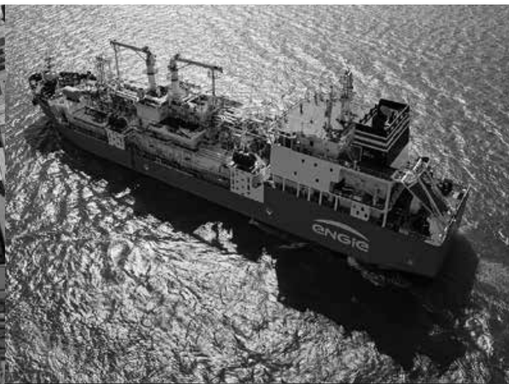
NYK GROUP

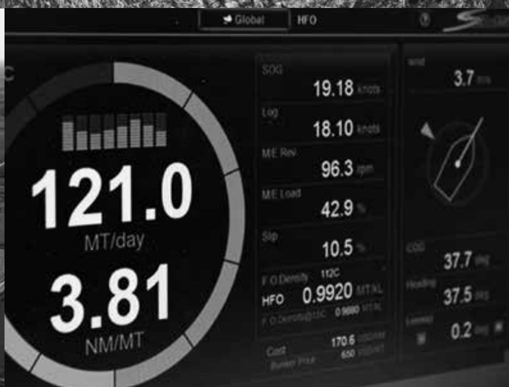
Financial Results

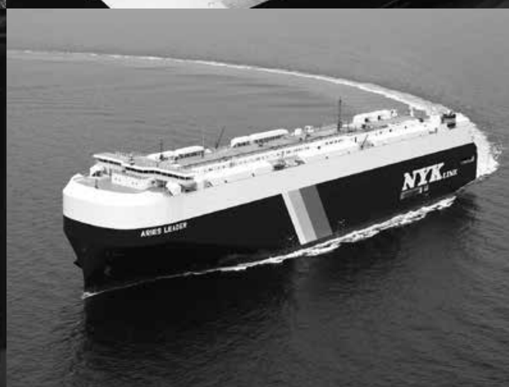
Nippon Yusen Kabushiki Kaisha

Year Ended March 31, 2018

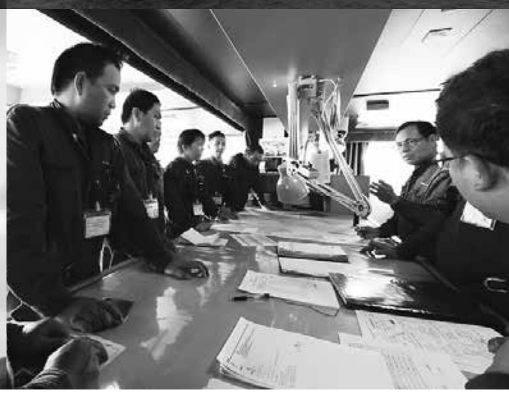













Consolidated Balance Sheet

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(March 31, 2018)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Notes 4 and 13)	¥ 104,899	¥ 143,180	$ 987,386
Notes and operating accounts receivable–trade (Note 4)	259,367	249,094	2,441,333
Short-term investment securities (Notes 4 and 5)	155	-	1,460
Inventories (Note 7)	46,598	39,689	438,612
Deferred and prepaid expenses	68,758	61,882	647,200
Deferred tax assets (Note 15)	2,299	2,460	21,647
Other	87,013	81,279	819,025
Allowance for doubtful accounts (Note 4)	(2,194)	(2,238)	(20,656)
Total current assets	566,897	575,347	5,336,011
NON-CURRENT ASSETS:			
VESSELS, PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION (Notes 8,10,11, and 13):			
Vessels	631,840	631,393	5,947,289
Buildings and structures	79,083	72,952	744,387
Aircraft	47,813	24,024	450,051
Machinery, equipment, and vehicles	27,691	30,457	260,645
Equipment	5,919	5,930	55,716
Land	71,516	69,887	673,158
Construction in progress	49,920	50,574	469,885
Other	4,985	5,328	46,931
Total vessels, property, plant and equipment	918,770	890,547	8,648,066
INTANGIBLE ASSETS:			
Leasehold right	5,144	4,477	48,424
Software	6,807	12,675	64,072
Goodwill	22,032	18,636	207,384
Other	2,948	2,995	27,751
Total intangible assets	36,932	38,785	347,632
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4, 5, 9, and 13)	423,246	410,236	3,983,867
Long-term loans receivable (Note 4)	20,819	30,028	195,965
Net defined benefit asset (Note 21)	52,971	47,253	498,605
Deferred tax assets (Note 15)	6,498	5,877	61,168
Other	52,779	52,460	496,795
Allowance for doubtful accounts (Note 4)	(7,263)	(6,626)	(68,365)
Total investments and other assets	549,052	539,229	5,168,036
Total non-current assets	1,504,755	1,468,562	14,163,735
DEFERRED ASSETS	319	273	3,011
TOTAL ASSETS	2,071,972	2,044,183	19,502,757

* See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
LIABILITIES CURRENT LIABILITIES:			
Notes and operating accounts payable - trade (Note 4)	¥ 206,205	¥ 196,317	$ 1,940,938
Current portion of bonds	30,000	-	282,379
Short-term loans payable (Notes 4, 12, and 13)	113,198	102,842	1,065,501
Income taxes payable (Note 15)	6,803	8,099	64,035
Deferred tax liabilities (Note 15)	3,321	3,668	31,266
Advances received	48,543	38,894	456,926
Provision for bonuses	9,271	9,359	87,270
Provision for directors' bonuses	368	384	3,470
Provision for stock payment	59	-	555
Provision for losses related to antitrust law	499	19,515	4,704
Provision for losses related to contracts	3,129	5,328	29,452
Provision for losses related to business restructuring	2,241	-	21,101
Other	96,638	73,527	909,622
Total current liabilities	520,281	457,938	4,897,225
NON-CURRENT LIABILITIES:			
Bonds payable (Notes 4 and 12)	145,000	145,000	1,364,834
Long-term loans payable (Notes 4, 12, and 13)	683,184	686,598	6,430,575
Deferred tax liabilities (Note 15)	49,230	50,039	463,389
Net defined benefit liability (Note 21)	18,301	18,596	172,266
Provision for directors' retirement benefits	1,958	1,857	18,439
Provision for stock payment	479	226	4,511
Provision for periodic dry docking of vessels	21,335	22,424	200,826
Provision for losses related to contracts	-	16,373	-
Other	43,945	53,192	413,643
Total non-current liabilities	963,436	994,309	9,068,486
Total liabilities	1,483,717	1,452,247	13,965,712
EQUITY (Notes12, 16, and 25)			
SHAREHOLDERS' CAPITAL:			
Common stock	144,319	144,319	1,358,432
Capital surplus	35,112	155,461	330,503
Retained earnings	345,404	202,488	3,251,175
Treasury stock	(3,801)	(3,814)	(35,781)
Total shareholders' capital	521,035	498,455	4,904,329
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gain (loss) on available-for-sale securities	41,637	48,860	391,915
Deferred gain (loss) on hedges	(18,929)	(27,284)	(178,177)
Foreign currency translation adjustments	(3,101)	(4,816)	(29,194)
Remeasurements of defined benefit plans	11,245	7,255	105,848
Total accumulated other comprehensive income (loss)	30,851	24,015	290,392
Non-controlling interests	36,368	69,464	342,323
Total equity	588,255	591,936	5,537,044
TOTAL LIABILITIES AND EQUITY	2,071,972	2,044,183	19,502,757

	Yen		U.S. dollars (Note 2)
Equity per share	¥ 3,272.21	¥3,097.96	$ 30.80

* See notes to consolidated financial statements.
Shares have been restated, as appropriate, to reflect a one-for-ten reverse stock split effected on October 1, 2017.

