Nippon Yusen Kabushiki Kaisha **ANNUAL REPORT 2008**

New Horizon 2010

Seeking to maintain growth as a global *monohakobi* (transport) enterprise

CAUTIONARY STATEMENT WITH REGARD TO FORWARD-LOOKING STATEMENTS

Certain of the 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

NYK GROUP MISSION STATEMENT

Core Philosophy

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.

Management Policy

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

- **TOGETHER WITH OUR SHAREHOLDERS AND INVESTORS**
  We aim to enhance our corporate value by being financially responsible and by conducting business activities in an open, honest, and transparent fashion.

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

- **TOGETHER WITH ALL STAFF MEMBERS IN THE NYK GROUP**
  As a global enterprise that has the utmost respect for diversity in the workplace and the spirit of challenge, we emphasize the development of employee talents so that all staff members can take pride in their work and eventually fulfill their dreams.

NYK GROUP VALUES

Integrity

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.

NYK is a company with a long history stretching back more than 120 years. Much of what makes NYK such a respected company has traditionally been passed down tacitly, without need for explicit explanation. This is part of our DNA. In an effort to ensure NYK's continuity into the future, we formulated a basic statement of the NYK Group Values in January 2007. We defined our values as "Integrity," "Innovation" and "Intensity," and they represent the basic concepts by which we will achieve our corporate ideals.

History of the Medium-Term Management Plan

1998

Merger with Showa Line, Ltd. (Oct. 1998)

1999

～1999 NYK21 Medium- to Long-Term Group Management Vision

The NYK21 Medium- to Long-Term Group Management Vision aimed to increase business and raise corporate value by expanding the scale of operations and achieving new synergies.

2000 — 2002

Conversion of Hinode Kisen Co., Ltd. (now NYK-Hinode Line, Ltd.) to wholly owned subsidiary (Feb. 2001)

Conversion of Toho Shipping Co., Ltd. (now, NYK Global Bulk Corporation) to wholly owned subsidiary (Dec. 2001)

Conversion of Tokyo Senpaku Kaisha, Ltd., to wholly owned subsidiary (Aug. 2002)

Acquisition of Ceres Terminals (USA) (Oct. 2002)

"NYK21 New Millennium Declaration—Meeting Tomorrow's Challenges Today"

2003 — 2004

NYK21 "Forward 120"

Named to commemorate NYK's 120th anniversary of operations, this plan established three strategies: expansion of the global logistics business, the global development of the bulk and energy transport business, and stabilizing profitability in the container transport business.

Conversion of Nippon Cargo Airlines Co., Ltd., to consolidated subsidiary (Aug. 2005)

2005 — 2007

New Horizon 2007

With the overall goal of leveraging its international network covering sea, earth and air to become the world's leading global logistics and megacarrier group, the New Horizon 2007 management plan outlined three strategies: expansion of maritime business, our evolution as a logistics integrator, and the enhancement of corporate fundamentals.

2008 — 2010

Fiscal 2010 (Planned)

Revenues	¥3.2 trillion
Recurring profit	¥220 billion
Net income	¥145 billion

New Horizon 2010

Building on the success of New Horizon 2007, we will pursue the three strategies of growth, stability and the environment, to evolve into a global *monohakobi* (transport) company.

Growth
- Deepen the scope of strategies for global logistics services.
- Expand energy and natural resource transport.
- Extend business reach in growth regions, especially the BRIC* countries.

*BRIC: Brazil, Russia, India and China

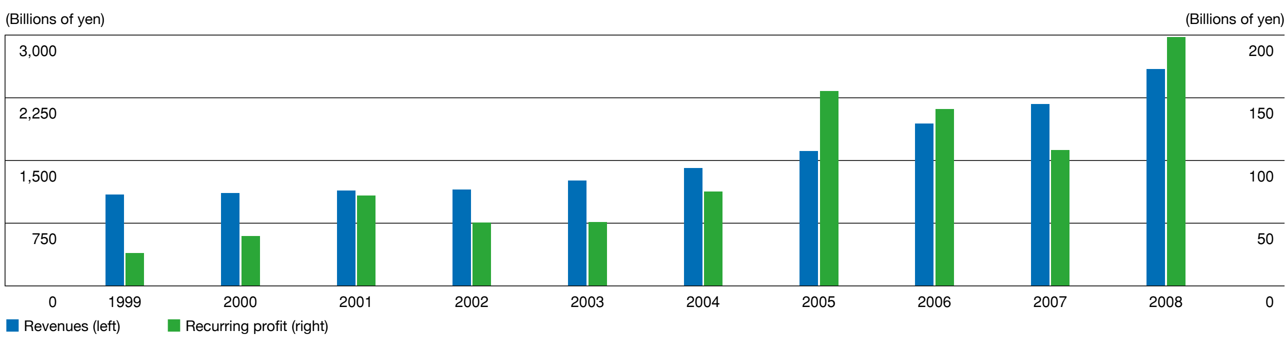
Stability
- Reinforce customer-oriented services.
- Stabilize profits by securing long-term contracts.
- Maintain a sound financial position and work to further strengthen this standing.

Environment
- Ensure safety.
- Score far ahead of other companies as an environmentally progressive corporate group.
- Aggressively invest in the development of environment-friendly technologies.

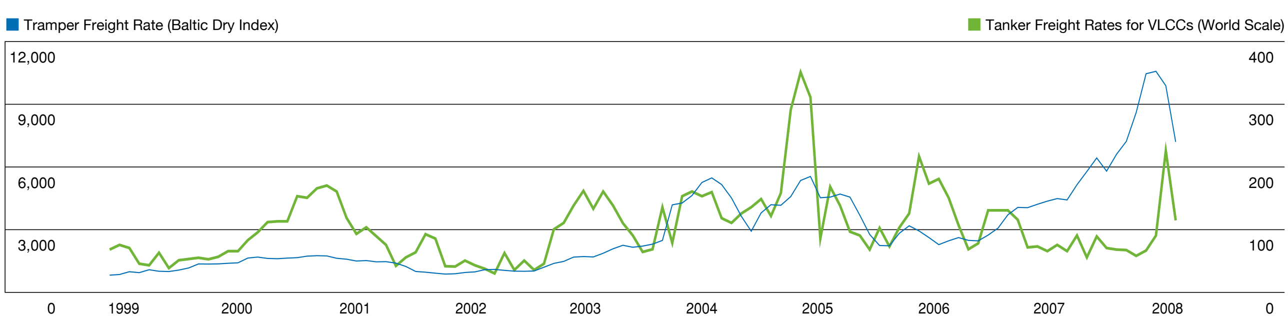
Consolidated Financial Highlights

Years ended March 31	1999	2000	2001	2002	2003
Results of Operations (Millions of yen)					
Revenues	1,082,525	1,102,433	1,133,905	1,142,934	1,249,242
Operating income	47,738	70,869	87,640	65,558	69,122
Recurring profit	25,825	39,148	71,298	50,107	50,344
Net income	12,430	15,795	35,562	17,538	14,292
Financial Position at Year End (Millions of yen)					
Total assets	1,500,743	1,419,920	1,381,593	1,339,922	1,287,170
Total liabilities	1,236,115	1,141,753	1,084,460	1,000,066	976,638
Interest-bearing debt	984,590	889,226	826,724	723,948	691,397
Shareholders' equity	253,535	259,004	278,747	320,096	288,363
Amounts per Share (Yen)					
Earnings per share (EPS)	10.2	13.0	28.8	14.2	11.5
Dividends per share (Annual)**	4.0	6.0	7.5	7.5	7.5
Ratios (%, times)					
Shareholders' equity ratio (%)	16.9	18.2	20.2	23.9	22.4
Return on equity (ROE) (%)	5.0	6.2	13.2	5.9	4.7
Return on assets (ROA) (%)	0.8	1.1	2.5	1.3	1.1
Recurring profit to assets ratio (%)	1.7	2.7	5.1	3.7	3.8
Recurring profit to revenues ratio (%)	2.4	3.6	6.3	4.4	4.0
Interest coverage ratio (times)	1.9	2.7	3.1	2.8	4.1
Dividend payout ratio (%)	39.2	46.3	26.1	52.6	64.3

Revenues and Recurring Profit



Tramper Freight Rate (Baltic Dry Index) and Tanker Freight Rates for VLCCs (World Scale)

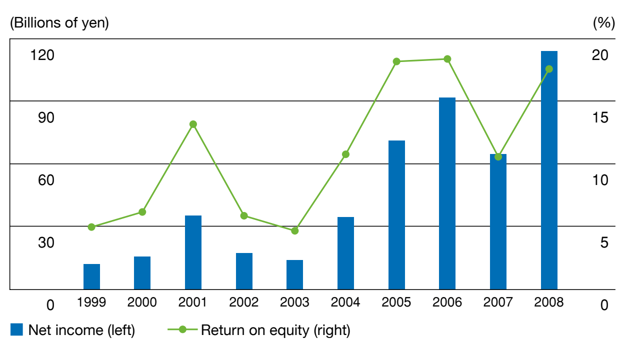


2004	2005	2006	2007	2008	Thousands of U.S. dollars* 2008
1,398,320	1,606,098	1,929,302	2,164,279	**2,584,626**	**25,797,249**
91,933	161,375	140,481	104,941	**202,079**	**2,016,958**
74,663	154,803	140,451	107,534	**198,480**	**1,981,039**
34,810	71,326	92,058	65,037	**114,139**	**1,139,230**
1,376,664	1,476,226	1,877,440	2,135,441	**2,286,013**	**22,816,780**
994,950	1,019,538	1,266,096	1,434,724	**1,606,976**	**16,039,289**
654,480	630,054	766,024	890,754	**1,022,197**	**10,202,586**
358,044	427,770	575,366	657,089	**637,962**	**6,367,525**
					U.S. dollars*
28.3	58.1	75.0	53.0	**92.9**	**0.93**
10.0	18.0	18.0	18.0	**24.0**	**0.24**
26.0	29.0	30.6	30.8	**27.9**	
10.8	18.2	18.4	10.6	**17.6**	
2.6	5.0	5.5	3.2	**5.2**	
5.6	10.9	8.4	5.4	**9.0**	
5.3	9.6	7.3	5.0	**7.7**	
6.0	10.4	8.5	5.0	**8.8**	
35.1	30.8	23.9	34.0	**25.8**	

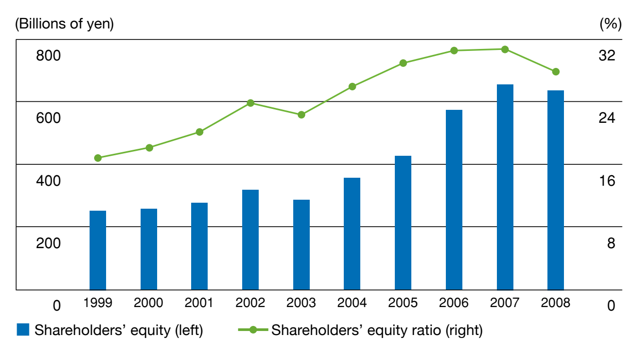
* The dollar amounts represent the arithmetical results of translating yen to dollars using the exchange rate prevailing on March 31, 2008, which was ¥100.19 to US$1.00. Such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been, or could be, readily converted, realized, or settled in dollars at that rate or any other rate of exchange.

** In the fiscal year ended March 31, 2003, the Company applied the Accounting Standards Related to Accounting for Net Income per Share (Corporate Accounting Standard No. 2) and Guidelines for Applying Accounting Standards Related to Net Income per Share (Guideline No. 4 for Applying Corporate Accounting Standards) to calculate primary and fully diluted net income per share. The impact of these changes was minimal.

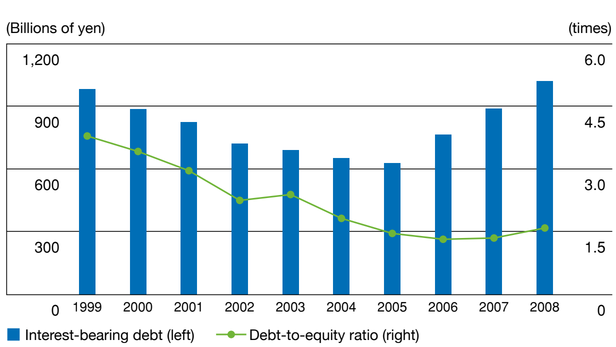
Net Income and Return on Equity (ROE)



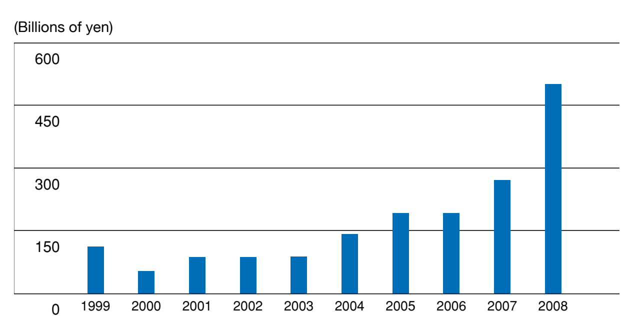
Shareholders' Equity and Shareholders' Equity Ratio (%)



Interest-Bearing Debt and Debt-to-Equity Ratio



Capital Expenditures



President's Message

To Our Stakeholders

On behalf of the entire NYK Group, I would like to take this opportunity to thank our stakeholders, not only shareholders and investors, but everyone connected to the Group—customers, business associates and the people in the communities where the NYK Group has a presence. Your ongoing support of our activities has underpinned our efforts to achieve corporate success and is therefore greatly appreciated.

In March 2008, we announced the details of a new medium-term management plan—New Horizon 2010—that will guide the Group over the next three years, from April 2008 to March 2011.

Under New Horizon 2010, the Group will take confident steps forward to ensure growth as a global *monohakobi* (transport) organization. The key concepts of the plan are growth, stability and the environment, which reflect our goal to be a truly global organization with the capacity—the stable structure—to respond to changing economic circumstances while developing the environment-oriented acumen to fulfill our responsibilities as a citizen of the world.

In addition to the basic strategies drafted to underpin each concept, New Horizon 2010 outlines efforts to reinforce corporate social responsibility (CSR)-oriented activities. Specifically, we aim to promote human resource development on a global basis, implement practices that make management decisions even more transparent, actively take part in community events and conduct public relations activities that further enhance our reputation.

From a performance perspective, New Horizon 2010 should lead us to ¥3.2 trillion in revenues, ¥220 billion in recurring profit and ¥145 billion in net income by March 31, 2011, when the plan comes to a close.

On behalf of the Board, I ask for the continued support of the Group from you, our stakeholders, as we tackle the challenges that lie ahead.

July 2008

Koji Miyahara, President

Fiscal 2007 Performance Summary

In fiscal 2007, ended March 31, 2008, the NYK Group achieved record-breaking results. On a consolidated basis, revenues climbed to ¥2,584.6 billion, recurring profit jumped to ¥198.5 billion and net income surged to ¥114.1 billion.

On the cost front, the skyrocketing price of fuel defined the challenging environment we faced in fiscal 2007. Indeed, the price of bunker oil hovered around $400/MT—more than 20% higher than the predicted $330/MT for fiscal 2007—and caused a dramatic increase in costs.

Shipping operations, encompassing liner trade and bulk shipping, generated higher revenues and profits despite the problem of soaring bunker oil prices. This was thanks to cost-cutting efforts—primarily conscientious fuel-saving measures—as well as operating efforts to recover freight rates on liner trade and favorable demand for shipping, especially dry bulker transport. Notably, the liner trade segment returned to a recurring profit position in fiscal 2007 after a deficit in fiscal 2006.

In non-shipping operations, the logistics, terminal and harbor transport, and cruise segments posted higher revenues and profits. Unfortunately, the air cargo transportation segment returned a massive recurring loss, as a heavier cost burden, stemming largely from surging fuel prices, overshadowed vigorous efforts to boost revenues.

However, the air cargo transportation segment shortened its time frame for decommissioning aging aircraft to the end of fiscal 2007—precisely because the older aircraft were not fuel-efficient—and accelerated its fleet upgrade program to deal with elevated fuel costs. This should lead to lower fuel costs in the future, and with steady progress on the independent maintenance and operation of aircraft, it should bring the air cargo transportation business back to a recurring profit position by March 2011.

Looking forward to fiscal 2008, demand for shipping—especially bulk and energy-resources transport—is expected to remain favorable, despite the fact that repercussions from upheaval in financial markets, initially triggered by the subprime mortgage crisis in the United States, are starting to surface in economies worldwide. We anticipate revenues of ¥2.7 trillion, recurring profit of ¥210 billion and net income of ¥140 billion, on a consolidated basis in fiscal 2008, ending March 31, 2009.

While the movement of goods may be brisk, we cannot be complacent, especially given the potential for bulk shipping freight rates to enter an adjustment phase. To mitigate challenges and capitalize on emerging opportunities, we will adhere to the strategies laid out in New Horizon 2010.

The operating environment will no doubt exert pressure on revenues and profit but the NYK Group should be able to absorb the impact of changing conditions in the shipping market. Our resilient position is based on the fact that a high percentage of the Group's bulk shipping contracts are long term, which diffuses the performance-hindering impact of negative developments in the shipping market. This is further supported by indications of solid demand for land-based logistics and car carrier transport as well as an expected profit recovery in the air cargo transportation segment.

Fiscal 2007 Results and Fiscal 2008 Forecasts by Segment

Net Sales

(Billions of yen)

	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruises	Air Cargo Transpor-tation	Real Estate	Other	Elimination/ Corporate	Consolidated Total
FY2007 (actual)	666.4	1,039.1	526.9	151.3	46.7	102.6	11.5	205.0	(165.1)	2,584.6
FY2008 (expected)	700.0	1,120.0	550.0	145.0	45.0	105.0	12.0	215.0	(192.0)	2,700.0
First-Half Forecast	350.0	550.0	270.0	74.0	25.0	50.0	6.0	108.0	(93.0)	1,340.0
Second-Half Forecast	350.0	570.0	280.0	71.0	20.0	55.0	6.0	107.0	(99.0)	1,360.0
Change	33.6	80.9	23.1	(6.3)	(1.7)	2.4	0.5	10.0	(26.9)	115.4

Recurring Profit

(Billions of yen)

	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruises	Air Cargo Transpor-tation	Real Estate	Other	Elimination/ Corporate	Consolidated Total
FY2007 (actual)	11.5	174.1	17.2	9.4	5.1	(23.2)	4.2	0.2	0	198.5
FY2008 (expected)	12.0	173.0	20.0	8.5	4.5	(12.0)	4.0	0	0	210.0
First-Half Forecast	5.0	83.0	8.5	4.5	4.0	(7.0)	2.0	0	0	100.0
Second-Half Forecast	7.0	90.0	11.5	4.0	0.5	(5.0)	2.0	0	0	110.0
Change	0.5	(1.1)	2.8	(0.9)	(0.6)	11.2	(0.2)	(0.2)	0	11.5

Notes: 1. "FY2008 (expected)" represents estimates announced in April 2008.
2. Performance forecasts are based on quarterly predictions.
3. The "Other shipping" segment has been renamed "Bulk Shipping." This is a change in name only, and not a change in the method or content of business segmentation.

Summarizing New Horizon 2007 and Looking Forward to New Horizon 2010

Three developments stand out among the changes seen during New Horizon 2007, the previous medium-term management plan which ran from April 2005 through March 2008. Two were based in the business environment and one was specific to the NYK Group.

First, demand for natural resources grew worldwide but was particularly high in the BRIC countries—Brazil, Russia, India and China—and precipitated a rapid increase in demand for bulk and energy-resource transport. Second, the skyrocketing price of fuel and raw materials was a catalyst for significant change in the business environment. Third, we converted Nippon Cargo Airlines into a subsidiary and launched the air cargo transportation business.

Capitalizing on market opportunities, the NYK Group used the three years of New Horizon 2007 to push consolidated revenues up from ¥1,606.0 billion, as of March 31, 2005, to ¥2,584.6 billion in the final year of the plan, ended March 31, 2008, and boost recurring profit from ¥154.8 billion to a record-high ¥198.5 billion over the same period. The Group also cultivated new fields of corporate growth.

During New Horizon 2007, we focused on three strategies—to expand the shipping segment, transform the Group into a logistics integrator and enhance our business platform. We undertook the following measures to achieve stated goals.

To expand the shipping segment, we increased our fleet, which enabled us to capitalize on booming demand for sea transport, and we worked to secure additional long-term contracts. We also actively sought to obtain overseas commercial rights and ensure a suitable balance in service levels.

To transform the Group into a logistics integrator, we emphasized a strategy utilizing Groupwide strengths. We integrated sea, land and air logistics to match the overseas expansion of our customers' operations and better meet their needs.

To enhance our business platform, we prioritized operational safety but also embraced measures to improve research and development, environment-oriented business practices and the development of human resources based on a truly global perspective.

We anticipate greater demand for energy and natural resources in growth regions, especially the BRICs, and efforts to satisfy burgeoning demand will underpin the steady expansion of the bulk and energy-resource transport business. Over the next three years, the Group plans to acquire about 130 newly built vessels for this business.

Furthermore, the Group's goal is balanced growth in regions with potential for wider demand. Although we are currently focusing our attention on the BRICs—particularly China and, in the future, India—we will not limit ourselves and continue to look to other countries.

The achievement of stability requires the establishment of a revenue base that enables the Group to generate stable earnings regardless of changes that occur in the operating environment. The rationale behind our integrated logistics strategy is to provide services attuned to the needs of our customers, and this is intricately tied to stability.

For this reason, we must reinforce our services from a customer standpoint. We must also conclude long-term contracts built on strong bonds of trust with our customers, which will strengthen our earnings structure. In addition, we must maintain and further augment our financial position by achieving the right balance between investments and internal reserves and between capital and debt.

The environment, along with safety, is a leading priority for the NYK Group. We have always placed importance on CSR, and both the environment and safety figure prominently in our CSR activities. It is evident that safety—as the basis for all business pursuits—must take precedence over all else.

Another pressing issue for corporate management is the increasingly higher profile of environmental issues, exemplified by a movement toward tougher worldwide restrictions on greenhouse gas emissions.

As a means of mass transport, shipping is considered an environment-friendly method because it generates fewer emissions per transportation unit than movement of goods by air or land. We do realize, however, that shipping operations are not emission-free, and measures can certainly be implemented to make shipping a more environment-friendly mode of transport.

New Horizon 2010 is a road map for growth that will use the momentum gained during New Horizon 2007 to propel the Group to greater heights.

The new plan emphasizes three concepts—growth, stability and the environment.

The achievement of growth hinges on three factors:

1) An integrated logistics strategy
2) A focus on bulk and energy-resource transport
3) A wider presence in growth regions, namely the BRICs

The Group maintains its own fleets for sea, land and air transport, and combines modes of transport to create the product-moving formats most suitable to customers' varied needs. One of our strengths is our ability to provide integrated logistics services tailored to specific requirements.

The activities of the NYK Group support a sustainable society. With this in mind, we have made environmental protection our top management priority and seek to be an environmentally progressive corporate group. In April 2008 we established a new team under the direct supervision of the president to tackle environmental issues. The team's first task was to formulate measures to achieve a reduction of at least 10% on a unit consumption basis in greenhouse gas emissions by 2013, compared with the level recorded in 2006. To this end, we will 1) invest in leading-edge environmental technologies, such as the development of ultra-energy-efficient ships; 2) take the lead in international environmental policy discussions pertaining to shipping operations; and 3) reshape existing business models in the quest to lower greenhouse gas emissions.

CSR Management and NYK Group Values

Complementing the basic strategies that underpin the three concepts of growth, stability and the environment in New Horizon 2010 are measures to reinforce CSR-oriented activities and efforts to promote awareness of NYK Group Values—integrity, innovation and intensity.

As a provider of integrated logistics services on the world stage, the NYK Group plays a key role in society. For several reasons, including our drive to be a truly global organization, we must establish good ties with all our stakeholders, meet their expectations and maintain their trust. CSR management is an essential component to achieving success on this front.

The motivation for the Group's CSR-oriented activities is found in our core philosophy—"Through safe and dependable *monohakobi* (transport), we contribute to the betterment of societies." To enable employees to grasp the core ideals of this philosophy, we drafted NYK Group Values—integrity, innovation and intensity—in January 2007.

The Group employs 50,000 people worldwide. To help each and every employee under the NYK umbrella fully appreciate the significance of our corporate philosophy, we implemented an awareness campaign highlighting NYK Group Values.

The NYK Group Values philosophy has a dual purpose. It instills a sense of what the Group should be to employees and simultaneously demonstrates to stakeholders the stance that the Group takes as a corporate citizen. With these values permeating our operations, the quality of our services will continue to rise.

The NYK Group was named in the Global 100, marking the second consecutive year that the Company has been included in the list of the 100 most sustainable corporations in the world, by U.S.-based Innovest Strategic Value Advisors, Inc. Such recognition gives us the encouragement to reinforce CSR-related practices.

Top Marks from Socially Responsible Investment Indexes in Fiscal 2007

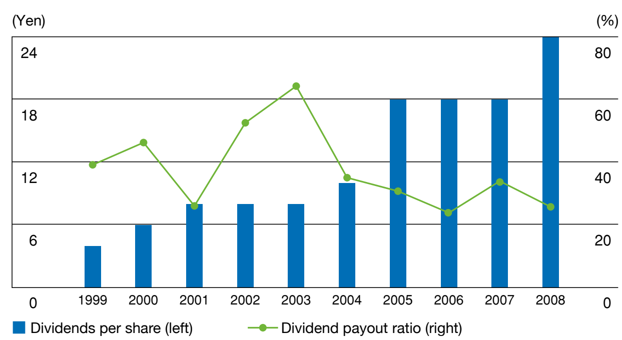
- Dow Jones Sustainability World Index (DJSI World)
  Fifth consecutive year
- FTSE4Good Global Index
  Fifth consecutive year
- Morningstar Socially Responsible Investment Index (MS-SRI)
  Fourth consecutive year
- Global 100 (Most Sustainable Corporations in the World)
  Second consecutive year

Return to Shareholders

The NYK Group actively addresses return to shareholders. Through New Horizon 2010, we aim to raise the consolidated dividend payout ratio by five percentage points, to 25%—a goal that assumes stable dividends and aggressive investment in growth businesses. We will also implement a suitable shareholder return policy for when fiscal results exceed anticipated targets.

We ask for the understanding and support of shareholders and investors in regard to this management policy.

Dividends per Share and Dividend Payout Ratio



Special Feature 1: The Previous Medium-Term Management Plan—New Horizon 2007

Summary of Results

The medium-term management plan New Horizon 2007 ran from fiscal 2005 through fiscal 2007—April 1, 2005, through March 31, 2008—and guided the NYK Group along a strategic path toward becoming an integrated logistics service provider. The plan highlighted three key strategies:
1) Expand the shipping segment
2) Transform the Group into a logistics integrator
3) Enhance our business platform

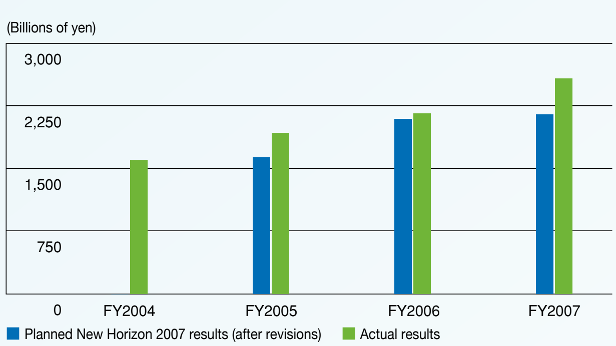
Through steady implementation of these strategies, the Group concluded New Horizon 2007 with record-breaking revenues and income.

The progress achieved over the three-year period is summarized below.

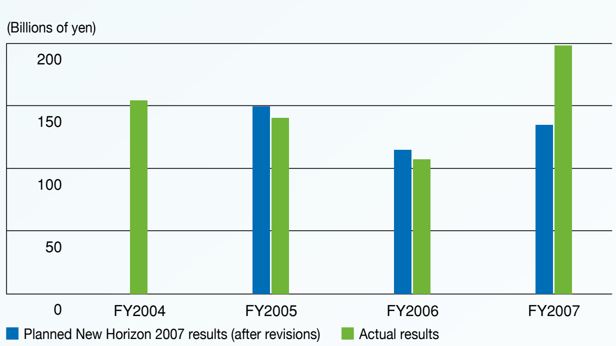
Key Performance Comparisons at the Drafting Stage and at Conclusion

	At Drafting (Fiscal 2004 Results)		At Conclusion (Fiscal 2007 Results)	
Revenues	¥1.60 trillion	→	¥2.58 trillion	61% growth
Operating income	¥161.4 billion	→	¥202.1 billion	25% growth
Recurring profit	¥154.8 billion	→	¥198.5 billion	28% growth

Revenues



Recurring Profit



(Billions of yen)

	FY2004	FY2005		FY2006		FY2007	
	Actual	Planned	Actual	Planned (after revisions)	Actual	Planned (after revisions)	Actual
Exchange rate	¥107.46/$	¥100/$	¥113.09/$	¥110/$	¥116.91/$	¥110/$	¥115.29/$
Bunker oil price	$193.84/MT	$200/MT	$283.08/MT	$330/MT	$318.77/MT	$330/MT	$402.77/MT

Strategic Highlights of New Horizon 2007

Strategy 1: Expand the shipping segment

We aggressively expanded our fleet of ships to capitalize on a vigorous increase in the movement of goods by sea on a global scale. Specifically, we invested ¥900 billion in the fleet over the three years from fiscal 2005 through fiscal 2007 but, seeking to enhance our ability to ride out market slumps and ensure stable revenues, we also implemented measures to secure long-term contracts, promote commercial rights overseas and achieve greater cost reduction. These efforts underpinned solid development of the shipping segment—the pillar of the NYK Group.

Strategy 2: Transform the Group into a logistics integrator

The configuration of logistics has become organizationally more diverse and complex than traditional modes of transport, particularly in regard to services for customers in the retailing, automobile-related and electronics manufacturing industries. But we kept pace with the needs of customers as they expanded overseas by building on the concept of an integrated logistics headquarters realized during Forward 120—the management plan that ran from fiscal 2003 to fiscal 2004—and by integrating the hard aspects of our operations—that is, modes of transport, exemplified by the world's largest fleet of ships—and the soft aspects, including an extensive international transport network connecting points by sea, land and air.

Strategy 3: Enhance our business platform

We created the Corporate Social Responsibility Management Headquarters and constantly reinforced CSR activities. We actively implemented measures to promote environmental management and safe ship operations—a top management priority for the NYK Group—and aggressively pursued improvements in technology and in-service training, a process underpinned by the Monohakobi Technology Institute. We also worked hard to realize information-supported management and to enhance the skills of our personnel, based on a truly global perspective.

New Horizon 2007 Achievements and Remaining Challenges

Achievements

- Posted record-breaking revenue and profits in the last year of the plan
- Made solid progress on expansion of shipping fleet
- Advanced global expansion of the logistics business
- Saw *Asuka II* establish a solid position in the domestic cruise market
- Promoted CSR management

Remaining Challenges

- Achieve better profits from liner trade business
- Improve performance of Nippon Cargo Airlines
- Curb fuel consumption

In the last year of New Horizon 2007, we not only exceeded revised estimates for consolidated revenues, operating income and recurring profit but also achieved new performance highs.

The bulk and energy-resources division expanded its fleet as expected, and the logistics division extended its business reach around the world. The liner trade business marked a considerable improvement in profits in the last year of New Horizon 2007 but will have to address certain challenges, by implementing innovative approaches for cutting costs and ensuring appropriate freight rates to sustain profitability.

In the newly classified air cargo transportation segment, Nippon Cargo Airlines will draw on the strengths of the NYK Group to cement a firmer corporate footing as it works to return a profit by fiscal 2010. Nippon Cargo Airlines aims to develop into a specialist air cargo airline with world-class competitive capabilities in terms of safety, cost, efficiency and quality by handling aircraft operation and maintenance on its own, especially for large, technologically advanced aircraft.

With fuel prices seemingly fixed at high levels, fuel costs comprise an increasingly larger percentage of overall operating expenses, which in turn puts considerable pressure on earnings. Reduced fuel consumption is therefore a priority, not only because it significantly mitigates the income-limiting effect of rising fuel costs but also because it has a direct bearing on the amount of greenhouse gas emissions our operations produce and therefore represents a key element of our efforts to address environmental issues. For both reasons, reduced fuel consumption will remain a priority.

Outline of New Horizon 2010

New Horizon 2010 highlights three concepts—growth, stability and the environment—and outlines efforts to reinforce CSR-oriented activities, which will complement the ideals that the three concepts represent. The underlying theme of the plan is the Group's development into a global *monohakobi* (transport) organization.

