INFORMATION

The document following this cover sheet exists solely to provide English translations of selected information in the original Japanese text and the documents attached to the Notice of Ordinary General Meeting of Shareholders for reference only.

The original Japanese text of the Notice of Ordinary General Meeting of Shareholders should be available to foreign shareholders at their respective sub-custodians in Japan. Please contact your custodian with your voting instructions as soon as possible.

Shareholders who hold one thousand or more shares of record on the original register of shareholder as of March 31, 2018 will be invited to attend the meeting.

Notice of the 131st Ordinary General Meeting of Shareholders

The 131st Fiscal Year
Report

From April 1, 2017
to March 31, 2018

Nippon Yusen Kabushiki Kaisha

Notes: 1. The forecast incorporates certain assumptions the Company regarded as rational expectations at the time this report was announced. Actual results could differ materially from those projected figures.
2. Fractions of amounts and the numbers of shares in this report are rounded down.
3. ( ) indicates minus.

Greetings from the President

I would like to express my sincere gratitude to our shareholders for your understanding and support for NYK Group's corporate activities. With the arrival of the notice of the General Meeting of Shareholders, I would like to share a few words.

Looking back at the business environment in FY2017, we improved our performance compared to the previous fiscal year by pursuing economy in fleet management and by striving to allocate and operate our fleet efficiently, amid a recovery in shipping market conditions attributable to growing demand for cargo transportation, supported by the gradual recovery of the global economy.

In February 2018, YUSEN LOGISTICS CO., LTD. became our wholly owned subsidiary, and it will work to strengthen our logistics business base as the core of the NYK Group. Additionally, the container shipping business venture Ocean Network Express Pte. Ltd., established jointly with Kawasaki Kisen Kaisha, Ltd. and Mitsui O.S.K. Lines, Ltd., officially launched service in April 2018.

In March 2018, the NYK Group released its new medium-term management plan, "Staying Ahead 2022 with Digitalization and Green." To survive in uncertain times, we will strive to become more resilient to changes in the business environment and improve our profitability by further optimizing our portfolio and building up the stable-freight-rate business. We will also accelerate growth by actively advancing Digitalization and Green initiatives that address challenges such as optimizing the entire supply chain and creating new value in the environmental field, by ideally combining our source of competitiveness, including our cultivated on-site capabilities and global network, with the leading-edge systems, IoT, and other technologies created by the society.

We propose a fiscal year-end dividend of ¥30.00 per share. Our forecast of consolidated results for the upcoming period (FY2018) is: revenues of ¥1,805.0 billion, operating income of ¥37.0 billion, recurring profit of ¥40.0 billion, and profit attributable to owners of parent of ¥29.0 billion. Based on these forecasts, we are planning an interim dividend of ¥20.00 per share, a year-end dividend of ¥20.00 per share, and a total annual dividend of ¥40.00 per share (a consolidated payout ratio of 23.3%).

With regard to the activities of NYK's maritime car transportation service during the previous fiscal years which were found to be in violation of Antimonopoly Law, we deeply apologize for causing concerns to our shareholders. NYK will continue to devote our best efforts to preventing recurrence and to ensuring thorough compliance to laws and regulations, as we conduct business according to fair market principles.

We do appreciate further understanding and support.

May 2018



Tadaaki Naito
President

* Guidelines related to Corporate Governance (Corporate Governance Guidelines; Our Views on Size, Balance and Diversity of the Board of Directors; Policies and Procedures for the Appointment and Nomination of Directors, Audit & Supervisory Board Members and Corporate Officers; Independence Criteria for Recommendation of Candidates for Outside Directors and Audit & Supervisory Board Members; Policies and Procedures for Determining Compensation for Directors, Audit & Supervisory Board Members and Corporate Officers; Rules on the Nomination Advisory Committee; and Rules on the Compensation Advisory Committee) have been posted on the Company's website on the Internet (http://www.nyk.com/english/csr/gvn/guideline/index.html).

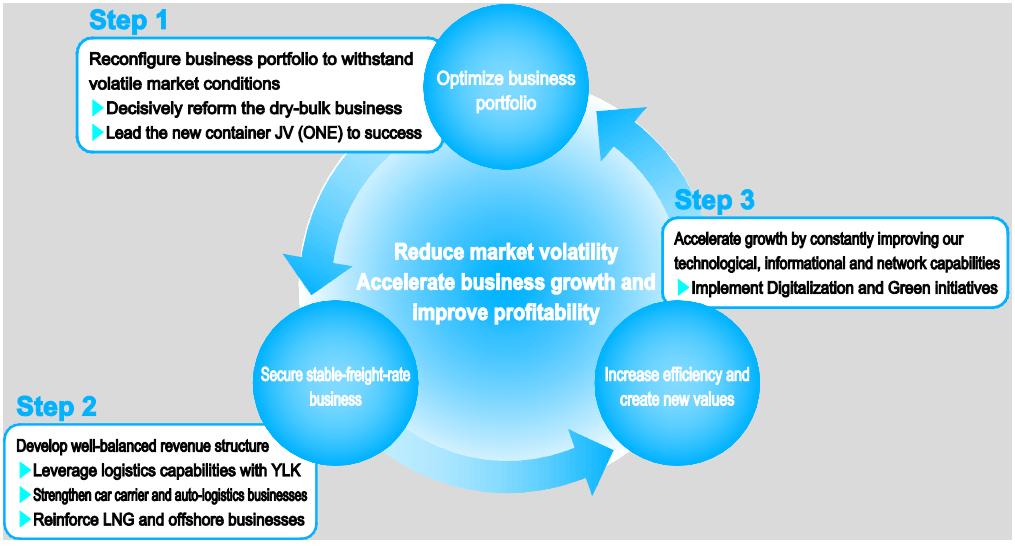
The New Medium-Term Management Plan "Staying Ahead 2022 with Digitalization and Green"

Nippon Yusen Kabushiki Kaisha (hereafter, "NYK") formulates the new medium-term management plan, "Staying Ahead 2022 with Digitalization and Green." The new medium-term management plan states NYK's corporate vision and management approach over the next five years from April 2018, which are designed to achieve sustainable growth by expeditiously adapting to the altering business environment.

The business environment surrounding NYK group is increasing its uncertainty as a consequence of today's volatile shipping market condition, rising geopolitical risk and rapid technological evolution. To survive in such uncertain times, NYK group will take optimal actions to reduce market volatility and improve its profit by further reconfiguring its business portfolio and securing stable-freight-rate business. Also, NYK group will accelerate its growth by advancing its activities with a focus particularly on the keywords "Digitalization" and "Green." This new challenge is to optimize the entire supply chain environmentally sustainable as well as to produce innovative values in the field of renewable energy, by ideally combining NYK's core competence, including our cultivated on-site capabilities and global network, with the leading-edge systems, IoT, and other technologies created by the society.

NYK Group will deliver new values with the constant "staying half a step ahead" spirit, promoting each and every employee to develop their "realization" and "materialization" skills. In addition, to further accelerate efforts to establish a stable business base and enrich its corporate value, NYK Group ensures management transparency and enhancement of its corporate governance.

Amid changes in our business environment, when formulating our plan, we redefined the Basic Philosophy of the NYK Group Mission Statement as "Bringing value to life," in order to broadly embed the universal spirit of enriching people's lives through our business.



To Our Shareholders

May 29, 2018

Notice of the 131st Ordinary General Meeting of Shareholders

To the Shareholders of Nippon Yusen Kabushiki Kaisha:

You are cordially invited to attend the 131st Ordinary General Meeting of Shareholders of Nippon Yusen Kabushiki Kaisha to be held as follows.
When attending the meeting, please submit the enclosed Voting Form (orange colored) at the reception desk on arrival at the meeting.
If you are unable to attend the meeting, you may exercise your voting rights by either of the methods described below. Please review the Reference Documents for the General Meeting of Shareholders shown in the following pages (p. 9 through 26) and exercise your votes.

Voting by Mail
Please review the "Guidance on the Exercise of Votes" as described in pages 7 and 8, indicate your vote for or against each of the proposals on the enclosed Voting Form, and return the form by 5:00 p.m. Japan Time, Tuesday, June 19, 2018.

Voting via an electromagnetic method (such as the Internet, etc.)
If you exercise votes via the Internet, please review the "Guidance on the Exercise of Votes" as described in pages 7 and 8, and exercise your vote by 5:00 p.m. Japan Time, Tuesday, June 19, 2018.

Yours faithfully

Nippon Yusen Kabushiki Kaisha

Tadaaki Naito
President

ISIN	JP3753000003
SEDOL	6643960
TSE	9101

1. Date: 10:00 a.m., Wednesday, June 20, 2018 (The reception desk will open at 9:00 a.m.)

2. Place: PALACE HOTEL TOKYO, second level “Aoi” ballroom
1-1-1 Marunouchi, Chiyoda-ku, Tokyo

As the venue of the meeting has changed from the usual place, please make sure that you go to the new venue.
If “Aoi” is full, please kindly note that we may guide you to Room No.2.

3. Agenda of the Meeting:
Matters to be reported: 1) The Business Report, the Consolidated Financial Statements and the results of audits of the Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Board for the 131st Fiscal Year (from April 1, 2017 to March 31, 2018)
2) Unconsolidated Financial Statements for the 131st Fiscal Year (from April 1, 2017 to March 31, 2018)

Proposals to be resolved:

Proposal No.1:	Appropriation of surplus
Proposal No.2:	Partial amendments to the Articles of Incorporation
Proposal No.3:	Election of nine Directors

Notes: The Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Unconsolidated Financial Statements that should be attached to the Notice of Convocation are as described from page 9 to page 26 and page 32 to page 86.

4. Items relating to the exercise of votes:
(1) If you make no selection as to approval/disapproval for the respective proposals, you shall be deemed to have expressed intent to give approval as to the proposals.
(2) In the event that the exercise of votes is duplicated by both the method of mailing the Voting Form and via the Internet, the exercise of votes via the Internet shall be deemed valid. In addition, in the event that votes are exercised via the Internet two or more times, the most recent exercise of votes shall be deemed valid.
(3) If you are unable to attend the Ordinary General Meeting of Shareholders, you may exercise your votes by appointing one proxy who shall be a shareholder with votes present at the meeting; provided that, the shareholder or his/her proxy shall submit to the Company a document evidencing his/her power of representation.

5. Method to announce the revision of the content:
If the need arises to revise the content of the Reference Documents for the General Meeting of Shareholders, Business Report, Unconsolidated Financial Statements, Consolidated Financial Statements and/or items in this Notice, the revised items will be announced on “General Shareholders Meeting” page under “IR Event” in “Investor Relations” section of our website on the Internet (http://www.nyk.com/release/IR_meeting.html). (Japanese only)

Guidance on the Exercise of Votes

Please exercise your votes by either of the following methods.

Voting by attending the meeting in person

Please present the enclosed Voting Rights Exercise Form at the reception desk on the day of the General Meeting of Shareholders.

Date and time of the meeting: 10:00 a.m., Wednesday, June 20, 2018

Voting via an electromagnetic method (such as the Internet, etc.)

Please exercise your voting rights by the deadline by accessing the website for exercising votes (https://evote.tr.mufg.jp/) designated by the Company.

Voting deadline: 17:00 p.m., Tuesday, June 19, 2018

Voting by mail

Please indicate your vote for or against each of the proposals on the enclosed Voting Rights Exercise Form and return the form by the deadline.

Voting deadline: 17:00 p.m., Tuesday, June 19, 2018

Items relating to the exercise of votes

(1) If you make no selection as to approval/disapproval for the respective proposals, you shall be deemed to have expressed intent to give approval as to the proposals.

(2) In the event that the exercise of votes is duplicated by both the method of mailing the Voting Form and via the Internet, the exercise of votes via the Internet shall be deemed valid. In addition, in the event that votes are exercised via the Internet two or more times, the most recent exercise of votes shall be deemed valid.

(3) If you are unable to attend the Ordinary General Meeting of Shareholders, you may exercise your votes by appointing one proxy who shall be a shareholder with votes present at the meeting; provided that, the shareholder of his/her proxy shall submit to the Company a document evidencing his/her power of representation.

Guidance on the Exercise of Votes via Electromagnetic Method (such as the Internet, etc.)

Exercise of votes via the Internet may be done by accessing the website for exercising votes (https://evote.tr.mufg.jp/) designated by the Company using a PC, smartphone or mobile phone (access is unavailable between 2:00 a.m. and 5:00 a.m. Japan Time every day).

- Method for exercising votes via the Internet

(1) Please access the website for exercising votes (https://evote.tr.mufg.jp/), enter the login ID and temporary password recorded on the Voting Form and then enter your vote for each proposal according to the instructions on the screen.

(2) We request that you change the temporary password on the website for exercising votes in order to prevent improper access by persons other than the shareholder (so-called “spoofing”) or alteration of the content of your voting selections.

- Expenses incurred when accessing the website for the Exercise of Votes

Please note that expenses incurred when accessing the website for the Exercise of Votes (Internet connection charges, etc.) shall be the responsibility of the shareholder.

In addition, expenses such as packet communication fees and other fees which are associated with the use of a mobile phone, etc. shall be the responsibility of the shareholder.

For inquiries concerning systems, etc.
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division (help desk)
Phone: 0120-173-027 (toll-free within Japan)
Hours: 9:00-21:00 Japan Time (operators are available)

For all other inquiries
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
Phone: 0120-232-711 (toll-free within Japan)
Hours: 9:00-17:00 Japan Time, excluding Saturdays, Sundays and public holidays (operators are available)

To the Institutional Investors:

Institutional investors may use the Electronic Proxy Voting Platform for Institutional Investors managed by ICJ, Inc. as an electronic method for the exercise of votes at the General Meeting of Shareholders of the Company.

Reference Documents for the General Meeting of Shareholders

Proposals and references

Proposal No.1: Appropriation of surplus

The Company regards a continuous and stable return of profits to shareholders as one of the most important management issues. Therefore, the Company proposes to distribute a year-end dividend of ¥30.00 per share, taking comprehensive consideration for retaining an appropriate level of internal reserves in response to changes in market conditions.

Items relating to year-end dividends

(1) Type of dividend property
Cash

(2) Items relating to the appropriation of dividend property to shareholders and total amount
¥30.00 per share of Company common stock, total amount ¥5,087,301,150

(3) Date of validity of dividends of surplus
June 21, 2018

Proposal No.2: Partial amendments to the Articles of Incorporation

The Company intends to make the following partial amendments to the Articles of Incorporation.
These amendments shall become effective at the conclusion of this meeting.

1. Reasons for the amendments

The Company will make necessary amendments to the Object of the Articles of Incorporation in order to further clarify the business in line with the present status of business activities of the Company and its subsidiaries and respond to future business development, etc. The item numbering is to be adjusted due to the new establishment of items.

2. Details of the amendments

Details of the amendments are as follows.

(Underlined parts indicate the amendments.)

Current Articles of Incorporation	Proposed Amendments
CHAPTER I GENERAL PROVISIONS	CHAPTER I GENERAL PROVISIONS
Article 1. (Provisions omitted)	Article 1. (Unchanged)
(Object) Article 2. The object of the Company shall be to engage in the following businesses: 1. Marine transportation; 2. Land transportation; 3. Air transportation; 4. Agency business for marine transportation, land transportation and air transportation;	(Object) Article 2. The object of the Company shall be to engage in the following businesses: 1. Marine transportation; 2. Land transportation; 3. Air transportation; 4. Handling and agency business for marine transportation, land transportation and air transportation;
(Newly established)	5. Consigned freight forwarding business
5. Warehousing;	6. Warehousing, customs clearance and logistics business;
6. Harbour transportation;	7. Harbour transportation;
7. Combined transportation by sea, land and air, and agency business connected therewith;	8. Combined transportation business by sea, land and air and its handling and agency business;
8. Business relating to marine exploitation and development;	9. Business relating to marine exploitation and development;
9. Sale and purchase of vessels;	10. Sale and purchase of vessels;
10. Counselling relating to building and repair of vessels and marine structures;	11. Counselling relating to building and repair of vessels and marine structures, and logistics;
11. Business relating to information on transportation;	12. Business relating to information on transportation;
12. Loans to, guarantees for and investments in other businesses than those enumerated herein;	13. Loans to, guarantees for and investments in other businesses than those enumerated herein;
13. Sale, purchase and lease of real estate;	14. Sale, purchase and lease of real estate;
14. Possession, lease, maintenance and management of marine leisure facilities;	15. Possession, lease, maintenance and management of marine leisure facilities;
15. Business relating to travel pursuant to the Travel Agency Law;	16. Business relating to travel and money exchange;
16. Sale and manufacturing of petroleum products and machinery and appliances; and	17. Sale and purchase, manufacturing, lease and import/export of petroleum products, gas and other fuels, machinery and appliances and other goods;
(Newly established)	18. Worker dispatching undertakings and on-site operation contracting business; and
17. Other undertakings incidental to or connected with the items mentioned above.	19. Other undertakings incidental to or connected with the items mentioned above.

Current Articles of Incorporation	Proposed Amendments
Article 3. – 52. (Provisions omitted)	Article 3. – 52. (Unchanged)

Proposal No.3: Election of nine Directors

The term of office of all incumbent Directors (eleven (11) Directors) will expire upon conclusion of this meeting.

The Company therefore recommends and proposes the following nine (9) candidates for election as Directors in order to further enhance decision-making and supervision of the Board of Directors by actively holding substantive discussions with ensured diversity and expertise while promptly and accurately responding to the rapidly changing business environment.

The date of birth, career summary, the number of the Company's shares held, reasons for nominating the candidates for Director, etc. are as stated on pages 17 through 26. From the following page, the Company has disclosed its policies, etc. for the appointment of Directors, etc., as reference.

No.	Name of candidate	Current Positions and Responsibilities in the Company	Attendance rate of meetings of the Board of Directors held during FY2017
1	Re-election Yasumi Kudo	Chairman, Chairman Corporate Officer	100% (Attended all the 15 meetings)
2	Re-election Tadaaki Naito	President, President Corporate Officer	100% (Attended all the 15 meetings)
3	Re-election Hitoshi Nagasawa	Representative Director, Executive Vice-President Corporate Officer Chairman of Tramp Shipping Strategy Committee Oversees Energy Division and Dry Bulk Division	93% (Attended 14 out of the 15 meetings)
4	Re-election Koichi Chikaraishi	Representative Director, Senior Managing Corporate Officer Customer Relations Officer Oversees Automotive Transportation Headquarters	100% (Attended all the 15 meetings)
5	Re-election Yoshiyuki Yoshida	Director, Senior Managing Corporate Officer Chief Compliance Officer Chief Executive of General Affairs Headquarters	100% (Attended all the 15 meetings)
6	Re-election Eiichi Takahashi	Director, Senior Managing Corporate Officer Chief Financial Officer Chief Executive of Management Planning Headquarters	100% (Attended all the 15 meetings)
7	Re-election Yukio Okamoto **Independent Outside Director**	Chief Outside Director	100% (Attended all the 15 meetings)
8	Re-election Yoshihiro Katayama **Independent Outside Director**	Outside Director	100% (Attended all the 15 meetings)
9	Re-election Hiroko Kuniya **Independent Outside Director**	Outside Director	100% (Attended all the 12 meetings)

(Note) Attendance rates of Ms. Hiroko Kuniya shows her attendance rate at the meeting of the Board of Directors held since she assumed the Director's position on June 21, 2017.

The Company has disclosed below a portion of its guidelines related to corporate governance.

Our Views on Size, Balance and Diversity of the Board of Directors

In order to facilitate prompt decision-making at all times at the Board of Directors while ensuring the quality of such decision-making through active and substantive discussion, the Company believes that the efficient size of the Board of Directors for the time being is around 12 members, of which around three should be Outside Directors who meet the Independence Criteria.

The Board of Directors shall be comprised of a sufficient number of internal Directors who are well versed with the Group's globally operated businesses with shipping and logistics businesses at its core, as well as a certain number of Independent Outside Directors with high expertise that can contribute to corporate management, and further enhance the supervisory function of the Board of Directors.

Composition of the Board of Directors shall be decided with a view to ensuring diversity and expertise, as well as the balance of knowledge, experience and ability of its members. As for internal Directors, attention shall also be paid to the balance between the members with strength in operating each business segment, and those who are suited for company-wide corporate management. The Board of Directors shall decide by its resolutions the assignment of duties and operations under their charge and others to respective Directors at the Board of Directors' meetings, and clarify their roles and responsibilities.