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2018)

(Consolidated Statement of Income)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
REVENUES	¥2,183,201	¥1,923,881	$20,549,710
COST AND EXPENSES	1,952,401	1,736,723	18,377,273
Gross profit	230,799	187,158	2,172,436
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	202,974	205,236	1,910,530
Operating profit (loss)	27,824	(18,078)	261,905
NON-OPERATING INCOME:			
Interest income	3,478	3,671	32,741
Dividend income	7,013	6,321	66,013
Equity in earnings of unconsolidated subsidiaries and affiliates	9,935	13,900	93,518
Foreign exchange gains	-	674	-
Other	5,100	14,846	48,009
Total non-operating income	25,527	39,415	240,282
NON-OPERATING EXPENSES:			
Interest expenses	17,787	15,557	167,430
Foreign exchange losses	3,857	-	36,305
Other	3,690	4,739	34,740
Total non-operating expenses	25,335	20,297	238,476
Recurring profit	28,016	1,039	263,711
OTHER GAINS:			
Gain on sales of non-current assets	13,861	11,578	130,475
Gain on sales of investment securities	11,949	124	112,475
Other	3,662	2,618	34,478
Total other gains	29,474	14,320	277,429
OTHER LOSSES:			
Loss on sales of non-current assets	181	1,013	1,703
Losses related to business restructuring (Note 17)	7,612	-	71,652
Losses related to antitrust law (Note 17)	3,100	19,515	29,182
Provision for losses related to contracts	-	44,820	-
Other	4,551	191,481	42,838
Total other losses	15,444	256,830	145,376
PROFIT (LOSS) BEFORE INCOME TAXES	42,046	(241,470)	395,764
Income taxes - Current	17,918	17,419	168,658
Income taxes - Deferred	(2,636)	2,697	(24,813)
Total income taxes (Note 15)	15,282	20,117	143,845
PROFIT (LOSS)	26,763	(261,587)	251,919
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	6,596	4,157	62,093
PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF PARENT	20,167	(265,744)	189,825

Per share of common stock (Note 3.M):	Yen		U.S. dollars (Note 2)
Basic profit (loss)	¥119.57	¥(1,572.35)	$1.13
Cash dividends applicable to the year	30.00	-	0.28

(Consolidated Statement of Comprehensive Income)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Profit(Loss)	¥26,763	¥(261,587)	$251,919
Other comprehensive income (Note 18)			
Unrealized gain (loss) on available-for-sale securities	(7,357)	14,580	(69,254)
Deferred gain (loss) on hedges	5,008	6,674	47,138
Foreign currency translation adjustments	5,828	(10,140)	54,858
Remeasurements of defined benefit plans	4,142	8,400	38,990
Share of other comprehensive income of associates accounted for using equity method	(820)	(1,406)	(7,723)
Total other comprehensive income	6,800	18,107	64,009
Comprehensive income	33,564	(243,479)	315,928
Comprehensive income attributable to owners of parent	26,938	(246,874)	253,565
Comprehensive income attributable to non-controlling interests	6,625	3,395	62,363

* See notes to consolidated financial statements.
Per share figures have been restated, as appropriate, to reflect a one-for- ten reverse stock split effected on October 1, 2017.

Consolidated Statement of Changes in Equity

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2018)

	Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, April 1, 2016	**¥144,319**	**¥155,691**	**¥470,483**	**¥(2,098)**	**¥768,396**	**¥34,147**	**¥(35,411)**	**¥7,527**	**¥(981)**	**¥5,281**	**¥70,591**	**¥844,269**
Dividends from surplus	-	-	(3,391)	-	(3,391)	-	-	-	-	-	-	(3,391)
Profit (loss) attributable to owners of the parent company	-	-	(265,744)	-	(265,744)	-	-	-	-	-	-	(265,744)
Purchase of treasury stock	-	-	-	(1,720)	(1,720)	-	-	-	-	-	-	(1,720)
Disposal of treasury stock	-	(2)	-	4	2	-	-	-	-	-	-	2
Change in equity of parent related to transactions with non-controlling shareholders	-	(227)	-	-	(227)	-	-	-	-	-	-	(227)
Adjustments due to change in the fiscal period of consolidated subsidiaries	-	-	(117)	-	(117)	-	-	-	-	-	-	(117)
Change of scope of consolidation	-	-	179	-	179	-	-	-	-	-	-	179
Change of scope of equity method	-	-	1,093	-	1,093	-	-	-	-	-	-	1,093
Other	-	-	(14)	-	(14)	-	-	-	-	-	-	(14)
Net change of items other than shareholders' capital	-	-	-	-	-	14,713	8,126	(12,343)	8,237	18,734	(1,126)	17,607
Total changes of items during the period	-	(230)	(267,995)	(1,716)	(269,941)	14,713	8,126	(12,343)	8,237	18,734	(1,126)	(252,333)
Balance, March 31, 2017	**144,319**	**155,461**	**202,488**	**(3,814)**	**498,455**	**48,860**	**(27,284)**	**(4,816)**	**7,255**	**24,015**	**69,464**	**591,936**
Transfer to retained earnings from capital surplus	-	(122,500)	122,500	-	-	-	-	-	-	-	-	-
Profit (loss) attributable to owners of the parent company	-	-	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, March 31, 2018	**144,319**	**35,112**	**345,404**	**(3,801)**	**521,035**	**41,637**	**(18,929)**	**(3,101)**	**11,245**	**30,851**	**36,368**	**588,255**

	Thousands of U.S. dollars (Note 2)											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' capital	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, March 31, 2017	**$1,358,432**	**$1,463,301**	**$1,905,955**	**$(35,904)**	**$4,691,785**	**$459,910**	**$(256,822)**	**$(45,332)**	**$68,297**	**$226,052**	**$653,848**	**$5,571,686**
Transfer to retained earnings from capital surplus	-	(1,153,049)	1,153,049	-	-	-	-	-	-	-	-	-
Profit (loss) attributable to owners of the parent company	-	-	189,825	-	189,825	-	-	-	-	-	-	189,825
Purchase of treasury stock	-	-	-	(218)	(218)	-	-	-	-	-	-	(218)
Disposal of treasury stock	-	(21)	-	340	318	-	-	-	-	-	-	318
Change in equity of parent related to transactions with non-controlling shareholders	-	20,273	-	-	20,273	-	-	-	-	-	-	20,273
Adjustments due to change in the fiscal period of consolidated subsidiaries	-	-	(331)	-	(331)	-	-	-	-	-	-	(331)
Change of scope of consolidation	-		829	-	829	-	-	-	-	-	-	829
Change of scope of equity method	-	-	1,904	-	1,904	-	-	-	-	-	-	1,904
Other	-	-	(58)	0	(57)	-	-	-	-	-	-	(57)
Net change of items other than shareholders' capital	-	-	-	-	-	(67,994)	78,645	16,137	37,550	64,339	(311,524)	(247,185)
Total changes of items during the period	-	(1,132,798)	1,345,220	122	212,543	(67,994)	78,645	16,137	37,550	64,339	(311,524)	(34,642)
Balance, March 31, 2018	**1,358,432**	**330,503**	**3,251,175**	**(35,781)**	**4,904,329**	**391,915**	**(178,177)**	**(29,194)**	**105,848**	**290,392**	**342,323**	**5,537,044**