The following four pages outline this new corporate road map.

Key Strategies of New Horizon 2010

NYK Group Values
Integrity • Innovation • Intensity

Growth

- Deepen the scope of strategies for global logistics services.
- Expand energy and natural resource transport.
- Extend business reach in growth regions, especially the BRIC* countries.

* BRIC: Brazil, Russia, India and China

Stability

- Reinforce customer-oriented services.
- Stabilize profits by securing long-term contracts.
- Maintain a sound financial position and work to further strengthen this standing.

Environment

- Ensure safety.
- Score far ahead of other companies as an environmentally progressive corporate group.
- Aggressively invest in the development of environment-friendly technologies.

Strengthen Corporate Social Responsibility Management

Growth

We will deepen the scope of strategies for integrated logistics services, which encompass operations at sea, on land and in the air; actively expand our fleet to meet vigorous demand for transport, especially for energy and natural resources; and develop and promote our presence in emerging nations and growth regions.

Stability

We will promote our core customer program to reinforce the customer-oriented aspect of services, and strive to secure long-term contracts with foreign and domestic customers in bulk and energy-resource transport. We will also endeavor to maintain a sound financial position that will facilitate the success of planned strategies.

The Environment

Through active investment in environment-friendly technologies and a resolute commitment to safety in all operations—at sea, on land and in the air—we will raise our profile as an environmentally progressive corporate group that fulfills its responsibilities as a corporate citizen of the world.

To further enhance CSR management practices we will emphasize global development of human resources, fine-tuned approaches to highly transparent management, active participation in community events and reputation-enhancing public relations activities.

Without a doubt, CSR-oriented efforts throughout the NYK Group form a corporate foundation that will support progress toward realizing the ideals represented by the keywords growth, stability and the environment.

Performance Targets

(Billions of yen)

	FY2007 (Actual)	FY2008 (Planned)	FY2009 (Planned)	FY2010 (Planned)	FY2013 (Target)
Revenue	2,584.6	2,700.0	2,900.0	3,200.0	Revenues should exceed ¥3.6 trillion and recurring profit should top ¥260 billion.
Recurring profit	198.5	210.0	220.0	220.0	
Net income	114.1	140.0	145.0	145.0	

Assumed forecasting variables

	FY2007 (Actual)	FY2008–FY2010 (Planned)
Exchange rates (yen to US$1)	¥115.29/$	¥100.00/$
Bunker oil price per metric ton	$402.77/MT	$500.00/MT

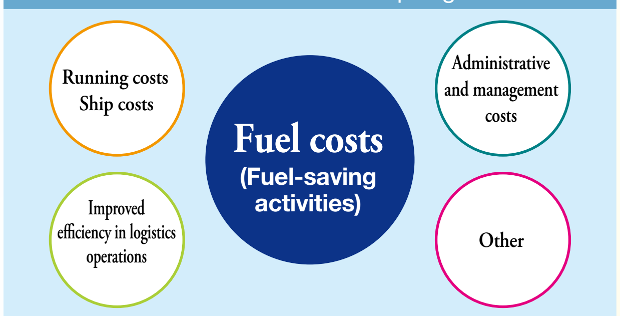
Balance of Growth and Financial Stability

(Billions of yen)

	FY2007 (Actual)	FY2008 (Planned)	FY2009 (Planned)	FY2010 (Planned)
Interest-bearing debt at year-end	1,022.2	1,110.0	1,080.0	1,070.0
Total shareholders' equity at year-end	638.0	830.0	930.0	1,030.0
Shareholders' equity ratio (%)	28%	32%	34%	36%
Debt-to-equity ratio (times)	1.6	1.3	1.2	1.0
ROIC (%)	7.8%	7.1%	7.3%	7.0%
Cash flows from operating activities	199.5	210.0	250.0	250.0
Cash flows from investing activities	(292.5)	(250.0)	(190.0)	(190.0)

Cost Reduction Plan

In the Cost-Reduction Spotlight



Implement cost-cutting efforts that lead to annual reductions of about ¥10 billion.

The NYK Group will strive to curb costs by about ¥10 billion each year, with a focus on measures to limit administrative and management costs and improve efficiency. An emphasis will, however, be placed on continued efforts to reduce fuel costs through better ship management.

Assumed Market Prices and Possible Impact from Changes

1. Assumed Market Prices by Type of Vessel

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Baltic Dry Index (BDI)	2,850	3,750	7,830	6,700	5,400	3,400
VLCC Index*	123	99	100	100	95	95

*Figures for very large crude oil carriers are indexed at a chartered-freight base of 100 as of March 31, 2008.

2. Value Impact Due to Price Changes in Fiscal 2008

- Container freight (average for outward voyages to North America and to Europe): $100/TEU → about ¥15 billion
- Bulk and energy-resources market prices: BDI 1,000 points → about ¥15 billion

3. Sensitivity to Exchange Rate and Bunker Oil Price Fluctuations in Fiscal 2008 (pre-hedge)

- Exchange rate fluctuations: ¥1 → about ¥2.7 billion
- Bunker oil price fluctuations: $1 → about ¥350 million

Fleet and Nonfleet Investment Plans

Number of Vessels in Fleet and Fleet Expansion/Procurement Amounts
(including leased and long-term chartered vessels)

	FY2004	FY2005–FY2007		FY2008–FY2010		FY2011–FY2013	
	Actual size of fleet on March 31, 2005	▸Newly acquired vessels ▸Procurement total	Anticipated size of fleet on March 31, 2008*	▸Newly acquired vessels ▸Procurement total	Anticipated size of fleet on March 31, 2011	▸Newly acquired vessels ▸Procurement total	Anticipated size of fleet on March 31, 2014
Mainly bulk carriers Tankers and LNG carriers	371 ships	110 ships ¥520 billion	492 ships	132 ships ¥740 billion	630 ships	150–200 ships ¥1,100–¥1,200 billion	750–800 ships
Car carriers	98 ships	24 ships ¥120 billion	113 ships	39 ships ¥250 billion	150 ships	20–30 ships ¥140–¥200 billion	160–170 ships
Mainly liners	177 ships	41 ships ¥260 billion	201 ships	47 ships ¥380 billion	220 ships	30–40 ships ¥300–¥400 billion	240–250 ships
Total	646 ships	175 ships ¥900 billion	806 ships	218 ships ¥1,370 billion	1,000 ships	200–270 ships ¥1,540–¥1,800 billion	1,150–1,220 ships

* As of March 27, 2008, announcement date of New Horizon 2010.

Nonfleet Investment (Logistics, Air Cargo Transportation, Other)

FY2005–FY2007	FY2008–FY2010
→¥290 billion	→¥290 billion

The Group will aggressively invest in its fleet of ships to expand the scale of shipping operations in line with growing worldwide logistics demand. Through a well-balanced combination of vessel ownership, leasing and long-term chartering, we will have amassed a fleet of 1,000 ships by the end of fiscal 2010, the last year of New Horizon 2010. We will also actively pursue nonfleet investment in the logistics and air cargo transportation businesses to reinforce our global presence.

Promoting Environmental Management

Objective

Highlighting the environment as a key management priority, we will take the lead in corporate circles as an environmentally progressive corporate group.

Environmental Management Vision and Three Pillars of Support

NYK seeks to control environmental risks and promote an optimum balance between the environment and economic benefit while protecting the natural environment and contributing to the formation of a sustainable society.

- Implement reduction of greenhouse gas emissions.
- Promote social contribution through activities that protect the natural environment.
- Strengthen environmental management Groupwide.

The Earth is the stage on which the NYK Group performs, and protection of the natural environment is one of the most important management issues facing the Company and the Group as a whole. We seek to be a leader in corporate circles, known as a corporate group with an environmentally progressive attitude.

To this end, in April 2008, we set up a special environment project—NYK Cool Earth Project—under the direct watch of the president.

New Project Launched under NYK President's Watch Exemplifies Environmentally Progressive Stance

Special Environment Project: NYK Cool Earth Project

NYK's CO_2 Reduction Targets

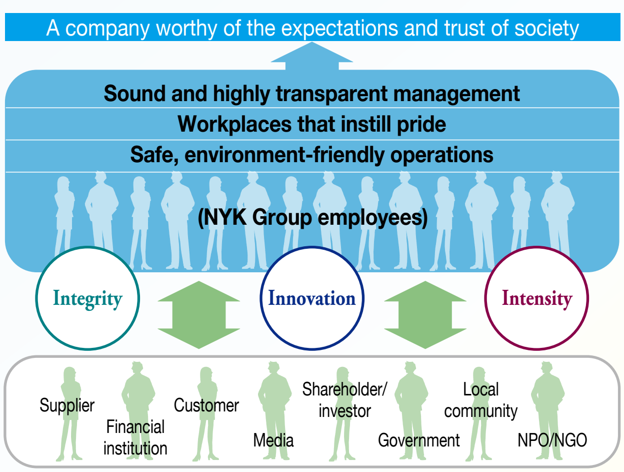
Long-Term Vision: Contribute to global effort to cut greenhouse gas emissions to 50% by 2050.

Reduction Target: Achieve a reduction of at least 10% on a unit consumption basis by fiscal 2013, compared with the level in fiscal 2006.

- Allocate ¥70 billion over six years to this project, with a focus on the development of innovative, environment-oriented equipment and technologies that curb greenhouse gas emissions.
- Take the lead in international environmental policy discussions in regard to shipping operations.
- Reshape existing business models.

We have set a minimum CO_2 reduction target of 10% on a unit consumption basis, compared with the level recorded in fiscal 2006, to be realized by fiscal 2013. We are also investing in innovative environment-related R&D, leading discussions on international environmental policy as it pertains to shipping operations, and reshaping existing business models to limit fuel consumption.

Gobal CSR Management



FTSE4Good Index Series

Dow Jones Sustainability Indexes

MOST SUSTAINABLE CORPORATIONS GLOBAL 100

Highly Transparent Management
- Reinforce corporate governance through the inclusion of outside directors.
- Maintain global internal controls.
- Maintain compliance structure.

Community Participation and Public Relations Activities
- NYK Nature Fellowship
- *NYK Hikawa Maru*
- NYK Maritime Museum
- Use of NYK Group ships to transport aid, such as disaster relief, at no cost

Global development of human resources

We will maintain a framework that supports highly transparent management practices through such measures as the appointment of outside directors to the Board, the implementation of global internal control systems and strict adherence to compliance standards.

The NYK Group is a global organization of companies employing more than 50,000 people. Management is keenly aware that these employees form the foundation of a sound corporate structure. With this in mind, we are staunchly committed to developing the skills of our human resources, ensuring respect for human rights and creating good work environments.

To encourage internal support for CSR activities, we undertake programs to instill NYK Group Values—integrity, innovation and intensity—in the minds of employees around the world. These values are embodied in the Group's society-oriented core philosophy, and through programs that emphasize our commitment to society, we will reinforce our status as a corporate group that meets society's expectations and warrants its trust.

We are also making headway on tighter internal control systems through enforcement of the Financial Instruments and Exchange Law, which went into effect April 1, 2008.

Promote wider access to

Integrated Logistics Services

Irreplaceable Partnership Through Deepened Integrated Logistics Services

The integrated logistics services that the NYK Group aims to deliver combine the hard side of business—that is, sea-, land- and air-based modes of transport, such as the world's largest shipping fleet, as well as trucks and warehouses, terminals and aircraft—with the soft side of business, namely transport technologies accumulated over many years, and utilize the Group's worldwide network to address the increasingly diverse and high-level requirements of customers in the most effective format possible.

This is the most outstanding feature of the NYK Group and one that is rarely matched anywhere in the world. It forms the basis of the Group's goal to be a logistics integrator offering truly global access over sea, land and air routes.

The Global Logistics Headquarters comprises the container transport division, the logistics division, the terminal and harbor transport division and the car transport division. This headquarters is responsible for drafting cross-division strategies and determining the most effective allocation of assets in each business to ensure the best responses to customers needs.

Synergies Realized Through Integrated Logistics Services

The Group's efforts to complement core shipping operations with enhanced logistics services, especially over land routes, will translate into a network that completely covers end-to-end supply chains, from parts procurement to finished product delivery, and facilitate the presentation of logistics solutions suited to customers' needs. The Group also benefits through new business opportunities.

Consequently revenues will rise, as we cultivate demand and secure new contracts. But the process will also cement profit sources less susceptible to market changes. In effect, integrated logistics services will lead to a more stable revenue portfolio.

Enhanced logistics services and a more extensive reach will reinforce our relationship with customers. Although the client base will broaden, the logistics business—specifically, the contract logistics business—hinges on services tailored to customers' specific requirements so it is fertile ground for closer ties, unlike container transport and freight-forwarding businesses, which are more vulnerable to market influences and where ties to customers are more unpredictable.

This intrinsic difference gives these businesses a complementary quality, from the perspective of transaction volume and customer relationships, and form a perfect business structure for fine-tuning solutions to needs that vary depending on world economic conditions and logistics content.

Integrated Logistics Service Strategy: Core Customer Program

Core customers are those who regard the integrated logistics services provided by the NYK Group favorably and maintain long-term business relationships with companies under the NYK umbrella.

The Core Customer Program serves to build solid, long-term ties with customers. This is achieved by combining the hard and soft sides of the Group's worldwide network—that is, modes of transport and inherent services by sea, land and air—to provide effective responses to varied logistics needs.

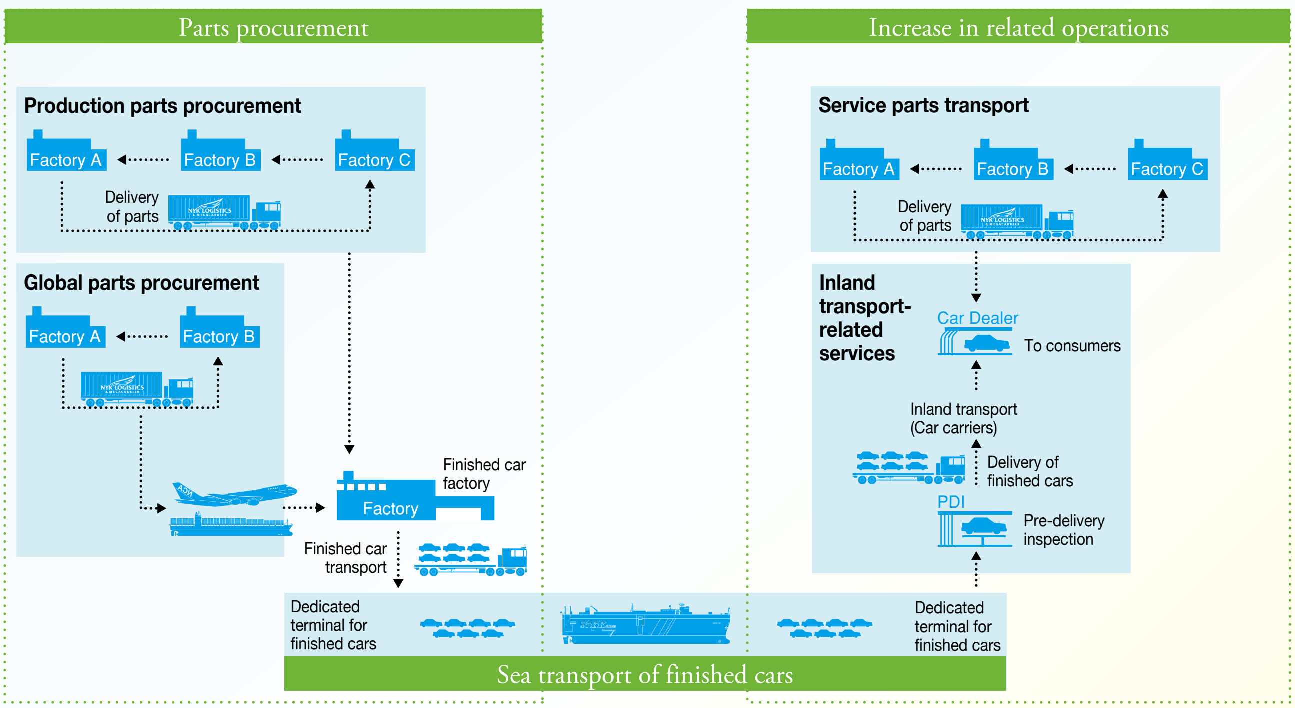
NYK has also assigned general service representatives acting for the Group to cover each client and thereby expedite responses across regions and operating segments. In addition, we are delegating a certain degree of authority over such decisions as local capital investment under an organizational strategy that will facilitate region-driven business activities.

logistics through integration
(Integrated logistics service provider)

Example of Integrated Logistics Services: Car-Related Logistics

Logistics services for automobile-related industries transcend typical sea transport of finished cars to include various value-added services. For example, we can package several services together, such as parts procurement—a milk run process linking factories making parts and factories turning out finished cars—with dedicated terminal operations, inland transport of finished cars, and pre-delivery inspection (PDI) of finished cars prior to delivery to dealers.

A key strength of the NYK Group is its capacity, built on years of accumulated high-level expertise, to combine value-added services and an extensive logistics network into optimum, overall logistics solutions tailor-made for each customer.



Examples of Value-Added Services	Milk Run	Cross Dock	Transport Tracking System
	A method for parts procurement within a certain geographical area—typified by local procurement—wherein trucks pick up parts at several factories on a single trip.	A process wherein multiple products in consolidated containers are unpacked at port-of-discharge warehouses, separated according to customer orders and shipped out again.	A system with search and inquiry functions for key logistics information, such as transport and inventory data, that supports customers in their efforts to ensure accurate inventory status based on integrated management of inventory in transit and in warehouses as well as shipment and production scheduling information.

Merits for Customers				
	Just-in-time delivery	Integrated, accurate inventory control	Cost reductions	Off-balance sheet allocation of logistics assets

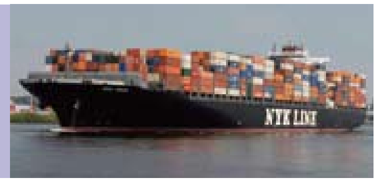
Business at a Glance

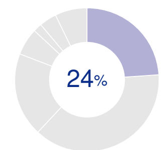
Notes: 1. From the interim period ended June 30, 2007, the air cargo transportation business, which was previously included in the “Other” segment, is presented as the independent segment “Air Cargo Transportation.”
2. From the fiscal period ended September 30, 2007, “Other Shipping” was renamed “Bulk Shipping.” This is a change in name only. The classification of the business segment remains the same.

Revenue Ratio 2008 | Revenues 2008

Liner Trade Business

Container Transport

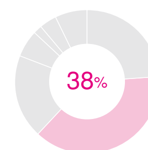




¥666.4 billion

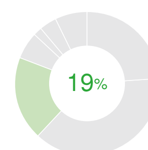
Bulk Shipping Business

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



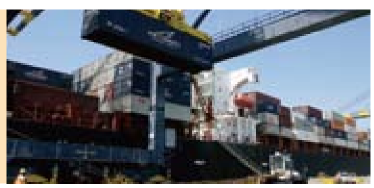
¥1,039.1 billion

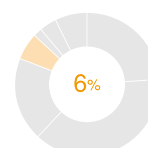
Logistic Business



¥526.9 billion

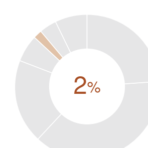
Terminal and Harbor Transport Business





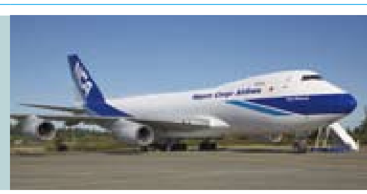
¥151.3 billion

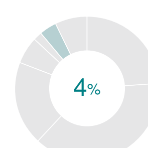
Cruise Business



¥46.7 billion

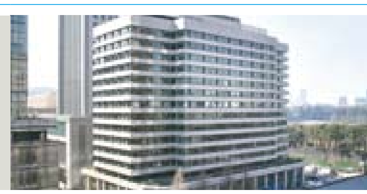
Air Cargo Transportation Business

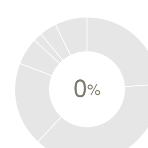




¥102.6 billion

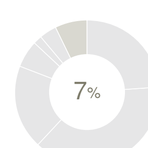
Real Estate Business





¥11.5 billion

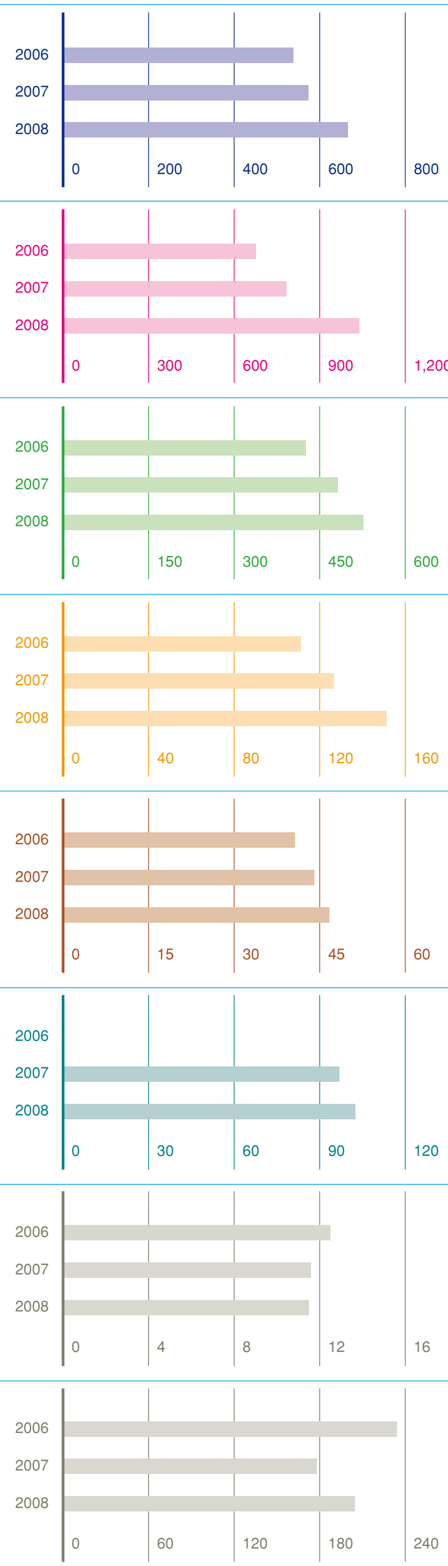
Other Business

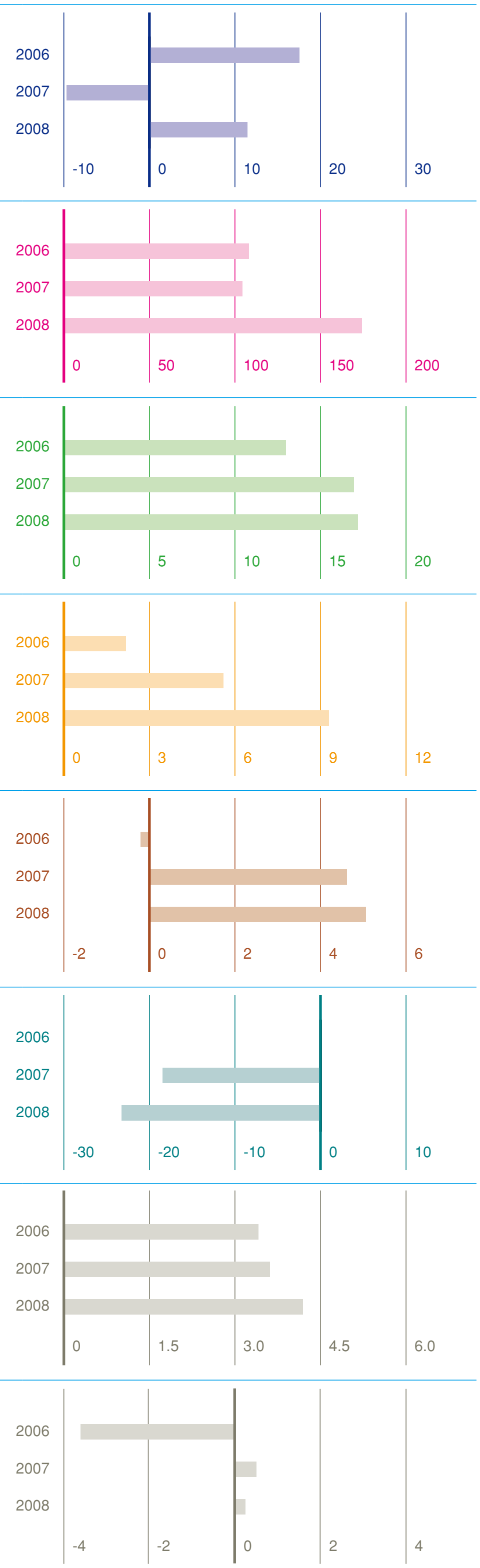


¥205.0 billion

Revenues (Billions of yen)
2006 — 2008

Recurring Profit (Billions of yen)
2006 — 2008





Fleet Size at March 31, 2008

Containerships (including semi-containerships)		
155 vessels	5,785,780 Kt	(DWT)
Bulk Carriers		
113 vessels	16,519,007 Kt	(DWT)
Bulk Carriers (Panamax and Handysize)		
173 vessels	8,425,394 Kt	(DWT)
Wood-Chip Carriers		
55 vessels	2,633,777 Kt	(DWT)
Car Carriers		
113 vessels	1,762,834 Kt	(DWT)
Reefer Carriers		
21 vessels	204,502 Kt	(DWT)
Tankers (including crude oil tankers)		
79 vessels	12,587,615 Kt	(DWT)
LNG Carriers		
30 vessels	2,183,377 Kt	(DWT)
Cruise Ships		
3 vessels	21,577 Kt	(DWT)
Others		
35 vessels	406,600 Kt	(DWT)
Total	777 vessels	
	50,530,463 Kt	(DWT)

Logistics

Distribution centers and facilities:
291 locations worldwide in 36 countries
Total warehouse space: 2.44 million square meters

Terminals

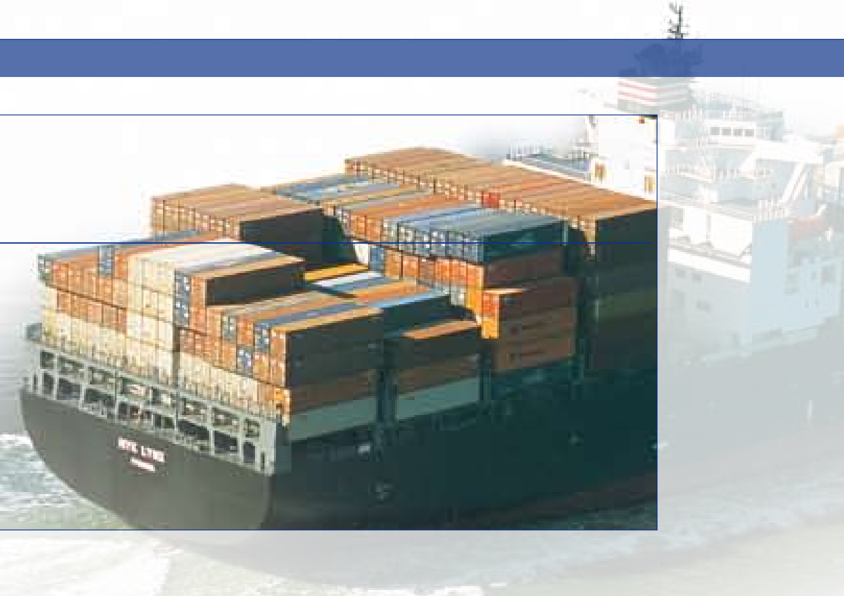
Container terminals: 22
Finished car terminals: 9
Other terminals: 6

Air Cargo Transportation

New aircraft (B747-400F): 6

Liner Trade Business

Container Transport



Background

The liner trade business comprises the container transport division and the conventional cargo transport division. This segment hinges on the activities of NYK Line, and two consolidated subsidiaries, Tokyo Senpaku Kaisha, Ltd., and NYK-Hinode Line, Ltd.

In container transport, NYK offers services linking Asia to areas such as Latin America, Australia, Africa and—the two main routes—North America and Europe, as well as those across the Atlantic. Inter-Asia services are handled primarily by Tokyo Senpaku, which has captured a leading market share on routes between Japan and Thailand and between Japan and Indonesia.

NYK is a member of the Grand Alliance—a consortium promoting joint containership operation—with Germany-based Hapag-Lloyd Container Line, Malaysia-based MISC Berhad and Hong Kong-based Orient Overseas Container Line (OOCL). As of March 31, 2008, this alliance had 153 vessels in operation. This alliance has maintained a cooperative relationship with the New World Alliance since March 2006, which has augmented the NYK Group's capabilities on the Asia–Northern Europe and Asia–Mediterranean routes as well as routes linking Asia to the east coast of North America.

The merits of scale presented by these alliances support a service network with the capacity to address a variety of customer requirements and have thereby sharpened the competitive edge of the NYK Group.

Market Environment and Performance Summary

In fiscal 2007, transport volume was favorable overall. A slight decrease was recorded in North America, reflecting the sluggish business environment stemming from the subprime loan crisis in the United States, but this was offset by brisk demand for movement of goods in Europe and the BRICs where economic conditions remained favorable. Transport volume on inter-Asia routes showed particularly high rates of growth, fueled by economic expansion in China, Southeast Asia, India and the Middle East.

The outlook is for higher transport volume, despite uncertainty over the direction that the U.S. economy will take, because the countries of Asia are likely to maintain the trend of stable economic expansion.

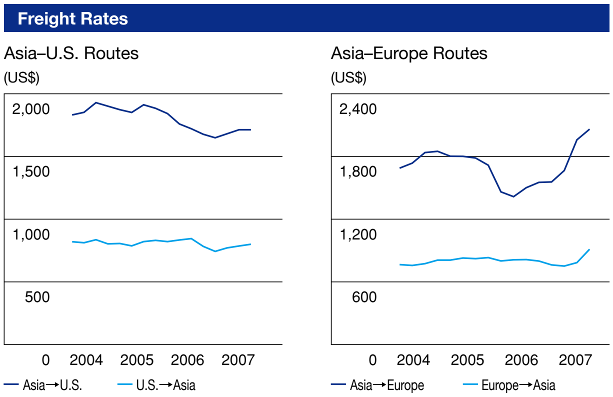
Although bunker oil prices soared to new heights, companies in this segment were still able to achieve considerable improvements over fiscal 2006, supported by the introduction of newly built vessels—which buoyed shipping capacity—and aggressive marketing efforts, which increased the amount of cargo transported. These favorable results were also supported by a moderate recovery in freight rates, especially on European routes, and concerted efforts to reduce fuel costs by operating fuel-efficient vessels.

In Europe, the service network was expanded to address brisk regional demand, particularly in the Black Sea. Routes not expected to generate sufficient profits were temporarily idled, but the fleet itself was reinforced with four newly built 8,600 TEU vessels and seven newly built 4,800 TEU vessels to ensure uninterrupted transport of goods and capitalize on revenue potential.

On inter-Asia routes, efforts were directed toward curbing fixed costs by returning chartered vessels with high chartering rates back to their owners.

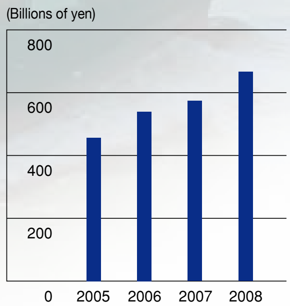
On the performance front, the liner trade segment generated higher revenues and a strong recovery in recurring profit in fiscal 2007. Revenues reached ¥666.4 billion, up 16.1% year on year, and the recurring loss sustained in fiscal 2006 was replaced with a healthy recurring profit of ¥11.4 billion.

Freight Rates

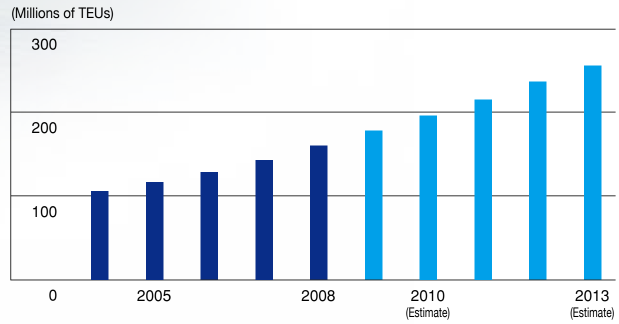


Source: Containerisation International

Liner Trade Revenues



Global Container-Freight Shipping Forecast



Building on Fiscal 2007 Results

The container transport business is growing robustly, paralleling economic growth around the world, particularly in the BRICs. We consider this business to be a growth sector with the potential to provide stable revenues over the medium- to long-term.