Policies and Procedures for the Appointment and Nomination of Directors, Audit and Supervisory Board Members and Corporate Officers

[Policy]

In nominating Director candidates, the Company shall recommend qualified persons capable of fulfilling their duties and responsibilities as Directors responding to shareholders' entrustment of management, in full consideration of their individual character, insight and others. As for internal Director candidates, they are required to have broad knowledge, experience and a track record necessary for the deliberation of proposals at the Board of Directors' meetings, along with the ability to accurately identify issues in departments under their charge and solve them in cooperation with fellow officers and employees, have respected personalities, and have sound judgment in thorough compliance with laws and regulations as well as corporate ethics. The Company shall apply the nomination policy for internal Directors also to the appointment of Corporate Officers and senior members among them.

In nominating Audit and Supervisory Board Member candidates, the Company shall recommend qualified persons capable of fulfilling their duties and responsibilities as Audit and Supervisory Board Members, in full consideration of their individual character, insight and others in light of the importance of audits and the function of Audit and Supervisory Board Members in corporate management.

The Company shall separately set out the independence criteria of Outside Directors and Audit and Supervisory Board Members, and recommend candidates for Outside Directors and Outside Audit and Supervisory Board Members who meet such criteria.

[Procedures]

Director candidates shall be decided by the Board of Directors, based on the original plan prepared by the President with the involvement of Independent Outside Directors, e.g. the exchange of opinions thereof.

Audit and Supervisory Board Member candidates shall be recommended by the President and decided by the Board of Directors, after obtaining the consent of the Audit and Supervisory Board to submit the agenda item for appointment to the General Meeting of Shareholders.

Corporate Officers shall be decided by the Board of Directors, based on the original plan prepared by the President with the involvement of Independent Outside Directors, e.g. the exchange of opinions thereof.

Independence Criteria for Recommendation of Candidates for Outside Directors and Audit and Supervisory Board Members

Article 1. Purpose

The purpose of these criteria is to establish the independence criteria for recommending candidates for Outside Directors as well as Outside Audit and Supervisory Board Members of Nippon Yusen Kabushiki Kaisha (hereinafter, the "Company").

Article 2. Outside Directors

Outside Director candidates shall be recommended from among those who meet the conditions set out in the following items, but do not fall under any of the items of Article 4, upon consideration of the diversity in the composition of the Board of Directors.

(1) A person with broad knowledge or advanced expertise, excellent insight, a wealth of experience and a good track record in his/her area of specialty, who is expected to bring diverse viewpoints into the Board of Directors of the Company.

(2) A person who does not fall under any of the reasons for disqualification from becoming a Director prescribed in each item of Article 331, Paragraph 1 of the Companies Act.

(3) A person who meets the requirement for Outside Directors prescribed in Article 2, Item 15 of the Companies Act.

Article 3. Outside Audit and Supervisory Board Member

Outside Audit and Supervisory Board Member candidates shall be recommended from among those who meet the conditions set out in the following items, but do not fall under any of the items of Article 4, upon consideration of the diversity in the composition of the Audit and Supervisory Board.

(1) A person with broad knowledge or advanced expertise, excellent insight, a wealth of experience and a good track record in his/her area of specialty, which can contribute to the execution of audit operations of the Company.

(2) A person who does not fall under any of the reasons for disqualification from becoming an Audit and Supervisory Board Member prescribed in each item of Article 331, Paragraph 1 of the Companies Act, as applied under Article 335 of the same Act.

(3) A person who meets the requirement for an Outside Audit and Supervisory Board Member under Article 2, Item 16 of the Companies Act.

Article 4. Independence of Outside Directors and Audit and Supervisory Board Members

A person who does not fall under any of the following criteria is deemed be independent.

(1) A major shareholder of the Company (a party who holds shares representing voting rights that exceed 10% of the total voting rights as at the end of the most recent fiscal year) or an executive thereof.

(2) A major lender to the Company (a party whose name or trade name is listed among the top 10 lenders to the Company as a major lender in the Business Report for the most recent fiscal year) or an executive thereof.

(3) A major supplier of the Company (which income from the Company accounts for more than 2% of the consolidated annual revenues of such supplier for the most recent fiscal year) or an executive thereof.

(4) A major customer of the Company (which income from such customer accounts for more than 2% of the consolidated annual revenues of the Company for the most recent fiscal year) or an executive thereof.

(5) A person who is responsible for the audit operation of the Company or its consolidated subsidiary, as accounting auditor, its employee or others of the Company or its consolidated subsidiary.

(6) An attorney, judicial scrivener, patent attorney, certified public accountant, tax accountant, consultant or others, who receives, apart from compensation for officers, money or other property equivalent to more than JPY10 million per year from the Company, or a person who belongs to a group such as corporation or union, which receives such property as aforementioned equivalent to more than JPY10 million per year from the Company and it is in excess of 2% of its annual income.

(7) A person who receives donations in excess of JPY5 million per year from the Company, or an executive at a group such as corporation or union, which receives donations in excess of JPY5 million per year from the Company and it is in excess of 2% of its annual income.

(8) Any person who has fallen under any of (1) through (7) above during the past three

years.

(9) A relative within the second degree of kinship (only if he/she is an important person) of a person who falls under any of (1) through (8) above.

(10) A relative within the second degree of kinship of Director, Corporate Officer and others, employee or accounting advisor (including staff members who are to perform such duties in the case of a corporation) of the Company or its subsidiary.

(11) A relative within the second degree of kinship of a person who has acted as Director, Corporate Officer and others, employee or accounting advisor (including staff members who are to perform such duties in the case of a corporation) of the Company or its subsidiary, during the past three years.

(12) Any person other than the aforementioned items of this article with special circumstances which precludes his/her fulfilling duties as an independent outside Director or Audit and Supervisory Board Member, such as having conflicts of interest with general shareholders of the Company.

The Company has disclosed below Rules on the Nomination Advisory Committee.

(Reference)

Rules on the Nomination Advisory Committee

Article 1. Structure
1. The Nomination Advisory Committee (hereinafter referred to as “the Committee”) shall consist of the Chairman, the President and Independent Outside Directors.
2. The Chairman shall preside over the Committee as a Committee Chairman. If no Chairman has been appointed, the President shall preside as substitute.
3. The term of office of the Committee members shall be from the establishment of the Committee or the assumption of each director to the expiration of the term as a director.

Article 2. Convocation
1. The Committee Chairman shall convene the Committee at least once every year or at any time if necessary.
2. A notice to convene the Committee shall be dispatched at least seven days prior to the meeting to every member. Provided that if all members give their consent, the Committee may be held without going through the convocation procedures.

Article 3. Chairman
The Committee Chairman shall preside over the Committee.

Article 4. Purpose
The Committee shall discuss the following matters concerning nomination according to the consultation by the President:
1) Appointment and dismissal of Directors;
2) Appointment, dismissal and successor plan of the President;
3) Appointment and dismissal of Representative Directors;
4) The independence criteria for Independent Outside Directors and Independent Outside Audit and Supervisory Board Members; and
5) Appointment and dismissal of Corporate Officers.

Article 5. Records
The time and date, attendance and agenda of the Committee shall be recorded.

No.	Name of candidate (Date of birth)	Career summary, responsibilities and significant concurrent positions	Number of the Company's shares held Attendance rate of meetings of the Board of Directors held during FY2017
1	 Yasumi Kudo (November 14, 1952) Re-election	April 1975 Joined the Company June 1998 General Manager, Semi-Liner Group April 2002 Corporate Officer June 2004 Managing Director and Corporate Officer April 2006 Representative Director, Senior Managing Corporate Officer April 2008 Representative Director, Executive Vice-President Corporate Officer April 2009 President, President Corporate Officer April 2015 Chairman, Chairman Corporate Officer (to the present) Significant concurrent position Vice-Chairman of Keidanren (Japan Business Federation)	16,816 shares
		Reasons for nominating the candidates for Directors: Since assuming the position of Director of the Company in 2004, Mr. Yasumi Kudo had held positions including Chief Executive of Global Logistics Headquarters. He served as the President of the Company from 2009 to 2015 and led the Company through the tough times during the financial crisis triggered by the collapse of Lehman Brothers. Since 2015, he has been supervising the execution of business as Chairman of the Board of Directors, while engaging in important decision-making and pursuing the enhancement of governance. With a view to ensuring sustainable improvement of corporate value, and to appropriately supervise the Group's management, the Company has continuously nominated him as a candidate for Director.	100% (Attended all the 15 meetings)

No.	Name of candidate (Date of birth)	Career summary, responsibilities and significant concurrent positions	Number of the Company's shares held Attendance rate of meetings of the Board of Directors held during FY2017
2	 Tadaaki Naito (September 30, 1955) Re-election	April 1978 Joined the Company April 2004 General Manager of Petroleum Group April 2005 Corporate Officer April 2007 Managing Corporate Officer June 2008 Director, Managing Corporate Officer April 2009 Representative Director, Senior Managing Corporate Officer April 2013 Representative Director, Executive Vice-President Corporate Officer April 2015 President, President Corporate Officer (to the present) Significant concurrent position Vice-President of The Japanese Shipowners' Association	12,713 shares
		Reasons for nominating the candidates for Directors: Since assuming the position of Director of the Company in 2008, Mr. Tadaaki Naito had held positions, such as Chief Executive of Management Planning Headquarters, Chief Executive of Global Logistic Services Headquarters. Mr. Naito took office of the President, who takes the control of business execution in 2015, and has been seeking to strengthen the Company's competitiveness through technical strength and pursuing transparent and effective governance, while making important decisions such as split-off and integration of the container shipping business and full acquisition of YUSEN LOGISTICS CO., LTD. With a view to stabilizing and enhancing profitability based on the new medium-term management plan and to stabilize and enhance profitability of its business, the Company has continuously nominated him as a candidate for Director.	100% (Attended all the 15 meetings)

No.	Name of candidate (Date of birth)	Career summary, responsibilities and significant concurrent positions	Number of the Company's shares held Attendance rate of meetings of the Board of Directors held during FY2017
3	 Hitoshi Nagasawa (January 22, 1958) Re-election	April 1980 Joined the Company April 2004 General Manager of LNG Group April 2007 Corporate Officer April 2009 Managing Corporate Officer June 2011 Director, Managing Corporate Officer April 2013 Representative Director, Senior Managing Corporate Officer April 2018 Representative Director, Executive Vice-President Corporate Officer (to the present) Chairman of Tramp Shipping Strategy Committee Oversees Energy Division and Dry Bulk Division	11,147 shares
		Reasons for nominating the candidates for Directors: Since assuming the position of Director of the Company in 2011, Mr. Hitoshi Nagasawa has been in charge of the energy transportation division and currently serves as Chairman of Tramp Shipping Strategy Committee in the capacity of Executive Vice-President Corporate Officer. With a view to steadily expanding the stable-freight-rates business through driving the acquisition of an upstream interest in an LNG project, as well as participation in offshore business, while improving profitability of the Dry Bulk Division, the Company has continuously nominated him as a candidate for Director.	93% (Attended 14 out of the 15 meetings)
4	 Koichi Chikaraishi (April 19, 1957) Re-election	April 1980 Joined the Company April 2003 General Manager of Petroleum Product and LPG Group April 2009 Corporate Officer April 2012 Managing Corporate Officer June 2012 Director, Managing Corporate Officer April 2013 Representative Director, Senior Managing Corporate Officer (to the present) Customer Relations Officer Oversees Automotive Transportation Headquarters	9,169 shares
		Reasons for nominating the candidates for Directors: Since assuming the position of Director of the Company in 2012, Mr. Koichi Chikaraishi has mainly been in charge of bulk shipping business and served as Vice-Chief Executive of Dry Bulk Division and Chief Executive of Automotive Transportation Headquarters, and currently serves as Customer Relations Officer in the capacity of Senior Managing Corporate Officer. With a view to achieving an advantage in the car carrier business, etc. based on the trust from customers, while expanding the auto logistics business through strengthening its competitiveness, the Company has continuously nominated him as a candidate for Director.	100% (Attended all the 15 meetings)

No.	Name of candidate (Date of birth)	Career summary, responsibilities and significant concurrent positions	Number of the Company's shares held Attendance rate of meetings of the Board of Directors held during FY2017
5	 Yoshiyuki Yoshida (May 30, 1957) Re-election	April 1981 Joined the Company April 2005 General Manager of Tramp Co-ordination Group April 2011 Corporate Officer April 2015 Managing Corporate Officer June 2015 Director, Managing Corporate Officer April 2018 Director, Senior Managing Corporate Officer (to the present) Chief Compliance Officer Chief Executive of General Affairs Headquarters	8,555 shares
		Reasons for nominating the candidates for Directors: Since assuming the position of Director of the Company in 2015, Mr. Yoshiyuki Yoshida has mainly been in charge of general affairs, human resources and legal affairs-related divisions and currently serves as Chief Compliance Officer and Chief Executive of General Affairs Headquarters in the capacity of Senior Managing Corporate Officer. With a view to enhancing effectiveness of the meetings of the Board of Directors, while promoting participation of diverse human resources and enhancing the compliance system, the Company continuously nominated him as a candidate for Director.	100% (Attended all the 15 meetings)

No.	Name of candidate (Date of birth)	Career summary, responsibilities and significant concurrent positions	Number of the Company's shares held / Attendance rate of meetings of the Board of Directors held during FY2017
6	 Eiichi Takahashi (October 14, 1958) Re-election	April 1982 Joined the Company April 2010 General Manager of Accounting Group April 2012 Corporate Officer April 2016 Managing Corporate Officer June 2016 Director, Managing Corporate Officer April 2018 Director, Senior Managing Corporate Officer (to the present) Chief Financial Officer Chief Executive of Management Planning Headquarters	4,773 shares
		Reasons for nominating the candidates for Directors: Since assuming the position of Director of the Company in 2016, Mr. Eiichi Takahashi has mainly been in charge of planning, accounting and finance and currently serves as Chief Financial Officer and Chief Executive of Management Planning Headquarters in the capacity of Senior Managing Corporate Officer. With a view to formulating and implementing the new medium-term management plan and promoting an optimum finance strategy emphasizing capital efficiency while strengthening group governance, the Company has continuously nominated him as a candidate for Director.	100% (Attended all the 15 meetings)

No.	Name of candidate (Date of birth)	Career summary, responsibilities and significant concurrent positions	Number of the Company's shares held Attendance rate of meetings of the Board of Directors held during FY2017
7	 Yukio Okamoto (November 23, 1945) Re-election Independent Outside Director	April 1968 Joined Japan's Ministry of Foreign Affairs January 1991 Retired from the Ministry March 1991 President of OKAMOTO ASSOCIATES, INC. (to the present) November 1996 Special Advisor to the Prime Minister March 1998 Retired from the above mentioned position September 2001 Special Advisor to the Cabinet Secretariat April 2003 Retired from the above mentioned position Special Advisor to the Prime Minister March 2004 Retired from the above mentioned position June 2008 Outside Director April 2017 Chief Outside Director (to the present) Significant concurrent positions President of OKAMOTO ASSOCIATES, INC. Outside Director of MITSUBISHI MATERIALS CORP. Outside Director of NTT DATA CORPORATION	11,864 shares
		Reasons for nominating the candidates for Outside Directors: Mr. Yukio Okamoto assumed the position of Outside Director of the Company in 2008 based on his extensive knowledge and insight as an expert with a detailed knowledge of international affairs gained through his experience of holding important positions at the Ministry of Foreign Affairs. Mr. Okamoto has since been providing advice on the Company's management and performing proper supervision of business execution from an objective, professional viewpoint and from a highly independent position. Accordingly, the Company continuously nominated him as a candidate for Outside Director.	100% (Attended all the 15 meetings)

No.	Name of candidate (Date of birth)	Career summary, responsibilities and significant concurrent positions	Number of the Company's shares held Attendance rate of meetings of the Board of Directors held during FY2017
8	 Yoshihiro Katayama (July 29, 1951) Re-election Independent Outside Director	April 1974 Joined Japan's Ministry of Home Affairs December 1998 Retired from the Ministry April 1999 Governor of Tottori Prefecture April 2007 Retired from governorship Professor at Keio University September 2010 Minister for Internal Affairs and Communications September 2011 Retired from the Ministry June 2016 Outside Director (to the present) March 2017 Retired as the Professor at Keio University April 2017 Professor at Graduate School of Public Management, Waseda University (to the present) Significant concurrent position Professor at Graduate School of Public Management, Waseda University	3,774 shares
		Reasons for nominating the candidates for Outside Directors: Mr. Yoshihiro Katayama held important positions at the Ministry of Home Affairs (currently Ministry of Internal Affairs and Communications) and served as Minister for Internal Affairs and Communications from 2010 to 2011. Mr. Katayama is providing advice on the Company's management and performing proper supervision of business execution of the Company based on his extensive knowledge, insight and personal connections gained through a wealth of his experience in the bureaucratic, political and academic circles and from a highly independent position. Accordingly, the Company continuously nominated him as a candidate for Outside Director.	100% (Attended all the 15 meetings)

No.	Name of candidate (Date of birth)	Career summary, responsibilities and significant concurrent positions	Number of the Company's shares held / Attendance rate of meetings of the Board of Directors held during FY2017
9	 Hiroko Kuniya (February 3, 1957) Re-election Independent Outside Director	April 1981 Announcer and writer for English-language broadcasts of NHK, Nippon Hoso Kyokai (Japan Broadcasting Corporation)'s General TV "Seven O'clock News" Researcher of "NHK Special" July 1987 Newscaster of NHK's satellite broadcasting "World News" April 1993 Newscaster of NHK's General TV "Today's Close-Up" April 2016 Trustee of Tokyo University of the Arts (part-time) (to the present) June 2017 Outside Director (to the present) Significant concurrent positions Trustee of Tokyo University of the Arts (part-time) Guest Professor at Graduate School of Media and Governance, Keio University (Note) Attendance rate of Ms. Hiroko Kuniya shows her attendance rate at the meetings of the Board of Directors held since she assumed the Director's position on June 21, 2017.	1,108 shares
		Reasons for nominating the candidates for Directors: The Company believes that Ms. Hiroko Kuniya can provide advice to the Company's management and contribute to proper supervision of business execution of the Company based on her long-standing career as a newscaster, raising public awareness of a range of topics including politics, economy, international relations and social issues, and capitalizing on a wealth of experience and superior insight from a multilateral perspective and a highly independent position. Accordingly, the Company continuously nominated her as a candidate for Outside Director.	100% (Attended all the 12 meetings)

Notes: 1. No transactions or special interests exist between the Company and any of the above candidates for Directors.

2. Mr. Yukio Okamoto, Mr. Yoshihiro Katayama and Ms. Hiroko Kuniya are candidates for the Company's Outside Directors as stipulated in Article 2, Item 15 of the Companies Act, and they meet the Company's "Independence Criteria for Recommendation of Candidates for Outside Directors and Audit & Supervisory Board Members." The Company believes that Mr. Okamoto, Mr. Katayama and Ms. Kuniya have no conflict of interest with general shareholders and are highly independent. In the event that they are elected as Directors of the Company, they will be reported as the Independent Directors to Tokyo and Nagoya stock exchanges (For the details of the "Independence Criteria for Recommendation of Candidates for Outside Directors and Audit & Supervisory Board Members," please see page 14 and page 15).

3. Of significant concurrent positions of Mr. Yukio Okamoto, the Company has business relations with MITSUBISHI MATERIALS CORP., where he serves as Outside Director, such as coal transport transactions; however, the amount of such transactions is less than 1% of revenues from the viewpoint of both companies. The Company has no particularly notable business relations with the other significant concurrent positions as Outside Director or Audit and Supervisory Board Member.