* See notes to consolidated financial statements.
Shares and per share figures have been restated, as appropriate, to reflect a one-for- ten reverse stock split effected on October 1, 2017.

Consolidated Statement of Cash Flows

Nippon Yusen Kabushiki Kaisha and Consolidated Subsidiaries
(Year ended March 31, 2018)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
OPERATING ACTIVITIES			
Profit (loss) before income taxes	¥ 42,046	¥(241,470)	$ 395,764
Adjustments for:			
Depreciation and amortization	87,839	92,004	826,802
Impairment loss	916	168,127	8,630
Losses related to antitrust law	3,100	19,515	29,182
Provision for losses related to contracts	-	44,820	-
Losses related to business restructuring	6,985	-	65,755
Loss (Gain) on sales and retirement of vessels, property, plant and equipment and intangible assets	(13,086)	(10,282)	(123,175)
Loss (Gain) on sales of short-term and long-term investment securities	(12,301)	(803)	(115,793)
Loss (Gain) on valuation of short-term and long-term investment securities	116	9,720	1,096
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(9,935)	(13,900)	(93,518)
Interest and dividend income	(10,491)	(9,993)	(98,754)
Interest expenses	17,787	15,557	167,430
Foreign exchange losses (gains)	5,359	(11,014)	50,445
Decrease (increase) in notes and accounts receivable-trade	(7,731)	(27,778)	(72,778)
Decrease (increase) in inventories	(5,538)	(12,232)	(52,127)
Increase (decrease) in notes and accounts payable-trade	7,854	21,289	73,935
Other, net	(6,802)	(15,218)	(64,031)
Subtotal	106,119	28,340	998,864
Interest and dividend income received	23,640	31,866	222,516
Interest expenses paid	(17,422)	(15,516)	(163,990)
Paid expenses related to antitrust law	(2,975)	(862)	(28,011)
Income taxes (paid) refund	(20,270)	(15,903)	(190,797)
Net cash provided by (used in) operating activities	89,090	27,924	838,581
INVESTING ACTIVITIES			
Purchase of securities	(53)	-	(499)
Purchase of vessels, property, plant and equipment and intangible assets	(199,240)	(156,229)	(1,875,378)
Proceeds from sales of vessels, property, plant and equipment and intangible assets	70,984	30,509	668,154
Purchase of investment securities	(43,368)	(49,886)	(408,215)
Proceeds from sales and redemption of investment securities	27,058	11,164	254,695
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(8,123)	(475)	(76,465)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	35	-
Payments for sales of shares in subsidiaries resulting in change in scope of consolidation	(222)	(1,813)	(2,095)
Payments of loans receivable	(3,799)	(20,443)	(35,758)
Collections of loans receivable	14,455	20,114	136,066
Other, net	4,313	22,411	40,599
Net cash provided by (used in) investing activities	(137,994)	(144,612)	(1,298,897)
FINANCING ACTIVITIES			
Net increase (decrease) in short-term loans payable	(227)	3,053	(2,145)
Proceeds from long-term loans payable	126,553	113,672	1,191,203
Repayments of long-term loans payable	(97,596)	(97,764)	(918,640)
Proceeds from issuance of bonds	29,852	-	280,989
Redemption of bonds	-	(445)	-
Proceeds from share issuance to non-controlling shareholders	-	120	-
Purchase of treasury stock	(23)	(1,720)	(218)
Proceeds from sales of treasury stock	35	2	333
Cash dividends paid to shareholders	-	(3,391)	-
Cash dividends paid to non-controlling interests	(10,253)	(4,611)	(96,507)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(29,748)	(8)	(280,008)
Other, net	(1,004)	(6,953)	(9,457)
Net cash provided by (used in) financing activities	17,587	1,952	165,548
Effect of exchange rate change on cash and cash equivalents	(3,029)	(2,051)	(28,517)
Net increase (decrease) in cash and cash equivalents	(34,345)	(116,788)	(323,284)
Cash and cash equivalents at beginning of period	137,444	253,618	1,293,716
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	132	632	1,242
Increase (decrease) in beginning balance of cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	47	(17)	448
Cash and cash equivalents at end of period (Note 14)	103,278	137,444	972,123

* See notes to consolidated financial statements.

1. Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, additional information is provided in order to present the consolidated financial statements in a format familiar to international readers. The result of this does not affect the financial position, results of operations, and cash flows of the consolidated companies as reported in the original consolidated financial statements.

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

2. U.S. Dollar Amounts

The accompanying consolidated financial statements are stated in yen, and the U.S. dollar amounts represent the arithmetical results of translating yen to U.S. dollars using the exchange rate prevailing at March 31, 2018, which was ¥106.24 to $1.00. The statements in such dollar amounts are solely for the convenience of readers outside Japan and are not intended to imply that the yen amounts have been, or could be, readily converted, realized, or settled in dollars at that rate, or any other rates, of exchange.

3. Summary of Significant Accounting Policies

A. Consolidation Policies

(1) The consolidated financial statements include the accounts of Nippon Yusen Kabushiki Kaisha (the "Company") and its 538 consolidated subsidiaries (the "NYK Group") at March 31, 2018.

During the fiscal year ended March 31, 2018, the Company newly established 3 companies and judged 14 companies to have a material impact on the consolidated financial statements. Consequently, the Company brought these companies under the scope of consolidation in the consolidated fiscal year ended March 31, 2018.

26 companies were excluded from consolidation due to liquidation.

4 companies were excluded from consolidation due to merger.

1 company was excluded from consolidation due to the disposal of shares.

(2) Investments in unconsolidated subsidiaries and affiliates are accounted for either using the cost method or using the equity method, depending on the extent of influence or fiscal significance each carries. The Company accounted for 8 unconsolidated subsidiaries and 195 affiliates using the equity method at March 31, 2018.

In the consolidated fiscal year ended March 31, 2018, the Company newly established 6 companies and judged 6 companies to have a material impact on the consolidated financial statements. Consequently, these companies are newly included in the scope of companies accounted for using the equity method.

4 companies were excluded from consolidation due to liquidation.

5 companies were excluded from the scope of companies accounted for using the equity method due to the disposal of shares.

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

(4) All significant intercompany balances, transactions, and material unrealized profit within the consolidated group have been eliminated in consolidation.