However, it is also a process industry, which requires huge investment. From this perspective, NYK must strive to keep revenues on an even keel by drawing on the advantages afforded by alliances, which will enhance the efficiency of services. Specifically, we must hedge the risks associated with market downturns by ensuring an appropriate fleet portfolio. This takes into account the chartering rate and the age of ships owned by companies in the container transport division. In short, an appropriate fleet composition will lead to sharper cost-competitiveness.

Our growth strategy for routes that connect to Europe and North America emphasizes development of services in emerging markets, especially the BRICs. To this end, in January 2008 NYK signed an agreement appointing Novo Orient Agency—a subsidiary under the umbrella of a leader in logistics, the Delo Group—as its agent in the Russian gateway port of Novorossiysk on the Black Sea. Novorossiysk is a city in southern Russia which has experienced sustained, rapid growth over the past few years. NYK established a local representative office, NYK Line (Russia) LLC, in June 2006, and began its Baltic Express Service—a feeder service—to St. Petersburg in December 2007.

For customers in and near India, NYK began containership operations in July 2007 through slot chartering, a process whereby container slots on a ship are leased from another company, and marked the commencement of services between India and the east coast of North America.

These routes serving Europe and North America will drive aggressive business expansion in growth regions with further potential for economic development.

Meanwhile, on inter-Asian routes we are working to broaden our service network to match market developments. A prime example of this effort was the launch of new routes, including a northern China–Thailand–Vietnam route in May 2007 and a Pusan–Chennai route in August 2007. Medium- to long-term goals include adding more vessels on inter-Asian routes while steadily increasing the percentage of the fleet under our own control, and to achieve an annual handling volume of 1.5 million TEUs.

We will continue to distinguish our container transport division from the competition by encouraging wider application of our integrated logistics strategy, which covers transport at sea, on land and in the air, and by providing a variety of services through a coordinated allocation of vessels that maximizes the merits of scale. An emphasis, however, will be placed on creating an optimum revenue portfolio for the Group. This process will focus on long-term charter contracts concluded with customers in line with the objectives of the Core Customer Program, a key component of NYK's integrated logistics strategy.

The next challenge for the container transport division is to extend value-added services that demonstrate the capabilities of NYK as an integrated logistics service provider. This will be achieved through activities that transcend divisional borders, such as improvements in supply chain management—including investment in infrastructures, particularly terminals—undertaken jointly with the logistics division.

Conventional Cargo Transport

NYK-Hinode Line operates a multipurpose fleet of about 60 vessels used primarily to transport heavy-lift cargo and steel products on conventional liner routes—namely, those linking Asia to Southeast Asia, India, the Middle East, Europe, the Mediterranean, East Africa, Australia and the South Pacific. The company boasts one of the world's largest fleets and service networks in this area of maritime trade.

NYK-Hinode Line maintains competitive excellence in this business by drawing on expertise in combining plant equipment and project cargo, including steel products and heavy-lift cargo from Japan and other parts of the Far East, and in the handling of heavy-lift and project cargoes. Investment in state-of-the-art multipurpose vessels with high economic effect is also a component of the company's success.

In fiscal 2007, NYK-Hinode Line was able to boost revenues and profits over fiscal 2006 levels, despite the impact of a rapidly accelerating yen against major world currencies in early 2008 and reduced profitability in the second half of the year. The key to these results was a significant decrease in costs, achieved through improved operating efficiency and lower fuel, operating and general and administrative costs. The company also implemented revised freight rates in a manner suitably matched to costs, based on customers' acknowledging a heavier cost burden caused by skyrocketing charter rates and rising prices on newly built ships.

On the whole, the movement of goods in fiscal 2007 was extremely brisk in both the steel products and project cargo categories. Most notably, NYK-Hinode transported an unprecedented volume of LNG-related plant and project cargo and earned acclaim from customers for safe and reliable transport. Results such as this serve to cement the company's position in Japan and abroad regarding noncontainer-type transport over liner routes.

Bulk Shipping Business

Car Transport

Background

Developing the car transport division used to be based on the export of finished cars from Japan to the rest of the world. In recent years, however, NYK has responded flexibly to the evolving business environment, characterized by increased overseas production by domestic carmakers, a situation that has fostered demand for third-country transport.

NYK has also been a trailblazer, taking the lead in regard to the establishment of related infrastructures. We were the first car carrier operator to set up coastal transport networks in China, Southeast Asia and Europe, the first to construct and operate finished car terminals in each region, and the first to invest in and develop inland transport networks. We still maintain that trailblazer perspective—working to expand used-car transport and the transport of finished cars to Japan from overseas and to provide pre-delivery inspection (PDI) on finished cars while they are at terminals.

Integrated logistics further enhance our services by expediting responses to land-based just-in-time production parts procurement needs, delivery of replacement parts to dealerships, and even global parts procurement using container transport.

Brisk worldwide demand for car transport characterized the fiscal 2007 operating environment, and the car transport division utilized its fleet of pure car carriers (PCCs)—the world's largest, at 113 vessels, as of March 31, 2008—to achieve a record number of finished cars delivered by maritime transport. This figure surpassed even the landmark result posted in fiscal 2006, when it topped three million for the first time.

It is proven results like these and the provision of value-added services that have helped the car carrier division build stable, long-term relationships of trust with its customers, particularly Japanese carmakers. As a result, freight rates have stayed relatively constant and the divisional profit structure has become less susceptible to changes in the market.

Market Environment and Performance Summary

With the sale of new cars reaching about 68 million units worldwide in 2007, it is not surprising that car carrier operators experienced robust demand for the maritime transport of finished cars. This is substantiated by the global trade of approximately 13.5 million automobiles in 2007.

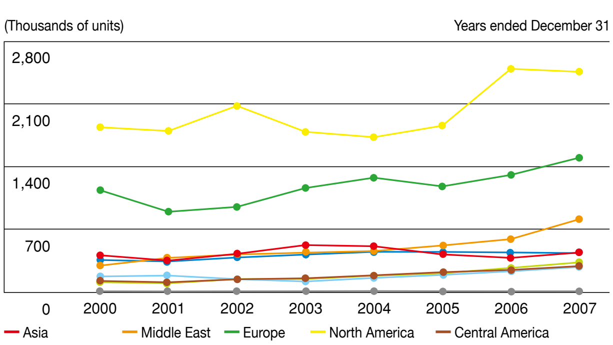
Notably, Japanese automobile exports—a key trade for car carriers—began to increase from around 2003, hitting 5.58 million units in 2006 and then 6.14 million units in 2007, which broke the record that had persisted since 1985. Demand for freight space, that is, capacity, has grown along with rising exports. But supply has been tight and becomes tighter every year, despite a growing number of newly built vessels being put into service since 2004, because automobile exports continue to expand at a rate that outpaces available capacity. In some cases, car carrier operators have resorted to alternative transport, including containerships and conventional ships, especially for used cars and construction machinery.

Against this backdrop of persistently tighter supply and demand, NYK's car transport division worked to ensure stable access to transport services by boosting tonnage efficiency, acquiring capacity from outside the division, and putting into service 11 newly built ships that were completed during fiscal 2007.

We also made solid progress in the car logistics business, which complements maritime transport operations. In China, we focused on transport services for car parts and finished cars as well as operation of finished car terminals, while in Europe and Southeast Asia, we reinforced operations through the additional acquisition of finished car terminals.

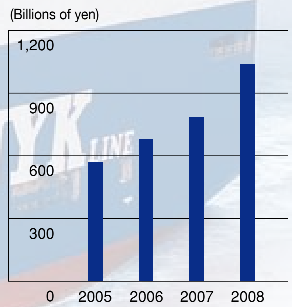
Efforts to raise carrier transport volume were rewarded with a final figure that surpassed not only the fiscal 2006 level but also our initial target for fiscal 2007.

Changes in Automobile Exports from Japan by Destination

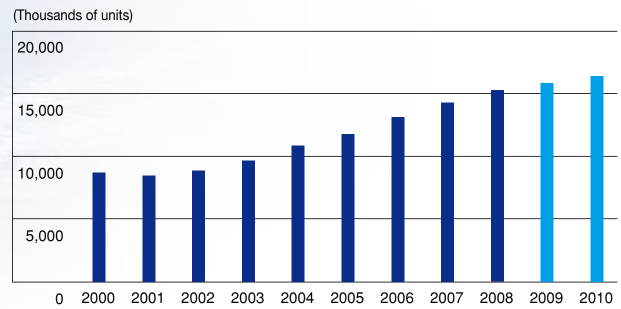


Source: Japan Automobile Manufacturers Association, Inc.

Bulk Shipping Revenues



Worldwide Car Transport Volume (Trade between Regions)



Source: NYK Research Group

Building on Fiscal 2007 Results

The lingering effects of the subprime mortgage crisis are expected to erode demand for new cars in the U.S. market in 2008, possibly leading to a year-on-year decrease of about one million units, to 15.2 million. It is clear that car trade to the United States will retreat, in stark contrast to the rapid increase witnessed between 2006 and 2007. However, the vehicles most likely to fall out of consumer favor will be large-sized vehicles produced by the Big Three U.S. automakers—a huge decline in exports from Japan is not widely expected.

In Japan, automakers are planning to raise domestic production, despite sluggish sales at home, because favorable market conditions in Russia and the Middle East present an opportunity for higher exports. This will fuel demand for capacity on long-distance routes and undoubtedly exacerbate the challenge of finding unused capacity when availability is already tight.

Given this high demand–low supply situation, a key factor in building on the fiscal 2007 results of the car transport division will be recognizing how long the capacity shortage is likely to last.

Demand trends will be watched closely as a guide for expansion of the car carrier fleet. Currently, the car transport division plans to put 17 newly built car carriers into service during fiscal 2008. Most of these will have 6,500-unit capacity. A total of 40 or so newly built vessels, including chartered ships, are currently on order and will be added to the fleet by March 2012.

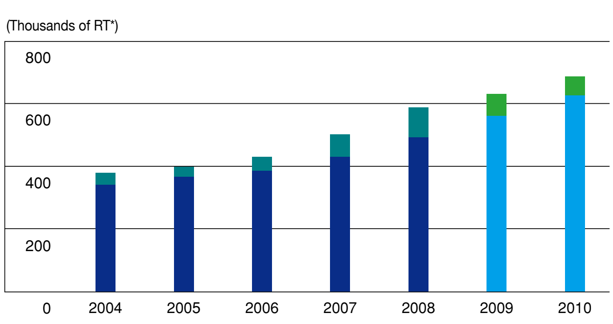
To address soaring tonnage value, we will emphasize cost-competitiveness in fleet expansion, fine-tuning allocation of existing and newly built vessels to raise operating efficiency.

Issues that will receive priority attention in the car transport division are service diversification and the promotion of environment-friendly measures.

On the service front, we will emphasize fleet expansion to maintain overall quality and further reinforce service content. Our focus is not only high-quality services and a fleet that accurately addresses customers' requirements but also better allocation efficiency. To this end, we will widen our hub-and-spoke service network, which links major ports—the hubs—with destination ports—the spokes—to expedite the transport of finished cars by sea. In addition, we will establish car carrier terminals and prime the integrated logistics system with value-added services, particularly PDI and inland transport connections. The ultimate goal is to make our car transport division the world's best with services attuned to the needs of customers. An infrastructure that supports total finished car transport services is the key.

On the environment front, we will continue research into methods that make vessels more energy-efficient. The car transport division is working with NYK Group member, the Monohakobi Technology Institute, to develop new ship designs and identify measures to reduce fuel consumption. A special focus of research efforts is next-generation energy-saving PCCs.

Changes in NYK Car Carrier Fleet Capacity



* A unit, based on a 1960-era Toyota, used to measure cargo capacity aboard PCCs

Bulk Shipping Business

Dry Bulk Transport

Background

In dry bulk transport, the Group operates a fleet of various vessel types, including Capesize, Panamax and Handysize bulk carriers for the transport of grain, coal and iron ore, as well as wood-chip carriers, reefer carriers and open-hatch carriers. The NYK Group boasts one of the world's largest shipping fleets and a network that extends around the globe. These corporate assets support a solid reputation for sophisticated transport technology and specialized vessels well suited to different cargo attributes.

The Capesize Bulker Group—charged with the transport of key raw materials such as the iron ore and coal used in steelmaking—has concluded a number of long-term charter contracts with steelmakers, especially in Japan and China. Long-term contracts signed with Chinese steelmakers are of similar scale and duration as those arranged with Japanese steelmakers.

The Steaming Coal Group, responsible for transporting thermal coal used by electric power companies at coal-fired power plants, maintains more than 30 long-term charter transport contracts with approximately 30 power suppliers, and steelworks. This group is working to implement a competitive ship management structure and to train ship operators and is also collaborating with other members of the NYK Group on services, such as consulting related to the assignment of maritime superintendents in each port of call and to port facilities.

The Forest Products Group operates 46 wood-chip carriers, 33 of which are allocated to shipments for major Japanese paper companies and trading companies on long-term charter contracts.

Market Environment and Performance Summary

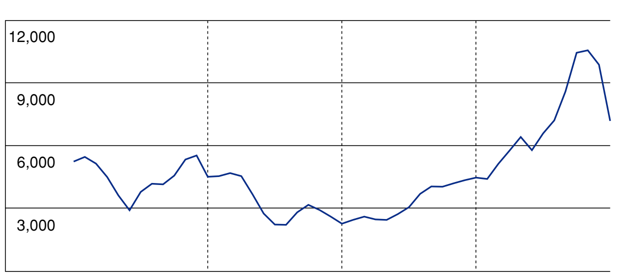
Demand for dry bulk transport reached record highs in the second half of fiscal 2007. This situation was precipitated by an increase in maritime trade—paralleling high economic growth in emerging nations, especially in China and India—and also by reduced shipping capacity caused by prolonged ship congestion in Australian ports.

With the average freight rate for a Capesize bulk carrier topping $120,000 a day in fiscal 2007, the Capesize Bulker Group was able to secure a significant revenue improvement through short- and medium-term charter contracts and spot operations. Efforts were also directed toward cost-cutting, chiefly by lowering fuel consumption, and the appointment of outside shipowners rather than using NYK-owned vessels, to raise efficiency.

The Steaming Coal Group posted higher revenues by complementing locked-in long-term charter revenues with spot contracts and short-term contracts of affreightment (COA) that maximized the impact of market highs. Meanwhile, soaring spot freight rates prompted domestic electric power companies to increase their use of ships under long-term charter contracts, while earthquakes and problems with nuclear-power facilities led to greater use of fossil fuel-fired plants. These developments also contributed to higher revenues.

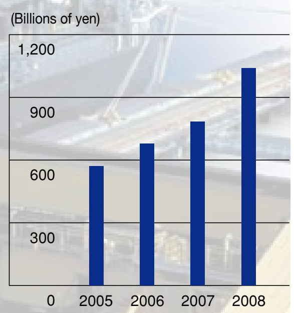
The Forest Products Group recorded high volume for freight under newly acquired long-term contracts as well as a high COA rate. The group allocates several vessels for transporting other dry bulk products, such as soybean cakes—a product for which additional transport contracts were concluded at high rates. All told, revenues in fiscal 2007 were dramatically better than in fiscal 2006. Further fiscal success is expected since this group has secured a 10-year contract for a newly built ship completed in 2008 and has tentatively concluded 20-year contracts for two newly built ships scheduled for completion in 2012.

Tramper Freight Rate (Baltic Dry Index)

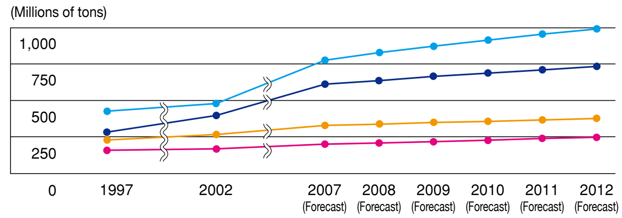


Source: NYK Research Group

Bulk Shipping Revenues



Volume and Forecast for Dry Bulk Maritime Trade



	1997	2002	2007 (Forecast)	2008 (Forecast)	2009 (Forecast)	2010 (Forecast)	2011 (Forecast)	2012 (Forecast)
Steam coal	284	406	613	637	666	688	710	734
Iron ore	428	481	776	828	872	913	954	989
Coking coal	170	171	204	212	221	231	243	251
Grain	229	271	332	340	352	359	369	379

Source: NYK Research Group

Building on Fiscal 2007 Results

In the Capesize Bulker Group, dry bulk transport will complement existing transport of the raw materials for steelmaking to steelmakers with an aggressive response to the needs of major mining companies*, who have accelerated enclosed transport of natural resources in recent years. Fleet expansion plans will take into account profitability and tonnage value with the aim of establishing a fleet of 100 Capesize bulk carriers by 2011.

In regard to overseas development of the Capesize Bulker Group, dry bulk transport is focusing on the BRICs. A number of contracts of various durations—long, medium and short term—have already been concluded with companies in China, a key member of the BRICs, but a new, 23-year contract with China's fifth-largest steelmaker, Wuhan Iron and Steel (Group) Corporation, was added in 2007. In Brazil, a 20-year contract was inked with Vale, formerly Companhia Vale do Rio Doce, the world's largest producer of iron ore. This contract represents two firsts—it is the first superlong-term agreement with a mining company in South America for any company in the NYK Group, and it is the first transportation contract between the NYK group and a non-Chinese customer that allocates a large iron ore carrier in the 300,000-ton class to the service. On another front, Tata NYK Shipping Pte. Ltd., a joint venture between NYK and Tata Steel Limited, will handle the transport of coal to India.

The Steaming Coal Group is involved in the transport of coal to coal-fired power plants, which generate high levels of CO_2, so dry bulk transport will be watching trends in emission rights trading and will adjust coal carrier investment accordingly. Fleet expansion plans will emphasize the addition of vessels to accommodate a higher transport volume of natural resources and also highlight the diversification of vessel types.

Overseas development of the Steaming Coal Group will stress accurate information-gathering practices matched to the overseas development of customers, which will support joint ventures in logistics with foreign-owned natural resource traders and mutual vessel financing between domestic owners of coal mines and overseas electric power companies.

The Forest Products Group will strive to maintain NYK's top share of the market for transport services for domestic paper companies, while securing contracts that present a suitable level of profit given the rising costs associated with ship maintenance and higher prices for newly built ships. However, efforts will still be directed toward achieving higher profits, and this will necessitate the allocation of some vessels to the transport of other products, including soybean cakes, depending on market conditions.

To raise the overseas profile of its Forest Products Group, dry bulk transport will strive to secure more consecutive voyage charters to transport wood chips to China, where growth prospects remain high, and to Europe, where demand for wood chips has taken a noticeable lead over logs. Also, seeking the dual benefits of business development and environmental protection, we will actively cultivate the raw materials of paper production, which may become another high demand–short supply commodity worldwide, by pursuing greater investment in tree-planting projects. We are already involved in two such projects in Australia.

Overall goals for dry bulk transport will be to maintain an optimum assortment of short-, medium- and long-term contracts and to form a business portfolio that is resilient to changes in the market.

* BHP Billiton (head offices in Australia and England), Rio Tinto (head offices in Australia and England), Vale (formerly, Companhia Vale do Rio Doce) (head office in Brazil)

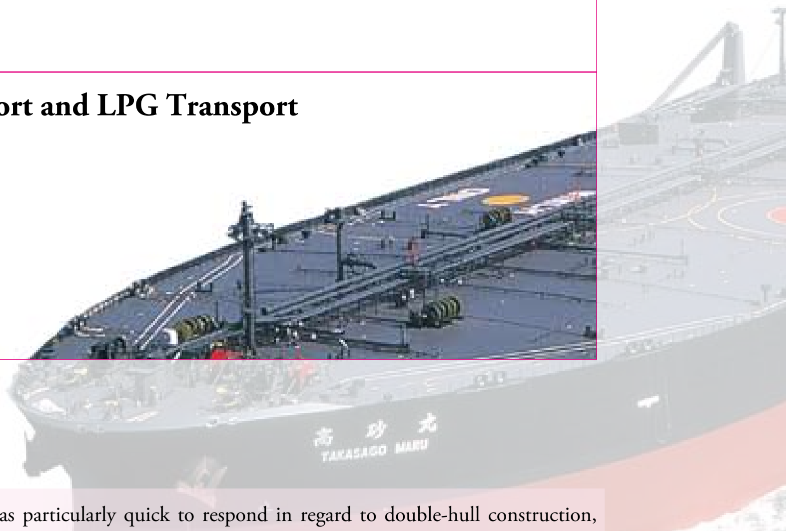
Handysize Bulker Transport

NYK Global Bulk Corporation (NGB) is a wholly owned subsidiary of NYK and operates approximately 110 Handysize bulk carriers—the largest fleet of its kind in Japan and one of the largest in the world. In fiscal 2007, efficient allocation of these vessels as well as progress on cost-cutting measures and brisk demand for services offset the revenue-limiting impact of skyrocketing bunker oil prices and higher charter rates, leading to significant improvement in revenues.

NGB will continue to reinforce ship capacity and boost freight volume as the NYK Group's specialist in Handysize service, while increasing its long-term COA and securing more contracts for dedicated space aboard ship to support a profit structure less susceptible to market influences. Forward-looking fleet expansion will emphasize flexibility consistent with trends in ship prices, including a fixed-sized ordering system for Handymax and Small Handy—about three of each per year—to hedge risk amid escalating ship prices. Since NGB has already obtained consecutive voyage charters in China for nickel and bauxite, the next stage of overseas development will be to acquire new commercial rights, with profitability in mind.

Bulk Shipping Business

Petroleum Transport, Petroleum Product Transport and LPG Transport



Background

As of March 31, 2008, the crude oil tanker sector maintained a fleet of 41 tankers. Of these, 34 were very large crude carriers (VLCCs) exceeding 200,000 DWT and the remaining seven were medium-sized tankers—six Aframax tankers of approximately 100,000 DWT and one Panamax tanker of 60,000 DWT. Approximately 90% of the fleet serves specific customers, primarily oil companies in Japan and overseas, under long-term contracts, which gives NYK a highly stable profit structure from tanker operations.

Learning a hard lesson from the stranding of a VLCC in Tokyo Bay in 1997, NYK strives to ensure safety in operations on board its tankers and on land through investment in double-hull construction, meticulous crew education and training, and close ship-to-shore communications. NYK was particularly quick to respond in regard to double-hull construction, and nearly 93% of the tanker division's fleet is now of this type.

This uncompromising stance on safety, not to mention a keen environmental perspective, has earned NYK a solid reputation, which has enabled the Company to conclude time charter contracts with major oil companies in China, South Korea and the United States.

The petroleum, petroleum product, LPG and chemical tanker sector transports a wide range of energy-related products, including petroleum products extracted from crude oil, refined mineralized products, inorganic chemicals, animal and plant oils, and methanol, ammonia and LPG extracted from crude oil and natural gas.

Market Environment and Performance Summary

Despite favorable imports by China, demand for oil tanker services was sluggish for most of fiscal 2007, reflecting high inventory levels in Europe and the United States and reduced production by the Organization of the Petroleum Exporting Countries, better known as OPEC. But winter—a peak demand season—returned trade to a high level, where it stayed. Specifically, in the first half spot rates, measured by the industry's World Scale standard, languished in the 50s for a long time, then suddenly soared to a temporary high of 300 in November 2007, before leveling out to above 100 from January to March 2008.

The first-half slump in trade prompted a burst of refitting activity to convert single-hull VLCCs into very large ore carriers and floating storage and offloading units, as operators scurried to address a measure drafted by the United Nation's International Maritime Organization and slated for implementation in 2010 that will ban the use of single-hull tankers for safety reasons.

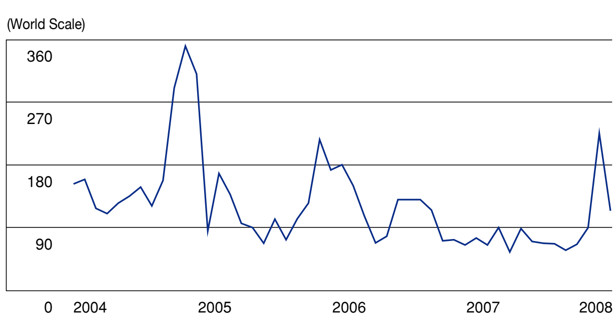
Heightened market conditions also reflect an accelerated trend among tanker operators to move away from the deployment of single-hull tankers. A catalyst for this distancing came in December 2007, when a vessel collided with the VLCC *Hebei Spirit* off the coast of South Korea and caused a major oil spill. Like its industry counterparts, the NYK Group is phasing out single-hull tankers and has sold or returned, if chartered, all but one tanker that will still be used after March 2008.

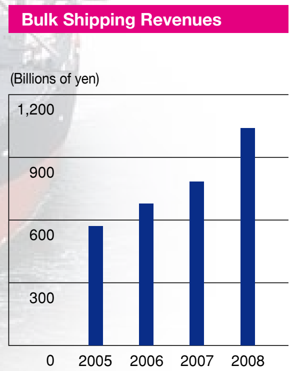
The crude oil tanker sector incurred higher costs in fiscal 2007, owing to increased crew costs and docking charges and skyrocketing fuel oil prices. However, safe and efficient operations throughout the year and a recovery in demand for services led to satisfactory results.

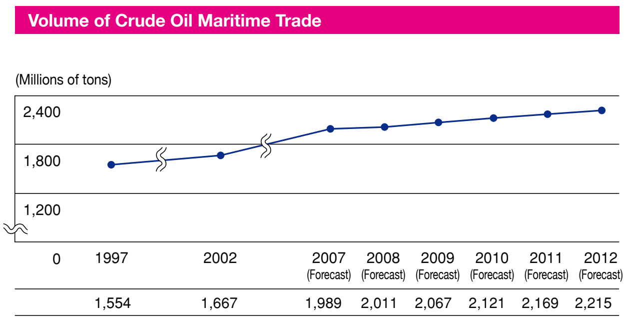
The petroleum, petroleum product, LPG and chemical tanker sector enjoyed brisk trade and expanded its fleet accordingly. Unfortunately, the large volume of newly built ships completed caused freight levels to decrease. However, high-rate, long-term contracts supported stable revenue growth.

Consequently, the petroleum transport, petroleum product transport and LPG transport division was able to produce results on a par with fiscal 2006.

Tanker Freight Rates for VLCCs







Source: NYK Research Group

Building on Fiscal 2007 Results

In the crude oil tanker sector, NYK aims to establish a solid presence in the international market as a reliable tanker operator. To this end, we will resourcefully build on the good relationships we enjoy with customers in Japan to extend our reach abroad. Attracting wider attention from abroad, particularly from oil majors and suppliers in oil-producing nations in the Middle East and South America, requires enhanced ship management and service content, which will underpin higher-quality responses to customers in Japan.

We will take a more prudent approach to fleet expansion, given the persistently high price of newly built VLCCs. According to Clarkson Research, a provider of information regarding shipping and offshore industries, the world's fleet of VLCCs numbered 498 vessels as of February 29, 2008, 142 of which were of single-hull construction. Even though, as noted previously, safety issues are a primary reason for phasing out single-hull VLCCs, the number of newly built ships is still expected to reach 158 vessels by 2010. Consequently, No major change in the supply-and-demand situation will appear between 2008 and 2010, and the market for double-hull VLCC services should remain firm.

In the petroleum, petroleum product, LPG and chemical tanker sector, weak market conditions are unlikely to disrupt demand for the transportation of energy-related products over the medium to long term. Based on this forecast, NYK's objective is to achieve stable revenues in this division by maintaining current long-term contracts and securing new contracts to create a well-balanced portfolio of contracts having long-, medium- and short-term durations.

In recent years, conventional transport routes and modes have undergone major transformation, prompted by a geographical shift in petroleum refining operations, away from the consumption area in favor of the production area, as well as steady construction of new and expanded petrochemical plants in China, the Middle East and Southeast Asia. Against this backdrop, trade has become multipolarized and increasingly diversified, heightening the importance of fleet expansion and organizational structures primed for quick responses. NYK is therefore restructuring the petroleum, petroleum product, LPG and chemical tanker sector with Singapore at the core because of its close proximity to actual operations. Specifically, NYK has transferred the control of Aframax and other business to a corporation in Singapore, NYK Bulkship (Asia) Pte. Ltd. This means that operations will be local-oriented, and we can build a structure which responds flexibly to changes in the external operating environment. Efforts will also be directed toward aggressive development of services in production areas, especially Brazil and the Middle East, consumption areas, particularly China, India and the United States, and the key business areas, Southeast Asia and Europe.

As for fleet expansion, the plan is for two or three newly built vessels, mainly petroleum product tankers, each year, but actual investment will be tempered by ship prices. NYK will also promote transport of bio-ethanol, an energy source garnering a high profile as a fossil fuel alternative, and allocate a budget for vessels to carry the product in preparation of full-scale operations.

Bulk Shipping Business

LNG Transport

Background

NYK put Japan's first ever liquefied natural gas (LNG) carrier into service in 1983—quite literally, we launched the country's LNG business. Since then, LNG transport has grown along with Japan's gas and electric power utilities. As a result, NYK Group companies in LNG transport account for an extremely high share of the LNG transport market serving customers in Japan. Currently, this division operates 46 carriers, 32 of which service Japan. The remaining 14 carriers service India, South Korea and parts of Europe.

Despite the business model for LNG transport typically assuming long-term contracts of 15-20 years, NYK has concluded long-term charter contracts of 20-25 years for many of the vessels operated by LNG transport. This means that market fluctuations are less likely to impact on division revenues. In the shipping business, where changes in the market can cause considerable fluctuation in fiscal results, LNG transport is positioned as a particularly stable source of revenues within the overall business portfolio of the NYK Group. Consequently, the future bodes well for this division and a constant stream of revenue can be ensured through continued services under existing contracts.

LNG emits fewer CO_2 emissions than petroleum when consumed, and worldwide demand for this clean-burning source of energy has grown along with greater awareness of issues affecting the natural environment. The NYK Group will maximize this opportunity to expand overseas development of LNG transport services by participating actively in LNG development projects, especially new projects in Russia and Nigeria.

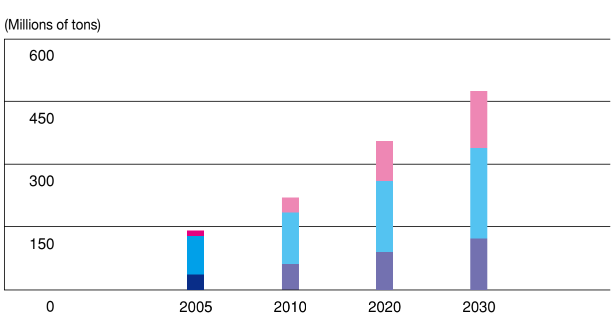
Market Environment and Performance Summary

Demand for LNG is expected to parallel global economic growth, rising from the 190 million tons recorded in 2008 to a level between 230 million and 270 million tons by 2010, and then to a level between 360 million and 460 million tons by 2020. This upward trend reflects expectations of increased demand in emerging markets, notably China and India, as well as greater use of LNG as a provision for natural gas-fired power plants—as a measure to promote worldwide environmental protection and offset skyrocketing oil prices—and progress in the switch from utility gas to natural gas.

These market prospects have invigorated LNG development projects around the world. In addition to existing projects in Indonesia, Australia and countries in the Middle East, more recent projects, such as the ones in Sakhalin and Nigeria, have moved into high gear.

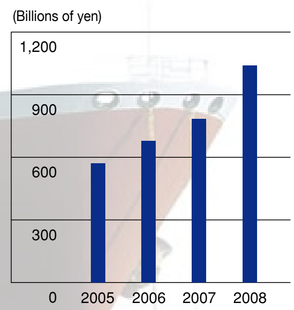
Against this backdrop, NYK steadily entered into transactions involving overseas projects, a strategy which has underpinned improved fiscal results. Indeed, LNG transport posted stable profits, as brisk demand in fiscal 2007 put the fleet into steady service to meet the needs of customers under existing contracts.