4. Authorities such as in Europe and Australia have found NYK to be in violation of competition laws in connection with maritime car transportation services for cars and trucks committed in or before September 2012. In the U.S. and other regions, actions for damages have been filed against NYK and specific overseas subsidiaries, and we are also under investigation by other authorities. Prior to the Company being investigated for the conduct, Mr. Yukio Okamoto was not aware of such conduct. He has been expressing his opinions from the standpoint of compliance with laws and regulations at meetings of the Board of Directors and other meetings. However, after becoming aware of this incident, he has been further expressing his opinions for the purpose of eradicating violations of antitrust laws including overseas competition laws, and preventing the recurrence of such incidents, at the meetings of the Board of Directors, a Committee for ensuring adherence to antitrust law, etc. and other such meetings, and has been confirming initiatives for this purpose.
5. Regarding NYK Car Carrier (China) Co., Ltd., a consolidated subsidiary which is engaged in finished car logistics business in China, we have reached recognition of the strong suspicion that former locally-hired management personnel of NYK Car Carrier (China) Co., Ltd. made unjust expenditures, etc., as a result of investigations conducted by March 2018. Mr. Yukio Okamoto, Mr. Yoshihiro Katayama and Ms. Hiroko Kuniya were not aware of such incident until they received a report. The three individuals have expressed their opinions from the standpoint of compliance with laws and regulations at meetings of the Board of Directors and other meetings. However, after becoming aware of this incident, they have further expressed their opinions for the purpose of investigating the cause and preventing recurrence of such incident at meetings of the Board of Directors and other such meetings.
6. After Mr. Yukio Okamoto's retirement in April 2016, it was found that MITSUBISHI MOTORS CORP., for which he had been concurrently serving as an Outside Audit & Supervisory Board Member until June 2014, had falsely manipulated data to overstate fuel economy of vehicles manufactured by the company in certain testing for type certification, and that it had also used a testing method, which was different from the one required by Japanese law. Furthermore, in connection with this case, MITSUBISHI MOTORS CORP. received an administrative order and surcharge payment order from the Consumer Affairs Agency in January and July of 2017 based on the Agency's conclusion that the Company had violated the Act against Unjustifiable Premiums and Misleading Representations in its catalog displays, etc. Mr. Okamoto had not been aware of any of these cases during his term of office. However, he has regularly provided his opinions from the viewpoint of compliance with laws and regulations appropriately and has fulfilled his duties. Also at consolidated subsidiaries of MITSUBISHI MATERIALS CORP., for which Mr. Okamoto has been concurrently serving as an Outside Director, it has been released from November 2017, that products, etc. that deviated from customer or internal specifications had been shipped due to misconduct, including the rewriting of data. Mr. Okamoto was not aware of this case until such revelation. However, he has regularly made comments from the viewpoint of strengthening the governance system. After the revelation of such case, he has worked to further strengthen the governance system mainly by making proposals for investigations of facts and cause and prevention of recurrence of such misconduct.
7. Mr. Yukio Okamoto, Mr. Yoshihiro Katayama and Ms. Hiroko Kuniya, who are candidates for re-election as Outside Director, will have served as Outside Director of the Company for ten years, two years and one year, respectively, at the conclusion of this meeting.
8. The Company has established the provisions in the Articles of Incorporation to the effect that it may enter into a liability limitation agreement with Outside Directors, and has actually entered into the liability limitation agreement with each of Outside Directors as stipulated in Article 34 of the current Articles of Incorporation established under Article 427, Paragraph 1 of the Companies Act setting forth that the liability under Article 423, Paragraph 1 of the same Law shall be the liability limit of ¥20 million or the liability limit stipulated by law, whichever is greater, as long as the Outside Director performs his/her duty in good faith and without gross negligence on his/her part. In the event that the proposed election of Mr. Yukio Okamoto, Mr. Yoshihiro

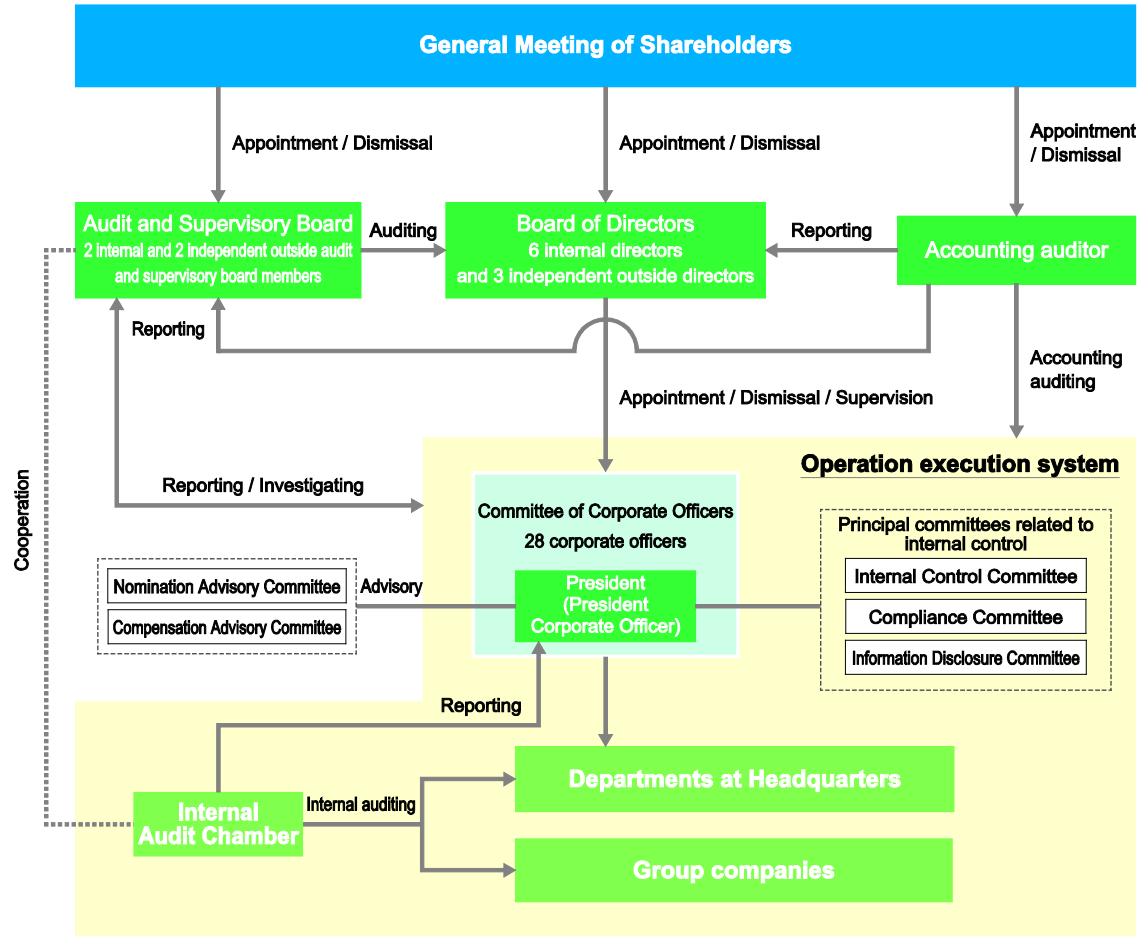
Katayama and Ms. Hiroko Kuniya is approved, the Company will have the liability limitation agreement with each of them.

(Reference) Initiatives etc. concerning Corporate Governance

Organizational format	Company with Audit & Supervisory Board		
Number of Directors	12 as of June 2016 (of whom 3 are independent outside directors)	11 as of June 2017 (of whom 3 are independent outside directors)	9 (candidates) as of June 2018 (scheduled) (of whom 3 are independent outside directors)
Number of Audit & Supervisory Board Members	4 (of whom 2 are independent Outside Audit & Supervisory Board Members)		
Term of office for Director	1 year		
Employment of Corporate Officer system	Yes (Committee of Corporate Officers)		
Organization supporting decision-making of the Board of Directors	Committee of Corporate Officers		
Incentives for Directors to improve medium-term corporate value	Introduced a new performance-based stock remuneration plan for directors and corporate officers of the Company, wherein the Company shares shall be delivered to the directors and corporate officers of the Company based on the degree of achievement of the medium-term management plan and initial consolidated financial forecast and in comparison with the previous fiscal year, etc. (Resolution of Ordinary General Meeting of Shareholders of June 2016)		

2002	・ Introduced Committee of Corporate Officers to strengthen operational execution system
2006	・ Established advisory board to heighten transparency of business management
2008	・ Abolished advisory board, appointed two outside directors ・ Shortened term of office of directors from two years to one year to clarify management responsibility of directors and build a system that expedites responses to changes in business conditions
2010	・ Filed notification of Independent Directors/Audit & Supervisory Board Members as stipulated by stock exchanges in Japan for all four Outside Directors/Outside Audit & Supervisory Board Members
2015	・ Preparation and maintenance of Guidelines, etc. related to Corporate Governance (Corporate Governance Guidelines; Our Views on Size, Balance and Diversity of the Board of Directors; Policies and Procedures for the Appointment and Nomination of Directors, Audit & Supervisory Board Members and Corporate Officers; Independence Criteria for Recommendation of Candidates for Outside Directors and Outside Audit & Supervisory Board Members; and Policies and Procedures for Determining Compensation for Directors, Audit & Supervisory Board Members and Corporate Officers)
2016	・ Conducted a non-anonymous self-evaluation survey on all directors including Outside Directors and Audit & Supervisory Board Members regarding the effectiveness of the meetings of the Board of Directors, and based on the results thereof, revised (including organization, etc. of matters to be reported) standards for submitting proposals to pursue effective operation of the meetings of the Board of Directors and implemented concrete measures, such as delegation of authority to Committee of Corporate Officers ・ Three outside directors (increase of one), 12 directors in total (decrease of one) ・ Introduced a performance-based stock remuneration plan for directors and corporate officers of the Company (excluding outside directors and some corporate officers of the Company) ・ Establishment of the Nomination Advisory Committee and the Compensation Advisory Committee
2017	・ Established position of Chief Outside Director

	・ Scheduled to conduct a non-anonymous self-evaluation survey on all directors and Audit & Supervisory Board Members regarding the effectiveness of the meetings of the Board of Directors, and based on the results thereof, organize, etc. matters to be reported to carry out effective operation of the meetings of the Board of Directors as well as implement measures to further stimulate discussions ・ 11 directors in total (decrease of one)
2018	・ Used an external organization mainly for compiling and analyzing self-evaluation regarding the effectiveness of the meetings of the Board of Directors to ensure fairness and further strengthen governance ・ 9 directors in total (decrease of two, scheduled for June) ・ The ratio of Directors and Audit and Supervisory Board Members to independent outside officers is 38.5% (5 out of 13 persons, scheduled for June), the ratio of Directors to independent outside officers is 33.3% (3 out of 9 persons, scheduled for June)



Note: The number of Directors is the scheduled number after this Ordinary General Meeting of Shareholders.

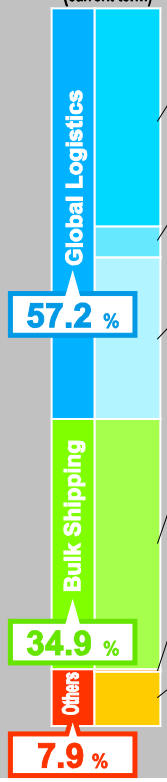
Evaluation of effectiveness of the meetings of the Board of Directors

Since 2016, in order to further enhance the effectiveness of the meetings of the Board of Directors, the Company has conducted a non-anonymous self-evaluation survey on all Directors and all Audit & Supervisory Board Members regarding the effectiveness of the meetings of the Board of Directors for the previous fiscal year. For the current fiscal year, we have used an external organization mainly for compiling and analyzing to ensure fairness and further strengthen governance.

Based on the results of such survey, we implemented concrete measures, such as organizing the matters to be reported, reviewing the standards for submitting proposals, and delegating authority to Committee of Corporate Officers, in order to appropriately secure time for discussions at the meetings of the Board of Directors, in addition to establishing a voluntary Nomination Advisory Committee and Compensation Advisory Committee as advisory committees of the President for the purpose of further enhancing the governance function of the Board of Directors. Furthermore, we are making efforts to enhance the effectiveness of the meetings of the Board of Directors through initiatives such as considering a more effective way of deliberation at meetings of the Board of Directors, holding meetings to provide opportunities for preliminary explanations regarding important matters to Outside Directors and Outside Audit & Supervisory Board Members, and a forum for providing information and exchanging opinions among directors, including Outside Directors and Outside Audit & Supervisory Board Members.

Business segment results

Ratio of consolidated revenues (current term)



(In 100 millions of yen)

		The 128th term FY2014	The 129th term FY2015	The 130th term FY2016	The 131st term (current term) FY2017
Liner Trade 30.4 %	Revenues	6,963	7,063	5,859	**6,914**
	Recurring profit (loss)	98	(3)	(127)	**108**
Air Cargo Transportation 4.3 %	Revenues	991	911	819	**978**
	Recurring profit (loss)	6	15	26	**18**
Logistics 22.5 %	Revenues	4,869	4,965	4,613	**5,123**
	Recurring profit (loss)	107	118	76	**23**
Bulk Shipping 34.9 %	Revenues	9,958	9,022	7,177	**7,956**
	Recurring profit (loss)	600	465	(41)	**96**
Real Estate 0.3 %	Revenues	95	97	94	**79**
	Recurring profit (loss)	32	33	120	**26**
Other 7.6 %	Revenues	2,195	1,470	1,466	**1,723**
	Recurring profit (loss)	15	(0)	(14)	**31**

Assets by business segment

(In 100 millions of yen)

		The 128th term FY2014	The 129th term FY2015	The 130th term FY2016	The 131st term (current term) FY2017
Global Logistics	Liner Trade	4,998	4,192	4,019	**4,054**
	Air Cargo Transportation	562	475	530	**773**
	Logistics	2,743	2,503	2,551	**2,779**
Bulk Shipping		15,012	13,385	12,693	**12,561**
Others	Real Estate	568	635	562	**588**
	Other	4,312	2,513	2,099	**1,953**
Total		28,197	23,705	22,457	**22,710**
Adjustments		(2,498)	(1,257)	(2,015)	**(1,991)**
Consolidated		25,698	22,447	20,441	**20,719**

Notes: 1. The above shows figures before elimination of internal transactions between segments.

2. Since the entire equity interest in CRYSTAL CRUISES, LLC, one of the principal consolidated subsidiaries which constituted the cruises business, was transferred, the presentation method has been changed to include the “Cruises” in “Other” from the 129th term.

3. Content of adjustments includes adjustments for receivables and assets regarding internal transactions between segments, and corporate assets. Corporate assets mainly include surplus operating funds of the Company (cash and deposits).

The 131st Ordinary General Meeting of Shareholders
Documents attached to the Notice of Ordinary General Meeting of Shareholders

Business Report (From April 1, 2017 to March 31, 2018)

1. Overview of Operations for NYK Group

(1) Business Progress and Results

1) Business Progress and Results for Current Fiscal Year

The global economy in the current fiscal year witnessed continuing economic expansion in the U.S., supported by an increase in consumption based on a robust employment and income environment. Economic conditions in Europe also continued gradual recovery supported by increased consumption consequent to improved employment, despite such risks as Brexit. Meanwhile in China, amid concerns over an economic slowdown, there were signs of recovery partly due to the effect of economic policies. Economies in emerging countries grew overall, primarily attributable to growth of exports and a recovery of resource prices, despite concerns over interest-rate hikes in the U.S. The Japanese economy also showed a moderate recovery, primarily due to growing investment and exports.

Given such an operating environment, the consolidated results in FY2017 were revenues of ¥2,183.2 billion (13.5% increase over the previous fiscal year), operating income of ¥27.8 billion, recurring profit of ¥28.0 billion, and profit attributable to owners of parent of ¥20.1 billion, recording profits as revenue increased compared to the previous fiscal year.

2) Overview of the Business Segments

● Global Logistics

Liner Trade

In the container shipping division, market conditions were robust, owing to a recovery of cargo volume on European routes in the first half, and improvement in the supply-demand balance. With regard to North American routes, market conditions were severe despite robust cargo volume, due to an increase in supply and slack supply-demand. In the second half, overall cargo volume slowed down, causing a drop in spot freight rates and a severe business environment. We launched a new service called “THE Alliance,” improving our competitiveness by forming a broad network on our European, North American, Atlantic, and Middle Eastern routes. We also worked to operate our fleet with optimum economy and allocate ships efficiently, reducing ship costs and operating costs by introducing newly constructed large vessels with superior loading efficiency and fuel efficiency. In addition, we worked to reduce cargo costs, such as container management costs, and improved both profitability and resilience to market conditions. We advanced the transfer of business to Ocean Network Express Pte. Ltd., an integrated container shipping business company, and preparations for the launch of service by April 2018, with the goal of drastic profit improvements.

Domestic and overseas container terminals showed strong performance, owing to favorable operation rates, particularly in overseas terminals, and an increase in total handling volume over the previous fiscal year.

Revenues increased over the previous fiscal year for the liner trade segment as a whole and a profit was recorded.

Air Cargo Transportation

NIPPON CARGO AIRLINES CO., LTD. (NCA) continued to operate in a favorable market. It also worked to ensure efficient operations by capturing cargo demand through measures such as utilization of code-sharing with Atlas Air, Inc. Despite such issues as rising fuel oil prices, increased maintenance costs, and mechanical problems, revenues increased due to growth in transportation volume. Revenue increased and profit decreased compared to the previous fiscal year, as foreign exchange gains were recorded in the previous fiscal year due to the cancellation of freighter aircrafts.

Logistics

The air cargo transportation (forwarding business) did not fully improve due to freight-in remaining at a high level. With respect to the marine transportation cargo (forwarding business), profits struggled to grow, as time was required to improve gross profit due to the increase in freight-in. Logistics operations (storage in warehouses, collections of cargoes and transportation) remained sluggish due to weak handling volume of inland transportation in North America and soaring labor costs. Additionally, YUSEN LOGISTICS CO., LTD. was delisted via a tender offer and became our wholly owned subsidiary in February 2018. It will remain the core of the NYK Group's logistics business.

In the domestic logistics division, the coastal shipping business, near seas ferry business, and domestic warehouse business all posted strong results.

Revenue increased and profit decreased compared to the previous fiscal year for the logistics segment as a whole.

● Bulk Shipping

In the car transportation division, despite sluggish growth in transportation volume mainly in resource-rich countries resulted in an increase in the number of vehicles sent compared to the previous fiscal year, as a result of weak resource prices, including fuel prices, efficient ship allocation in response to strong demand for transportation to North America, Europe, and Asia, etc. Our LNG bunkering vessel launched service in Belgium, supporting the operation of the LNG-fueled car carrier built in the previous fiscal year. In the automobile logistics division, our existing businesses performed well overall, particularly in China and India. We also worked to expand our business in growth markets, including launching service with new companies in Viet Nam and Kenya.

In the dry bulk carrier division, market conditions improved compared to the previous fiscal year as a result of strong performance in cargo volumes of iron ore, coal, and grains, despite failure to fully alleviate overcapacity due to the larger number of completed new vessels compared to scrapped vessels. Under these circumstances, we took initiatives to reduce costs through efforts such as thorough implementation of efficient operations while at the same time continuing to increase long-term contracts. Furthermore, performance improved owing to efforts made to improve the balance between revenues and expense mainly by ballast voyage reductions through cargo combination and ship allocation optimization.

In the energy transportation division, market conditions worsened due to supply pressure stemming from newly completed vessels, despite favorable cargo volume by Very Large Crude oil Carriers (VLCC). The market was sluggish due to overcapacity of petroleum products tankers and LPG vessels. Profits were stable for LNG vessels, supported by long-term contracts, and in the offshore business, Floating production storage and offloading (FPSO), drillship and shuttle tankers operated steadily. However, the performance of the energy transportation division worsened.

The bulk shipping business as a whole recorded a profit as a result of a year-on-year increase in revenues.

● **Others**

Real Estate

For the real estate business, although market conditions remained favorable, the decrease in rental income, mainly due to property sales, exceeded the increase from acquisition of new properties. In addition, as a result of recording gain deriving from disposal of real estate trust beneficiary right in the previous fiscal year, revenues and profit decreased year-on-year.

Other Business Services

In other business services, sales of fuel oil, machinery, and instruments, which had declined in the previous fiscal year, recovered significantly, and manufacture and sale of chemicals, marine technology services at oil storage bases, and electrical and mechanical works continued to perform favorably. As for Asuka II Cruise, domestic and overseas cruise sales were robust on the whole starting in the summer, despite a decline in passengers before and after Japan's long holidays in May. Other business services overall posted a profit as revenue increased year-on-year.

For details, please refer to the "Business segment results" given on page 30.

3) Safety and Environment

At the core of the NYK Group's management is the principle of ensuring the safe operation of its vessels and conservation of environment. The NYK Group remains committed to providing safe and secure marine transportation services based on its unique safety management system NAV9000, along with other initiatives such as the Near Miss 3000 campaign to raise awareness of safety issues on site, and the POWER+ Project which aims to foster a culture of safety through mutual assistance of crew members, as well as ship-visit campaigns for mutual understanding. The NYK Group will continue to contribute to environmental conservation efforts and carry out safe and secure marine transportation activities.