B. Accounting Period

The Company's accounting period begins each year on April 1 and ends the following year on March 31.
During the fiscal year ended March 31, 2018, December 31 was used by 34 consolidated subsidiaries as the closing date for their financial statements. Necessary adjustments have been made to address transactions that occurred between closing dates different to that of the Company.
8 companies with a fiscal year end of December 31 provide financial statements based on provisional settlement of accounts as of March 31 to facilitate preparation of the consolidated financial statements.

C. Foreign Currency Financial Statements

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

D. Valuation of Assets

(1) Short-term and long-term investment securities are classified and accounted for, depending on management's intent, as follows:
  i) Held-to-maturity debt securities, which are expected to be held to maturity, with the positive intent and ability to hold to maturity, are reported at amortized cost;and
  ii) (a) available-for-sale securities with fair value, which are not classified as the aforementioned securities, are reported at fair values, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity and (b) available-for-sale securities whose fair values are not readily determinable are reported at cost using the moving average method.

(2) Derivatives are valued at market.

(3) Inventories are stated at the lower of cost, determined by the first-in, first-out method, or net selling value, which is defined as the selling price, less additional estimated manufacturing costs and estimated direct selling expenses.

E. Depreciation and Amortization

(1) Vessels, property, plant, and equipment, except for lease assets, are depreciated as follows:
Vessels, property, plant, and equipment are depreciated generally by the straight-line method. Assets for which the purchase price is more than ¥100,000, but less than ¥200,000 are depreciated generally in equal allotments over three years based on the Japanese Corporation Tax Law.

(2) Intangible assets, except for lease assets, are amortized as follows:
Computer software is amortized by the straight-line method based principally on the length of period it can be used internally (five years). Other intangible assets are amortized by the straight-line method.

(3) Leased assets are depreciated as follows:
Leased assets related to financial leases that transfer ownership rights are depreciated by the same depreciation method that is applied to fixed assets owned by the Company. Leased assets related to financial leases that do not transfer ownership rights are depreciated under the straight-line method based on the lease term as the useful life and assuming no residual value.

F. Capitalization of Interest Expenses

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

G. Provisions

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

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

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

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

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

(6)Provision for losses related to antitrust law:
Provision for possible losses associated with surcharges and other payments arising from suspected violation of competition laws (including antitrust laws) are based on estimated amounts of losses.

(7) Provision for losses related to contracts:
Provision for possible losses associated with purchase of non-current assets, as well as performance of lease contracts are based on estimated amounts of losses.

(8) 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.

(9) Provision for losses related to business restructuring

Provision for losses resulting from business restructuring is provided in preparation for estimated future losses.

H. 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 current fiscal year is primarily determined based on a benefit formula basis.

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

I. Income Taxes

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

J. Freight Revenue and Expense Recognition

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

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

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

K. Accounting for Leases

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

L. Method of Accounting for Material Hedge Transactions

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

For foreign currency transactions, both short-term and long-term receivables and payables denominated in foreign currencies are translated into yen at exchange rates in effect at the balance sheet date.

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

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

M. Per Share Information

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

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

N. Cash and Cash Equivalents

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

O. Additional Information

(1) Yet to Be Adopted Accounting Standards

In the fiscal year under review, the Company had not yet adopted the revised "Implementation Guidance on Tax Effect Accounting" (Guidance No. 28) and the revised "Implementation Guidance on Recoverability of Deferred Tax Assets" (Guidance No. 26), both issued by the ASBJ on February 16, 2018.

i) Background

Based on the content of deliberations at a conference of the Japanese Institute of Certified Public Accountants concerning the transfer of authority to the Accounting Standards Board of Japan (ASBJ), it was deemed necessary to conduct a review of the "Implementation Guidance on Tax Effect Accounting" and other practical guidelines for tax effect accounting, specifically with respect to the treatment of future taxable amounts related to stocks of subsidiaries in non-consolidated financial statements, and the treatment related to the recoverability of deferred tax assets of companies classified under Category 1 of relevant standards.

ii) Scheduled date of adoption

The Company adopted the standards, above, from April 1, 2018.

iii) Impact of adopting the accounting standards

At the time of preparing this report, the Company was in the process of assessing the monetary impact of adopting the "Implementation Guidance on Tax Effect Accounting" and other related standards on its statements of consolidated financial results.

In addition to the above, the Company has not adopted the "Accounting Standard for Revenue Recognition" (Statement No. 29) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (Guidance No. 30), both issued by the ASBJ on March 30, 2018.

i) Background

The International Accounting Standards Board (IASB) and the U.S.-based Financial Standards Accounting Board (FASB) have been jointly developing a comprehensive accounting standard related to revenue recognition, and announced a new guidance, "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB), in May 2014. Given that IFRS 15 could be adopted effective from fiscal years starting from January 1, 2018, or later, and Topic 606 could be adopted effective from fiscal years starting from December 15, 2017, or later, the ASBJ also established a comprehensive accounting standard related to revenue recognition and announced it together with the implementation guidance. As its basic policy when developing its standard, the ASBJ reflected the fundamental principles of IFRS 15 in order to ensure that financial statements disclosed in Japan would be comparable, recognizing that as one of the benefits of maintaining consistency with this particular international financial reporting standard. Furthermore, to deal with cases of accounting entries that could arise in consideration of business procedures that have been carried out in Japan in the past, the ASBJ included alternative treatments within a scope that would not compromise the comparability of financial statements.

ii) Scheduled date of adoption

The Company plans to adopt the standard, above, from April 1, 2021.

iii) Impact of adopting the accounting standard

At the time of preparing this report, the Company was in the process of assessing the monetary impact of adopting the "Accounting Standard for Revenue Recognition" and other related matters on its statements of consolidated financial results.

(2) Changes in presentation

Consolidated Statement of Income

"Gain on investments in silent Partnership," which was presented as a separate item under "non-operating income" in the fiscal year ended March 31, 2017, has been included in "other" in the fiscal year under review because the amount was less than 10% of "total non-operating income." The consolidated financial statement for the fiscal year ended March 31, 2017, was reclassified in order to reflect this change in the presentation method. Consequently, the previously stated amount of ¥8,745 million for "gain on investments in silent partnership" under "non-operating income" in the consolidated statement of income for the fiscal year ended March 31, 2017, has been reclassified as "other."

"Gain on sales of investment securities," which was included in "other" under "other gains" in the fiscal year ended March 31, 2017, has been presented as a separate item in the fiscal year under review because the amount exceeded 10% of "total other gains." The consolidated financial statement for the fiscal year ended March 31, 2017, was reclassified in order to reflect this change in the presentation method.

Consequently, the previously stated amount of ¥2,742 million for "other" under "other gains" in the consolidated statement of income for the fiscal year ended March 31, 2017, has been reclassified as "gain on sales of investment securities" totaling ¥124 million, and "other" amounting to ¥2,618 million.