Best Case Scenario—LNG Demand Forecast

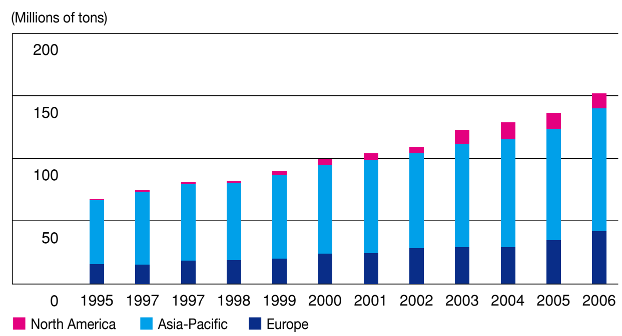


Source: The Institute of Energy Economics, Japan

Bulk Shipping Revenues



LNG Trading Volume in the Three Major Markets



Source: *BP Statistical Review of World Energy 2007*

Building on Fiscal 2007 Results

NYK aggressively marketed its services in LNG transport, emphasizing proven results in LNG transport, excellent ship management and outstanding technical know-how. Stable growth in demand for LNG will naturally boost demand for related transport services. We will utilize these strengths to capitalize on favorable market conditions and thereby secure long-term contracts with consignors.

In the domestic market, our strategy is to aggressively enter into new contracts with gas and electric power utilities and ensure economical, uninterrupted transport of LNG. For example, in November 2007 we concluded a basic agreement with Tokyo LNG Tanker Co., Ltd., a wholly owned subsidiary of Tokyo Gas Co., Ltd., regarding joint ownership of a newly built LNG carrier and a 20-year long-term charter contract, and signed a contract with Kawasaki Shipbuilding Corporation for the new LNG carrier that forms the foundation of the basic agreement. Upon completion in 2011, the vessel will be used to transport LNG to Tokyo Gas.

Overseas activities will focus on developing business in growth markets—especially China, India, the United States and several countries in Europe—and restructuring personnel assignments when and where necessary. For example, in August 2007, the three-company consortium of NYK Bulkship (Europe) Ltd., a wholly owned subsidiary of NYK, Japan's Mitsui & Co., Ltd., and Canada's Teekay Corporation concluded a basic agreement with the Angola LNG Project for the 20-year, long-term charter of four newly built LNG carriers. This development project, led by major U.S. oil company Chevron, is Angola's first for the production and sale of LNG and was set up in partnership with London-based BP p.l.c., Paris-based Total S.A. and the Angolan national oil company Sonangol. The project will export approximately five million tons of LNG annually, mainly to the United States, from 2011.

After Nigeria, Angola is the second-largest petroleum exporting country in sub-Saharan Africa, producing 1.4 million barrels a day as of 2006. In recent years, at-sea thermal disposal of the associated natural gas that leaches out of crude oil during production has cast Angola in a negative light, environmentally speaking. The Angola LNG Project is therefore touted as an innovative way to use the problematic associated gas as a provision for LNG. The project is also significant from other environment-friendly perspectives, including efficient utilization of a limited resource and the fact that natural gas is a clean-burning source of energy.

LNG transport will strive to accurately identify the needs of gas and electric power utilities around the world—not just in Atlantic region, where this project is located—to acquire new LNG transport contracts.

In regard to fleet expansion, existing orders for 20 vessels will have been completed by 2010. This will bring the number of NYK-operated LNG carriers to 66, and of these, 37 will be under NYK ship-management contracts. In terms of overall capacity, this 66-carrier fleet is likely be the largest in the world after completion, realizing NYK's goal to make its LNG activities the biggest LNG transport operation on Earth.

Logistics Business

Background

NYK's logistics segment—the core nonshipping business of the NYK Group—is the domain of NYK Logistics, a group of consolidated subsidiaries which promote overland services worldwide, and Yusen Air & Sea Service Co., Ltd. (YAS), which handles air freight forwarding. The activities of these companies complement maritime transport services to present customers of the NYK Group with total logistics support.

In Europe, North America and parts of Asia such as China, NYK Logistics and YAS extend supply-chain management services, including product pickup; warehouse storage; processing, such as inspection, sorting, labeling and repackaging; delivery to designated recipients; and IT-based data management. They also provide various logistics services, such as overland transport by truck or train, customs brokerage, forwarding, chartered transport using other companies' capacity on sea and air routes, and services to facilitate arrangement for and management of shipping and loading of goods in the country of export on behalf of importers. The resulting network of diverse transport and logistics services over sea, land and air routes ensures that the NYK Group effectively meets the needs of each customer.

Market Environment and Performance Summary

In fiscal 2007, the U.S. market was characterized by lackluster demand for transport, reflecting sluggish economic conditions triggered by the subprime mortgage crisis. In Asia, excluding the home market of Japan, the skyrocketing price of oil had a noticeable impact in Thailand, where overland transport by trucks is the favored mode.

Overseas, NYK Logistics was able to boost operating efficiency, especially at locations in China and other parts of Asia and in Eastern Europe, by focusing on the logistics needs of customers in the automaking and manufacturing industries. This contributed to a fiscal performance surpassing fiscal 2006 results.

In areas, such as Vietnam, India and Russia, where the NYK presence is relatively new, revenues were limited by the aggressive front-loading of investments. However, operations in these areas are developing smoothly, and efforts to expand business—especially efforts to attract new customers—are progressing favorably.

The atmosphere in the air freight forwarding market remained competitively charged, a situation that YAS endeavored to address with enhanced marketing. Thanks to solid performances from overseas subsidiaries, fiscal results were on a par with fiscal 2006.

Overall, the NYK Group's logistics segment posted revenues of ¥526.9 billion, up 9.2% year on year, and recurring profit of ¥17.1 billion, up 1.2%.

Logistics Centers

NYK Logistics

(Locations)

	2001	2002	2003	2004	2005	2006	2007
Japan	14	14	14	20	20	21	21
China and other parts of Asia	29	31	30	44	52	63	66
Oceania	12	9	11	12	13	13	11
The Americas	5	16	16	22	24	24	25
Europe	32	37	60	56	67	69	67
World total	**92**	**107**	**131**	**154**	**176**	**190**	**190**

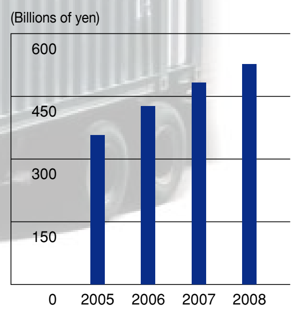
Yusen Air & Sea Service

(Locations)

	2001	2002	2003	2004	2005	2006	2007
Japan	—	—	20	19	19	19	22
China and other parts of Asia	18	19	23	25	30	37	43
Oceania	2	2	2	2	2	2	3
The Americas	26	26	26	25	25	25	25
Europe	19	20	21	21	22	22	21
World total	**65**	**67**	**92**	**92**	**98**	**105**	**114**

Notes: 1. At some domestic locations, offices are included within warehouses.
2. In fiscal years 2001 and 2002, totals are for locations outside Japan only, since the total for locations within Japan were not calculated.
3. Totals are current as of September 30 in the indicated year.

Logistics Revenues



Logistics Targets

Recurring profit in fiscal 2010 = ¥30 billion

(Billions of yen)

		FY2007 (Actual)	FY2008 (Forecast)	FY2009 (Forecast)	FY2010 (Forecast)
Logistics Total	Revenues	526.9	570.0	670.0	760.0
	Recurring profit	17.1	20.0	25.0	30.0

Building on Fiscal 2007 Results

The logistics segment is divided into two categories—the contract logistics business, which confirms the content of the services to be provided in a written contract; and the freight-forwarding business, which focuses on the arrangement of transport. The primary difference between the two is that contract logistics restricts services to a certain group of customers and thereby fosters a close relationship with them, while forwarding is aimed at a wider group of customers.

Growth in the logistics segment is dependant on achieving greater contact with customers around the world. Therefore, an emphasis is being placed on the freight-forwarding side of the business. YAS and NYK Logistics will promote integrated services through a broader selection of international transport services and wider execution of contract logistics services, especially warehousing and delivery at loading and unloading points. Concerted efforts will also be directed toward raising efficiency in all types of services, synchronizing capacity on liner and car carrier transport services, entrenching the Core Customer Program and continuously improving profit levels.

These efforts should be rewarded with revenues of ¥760 billion and recurring profit of ¥30 billion by March 31, 2011.

As far as organizational strategies are concerned, a key priority is to intensify quality-improvement activities fine-tuned to each location by reinforcing regional headquarter functions with greater local responsibility for revenue and expenditure and greater delegation of authority and by implementing locally initiated quality control and improvement structures. By linking enhanced security and quality features in the services provided to a healthier net balance we will strengthen this segment's ability to generate stable revenues.

Overseas Activities

Eastern Europe

Our logistics companies are promoting services in Hungary, Poland, the Czech Republic and Russia and have built an extensive service network in Central and Eastern Europe to facilitate responses to diverse customer needs, including transport by sea, land and air and import/export customs clearance. Most notably, NYK Logistics is working on a delivery network linking Hungary, Poland, the Czech Republic and Slovakia with the countries of Western Europe and may also enter other markets, including Romania.

NYK's logistics services in Russia were launched with the acquisition of Mobile Shipping Service Ltd., in 2003. We converted the Moscow branch of this company into a local representative and endeavored to expand its business content, based in Moscow and St. Petersburg, with an emphasis on import customs clearance and freight forwarding and automobile production-related logistics.

Russia's unique customs clearing practices have improved significantly over recent years, a situation that is encouraging manufacturers who once took a negative view of local investment to consider setting up their own operations near the massive Russian consumer market that is Moscow. Seeking to capitalize on this business opportunity, NYK set up its first ever Russian warehousing operation in 2008. The new warehouse has total floor space of 13,380 sq. meters and is located on the outskirts of Moscow.

Asia

The office network in India may be expanded from the current seven cities to 13. In 2007, warehousing operations were launched in Chennai, at a 4,181 sq.-meter facility, and in Mumbai, at a 6,968 sq.-meter facility.

A local representative was established in Vietnam in 2006 and is still in the process of reinforcing its business through investment in warehouses. NYK seeks to create a structure that underpins such services as overland transport of finished cars and raw materials, and through the efforts of YAS and the rest of the logistics segment, is providing a diverse service menu featuring a north–south route through Vietnam, an east–west corridor linking Vietnam and Thailand, and a Vietnam–China service.

In Thailand, NYK maintains an aggressive approach to investment, especially in regard to warehouses and its local transport network.

Terminal and Harbor Transport Business

Background

NYK's terminal and harbor transport business is run through subsidiaries that undertake such activities as cargo handling, tugboat operation, and equipment and container management and repair operations, primarily at container terminals in Asia, Europe, Oceania and North America. With 32 terminals under the Group umbrella, including those for stevedoring, NYK is one of the world's leading terminal operators. These terminals are expected to support stable cargo handling volume since they are used not only by the NYK Group but also by other members of the Grand Alliance, a partnership promoting joint containership operation.

In recent years, trade has become multipolarized and modes of transport increasingly diversified, heightening the function of terminals as staging bases for integrated maritime and overland transport. In line with its goal to be a global integrated logistics provider, NYK acquired Ceres Terminal Inc., a U.S. port terminal and cargo-handling operator, in 2002, marking the commencement of terminal operations on the East Coast of the United States and Canada and in the Gulf of Mexico region. Our terminal and harbor transport business continues to grow, exemplified by the arrival of large ships at a terminal operated by an affiliate, Ceres Paragon Terminal, in Amsterdam.

Naturally, we expect the operation of terminals to generate profits as an independent business. In the terminal and harbor transport business, fixed costs are generally quite high, because the use of special berths requires us to enter into long-term leases with pier operators or port authorities at fixed annual rates. Consequently, we are working to minimize expenses by reducing fixed costs, including leasing fees and equipment procurement costs, while improving cargo handling efficiency.

Market Environment and Performance Summary

In recent years, the container terminal industry has had to address requests for harbor facilities that can accommodate larger vessels as well as the higher worldwide trade volume handled in the major ports of Europe and North America and in the BRICs. A certain level of financial strength is required to respond to this demand, prompting a trend that has polarized the industry into a group of three top-tier specialists*, who continue to pursue aggressive expansion through mergers and acquisitions fueled by deep-pocket capabilities, and a group of shipping companies**, who seek to derive synergies between terminal operations and core shipping operations.

In fiscal 2007, the start of new services on the Asia–Europe and Asia–North America routes had a corollary effect, raising overall container handling volume at terminals in Japan and overseas above the level recorded in fiscal 2006. In overseas terminal operations, the skyrocketing ascent of the yen in the second half put pressure on profits, but brisk demand for services sent revenues up 19.3% year on year, to ¥151.3 billion, and underpinned a 68.9% surge in recurring profit, to ¥9.4 billion, on a consolidated basis.

Front-loading investment in new terminals at the ports of Dalian and Tacoma on the West Coast of the United States will put a considerable strain on profitability after fiscal 2008, but once operations commence at the Port of Tacoma in fiscal 2012, revenues and profits will rise.

* Hutchison Port Holdings (China), PSA Corporation (Singapore), DP World (United Arab Emirates)
** Including NYK Group, APM Terminals (Denmark), COSCO (China), MSC (Switzerland), etc.

NYK's Container Terminal Volume and Bases

Terminal Operations

Years ended December 31

	2003	2004	2005	2006	2007
Terminal operations Millions of TEUs	5.4	5.6	5.5	5.7	6.2
Number of terminals	13	13	14	13	13

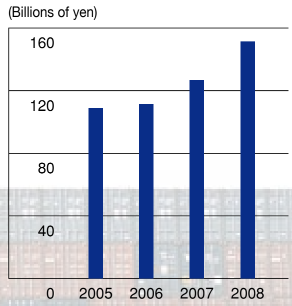
Stevedoring Operations

	2003	2004	2005	2006	2007
Terminal operations Millions of TEUs	2.5	2.6	2.9	2.6	2.6
Number of terminals	18	19	20	21	19

Total

	2003	2004	2005	2006	2007
Terminal operations Millions of TEUs	7.9	8.3	8.4	8.3	8.8
Number of terminals	31	32	34	34	32

Terminal and Harbor Transport Revenues



Building on Fiscal 2007 Results

In regard to future demand for terminals, we expect patchy conditions in Asia, with a possible shortage of harbor facilities in some areas, including India, to counter softening demand in other areas, including some ports in the southern part of China as well as in South Korea and Thailand, owing to the rapid development of terminals in recent years. On the U.S. West Coast, we anticipate continued growth in container handling volume, with California acting as a key gateway. Supply-and-demand conditions may tighten between 2010 and 2012. Tight supply-and-demand conditions may also prevail in Europe—between La Havre, France, and Hamburg, Germany—as cargo volume from Asia continues to rise.

Against this backdrop, NYK will aggressively strive to build and expand port facilities to support broader service content for the Grand Alliance, a partnership that promotes joint containership operation.

In terminal development activities, NYK acquired container berth development and leasing rights at the Port of Tacoma in 2007. The terminal is slated to open in 2012 and will complement ports in California as a new gateway on the U.S. West Coast. Meanwhile, in Asia, we are looking forward to the opening of Dalian International Container Terminal, a joint endeavor with the Dalian Port Container Co., Ltd., and the China Shipping Group, which is scheduled to open in fiscal 2008. Additionally, in December 2007, NYK revealed its possible inclusion as an investor in Phase 3B of Da Xiao Yang Shan Container Terminals, a state project led by Shanghai International Port (Group) Co., Ltd., that is currently under construction. Future investment targets include new terminals in Vietnam and India.

In terms of its capital investment plans, NYK will upgrade its computer systems and refit or replace loading equipment, based on anticipated container handling volume and ship types. A decision was also made to install four super gantry cranes suitable for large vessels at the Port of Los Angeles terminal operated by Yusen Terminals Inc., during fiscal 2008. In the choice of new equipment, NYK energetically embraces environment-friendly technology highly effective in reducing CO_2 and nitrous oxide emissions. A prime example of such equipment is hybrid cranes.

NYK aims to be a "Hi-Fi Operator" in the terminal and harbor transport business. "Hi-Fi" is short for "high-fidelity." We have seen ship schedules disrupted significantly by operations at overseas terminals, including some in developed countries, undertaken with noticeably less precision than in Japan. Our goal is therefore to implement a system modeled on self-operated terminals in Japan at all self-operated terminals abroad to address customers' requests accurately and faithfully—just like a hi-fi stereo does with sound. In this way, we will keep the hard and soft aspects of terminal operations—that is, the equipment and services—uniformly efficient at home and overseas.

Cruise Business

Background

NYK is engaged in the cruise business through two subsidiaries—NYK Cruises Co., Ltd., in Japan; and Crystal Cruises Inc., in the U.S. market.

NYK Cruises operates the cruise ship *Asuka II*, which went into service in February 2006 as the successor to *Asuka*, which had been in service from October 1991 through February 2006. *Asuka* and now *Asuka II* enjoy an excellent reputation as representative Japanese cruise ships, substantiated by an aggregate 16 consecutive years in the No. 1 spot, as ranked by readers of the Japanese magazine *Cruises*.

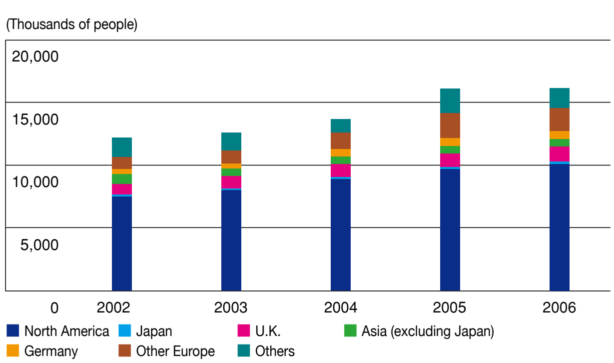
Crystal Cruises operates the luxury-class cruise ships *Crystal Symphony* and *Crystal Serenity*. The company has earned a solid reputation worldwide. It has been named best cruise line in the large ship category by readers of the U.S. travel magazine *Condé Nast Traveler*, and has captured the No. 1 spot according to another U.S. travel magazine, *Travel + Leisure*, for 12 consecutive years. In *Condé Nast Traveller*, the British version of the U.S. magazine, Crystal Cruises was at the top of the list for "Favourite Cruise Line" in the large ship category, substantiating the company's rising profile in Europe.

Market Environment and Performance Summary

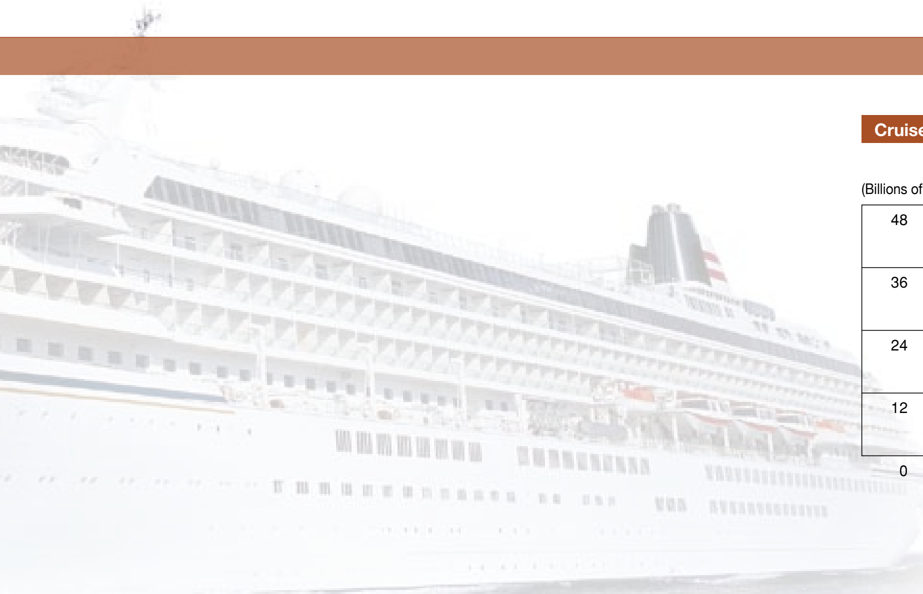
In fiscal 2007, the Japanese market presented NYK Cruises with favorable sales on regularly scheduled service of *Asuka II* as well as longer voyages, such as a round-the-world cruise and the Oceania Grand Cruise. The U.S. market delivered good boarding rates, not only in the peak summer season but also in the winter. Key factors impacting on fiscal results were economic slowdowns in Japan and the United States, caused by the subprime mortgage crisis, as well as the soaring price of fuel, sparked by soaring crude oil prices around the world. The high euro and rising ship maintenance and repair costs also put pressure on revenues and profits.

Despite the negative aspects that affected the Japanese and U.S. markets, brisk demand offset the potential for decreases. Cruise revenues grew 5.8%, to ¥46.7 billion, and recurring profit increased 9.9%, to ¥5.0 billion, both record-breaking performances.

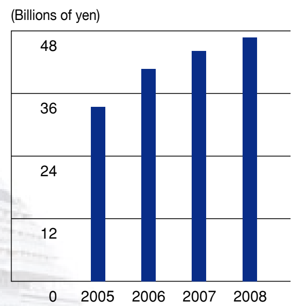
Global Cruise Population



Source: Japan: Compiled from statistics provided by the International Shipping Division, Maritime Bureau, Ministry of Land, Infrastructure and Transport
United States: Compiled from Cruise Lines International Association statistics
World: *Ocean Cruising* (includes river cruises), published by Berlitz International



Cruise Revenues



Ranking: *Complete Guide to Cruising & Cruise Ships 2008*

(Five-Stars)
★★★★★
Crystal Symphony

(Five-Stars)
★★★★★
Crystal Serenity

★★★★+
Asuka II

Building on Fiscal 2007 Results

The cruise business is likely to experience continued growth, mainly because people over 55 comprise the core demand segment in the U.S. market for cruises, and baby boomers are entering this age bracket. This extremely energizing increase in demand could exceed available supply, even with investment in newly built ships. In addition to accurately pinpointing demand, NYK's cruise companies will be working to administer investments of a suitable scale and cut costs to hone a sharper competitive edge.

NYK Cruises and Crystal Cruises will also strive to enhance their ship safety systems, and seek to distinguish themselves from the competition as cruise operators with the world's best ships and services. Specifically, on the ship front, they will reinforce these assets, with a focus on maintaining the luxury aspect of existing ships and investment in next-generation ships. On the service front, they will enhance quality, with an emphasis on keeping talented staff and conducting education and training programs.

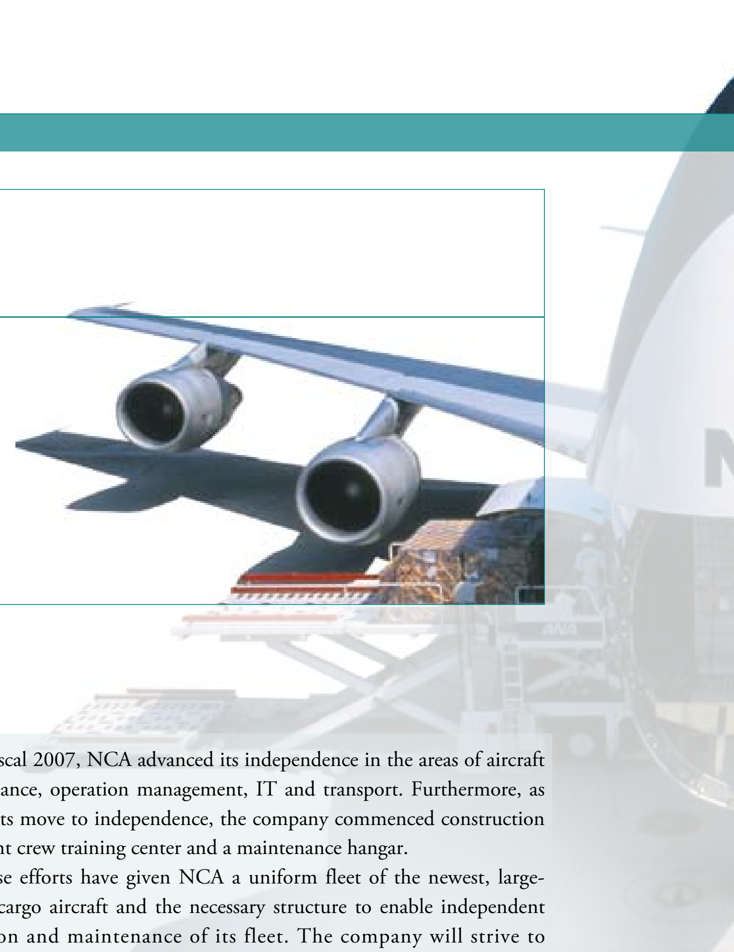
A noteworthy development on maintaining the luxury aspect of existing ships is the March 2008 opening of a restaurant on the *Crystal Symphony* that boasts renowned chef Nobuyuki Matsuhisa as the menu consultant. Sister ship *Crystal Serenity* has featured a similar restaurant since it began service in 2003 and earned rave reviews from passengers worldwide. Active facilities investment like this in the cruise segment will uniformly raise service quality on all cruise ships.

With next-generation ship investment in mind, NYK will consider expansion of its cruise ship fleet based on general trends in ship prices and supply-and-demand scenarios. Next-generation ships will undoubtedly be used for luxury-class cruises.

NYK's cruise business plays a vital role in boosting the brand power of the NYK Group. The operation of cruise ships requires sophisticated maritime technology and experience, from ensuring safe passage and retaining skilled crews to considering the natural environment and conserving fuel. With all the resources of the Group at its disposal, this segment can mix and match competitive strengths of world-caliber standards to underpin luxury-class cruise ship operations.

But the most powerful capability of all—the one most crucial to the operation of cruise ships—is the spirit that NYK has cultivated over 120 years of corporate history, namely, placing the customer first. With this philosophy as its guide, the cruise segment will raise the profile of the NYK Group even higher.

Air Cargo Transportation Business



Background

In the air cargo transportation segment, Nippon Cargo Airlines (NCA), an NYK consolidated subsidiary, handles the international air cargo business in North America, Europe and Asia. Currently, the company is replacing its fleet of specialized aircraft, and it has already retired aging Boeing 747-200F aircraft ahead of the original decommissioning schedule. At the same time, the company is steadily introducing the latest Boeing 747-400F and 747-8F aircraft into its fleet. The new models of aircraft are noteworthy, compared with older models, not only for their fuel efficiency, continuous flying distance, cargo load and size of required flight crew but also for their excellent environment-oriented qualities, particularly their reduced noise pollution levels and CO_2 emissions. In addition, the company will utilize the characteristics specific to large-bodied cargo aircraft and actively engage in air cargo services to the West from Asia, where further growth is expected.

In fiscal 2007, NCA advanced its independence in the areas of aircraft maintenance, operation management, IT and transport. Furthermore, as part of its move to independence, the company commenced construction of a flight crew training center and a maintenance hangar.

These efforts have given NCA a uniform fleet of the newest, large-bodied cargo aircraft and the necessary structure to enable independent operation and maintenance of its fleet. The company will strive to ensure safe operations, and work toward becoming an air cargo specialist boasting a prime competitive position on the world stage in terms of cost, efficiency, service quality and environmental consideration.

* For accounting reasons, the business results of NCA were included in the "other" business segment in fiscal 2006, ended March 31, 2007, but are presented separately from fiscal 2007, ended March 31, 2008, under the "air cargo transportation" segment.

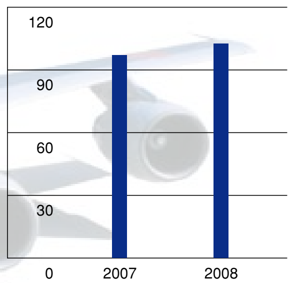
Market Environment and Performance Summary

The air cargo market got off to a sluggish start in fiscal 2007 but began to recover from the summer onward. Regarding the service to the United States, a trend toward streamlined trade emerged in early 2008, owing to uncertainty over the direction that the U.S. economy would take. Service to Europe remained favorable throughout the fiscal year. Air cargo movements in Asia picked up in the second half of fiscal 2007, but demand for services to transport cargo to the United States from some areas of Asia seemed to decline.

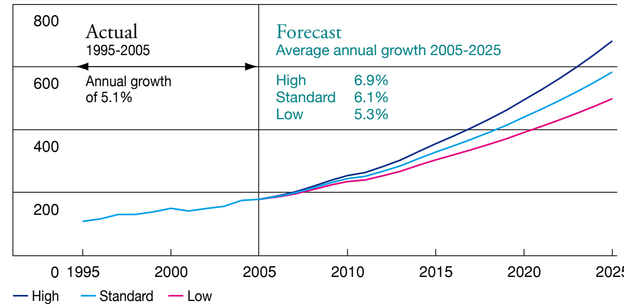
Despite this challenging operating environment, NCA was able to achieve its long-awaited goal of independent aircraft operation and maintenance in fiscal 2007. At the same time, the company sharpened its cost-competitiveness by steadily replacing its aging aircraft with sophisticated new models. However, the size of the fleet was smaller at March 31, 2008 than a year earlier, because higher-than-anticipated prices on jet fuel prompted the company to bring its plan to retire all aging aircraft ahead to the end of fiscal 2007.

Given these developments, the air cargo transport segment generated a 5.8% increase, to ¥102.6 billion, in revenues in fiscal 2007. Unfortunately, a recurring loss of ¥23.2 billion was recorded because NCA was unable to absorb rising service and repair costs for aging aircraft and soaring jet fuel costs.

Air Cargo Transportation Revenues



Air Cargo Demand Forecast



Source: *Boeing World Air Cargo Forecast 2006/2007*

Building on Fiscal 2007 Results

NCA announced Phoenix Project 08, a revised medium-term management plan, in March 2008. Phoenix Project 08 takes into account the results achieved through the NCA Phoenix Project, the medium-term management plan that the company had been following since fiscal 2006, as well as changes in the operating environment. The NCA Phoenix Project outlined efforts to achieve a status not seen anywhere in the world—the establishment of a completely new fleet and independent operation, maintenance, transport and IT capabilities within three years, as well as a truly global business scope, while operating an air cargo network connecting Europe, North America and Asia with about 10 B747-F large-bodied cargo aircraft.

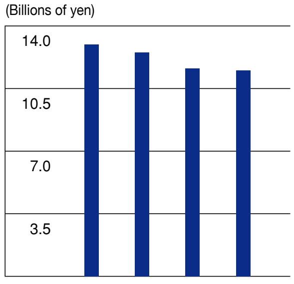
Currently, NCA's focus is on services based in Japan, but the company aims to reinforce its business presence in the market for air cargo coming into and leaving Asia and thereby raise its profile in the market for air cargo transportation to the West from Asia, where economies are growing. The company will also strengthen its administrative structure for handling cargo coming into and leaving Japan through an aggressive response to Japan's aviation "Big Bang"—runway extension at Narita Airport and increased international flights at the now largely domestic-oriented Haneda Airport—that will boost capacity at Tokyo-area airports from 2010, and also strive to enhance its presence in the global market. In addition, the company is considering joint activities with carefully selected partners to foster business opportunities in markets in the Near East, Africa and Central and South America that send and receive products from Asia.

In capital investment plans, NCA will be the first to introduce the Boeing 747-8F—a next-generation cargo aircraft offering excellent economical and environmental features—into its fleet, in line with its perspective on sustained, aggressive replacement of aging aircraft. Not only can the Boeing 747-8F carry 32% more cargo than its predecessor, the B747-200F, but it consumes 37% less fuel. The company will also strive to improve administrative efficiency and its cost-competitiveness through the independent operation and maintenance of aircraft and upgrade of platform systems.

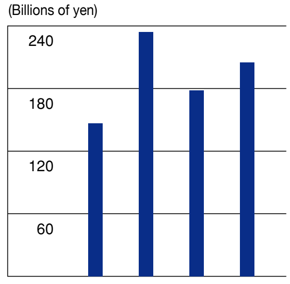
Accordingly, NCA will endeavor to maximize the benefits of a renewed fleet and better platform systems to hone its cost-competitiveness and ensure uninterrupted services. The company also aims to provide air cargo transportation services that exert minimal impact on the environment, a goal underpinned by the opening of an eco hangar at Narita Airport and the execution of measures to conserve fuel.

Real Estate Business, Other Business

Real Estate Revenues



Other Revenues



The real estate segment focuses on the management of real estate owned by NYK and Group companies involved in the real estate business. In fiscal 2007, revenues declined, owing to the renovation project at the Yusen Building, which houses non-NYK tenants as well as our in-house headquarters. However, profits were up, reflecting an increase in office rents and the disposal of buildings with high vacancy rates.

The "other" business segment comprises NYK Trading Corporation—which handles the sale of petroleum products and ship equipment—as well as consolidated subsidiaries engaged in shipping agency services and restaurant and sightseeing operations. In fiscal 2007, revenues and profits from this segment improved overall, thanks to good sales of bunker oil and ship equipment by NYK Trading.

Corporate Governance Initiatives

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

Organization of Internal Systems

NYK employs an auditor system. The Board of Corporate Auditors comprises four members, including two outside 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.

