837,687	90,434	1,690,709	19,858,119	(1,420,489)	18,437,630
Operating income (loss)	$ (556,082)	$ 491,748	$ 12,795	$ 35,796	$ (39,810)	$(165,073)	$ 40,203	$ (14,205)	$ (194,628)	$ 145	$ (194,483)
II Total Assets, Depreciation and Amortization, Impairment loss, and Capital Expenditures											
Total assets	$2,965,144	$13,302,011	$2,240,732	$1,461,561	$356,991	$ 691,419	$610,386	$5,455,711	$27,083,955	$(3,361,217)	$23,722,738
Depreciation and amortization	90,848	788,413	70,542	50,264	19,309	7,401	11,049	15,823	1,053,649	(125)	1,053,524
Impairment loss	—	10,022	9,444	21,450	—	3,140	—	—	44,056	—	44,056
Capital expenditure	450,348	1,825,990	76,529	68,430	30,345	100,967	3,308	1,796	2,557,713	—	2,557,713

Within the asset balance for the consolidated fiscal year ended March 31, 2010, company-wide assets included under Elimination or Corporate had a value of ¥141,186 million ($1,517,485 thousand). A primary component of this amount is the Company's investment of surplus funds (cash and deposit).

Year ended March 31, 2009:

	Millions of yen										
	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Others	Total	Elimination or Corporate	Consolidated Total
I Revenues and Operating Income (loss)											
Revenues:											
(1) Revenues from customers	¥589,710	¥1,081,267	¥445,576	¥100,690	¥44,191	¥ 70,537	¥ 9,104	¥ 88,898	¥2,429,973	¥ —	¥2,429,973
(2) Inter-segment revenues	5,662	5,819	2,563	31,320	10	8,896	2,612	118,985	175,867	(175,867)	—
Total revenues	595,372	1,087,086	448,139	132,010	44,201	79,433	11,716	207,883	2,605,840	(175,867)	2,429,973
Operating costs and expenses	619,701	914,290	443,252	125,950	42,883	97,340	8,103	209,416	2,460,935	(175,877)	2,285,058
Operating income (loss)	¥ (24,329)	¥ 172,796	¥ 4,887	¥ 6,060	¥ 1,318	¥(17,907)	¥ 3,613	¥ (1,533)	¥ 144,905	¥ 10	¥ 144,915
II Total Assets, Depreciation and Amortization, Impairment loss, and Capital Expenditures											
Total assets	¥298,419	¥1,245,396	¥197,618	¥131,854	¥39,769	¥ 71,430	¥51,215	¥492,525	¥2,528,226	¥(456,955)	¥2,071,271
Depreciation and amortization	11,006	69,353	7,286	5,737	1,787	1,825	1,123	2,015	100,132	(8)	100,124
Impairment loss	—	1,076	79	—	—	25,745	—	150	27,050	—	27,050
Capital expenditures	117,613	234,557	5,161	7,564	2,181	47,146	787	2,546	417,555	—	417,555

Within the asset balance for the consolidated fiscal year ended March 31, 2009, company-wide assets included under Elimination or Corporate had a value of ¥23,236 million ($236,549 thousand). A primary component of this amount is the Company's investment of surplus funds (cash and deposit).

19. Geographical Segment Information:

Major countries and regions in each segment are as follows:

North America: United States and Canada
Europe: United Kingdom, Germany, the Netherlands, Italy, France and Belgium
Asia: Singapore, Thailand, Hong Kong and China
Others: Australia

The tables below contain segment information for the fiscal years ended March 31, 2010 and 2009.

Year ended March 31, 2010:

	Millions of yen							
	Japan	North America	Europe	Asia	Others	Total	Elimination or Corporate	Consolidated
I Revenues and Operating Income (loss)								
Revenues:								
(1) Revenues from customers	**¥1,259,304**	**¥128,836**	**¥180,385**	**¥115,554**	**¥13,263**	**¥1,697,342**	**¥ —**	**¥1,697,342**
(2) Inter-segment revenues	**35,377**	**25,446**	**14,903**	**15,141**	**1,964**	**92,831**	**(92,831)**	**—**
Subtotal	**1,294,681**	**154,282**	**195,288**	**130,695**	**15,227**	**1,790,173**	**(92,831)**	**1,697,342**
Operating costs and expenses	**1,327,002**	**155,583**	**185,126**	**125,908**	**15,183**	**1,808,802**	**(93,364)**	**1,715,438**
Operating income (loss)	**¥ (32,321)**	**¥ (1,301)**	**¥ 10,162**	**¥ 4,787**	**¥ 44**	**¥ (18,629)**	**¥ 533**	**¥ (18,096)**
II Total assets	**¥1,867,131**	**¥ 83,535**	**¥267,766**	**¥280,224**	**¥12,146**	**¥2,510,802**	**¥(303,639)**	**¥2,207,163**

Year ended March 31, 2010:

	Thousands of U.S. dollars (Note 2)							
	Japan	North America	Europe	Asia	Others	Total	Elimination or Corporate	Consolidated
I Revenues and Operating Income (loss)								
Revenues:								
(1) Revenues from customers	**$13,535,084**	**$1,384,734**	**$1,938,791**	**$1,241,985**	**$142,553**	**$18,243,147**	**$ —**	**$18,243,147**
(2) Inter-segment revenues	**380,237**	**273,496**	**160,180**	**162,740**	**21,113**	**997,766**	**(997,766)**	**—**
Subtotal	**13,915,321**	**1,658,230**	**2,098,971**	**1,404,725**	**163,666**	**19,240,913**	**(997,766)**	**18,243,147**
Operating costs and expenses	**14,262,703**	**1,672,219**	**1,989,746**	**1,353,260**	**163,186**	**19,441,114**	**(1,003,484)**	**18,437,630**
Operating income (loss)	**$ (347,382)**	**$ (13,989)**	**$ 109,225**	**$ 51,465**	**$ 480**	**$ (200,201)**	**$ 5,718**	**$ (194,483)**
II Total assets	**$20,068,044**	**$ 897,840**	**$2,877,967**	**$3,011,871**	**$130,546**	**$26,986,268**	**$(3,263,530)**	**$23,722,738**