Meanwhile, "impairment loss," which was presented as a separate item under "other losses" in the fiscal year ended March 31, 2017, has been included under "other" in the fiscal year under review because the amount was less than 10% of "total other losses." The consolidated financial statement for the fiscal year ended March 31, 2017, was reclassified in order to reflect this change in the presentation method. Consequently, the previously stated amount of ¥168,127 million for "impairment loss" under "other losses" in the consolidated statement of income for the fiscal year ended March 31, 2017, has been reclassified as "other."

Finally, "losses related to antitrust law," which was included in "other" under "other losses" in the fiscal year ended March 31, 2017, has been presented as a separate item in the fiscal year under review because the amount exceeded 10% of "total other losses." The consolidated financial statement for the fiscal year ended March 31, 2017, was reclassified in order to reflect this change in the presentation method. Consequently, the previously stated amount of ¥42,869 million for "other" under "other losses" in the consolidated statement of income for the fiscal year ended March 31, 2017, has been reclassified as "losses related to antitrust law" totaling ¥19,515 million, and "other" amounting to ¥23,353 million.

Consolidated Statement of Cash Flows

"Loss (gain) on investments in silent partnership," which was presented as a separate item under "operating activities" in the consolidated statement of cash flows in the fiscal year ended March 31, 2017, has been included in "other, net" in the fiscal year under review because the amount was insubstantial. The consolidated financial statement for the fiscal year ended March 31, 2017, was reclassified in order to reflect this change in the presentation method. Consequently, the previously stated negative amount of ¥8,745 million for "loss (gain) on investments in silent partnership" under "operating activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2017, has been reclassified as "other, net."

"Payments from changes in ownership interests in subsidiaries that do not result in a change in the scope of consolidation," which was included in "other, net" under "financing activities" in the consolidated statement of cash flows in the fiscal year ended March 31, 2017, has been presented as a separate item in the fiscal year under review because the amount was substantial. The consolidated financial statement for the fiscal year ended March 31, 2017, was reclassified in order to reflect this change in the presentation method. Consequently, the previously stated negative amount of ¥6,961 million for "other, net" under "financing activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2017, has been reclassified as "payments from changes in ownership interests in subsidiaries that do not result in a change in the scope of consolidation" totaling negative amount of ¥8 million, and "other, net" of negative amount of ¥6,953 million.

(3) Transactions Related to the Board Incentive Plan Trust

Based on the resolution at the General Meeting of Shareholders held on June 20, 2016, the Company introduced "Board Incentive Plan Trust" (the "Plan") as a performance-based stock remuneration plan for Directors and Corporate Officers of the Company (excluding Outside Directors, as well as Directors and Corporate Officers who are non-resident of Japan, foreign nationals, or listed subsidiaries; hereinafter collectively referred to as "Director(s), etc."). Accounting treatments related to the trust are in accordance with Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

The Plan is a stock remuneration plan, wherein a trust established by the Company (Board Incentive Plan Trust) acquires the Company shares using the cash contributed by the Company, and through this trust the Company shares and money equivalent to the amount obtained by converting the Company shares into cash corresponding to the points granted based on the degree of achievement of business performance of each fiscal year and according to individual position of the recipient are delivered and paid to Directors, etc.

The Company's shares remaining in the Trust are recorded under equity as treasury stock, calculated based on the total book value (excluding incidental expenses) of the shares in the Trust. As of March 31, 2018, the Company's treasury stock consisted of 914,000 shares with a total book value of ¥1,604 million, compared with 9,319,000 shares and a total book value of ¥1,705 million as of March 31, 2017.

In addition, the estimated amount of the above Directors' remuneration allotted at the end of the current fiscal year was recorded as provision for stock payment.

(4) New Companies Established Following the Integration of the Container Shipping Businesses

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 to integrate the container shipping businesses (including the operation of terminals outside Japan) of the three companies. The new operating company began 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%
Location: Singapore
Date of establishment: July 7, 2017

(5) Tender Offer for Shares of Yusen Logistics Co., Ltd.

Based on a decision in a meeting of its Board of Directors held on October 31, 2017, NYK Line acquired all common stock of its consolidated subsidiary Yusen Logistics Co., Ltd., through a tender offer conducted over a period from November 1 to December 14, 2017.

After that period, Yusen Logistics was made into a wholly owned subsidiary on February 1, 2018, in accordance with rules for requesting the sale of shares specified in Article 179-1 of the Companies Act of Japan.

4. Financial Instruments

(1) Disclosure on Financial Instruments

a. Policy on financial instruments

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

b. Contents and risks of financial instruments

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

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

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

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

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

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

① Hedge accounting method

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

② Principal hedging methods and items hedged

Principal hedging methods	Principal items hedged
Currency swap contracts	Loans payable and receivable
Interest rate swap contracts	Loans payable and receivable
Fuel swap contracts	Purchase price of fuel
Forward foreign exchange contracts	Forecasted foreign currency transactions, investment in overseas subsidiaries

③ Risks inherent in derivative transactions

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

c. Risk management for financial instruments

① Credit risk management

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

② Market risk management

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

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

The Company and its consolidated subsidiaries periodically ascertain the price of short-term and long-term investment securities and the financial conditions of their issuers (corporate business partners).

The Company and its consolidated subsidiaries review the status of their holdings in instruments other than held-to-maturity debt securities on an ongoing basis, taking into consideration their relationships with their corporate business partners.

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

③ Management of liquidity risk associated with capital raising activities

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

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

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

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

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

The table below shows the book value of financial instruments as indicated in the consolidated balance sheets as of March 31, 2018 and 2017, as well as their fair values and unrealized gains or losses. Note that financial instruments for which fair value cannot be reliably determined are not included in this table (Refer to Note b).

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2018			2017			2018		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
① Cash and deposits	¥ 104,899	¥ 104,899	¥ -	¥ 143,180	¥ 143,180	¥ -	$ 987,386	$ 987,386	$ -
② Notes and operating accounts receivable-trade	259,367			249,094			2,441,333		
Allowance for doubtful accounts*1	(1,329)			(1,474)			(12,512)		
Balance	258,037	258,037	-	247,620	247,620	-	2,428,821	2,428,821	-
③ Short-term and long-term investment securities (Note 5)									
Held-to-maturity debt securities	155	156	1	117	124	7	1,460	1,472	12
Available-for-sale securities	121,583	121,583	-	140,471	140,471	-	1,144,423	1,144,423	-
Investments in affiliates	14,619	11,663	(2,956)	13,851	14,303	451	137,610	109,782	(27,828)
④ Long-term loans receivable	20,819			30,028			195,965		
Allowance for doubtful accounts*1	(776)			(135)			(7,310)		
Balance	20,042	20,904	862	29,892	31,062	1,169	188,655	196,770	8,115
Subtotal	519,339	517,246	(2,093)	575,134	576,763	1,628	4,888,358	4,868,656	(19,701)
① Notes and operating accounts payable-trade	206,205	206,205	-	196,317	196,317	-	1,940,938	1,940,938	-
② Current portion of bonds	30,000	30,000	-	-	-	-	282,379	282,379	-
③ Short-term loans payable	113,198	113,198	-	102,842	102,842	-	1,065,501	1,065,501	-
④ Bonds payable	145,000	151,225	6,225	145,000	152,072	7,072	1,364,834	1,423,432	58,598
⑤ Long-term loans payable	683,184	694,158	10,974	686,598	700,532	13,933	6,430,575	6,533,875	103,299
Subtotal	1,177,588	1,194,788	17,200	1,130,758	1,151,764	21,005	11,084,229	11,246,127	161,898
Derivative financial instruments*2	1,718	1,718	-	(3,628)	(3,628)	-	16,173	16,173	-

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

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

Assets

① Cash and deposits
These assets are stated at book value as they are settled in the short term and their market values approximate book values.