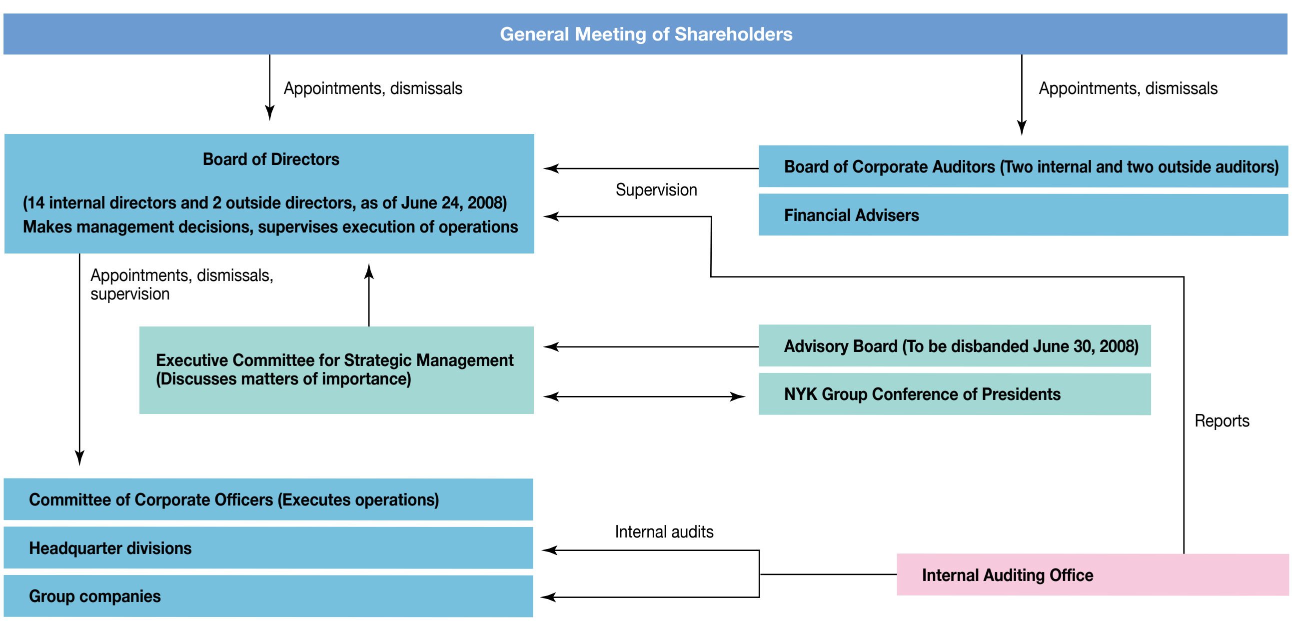
At March 31, 2008, the Board of Directors comprised 14 members. The board is responsible for making decisions on legal matters, formulating major management policies and strategies, and supervising the execution of operations. Two outside directors were appointed to the Board of Directors at the General Meeting of Shareholders in June 2008, bringing the number of directors on the board to 16.

NYK maintains an executive officer system. The Executive Committee of Directors comprises 42 members, including directors from the Board of Directors, but not outside appointees. 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 comprises members at the senior managing director level or above. This committee provides direction for the Board of Directors. Meanwhile, the NYK Group Conference of Presidents seeks to enhance Groupwide management practices and improve management transparency.

In June 2006, seeking to raise corporate value by obtaining objective, multifaceted advice and proposals from experts outside the NYK Group, the Company established the Advisory Board. At March 31, 2008, the Advisory Board comprised five outside professionals who extended advice to the Executive Committee for Strategic Management. However, the framework for greater management transparency through the incorporation of outside opinions on management issues was strengthened with the appointment of outside directors to the Board of Directors who were approved, as expected, at the General Meeting of Shareholders in June. The Advisory Board was eliminated from the internal structure as of June 30, 2008.

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.



Internal Control System

The internal control system at NYK has four components, as described below. Corporate auditors establish a structure to facilitate effective audits, and the Internal Audit Chamber, as the primary auditing division for the NYK Group, checks and assesses the effectiveness and efficiency of the business activities undertaken by companies in each operating segment of the Group.

(1) Compliance with Laws and Articles of Association

Seeking to address issues prompted by the May 2006 enforcement of the Company Law in Japan and to reinforce internal controls, NYK established the Internal Control Committee, with the president as committee chairman, in April 2008, along with the Compliance and Risk Management Group, which functions as a corporate ethics unit.

The NYK Line Business Credo was formulated in 1997, followed by the Code of Conduct in 1999, as guiding principles for management and staff that would, and still do, ensure thorough compliance in accordance with specific parameters of behavior described therein.

The internal compliance structure hinges on the Compliance Committee, established in 2003, and oversight by the Chief Compliance Officer. In April 2007, internal reporting rules were drafted, based on the Whistleblower Protection Act that went into effect in April 2006. An in-house conduit was opened as part of efforts to build a structure that enables management to detect minor trouble spots and potential issues before they become major problems. To encourage widespread awareness of the need for legal compliance, NYK undertakes a program, Compliance Checkup Month, each year, and to ensure that compliance is being practiced at all levels, the Company implements regular assessments of activities

(2) Risk Management

NYK seeks to respond to the risks inherent in its business operations through supervisory departments, which address operating risks in each business segment, and through the establishment of internal rules geared to each risk. The Company set up a risk management team within the Compliance and Risk Management Group to underpin an integrated internal control system appropriate for the entire organization and continues to enhance risk management practices where necessary by ascertaining the status of such practices on a regular basis. In addition, to reinforce risk management throughout the Company, NYK initiated activities that consolidate overall risk to hedge the risk of losses.

(3) Financial Reporting to Ensure Trustworthiness and Compliance with Disclosure Requirements

The financial reports generated by NYK follow corporate accounting standards generally accepted as fair and appropriate, and the Company strives to ensure the credibility of such reports.

Given the importance of timely access to corporate information, NYK emphasizes the production of documentation and other materials consistent with such legislation as the Financial Instruments and Exchange Law and the Company Law and seeks to disclose the required information in a timely fashion, in accordance with rules set by securities exchanges. In addition, the Company actively provides stakeholders, including shareholders and investors, with corporate information through such opportunities and conduits as investor relations activities and its Web site. To facilitate the collection of disclosure information related to fiscal settlement, NYK established a dedicated department that reliably gathers all the information required for settlement disclosure.

The Information Disclosure Committee, chaired by the president, tracks maintenance and administration of the disclosure system and undertakes system reviews to verify the accuracy of documents, such as the *yukashoken hokokusho* (financial reports) that listed companies must provide to securities exchanges in Japan.

(4) Creation of an Internal Control System Based on the Financial Product Transaction Law

According to the criteria issued by the Financial Services Agency, more than 70 companies in the NYK Group, including NYK, will be required to submit reports on internal control structures related to financial reporting, beginning with the fiscal 2008 reporting period. The Internal Control Project Office led the effort to create the system needed to satisfy the new requirements. Fiscal 2007 was a preparation year, during which the structure of the internal control system was set. The focus was on the production of current documents, system implementation and evaluation, and correction of bugs.

Executive Compensation

Executive compensation paid to directors and corporate auditors in fiscal 2007 is presented below.

The amount includes the scheduled payment of ¥185 million in directors' bonuses, following approval at the 121st General Meeting of Shareholders. (Amounts less than ¥1 million have been rounded down.)

	Directors	Corporate Auditors (Amount allocated to outside corporate auditors)	Total
Executive compensation	¥755 million	¥79 million (¥21 million)	¥834 million

Auditor Compensation

Compensation paid to the Company's independent auditor in fiscal 2007 is presented below. (Amounts less than ¥1 million are rounded down.)

1) Compensation for activities stipulated in Article 2, Paragraph 1 of the Certified Public Accounts Law: ¥79 million
2) Compensation for activities other than those indicated above: ¥127 million

Corporate Audits, Audit Organizations and Financial Audits

NYK's Internal Auditing Chamber, with a staff of 13, conducts business audits of the Company and domestic Group companies and also audits the system for controlling cash flow into and out of the Company, in accordance with Internal Auditing Rules approved by the Board of Directors. Internal audits of overseas Group companies are performed by 12 internal auditors assigned to group administration offices in five regions—the United States, Europe, South Asia, East Asia and Oceania—who act under the direction and guidance of the Internal Auditing Chamber. Reports are delivered to the Internal Auditing Chamber and the heads of regional headquarters.

All four corporate auditors, including the two outside 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 Auditing 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 get together with the Internal Auditing 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 and Tetsu Igarashi, all of whom are with the accounting firm Deloitte Touche Tohmatsu and have been auditing the Company's accounts for less than seven consecutive years.

These three accountants are assisted by 14 certified public accountants, 22 junior accountants and 30 others. Audits are undertaken in accordance with standards generally accepted as fair and appropriate.

Human, Capital, or Other Relationships or Interests Existing between NYK and Its Outside Directors and Outside Corporate Auditors

No conflicts of interest exist between NYK and outside director candidates Yukio Okamoto and Yuri Okina, both of whom were appointed to the Board of Directors at the General Meeting of Shareholders in June 2008.

Both Mr. Okamoto and Ms. Okina received compensation from the Company, beginning in July 2006, for their participation on the Advisory Board, which comprised outside professionals, but they resigned from this board on June 23, 2008.

Keisuke Kitajima, an outside auditor for NYK, passed away on March 2, 2008. He had been an outside director for Daiwa Securities Group Inc. and an outside corporate auditor for Nippon Life Insurance Company. NYK maintains business relationships with Daiwa Securities and Nippon Life, but no private relationship existed between the Company and Mr. Kitajima.

Takaji Kunimatsu was assigned by the Tokyo District Court on March 13, 2008, to act as a temporary outside corporate auditor at NYK, and he was appointed as an outside auditor of the Company at the General Meeting of Shareholders in June 2008. No conflicts of interest exist between NYK and Mr. Kunimatsu. He was in receipt of compensation from the Company, beginning in July 2006, for his participation on the Advisory Board, which comprised outside professionals, but he resigned from this board on March 12, 2008.

Company Activities during the Past Year to Improve Corporate Governance

As noted above, NYK presented two outside director candidates for approval at the General Meeting of Shareholders in June 2008. The successful appointment of these two individuals will raise management transparency and strengthen corporate governance.

The Company undertakes operating activities on a global scale and therefore prioritizes efforts to instill a deeper appreciation of compliance initiatives and to encourage compliance-oriented practices not only at domestic members of the NYK Group but also at overseas locations. In fiscal 2007, compliance training was implemented 14 times at NYK's overseas companies to promote mastery of compliance-related skills and a thorough awareness of compliance issues.

NYK introduced an English-language version of its compliance training in 2006, and as of March 31, 2008, the number of people going through the program had surpassed 1,600. The Company will continue this program in fiscal 2008 as part of educational activities for employees at overseas locations.

In regard to internal auditing of compliance activities, NYK distributed questionnaires to Group companies at home and abroad designed to facilitate self-assessment of compliance status to augment on-site compliance audits. In addition, managers within the Company and at key business partners were asked to fill out a questionnaire on internal management systems.

NYK will strive to uphold fair and transparent management practices and further reinforce its compliance structure.

Introduction of Measures to Prevent Large-Scale Purchases of NYK Share Certificates (Takeover Defense Measures)

NYK adopted, following approval at the General Meeting of Shareholders at the end of June 2008, measures for countering large-scale acquisition of the Company's shares (takeover defense measures) in the event an offer is made to purchase a large number of corporate shares. These measures will serve to secure the necessary information and time for shareholders to form an appropriate decision on whether to accept or reject such an offer and thereby ensure and further enhance corporate value and the common interests of shareholders.

The measures are described in detail in a press release dated March 27, 2008, which can be found at http://www.nyk.com/english/news/2008/0327_3/

Summary of Limited Liability Agreements

In accordance with Article 427, Paragraph 1 of the Company Law, NYK has concluded agreements with outside directors and outside auditors that limit its liability for compensation, as set forth in Article 423, Paragraph 1 of the Company Law, to the greater of either a predetermined amount, which will not be less than ¥20 million, or an amount established under the provisions of the Company Law, provided that the outside director or outside auditor acted in good faith in executing his or her duties and provided that such compensation does not lead to significant losses for the Company.

Fixed Number of Directors

As set forth in the Company's Articles of Incorporation, the number of directors will be 16 or less.

Resolution Criteria for Appointing a Director

In its Articles of Incorporation, NYK sets forth a clause stating that approval of a candidate for the Board of Directors requires a majority vote by shareholders in attendance whose combined shareholdings represent more than one-third of total voting rights held by shareholders with the ability to exercise such rights.

Purchase of Treasury Stock

NYK provides in its Articles of Incorporation a clause allowing the Board of Directors to approve the purchase of treasury stock, primarily from the market, in accordance with Article 165, Paragraph 2 of the Company Law. This serves to facilitate the implementation of a flexible capital policy that reflects changes in the economic environment.

Interim Dividends

NYK provides in its Articles of Incorporation a clause allowing, by resolution of the Board of Directors, the distribution of surplus dividends (interim dividends), as set forth in Article 454, Paragraph 5 of the Company Law, to shareholders or registered stock pledgees whose names were entered to or recorded in the shareholders' register as of September 30 of each year. Giving the Board of Directors this authority serves to promote the flexible return of profits to shareholders.

Conditions for Special Resolutions at the General Meeting of Shareholders

In its Articles of Incorporation, NYK sets forth a clause stating that special resolutions at the General Meeting of Shareholders, as defined under Article 309, Paragraph 2 of the Company Law, require passage with votes representing more than two-thirds of voting rights held by shareholders in attendance whose combined shareholdings represent more than one-third of total voting rights held by shareholders with the ability to exercise such rights. This represents a reduced quorum for special resolutions and ensures that general shareholder meetings proceed more smoothly.

Financial Section

Contents

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries

Consolidated Five-Year Summary

	Millions of yen				
	2008	2007 (3)	2006	2005 (2)	2004
Years ended March 31:					
Revenues	¥2,584,626	¥2,164,280	¥1,929,302	¥1,606,098	¥1,398,320
Costs and expenses	2,128,849	1,840,785	1,594,598	1,283,769	1,158,352
Selling, general and administrative expenses	253,698	218,553	194,223	160,954	148,035
Operating income	202,079	104,942	140,481	161,375	91,933
Income before income taxes and minority interests	200,491	115,137	145,560	127,213	61,536
Income taxes—current	78,790	44,172	53,839	51,366	33,798
Income taxes—deferred	3,122	4,430	(3,262)	580	(9,512)
Minority interests	4,440	1,497	2,924	3,941	2,439
Net income	114,139	65,038	92,059	71,326	34,811
As of March 31:					
Total current assets	¥ 602,068	¥ 539,971	¥ 460,536	¥ 399,501	¥ 370,674
Total current liabilities	775,067	697,050	612,155	477,865	425,754
Total vessels, property and equipment, net of accumulated depreciation	1,131,946	946,328	856,065	701,157	652,405
Total assets	2,286,013	2,135,442	1,877,440	1,476,227	1,376,664
Long-term debt	699,241	584,566	506,231	464,196	491,233
Total equity	679,037	700,718	575,366	427,771	358,045
Retained earnings	401,045	312,606	266,568	203,774	146,756

	Yen				
Per share of common stock (1):					
Net income	¥ 92.93	¥ 52.99	¥ 75.04	¥ 58.12	¥ 28.27
Diluted net income	—	—	—	—	—
Net assets	519.51	534.90	471.05	350.10	292.88
Cash dividends applicable to the year	24.00	18.00	18.00	18.00	10.00

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

(2) 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 long-lived 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.

(3) From the consolidated fiscal year ended March 31, 2007, the Company began applying the Accounting Standard for Directors' Bonuses (Corporate Accounting Standard No. 4, November 29, 2005). The Tentative Solution on Accounting for Deferred Assets (Accounting Standards Board of Japan, Practical Issues Task Force No. 19, August 11, 2006) was applied with respect to costs related to the issuance of corporate bonds in the consolidated fiscal year ended March 31, 2007, which resulted in a change from the straight-line amortization of these costs over a three-year period to the straight-line monthly amortization of these costs until the date of redemption. The post-revision Accounting Standards for Financial Instruments (Accounting Standards Board of Japan, Corporate Accounting Standard No. 10, last revised August 11, 2006) was applied from the consolidated fiscal year ended March 31, 2007. The Company applies the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Statement No.5, December 9, 2005) and the Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Guidance No.8, December 9, 2005).

Management's Discussion and Analysis

Overview of Operating Performance

The world economy during the fiscal year ended March 31, 2008, continued to expand; however, the growth rates of the U.S. and European countries fell in the second half due to turmoil in the world financial markets stemming from the U.S. subprime loan problems, downturn in the U.S. economy, weak U.S. dollar and falling world stock prices, and surging oil prices. On the other hand, the economy of emerging countries including China continued to expand. Fueled by favorable foreign demand, the Japanese economy gradually headed for recovery due to increase in capital investment and solid consumer spending.

NYK Group made every effort to reduce costs in all segments in the severe environment of surging bunker oil prices and strong yen. As a result, we achieved record revenues and profits, with consolidated revenues of ¥2,584.6 billion (19.4% increase over the previous fiscal year), operating income of ¥202.1 billion (92.6% increase over the previous fiscal year), recurring profit of ¥198.5 billion (84.6% increase over the previous fiscal year), and net income of ¥114.1 billion (75.5% increase over the previous fiscal year).

Overall, consolidated revenues climbed 19.4% year on year, reflecting substantial revenue growth in the shipping segment, composed of liner trade and bulk shipping. This growth was due mainly to unprecedented high levels of demand in the market for dry bulk carrier transport as well as to the recovery of freight rates for container transport and an expanded fleet size, which facilitated an increase in the volume of cargo handled. Increases in non-shipping segments, such as logistics and terminal and harbor transport, also played a part. Meanwhile, efforts to reduce costs through operational efficiency and counter upward pressure from surging bunker oil prices and other factors limited the increase in cost and expenses to 15.6%. As a result, operating income climbed to ¥97.1 billion, and the ratio of operating income to revenues rose 3.0 percentage points from 4.8% to 7.8%. Interest expenses and foreign currency translation adjustments, due the stronger yen, increased, but interest and dividend income and equity in earnings of unconsolidated subsidiaries and affiliates was up. As a result, recurring profit jumped to ¥90.9 billion, and net income rose to ¥49.1 billion, compared with the previous fiscal year's.

During the term, each ¥1 per US$1.00 change in exchange rates had a ¥2.0 billion impact on recurring profit. In the period under review, the yen averaged ¥115.29 to the dollar, compared with ¥116.91 in the previous period, and had a ¥3.2 billion negative effect on recurring profit. Each US$1.00 per metric ton change in bunker oil prices during the year affected recurring profit by ¥350 million, so the US$84.00 per metric ton increase in average bunker oil prices during the term, to US$402.77 per metric ton, had a negative impact on recurring profit of approximately ¥29.4 billion.

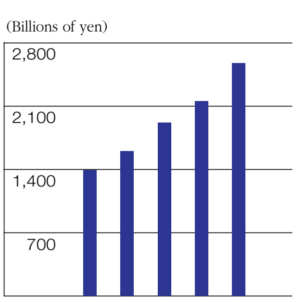
Industry Segments

Performance by business segment is as follows.

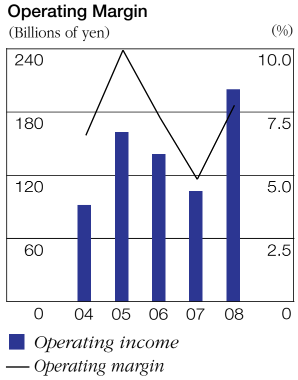
LINER TRADE

Revenues in the liner trade increased over last fiscal year as a result of growth in freight volumes due to expanded shipping capacity from the introduction of new vessels and vigorous sales efforts, against a background of continued solid performance in the freight market on all liner routes. We also enjoyed significant year-on-year growth in profits despite the squeeze on earnings of further increases in

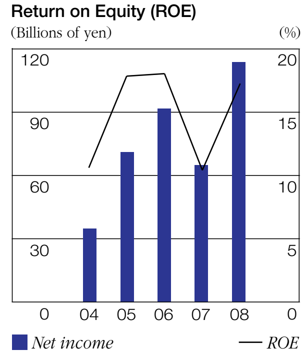
Revenues



Operating Income and Operating Margin



Net Income and Return on Equity (ROE)



bunker oil prices and other factors. This comes as a result of the success, mainly on European routes, of efforts to revive freight rates to a certain degree, reductions in fuel consumption and other efforts to reduce costs, and the efficient use of our shipping capacity.

BULK SHIPPING

Car Carrier Division

Carrier transport volume benefited from continued buoyancy in global freight markets and outperformed both the previous year's results and our targets for the year. We worked to maintain a stable supply of shipping transport services, as demand continued to outstrip shipping capacity, by implementing efficient shipping schedules, procuring shipping space from other carriers, and putting 11 newly constructed vessels into service during the year. We also made aggressive moves to expand the automotive logistics business, which complements our sea transport activities. In China, we moved into the transport of automobile components and finished automobiles and the operation of dedicated terminals for finished automobiles, while in Europe and Southeast Asia, we newly acquired dedicated terminals for finished automobiles.

Dry Bulk Carrier Division

Demand for dry bulk carrier transport reached new record highs from October through November due to an expansion of sea transport volumes for bulk cargo, such as iron and steel ores, coal, grains, steel materials, and cement, stemming from rapid economic growth in emerging nations such as China and India, and a squeeze on demand for shipping capacity due to shipping congestion at Australian ports. Against this background of historical market highs, although our earnings significantly exceeded the previous fiscal year's, we worked to expand business by investing systematically in our fleet of vessels and made progress in concluding new medium- to long-term contracts, mainly for large vessels, with domestic and overseas customers.

Tanker Division

Despite steady demand from China for imports of crude oil, transport volume growth failed to materialize due to high inventory levels in the U.S. and Europe, reduced OPEC production, and other factors. This led to stagnation in the market for crude oil tanker services, but high levels of demand returned and were maintained following sharp rises in the winter demand season. Demand remained at low levels throughout the year in the market for petroleum product carriers as freight volumes foundered due to a large volume of new vessel completions and high inventory levels. However, the operation of crude oil tankers, LPG carriers, and LNG carriers under long-term contracts continued to produce favorable results, and overall the division produced results comparable with the previous fiscal year's.

LOGISTICS

NYK Logistics achieved results exceeding the previous fiscal year's figures by meeting the logistics needs of its customers, with a primary focus on those in automobile and manufacturing industries, and cementing the operational efficiency of local subsidiaries, particularly in Europe, Asia, and China. The company has established a smooth operational base in markets that it has recently entered, such as Russia, India, and Vietnam, and is working steadily on efforts to acquire new customers and expand its business. Amid continued vigorous competition, Yusen Air & Sea Service Co., Ltd., posted results that were largely comparable with the previous fiscal year's as a result of stronger sales efforts as well as favorable performances by overseas subsidiaries. Overall, the logistics segment produced year-on-year growth in both revenues and profit.

TERMINAL AND HARBOR TRANSPORT

Strong operating rates were achieved at terminals in Japan and overseas, and the volume of containers handled increased. This resulted in a performance that outstripped both the previous fiscal year's figures and targets for the fiscal year under review and led to substantial year-on-year growth in revenues and profits. As well as developing berths and acquiring container berth leaseholds at the Port of Tacoma on the west coast of North America, we also received preliminary approval to participate as a joint investor in Da Xiao Yang Shang Container Terminal.

CRUISE

Segment results exceeded the previous fiscal year's as the seat load factor remained at high levels in the U.S. market, and we achieved strong sales in the Japanese market for long cruises, such as the round-the-world cruise on the *Asuka II* and the Oceania Grand Cruise.

AIR CARGO TRANSPORTATION

Nippon Cargo Airlines Co., Ltd., which handles our air freight operations, achieved independence in the operation and servicing of freight aircraft during the fiscal year under review, a goal it had been working toward for some time. The company has also been working to bolster cost competitiveness by continually replacing aging aircraft with new models, but prompted by increases in bunker oil prices that exceeded expectations, it brought forward the retirement of all aging aircraft to the end of the fiscal year under review. This resulted in a contraction in the scale of operations at the end of the period. Revenues increased somewhat over the previous fiscal year, but the company was unable to fully absorb increases in repair costs on aging aircraft and the rise in bunker oil prices, and ended on a loss that was greater than the previous fiscal year's.

REAL ESTATE AND OTHER BUSINESS SERVICES

The real estate business worked to lift and maintain occupancy rates and rent levels for offices and residential properties and to dispose of properties with low profitability. Elsewhere, in the trading business in particular, sales of bunker oil and ship equipment remained strong, and this resulted in overall growth in revenues and profits.

Analysis of Financial Condition

ASSETS

Total assets amounted to ¥2,286.0 billion, an increase of ¥150.6 billion from the end of the previous fiscal year. This rise in total assets comes despite a ¥83.9 billion fall in investment securities, due to a decline in share prices, and reflects an increase in current assets of ¥62.1 billion, resulting from an increase in trade receivables in conjunction expansions in the scale of our operations, and an increase in tangible fixed asset and total investments and other assets of ¥88.5 billion due to an aggregate ¥197.1 billion increase in vessels and construction in progress, mainly attributable to fleet enhancement related investments.

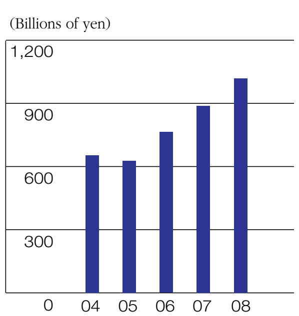
LIABILITIES

Total liabilities grew ¥172.3 billion from the end of the previous fiscal year to ¥1,607.0 billion. This was primarily due to an increase in interest-bearing debt of ¥131.4 billion resulting from increases in corporate bonds issued, long-term debt, and commercial paper, although the effect of these items was offset somewhat by a reduction in deferred tax liabilities.

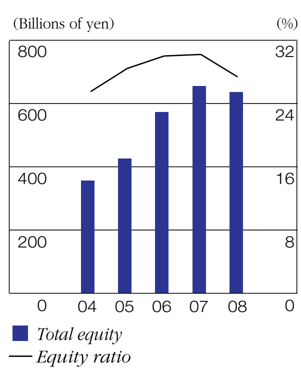
EQUITY

Total net assets at the end of the term amounted to ¥679.0 billion. This figure is the sum of ¥638.0 billion in equity plus ¥41.1 billion in minority interests. As a result, the debt-to-equity ratio at the end of the term was 1.6 times, up 0.2 point from the end of the preceding term.

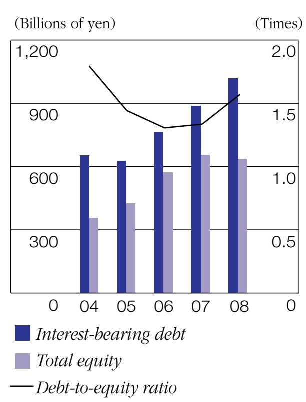
Interest-Bearing Debt



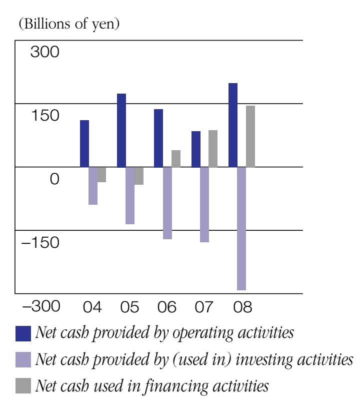
Total Equity and Equity Ratio



Debt-to-Equity Ratio



Cash Flows



CASH FLOWS

Net cash provided by operating activities was ¥199.5 billion, ¥113.3 billion more than for the previous fiscal year, mainly reflecting higher net income before taxes and minority interests. Net cash used in investing activities was ¥292.5 billion, a ¥114.5 billion decline from the previous fiscal year, primarily reflecting increased outflows for the acquisition of fixed assets, mainly accounted for by investments in vessels. Net cash provided by financing activities was ¥146.8 billion, a rise of ¥49.5 billion over the previous fiscal year, primarily due to an increase in commercial paper and proceeds from long-term debt, despite a decline in proceeds from the issuance of bonds.

As a result, cash and cash equivalents increased by ¥26.6 billion during the period. After taking into account increases due to changes in the scope of consolidation, the balance of cash and cash equivalents stood at ¥116.0 billion at the end of the fiscal year, a rise of ¥28.3 billion.

FUNDING REQUIREMENTS AND CAPITAL EXPENDITURE

Most of the working capital that the NYK Group requires is for ship transportation and cruise operations. These funds are primarily used to cover cargo expense, fuel, harbor and other running expenses, as well as the cost of crews, vessel repairs and chartering. In addition, the Group incurs labor and other administrative expenses in its logistics and terminal operations. Each business has labor, information processing and general and administrative expenses. The Group also invests in ships and in logistics and terminal facilities.

Capital expenditure during the year was ¥501.3 billion, concentrated on the liner trade and bulk shipping.

This expenditure was primarily for shipbuilding, and amounted to ¥135.1 billion in the liner trade category and ¥291.8 billion in the bulk shipping category. In the logistics segment, capital expenditure of ¥9.5 billion went toward warehouse facilities, in the terminal and harbor transport segment, capital expenditure of ¥7.1 billion was used mainly for terminal equipment, and in the air cargo transportation segment, capital expenditure of ¥51.0 billion went toward aircraft. In addition, capital expenditure for the cruise segment was ¥1.5 billion, for the real estate segment ¥3.3 billion, and in the other business segment capital expenditure totaled ¥2.0 billion.

FINANCIAL POLICIES

To maintain and expand its business activities, the NYK Group sources funds internally, as well as through bank loans and the issuance of bonds and commercial paper.

When funding capital purchases in the core shipping business, we aim to secure long-term loans. We base borrowing levels on the projected freight revenues and lease proceeds from the operations of each ship during the periods of these loans. Similarly, for logistics and terminal facilities we secure stable funding in line with future cash flows. As of March 31, 2008, long-term loans stood at ¥488.0 billion. These borrowings were denominated in yen, U.S. dollars, euros and in other currencies, with a mix of floating and fixed interest rates.

We fund working capital with loans due within one year and commercial paper. The Group also uses the capital markets as needed to secure funds for its facilities and working capital through bond issues. During the year under review, NYK issued corporate bonds of ¥60.0 billion, and total bonds outstanding were ¥227.3 billion as of March 31, 2008.

The Company has received ratings from two agencies in Japan and one overseas. As of June 24, 2008, our bonds were rated AA by Japan Credit Rating Agency, Ltd., AA– by Rating and Investment Information, Inc., and A3 by Moody's Investors Service.

Management strives to minimize interest costs in choosing funding methods. At the same time, it obtains funding so it can lease some ships and thereby lower interest-bearing debt. The Group has instituted a cash management system to draw on internal funds.

The NYK Group remains well positioned to generate sufficient cash flows on the strength of its healthy operating results and financial position. The Group has the leeway to issue ¥100.0 billion in commercial paper, as well as a commitment line of ¥50.0 billion from financial institutions. In management's view, therefore, the NYK Group is able to obtain sufficient working capital and facilities funding to support growth.