Within the asset balance for the consolidated fiscal year ended March 31, 2010, company-wide assets included under Elimination or Corporate had a value of ¥141,186 million ($1,517,485 thousand). A primary component of this amount is the Company's investment of surplus funds (cash and deposit).

Year ended March 31, 2009:

	Millions of yen							
	Japan	North America	Europe	Asia	Others	Total	Elimination or Corporate	Consolidated
I Revenues and Operating Income (loss)								
Revenues:								
(1) Revenues from customers	¥1,840,127	¥172,614	¥273,163	¥133,573	¥10,496	¥2,429,973	¥ —	¥2,429,973
(2) Inter-segment revenues	41,219	36,271	18,230	18,300	3,020	117,040	(117,040)	—
Subtotal	1,881,346	208,885	291,393	151,873	13,516	2,547,013	(117,040)	2,429,973
Operating costs and expenses	1,782,327	201,433	268,066	137,942	12,807	2,402,575	(117,517)	2,285,058
Operating income	¥ 99,019	¥ 7,452	¥ 23,327	¥ 13,931	¥ 709	¥ 144,438	¥ 477	¥ 144,915
II Total assets	¥1,748,962	¥ 94,521	¥323,854	¥282,548	¥ 8,144	¥2,458,029	¥(386,758)	¥2,071,271

Within the asset balance for the consolidated fiscal year ended March 31, 2009, company-wide assets included under Elimination or Corporate had a value of ¥23,236 million ($236,549 thousand). A primary component of this amount is the Company's investment of surplus funds (cash and deposit).

20. International Business Information:

Geographical areas belonging to each segment are as follows:

North America: United States and Canada
Europe: United Kingdom, Germany, France, Italy and other European countries
Asia: Southeast Asia, East Asia, Southwest Asia, and the Middle and Near East
Others: Oceania, Central and South America, Africa and other areas

The tables below contain international business information for the years ended March 31, 2010 and 2009.
Year ended March 31, 2010:

	Millions of yen				
	North America	Europe	Asia	Others	Total
I International revenues	**¥373,491**	**¥338,091**	**¥413,121**	**¥269,568**	**¥1,394,271**
II Consolidated revenues	**—**	**—**	**—**	**—**	**1,697,342**
III Ratio of international revenues to consolidated revenues	**22.0%**	**19.9%**	**24.3%**	**15.9%**	**82.1%**

	Thousands of U.S. dollars (Note 2)				
	North America	Europe	Asia	Others	Total
I International revenues	**$4,014,309**	**$3,633,819**	**$4,440,249**	**$2,897,340**	**$14,985,717**
II Consolidated revenues	**—**	**—**	**—**	**—**	**18,243,147**
III Ratio of international revenues to consolidated revenues	**22.0%**	**19.9%**	**24.3%**	**15.9%**	**82.1%**

Year ended March 31, 2009:	Millions of yen				
	North America	Europe	Asia	Others	Total
I International revenues	¥585,073	¥525,587	¥548,706	¥395,820	¥2,055,186
II Consolidated revenues	—	—	—	—	2,429,973
III Ratio of international revenues to consolidated revenues	24.1%	21.6%	22.6%	16.3%	84.6%

21. Related Party Transactions:

Effective from the consolidated fiscal year ended March 31, 2009, the Company has adopted the Accounting Standard for Related Party Disclosures (ASBJ Statement No. 11, October 17, 2006) and the Guidance on Accounting Standard for Related Party Disclosures (ASBJ Guidance No. 13, October 17, 2006). As a result, there were no changes to related party disclosures.

The Company was contingently liable as guarantor of indebtedness of related parties at March 31, 2010 and 2009 as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	**2010**
Guarantee amount	**¥32,961**	¥33,909	**$354,269**

22. Business Combination

Transactions under Common Control
For the year ended March 31, 2010

Based on a share exchange contract on July 27, 2009, a share exchange making Taiheiyo Kaiun Co., Ltd. a Wholly Owned Subsidiary of the Company on December 1, 2009

1. Name and businesses of combined companies, legal framework of business combination, name of companies subsequent to the combination, and overview of the transaction, including its objectives.
   (1) Names and Business Description of the companies under business Combination
   Names of Companies under Business Combination: Taiheiyo Kaiun Co., Ltd.
   Business Description: Ship operation, leasing and management, sales of ship equipment
   (2) Legal Framework of the Business Combination
   Through Share Exchange, the Company became the Wholly Parent Company, and Taiheiyo Kaiun Co., Ltd. became the Wholly Owned Subsidiary.
   (3) Name of Companies Subsequent to the Combination
   There was no change in the names of the companies.
   (4) Overview of the Transaction, including its Objectives
   The corporate value will be enhanced by combining the proprietary vessel operations and sophisticated expertise developed by Taiheiyo Kaiun Co., Ltd. with the our management resources including our fleet, geographical coverage, and fund procurement capability.
   To achieve improvements in corporate value, it is indispensible to quickly create a structure for flexible, swift decision making and execution, and thereby the Company evaluated making Taiheiyo Kaiun Co., Ltd. a wholly owned subsidiary as rational, although the Company considers it necessary to examine various options for achieving this improvement in corporate value, including the mutual, effective utilization of management resources among Group companies including Taiheiyo Kaiun Co., Ltd., and business reorganization with companies inside and outside the NYK Group.