② Notes and operating accounts receivable-trade
These assets are stated at book value as they are settled in the short term and their market values approximate book values.

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

③ Short-term and long-term investment securities
Shares are stated at the stock exchange quoted price and bonds are stated at either the stock exchange quoted price or the price presented by transacting financial institutions.

④ Long-term loans receivable
Long-term loans receivable with variable interest rates are stated at book value. The interest rate on these assets reflects the market rate in the short term; therefore, their market values approximate book values. Those with fixed-interest rates are stated at market value, which is calculated by discounting the principal and interest using the assumed rate applied to a similar type of new loan. Meanwhile, loans with default possibility are stated at adjusted book value. Expected amount of doubtful accounts on these assets are calculated based on either the present value of expected future cash flows or the expected recoverable amount of their collateral or guarantees; hence, their market values approximate their book values at the closing date, less the current expected amount of doubtful accounts.

Liabilities

① Notes and operating accounts payable-trade
② Current portion of bonds and
③ Short-term loans payable
These assets are stated at book value as they are settled in the short term and their market values approximate book values.

④ Bonds payable
The market value of the corporate bonds issued by the Company is calculated based on the market price.

⑤ Long-term loans payable
Long-term loans payable with variable interest rates are stated at book value as the interest rate on these loans reflects the market rate in the short term and their market values approximate book values. Long-term loans payable with fixed interest rates are stated at present value. The present value is calculated by discounting a periodically divided portion of the principal and interest of these loans,* using the assumed rate applied to a similar loan.

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

Derivative financial instruments

Refer to "6. Derivatives."

b. Financial instruments for which fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Segment	Book value	Book value	Book value
Investments in unconsolidated subsidiaries and affiliates	¥256,115	¥225,392	$2,410,724
Shares in unlisted companies	11,779	12,306	110,873
Others	19,148	18,095	180,234
Total	287,042	255,794	2,701,832

As these instruments do not have readily available market values, and their fair values cannot be reliably determined, they are not included in "③ Short-term and long-term investment securities."

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

	Millions of yen							
	2018				2017			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	¥104,899	¥ -	¥ -	¥ -	¥143,180	¥ -	¥ -	¥ -
Notes and operating accounts receivable-trade	258,115	1,251	-	-	247,587	1,507	-	-
Short-term and long-term investment securities:								
Held-to-maturity debt securities (government bonds)	155	-	-	-	-	100	-	-
Held-to-maturity debt securities (corporate bonds)	-	-	-	-	-	-	-	-
Held-to-maturity debt securities (others)	-	-	-	-	-	17	-	-
Available-for-sale securities with maturity dates (government bonds)	-	42	-	-	-	42	-	-
Available-for-sale securities with maturity dates (others)	-	-	-	-	-	-	-	-
Long-term loans receivable	-	5,927	7,668	7,223	-	15,059	7,040	7,927
Total	363,170	7,221	7,668	7,223	390,767	16,726	7,040	7,927

	Thousands of U.S. dollars (Note 2)			
	2018			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	$ 987,386	$ -	$ -	$ -
Notes and operating accounts receivable-trade	2,429,552	11,781	-	-
Short-term and long-term investment securities:				
Held-to-maturity debt securities (government bonds)	1,460	-	-	-
Held-to-maturity debt securities (corporate bonds)	-	-	-	-
Held-to-maturity debt securities (others)	-	-	-	-
Available-for-sale securities with maturity dates (government bonds)	-	395	-	-
Available-for-sale securities with maturity dates (others)	-	-	-	-
Long-term loans receivable	-	55,795	72,179	67,990
Total	3,418,399	67,972	72,179	67,990

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

	Millions of yen					
	2018					
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years
Current portion of bonds	¥ 30,000	¥ -	¥ -	¥ -	¥ -	¥ -
Short-term loans payable	113,198	-	-	-	-	-
Bonds payable	-	30,000	20,000	25,000	30,000	40,000
Long-term loans payable	-	83,152	94,382	158,722	114,529	232,397
Total	143,198	113,152	114,382	183,722	144,529	272,397

	Thousands of U.S. dollars (Note 2)					
	2018					
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years
Current portion of bonds	$ 282,379	$ -	$ -	$ -	$ -	$ -
Short-term loans payable	1,065,501	-	-	-	-	-
Bonds payable	-	282,379	188,253	235,316	282,379	376,506
Long-term loans payable	-	782,687	888,388	1,493,996	1,078,023	2,187,479
Total	1,347,880	1,065,066	1,076,642	1,729,312	1,360,402	2,563,985

	Millions of yen					
	2017					
	Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years	More than five years
Current portion of bonds	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Short-term loans payable	102,842	-	-	-	-	-
Bonds payable	-	30,000	30,000	20,000	25,000	40,000
Long-term loans payable	-	99,628	81,539	94,033	106,695	304,702
Total	102,842	129,628	111,539	114,033	131,695	344,702

5. Securities

(1) Short-term and long-term investment securities held-to-maturity with fair value as of March 31, 2018 and 2017, are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2018			2017			2018		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities for which fair value exceeds book value:									
Government bonds and others	¥155	¥156	¥1	¥100	¥102	¥2	$1,460	$1,473	$13
Corporate bonds	-	-	-	-	-	-	-	-	-
Others	-	-	-	17	21	4	-	-	-
Subtotal	155	156	1	117	124	7	1,460	1,473	13
Securities for which fair value is equal to or less than book value:									
Government bonds and others	-	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-
Total	155	156	1	117	124	7	1,460	1,473	13

(2) Short-term and long-term investment securities classified as available-for-sale securities with fair value as of March 31, 2018 and 2017, are summarized as follows:

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2018			2017			2018		
	Book value	Acquisition costs	Difference	Book value	Acquisition costs	Difference	Book value	Acquisition costs	Difference
Securities for which book value exceeds acquisition costs:									
Corporate shares	¥105,498	¥42,870	¥62,627	¥126,278	¥54,930	¥71,347	$ 993,022	$403,529	$589,492
Government bonds and others	42	41	0	42	41	0	395	394	0
Corporate bonds	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Others	53	50	3	-	-	-	507	474	32
Subtotal	105,594	42,963	62,631	126,320	54,972	71,347	993,925	404,398	589,526
Securities for which book value is equal to or less than acquisition costs:									
Corporate shares	15,981	20,313	(4,331)	14,142	17,681	(3,538)	150,429	191,201	(40,771)
Government bonds and others	-	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Others	6	10	(3)	9	15	(6)	63	94	(30)
Subtotal	15,988	20,323	(4,334)	14,151	17,697	(3,545)	150,493	191,295	(40,802)
Total	121,583	63,286	58,296	140,471	72,670	67,801	1,144,418	595,694	548,723