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries

Consolidated Balance Sheets

(March 31, 2008 and 2007)

ASSETS	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars (Note 2) 2008
CURRENT ASSETS:			
Cash and cash equivalents (Note 9)	¥ 115,964	¥ 87,710	$ 1,157,440
Marketable securities (Notes 4 and 9)	2,457	2,266	24,525
Notes and accounts receivable–trade (Notes 9 and 13)	256,204	232,253	2,557,181
Inventories (Note 5)	54,357	38,640	542,541
Deferred tax assets (Note 10)	8,482	3,416	84,663
Prepaid expenses and other current assets	170,552	180,900	1,702,284
Allowance for doubtful accounts	(5,948)	(5,214)	(59,372)
Total current assets	602,068	539,971	6,009,262
VESSELS, PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Notes 6, 7 and 9):			
Vessels	624,896	471,987	6,237,109
Buildings and structures	83,611	82,125	834,520
Aircraft	9,402	19,765	93,845
Equipment and fixtures	8,263	8,026	82,470
Land	61,287	64,340	611,708
Construction in progress	296,041	251,808	2,954,791
Other	48,446	48,277	483,548
Net vessels, property and equipment	1,131,946	946,328	11,297,991
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 9)	291,782	375,700	2,912,291
Investments in unconsolidated subsidiaries and associated companies	94,102	81,260	939,236
Long-term loans receivable	15,908	17,900	158,775
Deferred tax assets (Note 10)	9,388	9,244	93,698
Intangible assets (Note 9)	36,618	39,458	365,487
Goodwill	28,798	31,688	287,429
Other assets (Note 9)	76,367	97,949	762,225
Allowance for doubtful accounts	(964)	(4,056)	(9,614)
Total investments and other assets	551,999	649,143	5,509,527
TOTAL	¥2,286,013	¥2,135,442	$22,816,780

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars (Note 2) 2008
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 9)	¥ 208,772	¥ 188,629	$ 2,083,763
Commercial paper	19,000	—	189,640
Current portion of long-term debt (Notes 8 and 9)	95,184	117,559	950,031
Notes and accounts payable (Note 9)	215,614	197,016	2,152,046
Income taxes payable	50,998	25,046	509,008
Employees' bonuses accrued	9,381	9,577	93,634
Reserve for operating losses	2,825	—	28,194
Deferred tax liabilities (Note 10)	3,414	3,878	34,078
Other current liabilities (Note 9)	169,879	155,345	1,695,577
Total current liabilities	775,067	697,050	7,735,971
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 9)	699,241	584,566	6,979,152
Liability for employees' retirement benefits (Note 16)	15,857	17,479	158,272
Liability for directors' retirement benefits	2,761	2,597	27,559
Liability for periodic dry docking of vessels	6,946	3,339	69,330
Deferred tax liabilities (Note 10)	54,215	87,504	541,119
Other long-term liabilities (Note 9)	52,889	42,189	527,886
Total long-term liabilities	831,909	737,674	8,303,318
Total liabilities	1,606,976	1,434,724	16,039,289
COMMITMENTS AND CONTINGENT LIABILITIES (Note 13)			
EQUITY			
Common stock	88,531	88,531	883,631
Authorized: 2,983,550,000 shares; issued,			
1,230,188,073 shares in 2008			
1,230,188,073 shares in 2007			
Capital surplus (Note 11)	97,212	97,189	970,281
Retained earnings (Note 11)	401,045	312,606	4,002,844
Unrealized gain on available-for-sale securities	85,668	136,954	855,056
Deferred gain (loss) on derivatives under hedge accounting	(20,712)	14,361	(206,728)
Foreign currency translation adjustments	(12,443)	8,307	(124,192)
Treasury stock—at cost	(1,339)	(859)	(13,367)
2,181,765 shares in 2008			
1,760,881 shares in 2007			
Total	637,962	657,089	6,367,525
Minority interests	41,075	43,629	409,966
Total equity	679,037	700,718	6,777,491
TOTAL	¥2,286,013	¥2,135,442	$22,816,780

	Yen 2008	Yen 2007	U.S. dollars (Note 2) 2008
Net assets per share	¥519.51	¥534.90	$5.19

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries

Consolidated Statements of Income

(Years ended March 31, 2008 and 2007)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
REVENUES	¥2,584,626	¥2,164,280	$25,797,249
COSTS AND EXPENSES	2,128,849	1,840,785	21,248,121
Gross profit	455,777	323,495	4,549,128
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	253,698	218,553	2,532,170
Operating income	202,079	104,942	2,016,958
OTHER INCOME (EXPENSES):			
Interest and dividend income	13,785	12,001	137,587
Interest expense	(22,781)	(18,286)	(227,381)
Gain (Loss) on sale and disposal of vessels, property, equipment and intangible fixed assets, net	12,220	2,861	121,968
Gain (Loss) on sale of marketable and investment securities, net (Note 4)	4,738	11,068	47,294
Loss on impairment of vessels, property and equipment (Note 12)	(7,299)	—	(72,854)
Provision for operating losses	(3,246)	—	(32,401)
Others, net	995	2,551	9,940
Other income (expenses), net	(1,588)	10,195	(15,847)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	200,491	115,137	2,001,111
INCOME TAXES:			
Current	78,790	44,172	786,406
Deferred	3,122	4,430	31,165
Total income taxes	81,912	48,602	817,571
MINORITY INTERESTS IN NET INCOME	4,440	1,497	44,310
NET INCOME	¥ 114,139	¥ 65,038	$ 1,139,230

	Yen		U.S. dollars (Note 2)
Per share of common stock:			
Basic net income	¥92.93	¥52.99	$0.93
Diluted net income	—	—	—
Cash dividends applicable to the year	24.00	18.00	0.24

See notes to consolidated financial statements.

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity

(Years ended March 31, 2008 and 2007)

		Millions of yen									
	Outstanding Number of Shares of Common Stock (Thousands)	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, April 1, 2006	1,230,188	¥88,531	¥94,427	¥266,568	¥127,756	¥ —	¥ 1,855	¥(3,771)	¥575,366	¥ —	¥575,366
Reclassified balance as of March 31, 2006		—	—	—	—	—	—	—	—	35,977	35,977
Net income		—	—	65,038	—	—	—	—	65,038	—	65,038
Cash dividends, ¥18 per share		—	—	(22,043)	—	—	—	—	(22,043)	—	(22,043)
Bonuses to directors		—	—	(462)	—	—	—	—	(462)	—	(462)
Purchase of treasury stock		—	—	—	—	—	—	(366)	(366)	—	(366)
Disposal of treasury stock		—	2,762	—	—	—	—	3,278	6,040	—	6,040
Effect from changes in consolidated subsidiaries, net		—	—	2,106	—	—	—	—	2,106	—	2,106
Adjustments due to changes in the fiscal periods of consolidated subsidiaries and associated companies accounted for by the equity method, net		—	—	87	—	—	—	—	87	—	87
Effect from changes in associated companies accounted for by the equity method, net		—	—	285	—	—	—	—	285	—	285
Others		—	—	1,027	—	—	—	—	1,027	—	1,027
Changes in unrealized gain on available-for-sale securities		—	—	—	9,198	—	—	—	9,198	—	9,198
Changes in deferred gain (loss) on derivatives under hedge accounting		—	—	—	—	14,361	—	—	14,361	—	14,361
Changes in foreign currency translation adjustments		—	—	—	—	—	6,452	—	6,452	—	6,452
Changes in minority interests		—	—	—	—	—	—	—	—	7,652	7,652
Net change in the year		—	2,762	46,038	9,198	14,361	6,452	2,912	81,723	7,652	89,375
Balance, March 31, 2007	1,230,188	88,531	97,189	312,606	136,954	14,361	8,307	(859)	657,089	43,629	700,718
Net income		—	—	114,139	—	—	—	—	114,139	—	114,139
Cash dividends, ¥21 per share		—	—	(25,794)	—	—	—	—	(25,794)	—	(25,794)
Purchase of treasury stock		—	—	—	—	—	—	(518)	(518)	—	(518)
Disposal of treasury stock		—	23	—	—	—	—	38	61	—	61
Effect from changes in consolidated subsidiaries, net		—	—	496	—	—	—	—	496	—	496
Effect from merger of unconsolidated subsidiaries, net		—	—	105	—	—	—	—	105	—	105
Effect from changes in associated companies accounted for by the equity method, net		—	—	(0)	—	—	—	—	(0)	—	(0)
Others		—	—	(507)	—	—	—	—	(507)	—	(507)
Changes in unrealized gain on available-for-sale securities		—	—	—	(51,286)	—	—	—	(51,286)	—	(51,286)
Changes in deferred gain (loss)on derivatives under hedge accounting		—	—	—	—	(35,073)	—	—	(35,073)	—	(35,073)
Changes in foreign currency translation adjustments		—	—	—	—	—	(20,750)	—	(20,750)	—	(20,750)
Changes in minority interests		—	—	—	—	—	—	—	—	(2,554)	(2,554)
Net change in the year		—	23	88,439	(51,286)	(35,073)	(20,750)	(480)	(19,127)	(2,554)	(21,681)
Balance, March 31, 2008	1,230,188	¥88,531	¥97,212	¥401,045	¥85,668	¥(20,712)	¥(12,443)	¥(1,339)	¥637,962	¥41,075	¥679,037

Consolidated Statements of Changes in Equity

	Outstanding Number of Shares of Common Stock (Thousands)	Thousands of U.S. dollars (Note 2)									
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, March 31, 2007	1,230,188	$883,631	$970,044	$3,120,131	$1,366,944	$ 143,338	$ 82,914	$ (8,574)	$6,558,428	$435,459	$6,993,887
Net income		—	—	1,139,230	—	—	—	—	1,139,230	—	1,139,230
Cash dividends, ¥21 per share		—	—	(257,454)	—	—	—	—	(257,454)	—	(257,454)
Purchase of treasury stock		—	—	—	—	—	—	(5,175)	(5,175)	—	(5,175)
Disposal of treasury stock		—	237	—	—	—	—	382	619	—	619
Effect from changes in consolidated subsidiaries, net		—	—	4,947	—	—	—	—	4,947	—	4,947
Effect from merger of unconsolidated subsidiaries, net		—	—	1,054	—	—	—	—	1,054	—	1,054
Effect from changes in associated companies accounted for by the equity method, net		—	—	(3)	—	—	—	—	(3)	—	(3)
Others		—	—	(5,061)	—	—	—	—	(5,061)	—	(5,061)
Changes in net unrealized gain on available-for-sale securities		—	—	—	(511,888)	—	—	—	(511,888)	—	(511,888)
Changes in deferred gain (loss)on derivatives under hedge accounting		—	—	—	—	(350,066)	—	—	(350,066)	—	(350,066)
Changes in foreign currency translation adjustments		—	—	—	—	—	(207,106)	—	(207,106)	—	(207,106)
Changes in minority interests		—	—	—	—	—	—	—	—	(25,493)	(25,493)
Net change in the year		—	237	882,713	(511,888)	(350,066)	(207,106)	(4,793)	(190,903)	(25,493)	(216,396)
Balance, March 31, 2008	1,230,188	$883,631	$970,281	$4,002,844	$ 855,056	$(206,728)	$(124,192)	$(13,367)	$6,367,525	$409,966	$6,777,491

See notes to consolidated financial statements.

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

(Years ended March 31, 2008 and 2007)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
OPERATING ACTIVITIES			
Income before income taxes and minority interests	¥ 200,491	¥ 115,137	$ 2,001,111
Adjustments for:			
Depreciation and amortization	92,401	80,488	922,258
Loss on impairment of vessels, property and equipment	7,299	806	72,854
Loss (gain) on sale and disposal of vessels, property and equipment and intangible fixed assets, net	(12,220)	(2,861)	(121,968)
Loss (gain) on sale of marketable and investment securities, net (Note 4)	(4,738)	(11,068)	(47,294)
Loss on devaluation of marketable and investment securities	656	1,040	6,550
Equity in income of non-consolidated subsidiaries and associated companies	(11,040)	(5,522)	(110,194)
Interest and dividend income	(13,785)	(12,001)	(137,587)
Interest expense	22,781	18,286	227,381
Loss (gain) on foreign currency exchange	1,403	(6,773)	14,006
Decrease (increase) in notes and accounts receivable	(29,630)	(11,396)	(295,739)
Decrease (increase) in inventories	(16,554)	(3,582)	(165,222)
Increase (decrease) in notes and accounts payable	18,811	6,761	187,750
Others, net	(242)	(29,406)	(2,425)
Subtotal	255,633	139,909	2,551,481
Interest and dividends received	18,181	14,335	181,461
Interest paid	(22,607)	(17,335)	(225,635)
Payments for income taxes	(51,681)	(50,679)	(515,832)
Net cash provided by operating activities	199,526	86,230	1,991,475
INVESTING ACTIVITIES			
Purchase of marketable securities	(356)	(709)	(3,548)
Proceeds from sale of marketable securities	251	482	2,508
Purchase of vessels, property, and equipment and intangible fixed assets	(501,330)	(271,949)	(5,003,797)
Proceeds from sale of vessels, property, and equipment and intangible fixed assets	217,084	130,727	2,166,724
Purchase of investment securities	(20,005)	(34,864)	(199,671)
Proceeds from sale of investment securities	10,322	23,036	103,029
Payments for acquisition of newly consolidated subsidiaries	(47)	(17,603)	(466)
Increase in loan receivables	(5,266)	(28,049)	(52,562)
Decrease in loan receivables	5,862	15,641	58,504
Others, net	975	5,245	9,726
Net cash used in investing activities	(292,510)	(178,043)	(2,919,553)
FINANCING ACTIVITIES			
Net increase (decrease) in short-term bank loans	46,847	51,660	467,582
Net increase (decrease) in commercial paper	19,000	(32,700)	189,640
Proceeds from long-term debt	175,304	110,852	1,749,717
Repayments of long-term debt	(106,325)	(96,336)	(1,061,240)
Proceeds from bonds	59,789	84,755	596,751
Repayments of bonds	(21,000)	(4,800)	(209,602)
Proceeds from stock issue for minority shareholders	121	977	1,203
Disposal of treasury stock	61	6,040	619
Purchase of treasury stock	(518)	(366)	(5,174)
Cash dividends paid to shareholders	(25,794)	(22,043)	(257,454)
Cash dividends paid to minority shareholders	(656)	(676)	(6,536)
Net cash provided by financing activities	146,829	97,363	1,465,506
Foreign currency translation adjustments on cash and cash equivalents	(27,290)	2,794	(272,380)
Net increase (decrease) in cash and cash equivalents	26,555	8,344	265,048
Cash and cash equivalents, beginning of the year	87,710	78,488	875,434
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	1,699	880	16,958
Increase (decrease) in beginning balance of cash and cash equivalents due to changes in fiscal periods of consolidated subsidiaries	—	(2)	—
Cash and cash equivalents, end of the year	¥ 115,964	¥ 87,710	$ 1,157,440

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Years ended March 31, 2008 and 2007)

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 Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, 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 2007 consolidated financial statements to conform to the classifications used in 2008.

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, 2008, which was ¥100.19 to US$1.00. The statements in such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been or could be readily converted, realized or settled in dollars at that rate, or any other rates, of exchange.

3. Summary of Significant Accounting Policies:

A. Consolidation Policies

(1) The consolidated financial statements include the accounts of Nippon Yusen Kabushiki Kaisha (the "Company") and its 687 and 632 consolidated subsidiaries, at March 31, 2008 and 2007, respectively.

During the consolidated fiscal year ended March 31, 2008, the Company newly established NYK Oceanus Corporation and 51 other companies and judged NYK Line (India) Ltd., and 24 other 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, 2008.

Bruni International Inc., and one other company became consolidated subsidiaries through the acquisition of shares.

NYK Bulkship (USA) Inc., and 19 other companies were excluded from consolidation, due to liquidation.

Mondia Artois S.A.S. and Mondia Grenoble S.A.S., which were absorbed by Mondia Arras S.A.S., on April 1, 2007, and NYK Logistics (Japan) Co., Ltd., which merged with JIT Corporation on October 1, 2007, were excluded from the scope of consolidation. HIKAWA (SINGAPORE) PTE. LTD., which merged with the non-consolidated subsidiary HIKAWA-AMCO (SINGAPORE) PTE. LTD., on February 1, 2008, was excluded from the scope of consolidation.

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 associated company 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 31 unconsolidated subsidiaries and 43 associated companies by the equity method at March 31, 2008, and three unconsolidated subsidiaries and 38 associated companies at March 31, 2007.

In the consolidated fiscal year ended March 31, 2008, New Orleans Terminal LLC and one other company were newly established by the Company, and Peninsula LNG Transport No. 4 Ltd., and 30 other companies were judged to have a material impact on the consolidated financial statements. Consequently, these companies are newly included in scope of companies accounted for by the equity method.

(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, 2008, December 31 was used by 51 consolidated subsidiaries as the closing date for their financial statements and February 29 was used by one consolidated subsidiary. Necessary adjustments have been made to address transactions that occurred between closing dates different to that of the Company and March 31.

Three companies with fiscal year-ends of December 31 provide financial statements based on provisional settle ment of accounts as of March 31 to facilitate preparation of the consolidated financial statements.

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

Marketable and 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) available-for-sale securities, 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.

Derivatives are valued at market. Inventories are generally stated at the lower of cost or market, with cost determined by principally the moving average method.

E. Depreciation and Amortization

(1) Vessels, property and equipment are depreciated as follows:

Vessels, property and equipment are depreciated generally by the straight-line method based on the useful life stipulated in the Corporation Tax Law. Assets for which the purchase prices are 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 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.

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. 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 the receivables outstanding.

H. Provisions

(1) Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.
(2) Bonuses to employees are accrued at the year end to which such bonuses are attributable.
(3) Liability for periodic dry-docking of vessels is provided based on the estimated amount of expenditure for periodic dry-docking in the future.
(4) Reserve for operating losses arising through the business activities of consolidated subsidiaries were reasonably estimated at the end of the consolidated fiscal year under review, and a suitable amount was set in reserve.

I. Retirement and Severance Benefits

Liability for Employees' Retirement Benefits:

To provide for employees' retirement benefits, this reserve is recorded based on the estimated actuarial present value of the Company's and its consolidated subsidiaries' retirement benefit obligation and the estimated fair value of pension assets at the end of the fiscal year. The Company amortizes prior service cost using 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).

Liability 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 reserves calculated as the estimated amount which would be payable if all directors and corporate auditors were to retire at the balance sheet date.

J. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. 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. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

K. 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.

L. Accounting for Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that applicable to ordinary operating leases in accordance with accounting principles and practices generally accepted in Japan.

M. 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/expenses 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 the 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.

N. Financial Statements of Overseas Subsidiaries

Overseas consolidated subsidiaries employ generally accepted accounting principles prevailing in their respective countries of domicile.

O. 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 it is anti-dilutive. Cash dividends per share consist of interim dividends paid during the year and dividends to be paid after the end of the year.

P. 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 3 months or less that are exposed to minor value fluctuation risk.

Q. Additional Information

On April 1, 2007, the Company changed its pension plan from a postretirement benefit plan, mainly comprised of a tax-qualified plan to a defined benefit plan.

As a result of this change, the Company recorded prior service cost of ¥3,328 million ($33,218 thousand).

4. Marketable Securities and Investment Securities:

(1) Marketable securities and investment securities held to maturity with fair value as of March 31, 2008 and 2007 are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2008			2007			2008		
	Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)
Securities for which the fair value exceeds the book value:									
Government bonds and others	¥ 381	¥ 387	¥ 6	¥ 180	¥ 183	¥ 3	$ 3,806	$ 3,869	$ 63
Corporate bonds	803	815	12	300	302	2	8,012	8,130	118
Others	1	1	0	1	1	0	15	15	0
Subtotal	1,185	1,203	18	481	486	5	11,833	12,014	181
Securities for which the fair value is equal to or less than the book value:									
Government bonds and others	—	—	—	110	110	(0)	—	—	—
Corporate bonds	—	—	—	503	492	(11)	—	—	—
Others	—	—	—	—	—	—	—	—	—
Subtotal	—	—	—	613	602	(11)	—	—	—
Total	¥1,185	¥1,203	¥18	¥1,094	¥1,088	¥ (6)	$11,833	$12,014	$181

(2) Marketable securities and investment securities classified as available-for-sale securities with fair value as of March 31, 2008 and 2007 are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2008			2007			2008		
	Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)	Book value	Fair value	Unrealized gain (loss)
Securities for which the book value exceeds the acquisition costs:									
Corporate shares	¥125,464	¥264,651	¥139,187	¥129,670	¥351,588	¥221,918	$1,252,261	$2,641,491	$1,389,230
Government bonds and others	303	309	6	188	192	4	3,026	3,084	58
Corporate bonds	209	213	4	121	122	1	2,084	2,124	40
Others	76	82	6	21	27	6	756	814	58
Subtotal	126,052	265,255	139,203	130,000	351,929	221,929	1,258,127	2,647,513	1,389,386
Securities for which the book value is equal to or less than the acquisition costs:									
Corporate shares	13,754	9,305	(4,449)	7,996	6,513	(1,483)	137,274	92,874	(44,400)
Government bonds and others	—	—	—	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—	—	—	—
Others	139	138	(1)	14	13	(1)	1,387	1,373	(14)
Subtotal	13,893	9,443	(4,450)	8,010	6,526	(1,484)	138,661	94,247	(44,414)
Total	¥139,945	¥274,698	¥134,753	¥138,010	¥358,455	¥220,445	$1,396,788	$2,741,760	$1,344,972

(3) Proceeds, gains and losses on sales of available-for-sale securities in the fiscal years ended March 31, 2008 and 2007, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Proceeds from sales	¥9,959	¥20,208	$99,396
Gross realized gains	4,769	11,076	47,603
Gross realized losses	(133)	(8)	(1,330)

(4) Available-for-sale securities whose fair value was not readily determinable as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Available-for-sale securities:			
Unlisted equity securities	¥16,096	¥15,875	$160,656

(5) The intended redemption of available-for-sale securities with maturity dates and marketable securities and investment securities held to maturity as of March 31, 2008 and 2007 are summarized as follows:

Fiscal year ended March 31, 2008	Millions of yen			
Type	Within one year	One year or more, within five years	Five years or more, within ten years	More than ten years
Bonds				
(1) Government bonds	¥409	¥281	¥ —	¥—
(2) Corporate bonds	213	400	403	—
(3) Others	1	—	—	—
Total	¥623	¥681	¥403	¥—

Fiscal year ended March 31, 2008	Thousands of U.S. dollars (Note 2)			
Type	Within one year	One year or more, within five years	Five years or more, within ten years	More than ten years
Bonds				
(1) Government bonds	$4,082	$2,809	$ —	$—
(2) Corporate bonds	2,124	3,992	4,020	—
(3) Others	15	—	—	—
Total	$6,221	$6,801	$4,020	$—

Fiscal year ended March 31, 2007	Millions of yen			
Type	Within one year	One year or more, within five years	Five years or more, within ten years	More than ten years
Bonds				
(1) Government bonds	¥10	¥230	¥ 50	¥—
(2) Corporate bonds	—	300	503	—
(3) Others	2	—	—	—
Total	¥12	¥530	¥553	¥—

5. Inventories:

Inventories as of March 31, 2008 and 2007, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Products and goods	¥ 5,054	¥ 5,073	$ 50,449
Real estate for sale	1	1	12
Fuel and supplies	48,799	33,053	487,063
Others	503	513	5,017
Total	¥54,357	¥38,640	$542,541

6. Vessels, Property and Equipment:

As of March 31, 2008 and 2007, vessels, property and equipment consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Vessels, property and equipment, at cost			
Vessels	¥1,263,183	¥1,086,611	$12,607,872
Buildings and structures	158,917	153,938	1,586,155
Aircraft	51,841	79,226	517,427
Equipment and fixtures	27,654	27,653	276,016
Land	61,287	64,340	611,708
Construction in progress	296,040	251,808	2,954,791
Other	104,847	103,407	1,046,480
Total	1,963,769	1,766,983	19,600,449
Less—accumulated depreciation	(831,823)	(820,655)	(8,302,458)
Net vessels, property and equipment	¥1,131,946	¥ 946,328	$11,297,991

7. 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 the gain 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 ¥5,930 million ($59,187 thousand) and ¥5,801 million as of March 31, 2008 and 2007, respectively.

8. Short-Term Bank Loans and Long-Term Debt:

(1) Short-term bank loans had weighted-average interest rates of 2.29 percent and 2.09 percent as of March 31, 2008 and 2007, respectively.

(2) Long-term debt as of March 31, 2008 and 2007, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Loans from banks and other financial institutions, with a weighted-average interest rate of 2.27 percent and 2.34 percent at March 31, 2008 and 2007, due from 2009 to 2023	¥567,159	¥ 513,790	$5,660,831
Unsecured 0.47 percent bonds, due on October 18, 2007	—	20,000	—
Unsecured 0.52 percent bonds, due on February 20, 2009	15,000	15,000	149,716
Unsecured 0.81 percent bonds, due on October 16, 2009	20,000	20,000	199,621
Unsecured 1.67 percent bonds, due on June 20, 2012	30,000	—	299,431
Unsecured 1.01 percent bonds, due on February 21, 2013	15,000	15,000	149,716
Unsecured 1.58 percent bonds, due on June 9, 2014	20,000	20,000	199,621
Unsecured 2.06 percent bonds, due on June 22, 2016	20,000	20,000	199,621
Unsecured 2.05 percent bonds, due on June 20, 2017	30,000	—	299,431
Unsecured 2.36 percent bonds, due on June 7, 2024	10,000	10,000	99,810
Unsecured 2.65 percent bonds, due on June 22, 2026	10,000	10,000	99,810
Convertible bonds with warrants, due on September 24, 2026	56,266	56,335	561,594
Floating/fixed rate euro medium-term notes, due from 2008	1,000	2,000	9,981
Subtotal	794,425	702,125	7,929,183
Less current portion due within one year	(95,184)	(117,559)	(950,031)
Long-term debt, less current portion	¥699,241	¥ 584,566	$6,979,152

The aggregate annual maturities of long-term loans from banks and other financial institutions, bonds and notes as of March 31, 2008, were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 2)
2010	¥134,300	$1,340,454
2011	48,700	486,075
2012	47,249	471,601
2013	79,663	795,115
2014 and thereafter	389,329	3,885,907
Total	¥699,241	$6,979,152

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	¥843 ($8.41)
Total amount of debt securities issued	¥55,000 million ($548,957 thousand)
Total amount of shares issued by exercising warrants	—
Percentage of shares with warrants (%)	100
Exercise period	October 4, 2006–September 10, 2026

Note: 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.

9. Pledged Assets and Secured Liabilities:

As of March 31, 2008, the following assets were pledged as collateral for short-term loans, 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	¥64,564	$644,418
Buildings and structures	6,420	64,082
Aircraft	2,120	21,159
Land	7,059	70,458
Investment securities	17,599	175,659
Others	7,471	74,563
Total	¥105,233	$1,050,339

Secured liabilities	Millions of yen	Thousands of U.S. dollars (Note 2)
Short-term loans and current portion of long-term debt	¥16,017	$159,870
Long-term debt	31,869	318,088
Others	177	1,759
Total	¥48,063	$479,717

10. Income Taxes:

(1) Significant components of deferred tax assets and liabilities as of March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Deferred tax assets:			
Employees' bonuses accrued	¥ 3,328	¥ 3,035	$ 33,218
Liability for employees' retirement benefits	6,878	8,353	68,650
Losses on revaluation of securities	2,674	2,449	26,690
Losses on revaluation of fixed assets	1,572	1,549	15,687
Loss on impairment of vessels, property and equipment	7,028	4,590	70,149
Tax loss carryforwards	29,242	22,506	291,861
Unrealized gains on sale of vessels, property and equipment	4,576	3,260	45,672
Liability for periodic dry-docking of vessels	1,927	877	19,235
Accrued expenses	2,513	3,332	25,086
Net deferred loss on derivatives under hedge accounting	10,537	—	105,173
Others	10,845	6,738	108,242
Subtotal of deferred tax assets	81,120	56,689	809,663
Valuation allowance	(38,547)	(28,365)	(384,741)
Total deferred tax assets	42,573	28,324	424,922
Deferred tax liabilities:			
Gain on securities contribution to employee retirement benefit trust	(3,754)	(3,754)	(37,472)
Net unrealized gain on available-for-sale securities	(49,308)	(81,336)	(492,142)
Depreciation	(7,508)	(4,472)	(74,938)
Special tax purpose reserve	(6,556)	(3,824)	(65,433)
Unrealized losses on sale of vessels, property and equipment	(108)	(326)	(1,080)
Net deferred gain on derivatives under hedge accounting	(5,799)	(10,805)	(57,877)
Others	(9,299)	(2,529)	(92,816)
Total deferred tax liabilities	(82,332)	(107,046)	(821,758)
Net deferred tax assets (liabilities)	¥(39,759)	¥ (78,722)	$(396,836)

(2) Reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2008 and 2007, are as follows:

	2008	2007
Normal statutory income tax rate	37.5%	37.5%
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	0.3	0.3
Equity in income of non-consolidated subsidiaries and associated companies	(2.1)	(1.8)
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	1.2	1.5
Permanently non-taxable income, such as dividend income	(0.8)	(1.5)
Changes in valuation allowance	2.7	5.6
Other	2.1	0.6
Actual effective income tax rate	40.9%	42.2%

11. Equity:

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, 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; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) 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 by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

The Corporate Law 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 the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law 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.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law 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 Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition 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, 2007 and 2008, were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
At March 31, 2007	1,230,188	1,760
Increase in number of shares	—	484
Decrease in number of shares	—	(63)
At March 31, 2008	1,230,188	2,181

(B) Matters Concerning Dividends

(1) Total dividend payments to be paid for the consolidated fiscal year ended March 31, 2008, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Approved at the regular general meeting of shareholders on June 27, 2007	¥11,056	$110,353
Approved by the Board of Directors on October 29, 2007	14,738	147,101
Total	¥25,794	$257,454

(2) The effective date for dividends, including retained earnings as of March 31, 2008, 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 24, 2008	¥14,737	$147,086
Total	¥14,737	$147,086

12. 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, available-for-sale assets and idle assets, the Company and its consolidated subsidiaries group the assets by structure.

In the consolidated fiscal year ended March 31, 2007, an ¥806 million loss on impairment of vessels, property and equipment was recorded, but the amount was included in others, net under other income (expenses) because it had minimal impact.

In the consolidated fiscal year ended March 31, 2008, the target price of available-for-sale assets 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 ¥7,299 million ($72,854 thousand) under extraordinary losses.

A breakdown of this amount is presented below.

Location	Application	Type	Millions of yen	Thousands of U.S. dollars (Note 2)
—	Available-for-sale assets	Aircraft	¥6,893	$68,804
Matsuyama, Ehime Prefecture	Rental property, idle assets	Land and buildings	406	4,050
Total			¥7,299	$72,854

The recoverable amount for these asset groups will be the net selling price, which is based on sales contracts or property appraisal assessments.

13. Commitments and Contingent Liabilities:

(1) Commitments made by the Company and its consolidated subsidiaries amounted to ¥695,247 million ($6,939,281 thousand) for the construction of vessels, to ¥443,279 million ($4,424,386 thousand) for the purchase of aircrafts and to ¥513 million ($5,122 thousand) for the purchase of other equipment as of March 31, 2008. Contingent liabilities for notes receivable discounted and endorsed, loans guaranteed and joint debt of indebtedness as of March 31, 2008, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Notes receivable discounted and endorsed	¥ 14	$ 136
Guarantees of loans	103,887	1,036,898
Joint debt of indebtedness	19,451	194,139
Total	¥123,352	$1,231,173

(2) Major airline companies around the world are being investigated by relevant authorities in the United States and Europe as part of a probe into cartel activity on air cargo transport services. Consolidated subsidiary Nippon Cargo Airlines Co., Ltd. (NCA) has been investigated since February 2006 and December 2006 by the U.S. Department of Justice and by the European Commission, respectively. NCA is cooperating with the authorities in their investigations.

The eventual outcome of investigations and legal actions may have a material adverse effect on NCA's financial condition, results of operations or cash flows. However, based on information currently available and due to the fact that the investigations are ongoing, it is difficult to reasonably estimate the outcome.

(3) Leading domestic providers of international airfreight forwarding services, including consolidated subsidiary Yusen Air & Sea Service Co., Ltd. (YAS), were raided by the Japan Fair Trade Commission on April 16, 2008, on suspicion of violating the Anti-Trust Law, specifically, price-fixing fuel surcharges and freight rates on international airfreight forwarding services.

The eventual outcome of investigation may have a material adverse effect on YAS's financial condition, results of operations or cash flows. However, based on information currently available, it is difficult to reasonably estimate the outcome.

14. Accounting for Leases:

Finance leases, except those for which the ownership of leased assets are deemed to be transferred to lessees, are accounted for by a method similar to that applicable to ordinary operating leases.

(1) Finance leases accounted for as operating leases

As lessees

a. Acquisition cost, accumulated depreciation and net balance at end of the year of leased assets as of March 31, 2008 and 2007, 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						Thousands of U.S. dollars (Note 2)		
	2008			2007			2008		
	Acquisition cost	Accumulated depreciation	Net balance at end of the year	Acquisition cost	Accumulated depreciation	Net balance at end of the year	Acquisition cost	Accumulated depreciation	Net balance at end of the year
Vessels	¥ 5,516	¥ 2,897	¥ 2,619	¥ 6,499	¥ 2,945	¥ 3,554	$ 55,054	$ 28,915	$ 26,139
Aircraft	29,427	6,539	22,888	29,428	4,086	25,342	293,714	65,264	228,450
Equipment and fixtures	74,938	34,527	40,411	76,680	28,379	48,301	747,961	344,620	403,341
Other tangible fixed assets	2,091	985	1,106	2,528	1,402	1,126	20,870	9,834	11,036
Total	¥111,972	¥44,948	¥67,024	¥115,135	¥36,812	¥78,323	$1,117,599	$448,633	$668,966

b. Future lease payments as of March 31, 2008, which included the portion of interest thereon, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥10,782	$107,613
More than one year	53,461	533,594
Total	¥64,243	$641,207

c. Lease expenses, depreciation and interest expense for the years ended March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Lease expenses for the year	¥13,429	¥14,389	$134,032
Depreciation	11,843	12,174	118,205
Interest expense	1,552	1,613	15,493

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.