2. Overview of Accounting Treatment of Transaction
   This acquisition was treated as transaction under common control in accordance with "Accounting for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures" (issued by Accounting Standard Board of Japan on November 15, 2007).

3. Information Concerning the additional Acquisition of Shares in the Subsidiaries.

(1) The Acquisition Cost and its Breakdown

Acquisition Cost:	¥2,800 million
(Breakdown)	
The Company's shares:	¥2,705 million
Costs directly incurred for the acquisition:	¥95 million
Total:	¥2,800 million

The Company's shares are valued based on the share price on the shares issued.

(2) The Exchange Ratio for Each Class of Share, the Approach to Calculating the Share Exchange Ratio, the Number of shares Distributed, and their Valuation.

①The Class of shares and the exchange ratios

Common stock: The Company 1, Taiheiyo Kaiun Co., Ltd. 0.244

②Approach to calculating the share exchange ratio

To ensure the fairness and appropriateness of the share exchange, the Company appointed Mitsubishi UFJ Securities Co., Ltd. and Taiheiyo Kaiun Co., Ltd. appointed PwC Advisory Co., Ltd. as independent third party appraisers and requested them to calculate share exchange ratios.

The two parties to the combination negotiated based on those calculations and decided that the above share exchange ratio was appropriate.

③Number and valuation of the shares issued

Shares issued: 10,362,915 shares of the Company's common stock

Value of shares delivered: ¥2,705 million

(3) Amount of Goodwill, Reason for the Recognition and Method and Period of Amortization

①Amount of goodwill: ¥1,853 million

②Reason for the recognition of goodwill

The acquisition cost of Taiheiyo Kaiun Co., Ltd. shares additionally acquired from minority shareholders exceeded the amount of reduction in minority interests.

③Method and period of amortization

Straight-line amortization for 20 years

23. Subsequent Events:

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2010 was approved at the Company's shareholders' meeting held on June 23, 2010:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Year-end cash dividends, ¥2.00 ($0.02) per share	**¥3,396**	**$36,498**

Management's Report on Internal Control Over Financial Reporting

1. Matters relating to the basic framework of internal control over financial reporting

Yasumi Kudo, President, President Corporate Officer, and Tadaaki Naito, Representative Director, Senior Managing Corporate Officer, are responsible for designing and operating effective internal control over financial reporting of the Company and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2010, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidated basis ("company-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls conducted for the Company and consolidated subsidiaries, we reasonably determined the scope of assessment of process-level controls. Regarding the consolidated subsidiaries and the equity-method affiliated companies that do not have a material effect on financial reporting, we did not include them in the scope of assessment of company-level controls.

Regarding the scope of assessment of process-level controls, we selected locations and business units to be tested in descending order of revenues, and the companies whose combined revenues reaches two thirds of revenues on a consolidated basis were selected as "significant locations and/or business units". We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to revenues, costs and expenses, accounts receivable-trade, and fixed assets as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected for testing the business processes having greater materiality, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

Yasumi Kudo
President, President Corporate Officer
June 23, 2010

Tadaaki Naito
Representative Director, Senior Managing Corporate Officer

Independent Auditors' Report

To the Board of Directors of
Nippon Yusen Kabushiki Kaisha:

We have audited the accompanying consolidated balance sheets of Nippon Yusen Kabushiki Kaisha (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Yusen Kabushiki Kaisha and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

We have also audited management's report on internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2010. The Company's management is responsible for designing and operating effective internal control over financial reporting and for preparing its report on internal control. Our responsibility is to express an opinion on management's report on internal control based on our audit. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free of material misstatement. An internal control audit includes examining, on a test basis, representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2010 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