(3) Proceeds, gains, and losses on sales of available-for-sale securities in the fiscal years ended March 31, 2018 and 2017, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Proceeds from sales	¥22,020	¥224	$207,272
Gross realized gains	11,949	124	112,475
Gross realized losses	(69)	(0)	(649)

6. Derivatives

Derivative financial instruments with fair values as of March 31, 2018 and 2017, are summarized as follows:

(1) Derivative transactions not qualifying for hedge accounting

	Millions of yen						Thousands of U.S. dollars (Note 2)		
	2018			2017			2018		
	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Contracts outstanding	Contracts outstanding (more than one year)	Fair value
a. Currency-related									
Forward foreign currency exchange contracts:									
Buy U.S. dollar, sell Japanese yen	¥ 16,846	¥ -	¥ (132)	¥ 678	¥ -	¥ (6)	$ 158,574	$ -	$ (1,245)
Sell U.S. dollar, buy Japanese yen	82,515	-	(480)	149,574	-	200	776,686	-	(4,519)
Sell Chinese Yuan, buy U.S. dollar	8,652	-	(18)	8,511	-	(3)	81,442	-	(172)
Sell Thai baht, buy Japanese yen	2,408	-	(138)	2,372	-	(176)	22,673	-	(1,303)
Others	32,583	-	(547)	12,884	211	(98)	306,698	-	(5,156)
Currency swaps:									
Receive Japanese yen, pay U.S. dollar	6,336	5,867	369	6,805	6,336	51	59,642	55,224	3,481
Receive U.S. dollar, pay Japanese yen	925	-	(38)	1,420	-	4	8,706	-	(360)
Receive Thai baht, pay Euro	984	-	11	914	-	20	9,266	-	106
Receive Thai baht, pay Japanese yen	3,554	-	93	2,640	-	116	33,459	-	881
Other	1,745	-	(47)	-	-	-	16,427	-	(449)
Interest rate currency swaps:									
Receive U.S. dollar floating, pay Mexican Peso fixed	302	291	16	327	315	24	2,846	2,740	157
	156,855	6,158	(911)	186,129	6,863	133	1,476,425	57,964	(8,579)
b. Interest rate-related									
Interest rate swaps:									
Receive fixed, pay floating	464	-	4	1,280	464	14	4,367	-	45
Receive floating, pay fixed	466	-	(5)	1,257	466	(18)	4,391	-	(54)
	930	-	(1)	2,538	930	(3)	8,758	-	(9)
c. Commodity-related									
Freight (chartered-freight) forward transactions:									
Forward chartered-freight agreements on seller's side	1,401	-	26	711	-	(78)	13,193	-	245
	1,401	-	26	711	-	(78)	13,193	-	245

* Indicated values are based on the market rates reported by the financial institutions handling these transactions for the Company or present values as of March 31, 2018 and 2017.

(2) Derivative transactions qualifying for hedge accounting

		Millions of yen						Thousands of U.S. dollars (Note 2)		
		2018			2017			2018		
		Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Contracts outstanding	Contracts outstanding (more than one year)	Fair value	Contracts outstanding	Contracts outstanding (more than one year)	Fair value
a. Currency-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Forward foreign currency exchange contracts:	Principal items hedged:									
Sell U.S. dollar, buy Japanese yen	Investment for equity of overseas subsidiary	¥ 92,145	¥ 11,912	¥ 4,912	¥130,383	¥ 19,357	¥ 2,732	$ 867,334	$ 112,127	$ 46,236
Sell Euro, buy Japanese yen		6,280	-	114	5,494	-	(159)	59,112	-	1,076
Others		678	438	(9)	782	283	20	6,384	4,124	(93)
Currency swaps:	Principal items hedged:									
Receive U.S. dollar, pay Malaysian ringgit	Loans payable	6,963	5,528	54	1,228	842	184	65,544	52,040	514
Receive Singapore dollar, pay U.S. dollar	Loans receivable	509	447	(15)	474	411	(59)	4,798	4,208	(149)
Foreign exchange contracts and other derivative transactions qualifying for designation accounting										
Forward foreign currency exchange contracts:	Principal items hedged:									
Buy U.S. dollar, sell Japanese yen	Forecasted capital expenditures	20,002	16,385	(225)	1,575	1,575	59	188,278	154,226	(2,124)
Sell U.S. dollar, buy Japanese yen		845	-	1	1,120	-	(0)	7,956	-	15
Others		310	-	(3)	1,352	-	41	2,925	-	(36)
Integration treatment of interest rate and currency swaps (qualifying for designation accounting and exceptional accounting)										
Interest rate and currency swaps:	Principal items hedged:									
Receive fixed U.S. dollar, pay floating Japanese yen	Accounts payable	4,763	3,402	249	6,125	4,763	729	44,841	32,029	2,345
		132,499	38,114	5,076	148,534	27,233	3,548	1,247,175	358,758	47,785
b. Interest rate-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Interest rate swaps:	Principal items hedged:									
Receive fixed, pay floating		10,000	10,000	946	10,000	10,000	984	94,126	94,126	8,908
Receive floating, pay fixed	Long-term loans payable	119,958	102,975	(4,275)	126,219	114,530	(7,932)	1,129,131	969,270	(40,243)
Interest rate swap derivative transactions qualifying for exceptional accounting										
Interest rate swaps:	Principal items hedged:									
Receive fixed, pay floating	Long-term loans payable	25,000	25,000	*2	25,000	25,000	*2	235,316	235,316	*2
Receive floating, pay fixed		48,435	43,818		53,662	43,085		455,910	412,445	
		203,394	181,793	(3,329)	214,881	192,616	(6,825)	1,914,484	1,711,159	(31,335)
c. Commodity-related										
Derivative transactions qualifying for general accounting policies, deferral hedge accounting										
Fuel swaps:	Principal items hedged:									
Receive floating, pay fixed	Fuel	7,197	347	884	23,132	2,068	530	67,750	3,266	8,327
Fuel oil collar transactions: *3	Principal items hedged:									
Buy call option, sell put option	Fuel	13,735	-	219	13,291	-	(39)	129,286	-	2,065
		20,933	347	1,104	36,423	2,068	491	197,037	3,266	10,392

* 1. Fair values are based on the market rates reported by the financial institutions handling these transactions for the Company or present value as of March 31, 2018 and 2017.
2. As exceptional accounting for interest rate swaps is handled together with the long-term loans payable hedged, their fair value is included in that of the long-term loans payable.
3. The currency options and fuel oil collar transactions are zero-cost option transactions, and call options and put options are shown as a lump sum because they are included in integrated contracts.