With regard to seafarers who are tasked with the conduct of safe operations of NYK, we have unique programs using seafarer education know-how that has been cultivated over many years in an effort to develop seafarers of diverse nationalities. Particularly in the Philippines, a country that provides seafarers all over the world, we are working to develop and secure a broad range of excellent seafarers, from crew members to executive class seafarers primarily for LNG vessels and VLCCs which require advanced operation technology, through the management of a maritime college, which celebrated its 10th anniversary, and training facilities with advanced equipment.

The NYK Group is actively developing technology that contributes to safe operations and conservation of the environment. With our wholly owned subsidiary MTI at the core, we are utilizing big data, such as data on weather and hydrographic conditions and operating data, to conduct technological development aimed at improving fuel efficiency and optimal ship operation, and research and development to monitor the condition of inboard plant and detect potential problems. We are also conducting researches on cybersecurity, as well as leading-edge technologies relating to such areas as strengthening networks between land and vessels and autonomous ship maneuvering aimed at improving operational safety.

(2) Financing and Capital Investment Activities

The NYK Group acquired necessary funds for the current fiscal year mainly from its own assets and borrowing from financial institutions. Borrowed funds as of March 31, 2018 (including corporate bonds) totaled ¥983.4 billion, an increase of ¥38.0 billion from the previous fiscal year.

The total capital investment of the NYK Group, which was based principally around the bulk shipping segment, was ¥200.4 billion. In the liner trade and bulk shipping segments, we made investment of ¥40.0 billion and ¥99.2 billion respectively, primarily for vessels. Other than above, we made investment of ¥35.6 billion mainly for aircraft in the air cargo transportation segment, ¥17.0 billion for transportation equipment and logistics facilities and equipment in the logistics segment, ¥10.4 billion in the real estate segment, and ¥1.0 billion in other businesses.

(3) Management Perspectives

The NYK Group is working on the following management issues as part of its medium- to long-term management policy.

1) Strategies for Stability and Growth

In March 2018, the NYK Group formulated its new medium-term business plan, “Staying Ahead 2022 with Digitalization and Green.” We believe that, in order to remain a company needed by our investors and all other stakeholders and society, it is our duty to continually create new value and contribute to the resolution of societal and environmental challenges. We have redefined the Basic Philosophy of the NYK Mission Statement as “Bringing value to life,” based on our belief in taking new challenges not limited to the “transportation of goods” such as marine transportation and logistics.

As we mark the 130th year since our founding, we have a profound sense of the importance of sustained growth, without being stopped by changes in industry market conditions or the business environment, and without being swayed by rapidly changing global circumstances, ceaseless metamorphosis of society, and the borderless economy and capital market. As a result of our in-depth discussion of the Company’s vision for ten years from now to accomplish the continuous growth, we have concluded that it is necessary to create a positive spiral by actively resolving societal and environmental issues through responsible business activities, continually creating new value with the spirit of staying half a step ahead, and establishing a stable revenue structure. Looking ahead to the goals of the new medium-term business plan, we will maintain the soundness of our finances while reducing borrowed funds through securitization of assets and cost reductions. We are fully focused on improving our capital efficiency and return on equity (ROE), and increasing our corporate value over the long term, by actively creating future cash flows through expansion of our existing businesses as well as making new investments with a focus on IT and environmental fields, and investing in growth fields.

Based on the above, we will work on the following specific measures.

Firstly, we will strengthen our resilience to volatility by optimizing our business portfolio. In the dry bulk carrier division, we will build a tramp shipping business that is resilient to market conditions, reduce costs through efficient ship allocation and operation using such means as information and communication technologies, and improving our revenue structure by strengthening partnerships with customers through proposal-based sales. In the container shipping division, we will switch to a strategy of pursuing efficiency and the benefits of scale by merging with the container shipping business.

We will also promote building up stable-freight-rate business by enhancing the logistics business, the car carrier and automobile logistics businesses, which are growth fields, and our LNG and offshore businesses, which are fields of intensive investment. In the logistics business, we will work to improve our competitiveness by expanding our global logistics services with growth industries and emerging markets as the core, investing strategically through selection and concentration, and further strengthening competitiveness through promoting services that meet customer needs by utilizing the NYK Group’s management base. In the car transportation division, we will work to utilize digital technologies to make transportation and cargo handling more efficient and actively promote the environmental measures, and aim to achieve advanced finished car logistics anticipating structural changes in the automotive industry. In the energy transportation business, we will strengthen our response to demand in the emerging economies, and push ahead with the globally pioneering business of supplying and selling LNG fuel for vessels. In the offshore business, we will conduct intensive investment based on technical capabilities, and expand our business, including participation in new businesses supporting changing energy demands and new needs.

We have advanced the improved efficiency of our operations through technology research and development; now we will work to transform our business through Digitalization and Green. We will utilize the latest digital technologies to reduce our environmental burden, including CO_2 reduction, while aiming to optimize the entire supply chain, and fulfill our social responsibility. We will also aim to create new value for the next generation on the theme of renewable energy.

2) Initiatives for environment, society, and governance (ESG)

The NYK Group, working to strengthen “governance,” and deeming “safety,” “environment,” and “human capital” as its most vital management issues, is actively engaged in social issues (ESG) in order to fulfill its corporate social responsibilities with a global view.

In order to improve the soundness and transparency of corporate management, we will work to improve compliance awareness, strengthen internal controls, and further enhance Group governance, and work to proactively disclose information.

Safe operations, including safe operation of vessels, is the core of all businesses in the NYK Group, and we continually work to promote safety. As part of our environmental conservation efforts, we have set medium- and long-term targets to reduce CO_2 emissions from vessels, as an initiative to prevent global warming based on the Paris Agreement. We are actively pursuing optimal operation and the switch to LNG as a new fuel to replace heavy oil, because it can reduce CO_2, SO_X, and NO_X emissions. We are working to comply with a wide range of environmental regulations, including installation of ballast water management systems, tightening limits on low sulfur bunker oil, and ship-recycling regulations.

Furthermore, the NYK Group is pushing ahead with creating an environment where diverse human resources can play active roles with the aim of creating workplaces that instill pride through the practice of the NYK Group Values of “Integrity, Innovation and Intensity” that support the NYK Group Basic Philosophy. In the new medium-term business plan, the NYK Group pledges to integrate ESG into its management strategy, and through its business activities, we will contribute to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations, and to the resolution of societal and environmental challenges.

3) Thorough Fair Trading and Compliance

The NYK Group has been treating compliance with antitrust laws as a matter of the utmost importance and has worked to strengthen its compliance systems. Since the Japan Fair Trade Commission commenced its investigations on the series of infringements of the antitrust laws in connection with maritime car transportation service committed in or before September 2012, we have held regular meetings of a Committee for ensuring adherence to antitrust law, etc. and continued carrying out risk assessments of antitrust laws in all our businesses and are expanding such assessments to not only NYK but also all Group companies in both Japan and overseas. We are working to strengthen measures to further instill compliance awareness, including establishing a code of conduct and training based on the results of risk assessments and obtaining written pledges on compliance with antitrust laws and competition laws from executives and employees. We will devote our best efforts to prevent recurrence and also to ensure thorough compliance with other related laws and regulations, as we conduct business fairly.

(4) Principal Business of the Consolidated (as of March 31, 2018)

Global logistics (liner trade, air cargo transportation and logistics businesses)
Bulk shipping
Others (real estate and other business services)

(5) Principal Business Offices (as of March 31, 2018)

1) NYK

Category	Location
Head Office	Yusen Bldg., 3-2, Marunouchi 2 Chome, Chiyoda-ku, Tokyo
Branch Offices	Yokohama Branch Office (Yokohama City), Nagoya Branch Office (Nagoya City), Kansai Branch Office (Kobe City) and Kyushu Branch Office (Fukuoka City)
Overseas resident and representative offices	Johannesburg, Dubai, Doha, Jedda, Beijing and Moscow

2) Principal subsidiaries

Name of company	Location of head office or country
NYK BULK & PROJECTS CARRIERS LTD.	Chiyoda-ku, Tokyo
NIPPON CARGO AIRLINES CO., LTD.	Minato-ku, Tokyo
HACHIUMA STEAMSHIP CO., LTD.	Kobe City
NYK CRUISES CO., LTD.	Yokohama City
NYK TRADING CORP.	Minato-ku, Tokyo
YUSEN LOGISTICS CO., LTD.	Minato-ku, Tokyo
UNI-X CORP.	Shinagawa-ku, Tokyo
NYK GROUP AMERICAS INC.	U.S.A.
NYK GROUP EUROPE LTD.	U.K.
NYK GROUP SOUTH ASIA PTE. LTD.	Singapore

(6) State of Vessels of the Consolidated (as of March 31, 2018)

Business Segments	Type of vessel	Segment	Number of vessels	K/T (dwt)
Liner Trade	Container ships	Owned	32	2,091,591
		Chartered	63	4,609,179
		Total	95	6,700,770
Bulk Shipping	Bulk carriers (Capesize)	Owned	27	5,252,326
		Chartered	83	16,363,427
		Total	110	21,615,753
	Bulk carriers (Panamax)	Owned	38	3,392,265
		Chartered	50	4,248,154
		Total	88	7,640,419
	Bulk carriers (Handysize)	Owned	58	2,715,243
		Chartered	105	5,044,079
		Total	163	7,759,322
	Wood Chip carriers	Owned	9	460,331
		Chartered	33	1,806,898
		Total	42	2,267,229
	Car carriers	Owned	37	669,905
		Chartered	82	1,513,543
		Total	119	2,183,448
	Tankers	Owned	41	7,381,611
		Chartered	24	2,825,631
		Total	65	10,207,241
	LNG carriers	Owned	26	1,956,851
		Chartered	3	228,211
		Total	29	2,185,062
	Multi-purpose carriers	Owned	23	427,683
		Chartered	19	273,756
		Total	42	701,439
	Other	Owned	1	7,717
		Chartered	—	—
		Total	1	7,717
Cruises	Cruise ships	Owned	1	7,548
		Chartered	—	—
		Total	1	7,548
Total		Owned	293	24,363,070
		Chartered	462	36,912,879
		Total	755	61,275,949

Notes: 1. The number of vessels in possession includes shared vessels; their deadweight tonnages include the weight of other owners' portions.
2. Figures have been rounded to the nearest 1 dwt.
3. The total number of LNG carriers including the vessels owned by unconsolidated joint venture companies is 71.

(7) Employees (as of March 31, 2018)

1) Employees of the Consolidated

Segment		Number of employees (persons)	Year-on-year change (persons)
Global Logistics	Liner Trade	6,201	(566)
	Air Cargo Transportation	796	36
	Logistics	25,990	2,349
Bulk Shipping		2,888	113
Others	Real Estate	65	(1)
	Other	1,506	(15)
Company-wide (common)		374	(31)
Total		37,820	1,885

Note: Employees included in "Company-wide (common)" belong to administrative divisions that cannot be classified to a specific segment.

2) Employees of the Unconsolidated

Segment	Number of employees (persons)	Year-on-year change (persons)
Employees on land duty	857	(13)
[maritime crew on land duty out of above]	(106)	(0)
Maritime crew on sea duty	289	0
Total	1,146	(13)

Note: The number of employees includes 59 of those loaned to the Company from other companies and excludes those loaned to other companies.

(8) Status of Principal Lenders of NYK (as of March 31, 2018)

Lender	Outstanding Balance (Millions of yen)
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.	132,392
MEIJI YASUDA LIFE INSURANCE CO.	57,731
MITSUBISHI UFJ TRUST AND BANKING CORPORATION	47,820
NIPPON LIFE INSURANCE CO.	43,961
DEVELOPMENT BANK OF JAPAN INC.	32,720
THE NORINCHUKIN BANK	27,628
SUMITOMO MITSUI BANKING CO.	27,469
THE YAMAGUCHI BANK, LTD.	19,123
CHIBA BANK, LTD.	16,848
MIZUHO BANK, LTD.	13,216

Notes: 1. In addition to the above, the Company has a total of ¥20,000 million loans from a syndicate of banks led by The Bank of Tokyo-Mitsubishi UFJ, Ltd., but these loans are not included in the outstanding borrowings from each of the banks.
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd. as of April 1, 2018.
3. Owing to the reorganization of the Mitsubishi UFJ Financial Group, Inc., loans from Mitsubishi UFJ Trust and Banking Corporation have become loans from MUFG Bank, Ltd. as of April 16, 2018.

(9) Status of Major Business Combination (as of March 31, 2018)

1) Changes and results of business combinations

NYK Group operates businesses categorized in six segments which are Liner Trade, Air Cargo Transportation, Logistics, Bulk Shipping, Real Estate and Other Business Services.

NYK Group has 538 consolidated subsidiaries and 203 equity-method companies as of March 31, 2018. Please also refer to the preceding "Business Progress and Results" (on page 32-34).

2) Status of principal subsidiaries

Name of company	Common Stock	NYK's Share of Voting Rights (%)	Main Operations
NYK BULK & PROJECTS CARRIERS LTD.	¥2,100 million	100.00	Marine transportation business
NIPPON CARGO AIRLINES CO., LTD.	¥10,000 million	100.00	Air cargo transportation business
HACHIUMA STEAMSHIP CO., LTD.	¥500 million	74.86	Marine transportation business
NYK CRUISES CO., LTD.	¥2,000 million	100.00	Ownership and operation of cruise ship
NYK TRADING CORP.	¥1,246 million	79.25	Sales of petrochemical products, etc.
YUSEN LOGISTICS CO., LTD.	¥4,301 million	100.00	Freight forwarding business, etc.
UNI-X CORP.	¥934 million	100.00	Harbor transportation business
NYK GROUP AMERICAS INC.	US$4 million	100.00	Controlling subsidiaries engaged in marine transportation and global logistics businesses, etc. in North and South American area
NYK GROUP EUROPE LTD.	£81.49 million	100.00	Controlling subsidiaries engaged in marine transportation and global logistics businesses, etc. in Europe
NYK GROUP SOUTH ASIA PTE. LTD.	SP$19.263 million	100.00	Controlling subsidiaries engaged in marine transportation and global logistics businesses, etc. in South Asian area and Oceanian area
ADAGIO MARITIMA S.A. and 293 other vessel owning companies	US$43.529 million, (total of 153 companies) ¥11,474 million (total of 141 companies)	100.00 (all companies)	Vessel owning and chartering

Notes: 1. Percentage of voting rights includes indirect holdings.
2. ADAGIO MARITIMA S.A. and 293 other vessel owning companies are consolidated subsidiaries that are fully owned by the NYK Group and are incorporated in Panama, Singapore and Liberia, etc. for the purpose of owning and chartering vessels. Vessels time-chartered from the said companies by the NYK Group constitute an important part of the fleet of vessels operated by the NYK Group.

3) Status of principal affiliates

Name of company	Common Stock	NYK's Share of Voting Rights (%)	Main Operations
NS UNITED KAIUN KAISHA, LTD.	¥10,300 million	18.56	Marine transportation business
KYOEI TANKER CO., LTD.	¥2,850 million	30.03	Marine transportation business
OCEAN NETWORK EXPRESS PTE. LTD.	US$800 million	—	Marine transportation business

Notes: 1. Percentage of voting rights includes indirect holdings.
2. NYK holds 38.00% of the voting rights of Ocean Network Express Holdings, Ltd., which is a holding company that holds 100% of shares of the common stock of OCEAN NETWORK EXPRESS PTE. LTD.

(10) Other significant matters on operations for NYK Group

1) Matters concerning acquisition of shares of another company and other equity interest

The Company jointly established Ocean Network Express Pte. Ltd. (the Company's contribution ratio: 38%) with Kawasaki Kisen Kaisha, Ltd. and Mitsui O.S.K. Lines, Ltd. in July 2017 in integrating the container shipping businesses (including overseas terminals) of the three companies, and made it an equity-method company during the fiscal year ended March 31, 2018. In April of this year, each of the companies made additional investment in Ocean Network Express Pte. Ltd. without any changes in the contribution ratios. Ocean Network Express Pte. Ltd. commenced container shipping services in April of this year.

In addition, the Company acquired shares of its consolidated subsidiary, YUSEN LOGISTICS CO., LTD., through a tender offer and accompanying procedures of the Demand for Sale of Shares and made YUSEN LOGISTICS CO., LTD. its fully-owned consolidated subsidiary in February of this year, promoting the logistics business with the company at the core.

2) Other significant matters

Authorities such as in Europe and Australia have found NYK to be in violation of competition laws in connection with maritime car transportation services for cars and trucks committed in or before September 2012. With regard to the impact of these findings, approximately ¥19.5 billion was recorded as an extraordinary loss of "Anti-monopoly related allowance" for the previous fiscal year, and in the current fiscal year, we additionally recorded approximately ¥3.1 billion as an extraordinary loss. In the U.S. and other regions, actions for damages have been filed against NYK and specific overseas subsidiaries, and we are also under investigation by other authorities.

Additionally, NYK received approval of extension of the filing deadline for the Quarterly Securities Report for the Nine Months Ended December 31, 2017, and submitted the report to the Kanto Local Finance Bureau by the extended deadline. The cause of the extension request was NYK Car Carrier (China) Co., Ltd., a consolidated subsidiary which is engaged in finished car logistics business in China. As a result of the investigation, we have reached recognition of the strong suspicion that former locally-hired management personnel of NYK Car Carrier (China) Co., Ltd. made unjust expenditures, etc. of approximately ¥8.0 billion, and we have moved to establish and implement measures to prevent recurrence. As a result of this incident, we estimated approximately ¥9.0 billion for corporate income tax etc. to be additionally assessed and late payment and penalty that may arise in the future from tax reassessment, and this amount is included in our financial statements for the current fiscal year.

We sincerely apologize for any inconvenience caused to our shareholders for this incident.

2. Status of Shares (as of March 31, 2018)

(1) Total number of shares authorized to be issued 298,355,000 shares

(2) Number of shares issued 169,576,705 shares

Note: The number of shares issued excludes 478,393 shares of treasury stock.

(3) Number of shareholders 117,661 persons
(decreased by 9,146 from the previous year)

(4) Major shareholders (Top 10)

Name	Capital contribution to the Company	
	Number of shares held (in thousands)	Ratio of shareholding (%)
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust account)	10,755	6.34
THE MASTER TRUST BANK OF JAPAN, LTD. (Trust account)	10,443	6.16
OFFICE SUPPORT CORPORATION	7,487	4.42
MITSUBISHI HEAVY INDUSTRIES, LTD.	4,103	2.42
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust account 9)	3,690	2.18
MEIJI YASUDA LIFE INSURANCE CO.	3,447	2.03
RENO, INC.	3,040	1.79
JAPAN TRUSTEE SERVICES BANK, LTD. (Trust account 5)	3,026	1.78
TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.	2,894	1.71
STATE STREET BANK WEST CLIENT - TREATY 505234	2,685	1.58

Note: Ratio of shareholding was calculated excluding total treasury stock of 478,393 shares. The Company shares held by Board Incentive Plan Trust (914,801 shares) are not included in treasury stock.

(5) Treasury Stock

Treasury shares held as of the end of the preceding term		Common Stock	4,699,618 (shares)
Shares purchased in the current term			
	Less-than-One-Unit Share Purchased	Common Stock	40,696 (shares)
		Total price of acquisition	23,240,737 (yen)
Shares disposed in the current term			
	Less-than-One-Unit Share Sold	Common Stock	6,815 (shares)
		Total price of disposition	2,576,323 (yen)
Shares lapsed in the current term			None
Treasury shares held as of the end of the fiscal term		Common Stock	478,393 (shares)

Notes: 1. The Company shares held by Board Incentive Plan Trust (914,801 shares) are not included in treasury shares purchased in the current term.
2. Effective as of October 1, 2017, the Company consolidated 10 shares into one share. The breakdown of 40,696 shares purchased in the current term is 34,624 shares before such share consolidation and 6,072 shares after such share consolidation. The breakdown of 6,815 shares disposed in the current term is 6,347 shares before such share consolidation and 468 shares after such share consolidation.

The number of treasury shares held as of the end of the fiscal term is the number of shares after such share consolidation.