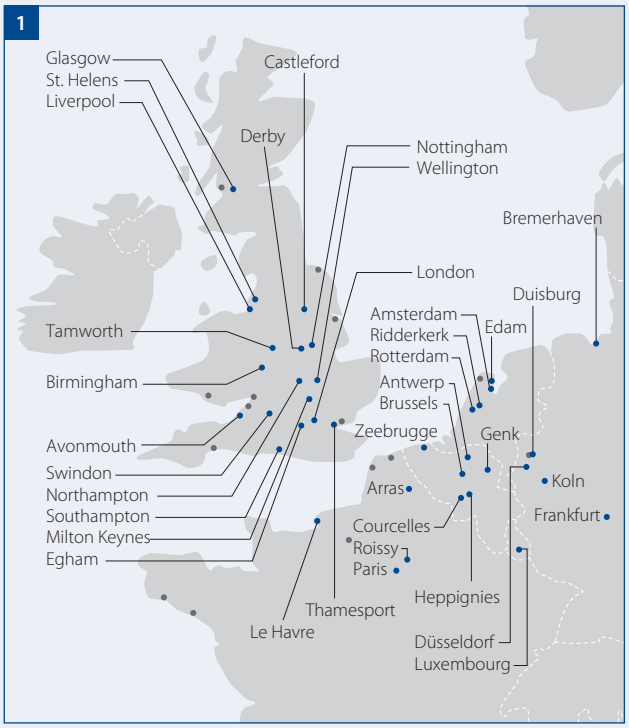
June 23, 2010

Worldwide Service Network

Oslo
Tonsberg
Muenchen
Gothenburg
Hamburg
Bremen
Stuttgart
Stockholm
St.Petersburg
Prague
Moscow
Torun
Warsaw
Wroclaw
Budapest
Kolin
Vienna
Barcelona
Istanbul
Dubai/Sharjah
New Delhi
Chittagong
Dhaka
Florence
Jeddah
Mumbai
Calcutta
Bangalore
Chennai
Cochin
Tuticorin
Clombo
Doha
Ho Chi Minh City
Kuala Lumpur
Johor Bahru
Penang
Shah Alam
Port Klang
Singapore
Batam
Cebu
Jakarta
Surabaya
Lyon
Romentino
Marseille
Torino
Milan
Genoa
Padova
Johannesburg
Durban
Brisbane
Perth
Fremantle
Newcastle
Sydney
Auckland
Adelaide
Melbourne
Christchurch

1
2
3

● Main NYK Group Offices
● Main Calling Ports



Toronto
Columbus
Detroit
Cleveland
Johnstown
Spartanburgh
Milwaukee
Chicago
Minneapolis
Indianapolis
Cincinnati
Memphis
Denver
Rogers
Montreal
Bolton
Halifax
Boston
Vancouver (BC)
Seattle
Boise
Portland
San Francisco
Las Vegas
Los Angeles
San Diego
Tijuana
Phoenix
Honolulu
Bentonville
Dallas
El Paso
Waco
Monterry
Lavedo
Mexico City
Houston
Nashville
Atlanta
Savannah
Jacksonville
Miami
New York
New Jersey
Baltimore
Chesapeake
Norfolk
Manaus
Rio de Janeiro
São Paulo
Santiago
Buenos Aires

3

Ishikari
Otaru
Tomakomai
Sendai
Yamagata
Moji
Hakata
Kobe
Tokyo
Nagano
Kooriyama
Kurashiki
Hiroshima
Nagoya
Utsunomiya
Hitachinaka
Tsukuba
Takamatsu
Hamamatsu
Tokoname
Osaka
Atsugi
Yokohama
Narita

Worldwide Service Network

Major Consolidated Subsidiaries and Af liates

(As of March 31, 2010)