As lessors

a. Acquisition cost, accumulated depreciation and net balance at end of the year of leased assets as of March 31, 2008 and 2007, were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2008			2007			2008		
	Acquisition cost	Accumulated depreciation	Net balance at end of the year	Acquisition cost	Accumulated depreciation	Net balance at end of the year	Acquisition cost	Accumulated depreciation	Net balance at end of the year
Equipment and fixtures	¥15	¥13	¥ 2	¥15	¥14	¥ 1	$152	$130	$22
Other tangible fixed assets	35	11	24	35	9	26	349	109	240
Total	¥50	¥24	¥26	¥50	¥23	¥27	$501	$239	$262

b. Future lease income as of March 31, 2008, which included the portion of interest thereon, is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 14	$ 142
More than one year	94	934
Total	¥108	$1,076

c. Current lease income and depreciation for the years ended March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Lease income for the year	¥16	¥17	$156
Depreciation	3	3	26

(2) Operating leases

As lessees

Future lease payments as of March 31, 2008, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 57,676	$ 575,663
More than one year	317,905	3,173,021
Total	¥375,581	$3,748,684

As lessors

Future lease income as of March 31, 2008, is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥1,071	$10,687
More than one year	1,233	12,307
Total	¥2,304	$22,994

15. Derivative Financial Instruments:

(1) Contents of, policies for, and objectives in the use of derivatives

The Company and its consolidated subsidiaries employ various financing methods to obtain funds necessary for the conduct of their operations. In addition, a substantial portion of total assets and liabilities is denominated in foreign currencies. Accordingly, derivative financial instruments are used to hedge and manage the inevitable risks of fluctuations in interest rates and foreign currency rates. Specifically, to avert interest rate risk associated with borrowings, bonds and other financial instruments, the Company and its consolidated subsidiaries utilize interest rate swap contracts, interest rate cap contracts and other techniques. To avert foreign exchange risk associated with foreign currency assets and liabilities, the Company and its consolidated subsidiaries make use of forward foreign currency contracts, currency swap contracts and other techniques. 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 techniques. However, the Company and its consolidated subsidiaries do not engage in trading or in speculative use of derivative financial instruments.

Regarding hedge accounting for derivative financial instruments, the following methods and policies are applied.

a. Hedge accounting method

The Company and its consolidated subsidiaries mainly 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 forward foreign exchange contracts and currency swap 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/expenses of the hedged financial assets and liabilities.

b. Principal hedging techniques and items hedged

Principal hedging techniques	Principal items hedged
Currency swap contracts	Foreign currency borrowings and bonds
Interest rate swap contracts	Borrowings, bonds and loans
Fuel swap contracts	Purchase price of fuel
Forward foreign exchange contracts	Forecasted foreign currency transactions

c. Hedging policy

Based on internal rules and regulations, including *the Company's Rules for Risk Management Employing Financial Instruments*, the Company and its consolidated subsidiaries enter into hedging transactions to offset the risk of market rate fluctuations and others, for items to be hedged.

d. Method for evaluating effectiveness of hedging

The Company and its consolidated subsidiaries analyze the ratios of the cumulative amount of market fluctuation or cash flow of the hedging financial instruments, except interest rate swaps that meet specified conditions under the accounting standard, and the hedged items.

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

(3) Risk management for derivative transactions

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.

(4) Supplementation to quantive information
The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

(5) Items pertaining to the market price of transactions (As of March 31, 2008 and 2007):

	Millions of yen				Thousands of U.S. dollars (Note 2)	
	2008		2007		2008	
	Contracts outstanding	Unrealized gain (loss)	Contracts outstanding	Unrealized gain (loss)	Contracts outstanding	Unrealized gain (loss)
1. Currency-related						
Forward foreign currency exchange contracts:						
Buy U.S. dollar, sell Japanese yen	¥ 838	¥ (7)	¥ 2,322	¥ 2	$ 8,364	$ (68)
Sell U.S. dollar, buy Japanese yen	7,029	55	—	—	70,152	549
Buy Euro, sell Japanese yen	448	5	133	2	4,474	52
Sell Euro, buy Japanese yen	1,092	8	628	(0)	10,901	79
Buy H.K. dollar, sell Japanese yen	180	(3)	160	(1)	1,799	(26)
Buy Thai Baht, sell Japanese yen	56	(1)	92	1	558	(6)
Others	1,654	(1)	813	(0)	16,507	(10)
Currency swaps:						
Receive Japanese yen, pay U.S. dollar	1,264	257	60	2	12,611	2,568
Receive H.K. dollar, pay U.S. dollar	997	2	—	—	9,954	15
2. Interest rate-related						
Interest rate swaps:						
Receive fixed, pay floating	¥59,571	¥ 1,250	¥ 6,245	¥ 527	$594,580	$ 12,480
Receive floating, pay fixed	67,808	(2,272)	10,078	(420)	676,794	(22,681)
3. Commodity-related						
Freight (chartered-freight) forward transactions						
Forward chartered-freight agreements on buyer's side	¥ 1,515	¥ (69)	¥ —	¥ —	$ 15,125	$ (688)
Forward chartered-freight agreements on seller's side	1,239	(1,634)	—	—	12,363	(16,310)

Notes: 1. The market price of forward foreign currency exchange contracts at the end of the fiscal year 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 the end of the consolidated fiscal year.
3. Items for which hedge accounting is applied are excluded from the above table disclosure.

16. 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.

On April 1, 2007, the Company switched from a severance pay structure, which was funded by the Tax-Qualified Pension Plan, in favor of a defined benefit pension plan. Some overseas consolidated subsidiaries also maintain defined contribution plans or defined benefit plans.

(2) Amounts related to projected benefit obligations (As of March 31, 2008 and 2007):

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Projected benefit obligations	¥ (90,464)	¥ (94,683)	$ (902,921)
Plan assets (Note)	118,117	117,814	1,178,926
Unfunded obligations	27,653	23,131	276,005
Unrecognized plan assets	—	—	—
Unfunded liabilities at time of accounting standard change	—	—	—
Unrecognized actuarial gain (loss)	(27,568)	(31,032)	(275,160)
Unrecognized prior service cost	2,900	3,344	28,950
Net obligations on the consolidated balance sheets	2,985	(4,557)	29,795
Prepaid pension costs	18,842	12,922	188,067
Liability for employees' retirement benefits	¥ (15,857)	¥ (17,479)	$ (158,272)

Note: Plan assets related to jointly established Employees' Pension Fund of ¥4,156 million ($41,477 thousand) and ¥4,693 million as of March 31, 2008 and 2007, respectively, are not included in pension assets above.

(3) Amounts related to retirement benefit costs (Years ended March 31, 2008 and 2007):

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Service costs	¥ 4,541	¥ 3,326	$ 45,321
Interest costs	1,908	1,870	19,039
Expected return on plan assets	(1,611)	(1,351)	(16,080)
Unfunded liabilities at time of accounting standard change	—	—	—
Recognized actuarial loss	(3,811)	(3,506)	(38,038)
Amortization of prior service cost	422	(81)	4,222
Retirement benefit costs	¥ 1,449	¥ 258	$ 14,464

Note: In addition to the costs shown above, certain consolidated subsidiaries had ¥1,559 million ($15,557 thousand) and ¥1,375 million for the fiscal years ended March 31, 2008 and 2007, 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, 2008 and 2007):

	2008	2007
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

17. Industry Segment Information:

The Company and its consolidated subsidiaries operate in eight businesses: Liner Trade, Bulk Shipping, Logistics, Terminal and Harbor Transport, Cruise, Air Cargo Transport, Real Estate and Others. The following table presents certain segment information for the years ended March 31, 2008 and 2007.

Year ended March 31, 2008:

	Millions of yen										
	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Other	Total	Elimination or Corporate	Consolidated Total
I Revenues and Operating Income (loss)											
Revenues:											
(1) Revenues from customers	¥660,289	¥1,032,406	¥524,248	¥115,192	¥46,713	¥ 92,218	¥ 9,049	¥104,511	¥2,584,626	¥ —	¥2,584,626
(2) Inter-segment revenues	6,169	6,704	2,689	36,168	—	10,397	2,471	100,582	165,180	(165,180)	—
Total revenues	666,458	1,039,110	526,937	151,360	46,713	102,615	11,520	205,093	2,749,806	(165,180)	2,584,626
Operating costs and expenses	654,865	860,659	510,890	140,272	41,417	124,662	8,046	206,926	2,547,737	(165,190)	2,382,547
Operating income (loss)	¥ 11,593	¥ 178,451	¥ 16,047	¥ 11,088	¥ 5,296	¥ (22,047)	¥ 3,474	¥ (1,833)	¥ 202,069	¥ 10	¥ 202,079
II Total Assets, Depreciation and Amortization, Loss on Impairment of Vessels, Property and Equipment, and Capital Expenditures											
Total assets	¥317,102	¥1,290,192	¥247,500	¥148,754	¥44,304	¥109,244	¥61,361	¥546,136	¥2,764,593	¥(478,580)	¥2,286,013
Depreciation and amortization	9,535	59,211	7,689	6,269	1,917	4,780	947	2,062	92,410	(9)	92,401
Loss on impairment of fixed assets	—	—	104	267	—	6,893	—	35	7,299	—	7,299
Capital expenditures	135,100	291,822	9,537	7,083	1,540	50,958	3,338	1,952	501,330	—	501,330

	Thousands of U.S. dollars (Note 2)										
	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Other	Total	Elimination or Corporate	Consolidated Total
I Revenues and Operating Income (loss)											
Revenues:											
(1) Revenues from customers	$6,590,368	$10,304,479	$5,232,535	$1,149,735	$466,247	$ 920,430	$ 90,321	$1,043,134	$25,797,249	$ —	$25,797,249
(2) Inter-segment revenues	61,568	66,914	26,841	360,994	—	103,772	24,660	1,003,915	1,648,664	(1,648,664)	—
Total revenues	6,651,936	10,371,393	5,259,376	1,510,729	466,247	1,024,202	114,981	2,047,049	27,445,913	(1,648,664)	25,797,249
Operating costs and expenses	6,536,228	8,590,270	5,099,215	1,400,056	413,389	1,244,256	80,303	2,065,341	25,429,058	(1,648,767)	23,780,291
Operating income (loss)	$ 115,708	$ 1,781,123	$ 160,161	$ 110,673	$ 52,858	$ (220,054)	$ 34,678	$ (18,292)	$ 2,016,855	$ 103	$ 2,016,958
II Total Assets, Depreciation and Amortization, Loss on Impairment of Vessels, Property and Equipment, and Capital Expenditures											
Total assets	$3,165,011	$12,877,448	$2,470,309	$1,484,723	$442,198	$1,090,369	$612,448	$5,450,999	$27,593,505	$(4,776,725)	$22,816,780
Depreciation and amortization	95,167	590,991	76,738	62,574	19,134	47,711	9,449	20,579	922,343	(85)	922,258
Loss on impairment of fixed assets	—	—	1,042	2,661	—	68,804	—	347	72,854	—	72,854
Capital expenditures	1,348,440	2,912,685	95,188	70,699	15,376	508,610	33,314	19,485	5,003,797	—	5,003,797

(1) Change industry segmentation

The medium-term management plan New Horizon 2007 was designed to propel the NYK Group forward as a comprehensive logistics and megacarrier group offering ocean, land and air transport. Through this plan, air cargo operations, which had been part of the "Other" segment, assumed greater importance, and from the fiscal year ended March 31, 2008, these operations have been separated into their own business segment. The Company has restated results to reflect the air cargo business as an independent segment already in fiscal 2006. These results are presented on the following page.

(2) Change in segment title

Effective April 1, 2007, the Group changed the segment title "Other shipping" into "Bulk shipping." This is not a change in the industry segmentation.

Year ended March 31, 2007:
(Restated)

	Millions of yen										
	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Other	Total	Elimination or Corporate	Consolidated Total
I Revenues and Operating Income (loss)											
Revenues:											
(1) Revenues from customers	¥568,459	¥ 776,823	¥480,559	¥ 94,488	¥44,140	¥ 88,216	¥ 9,054	¥102,541	¥2,164,280	¥ —	¥2,164,280
(2) Inter-segment revenues	5,535	6,476	2,142	32,412	—	8,797	2,581	75,598	133,541	(133,541)	—
Total revenues	573,994	783,299	482,701	126,900	44,140	97,013	11,635	178,139	2,297,821	(133,541)	2,164,280
Operating costs and expenses	583,874	678,689	466,580	118,995	39,058	118,611	8,644	178,993	2,193,444	(134,106)	2,059,338
Operating income (loss)	¥ (9,880)	¥ 104,610	¥ 16,121	¥ 7,905	¥ 5,082	¥(21,598)	¥ 2,991	¥ (854)	¥ 104,377	¥ 565	¥ 104,942
II Total Assets, Depreciation and Amortization, and Capital Expenditures											
Total assets	¥301,698	¥1,108,962	¥243,737	¥147,294	¥41,504	¥ 98,850	¥65,837	¥497,877	¥2,505,759	¥(370,317)	¥2,135,442
Depreciation and amortization	7,118	50,541	6,996	4,516	2,199	6,031	1,047	2,050	80,498	(10)	80,488
Capital expenditures	70,513	129,079	6,325	7,753	3,482	51,679	390	2,728	271,949	—	271,949

	Thousands of U.S. dollars (Note 2)										
	Liner Trade	Bulk Shipping	Logistics	Terminal and Harbor Transport	Cruise	Air Cargo Transport	Real Estate	Other	Total	Elimination or Corporate	Consolidated Total
I Revenues and Operating Income (loss)											
Revenues:											
(1) Revenues from customers	$5,673,811	$7,753,500	$4,796,471	$ 943,081	$440,566	$ 880,483	$ 90,370	$1,023,472	$21,601,754	$ —	$21,601,754
(2) Inter-segment revenues	55,240	64,642	21,377	323,511	—	87,804	25,757	754,547	1,332,878	(1,332,878)	—
Total revenues	5,729,051	7,818,142	4,817,848	1,266,592	440,566	968,287	116,127	1,778,019	22,934,632	(1,332,878)	21,601,754
Operating costs and expenses	5,827,664	6,774,022	4,656,948	1,187,699	389,841	1,183,863	86,269	1,786,537	21,892,843	(1,338,516)	20,554,327
Operating income (loss)	$ (98,613)	$ 1,044,120	$ 160,900	$ 78,893	$ 50,725	$(215,576)	$ 29,858	$ (8,518)	$ 1,041,789	$ 5,638	$ 1,047,427
II Total Assets, Depreciation and Amortization, and Capital Expenditures											
Total assets	$3,011,261	$11,068,585	$2,432,750	$1,470,146	$414,257	$ 986,621	$657,126	$4,969,328	$25,010,074	$(3,696,152)	$21,313,922
Depreciation and amortization	71,046	504,452	69,822	45,075	21,950	60,200	10,449	20,458	803,452	(101)	803,351
Capital expenditures	703,793	1,288,343	63,128	77,388	34,751	515,805	3,895	27,229	2,714,332	—	2,714,332

Within the asset balance for the fiscal year ended March 31, 2007, Companywide assets included under Elimination or Corporate had a value of ¥17,592 million ($175,590 thousand). A primary component of this amount is the Company's investment of surplus funds (cash and deposits).

Year ended March 31, 2007:

	Millions of yen									
	Liner Trade	Other Shipping	Logistics	Terminal and Harbor Transport	Cruise	Real Estate	Other	Total	Elimination or Corporate	Consolidated Total
I Revenues and Operating Income (loss)										
Revenues:										
(1) Revenues from customers	¥568,459	¥ 776,823	¥480,559	¥ 94,488	¥44,140	¥ 9,054	¥190,757	¥2,164,280	¥ —	¥2,164,280
(2) Inter-segment revenues	5,535	6,476	2,142	32,412	—	2,581	84,395	133,541	(133,541)	—
Total revenues	573,994	783,299	482,701	126,900	44,140	11,635	275,152	2,297,821	(133,541)	2,164,280
Operating costs and expenses	583,874	678,689	466,580	118,995	39,058	8,644	297,604	2,193,444	(134,106)	2,059,338
Operating income (loss)	¥ (9,880)	¥ 104,610	¥ 16,121	¥ 7,905	¥ 5,082	¥ 2,991	¥ (22,452)	¥ 104,377	¥ 565	¥ 104,942
II Total Assets, Depreciation and Amortization, and Capital Expenditures										
Total assets	¥301,698	¥1,108,962	¥243,737	¥147,294	¥41,504	¥65,837	¥596,727	¥2,505,759	¥(370,317)	¥2,135,442
Depreciation and amortization	7,118	50,541	6,996	4,516	2,199	1,047	8,081	80,498	(10)	80,488
Capital expenditures	70,513	129,079	6,325	7,753	3,482	390	54,407	271,949	—	271,949

(1) Changes in Business Categories

The Group separates business categories to ensure that the management organization has qualities in line with the services each segment provides. From the consolidated fiscal year ended March 31, 2007, tugboat operations have been shifted from the "Other" operating segment to the "Terminal and Harbor Transport" segment to more clearly reflect their administrative handling. This change in business category had no material impact on segment information.

(2) During the consolidated fiscal year ended March 31, 2007, within the "Other" business segment, airfreight services accounted for revenues of ¥97,013 million ($968,287 thousand), of which ¥88,216 million ($880,483 thousand) was revenues from external customers and ¥8,797 million ($87,804 thousand) was inter-segment revenues, operating costs and expenses of ¥118,611 million ($1,183,863 thousand) and operating losses of ¥21,598 million ($215,576 thousand).

(3) Change in the Scope of Companywide Assets

In the past, such items as investment securities were treated as Companywide assets. From the consolidated fiscal year ended March 31, 2007, these assets were allocated to individual segments. This change clarifies the assets that individual segments are responsible for managing and reflects the change in the standards of allocation used in administrative handling. As of March 31, 2007, ¥378,781 million ($3,780,625 thousand) that would have been recorded as Companywide assets under the previous method was allocated individually. The following amounts would have been allocated to individual segment under such method.

Year ended March 31, 2007:

	Millions of yen									
	Liner Trade	Other Shipping	Logistics	Terminal and Harbor Transport	Cruise	Real Estate	Other	Total	Elimination or Corporate	Consolidated Total
Total assets	¥278,776	¥939,111	¥234,457	¥142,446	¥40,575	¥47,917	¥457,675	¥2,140,957	¥(5,515)	¥2,135,442

18. 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, 2008 and 2007.

	Millions of yen							
Year ended March 31, 2008:	Japan	North America	Europe	Asia	Other	Total	Elimination or Corporate	Consolidated
I Revenues and Operating Income								
Revenues:								
(1) Revenues from customers	¥1,975,820	¥207,260	¥248,950	¥142,064	¥10,532	¥2,584,626	¥ —	¥2,584,626
(2) Inter-segment revenues	23,698	40,244	18,840	15,684	3,545	102,011	(102,011)	—
Subtotal	1,999,518	247,504	267,790	157,748	14,077	2,686,637	(102,011)	2,584,626
Operating costs and expenses	1,844,989	231,459	246,719	148,015	13,586	2,484,768	(102,221)	2,382,547
Operating income	¥ 154,529	¥ 16,045	¥ 21,071	¥ 9,733	¥ 491	¥ 201,869	¥ 210	¥ 202,079
II Total assets	¥1,902,301	¥101,103	¥345,618	¥305,358	¥11,280	¥2,665,660	¥(379,647)	¥2,286,013

	Thousands of U.S. dollars (Note 2)							
	Japan	North America	Europe	Asia	Other	Total	Elimination or Corporate	Consolidated
I Revenues and Operating Income								
Revenues:								
(1) Revenues from customers	$19,720,736	$2,068,671	$2,484,780	$1,417,943	$105,119	$25,797,249	$ —	$25,797,249
(2) Inter-segment revenues	236,534	401,672	188,039	156,545	35,378	1,018,168	(1,018,168)	—
Subtotal	19,957,270	2,470,343	2,672,819	1,574,488	140,497	26,815,417	(1,018,168)	25,797,249
Operating costs and expenses	18,414,910	2,310,201	2,462,510	1,477,344	135,601	24,800,566	(1,020,275)	23,780,291
Operating income	$ 1,542,360	$ 160,142	$ 210,309	$ 97,144	$ 4,896	$ 2,014,851	$ 2,107	$ 2,016,958
II Total assets	$18,986,932	$1,009,117	$3,449,623	$3,047,792	$112,582	$26,606,046	$(3,789,266)	$22,816,780

Within the asset balance for the fiscal year ended March 31, 2008, Companywide assets included under Elimination or Corporate had a value of ¥17,592 million ($175,590 thousand). A primary component of this amount is the Company's investment of surplus funds (cash and deposits).

	Millions of yen							
Year ended March 31, 2007:	Japan	North America	Europe	Asia	Other	Total	Elimination or Corporate	Consolidated
I Revenues and Operating Income								
Revenues:								
(1) Revenues from customers	¥1,659,924	¥204,218	¥176,414	¥116,492	¥ 7,232	¥2,164,280	¥ —	¥2,164,280
(2) Inter-segment revenues	17,051	41,290	13,307	13,927	3,666	89,241	(89,241)	—
Subtotal	1,676,975	245,508	189,721	130,419	10,898	2,253,521	(89,241)	2,164,280
Operating costs and expenses	1,602,087	231,381	183,189	121,428	10,709	2,148,794	(89,456)	2,059,338
Operating income	¥ 74,888	¥ 14,127	¥ 6,532	¥ 8,991	¥ 189	¥ 104,727	¥ 215	¥ 104,942
II Total assets	¥1,846,348	¥100,848	¥236,280	¥162,960	¥ 9,782	¥2,356,218	¥(220,776)	¥2,135,442

(1) Change in the Scope of Companywide Assets

In the past, such items as investment securities were treated as Companywide assets. From the consolidated fiscal year ended March 31, 2007, these assets were allocated to individual segments. This change clarifies the assets that individual segments are responsible for managing and reflects the change in the standards of allocation used in administrative handling. As of March 31, 2007, ¥378,781 million ($3,780,625 thousand) that would have been recorded as Companywide assets under the previous method was allocated individually. The following amounts would have been allocated to individual segment under such method.

Year ended March 31, 2007:

	Millions of yen							
	Japan	North America	Europe	Asia	Other	Total	Elimination or Corporate	Consolidated
Total assets	¥1,481,546	¥100,848	¥236,280	¥162,960	¥9,782	¥1,991,416	¥144,026	¥2,135,442

19. 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, 2008 and 2007.

Year ended March 31, 2008:

	Millions of yen				
	North America	Europe	Asia	Other	Total
I International revenues	¥661,493	¥533,395	¥552,613	¥427,898	¥2,175,399
II Consolidated revenues	—	—	—	—	2,584,626
III Ratio of international revenues to consolidated revenues	25.6%	20.6%	21.4%	16.6%	84.2%

	Thousands of U.S. dollars				
	North America	Europe	Asia	Other	Total
I International revenues	$6,602,387	$5,323,832	$5,515,654	$4,270,863	$21,712,736
II Consolidated revenues	—	—	—	—	25,797,249
III Ratio of international revenues to consolidated revenues	25.6%	20.6%	21.4%	16.6%	84.2%

Year ended March 31, 2007:

	Millions of yen				
	North America	Europe	Asia	Other	Total
I International revenues	¥618,980	¥402,881	¥438,545	¥375,492	¥1,835,898
II Consolidated revenues	—	—	—	—	2,164,280
III Ratio of international revenues to consolidated revenues	28.6	18.6	20.3	17.3	84.8

20. Related Party Transactions:

The Company were contingently liable as guarantors of indebtedness of related parties at March 31, 2008 and 2007 as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Guarantee amount	¥40,818	¥39,890	$407,403

21. Subsequent Events:

(1) Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2008 was approved at the Company's shareholders' meeting held on June 24, 2008:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Year-end cash dividends, ¥12.00 ($0.12) per share	¥14,737	$147,086

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, 2007 and 2008, and the related consolidated statements of income, 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, 2007 and 2008, 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.

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

June 24, 2008

Operating Risks

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

(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 ships 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, 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 create stable operating revenue that is not affected by overall changes in the shipping market. However, changes in the balance of shipping supply and demand, such as a falloff in international freight demand or increasingly severe competition, could cause a substantial decline in shipping revenues or ship rental income. Such a situation could impact the operating performance and financial condition of the NYK Group.

(3) 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 reduce this risk, where possible we denominate costs in U.S. dollars and use hedging transactions, such as foreign exchange contracts and currency swaps. 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.

(4) CHANGES IN FUEL PRICES

The NYK Group regularly purchases bunker oil for use as fuel for vessels operating throughout the world. Bunker oil prices fluctuate according to changes in the global crude oil supply and demand situation, and other changes involving OPEC and crude oil producing countries. We minimize the effect of such events by maintaining diverse fuel procurement sources, engaging in futures transactions and conserving on fuel consumption. Even so, steep rises or ongoing high levels of crude oil prices could impact the operating performance and financial condition of the NYK Group.

(5) 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) 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.

(7) STRONGER LEGISLATION ON ENVIRONMENTAL PRESERVATION, SAFETYAND SECURITY

The NYK Group recognizes the vital importance of environmental conservation activities and the security and safety of its distribution supply chain to its worldwide 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, SOx, and Nox emissions; and the use of electronically controlled engines. The costs required to respond to increasingly stringent legislative measures or social expectations on environmental preservation—including the prevention of global warming, atmospheric pollution, and the preservation of biodiversity, as well as safety and security, could affect the operating performance and financial condition of the NYK Group.

(8) 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.

(9) INVESTMENT PLANS

Although the NYK Group's plans include investment in the expansion of its fleet of ships 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.

(10) FLUCTUATIONS IN INTEREST RATES

Internal funding provides the NYK Group with some of the funds it requires for the investment in vessels, aircraft and operations, capital equipment and operations. Other funds are procured from outside sources, and some of this external funding carries 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.

(11) DISPOSAL OF VESSELS

Changes in shipping demand and supply 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 cancel certain charter contracts. Such activities could affect the operating performance and financial condition of the NYK Group.

(12) VALUATION LOSSES ON INVESTMENT SECURITIES

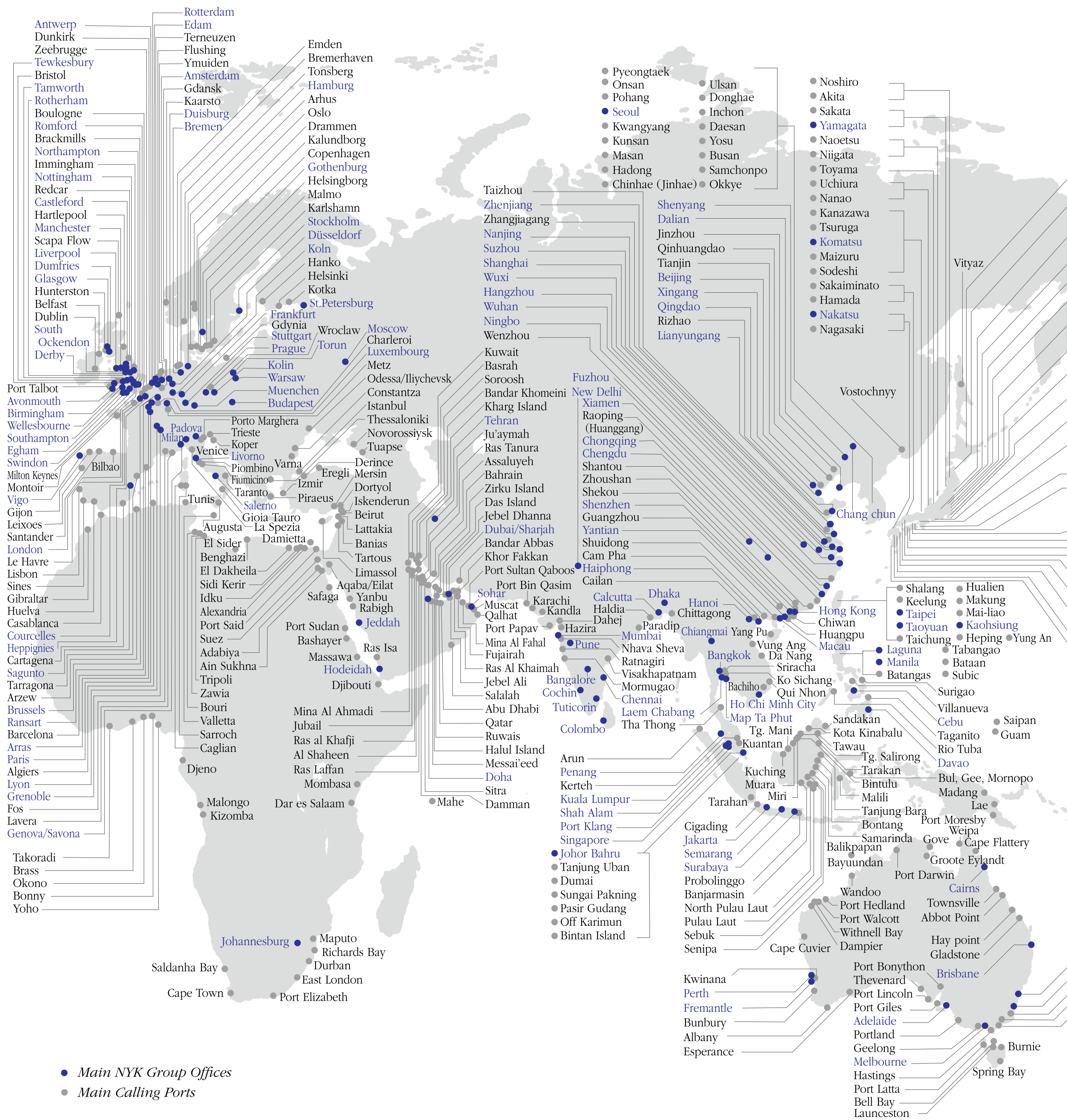
The NYK Group uses the current value method to evaluate its holdings of investment securities that have explicit market values, taking as the market value the average market price during the one-month period preceding the end of the fiscal year. As a result, shifts in stock market conditions can result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

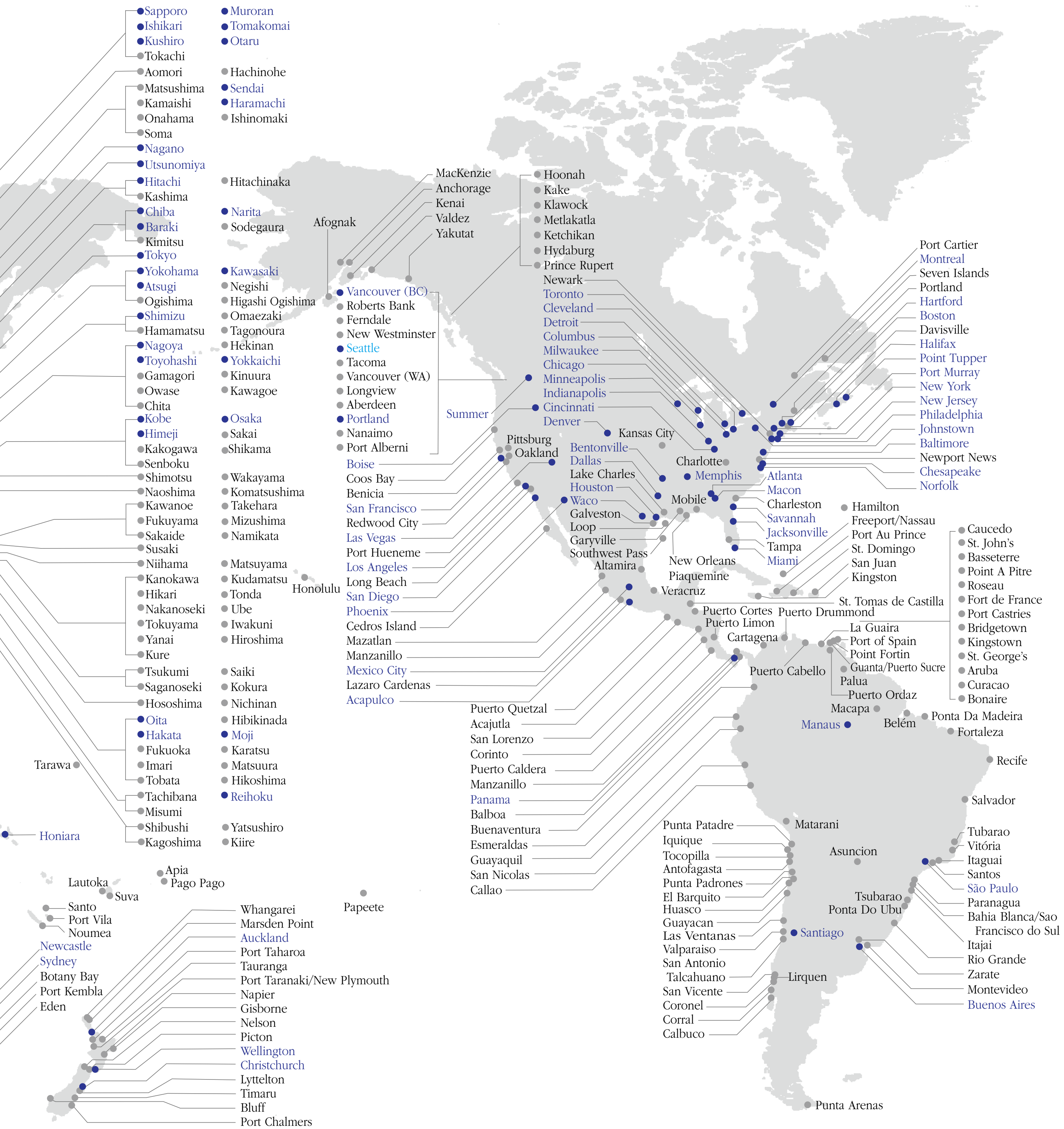
(13) RETIREMENT BENEFITS PLAN

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.