3. Executives of NYK

(1) Directors and Audit & Supervisory Board Members (incumbents from June 22, 2017 to March 31, 2018)

Name	Position, responsibilities and significant concurrent positions	
Yasumi Kudo	Chairman, Chairman Corporate Officer	Vice-Chairman of Keidanren (Japan Business Federation)
Tadaaki Naito	President, President Corporate Officer	Vice-President of The Japanese Shipowners' Association
Naoya Tazawa	Representative Director, Executive Vice-President Corporate Officer	Chief Executive of Technical Headquarters
Hitoshi Nagasawa	Representative Director, Senior Managing Corporate Officer	Chairman of Tramp Shipping Strategy Committee, Oversees Energy Division and Dry Bulk Division
Koichi Chikaraishi	Representative Director, Senior Managing Corporate Officer	Chief Executive of Automotive Transportation Headquarters
Hidetoshi Maruyama	Director, Senior Managing Corporate Officer	Chairman of Group IT Policy Committee, Chief Information Officer, Chief Executive of Global Logistics Headquarters
Yoshiyuki Yoshida	Director, Managing Corporate Officer	Chief Compliance Officer, Chief Executive of General Affairs Headquarters
Eiichi Takahashi	Director, Managing Corporate Officer	Chief Financial Officer, Chief Executive of Management Planning Headquarters
Yukio Okamoto	Chief Outside Director (part-time, Independent Director)	President of OKAMOTO ASSOCIATES, INC., Outside Director of MITSUBISHI MATERIALS CORP., Outside Director of NTT DATA CORPORATION
Yoshihiro Katayama	Outside Director (part-time, Independent Director)	Professor at Graduate School of Public Management, Waseda University
Hiroko Kuniya	Outside Director (part-time, Independent Director)	Trustee of Tokyo University of the Arts (part-time), Guest Professor at Graduate School of Media and Governance, Keio University
Yoko Wasaki	Audit & Supervisory Board Member (full-time)	
Hiroshi Hiramatsu	Audit & Supervisory Board Member (full-time)	
Toshio Mita	Outside Audit & Supervisory Board Member (part-time, Independent Auditor)	Advisor of CHUBU ELECTRIC POWER COMPANY, INCORPORATED, Outside Director of IBIDEN CO., LTD.

Name	Position, responsibilities and significant concurrent positions	
Hirohide Yamaguchi	Outside Audit & Supervisory Board Member (part-time, Independent Auditor)	Chairman of the Advisory Board of Nikko Research Center, Inc., Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd., Outside Audit & Supervisory Board Member of Komatsu Ltd.

Notes:
1. Of Directors, Mr. Yukio Okamoto, Mr. Yoshihiro Katayama and Ms. Hiroko Kuniya are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Of Audit & Supervisory Board Members, Messrs. Toshio Mita and Hirohide Yamaguchi are Outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 of the Companies Act.
3. Of significant concurrent positions as executive officers or outside officers of Outside Directors and Outside Audit & Supervisory Board Members, the Company has business relations with MITSUBISHI MATERIALS CORP. such as coal transport transactions, and with Komatsu Ltd. such as construction machinery transport transactions. However, the amount of such transactions is less than 1% of revenues from the viewpoint of both companies. The Company has no particularly notable business relations with the other significant concurrent positions as executive officers or outside officers of Outside Directors and Outside Audit & Supervisory Board Members.
4. Of Audit & Supervisory Board Members, Mr. Hiroshi Hiramatsu served as a Director in charge of financial affairs of NYK and has considerable expertise in finance and accounting.
5. The retired and newly appointed Directors and Audit & Supervisory Board Members during the current fiscal year are as follows:

<Retirement>

Director (non-executive Director)	Masahiro Samitsu (retired due to expiration of the term of office on June 21, 2017)
Outside Director (part-time, Independent Director)	Yuri Okina (retired due to expiration of the term of office on June 21, 2017)
Audit & Supervisory Board Member (full-time)	Hiroshi Sugiura (retired due to expiration of the term of office on June 21, 2017)

<New appointment>

Outside Director (part-time, Independent Director)	Hiroko Kuniya (appointed on June 21, 2017)
Audit & Supervisory Board Member (full-time)	Hiroshi Hiramatsu (appointed on June 21, 2017)

6. As of April 1, 2018, an Executive Corporate Officer who also serves as Director is relocated as follows:

<As of March 31, 2018>		<After relocation>
Representative Director, Senior Managing Corporate Officer	Hitoshi Nagasawa	Representative Director, Executive Vice-President Corporate Officer
Director, Managing Corporate Officer	Yoshiyuki Yoshida	Director, Senior Managing Corporate Officer
Director, Managing Corporate Officer	Eiichi Takahashi	Director, Senior Managing Corporate Officer
Representative Director, Executive Vice-President Corporate Officer	Naoya Tazawa	Director (non-executive Director)

7. The Company filed Mr. Yukio Okamoto, Mr. Yoshihiro Katayama, Ms. Hiroko Kuniya, Mr. Toshio Mita and Mr. Hirohide Yamaguchi as its Independent Directors/Auditors with Tokyo and Nagoya stock exchanges. Listed companies are required to secure the Independent Directors/Auditors who play roles in safeguarding general investors.

(2) Corporate Officers (For reference) (as of April 1, 2018)

Position	Name
Chairman, Chairman Corporate Officer	Yasumi Kudo
President, President Corporate Officer	Tadaaki Naito
Representative Director, Executive Vice-President Corporate Officer	Hitoshi Nagasawa
Representative Director, Senior Managing Corporate Officer	Koichi Chikaraishi
Director, Senior Managing Corporate Officer	Hidetoshi Maruyama
	Yoshiyuki Yoshida
	Eiichi Takahashi
Managing Corporate Officer	Hitoshi Oshika
	Tomoyuki Koyama
	Akira Kono
	Hiroki Harada
	Noriko Miyamoto
	Takaya Soga
	Koichi Uragami
Corporate Officer	Svein Steimler
	Kobune Goto
	Shohei Yamamoto
	Yutaka Higurashi
	Tomoo Kitayama
	Nobuhiro Kashima
	Toru Kamiyama
	Hemant Pathania
	*Masashi Suda
	*Shinya Hitomi
	*Taizo Yoshida
	*Akihiro Yoshida

Position	Name
	*Kotaro Seki
	*Lee Check Poh

Notes: 1. Mr. Jeremy Nixon retired as of July 10, 2017 and Mr. Takuji Nakai retired as of September 30, 2017. Also, Corporate Officers retired as of March 31, 2018 are as follows:
Naoya Tazawa, Kazuo Ogasawara, Hiroyuki Okamoto, Motoyuki Nose and Koji Kondo
2. The asterisks (*) indicate newly appointed Corporate Officers on April 1, 2018.

(3) Remuneration Paid to Directors and Audit & Supervisory Board Members

Category	Number of persons remunerated	Fixed remuneration	Performance-based remuneration		Total amount
		Basic remuneration	Bonus	Stock remuneration	
Directors [Outside Directors out of above]	13 [4]	¥465 million [¥57 million]	-	¥228 million [-]	¥693 million [¥57 million]
Audit & Supervisory Board Members [Outside Audit & Supervisory Board Members out of above]	5 [2]	¥105 million [¥27 million]	-	- [-]	¥105 million [¥27 million]
Total [Outside Directors/Audit & Supervisory Board Members out of above]	18 [6]	¥571 million [¥85 million]	-	¥228 million [-]	¥799 million [¥85 million]

Notes:
1. The amount of basic remuneration paid to Directors includes the amount paid to two Directors who retired during this fiscal year.
2. The amount of basic remuneration paid to Audit & Supervisory Board Members includes the amount paid to one Audit & Supervisory Board Member who retired during this fiscal year.
3. Monthly remuneration for Directors shall be paid according to each Director's grade within the aggregate monthly remuneration limit as determined by the resolution of the Shareholders' Meeting. Bonus for Directors shall be paid according to each Director's grade within the aggregate bonus limit as determined by the resolution of the Shareholders' Meeting. However, as the proposal of the bonus for directors shall be made at the Shareholder's Meeting based on the business result and other factors, there may be no payment depending on a fiscal year.
4. For the seven consecutive terms since the 125th up to the current term, there have been no payments of bonus for Directors.
5. The stock remuneration is the provision for stock payment during this fiscal year based on the performance-based stock remuneration plan introduced by the resolution of the Shareholders' Meeting of the 129th term and the amount paid to the retired Directors.

(4) Outline of Contents of Policies for Determining Compensation for Directors and Audit & Supervisory Board Members or the Calculation Method Thereof

The Company has set out the policies and procedures for determining compensation for Directors, Audit & Supervisory Board Members and Corporate Officers as follows.

Policies and Procedures for Determining Compensation for Directors, Audit and Supervisory Board Members and Corporate Officers

[Policy]

In order to provide sound medium-to-long-term incentive for officers towards sustainable growth and aiming at sharing interests with shareholders, the Company shall set out its compensation system for internal Directors and Corporate Officers based on the size and nature of its business, as well as from the perspective of securing talents in consideration of the level of compensation for officers at its industry peers or peers of equivalent size. Compensation is comprised of basic compensation based on individual responsibilities, and performance-based compensation linked to corporate performance, and a certain proportion of the compensation shall be paid in the form of stock-based compensation. Bonus is proposed at the General Meeting of Shareholders as annual incentive, in consideration of the management condition such as performance of the Company.

Compensation for non-executive Directors, Independent Outside Directors and Audit and Supervisory Board Members shall be paid solely in the form of basic compensation.

The Company does not provide officers' retirement benefits to any Director, Audit and Supervisory Board Member or Corporate Officer.

[Procedures]

The amount of compensation and bonus for Directors shall be decided according to individual position by the Board of Directors, based on the proposal by the President within the limit of the total amount decided by the resolution of the General Meeting of Shareholders, with the involvement of Independent Outside Directors, e.g. the exchange of opinions thereof.

The amount of compensation for Audit and Supervisory Board Members shall be decided by the discussions among Audit and Supervisory Board Members including Independent Outside Members within the limit of the total amount decided by the resolution of the General Meeting of Shareholders.

The amount of compensation and bonus for Corporate Officers shall be decided according to individual position by the Board of Directors, based on the proposal by the President with the involvement of Independent Outside Directors, e.g. the exchange of opinions thereof.

(5) Status of Major Activities of Outside Directors and Outside Audit & Supervisory Board Members

Position and Name	Status of Attendance and Stating of Opinions
Independent Outside Director (Part-time, Chief Outside Director) Yukio Okamoto (Appointed on June 24, 2008)	Attended all the 15 meetings of the Board of Directors held during this fiscal year (100% of attendance rate), and when necessary made statements mainly based on his extensive knowledge and insight as an expert of international affairs. Served as member of the Nomination Advisory Committee and the Compensation Advisory Committee.
Independent Outside Director (Part-time) Yoshihiro Katayama (Appointed on June 20, 2016)	Attended all the 15 meetings of the Board of Directors held during this fiscal year (100% of attendance rate), and when necessary made statements mainly based on his extensive knowledge and insight as an expert of bureaucratic, political and academic issues. Served as member of the Nomination Advisory Committee and the Compensation Advisory Committee.
Independent Outside Director (Part-time) Hiroko Kuniya (Appointed on June 21, 2017)	Attended all the 12 meetings of the Board of Directors to be attended during this fiscal year (100% of attendance rate), and when necessary made statements from a multilateral perspective and a highly independent position. Served as member of the Nomination Advisory Committee and the Compensation Advisory Committee.
Independent Outside Audit & Supervisory Board Member (Part-time) Toshio Mita (Appointed on June 23, 2015)	Attended 14 out of 15 meetings of the Board of Directors held during this fiscal year (93% of attendance rate) and all the 16 meetings of the Audit & Supervisory Board (100% of attendance rate), and when necessary made statements mainly from his considerable experience in corporate management, etc.
Independent Outside Audit & Supervisory Board Member (Part-time) Hirohide Yamaguchi (Appointed on June 20, 2016)	Attended 13 out of 15 meetings of the Board of Directors held during this fiscal year (87% of attendance rate) and all the 16 meetings of the Audit & Supervisory Board (100% of attendance rate), and when necessary made statements mainly from his considerable experience in financial and economic fields.

Authorities such as in Europe and Australia have found NYK to be in violation of competition laws in connection with maritime car transportation services for cars and trucks committed in or before September 2012. Actions for damages have been filed in the U.S. and other regions against NYK and specific overseas subsidiaries, and we are also under investigation by other authorities. Prior to the Company being investigated for the conduct subject to the plea-agreement, Mr. Yukio Okamoto was not aware of such conduct.

In addition, regarding NYK Car Carrier (China) Co., Ltd., a consolidated subsidiary which is engaged in finished car logistics business in China, we have reached recognition of the strong suspicion that former locally-hired management personnel of NYK Car Carrier (China) Co., Ltd. made unjust expenditures, etc., as a result of investigations conducted by March 2018. Mr. Yukio Okamoto, Mr. Yoshihiro Katayama, Ms. Hiroko Kuniya, Mr. Toshio Mita and Mr. Hirohide Yamaguchi were not aware of such incident until they received a report.

As well as having made statements from the standpoint of compliance with laws and regulations previously, these five individuals have been expressing their opinions for the purpose of eradicating violations of antitrust laws including overseas competition laws, thorough fair trading and legal compliance, and preventing the recurrence of such incidents, at the meetings of the Board of Directors, a Committee for ensuring adherence to antitrust law, etc. and other such meetings.

(6) Liability Limitation Agreement with Directors and Audit & Supervisory Board Members

The Company has signed agreements with each non-executive Director and Audit & Supervisory Board Member respectively limiting their liability for damages in terms of Article 423, Paragraph 1 of the

Companies Act, according to Articles 34 and 44 of the Articles of Incorporation stipulated in accordance with Article 427, Paragraph 1 of the same Law. Based on these agreements, liability for damages is limited to ¥20 million or the minimum amount prescribed by law, whichever is higher, as long as the Director/Audit & Supervisory Board Member performs his/her duty in good faith and without gross negligence on his/her part.

Financial Position and Results of Operation and their Changes in the Last Three Fiscal Terms

1) Consolidated Financial Position and Results of Operation

(In millions of yen, unless otherwise stated)

Category	The 128th term FY2014	The 129th term FY2015	The 130th term FY2016	The 131st term (current term) FY2017
Revenues	2,401,820	2,272,315	1,923,881	2,183,201
Recurring profit	84,010	60,058	1,039	28,016
Profit (loss) attributable to owners of parent	47,591	18,238	(265,744)	20,167
Profit (loss) per share	28.06 (yen)	10.75 (yen)	(157.23) (yen)	119.57 (yen)
Total Assets	2,569,828	2,244,772	2,044,183	2,071,972
Equity	880,923	844,269	591,936	588,255
Equity per share	477.79 (yen)	456.21 (yen)	309.80 (yen)	3,272.21 (yen)

Notes: 1. Profit (loss) per share is calculated on the basis of the average number of shares outstanding in each fiscal year, and equity per share is calculated on the basis of the total number of shares outstanding at each term end. In addition, the total number of issued shares excludes the number of treasury stock.
2. From the 130th fiscal year, Board Incentive Plan Trust was introduced, and the Company shares held by said Trust are recorded as treasury stock in Consolidated Financial Statements. Accordingly, the Company shares held by the said Trust are included in shares of treasury stock to be excluded from the average number of shares outstanding in each fiscal year and the total number of shares outstanding at each term end.
3. Profit (loss) per share and equity per share for the 131st fiscal year are calculated assuming that the consolidation of shares in which 10 shares of the Company's common stocks were consolidated into one share, effective October 1, 2017, was conducted at the beginning of the fiscal year.

2) Unconsolidated Financial Position and Results of Operation

(In millions of yen, unless otherwise stated)

Category	The 128th term FY2014	The 129th term FY2015	The 130th term FY2016	The 131st term (current term) FY2017
Revenues	1,264,761	1,201,339	947,758	1,087,926
Recurring profit (loss)	73,530	47,419	(34,091)	41,700
Profit (loss)	12,565	2,974	(266,930)	59,509
Profit (loss) per share	7.41 (yen)	1.75 (yen)	(157.93) (yen)	352.83 (yen)
Total Assets	1,525,359	1,366,544	1,331,044	1,403,907
Equity	478,862	458,825	203,618	261,379
Equity per share	282.35 (yen)	270.55 (yen)	120.73 (yen)	1,549.72 (yen)

Notes: 1 Profit (loss) per share is calculated on the basis of the average number of shares outstanding in each fiscal year, and equity per share is calculated on the basis of the total number of shares outstanding at each term end. In addition, the total number of issued shares excludes the number of treasury stock.
2. From the 130th fiscal year, Board Incentive Plan Trust was introduced, and the Company shares held by the said Trust are recorded as treasury stock in Unconsolidated Financial Statements. Accordingly, the Company shares held by the said Trust are included in shares of treasury stock to be excluded from the average number of shares outstanding in each fiscal year and the total number of shares outstanding at each term end.
3. Profit (loss) per share and equity per share for the 131st fiscal year are calculated assuming that the consolidation of shares in which 10 shares of the Company's common stocks were consolidated into one share, effective October 1, 2017, was conducted at the beginning of the fiscal year.

Status of Stock Acquisition Rights, etc. (as of March 31, 2018)

Not applicable.

Independent Auditor (Kaikei Kansa Nin)

(1) Name of Independent Auditor

Deloitte Touche Tohmatsu LLC

(2) Compensation to Independent Auditor for the fiscal year under review

Category	Total amount
Compensation for the fiscal year under review	¥168 million
Total of cash and other financial profits payable by the Company and its subsidiaries to the Independent Auditor	¥307 million

Notes:
1. The Audit & Supervisory Board consented to the amount of compensation for the Independent Auditor pursuant to Article 399, Paragraph 1 and Paragraph 2 of the Companies Act after conducting the necessary verification of the contents of the audit plan submitted by the Independent Auditor, the status of execution of duties by the Independent Auditor, and reasonableness of the basis, etc. for calculating the estimated compensation through interviews and hearings with the Independent Auditor and internal relevant departments.
2. The audit contract between NYK and the Independent Auditor does not separate the compensation for the audit based on the Companies Act from the compensation for the audit based on the Financial Instruments and Exchange Act. Therefore, the aforementioned amount includes the compensation for the audit, etc. based on the Financial Instruments and Exchange Act.
3. The Company pays the Independent Auditor fees for services such as agreed upon procedures, which are services other than the services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Law (non-audit service).
4. Among our principal subsidiaries, UNI-X CORP., NYK GROUP AMERICAS INC., NYK GROUP EUROPE LTD., and NYK GROUP SOUTH ASIA PTE. LTD. undergo audits of statutory documents by CPAs or audit corporations other than the Independent Auditor of NYK (including persons who have qualifications equivalent to these qualifications in foreign countries) (limited to audit pursuant to the Companies Act or Financial Instruments and Exchange Act (including foreign laws equivalent to these laws)).

(3) Company Policy regarding dismissal or decision not to reappoint the Independent Auditor

In addition to cases stipulated in Article 340 of the Companies Act, when it is concluded that the Independent Auditor is no longer able to execute its duties in an appropriate manner, the Audit & Supervisory Board of NYK will determine a resolution to the effect of dismissal of, or a decision not to reappoint, the Independent Auditor and the Board of Directors of NYK will offer the resolution to the Shareholders' Meeting based on the decision.

Matters on Establishment of Structures to Ensure Proper Execution of Business Operations and the Implementation Status of Such Structures

The following is an outline of the establishment of structures to ensure proper execution of business operations adopted at the meeting of the Board of Directors.