Domestic

Company	NYK's ownership +(%)	Revenues (Millions of yen)	Total assets (Millions of yen)	Paid-in capital (Millions of yen)
Liner				
NYK Line (Japan) Ltd.	100.00	¥2,947	¥487	¥100
NYK-Hinode Line, Ltd.	100.00	29,021	39,944	2,100
Tokyo Senpaku Kaisha, Ltd.	100.00	51,891	6,114	1,899
Bulk Shipping				
Asahi Shipping Co.,Ltd.	69.67	¥8,729	¥6,898	¥495
Badak LNG Transport, Inc.*1	25.00	6,158	792	80
Camellia Line Co., Ltd.	51.00	5,659	1,709	400
Geneq Corporation*3	55.00	15,114	19,125	242
Hachiuma Steamship Co., Ltd.	68.80	14,516	5,801	500
Kinkai Yusen Logistics Co., Ltd.	100.00	16,335	12,607	465
Kyoei Tanker Co., Ltd.*1	30.01	11,153	11,305	2,850
Mitsubishi Ore Transport Co., Ltd.*1	40.93	9,202	31,151	1,500
NYK Global Bulk Corporation	100.00	79,793	92,251	4,150
NYK LNG Shipmanagement Ltd.	100.00	789	1,005	99
Ogasawara Kaiun Co., Ltd.*1	50.00	1,799	2,787	10
Pacific Maritime Corporation	55.00	2,280	2,150	35
Shinwa Kaiun Kaisha Ltd.*1	27.01	74,641	76,034	8,100
Taiheiyo Kaiun Co., Ltd.	100.00	5,258	21,530	6,496
Taiheiyo Kisen Kaisha, Ltd.*1	32.17	7,567	9,015	2,100
Transocean LNG Yuso Ltd*1	20.00	3,625	1,532	95
Logistics				
Asahi Unyu Kaisha, Ltd.*3	95.00	¥9,585	¥8,850	¥100
NYK Logistics (Japan) Co., Ltd.	100.00	10,108	2,703	490
Uni-X Corporation*3	79.10	18,768	13,234	934
Yokohama Kyoritsu Soko Co., Ltd.	83.59	2,622	4,019	446
Yusen Air & Sea Service (Chugoku) Co., Ltd.	63.64	428	429	30
Yusen Air & Sea Service (Hokuriku) Co., Ltd.	59.78	196	188	20
Yusen Air & Sea Service (Kitakanto) Co., Ltd.	59.78	456	289	50
Yusen Air & Sea Service (Kyusyu) Co., Ltd.	59.78	509	567	30
Yusen Air & Sea Service (Shinshu) Co., Ltd.	53.81	711	569	50
Yusen Air & Sea Service (Tohoku) Co., Ltd.	59.78	304	145	30
Yusen Air & Sea Service (Tsukuba) Co., Ltd.	59.78	446	556	50
Yusen Air & Sea Service Co, Ltd.	59.78	55,879	43,829	4,301
Yusen Air & Sea Service Keihin Trans Co., Ltd.	59.78	477	343	36
Yusen Air Loginet Co., Ltd.	59.78	859	230	20
Yusen Air Logitec Co., Ltd.	59.78	4,198	521	20
Yusen Kairiku Unyu Kaisha Ltd.*3	70.19	2,156	1,243	50
Yusen Koun Co., Ltd.*3	79.95	10,158	2,723	100
Yusen Travel Co., Ltd.	59.78	2,617	4,815	270
Terminal Related Services				
Asahi Unyu Kaisha, Ltd.*3	95.00	¥9,585	¥8,850	¥100
Geneq Corporation*3	55.00	15,114	19,125	242
Hirokura Co., Ltd.	79.07	1,115	1,239	90
Honma Corporation	80.55	3,147	3,561	50
Hoyo Kaiun Sangyo K.K.	100.00	670	701	100
Kaiyo Kogyo Co., Ltd.	100.00	5,578	3,712	90
Kaiyo Sangyo Co., Ltd.	100.00	265	471	20
Kanto Eisen Kaisha	61.91	205	812	10
Nagoya Kisen Kaisha. Ltd.	99.86	708	1,263	90
Naikai Tug Boat Service Co., Ltd.	100.00	5,494	7,433	98
Nippon Container Terminals Co., Ltd.	51.00	9,632	7,892	250
Nippon Container Yuso Co., Ltd.	50.79	6,919	2,088	250
Nishinihon Kaiun Kaisha, Ltd.*1	50.00	3,363	3,206	50
Oita Rinkai Kogyo Co., Ltd.	70.00	2,447	1,568	30
Sanyo Kaiji Kaisha, Ltd.*1	50.00	5,491	9,807	90
Tomakomai Kaiun Co., Ltd.	100.00	752	849	40
Uni-X Corporation*3	79.10	18,768	13,234	934
Wing Maritime Service Corporation	100.00	4,746	10,531	490
Yusen Kairiku Unyu Kaisha Ltd.*3	70.19	2,156	1,243	50
Yusen Koun Co., Ltd.*3	79.95	10,158	2,723	100
Cruise				
NYK Cruises Co., Ltd.	100.00	¥13,763	¥12,991	¥2,000
Air Cargo Transportation				
Nippon Cargo Airlines Co., Ltd.	99.96	¥62,695	¥63,561	¥50,574
Real Estate				
Meiyu Real Estate Co., Ltd.*1	50.00	¥329	¥1,925	¥225
Yokohama Building Co., Ltd.	71.94	422	1,166	215
Yusen Real Estate Corporation	100.00	8,693	13,999	450
Others				
Boltech Co., Ltd.	100.00	¥3,253	¥2,257	¥30
Chiba Kaiun Sangyo Co., Ltd.	100.00	336	573	30
Crystal Sports Club	100.00	614	821	35
Crystal Yacht Club Inc.	100.00	525	141	300
Hikawa Marine Corp.	78.20	3,346	935	60
Japan Marine Science Inc.	100.00	1,953	1,559	300
Keihin Dock Co., Ltd.	100.00	2,212	1,618	30
Marunouchi Pole Star Ltd.	48.14	568	211	50
Monohakobi Technology Institute	100.00	2,377	938	99
Nippon Nozzle Seiki Co., Ltd.	56.19	1,852	1,487	42
Nippon Yuka Kogyo Co., Ltd.	98.91	1,300	1,303	20
NYK Accounting Co., Ltd.	100.00	1,687	866	99
NYK Engineering Co., Ltd.	100.00	1,078	589	10
NYK Business Systems Co, Ltd.*4	99.98	13,805	1,850	99
NYK Trading Corporation	78.20	109,646	22,423	1,246
Ryowa Diamond Air Service Co., Ltd.	59.29	530	678	50
Sanyo Trading Co., Ltd.	45.05	9,127	5,969	100
Taiyo Kosan Co., Ltd.*5	100.00	304	783	100
YCS Co.,Ltd.	93.42	3,071	1,883	35
Yusen Jyoho Kaihatsu Co., Ltd.	99.83	2,320	826	80
Yusen Navtec Co., Ltd.	100.00	1,080	481	80