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.

Worldwide Service Network





Sapporo
Ishikari
Kushiro
Tokachi
Aomori
Matsushima
Kamaishi
Onahama
Soma
Nagano
Utsunomiya
Hitachi
Kashima
Chiba
Baraki
Kimitsu
Tokyo
Yokohama
Atsugi
Ogishima
Shimizu
Hamamatsu
Nagoya
Toyohashi
Gamagori
Owase
Chita
Kobe
Himeji
Kakogawa
Senboku
Shimotsu
Naoshima
Kawanoe
Fukuyama
Sakaide
Susaki
Niihama
Kanokawa
Hikari
Nakanoseki
Tokuyama
Yanai
Kure
Tsukumi
Saganoseki
Hososhima
Oita
Hakata
Fukuoka
Imari
Tobata
Tachibana
Misumi
Shibushi
Kagoshima
Muroran
Tomakomai
Otaru
Hachinohe
Sendai
Haramachi
Ishinomaki
Hitachinaka
Narita
Sodegaura
Kawasaki
Negishi
Higashi Ogishima
Omaezaki
Tagonoura
Hekinan
Yokkaichi
Kinuura
Kawagoe
Osaka
Sakai
Shikama
Wakayama
Komatsushima
Takehara
Mizushima
Namikata
Matsuyama
Kudamatsu
Tonda
Ube
Iwakuni
Hiroshima
Saiki
Kokura
Nichinan
Hibikinada
Moji
Karatsu
Matsuura
Hikoshima
Reihoku
Yatsushiro
Kiire
Tarawa
Honiara
Lautoka
Suva
Apia
Pago Pago
Santo
Port Vila
Noumea
Newcastle
Sydney
Botany Bay
Port Kembla
Eden
Papeete
Whangarei
Marsden Point
Auckland
Port Taharoa
Tauranga
Port Taranaki/New Plymouth
Napier
Gisborne
Nelson
Picton
Wellington
Christchurch
Lyttelton
Timaru
Bluff
Port Chalmers
Afognak
Honolulu
MacKenzie
Anchorage
Kenai
Valdez
Yakutat
Hoonah
Kake
Klawock
Metlakatla
Ketchikan
Hydaburg
Prince Rupert
Vancouver (BC)
Roberts Bank
Ferndale
New Westminster
Seattle
Tacoma
Vancouver (WA)
Longview
Aberdeen
Portland
Nanaimo
Port Alberni
Summer
Boise
Coos Bay
Benicia
San Francisco
Redwood City
Las Vegas
Port Hueneme
Los Angeles
Long Beach
San Diego
Phoenix
Cedros Island
Mazatlan
Manzanillo
Mexico City
Lazaro Cardenas
Acapulco
Pittsburg
Oakland
Newark
Toronto
Cleveland
Detroit
Columbus
Milwaukee
Chicago
Minneapolis
Indianapolis
Cincinnati
Denver
Kansas City
Bentonville
Dallas
Lake Charles
Houston
Waco
Galveston
Loop
Garyville
Southwest Pass
Altamira
Charlotte
Memphis
Mobile
New Orleans
Piaquemine
Veracruz
Atlanta
Macon
Charleston
Savannah
Jacksonville
Tampa
Miami
Port Cartier
Montreal
Seven Islands
Portland
Hartford
Boston
Davisville
Halifax
Point Tupper
Port Murray
New York
New Jersey
Philadelphia
Johnstown
Baltimore
Newport News
Chesapeake
Norfolk
Hamilton
Freeport/Nassau
Port Au Prince
St. Domingo
San Juan
Kingston
St. Tomas de Castilla
Puerto Cortes
Puerto Drummond
Puerto Limon
Cartagena
La Guaira
Port of Spain
Point Fortin
Guanta/Puerto Sucre
Palua
Puerto Ordaz
Puerto Cabello
Caucedo
St. John's
Basseterre
Point A Pitre
Roseau
Fort de France
Port Castries
Bridgetown
Kingstown
St. George's
Aruba
Curacao
Bonaire
Puerto Quetzal
Acajutla
San Lorenzo
Corinto
Puerto Caldera
Manzanillo
Panama
Balboa
Buenaventura
Esmeraldas
Guayaquil
San Nicolas
Callao
Macapa
Manaus
Belém
Ponta Da Madeira
Fortaleza
Recife
Salvador
Matarani
Punta Patadre
Iquique
Tocopilla
Antofagasta
Punta Padrones
El Barquito
Huasco
Guayacan
Las Ventanas
Valparaiso
San Antonio
Talcahuano
San Vicente
Coronel
Corral
Calbuco
Asuncion
Santiago
Lirquen
Tsubarao
Ponta Do Ubu
Tubarao
Vitória
Itaguai
Santos
São Paulo
Paranagua
Bahia Blanca/Sao
Francisco do Sul
Itajai
Rio Grande
Zarate
Montevideo
Buenos Aires
Punta Arenas

Major Consolidated Subsidiaries and Affiliates

(As of March 31, 2008)

Domestic

(Millions of yen)

Company	NYK's ownership+ (%)	Revenues	Total assets	Paid-in capital
LINER				
NYK Line (Japan) Ltd.	100.00	¥3,486	¥561	¥100
NYK-Hinode Line, Ltd.	100.00	46,739	34,957	2,100
Tokyo Senpaku Kaisha, Ltd.	100.00	86,259	13,039	1,899
BULK SHIPPING				
Asahi Shipping Co., Ltd.	69.66	¥13,006	¥7,924	¥495
Badak LNG Transport, Inc.*1	25.00	6,288	1,304	80
Camellia Line Co., Ltd.	51.00	6,807	1,354	400
Geneq Corporation*3	55.00	15,147	14,778	242
Hachiuma Steamship Co., Ltd.	68.76	15,026	6,082	500
Kinkai Yusen Logistics Co., Ltd.	100.00	18,928	13,309	450
Kyoei Tanker Co., Ltd.*1	30.01	11,917	14,291	2,850
Mitsubishi Ore Transport Co., Ltd.*1	40.93	8,849	7,664	1,500
NYK Global Bulk Corporation	100.00	135,512	115,609	4,150
NYK LNG Shipmanagement Ltd.	100.00	646	529	99
Ogasawara Kaiun Co., Ltd.*1	50.00	1,900	3,001	10
Pacific Maritime Corporation	100.00	5,658	3,286	50
Shinwa Kaiun Kaisha Ltd.*1	27.00	109,271	75,065	8,100
Taiheiyo Kaiun Co., Ltd.*1	22.81	13,827	33,379	2,750
Taiheiyo Kisen Kaisha, Ltd.*1	32.17	12,798	7,861	2,100
Transocean LNG Yuso Ltd.*1	20.00	3,052	1,034	95
LOGISTICS				
Asahi Unyu Kaisha, Ltd.*3	95.00	¥14,754	¥10,201	¥100
NYK Logistics (Japan) Co., Ltd.*4	100.00	17,812	3,628	490
UNI-X Corporation*3	78.50	24,813	15,263	934
Yokohama Kyoritsu Soko Co., Ltd.	84.88	2,308	2,194	446
Yusen Air & Sea Service Co., Ltd.	59.79	78,827	52,930	4,301
Yusen Air & Sea Service (Chugoku) Co., Ltd.	100.00	654	503	30
Yusen Air & Sea Service (Hokuriku) Co., Ltd.	100.00	236	198	20
Yusen Air & Sea Service (Kitakanto) Co., Ltd.	80.00	489	329	50
Yusen Air & Sea Service (Kyushu) Co., Ltd.	100.00	555	527	30
Yusen Air & Sea Service (Shinshu) Co., Ltd.	90.00	840	684	50
Yusen Air & Sea Service (Tohoku) Co., Ltd.	100.00	379	172	30
Yusen Air & Sea Service (Tsukuba) Co., Ltd.	100.00	837	756	50
Yusen Air & Sea Service Keihin Trans Co., Ltd.	90.00	546	344	36
Yusen Air Loginet Co., Ltd.	100.00	1,041	156	20
Yusen Air Logistics (Hamamatsu) Co., Ltd.	100.00	384	178	20
Yusen Air Logitec Co., Ltd.*5	100.00	3,983	604	20
Yusen Kairiku Unyu Kaisha Ltd.*3	70.19	2,673	1,396	50
Yusen Koun Co., Ltd.*3	76.00	11,997	3,295	100
TERMINAL RELATED SERVICES				
Asahi Unyu Kaisha, Ltd.*3	95.00	¥14,754	¥10,201	¥100
Geneq Corporation*3	55.00	15,147	14,778	242
Hirokura Co., Ltd.	97.78	1,454	1,383	90
Honma Corporation	91.00	4,173	3,512	50

(Millions of yen)

Company	NYK's ownership+ (%)	Revenues	Total assets	Paid-in capital
Hoyo Kaiun Sangyo K.K.	100.00	1,136	1,638	100
Kaiyo Kogyo Co., Ltd.	100.00	5,941	2,920	90
Kaiyo Sangyo Co., Ltd.	100.00	331	496	20
Kanto Eisen Kaisha	64.00	212	731	10
Nagoya Kisen Kaisha, Ltd.	99.86	830	1,169	90
Naikai Tug Boat Service Co., Ltd.	89.87	5,806	8,368	98
Nippon Container Terminals Co., Ltd.	51.00	12,005	7,277	250
Nippon Container Yuso Co., Ltd.	51.00	8,234	2,305	250
Nippon Kaiyosha, Ltd.	100.00	3,624	10,885	490
Nishinihon Kaiun Kaisha, Ltd.*1	50.00	3,350	2,857	50
Oita Rinkai Kogyo Co., Ltd.	60.00	2,401	1,498	30
Sanyo Kaiji Kaisha, Ltd.*1	50.00	5,826	9,233	90
Tomakomai Kaiun Co., Ltd.	100.00	1,032	955	40
UNI-X Corporation*3	78.50	24,813	15,263	934
Yusen Kairiku Unyu Kaisha Ltd.*3	70.19	2,673	1,396	50
Yusen Koun Co., Ltd.*3	76.00	11,997	3,295	100
CRUISE				
NYK Cruises Co., Ltd.	100.00	¥14,866	¥15,297	¥2,000
AIR CARGO TRANSPORTATION				
Nippon Cargo Airlines Co., Ltd.	83.98	¥97,935	¥100,961	¥50,574
REAL ESTATE				
Meiyu Real Estate Co., Ltd.*1	50.00	¥333	¥1,846	¥225
Yokohama Building Co., Ltd.	71.39	526	1,080	215
Yusen Real Estate Corporation	100.00	4,963	11,897	450
OTHERS				
Chiba Kaiun Sangyo Co., Ltd.	100.00	¥365	¥545	¥30
Crystal Sports Club	100.00	701	889	35
Crystal Yacht Club Inc.	100.00	556	164	300
Daitoh Marine Engineering Co., Ltd.	100.00	1,407	924	40
Hikawa Marine Corp.	100.00	5,458	1,512	60
Japan Marine Science Inc.	100.00	1,587	1,396	300
Keihin Dock Co., Ltd.	100.00	2,352	1,726	30
Marunouchi Pole Star Ltd.	47.13	666	277	50
Monohakobi Technology Institute	100.00	2,417	1,336	99
Nippon Nozzle Seiki Co., Ltd.	53.23	1,680	1,300	42
Nippon Yuka Kogyo Co., Ltd.	100.00	1,436	1,288	20
NYK Accounting Co., Ltd.	100.00	1,803	2,219	99
NYK Engineering Co., Ltd.	100.00	2,504	1,887	10
NYK Systems Research Institute	100.00	18,758	3,221	99
NYK Trading Corporation	78.19	147,282	25,749	1,246
Ryowa Diamond Air Service Co., Ltd.	99.17	536	608	50
Sanyo Navtec Co., Ltd.	60.00	1,152	279	50
Sanyo Trading Co., Ltd.	45.05	8,074	5,336	100
Taiyo Graphic Co.,Ltd.	100.00	840	958	100
Toyo Reefer Co., Ltd.	100.00	409	550	10
United Maritime Co., Ltd.	100.00	667	858	40
Yokohama Denko (Electric) Co., Ltd.	100.00	1,848	1,184	30
Yusen Cordial Service Co., Ltd.	100.00	2,631	1,329	35
Yusen Jyoho Kaihatsu Co., Ltd.	100.00	2,829	1,050	80
Yusen Navtec Co., Ltd.	100.00	1,879	734	80
Yusen Travel Co., Ltd.	100.00	4,973	5,731	270

Overseas

(Millions of indicated units)

Company	NYK's ownership+ (%)	Revenues	Total assets	Paid-in capital
LINER				
NYK de Mexico, S.A. de C.V.	100.00	MXN50	MXN54	MXN12
NYK Fil-Japan Shipping Corp.	51.00	PHP314	PHP310	PHP52
NYK Group Europe Ltd.*3	100.00	£73	£137	£75
NYK Group South Asia Pte. Ltd.	100.00	SP$33	SP$89	SP$13
NYK Information Service (Guangzhou) Ltd.	100.00	CHY11	CHY5	CHY4
NYK Line (Australia) Pty Ltd.	100.00	A$13	A$22	A$2
NYK Line (Bangladesh) Ltd.*3	98.00	BDT144	BDT159	BDT32
NYK Line (Benelux) B.V.	100.00	EU13	EU31	EU0.5
NYK Line (Canada) Inc.	100.00	C$5	C$2	C$0.3
NYK Line (China) Co., Ltd.	100.00	US$25	US$48	US$2
NYK Line (Deutschland) GmbH	100.00	EU12	EU34	EU1
NYK Line (Europe) Ltd.	100.00	£0	£6	£2
NYK Line (Hong Kong) Ltd.	100.00	HK$128	HK$775	HK$55
NYK Line (India) Ltd.	90.00	INR253	INR993	INR30
NYK Line (Korea) Co., Ltd.	100.00	KRW7,706	KRW3,918	KRW1,304
NYK Line (Macau) Ltd.	100.00	MOP5	MOP8	MOP0.1
NYK Line (New Zealand) Ltd.	100.00	NZ$4	NZ$11	NZ$1
NYK Line (North America) Inc.	100.00	US$96	US$102	US$5
NYK Line (Thailand) Co., Ltd.	100.00	B348	B1,105	B10
NYK Line do Brasil Ltda.	100.00	BRL24	BRL19	BRL7
NYK Songkhla Co., Ltd.	60.00	B14	B37	B5
NYK Sudamerica (Chile) Ltda.	100.00	CLP4,242	CLP11,579	CLP197
Pacific Rim Container Depot (S) Pte Ltd.	100.00	SP$4	SP$3	SP$1
Sun Tay Kee Ltd.	100.00	HK$4	HK$3	HK$2
TSK Line (S) Pte Ltd.	100.00	SP$7	SP$4	SP$0.4
Wangfoong Terminal Services Ltd.	100.00	HK$10	HK$28	HK$1
BULK SHIPPING				
Accessory Plant Zeebrugge N.V.	100.00	EU5	EU4	EU0.06
Antwerp Car Processing Center N.V.	100.00	EU31	EU118	EU103
Asia LNG Transport Dua Sdn. Bhd.*1	49.00	US$19	US$46	US$0.04
Asia LNG Transport Sdn. Bhd.*1	49.00	US$31	US$39	US$8
Combined Terminal Operators N.V.	90.00	EU46	EU40	EU7
Eminence Bulk Carriers Pte. Ltd.*1	50.00	US$11	US$27	US$1
International Car Operators (Benelux) N.V.	100.00	EU5	EU106	EU0.1
International Car Operators Ltd.	100.00	£7	£3	£0.01
NYK Bulkship (Asia) Pte. Ltd.	100.00	US$156	US$180	US$8
NYK Bulkship (Atlantic) N.V.	100.00	US$299	US$254	US$26
NYK Bulkship (China) Ltd.	100.00	HK$28	HK$16	HK$3
NYK Bulkship (Europe) Ltd.	100.00	US$44	US$64	US$5
NYK Bulkship (Korea) Co. Ltd.	100.00	KRW41,460	KRW56,989	KRW11,386
NYK Armateur S.A.S.*1	60.00	EU12	EU8	EU0.04
NYK Finance (UK) Plc	100.00	£0	£27	£4
NYK Group Europe Ltd.*3	100.00	£73	£137	£75
NYK Line (Europe) RORO Ltd.	100.00	£0	£1	£0.3
NYK LNG Finance Co., Ltd.	100.00	US$15	US$236	US$0.01
NYK LNG Shipmanagement (UK) Ltd.	100.00	US$3	US$5	US$2
NYK Reefers Ltd.	100.00	¥10,759	¥15,333	¥4,000
NYK RORO (Thailand) Co., Ltd.	100.00	B112	B84	B27
NYK Shipmanagement Pte. Ltd.	100.00	US$20	US$54	US$0.5
Saga Shipholding (IOM) Ltd.	100.00	US$0	US$4	US$0.3
Saga Shipholding (Norway) AS	100.00	US$154	US$355	US$6

(Millions of indicated units)

Company	NYK's ownership+ (%)	Revenues	Total assets	Paid-in capital
Straits Auto Logistics Sdn. Bhd.*1	40.00	RM62	RM55	RM2
United European Car Carriers B.V.*1	50.00	EU406	EU304	EU62
Zeebrugge Shipping and Bunkering Company N.V.	90.00	EU6	EU14	EU0.3
Tata NYK Shipping Pte. Ltd.*1	50.00	US$71	US$16	US$10
LOGISTICS				
Logistics Alliance (Thailand) Co., Ltd.*1	20.00	B1,062	B763	B150
Lorang France S.A.S.	100.00	EU33	EU11	EU0.2
Mondia Arras S.A.S	100.00	EU3	EU1	EU0.04
Mondia Charleroi S.A.	100.00	EU11	EU5	EU1
Mondia Logistics S.A.	100.00	EU6	EU2	EU0.1
Nanhai Business Solutions Pte Ltd.	100.00	SP$2	SP$5	SP$0.1
New Wave Logistics (USA) Inc.	100.00	US$184	US$90	US$7
NYK Auto Carrier (Thailand) Co., Ltd.	100.00	B212	B102	B50
NYK Group Europe Ltd.*3	100.00	£73	£137	£75
NYK Line (Bangladesh) Ltd.*3	98.00	BDT144	BDT159	BDT32
NYK Logistics & BLL of South Africa Pty. Ltd.	51.00	ZAR4	ZAR29	ZAR0.4
NYK Logistics & Kusuhara Lanka (Private) Ltd.	55.00	LKR931	LKR186	LKR7
NYK Logistics (Americas) Inc.	100.00	US$724	US$204	US$3
NYK Logistics (Americas) Inc. (INSD)	100.00	US$10	US$8	US$1
NYK Logistics (Australia) Pty. Ltd.	100.00	A$70	A$16	A$7
NYK Logistics (Belgium) N.V.	100.00	EU60	EU35	EU19
NYK Logistics (China) Co., Ltd.	100.00	CHY1,073	CHY339	CHY158
NYK Logistics (CIS) Ltd.	100.00	£5	£2	£0.00009
NYK Logistics (Czech Republic) S.R.O.	100.00	CK1,199	CK817	CK387
NYK Logistics (Deutschland) GmbH	100.00	EU76	EU30	EU3
NYK Logistics (Edam) B.V.	100.00	EU7	EU3	EU0.02
NYK Logistics (Europe) Ltd.	100.00	£0	£2	£7
NYK Logistics (France) S.A.S.	100.00	EU25	EU42	EU13
NYK Logistics (Fuzhou Bonded Zone) Ltd.	100.00	CHY2	CHY21	CHY22
NYK Logistics (Hong Kong) Ltd.	100.00	HK$729	HK$379	HK$116
NYK Logistics (Hungary) Kft.	100.00	HUF1,447	HUF500	HUF200
NYK Logistics (India) Ltd.	100.00	INR425	INR433	INR249
NYK Logistics (Italy) S.P.A.	98.00	EU28	EU24	EU3
NYK Logistics (Nederland) B.V.	100.00	EU27	EU7	EU0.05
NYK Logistics (Philippines) Inc.	59.00	PHP224	PHP282	PHP100
NYK Logistics (Polska) Sp.Zo.O.	100.00	PZ89	PZ29	PZ2
NYK Logistics (Scandinavia) AB	100.00	SEK112	SEK34	SEK7
NYK Logistics (Shenzhen) Ltd. (Futian)	100.00	CHY4	CHY4	CHY3
NYK Logistics (Singapore) Pte. Ltd.	100.00	SP$44	SP$24	SP$0.3
NYK Logistics (Taiwan) Co., Ltd.	51.00	TW$425	TW$402	TW$220
NYK Logistics (Thailand) Co., Ltd.	90.20	B3,634	B3,166	B70
NYK Logistics (UK) Consumer & Retail Ltd.	100.00	£0	£1	£21
NYK Logistics (UK) Ltd.	100.00	£366	£129	£41
NYK Logistics 2008 Pte. Ltd.*6	100.00	SP$4	SP$0	SP$1
NYK Logistics INSD (Thailand) Ltd.	100.00	B35	B20	B3
NYK Logistics Kaisha Iberica S.A.	100.00	EU12	EU7	EU1
OOO NYK Logistics (CIS)	100.00	RUB170	RUB128	RUB0.3

(Millions of indicated units)

Company	NYK's ownership+ (%)	Revenues	Total assets	Paid-in capital
P.T. Yusen Air & Sea Service Indonesia	80.00	US$36	US$14	US$0.2
Patrick Autocare Pty Ltd.*1	20.00	A$181	A$97	A$34
PT. NYK New Wave Logistics Indonesia	95.00	US$7	US$5	US$1
PT. NYK New Wave Warehousing Indonesia	100.00	US$2	US$9	US$5
PT. NYK Puninar Logistics Indonesia	58.00	US$13	US$20	US$10
Yusen Air & Sea Service (Australia) Pty Ltd.	100.00	A$25	A$13	A$2
Yusen Air & Sea Service (Beijing) Co., Ltd.	75.00	CHY83	CHY32	CHY9
Yusen Air & Sea Service (Benelux) B.V.	100.00	EU38	EU25	EU1
Yusen Air & Sea Service (Canada) Inc.	100.00	C$20	C$17	C$5
Yusen Air & Sea Service (China) Ltd.	100.00	HK$9	HK$63	HK$11
Yusen Air & Sea Service (Deutschland) GmbH	100.00	EU44	EU26	EU4
Yusen Air & Sea Service (France) S.A.R.L.	100.00	EU12	EU12	EU5
Yusen Air & Sea Service (Hong Kong) Ltd.	100.00	HK$1,283	HK$689	HK$55
Yusen Air & Sea Service (Italia) S.R.L.	100.00	EU9	EU5	EU1
Yusen Air & Sea Service (Korea) Co., Ltd.	100.00	KRW22,077	KRW12,122	KRW2,000
Yusen Air & Sea Service (Philippines) Inc.	51.00	PHP2,070	PHP556	PHP175
Yusen Air & Sea Service (Singapore) Pte. Ltd.	100.00	SP$69	SP$63	SP$17
Yusen Air & Sea Service (Taiwan) Ltd.	100.00	TW$1,073	TW$750	TW$23
Yusen Air & Sea Service (Thailand) Co., Ltd.	100.00	B2,387	B765	B100
Yusen Air & Sea Service (UK) Ltd.	100.00	£18	£8	£1
Yusen Air & Sea Service (USA) Inc.	100.00	US$135	US$67	US$14
Yusen Air & Sea Service (Vietnam) Co., Ltd	49.00	US$15	US$5	US$1
Yusen Air & Sea Service Management (Thailand) Co., Ltd.	95.00	B27	B64	B10
Yusen Shenda Air & Sea Service (Shanghai) Ltd.	50.00	CHY550	CHY141	CHY16
TERMINAL RELATED SERVICES				
Ceres Container Terminals Europe B.V.	100.00	EU32	EU94	EU0.2
NYK Terminals (North America) Inc.	100.00	US$310	US$285	US$0.001
NYK Terminals (Taiwan), Inc.	69.00	TW$704	TW$472	TW$150
Tips Co., Ltd.*1	22.00	B1,219	B1,350	B100
Yusen Terminals Inc.	100.00	US$252	US$146	US$3

(Millions of indicated units)

Company	NYK's ownership+ (%)	Revenues	Total assets	Paid-in capital
CRUISE				
Crystal Cruises, Inc.	100.00	US$276	US$185	US$0.04
International Cruise Management Agency A/S	100.00	NOK8	NOK4	NOK2
International Cruise Services Ltd.	100.00	US$1	US$0	US$0.005
AIR CARGO TRANSPORTATION				
NLV Ltd.	100.00	HK$350	HK$56	HK$39
OTHERS				
NSRI (USA) Inc.	100.00	US$103	US$23	US$0.1
NYK Euro Finance Plc	100.00	EU4	EU108	EU10
NYK Finance (Cayman) Ltd.	100.00	US$0	US$4	US$1
NYK FTC (Singapore) Pte. Ltd.	100.00	US$40	US$1,858	US$5
NYK Group Europe Ltd.*3	100.00	£73	£137	£75
NYK International (USA) Inc.	100.00	US$8	US$152	US$2
NYK International Plc	100.00	£3	£58	£20
NYK JP Finance, Ltd.	100.00	¥105	¥5,436	¥0.1
NYK US Finance, Ltd.	100.00	US$14	US$121	US$0.001
YAC International Fc Inc.	100.00	US$6	US$120	US$0.001
YAC International Inc.	100.00	¥128	¥10,586	¥0.1
Yusen Travel (Hong Kong) Ltd.*2	100.00	HK$10	HK$23	HK$2
Yusen Travel (Singapore) Pte., Ltd.*2	100.00	SP$2	SP$3	SP$0.1
Yusen Travel (USA) Inc.*2	100.00	US$1	US$1	US$1

Notes:
*1 Equity-method applicable company
*2 Equity-method applicable consolidated company
*3 Companies whose operations span multiple divisions
*4 Former name: JIT Corporation Co., Ltd.
New name effective from October 1, 2007.
*5 Former name: Yusen Air Logistics (Nagoya) Co., Ltd.
New name effective from June 1, 2007.
*6 Former name: NYK Logistics (Asia) Pte., Ltd.
New name effective from March 5, 2008.

+ Includes holdings of subsidiaries

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

Directors & Auditors

(As of April 1, 2008)

Chairman	Takao Kusakari	
Executive Vice-Chairman	Yasushi Yamawaki	
President	Koji Miyahara	
Representative Directors, Executive Vice-Presidents	Hiromitsu Kuramoto	Yasumi Kudo Hiroshi Sugiura
Representative Directors, Senior Managing Corporate Officers	Hiroyuki Shimizu Makoto Igarashi	Shinji Kobayashi
Director, Senior Managing Corporate Officer	Masamichi Morooka	
Director, Managing Corporate Officer	Masahiro Kato	
Directors	Minoru Sato Naoki Takahata	Takao Manji
Managing Corporate Officers	Hidenori Hono Tadaaki Naito Naoya Tazawa Toshinori Yamashita Hiroshi Sekine Kenji Mizushima	Hiroshi Hattori Yuji Semba Takeshi Matsunaga Tomoyuki Matsubara Hiroshi Hiramatsu
Corporate Officers	Tetsufumi Otsuki Masato Katayama Mikitoshi Kai Wataru Nakamae Shoji Murakami Fukashi Sakamoto Peter Keller Takeshi Yukawa Koichi Akamine Takuji Nakai	Takatake Naraoka Yasuyuki Usui Susumu Akeno Tetsuichi Nozaki Satoshi Akagi Hitoshi Nagasawa Ian Veitch Yasushi Takada Hiroaki Tsuchiya Hidetoshi Maruyama
Corporate Auditors (Full-time)	Shigeru Shimizu	Yukio Ozawa
Outside Corporate Auditor (Part-time)	Hidehiko Haru	
*Outside Corporate Auditor (Part-time)**	Takaji Kunimatsu	

* Mr. Takaji Kunimatsu was elected as a person who is to temporarily perform the duties of an Outside Corporate Auditor, by Tokyo District Court.

CHANGES (Effective from June 24, 2008)

Director Candidates	Hidenori Hono Tadaaki Naito Yuri Okina	Hiroshi Hattori Yukio Okamoto
Outside Corporate Auditor & Candidate for Reappointment (Part-time)	Takaji Kunimatsu	
Retiring Directors	Minoru Sato Naoki Takahata	Takao Manji

Company Information

(As of March 31, 2008)

Company Name
Nippon Yusen Kabushiki Kaisha

Established
September 29, 1885

Paid-in Capital
¥88,531,033,730

Main Activities

1. Marine transportation
2. Land transportation
3. Air transportation
4. Agency business for marine transportation and land transportation
5. Warehousing
6. Harbor transportation
7. Combined transportation by sea, land and air, and agency business connected therewith
8. Business relating to marine exploitation and development
9. Sale and purchase of vessels
10. Counselling relating to building and repair of vessels and marine structures
11. Business relating to information on transportation
12. Loans to, guarantees for, and investments in other businesses than those enumerated herein
13. Sale, purchase and lease of real estate
14. Possession, lease, maintenance and management of marine leisure facilities
15. Business relating to travel pursuant to the Travel Agency Law
16. Trades and sales of ornamental plants
17. Other undertakings incidental to, or connected with, the items mentioned above

Employees
Land: 1,268 Sea: 375 Total: 1,643

Head Office
3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Mailing Address: C.P.O. Box 1250, Tokyo 100-8613, Japan
Telephone: +81-3-3284-5151
Web site: http://www.nyk.com/

Investor Information

(As of March 31, 2008)

Fiscal Year	April 1 to March 31
Ordinary General Meeting	The Ordinary General Meeting of Shareholders is held in June each year. 2008 Ordinary General Meeting: June 24, 2008
Common Stock	Number of authorized shares: 2,983,550,000 shares Number of issued and outstanding shares: 1,230,188,073 shares (including treasury stock: 2,142,238)

Principal Shareholders

	Number of shares held (thousands)
The Master Trust Bank of Japan, Ltd. (Trust Account)	80,063
Japan Trustee Services Bank, Ltd. (Trust Account)	77,131
State Street Bank and Trust Co.	58,571
Tokio Marine & Nichido Fire Insurance Co., Ltd.	57,275
The Master Trust Bank of Japan, Ltd. (Mitsubishi Heavy Industries, Ltd. Account (Retirement Allowance Trusty Account))	54,717
Meiji Yasuda Life Insurance Co.	38,899
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	36,978
Mizuho Corporate Bank, Ltd.	17,167
The Sumitomo Trust & Banking Co., Ltd. (Trust B Account)	16,619
Trust & Custody Services Bank, Ltd. (Trust Account)	16,063

Stock Exchange Listings

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

Custodian of the Register of Shareholders

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

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

Method of Public Notices

The Company distributes its public notices electronically. 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.
http://www.nyk.com/koukoku/

Bringing value to life.

NYK LINE
NIPPON YUSEN KAISHA

NYK LOGISTICS
& MEGACARRIER

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