(1) Structure to ensure that the execution of duties by Directors and employees is in compliance with laws and regulations, and the Articles of Incorporation	**(Outlines of Resolutions at the meeting of the Board of Directors)** - The Company has formulated the NYK Group Mission Statement, the NYK Group Value, and the NYK Group Business Credo and NYK Line Code of Conduct, and is continually working to enhance appropriate management systems in conformance with them. - In order to ensure compliance with laws and regulations as well as proper execution of business by Directors and employees, in-house rules prescribe the clear allocation of authorities and separation of duties, etc., and important matters are discussed at the meeting of Committee of Corporate Officers and of the Board of Directors. - The Company establishes the Nomination Advisory Committee and the Compensation Advisory Committee, which are advisory bodies of the President. - The Company establishes the Compliance Committee and the Internal Control Committee and appoint Chief Compliance Officer (CCO). - In view of the fair trading issues transpired within the NYK Group, The Company is doing our utmost to deepen our understanding of fair trading and to ensure thorough compliance with laws, whereby the Company have implemented various measures to prevent recurrence of similar cases, which the Company will strive to maintain and reinforce from now. Additionally, in order to thoroughly enforce the prohibition of bribery, specific prevention measures are adopted and their implementation status is confirmed. - For thorough compliance with laws and the promotion of compliance, the Company strengthens our legal division, continue to carry out compliance education and trainings, and appropriately operate consultation services. The internal audit division carries out practices such as field audits to endeavor to identify violations of laws and regulations. - The Company takes necessary measures to respond to the Whistleblower Protection Act by establishing in-house rules and internal and external contact points. Currently anonymous whistle blowing is allowed across the Group.
	(Summary of Implementation Status) - The Mission Statement and other documents are stored in a data base and have been made accessible at all times to Directors, etc. and employees. - During the fiscal year under review, the Board of Directors met 15 times and Committee of Corporate Officers met 48 times to discuss important matters. The Internal Control Committee also met once and the Compliance Committee met twice during this fiscal year. The Chief Executive of General Affairs Headquarters has been appointed Chief Compliance Officer (CCO), and the Company has been working not only on complying to laws, regulations, the Articles of Incorporation, and in-house rules, but also to enhance company systems and structures for valuing corporate ethics and social norms, etc. - The Nomination Advisory Committee discussed (1) matters relating to appointment and dismissal of Directors; (2) matters relating to appointment, dismissal and successor plan of the President; (3) matters relating to appointment and dismissal of Representative Directors; (4) matters relating to the independence criteria for Independent Outside Directors and Independent Outside Audit & Supervisory Board Member; and (5) matters relating to appointment and dismissal of Corporate Officers; and the Compensation Advisory Committee discussed (1) matters relating to policies and procedures for compensation for Directors and Corporate Officers and (2) matters relating to the content of compensation for Directors and Corporate Officers.

	- The President has made a pronouncement concerning thorough compliance with antitrust laws: Committees for ensuring adherence to antitrust law etc. are held twice a year; the development of a legal compliance framework was promoted and an organizational unit dedicated to dealing with questionable issues was established; investigation and examination activities were conducted; an intra-Group control network was established and is being operated; risk assessment of antitrust laws was implemented; antitrust law risks were discussed at the profitability deliberation committee; the filing of alliances and arrangements was centrally managed; enlightenment and education were conducted within the Group through the preparation of manuals and the implementation of training (e.g. interviews and E-learning etc.); regulations on contact with competitors in the industry were tightened; internal leniency systems were implemented; pledges on compliance with antitrust laws from all executive directors/corporate officers and employees engaged in the relevant businesses were obtained; and business activities are being carried out in accordance with the code of conduct. - Directors, etc. and employees were familiarized with the basic policy and guidelines on the prohibition of bribery, and related in-house rules were established. - In order to address the rising risk of becoming involved in bribery as a result of expanding overseas businesses, the Company has established regulations prohibiting the bribery of foreign government officials at the time of founding new companies and new businesses. In addition, the Company has established and are managing a due diligence system for the prevention of bribery from a risk management perspective. - The Company is making efforts to strengthen the system for reviewing contracts. - The Company is revising the Code of Conduct, as necessary, and distributed booklets and guidebooks on the revised code to Directors, etc., and employees, etc. The Company also received pledges on compliance with the NYK Code of Conduct from Directors, etc., and employees, etc. - Ongoing compliance education and trainings were carried out and a full compliance check was conducted in September. Consultation contact points are being operated appropriately in compliance with the Whistleblower Protection Act and anonymous whistle blowing has been made possible across the Group. Efforts are being made towards the early identification of problems through the enhancement of cooperation among the Group companies, and appropriate measures are being taken.
(2) Structures to store and manage information relating to the execution of duties of the Directors	**(Outlines of Resolutions at the meeting of the Board of Directors)** - The Directors and the Board of Directors properly store and manage documents and other information relating to their execution of duties according to in-house rules.
	(Summary of Implementation Status) - Important information on the execution of business operations by the Directors is being stored and managed appropriately.
(3) Rules and other structures to manage the risks of loss	**(Outlines of Resolutions at the meeting of the Board of Directors)** - Under in-house rules concerning risk management, each Chief Executive, etc. carries out evaluations of risks and the management situation of the business of which they are in charge, and by examination at the Risk Management Committee, risks are clarified and appropriate countermeasures are implemented. - The Company has established in-house regulations, etc. concerning the protection of personal information, and in terms of handling and managing the My Number, the Company has established an administrative manual on specific personal information. - The Company has established basic plans and implementation guidelines for plan for ensuring business continuity, which will enable business continuity even in the event of a large-scale natural disaster, etc. - The Company has established in-house regulations concerning the management of confidential information.

	(Summary of Implementation Status) - The Risk Management Committee was held twice during the fiscal year under review. In addition, the Company conducted periodic evaluations on safe vessel operations and protection of the environment, and practiced thorough risk management through the Safety and Environmental Management Committee chaired by the President. - The My Number is being handled and managed in accordance with the administrative manual on specific personal information. - The Company formulated and reviewed, as appropriate, the plan for ensuring business continuity upon events such as a large-scale disaster, and the office of the disaster control headquarters conducts drills twice a year basically. - Regarding the management of confidential information, the Company has set out the method of classification in accordance with the guidelines of the Ministry of Economy, Trade and Industry, and are working for thorough handling and management of such information.
(4) Structure to ensure the effective execution of duties of Directors	**(Outlines of Resolutions at the meeting of the Board of Directors)** - Clear administrative authority and decision-making rules are prescribed, and IT and other means are used to speed up the decision-making process in the development of systems for Directors to execute their duties appropriately and effectively.
	(Summary of Implementation Status) - A questionnaire on effectiveness of the meetings of the Board of Directors was conducted on all Directors and Audit & Supervisory Board Members, and based on the results thereof, matters to be resolved at the meetings of the Board of Directors are being revised and matters to be reported are being sorted out. - At the weekly meetings of Committee of Corporate Officers, matters to be resolved at the meetings of the Board of Directors are discussed in advance and matters delegated to Committee of Corporate Officers are being decided. Additionally, the approval system has been accelerated through the utilization of the electronic request for approval system.
(5) Structures to ensure the proper execution of business by the NYK Group comprising the Company and its subsidiaries	**(Outlines of Resolutions at the meeting of the Board of Directors)** - The Company has formulated its Mission Statement and Business Credo that apply to the NYK Group as a whole. NYK Group companies are revising the Code of Conduct, as necessary. - The Company instructs the Group on the establishment of the internal control system. - The Company have established a department to promote Group management for the aim of increasing the collective corporate value of the Group as a whole by enhancing the Group's capital efficiency, establishing group governance, and enhancing the effectiveness of the internal controls. The Company have established a framework including the Group Management Guidelines, and promotes adequate Group management by appropriately implementing these guidelines. - Through internal audits of the Company and its Group companies, the internal audit division provides various advice and suggestions for improvements.
	(Summary of Implementation Status) - In addition to the legal training seminars for domestic Group companies, which were held 9 times during the fiscal year under review, efforts were made to establish a compliance framework that embraces anti-bribery laws as well as antitrust laws. - Compliance with various laws and regulations, corporate ethics and social norms are being thoroughly familiarized to the NYK Group as a whole through seminars, transmission of compliance information and other activities. - The Group Management Committee was held twice and the Group Conference was held 4 times. The Company has partially revised the Group

	Standards, etc. applied to Group companies, and has been promoting adequate Group management through appropriate operation thereof. - The cash management system between the Company and the Group companies is being fully utilized to achieve efficient fund management. - The internal audit division conducted internal audits on 27 domestic Group companies and 68 overseas bases, evaluated the management and administration structures across their corporate activities and the status of business execution, and based thereon provided various advice and suggestions for improvement.
(6) Matters concerning the employees to assist the Audit & Supervisory Board Members in their duties when the Audit & Supervisory Board Members request the assignment thereof	**(Outlines of Resolutions at the meeting of the Board of Directors)** - The Company has established an Audit & Supervisory Board Office with dedicated staff. The staff members assist the Audit & Supervisory Board Members in their duties, including provision of support for Outside Audit & Supervisory Board Members.
	(Summary of Implementation Status) - An Audit & Supervisory Board Office has been established with three dedicated staff, and they are appropriately assisting the Audit & Supervisory Board Members in their duties.
(7) Matters to ensure the independence of the employees set forth in the preceding paragraph from the Directors and the effectiveness of directions given to the employees	**(Outlines of Resolutions at the meeting of the Board of Directors)** - The dedicated staff of the Audit & Supervisory Board Office work under the full-time Audit & Supervisory Board Members.
	(Summary of Implementation Status) - As the dedicated staff of the Audit & Supervisory Board Office is to report to the full-time Audit & Supervisory Board Members, the full-time Audit & Supervisory Board Members carry out personnel evaluations of such dedicated staff. Any reassignment involving the staff of the office shall be decided, fully reflecting the opinion of Audit & Supervisory Board Members.
(8) Structures for reporting to Audit & Supervisory Board Members and other structures to ensure Audit & Supervisory Board Members conduct audits effectively	**(Outlines of Resolutions at the meeting of the Board of Directors)** - The Company establishes relevant in-house rules and a framework in which matters relating to the Group's compliance and whistle blowing are reported to Audit & Supervisory Board Members regularly and depending on their importance as appropriate. - In order to ensure that there are systems which enable the execution of duties specified in laws, regulations of the Audit & Supervisory Board, and Audit & Supervisory Board Members auditing standards, Directors and the Board of Directors are working to create the environment in which the Audit & Supervisory Board Members can conduct effective audits. - Through ensuring that there are structures for Audit & Supervisory Board Members to collect information, they are arranging systems to enable understanding of management issues and the actual conditions of operations.
	(Summary of Implementation Status) - The Company has secured an information gathering framework for Audit & Supervisory Board Members by providing Audit & Supervisory Board Members with the opportunity to attend the meetings of Committee of Corporate Officers, the Compliance Committee, the Internal Control Committee, the Risk Management Committee, the committee for ensuring adherence to antitrust law, the Information Disclosure Committee, the Investment Management Committee and the Group's presidents' meetings, among others. - The in-house regulations related to anonymity of a whistleblower and prohibition of disadvantageous treatment against the whistleblower have been set out, and the contents of the whistle blowing are being reported to the Audit & Supervisory Board Members. - The Company has secured opportunities for the Audit & Supervisory Board Members to interview and receive reports from Directors, etc. and general

	managers. - The Company has ensured a structure for effective audits by making it possible for Audit & Supervisory Board Members to inspect and investigate important documents related to the execution of business operations including the minutes of the meetings of the Board of Directors and of Committee of Corporate Officers and approval documents.
(9) Matters concerning procedures for advance payment or reimbursement of expenses arising in conjunction with the execution of duties by Audit & Supervisory Board Members and other policies for processing expenses and obligations arising with respect to the execution of duties	**(Outlines of Resolutions at the meeting of the Board of Directors)** - The Company shall bear the necessary costs for Audit & Supervisory Board Members to execute their duties.
	(Summary of Implementation Status) - The Company bears the costs arising in conjunction with the execution of duties by Audit & Supervisory Board Members based on the right to claim for the payment of expenses set forth in the Audit & Supervisory Board Members auditing standards.
(10) Structures to ensure compliance with the Financial Instruments and Exchange Act	**(Outlines of Resolutions at the meeting of the Board of Directors)** - The Company has established an internal control system designed to ensure the properness of financial statements, etc. prepared and disclosed in accordance with the Financial Instruments and Exchange Act, and conducts effectiveness assessment on its design and implementation.
	(Summary of Implementation Status) - A JSOX Sub-committee has been established within the Internal Control Committee to verify the reliability of financial statements and to deliberate the drafts of the Internal Control Report. Additionally, effectiveness assessments of the design and implementation of internal controls are being conducted through such means as the quarterly Information Disclosure Committees, which are held to deliberate the contents of disclosures.
(11) Structures to eliminate ties with antisocial forces	**(Outlines of Resolutions at the meeting of the Board of Directors)** - The elimination of ties with antisocial forces is considered an important compliance matter and an internal reporting system and response flow are established to sever any ties therewith, in addition to setting up a consultation counter for responding to antisocial forces.
	(Summary of Implementation Status) - In order to promptly respond to antisocial forces, the Company is making daily efforts to strengthen its coordination with external specialized institutions such as the police, TOKUBOUREN (Special Joint Organization of Monitoring Agencies for the Prevention Violence Organized by Metropolitan Police Department) and attorneys. - The Company has been taking measures against organized crime syndicates and other antisocial forces by including a clause for the elimination of organized crime syndicates in the agreements with its business partners and obtaining written pledges concerning the elimination of antisocial forces.

Consolidated Financial Statements

1. Consolidated Balance Sheet (As of March 31, 2018)

(In millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	566,897	Current liabilities	520,281
Cash and deposits	104,899	Notes and operating accounts payable-trade	206,205
		Current portion of bonds	30,000
Notes and operating accounts receivable-trade	259,367	Short-term loans payable	113,198
		Income taxes payable	6,803
Short-term investment securities	155	Deferred tax liabilities	3,321
Inventories	46,598	Advances received	48,543
Deferred and prepaid expenses	68,758	Provision for bonuses	9,271
		Provision for directors' bonuses	368
		Provision for stock payment	59
Deferred tax assets	2,299	Provision losses related to business restructuring	2,241
		Provision for losses related to antitrust law	499
Other	87,013	Provision for losses related to contracts	3,129
Allowance for doubtful accounts	(2,194)	Other	96,638
Non-current assets	1,504,755	Non-current liabilities	963,436
Vessels, property, plant and equipment	918,770	Bonds payable	145,000
Vessels, net	631,840	Long-term loans payable	683,184
Buildings and structures, net	79,083	Deferred tax liabilities	49,230
Aircraft, net	47,813	Net defined benefit liability	18,301
Machinery, equipment, and vehicles, net	27,691	Provision for directors' retirement benefits	1,958
Equipment, net	5,919	Provision for stock payment	479
Land	71,516	Provision for periodic dry docking of vessels	21,335
Construction in progress	49,920		
Other, net	4,985	Other	43,945
Intangible assets	36,932	**Total Liabilities**	**1,483,717**
Leasehold right	5,144	**Equity**	
Software	6,807	Shareholders' capital	521,035
Goodwill	22,032	Common stock	144,319
Other	2,948	Capital surplus	35,112
Investments and other assets	549,052	Retained earnings	345,404
Investment securities	423,246	Treasury stock	(3,801)
Long-term loans receivable	20,819	Accumulated other comprehensive income (loss)	30,851
Net defined benefit asset	52,971	Unrealized gain (loss) on available-for-sale securities	41,637
Deferred tax assets	6,498	Deferred gain (loss) on hedges	(18,929)
		Foreign currency translation adjustments	(3,101)
Other	52,779	Remeasurements of defined benefit plans	11,245
Allowance for doubtful accounts	(7,263)	Non-controlling interests	36,368
Deferred assets	319	**Total Equity**	**588,255**
Total Assets	2,071,972	**Total Liabilities and Equity**	**2,071,972**

2. Consolidated Statement of Income (From April 1, 2017 to March 31, 2018)

(In millions of yen)

Item	Amount
Revenues	2,183,201
Cost and expenses	1,952,401
Gross profit	230,799
Selling, general and administrative expenses	202,974
Operating profit	27,824
Non-operating income	
Interest income	3,478
Dividend income	7,013
Equity in earning of unconsolidated subsidiaries and affiliates	9,935
Other	5,100
Total non-operating income	25,527
Non-operating expenses	
Interest expenses	17,787
Foreign exchange losses	3,857
Other	3,690
Total non-operating expenses	25,335
Recurring profit	28,016
Extraordinary income	
Gain on sales of non-current assets	13,861
Gain on sales of investment securities	11,949
Other	3,662
Total extraordinary income	29,474
Extraordinary loss	
Loss on sales of non-current assets	181
Losses related to business restructuring	7,612
Losses related to antitrust law	3,100
Other	4,551
Total extraordinary loss	15,444
Profit before income taxes	42,046
Income taxes-current	17,918
Income taxes-deferred	(2,636)
Total income taxes	15,282
Profit	26,763
Profit attributable to non-controlling interests	6,596
Profit attributable to owners of parent	20,167

(For reference)

3. Summary of Consolidated Statement of Cash Flows (From April 1, 2017 to March 31, 2018)

(In millions of yen)

Item	Amount
Net cash provided by (used in) operating activities	89,090
Net cash provided by (used in) investing activities	(137,994)
Net cash provided by (used in) financing activities	17,587
Effect of exchange rate change on cash and cash equivalents	(3,029)
Net increase (decrease) in cash and cash equivalents	(34,345)
Cash and cash equivalents at beginning of period	137,444
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	132
Increase (decrease) in beginning balance of cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	47
Cash and cash equivalents at end of period	103,278

Note: This statement is not covered by the audit reports.

4. Consolidated Statement of Changes in Consolidated Equity (From April 1, 2017 to March 31, 2018)

(In millions of yen)

Item	Shareholders' capital					Accumulated other comprehensive income					Non-controlling interests	Total Equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	**Total share-holders' capital**	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasu-rements of defined benefit plans	**Total Accumula-ted other comprehe-nsive income**		
Balance at the beginning of current period	144,319	155,461	202,488	(3,814)	**498,455**	48,860	(27,284)	(4,816)	7,255	**24,015**	**69,464**	**591,936**
Changes of items during the period												
Transfer to retained earnings from capital surplus		(122,500)	122,500		**—**							**—**
Profit attributable to owners of parent			20,167		**20,167**							**20,167**
Purchase of treasury stock				(23)	**(23)**							**(23)**
Disposal of treasury stock		(2)		36	**33**							**33**
Change in equity of parent related to transactions with non-controlling shareholders		2,153			**2,153**							**2,153**
Adjustments due to change in the fiscal period of consolidated subsidiaries			(35)		**(35)**							**(35)**
Change of scope of consolidation			88		**88**							**88**
Change of scope of equity method			202		**202**							**202**
Other			(6)	0	**(6)**							**(6)**
Net change of items other than shareholders' capital						(7,223)	8,355	1,714	3,989	**6,835**	**(33,096)**	**(26,261)**
Total changes of items during the period	—	(120,348)	142,916	13	**22,580**	(7,223)	8,355	1,714	3,989	**6,835**	**(33,096)**	**(3,680)**
Balance at the end of current period	144,319	35,112	345,404	(3,801)	**521,035**	41,637	(18,929)	(3,101)	11,245	**30,851**	**36,368**	**588,255**

5. Notes to Consolidated Financial Statements

(1) Basis of presenting consolidated financial statements

1) Scope of Consolidation

(i) Number of Consolidated subsidiaries: 538
Name of principal consolidated subsidiaries
Principal consolidated subsidiaries are stated in the Business Report “1. Overview of Operations for NYK Group, (10) Status of Major Business Combination, 2) Status of principal subsidiaries”.
Changes in the current fiscal year are as follows:
TOMORROW MARINE S.A. and 2 other companies were included within the scope of consolidation as they were newly established.
YUSEN LOGISTICS (MYANMAR) CO., LTD and 13 other companies were included within the scope of consolidation as their total assets, revenues, profit and retained earnings, etc. increased in importance.
NYK FINANCE (CAYMAN) LTD. and 25 other companies were excluded from the scope of consolidation, as they were liquidated.
MILFORD SHIPHOLDING II S.A. was excluded from the scope of consolidation, as it merged with MILFORD SHIPHOLDING S.A. on April 30, 2017.
CAMPBELL SHIPHOLDING II S.A. was excluded from the scope of consolidation, as it merged with CAMPBELL SHIPHOLDING S.A. on April 30, 2017.
NYK LINE (AUSTRALIA) PTY LTD. was excluded from the scope of consolidation, as it merged with NYK AUSTRALIA PTY. LTD on April 1, 2017.
TRANSFREIGHT AUTOMOTIVE LOGISTICS EUROPE S.A.S. was excluded from the scope of consolidation, as it merged with YUSEN LOGISTICS (FRANCE) S.A.S. on September 30, 2017.
NYG SHIPPING LTD. was excluded from the scope of consolidation, due to the disposal of shares.

(ii) Name of principal unconsolidated subsidiaries
There is no principal unconsolidated subsidiary to be noted.

(iii) Reason for exclusion from the scope of consolidation
Total assets, total sum of revenues and total equity amount out of profit and total equity amount of retained earnings, etc. of unconsolidated subsidiary are all small compared to total assets, total sum of revenues, total equity amount out of profit and total equity amount of retained earnings of consolidated companies, and do not have a material effect on the consolidated statutory report as a whole, and this is why they are excluded from the scope of consolidation.