Overseas

Company	NYK's ownership +(%)	Revenues (Millions of yen)	Total assets (Millions of yen)	Paid-in capital (Millions of yen)
Liner				
N.Y.K. Songkhla Co., Ltd.	53.35	B16	B38	B5
NYK de Mexico, S.A. de C.V.	100.00	MXN53	MXN84	MXN12
NYK Fil-Japan Shipping Corp.	51.00	PHP489	PHP506	PHP52
NYK Group Europe Ltd.*3	100.00	£61	£116	£81
NYK Group South Asia Pte. Ltd.	100.00	SP$26	SP$56	SP$13
NYK Information Service (Guangzhou)Ltd.	100.00	CHY12	CHY8	CHY4
NYK Line(Australia)Pty Ltd.	100.00	A$12	A$15	A$3
NYK Line (Bangladesh) Ltd.*3	98.00	BDT85	BDT104	BDT32
NYK Line (Benelux) B.V.	100.00	EU9	EU13	EU0.5
NYK Line (Canada) Inc.	100.00	C$4	C$2	C$0.3
NYK Line (China) Co., Ltd.	100.00	US$16	US$18	US$2
NYK Line (Deutschland) GmbH	100.00	EU10	EU14	EU1
NYK Line (Europe) Ltd.	100.00	£0	£7	£2
NYK Line (HK) Ltd.	100.00	HK$109	HK$715	HK$55
NYK Line (India) Ltd.	100.00	INR450	INR1,254	INR46
NYK Line (Korea) Co., Ltd.	100.00	KRW10,772	KRW6,915	KRW1,304
NYK Line (Macau) Ltd.	100.00	MOP5	MOP9	MOP0.1
NYK Line (New Zealand) Ltd.	100.00	NZ$4	NZ$10	NZ$1
NYK Line (North America) Inc.	100.00	US$88	US$120	US$5
NYK Line (Thailand) Co., Ltd.	88.91	B321	B1,167	B10
NYK Line do Brasil Ltda.	100.00	BRL28	BRL27	BRL7
NYK Sudamerica (Chile) Ltda.	100.00	CLP5,168	CLP18,748	CLP197
Pacific Rim Container Depot (S) Pte Ltd.	100.00	SP$3	SP$3	SP$1
TSK Line (S) Pte Ltd.	100.00	SP$2	SP$2	SP$0.4
Wangfoong Terminal Services Ltd.	100.00	HK$15	HK$30	HK$0.5
Bulk Shipping				
Asia LNG Transport Dua Sdn. Bhd.*1	49.00	US$15	US$42	US$0.04
Asia LNG Transport Sdn. Bhd.*1	49.00	US$30	US$26	US$8
Eminence Bulk Carriers Pte. Ltd.*1	50.00	US$22	US$52	US$1
International Car Operators N.V.*6	100.00	EU65	EU138	EU103
International Car Operators Ltd.	100.00	£5	£1	£0.01
NYK Armateur S.A.S.*1	60.00	EU17	EU11	EU0.04
NYK Bulkship (Asia) Pte. Ltd.	100.00	US$200	US$205	US$8
NYK Bulkship (Atlantic) N.V.	100.00	US$236	US$250	US$26
NYK Bulkship (China) Ltd.	100.00	HK$31	HK$24	HK$3
NYK Bulkship (Korea) Co. Ltd.	100.00	KRW63,252	KRW136,027	KRW11,386
NYK Finance (U.K.) Plc	100.00	£0	£26	£4
NYK Group Europe Ltd.*3	100.00	£61	£116	£81
NYK Line (Europe) RORO Ltd.	100.00	£0	£0	£0.3
NYK LNG (Atlantic) Ltd.	100.00	US$107	US$60	US$15
NYK LNG Finance Co., Ltd.	100.00	US$13	US$247	US$0.01
NYK LNG Shipmanagement (UK) Ltd.	100.00	US$5	US$7	US$1.9
NYK Reefers Ltd.	100.00	US$84	US$198	US$33
NYK RORO (Thailand) Co., Ltd.	94.34	B112	B80	B27
NYK Cool AB	100.00	US$413	US$73	SEK60
Saga Shipholding (IOM) Ltd.	100.00	US$0	US$4	US$0
Saga Shipholding (Norway) AS.	100.00	US$129	US$510	US$6
Straits Auto Logistics Sdn. Bhd.*1	40.00	RM60	RM57	RM2
Tata NYK Shipping Pte. Ltd.*1	50.00	US$148	US$123	US$54
United European Car Carriers B.V.*1	50.00	EU188	EU214	EU62
NYG Shipping Ltd.	95.00	US$57	US$38	US$10
Logistics				
Logistics Alliance (Thailand) Co., Ltd.*1	15.65	B841	B759	B150
Mondia Arras S.A.S.	100.00	EU1	EU0	EU0.04
NYK Logistics (Charleroi) S.A.*7	100	EU12	EU5	EU1
TASCO Bhd.	39.02	RM281	RM260	RM100
Nanhai Business Solutions Pte Ltd	97.83	SP$1	SP$5	SP$0.1
NYK Group Europe Ltd.*3	100.00	£61	£116	£81
NYK Line (Bangladesh) Ltd.*3	98.00	BDT85	BDT104	BDT32
NYK Logistics & BLL of South Africa Pty.Ltd.	51.00	ZAR20	ZAR15	ZAR0.4
NYK Logistics & Kusuhara Lanka (Private) Ltd.	55.00	LKR648	LKR181	LKR6.5
NYK Logistics (Americas) Inc.	99.98	US$687	US$204	US$3
NYK Logistics (Americas) Inc. (INSD)	99.98	US$8	US$4	US$1
NYK Logistics (Asia) Pte., Ltd.	100	SP$33	SP$23	SP$0.25
NYK Logistics (Australia) Pty. Ltd.	100.00	A$63	A$13	A$6.8
NYK Logistics (Belgium) N.V.	100.00	EU47	EU33	EU13
NYK Logistics (China) Co., Ltd.	100.00	CHY1,092	CHY382	CHY158
NYK Logistics (CIS) Ltd.	100.00	£3	£1	£0.00009
NYK Logistics (Czech Republic) S.R.O.	100.00	CK912	CK747	CK387.3
NYK Logistics (Deutschland) GmbH	100.00	EU50	EU25	EU3
NYK Logistics (Edam) B.V.	100.00	EU7	EU3	EU0.02
NYK Logistics (Europe) Ltd.	100.00	£0	£3	£6.9
NYK Logistics (France) S.A.S.	100.00	EU24	EU44	EU13
NYK Logistics (Hong Kong) Ltd.	100.00	HK$819	HK$464	HK$116
NYK Logistics (Hungary) Kft.	100.00	HUF1,214	HUF313	HUF200
NYK Logistics (India) Ltd.	100.00	INR957	INR479	INR367
NYK Logistics (Italy) S.P.A.	98.00	EU23	EU23	EU3
NYK Logistics (Nederland) B.V.	97.83	EU16	EU7	EU0.1
NYK Logistics (Philippines) Inc.	55.08	PHP269	PHP314	PHP100
NYK Logistics (Polska) Sp.Zo.O.	100.00	PZ81	PZ33	PZ2.4
NYK Logistics (Scandinavia) AB	100.00	SEK62	SEK25	SEK7
NYK Logistics (Shenzhen) Ltd. (Futian)	100.00	CHY4	CHY4	CHY3
NYK Logistics (Taiwan) Co., Ltd.	100.00	TW$425	TW$432	TW$220