2) Application of equity method

(i) Number of affiliates accounted for by the equity method
unconsolidated subsidiaries: 8
affiliates: 195
Name of principal affiliates accounted for by the equity method:
Principal affiliates are stated in the Business Report “1. Overview of Operations for NYK Group, (10) Status of Major Business Combination, 3) Status of principal affiliates”.
Changes during this fiscal year are as follows:
Ocean Network Express Holdings, Ltd. and OCEAN NETWORK EXPRESS PTE. LTD. and 4 other companies were included within the scope of application of the equity method, as they were newly established.
HUNAN GAC NYK LOGISTICS CO., LTD. and 5 other companies were included within the scope of application of the equity method as their profit and retained earnings, etc. increased in importance.
KNUTSEN OFFSHORE TANKERS AS and 3 other companies were excluded from the scope of application of the equity method, as they were liquidated.
NORTH Star Transport CO., LTD. and 4 other companies were excluded from the scope of application of the equity method, due to the disposal of shares.

(ii) Name of principal unconsolidated subsidiaries and affiliates that are not accounted for by the equity method

There is no principal unconsolidated subsidiary or affiliate to be noted.

(iii) Reason for exclusion of the scope of application of the equity method

Profit and total equity amount of retained earnings, etc. of unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are small compared to profit and total equity amount of retained earnings of consolidated companies and companies that are accounted for by the equity method, and impact on retained earnings, etc., is minor, and as a whole do not have a material effect on the consolidated statutory report, and this is why they are excluded from the scope of application of the equity method.

(iv) Noteworthy matters concerning procedures in the application of the equity method

For 2 affiliates accounted for by the equity method whose closing dates of account fell on December 31, pro forma financial statements as of the closing date of the consolidated statements were used.

For affiliates other than those mentioned above whose closing dates were different from that of the consolidated statements, financial statements as of the closing date of account of the respective companies were used.

3) Fiscal year for consolidated subsidiaries

For 34 consolidated subsidiaries whose closing dates of account fell on December 31, financial statements as of the closing date of account of respective companies were used for the purpose of consolidation. Necessary consolidation adjustments have been made to account for significant events, if any, that took place between December 31 and March 31.

For 8 consolidated subsidiaries whose closing dates of account fell on December 31, pro forma financial reports as of the closing date of the consolidated statements were used for the purpose of consolidation.

From the fiscal year under review, the closing date of account for YUSEN LOGISTICS DO BRASIL LTDA., a consolidated subsidiary, has changed from December 31 to March 31.

The impact of change in the fiscal period on retained earnings is stated in the Consolidated Statement of Changes in Consolidated Equity.

The name of a major company which closes the books on December 31 is as follows:

NYK AUTOMOTIVE LOGISTICS (CHINA) CO., LTD.

4) Accounting policies

(i) Standards and methods of valuation of significant assets

Securities

Bonds held to maturity	Amortized cost method (primarily straight-line method)
Available-for-sale securities	
Securities with market value	Primarily, market value method based on the average market price during the month before the closing date, etc. (Differences in valuation are included directly in equity and costs of securities sold are calculated primarily using the moving-average method)
Securities without market value	Primarily, stated at cost using the moving-average method
Derivatives	Market value method
Inventories	Valued at cost, determined primarily by the first-in, first-out method. (reducing book value in accordance with declines in profitability)

(ii) Depreciation methods for significant depreciable assets

Vessels, property, plant and equipment (except for lease assets)

Primarily the straight-line method

Intangible assets (except for lease assets)

Software	Primarily, straight-line method based on useful life in-house (5 years)
Other intangible assets	Primarily the straight-line method

Lease assets

Lease assets arising from ownership-transfer finance leases

Identical to depreciation method applied to self-owned non-current assets

Lease assets arising from non-ownership-transfer finance leases

Straight-line method that assumes a useful life is equal to the lease period and an estimated residual value is zero

The conventional accounting treatment will still apply to non-ownership-transfer finance leases that commenced before March 31, 2008 to apply revised accounting standard for lease transactions.

(iii) Disposition method of significant deferred assets

Bond issuance cost	Amortized equally each month over the period of redemption of the bond

(iv) Standards of accounting for significant allowances and provisions

Allowance for doubtful accounts	Estimated uncollectible amounts are calculated using historical data for trade receivables and individually considering the probability of collection for doubtful receivables.
Provision for bonuses	Provided for bonus payments to employees based on estimated amounts of future payments attributed to the fiscal year.
Provision for director's bonuses	Provided for bonus payments to directors based on estimated amounts of future payments attributed to the fiscal year.
Provision for directors' retirement benefits	Provision for directors' retirement benefits at the end of fiscal term is calculated based on internal rules as for certain consolidated subsidiaries.
Provision for periodic dry docking of vessels	Provision for periodic dry docking of vessels is calculated based on future estimated amount for periodic dry docking of vessels.
Provision for losses related to antitrust law	Provided for possible surcharge and other payments arising from suspected violation of competition laws (including antitrust laws) of various countries, based on estimated amounts of payment.
Provision for losses related to contracts	Provided for possible losses associated with purchase of non-current assets as well as performance of lease contracts based on estimated amounts of losses.
Provision for stock payment	Provision for stock payment is calculated based on estimated amount of shares of the Company corresponding to the points granted to eligible Directors and Corporate Officers at the end of the current fiscal year, to prepare for the payment of the Company stocks to Directors and Corporate Officers based on the Share Delivery Rules.
Provision losses related to business restructuring	To provide for the losses associated with the restructuring of business, etc., estimated future loss is recognized.

(v) Accounting method for retirement benefits

(1) Method of attributing estimated amounts of retirement benefits to periods

In calculating defined benefit obligations, the estimated amount of retirement benefits attributed to a period up to the end of the current fiscal year is primarily determined based on benefit formula.

(2) Amortization of unrecognized actuarial gain (loss) and prior service cost

Prior service cost is amortized by the straight-line method over a certain period (primarily 8 years) which is not more than the average remaining service period of employees. Unrecognized actuarial gain (loss) is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a certain period (primarily 8 years) which is not more than the average remaining service period of employees.

(vi) Standards of accounting for important income and expenses

Standards of accounting for revenue and expenses of the shipping operation

Container ships

For freight rate and transportation costs, the Company has adopted the intermodal transportation percentage of completion basis, which is posted in accordance with the elapse of the transportation period of the individual cargo.

Other than container ships

For freight rates, transportation costs, and vessel cost relating to vessels in operation and vessel lease fees, along with lending vessel fees corresponding to these, the Company has mainly adopted the voyage completion method, which considers from the place of departure to the place of return as one unit.

(vii) Significant hedge accounting

For the 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 applies hedge accounting. In addition, hedge accounting is also applied to derivative financial instruments used to mitigate the risks of price fluctuations in fuel procurement, etc. For hedge accounting, the Company adopts the Deferred Hedge Method. *Furiate-shori* (designated hedge accounting treatment) is applied to forward foreign exchange contracts, etc. that meet the required conditions of such treatment, while *Tokurei-shori* (special accounting treatment) is applied to interest rate swaps, etc., that meet the required conditions of such treatment.

Interest rate swaps, etc., are used to hedge the loans payable and bonds payable against possible changes in interest rates, while currency swap, forward exchange contracts and foreign currency denominated assets/liabilities are used to hedge monetary assets and liabilities, investments in overseas subsidiaries and other foreign currency denominated transactions including scheduled transactions against possible changes in exchange rates. Swap transactions are used to hedge fuel oil against possible fluctuations in price. The Company evaluates effectiveness of hedging transactions by comparing accumulated changes in market price and cash flows of hedging transactions with those of the hedged transactions at the end of each financial quarter. However, interest rate swaps, etc., that are subject to special accounting treatment are excluded from the evaluation.

(viii) Method of amortization of goodwill and period of amortization

Goodwill is amortized equally each year over 5 to 20 years.

(ix) Other significant matters in the preparation of the consolidated financial statements

i. Accounting for interest expenses

Interest expenses are generally charged to income as incurred. However, interest expenses incurred in the construction of certain assets are capitalized and included in the costs of assets when a construction period is substantially long; the amount of interest incurred in such a period is significantly material; and certain conditions apply.

ii. Accounting for consumption taxes

Consumption taxes are accounted for by the tax exclusion method.

(2) Additional information

(New Companies Established Following the Integration of the Container Shipping Business)
The Company, Kawasaki Kisen Kaisha, Ltd., and Mitsui O.S.K. Lines, Ltd. jointly established two new companies in accordance with a business integration contract and a shareholders agreement concluded on October 31, 2016, which were intended for integrating the container shipping businesses (including the operation of terminals outside Japan) of the three companies. The new operating company began offering regular container shipping services from April 1, 2018.

Overview of the new companies
(i) Holding company
Company name: OCEAN NETWORK EXPRESS HOLDINGS, LTD.
Capital: 50 million yen
Contribution ratios: Kawasaki Kisen Kaisha, Ltd.: 31%
Mitsui O.S.K. Lines, Ltd.: 31%
The Company: 38%
Location: Tokyo, Japan
Date of establishment: July 7, 2017
(ii) Operating company
Company name: OCEAN NETWORK EXPRESS PTE. LTD.
Capital: 800 million U.S. dollars
Contribution ratios (including indirect investment):
Kawasaki Kisen Kaisha, Ltd.: 31%
Mitsui O.S.K. Lines, Ltd.: 31%
The Company: 38%
(including indirect investment)
Location: Singapore
Date of establishment: July 7, 2017

(3) Notes to Consolidated Balance Sheet

1) Breakdown of inventories

Merchandise and finished goods	1,934 million yen
Work in process	656 million yen
Raw materials and supplies	44,006 million yen

2) Assets pledged as collateral and obligations relating to collateral

(i) Assets pledged as collateral

Cash and deposits	1,634 million yen
Vessels	189,206 million yen
Buildings and structures	991 million yen
Land	3,452 million yen
Investment securities	71,338 million yen
Investments and other assets	4 million yen
Total	266,628 million yen

(ii) Obligations relating to collateral

Short-term loans payable	18,107 million yen
Long-term loans payable	143,597 million yen
Total	161,705 million yen

Note: Vessels of 289 million yen and investment securities of 71,289 million yen have been pledged as collateral for debts of affiliates, etc.

3) Accumulated depreciation of vessels, property, plant and equipment 1,026,650 million yen

4) Contingent liability

(i) Notes receivable discounted and endorsed 20 million yen
(ii) Guarantee obligations 116,718 million yen
(iii) Certain operating lease agreements that the NYK Group concluded on its respective vessels incorporate a residual value guarantee clause. The maximum amount of potential future payment under the guarantee obligation is 8,606 million yen. These guarantees may be paid if the companies choose to return the leased property rather than exercise an option to buy it. The operating lease agreement will expire by March 2020.
(iv) Some operating lease agreements that the NYK Group concluded on its aircraft incorporate a residual value guarantee clause. The maximum amount of potential future payment under the guarantee obligation is 57,987 million yen. The companies may pay the guarantee if they choose to return the leased properties at the end of the lease term. The operating lease agreement will expire by December 2026.
(v) The NYK Group has been under investigation by some authorities overseas, on account of suspected violations of the antitrust laws concerning the shipping of cargo including automobiles handled in or after September 2012. Also, the Group has been sued in class action lawsuits in the U.S. and other regions for damages and suspension of shipments, etc. without specific amount of damage, for its conspiracy to fix prices of shipping with major automobile shipping companies concerning marine transportation of assembled automobiles, etc. It is difficult to reasonably predict the results of the investigations by overseas authorities and class action lawsuits at present, except for the amounts recorded as provision for losses related to antitrust law.

(4) Notes to Consolidated Statement of Income

Losses related to business restructuring

Losses related to business restructuring associated with integration of container shipping business are recorded in a lump sum. The breakdown of such losses is as follows.

Impairment loss	4,570 million yen
Provision for allowance for related to business restructuring	2,268 million yen
Others	773 million yen
Total	7,612 million yen

(5) Notes to Consolidated Statement of Changes in Equity

1) Class and number of issued and outstanding shares at term-end

Common stock 170,055,098 shares

2) Matters concerning dividends

(i) Amount of dividend payment
Not applicable.

(ii) Dividend for which base date is in the current consolidated fiscal year but effective date for dividend

Resolution	Class of stock	Total dividend (millions of yen)	Dividend per share (yen)	Base date	Effective date
Ordinary General Meeting of Shareholders June 20, 2018	Common stock	5,087	30	March 31, 2018	June 21, 2018
Total		5,087			

Note: The total dividend resolved by the Ordinary General Meeting of Shareholders held on June 20, 2018 includes dividends of 27 million yen on the Company shares owned by the Board Incentive Plan Trust.

(6) Notes to financial instruments

1) Matters concerning financial instruments

The NYK Group primarily uses short-term deposits for the management of its funds, and raises funds through borrowings from financial institutions including banks or corporate bonds. It aims to mitigate the credit risk of customers associated with notes and operating accounts receivable-trade, in accordance with its credit control procedures and other rules. Investment securities consist primarily of shares and those shares with market quotations are basically stated by using the market value method, based on the average market value during 1 month before the closing date.
As a result, the fluctuations in the stock market and other related factors may have an impact on the NYK Group's business performance and financial standings. Proceeds from the loans payable and corporate bonds are used to finance capital investment requirements for the acquisition of vessels, aircraft, transportation-related facilities, etc. and working capital requirements for business activities. The Company enters into interest rate swap agreements and similar instruments to hedge against the risk of interest rate fluctuations. Meanwhile, the NYK Group makes it a principle to implement derivatives transactions within the scope of commercial needs, in accordance with its internal rules and regulations.

2) Matters concerning the market value of financial instruments

The stated values of financial instruments on the consolidated balance sheet, their market values and differences between balance sheet amount and market values as of March 31, 2018 are described below. Financial instruments whose market values appear to be extremely difficult to determine are not included in the table.

(In millions of yen)

	Consolidated balance sheet amount	Market Values	Balance
(i) Cash and deposits	104,899	104,899	—
(ii) Notes and operating accounts receivable-trade	259,367		
Allowance for doubtful accounts (*1)	(1,329)		
	258,037	258,037	—
(iii) Short-term investment securities and investment securities			
Bonds held to maturity	155	156	1
Available-for-sale securities	121,583	121,583	—
Stocks of affiliates	14,619	11,663	(2,956)
(iv) Long-term loans receivable	20,819		
Allowance for doubtful accounts (*1)	(776)		
	20,042	20,904	862
(v) Notes and operating accounts payable-trade	206,205	206,205	—
(vi) Current portion of bonds	30,000	30,000	—
(vii) Short-term loans payable	113,198	113,198	—
(viii) Bonds payable	145,000	151,225	6,225
(ix) Long-term loans payable	683,184	694,158	10,974
(x) Derivatives transactions (*2)	1,718	1,718	—

(*1) The separately recorded provisions for allowance for doubtful accounts on notes and operating accounts receivable-trade and long-term loans receivable are subtracted from the above amounts.
(*2) Derivatives transactions are stated at their total value subtracted for debts and credits.

Notes: 1 Calculation method for the market value of financial instruments and matters concerning marketable securities and derivatives transactions

(i) Cash and deposits

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

(ii) Notes and operating accounts receivable-trade

These assets are stated at book value, as they are settled in the short term and their market values approximate book values. Doubtful receivables are stated at adjusted book value. The expected amount of loan losses on these assets are calculated based on either the present value of expected future cash flows or expected recoverable amount of their collateral securities or guarantees; hence their market values approximate their balance sheet values at the consolidated accounting date less the current expected amount of loan losses.

(iii) Securities and investment securities

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

(iv) Long-term loans receivable

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

(v) Notes and operating accounts payable, (vi) current portion of bonds and (vii) short-term loans payable

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

(viii) Bonds payable

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

(ix) Long-term loans payable

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

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

(x) Derivatives transactions

NYK and its subsidiaries enter into interest-rate swap agreements to hedge against the risk of fluctuations in interest rates relating to their loans payable, corporate bonds, etc.; close currency futures, currency swap and similar instrument deals to hedge against the risk of fluctuations in exchange rates associated with their foreign currency-denominated debts and credits; and deal in fuel oil swap, freight (charterage) futures and similar instrument contracts to hedge against the fluctuations in fuel oil and charterage. The market value of these derivatives transactions at the consolidated accounting date is calculated based on the price presented by transacting financial institutions, etc.

2 Stocks of subsidiaries and affiliates (recorded amount on the consolidated balance sheet is 256,115 million yen) and unlisted shares (recorded amount on the consolidated balance sheet is 30,927 million yen) are not included in “(iii) Securities and investment securities”, as their market values appear to be extremely difficult to determine.

(7) Notes to investment and rental properties

1) Matters concerning investment and rental properties

NYK and some of its consolidated subsidiaries own office buildings and other properties for lease (including land) in the metropolis of Tokyo and other areas.

2) Matters concerning the market value of rental properties

Income and expenses from the relevant investment and rental properties as of March 31, 2018 was 4,190 million yen (major income and expenses associated with these investment and rental properties were recorded as revenues and cost and expenses, respectively) and profit or loss from the sale of the properties was 6,699 million yen (gain on sales thereof is recorded as extraordinary income, while loss on sales thereof as extraordinary loss).
The recorded amount on the consolidated balance sheet, amount of increase (decrease), and market value of the relevant investment and rental properties on the consolidated accounting date are shown below.

(In millions of yen)

Consolidated balance sheet amount			Market value as of the consolidated accounting date
Balance at the beginning of current fiscal year	Increase (decrease) in current fiscal year	Balance at the end of current fiscal year	
48,046	(380)	47,666	118,847

Notes: 1 Consolidated balance sheet amount represents the original acquisition cost less accumulated depreciation and impairment loss.
2 The market values as of the closing date of the consolidated statements are based on amounts (including amounts adjusted on the basis of indexes, etc.) calculated principally with reference to the Real Estate Appraisal Standard.

(8) Notes on per-share information

1) Equity per share	3,272.21 yen
2) Profit per share	119.57 yen

On October 1, 2017, the Company conducted a reverse stock split at a ratio of 10 ordinary stocks to one ordinary stock. Equity per share and profit per share have been calculated based on the scenario that the reverse stock split had been effective from the beginning of the current fiscal year.

(9) Other notes

The fraction of amounts less than the indicated unit is rounded down.

(10) Notes on significant subsequent events

(Additional investment in equity-method affiliates)

On April 2, 2018, the Company, Kawasaki Kisen Kaisha, Ltd., and Mitsui O.S.K. Lines, Ltd., made an additional investment in its equity-method affiliate, OCEAN NETWORK EXPRESS PTE.LTD., in accordance with original plans.