Company	NYK's ownership +(%)	Revenues (Millions of yen)	Total assets (Millions of yen)	Paid-in capital (Millions of yen)
NYK Logistics (Thailand) Co., Ltd.	78.25	B2,759	B3,851	B70
NYK Logistics (UK) Consumer & Retail Ltd.	100.00	£0	£1	£21
NYK Logistics (UK) Ltd.	100.00	£196	£77	£41
NYK Logistics Insd (Thailand) Ltd.	81.45	B28	B7	B3
NYK Logistics Kaisha Iberica S.A.	100.00	EU13	EU8	EU1
NYK Logistics (Rus) LLC*8	100	RUB620	RUB275	RUB0.3
P.T. Yusen Air & Sea Service Indonesia	47.82	US$33	US$17	US$0.2
Patrick Autocare Pty Ltd.*1	20.00	A$193	A$103	A$34
PT. NYK New Wave Logistics Indonesia	92.94	US$9	US$6	US$0.5
PT. NYK New Wave Warehousing Indonesia	97.83	US$2	US$6	US$5.1
PT. NYK Puninar Logistics Indonesia	59.39	US$10	US$19	US$10
Yusen Air & Sea Service (Australia) Pty Ltd.	59.78	A$20	A$12	A$2
Yusen Air & Sea Service (Beijing) Co., Ltd.	44.84	CHY47	CHY33	CHY9
Yusen Air & Sea Service (Benelux) B.V.	59.78	EU27	EU25	EU1
Yusen Air & Sea Service (Canada) Inc.	59.78	C$12	C$21	C$5
Yusen Air & Sea Service (China) Ltd.	59.78	HK$5	HK$64	HK$11
Yusen Air & Sea Service (Deutschland) GmbH	59.78	EU33	EU21	EU4
Yusen Air & Sea Service (France) S.A.R.L.	59.78	EU11	EU10	EU5
Yusen Air & Sea Service (Hong Kong) Ltd.	59.78	HK$958	HK$753	HK$55
Yusen Air & Sea Service (Italia) S.R.L.	59.78	EU6	EU3	EU1
Yusen Air & Sea Service (Korea) Co., Ltd.	59.78	KRW23,676	KRW14,599	KRW2,000
Yusen Air & Sea Service (Philippines) Inc.	30.49	PHP1,706	PHP726	PHP175
Yusen Air & Sea Service (Singapore) Pte. Ltd.	59.78	SP$54	SP$62	SP$17
Yusen Air & Sea Service (Taiwan) Ltd.	59.78	TW$727	TW$795	TW$23
Yusen Air & Sea Service (Thailand) Co., Ltd.	62.59	B1,474	B801	B100
Yusen Air & Sea Service (U.K.) Ltd.	59.78	£13	£7	£1
Yusen Air & Sea Service (USA) Inc.	59.78	US$104	US$69	US$14
Yusen Air & Sea Service (Vietnam) Co., Ltd.	29.29	US$34	US$10	US$1
Yusen Air & Sea Service Management (Thailand) Co., Ltd.	65.29	B26	B69	B10
Yusen Shenda Air & Sea Service (Shanghai) Ltd.	29.89	CHY404	CHY162	CHY16
Yusen Travel (Hong Kong) Ltd.*2	59.78	HK$96	HK$20	HK$2
Yusen Travel (Singapore) Pte., Ltd.*2	59.78	SP$19	SP$3	SP$0.1
Yusen Travel (U.S.A.) Inc.*2	59.78	US$7	US$1	US$1

Company	NYK's ownership +(%)	Revenues (Millions of yen)	Total assets (Millions of yen)	Paid-in capital (Millions of yen)
Terminal Related Services				
Amsterdam Port Holdings B.V.*1	29.92	EU19	EU79	EU0.2
NYK Terminals (North America) Inc.	100.00	US$275	US$241	US$0.001
NYK Terminals (Taiwan) , Inc.	69.51	TW$500	TW$562	TW$150
Tips Co., Ltd.*1	22.00	B930	B1,374	B100
Yusen Terminals Inc.	100.00	US$183	US$161	US$3
Cruise				
Crystal Cruises, Inc.	100.00	US$235	US$84	US$0.04
International Cruise Management Agency A/S	100.00	NOK8	NOK5	NOK2
International Cruise Services Ltd.	100.00	US$1	US$0	US$0.01
Air Cargo Transportation				
NLV Ltd.	83.99	HK$4	HK$1	HK$286
Others				
NYK Business Systems Americas Inc.*9	100	US$74	US$23	US$0.10
NYK Euro Finance Plc	100.00	EU2	EU118	EU10
NYK Finance(Cayman) Ltd.	100.00	US$0	US$4	US$1
NYK FTC(Singapore) Pte. Ltd.	100.00	US$20	US$1,694	US$5
NYK Group Europe Ltd.*3	100.00	£61	£116	£81
NYK International (USA) Inc.	100.00	US$2	US$158	US$2
NYK International Plc	100.00	£1	£64	£20
NYK JP Finance, Ltd.	100.00	¥49	¥6,826	¥0.1
NYK US Finance, Ltd.	100.00	US$2	US$137	US$0.001
YAC International FC Inc.	100.00	US$1	US$182	US$0.001
YAC International Inc.	100.00	¥92	¥15,915	¥0.1

Notes:
*1 Equity-method applicable company
*2 Equity-method applicable consolidated company
*3 Companies whose operations span multiple divisions
*4. Former name: NYK Systems Research Institutte
New name effective from October 30, 2009.
*5 Former name: Taiyo Graphic Co., Ltd.
New name effective from October 1, 2009.
*6 Former name: Internationl Car Operators(Benelux)
New name effective from October 30, 2009.
*7 Former name: Mondia Charleroi S.A.
New name effective from April 1, 2009.
*8 Former name: OOO NYK Logistics(CIS)
New name effective from October 29, 2009.
*9 Former name: NSRI (USA) Inc.
New name effective from April 1, 2009.