1. Overview of the equity-method affiliate targeted for the additional investment

Company name:	OCEAN NETWORK EXPRESS PTE. LTD.	
Capital:	(before additional investment)	800 million U.S. dollars
	(After additional investment)	3,000 million U.S. dollars
Contribution ratios:	Kawasaki Kisen Kaisha, Ltd.:	31%
	Mitsui O.S.K. Lines, Ltd.:	31%
	The Company:	38%

(including indirect investment)

Location: Singapore

Date of establishment: July 7, 2017

2. Overview of additional investment

(1)	Amount of additional investment	2,200 million U.S. dollars
(2)	Paid-in capital after additional investment	3,000 million U.S. dollars
(3)	Effective date of additional investment	April 2, 2018

Unconsolidated Financial Statements

1. Unconsolidated Balance Sheet (As of March 31, 2018)

(In millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	304,478	Current liabilities	356,468
Cash and deposits	32,427	Operating accounts payable-trade	93,978
		Current portion of bonds	30,000
Operating accounts receivable-trade	92,677	Short-term loans payable	101,382
Short-term loans receivable	42,935	Lease obligations	7
Inventories	29,789	Account payable	23,301
Deferred and prepaid expenses	45,959	Income taxes payable	54
Receivable from agencies	14,449	Deferred tax liabilities	1,152
Lease receivables	15,179	Advance received	28,584
Other current assets	31,933	Deposits received	62,349
Allowance for doubtful accounts	(873)	Payable to agencies	1,355
Non-current assets	1,099,109	Provision for bonuses	1,569
		Provision for stock payment	59
Vessels, property, plant and equipment	145,614	Provision for losses related to antitrust law	499
		Provision for losses on litigation	247
Vessels, net	93,143	Provision losses related to business restructuring	1,720
		Other current liabilities	10,204
Buildings, net	15,657	Non-current liabilities	786,059
Structures, net	358	Bonds payable	145,000
Machinery and equipment, net	35	Long-term loans payable	452,472
Vehicles, net	16	Lease obligations	9
Equipment and fixtures, net	959	Deferred tax liabilities	34,230
Land	22,064	Allowance for investment loss associated with vessels owned by subsidiaries or affiliates	143,471
Construction in progress	13,379	Provision for stock payment	479
Intangible assets	6,387	Provision for loss on guarantees	11
Goodwill	3,540	Other non-current liabilities	10,385
Leasehold right	511	**Total liabilities**	**1,142,527**
Software	2,311	**Equity**	
Other intangible assets	24	Shareholders' capital	231,865
Investments and other assets	947,106	Common stock	144,319
Investment securities	115,627	Capital surplus	31,881
Stocks and equity in subsidiaries and affiliates	387,690	Capital reserve	30,191
Long-term loans receivable	374,198	Other capital surplus	1,690
Lease receivables	101,621	Retained earnings	59,458
Other investments, etc.	62,191	Other retained earnings	59,458
Allowance for doubtful accounts	(94,224)	Reserve for special depreciation	0
Deferred assets	319		
Bond issuance cost	319	Reserve for advanced depreciation	3,134
		Retained earnings carried forward	56,323
		Treasury stock	(3,795)
		Valuation and translation adjustments	29,513
		Unrealized gain (loss) on available-for-sale securities	39,540
		Deferred gain (loss) on hedges	(10,027)
		Total Equity	**261,379**
Total Assets	**1,403,907**	**Total Liabilities and Equity**	**1,403,907**

2. Unconsolidated Statement of Income (From April 1, 2017 to March 31, 2018)

(In millions of yen)

Item	Amount	
Revenue from shipping operation	1,084,309	
Shipping operation expenses	1,068,461	
Shipping operation income		15,847
Revenue from other business	3,616	
Other business expenses	1,260	
Other business income		2,356
Gross operating income		18,204
General administrative expenses		37,912
Operating profit (loss)		(19,707)
Non-operating income		
Interest and dividend income	72,691	
Other non-operating income	3,474	76,165
Non-operating expenses		
Interest expenses	10,766	
Other non-operating expenses	3,990	14,756
Recurring profit		41,700
Extraordinary income		
Gain on sales of non-current assets	13,983	
Gain on sales of investment securities	11,692	
Gain on liquidation of subsidiaries and affiliates	6,047	
Other extraordinary income	2,420	34,142
Extraordinary loss		
Loss on disposal of non-current assets	136	
Provision for allowance for doubtful accounts	364	
Losses related to business restructuring	6,838	
Losses related to antitrust law	3,100	
Provision for allowance for loss on litigation	247	
Provision for allowance for loss on guarantees	11	
Other extraordinary loss	2,152	12,850
Profit before income taxes		62,992
Income taxes-current	2,162	
Income taxes-deferred	1,320	3,483
Profit		59,509

3. Unconsolidated Statement of Changes in Equity (From April 1, 2017 to March 31, 2018)

(In millions of yen)

Item	Shareholders' capital						
	Common stock	Capital surplus		Retained earnings			
		Capital reserve	Other capital surplus	Earned surplus reserve	Other retained earnings		
					Reserve for special depreciation	Reserve for advanced depreciation	Retained earnings carried forward
Balance at the beginning of current period	144,319	151,691	2,692	13,146	2	3,992	(139,691)
Changes of items during the period							
Transfer to other capital surplus from capital reserve		(121,500)	121,500				
Transfer to retained earnings carried forward from other capital surplus			(122,500)				122,500
Transfer to retained earnings carried forward from earned surplus reserve				(13,146)			13,146
Reversal of reserve for special depreciation					(1)		1
Reversal of reserve for advanced depreciation						(858)	858
Provision of reserve for advanced depreciation						0	(0)
Profit							59,509
Purchase of treasury stock							
Disposal of treasury stock			(2)				
Net change of items other than shareholders' capital							
Total changes of items during the period	—	(121,500)	(1,002)	(13,146)	(1)	(857)	196,015
Balance at the end of current period	144,319	30,191	1,690	—	0	3,134	56,323

Item	Shareholders' capital		Valuation and translation adjustments		Total equity
	Treasury stock	**Total shareholders' capital**	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on hedges	
Balance at the beginning of current period	(3,808)	**172,345**	45,352	(14,079)	**203,618**
Changes of items during the period					
Transfer to other capital surplus from capital reserve		—			**—**
Transfer to retained earnings carried forward from other capital surplus		—			**—**
Transfer to retained earnings carried forward from earned surplus reserve		—			**—**
Reversal of reserve for special depreciation		—			**—**
Reversal of reserve for advanced depreciation		—			**—**
Provision of reserve for advanced depreciation		—			**—**
Profit		**59,509**			**59,509**
Purchase of treasury stock	(23)	**(23)**			**(23)**
Disposal of treasury stock	36	**33**			**33**
Net change of items other than shareholders' capital			(5,811)	4,052	**(1,759)**
Total changes of items during the period	12	**59,520**	(5,811)	4,052	**57,760**
Balance at the end of current period	(3,795)	**231,865**	39,540	(10,027)	**261,379**

4. Notes to Unconsolidated Financial Statements

(1) Notes on matters relating to significant accounting policies

1) Standards and methods of valuation of securities

Bonds held to maturity	Amortized cost method (straight-line method)
Stock of subsidiaries and affiliates	Stated at cost using the moving-average method
Available-for-sale securities	
Securities with market value	Market value method based on the average market price during the month before the closing date, etc. (Differences in valuation are included directly in equity and costs of securities sold are calculated using the moving-average method)
Securities without market value	Stated at cost using the moving-average method

2) Standards and method of valuation of derivative transaction

Market value method

3) Standards and methods of valuation of inventories

Stated at cost using the first-in, first-out method (method of reducing book value in accordance with declines in profitability)

4) Depreciation methods of non-current assets

Vessels, property, plant and equipment (except for lease assets)	
Vessels and building	Straight-line method
Others	Declining-balance method However, structures acquired on or before April 1, 2016 are calculated using the straight-line method.
Intangible assets (except for lease assets)	
Goodwill	Amortized equally within 20 years
Software	Straight-line method based on useful life in-house (5 years)
Other intangible assets	Straight-line method
Lease assets	
Lease assets arising from ownership-transfer finance leases	Identical to depreciation method applied to self-owned non-current assets
Lease assets arising from non-ownership-transfer finance leases	Straight-line method that assumes a useful life is equal to the lease period and an estimated residual value is zero

5) Disposition method of deferred assets

Bond issuance cost	Amortized equally each month over the period of redemption of bond

6) Standards of accounting for allowances and reserves

Allowance for doubtful accounts	Estimated uncollectible amounts are calculated using historical data for trade receivables and individually considering the probability of collection for doubtful receivables
Provision for bonuses	Provided for bonus payments to employees based on the estimated amounts of future payments attributed to the fiscal year
Provision for retirement benefits	Reserve for employees' retirement benefits is calculated based on estimates of defined benefit obligations and pension assets as of the end of the fiscal term

(i) Method of attributing estimated amounts of retirement benefits to periods

In calculating defined benefit obligations, the estimated amount of retirement benefits attributed to a period up to the current fiscal year is determined based on benefit formula.

(ii) Amortization of unrecognized actuarial differences and prior service cost

Prior service cost is amortized primarily by the straight-line method over a certain period (8 years) which is not more than the average remaining service period of employees.

Unrecognized actuarial differences are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a certain period (8 years) which is not more than the average remaining service period of employees.

Allowance for investment loss associated with vessels owned by subsidiaries or affiliates

To provide for the loss associated with the significant deterioration in profitability from the vessels procured by vessel owning subsidiaries or affiliates and time-chartered by the Company, estimated future loss is recognized.

Provision for loss on guarantees — Provided for possible losses on guarantees, etc. to subsidiaries or affiliates, based on estimated amount of losses, individually taking into account the financial condition etc., of the insured.

Provision for losses related to antitrust law

Provided for possible surcharge and other payments arising from suspected violation of competition laws (including antitrust laws) of various countries, based on estimated amounts of payment.

Provision for stock payment — Provision for stock payment is calculated based on estimated amount of shares of the Company corresponding to the points granted to eligible Directors and Corporate Officers at the end of the current fiscal year, to prepare for the payment of the Company stocks to Directors and Corporate Officers based on the Share Delivery Rules.

Provision for losses on litigation — To provide for the losses associated with lawsuits and disputes, etc., estimated future loss is recognized.

Provision losses related to business restructuring

To provide for the losses associated with the restructuring of business, etc., estimated future loss is recognized.

7) Standards of accounting for income and expenses

(i) Standards of accounting for revenue and expenses from shipping operation

Container ships — For freight rate and transportation costs, the Company has adopted the intermodal transportation percentage of completion basis, which is posted in accordance with the elapse of the transportation period of the individual cargo.

Other than container ships — For freight rates, transportation costs and vessel cost relating to vessels in operation and vessel lease fees, along with lending vessel fees corresponding to these, the Company has adopted the voyage completion method, which considers from place of departure to the place of return as one unit.

(ii) Standard of accounting for revenue associated with finance leases

Based on a method whereby amount equivalent to interest is allocated to each fiscal year, without recording revenues

8) Hedge accounting

For the 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 applies hedge accounting. In addition, hedge accounting is also applied to derivative financial instruments used to mitigate the risks of price fluctuations in fuel procurement, etc. For hedge accounting, the Company adopts the Deferred Hedge Method. *Furiate-shori* (designated hedge accounting treatment) is applied to forward foreign exchange contracts, etc. that meet the required conditions of such treatment, while *Tokurei-shori* (special accounting treatment) is applied to interest rate swaps, etc., that meet the required conditions of such treatment.

Interest rate swaps, etc., are used to hedge the loans payable and bonds payable against possible changes in interest rates, while currency swap, forward exchange contracts and foreign currency denominated assets/liabilities are used to hedge monetary assets and liabilities, investments in overseas subsidiaries and other foreign currency denominated transactions including scheduled transactions against possible changes in exchange rates. Swap transactions are used to hedge fuel oil against possible fluctuations in price. The Company evaluates effectiveness of hedging transactions by comparing accumulated changes in market price and cash flows of hedging transactions with those of the hedged transactions at the end of each financial quarter. However, interest rate swaps, etc., that are subject to special accounting treatment are excluded from the evaluation.

9) Other basis of presenting unconsolidated financial statements

Accounting method for retirement benefits	Accounting treatments of unrecognized actuarial differences and unrecognized prior service cost in the unconsolidated balance sheet are different from those in the consolidated financial statements.
Accounting for consumption taxes	Consumption taxes are accounted for by the tax exclusion method.

(2) Additional information

(New Companies Established Following the Integration of the Container Shipping Business)

The Company, Kawasaki Kisen Kaisha, Ltd., and Mitsui O.S.K. Lines, Ltd. jointly established two new companies in accordance with a business integration contract and a shareholders agreement concluded on October 31, 2016, which were intended for integrating the container shipping businesses (including the operation of terminals outside Japan) of the three companies. The new operating company began offering regular container shipping services from April 1, 2018.

Overview of the new companies

(i) Holding company

Company name:	OCEAN NETWORK EXPRESS HOLDINGS, LTD.	
Capital:	50 million yen	
Contribution ratios:	Kawasaki Kisen Kaisha, Ltd.:	31%
	Mitsui O.S.K. Lines, Ltd.:	31%
	The Company:	38%
Location:	Tokyo, Japan	

Date of establishment: July 7, 2017

(ii) Operating company

Company name:	OCEAN NETWORK EXPRESS PTE. LTD.	
Capital:	800 million U.S. dollars	
Contribution ratios:		
	Kawasaki Kisen Kaisha, Ltd.:	31%
	Mitsui O.S.K. Lines, Ltd.:	31%
	The Company:	38%
	(including indirect investment)	

Location: Singapore
Date of establishment: July 7, 2017

(3) Notes to Unconsolidated Balance Sheet

1) Assets pledged as collateral and obligations relating to collateral

(i)	Assets pledged as collateral	
	Vessels	18,097 million yen
	Investment securities (Note)	722 million yen
	Stocks and equity in subsidiaries and affiliates (Note)	25,988 million yen
	Total	44,808 million yen
(ii)	Obligations relating to collateral	
	Short-term loans payable	1,446 million yen
	Long-term loans payable	8,671 million yen
	Total	10,117 million yen

Note: Investment securities of 722 million yen and stocks and equity in subsidiaries and affiliates of 25,988 million yen have been pledged as collateral for debts of subsidiaries and affiliates etc.

2) Accumulated depreciation of vessels, property, plant and equipment 265,264 million yen

3) Contingent liability

(i) Guarantee obligations 546,596 million yen

(ii) The Company has been under investigation by some authorities overseas, on account of suspected violations of the antitrust laws concerning the shipping of cargo including automobiles handled in or after September 2012. Also, the Company has been named in class action lawsuits in the U.S. and other regions for damages and suspension of shipments, etc. without specific amount of damage, for its conspiracy to fix prices of shipping with major automobile shipping companies concerning marine transportation of assembled automobiles, etc. It is difficult to reasonably predict the results of the investigations by overseas authorities and class action lawsuits at present, except for the amounts recorded as provision for losses related to antitrust law.

4) Claims and liabilities toward subsidiaries and affiliates (except for as presented in item categories)

Short-term monetary claims	89,884 million yen
Long-term monetary claims	490,007 million yen
Short-term monetary liabilities	115,763 million yen
Long-term monetary liabilities	3,240 million yen

(4) Notes to Unconsolidated Statement of Income

Transactions with subsidiaries and affiliates

Operating transactions	
Revenues (revenue from shipping operation, revenue from other business)	37,353 million yen
Expenses (shipping operation expenses, other business expenses, general administrative expenses)	278,019 million yen
Transactions other than operating transactions	74,078 million yen

(5) Notes to Unconsolidated Statement of Changes in Equity

Class and number of treasury stock at term-end

Common stock	1,393,194 shares

Note: The number of treasury stock at the end of the current fiscal year includes 914,801 shares of the Company owned by the Board Incentive Plan Trust.

(6) Notes on tax effect accounting

The major cause for deferred tax liabilities is unrealized gain on available-for-sale securities.

(7) Notes concerning transactions with related parties

Subsidiaries and affiliates, etc.

Category	Company	Ratio of holding of voting rights, etc. (or ratio of voting rights held) (%)	Detail of relationship	Contents of transaction	Transaction amount (millions of yen)	Account item	Term-end balance (millions of yen)
Subsidiary	NIPPON CARGO AIRLINES CO., LTD.	Holding Directly 100.0	Capital support Debt guarantee, etc. Concurrent service as executives	Loan of funds (Note 1)	31,526	Short-term loans receivable	1,612
						Long-term loans receivable	142,382
				Acceptance of interest	441	Other current assets	45
				Debt guarantee, etc. (Note 2)	76,940	—	—
				Acceptance of lease payments (Note 3)	4,443	—	—
Subsidiary	NYK FTC (SINGAPORE) PTE. LTD.	Holding Directly 100.0	Debt guarantee, etc.	Debt guarantee, etc. (Note 2)	24,271	—	—
Subsidiary	NYK BULKSHIP (ASIA) PTE. LTD.	Holding Directly 100.0	Debt guarantee, etc.	Debt guarantee, etc. (Note 2)	15,831	—	—
Subsidiary	NYK BULK & PROJECTS CARRIERS LTD.	Holding Directly 100.0	Acceptance of funds Concurrent service as executives	Interest payment	5	Deposits received	14,325
						—	—
Subsidiary	YUSEN REAL ESTATE CORPORATION	Holding Directly 100.0	Real estate sales and purchase contract	Sale of company-owned real estate (Note 4)			
				Proceeds of sale	11,082	—	—
				Gain on sales of non-current assets	8,951	—	—
				Other extraordinary loss	386	—	—
Subsidiary	NYK HOLDEING (EUROPE) B.V.	Holding Directly 100.0	Dividend received	Dividend received	9,603	—	—
Subsidiary	NYK GROUP SOUTH ASIA PTE. LTD.	Holding Directly 100.0	Contract of consignment	Payment of consignment fee (Note 5)	8,202	Account payable-shipping operation	4,486
Subsidiary	SAGA SHIPHOLDING (NORWAY) AS	Holding Indirectly 100.0	Capital support Debt guarantee, etc.	Loan of funds (Note 1)	16,487	Short-term loans receivable	5,266
						Long-term loans receivable	19,221
				Acceptance of interest	368	Other current assets	171
				Debt guarantee, etc. (Note 2)	35,049	—	—
Subsidiary	NYK BULKSHIP (ATLANTIC) N.V.	Holding Indirectly 100.0	Debt guarantee, etc.	Debt guarantee, etc. (Note 2)	30,794	—	—
Subsidiary	YUSEN TERMINALS LLC	Holding Indirectly 51.0	Debt guarantee, etc.	Debt guarantee, etc. (Note 2)	29,361	—	—

Category	Company	Ratio of holding of voting rights, etc. (or ratio of voting rights held) (%)	Detail of relationship	Contents of transaction	Transaction amount (millions of yen)	Account item	Term-end balance (millions of yen)
Subsidiary	Vessels owning, chartering related companies ENCANTADA MARITIMA S.A. and other 237 companies	Holding Directly 100.0 (237 companies)	Capital support Debt guarantee, etc.			Short-term loans receivable	27,807
						Long-term loans receivable	175,402
			Contract of chartering ships			Lease receivables (due within one year)	14,811
						Lease receivables	98,503
		Indirectly 100.0 (1 company)		Debt guarantee, etc. (Note 2)	132,859	—	—
				Payment of charterage (Note 6)	128,537	—	—
Affiliate	OCEAN NETWORK EXPRESS PTE. LTD.	— (Note 7)	Underwriting of capital increase	Underwriting of capital increase (Note 8)	33,661	—	—

Transaction conditions and policies on determination of transaction conditions

Notes:
1. Conditions of loan of funds are determined by taking into consideration the market rate. The Company has not pledged security.
2. Guarantee fee for debt guarantee, etc. is determined by taking into consideration the form of guarantee.
3. Lease payments are determined by taking into consideration the amount equivalent to the cost of the assets concerned.
4. The real estate sales price is determined based on the appraisal value of the real estate appraiser.
5. The consignment fee is determined by taking into account the amount equivalent to the cost.
6. Cost equivalent amounts accrued by subsidiaries are paid as vessel lease fees.
7. The Company holds 38% of the voting rights of Ocean Network Express Holdings, Ltd. Ocean Network Express Holdings, Ltd. is a holding company that owns 100% of the shares of common stock of OCEAN NETWORK EXPRESS PTE. LTD.
8. Underwrote for 10,000 U.S. dollars per share.

(8) Note on per-share information

1)	Equity per share	1,549.72 yen
2)	Profit per share	352.83 yen

On October 1, 2017, the Company conducted a reverse stock split at a ratio of 10 ordinary stocks to one ordinary stock. Equity per share and profit per share have been calculated based on the scenario that the reverse stock split had been effective from the beginning of the current fiscal year.

(9) Notes on a company subject to consolidated dividend restrictions

The Company is a company subject to consolidated dividend restrictions.

(10) Other notes

The fraction of amounts less than the indicated unit is rounded down.

(11) Notes on significant subsequent events

(Additional investment in equity-method affiliates)

On April 2, 2018, the Company, Kawasaki Kisen Kaisha, Ltd., and Mitsui O.S.K. Lines, Ltd., made an additional investment in its equity-method affiliate, OCEAN NETWORK EXPRESS PTE.LTD., in accordance with original plans.

1. Overview of the equity-method affiliate targeted for the additional investment

Company name:	OCEAN NETWORK EXPRESS PTE. LTD.	
Capital:	(before additional investment)	800 million U.S. dollars
	(After additional investment)	3,000 million U.S. dollars
Contribution ratios:	Kawasaki Kisen Kaisha, Ltd.:	31%
	Mitsui O.S.K. Lines, Ltd.:	31%
	The Company: (including indirect investment)	38%
Location:	Singapore	
Date of establishment:	July 7, 2017	

2. Overview of additional investment

(1)	Amount of additional investment	2,200 million U.S. dollars
(2)	Paid-in capital after additional investment	3,000 million U.S. dollars
(3)	Effective date of additional investment	April 2, 2018