+ Includes holdings of subsidiaries

Currencies

A$	Australian dollar	MOP	Macao pataka
B	Thai Baht	MXN	Mexican peso
BDT	Bangladesh taka	NOK	Norway krona
BRL	Brazilian real	NZ$	New Zealand dollar
C$	Canadian dollar	PHP	Philippine peso
CHY	Chinese yuan	PZ	Polish zloty
CK	Czech koruna	RM	Malaysian ringgit
CLP	Chilean peso	RUB	Russian ruble
EU	Euro	SEK	Swedish krona
HK$	Hong Kong dollar	SP$	Singaporean dollar
HUF	Hungarian forint	TW$	New Taiwan dollar
INR	Indian rupee	US$	U.S dollar
KRW	Korean won	ZAR	South African rand
LKR	Sri Lanka rupee	£	Pound sterling

Investor Information

(As of March 31, 2010)

Established

September 29, 1885

Paid-in Capital

¥144,319,833,730

Employees

Land: 1,255 Sea: 377 Total: 1,632

Head Office

3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Telephone: +81-3-3284-5151
Wed site: 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: 2,726,440)

Stock Exchange Listings

NYK's shares are listed for trading on the following stock exchanges:

Tokyo, Osaka, Nagoya

Share Registrar and Special Management of Accounts

Mitsubishi UFJ Trust and Banking Corporation
Head office: 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Contact Information:
Transfer Agency Department, 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan
Telephone: +81-3-5391-1900

Method of Public Notices

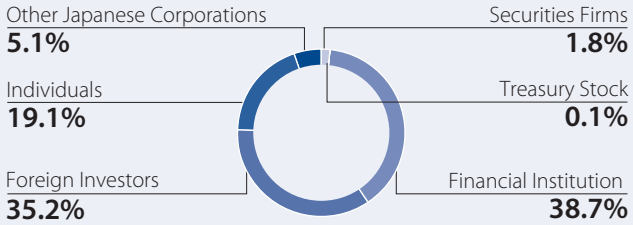
The Company's public notices are available through electronic distribution.
http://www.nyk.com/koukoku
However, in the event that electronic distribution is impossible, due to an accident or other unavoidable circumstances, the Company's public notices will appear in the Nihon Keizai Shimbun, published in Tokyo, Japan.
Financial data can be viewed at the NYK Web site:
http://www.nyk.com/jyoho/

Principal Shareholders

Name	Shareholdings	
	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Accounts)	92,984	5.48
Japan Trustee Services Bank, Ltd. (Trust Accounts)	70,036	4.13
State Street Bank and Trust Company	58,723	3.46
Tokio Marine and Nichido Fire Insurance Co., Ltd.	55,982	3.30
The Master Trust Bank of Japan, Ltd. (Mitsubishi Heavy Industries, Limited Account, Retirement Benefit Trust Account)	54,717	3.22
Meiji Yasuda Life Insurance Company	38,909	2.29
Japan Trustee Services Bank, Ltd. (Trust Accounts 9)	33,505	1.97
The Bank of Tokyo–Mitsubishi UFJ, Ltd.	32,142	1.89
Trust & Custody Services Bank Ltd. (Securities Trust Account4)	27,000	1.59
The Chase Manhattan Bank, NA, London SL Omnibus Account	23,397	1.38

Note: The shareholding ratio is calculated after deducting treasury stock (2,726,440 shares).

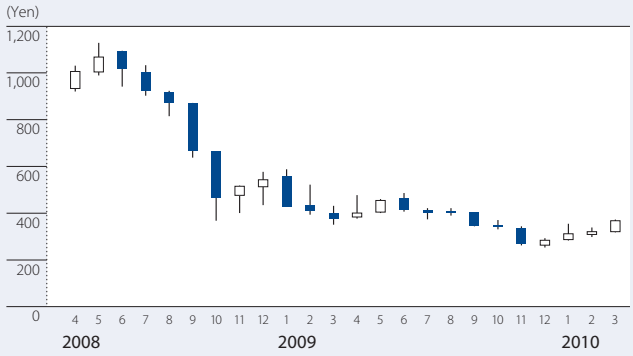
Shareholder Composition



American Depositary Receipts

Symbol: NPNYY
CUSIP: 654633304
Exchange: OTC
Ratio (ADR: shares of common stock): 1:2
Depositary: The Bank of New York Mellon
101 Barclay Street, New York, NY 10286, U.S.A.
Telephone: +1-212-815-2042
Toll-free within the United States:
+1-888-269-2377 (+1-888-BNY-ADRS)
Web site: http://www.adrbnymellon.com

Stock Price Range (Tokyo Stock Exchange)



NYK LINE
NIPPON YUSEN KAISHA

Bringing value to life.

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

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