7. Inventories

Inventories as of March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Products and goods	¥ 1,934	¥1,681	$ 18,209
Work in progress	656	539	6,182
Raw materials, fuel, and supplies	44,006	37,468	414,220

8. Accumulated Depreciation

As of March 31, 2018 and 2017, accumulated depreciation of vessels, property, plant, and equipment is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Accumulated depreciation	¥1,026,650	¥987,379	$9,663,500

9. Investment in Non-Consolidated Subsidiaries and Affiliates

Amounts corresponding to non-consolidated subsidiaries and affiliates as of March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Investment securities (stocks)	¥270,735	¥239,244	$2,548,335
Other investments and other assets (investment in capital)	10,661	14,410	100,352

10. Investment and Rental Property

The Company and some of its consolidated subsidiaries own offices and other buildings (including land) for earning rent, and other purposes in Tokyo and other regions. Profit from rental of these properties (with main rental income recorded as revenues and main rental expense recorded as costs and expenses) in the consolidated fiscal year ended March 31, 2018, totaled ¥4,190 million ($39,446 thousand), and profit from sales totaled ¥6,699 million ($63,055 thousand) (with gain on sales as other gains and loss on sales as other losses).

The amounts recorded in the consolidated balance sheets, the increase (decrease) during the fiscal years ended March 31, 2018 and 2017, and the fair values of the relevant investment and rental property as of March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Amount recorded in consolidated balance sheets:			
Balance at beginning of year	¥ 48,046	¥ 49,175	$ 452,248
Increase (decrease) during the fiscal year	(380)	(1,128)	(3,578)
Balance at end of year	47,666	48,046	448,670
Fair value as of current fiscal year end	118,847	112,646	1,118,669

* 1. The amount recorded in the consolidated balance sheet is the acquisition cost, net of accumulated depreciation and impairment losses.
2. The market value as of the fiscal year end is the amount calculated primarily based on the Real Estate Appraisal Standard (including adjustments made using indexes).

11. Deferred Capital Gains

Under certain conditions, such as exchanges of fixed assets of similar kinds, gains from insurance claims, and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer gains arising from such transactions by reducing the cost of the assets acquired. As such, deferred capital gains from insurance claims were deducted from the cost of properties acquired in replacement, which amounted to ¥6,650 million ($62,601 thousand) and ¥6,744 million as of March 31, 2018 and 2017, respectively.

12. Short-Term and Long-Term Debt

(1) Bonds as of March 31, 2018 and 2017, consisted of the following:

			Millions of yen		Thousands of U.S. dollars (Note 2)
			2018	2017	2018
	Interest rate	Maturity date			
Unsecured Straight Bonds No. 23	2.36%	June 7, 2024	¥ 10,000	¥ 10,000	$ 94,126
Unsecured Straight Bonds No. 25	2.65%	June 22, 2026	10,000	10,000	94,126
Unsecured Straight Bonds No. 27 *2	2.05%	June 20, 2017	-	-	-
Unsecured Straight Bonds No. 29	1.782%	August 9, 2019	30,000	30,000	282,379
Unsecured Straight Bonds No. 31	1.218%	September 9, 2021	25,000	25,000	235,316
Unsecured Straight Bonds No. 32	2.13%	September 9, 2031	10,000	10,000	94,126
Unsecured Straight Bonds No. 33 *2	0.472%	June 16, 2017	-	-	-
Unsecured Straight Bonds No. 34 *1	0.594%	June 18, 2018	10,000	10,000	94,126
Unsecured Straight Bonds No. 35	1.177%	June 17, 2022	10,000	10,000	94,126
Unsecured Straight Bonds No. 36 *1	0.572%	September 13, 2018	20,000	20,000	188,253
Unsecured Straight Bonds No. 37	0.939%	September 11, 2020	20,000	20,000	188,253
Unsecured Straight Bonds No. 38	0.39%	May 31, 2022	20,000	-	188,253
Unsecured Straight Bonds No. 39	0.53%	May 31, 2024	10,000	-	94,126
Total			175,000	145,000	1,647,213

* 1. The Company plans to redeem Unsecured Straight Bonds No. 34 and Unsecured Straight Bonds No. 36 within one year.
2. Unsecured Straight Bonds No. 27 and Unsecured Straight Bonds No. 33 were treated as redeemed bonds since the Company concluded agreements to fulfill payment obligations and transferred the necessary funds for the payments. Furthermore, the original bond redemption obligations to bondholders lapsed as of their respective maturity dates.

The aggregate annual maturities of convertible bonds and bonds as of March 31, 2018, were as follows:

Millions of yen				
Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
¥30,000	¥30,000	¥20,000	¥25,000	¥30,000

Thousands of U.S. dollars (Note 2)				
Within one year	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
$282,379	$282,379	$188,253	$235,316	$282,379

(2) Loans payable, obligations under finance leases, and other interest-bearing liabilities as of March 31, 2018 and 2017, were as follows:

			Millions of yen		Thousands of U.S. dollars (Note 2)
			2018	2017	2018
Classification	Average interest rate	Repayment deadline			
Short-term loans payable (including overdraft)	1.63%	-	¥ 13,026	¥ 13,312	$ 122,617
Current portion of long-term loans payable	1.57%	-	100,171	89,530	942,883
Current portion of obligations under finance leases	5.88%	-	2,024	1,155	19,057
Long-term loans payable	1.75%	2019-2033	683,184	686,598	6,430,575
Obligations under finance leases	3.17%	2019-2028	10,025	9,794	94,362
Other interest-bearing liabilities					
Current portion of long-term accounts payable	1.61%	-	1,361	1,361	12,811
Long-term accounts payable	1.85%	2021	6,331	7,856	59,592
Total			816,125	809,609	7,681,900

Average interest rate is the weighted average interest rate for amounts outstanding as of the fiscal year end.

Long-term loans payable, obligations under finance leases, and long-term accounts payable (excluding current portion) scheduled for repayment within five years from March 31, 2018, are as follows:

	Millions of yen			
	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
Long-term loans payable	¥83,152	¥94,382	¥158,722	¥114,529
Obligations under finance leases	3,654	1,140	795	746
Long-term accounts payable	1,361	1,361	3,608	-

	Thousands of U.S. dollars (Note 2)			
	More than one year, within two years	More than two years, within three years	More than three years, within four years	More than four years, within five years
Long-term loans payable	$782,687	$888,388	$1,493,996	$1,078,023
Obligations under finance leases	34,402	10,735	7,486	7,025
Long-term accounts payable	12,811	12,811	33,968	-

13. Pledged Assets and Secured Liabilities

As of March 31, 2018, the following assets were pledged as collateral for short-term loans payable, long-term loans payable, and others:

	Net book value	
Pledged assets	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash and deposits	¥ 1,634	$ 15,386
Vessels *	189,206	1,780,933
Buildings and structures	991	9,334
Land	3,452	32,499
Investment securities *	71,338	671,486
Others	4	37
Total	266,628	2,509,678

	Net book value	
Secured liabilities	Millions of yen	Thousands of U.S. dollars (Note 2)
Short-term loans payable	¥ 18,107	$ 170,439
Long-term loans payable	143,597	1,351,635
Total	161,705	1,522,074

* Vessels include ¥289 million ($2,729 thousand) and investment securities include ¥71,289 million ($671,018 thousand) pledged as collateral for the debt of affiliates, etc.

14. Supplementary Information on Consolidated Statement of Cash Flows

Cash and cash equivalents in the accompanying consolidated statement of cash flows for the years ended March 31, 2018 and 2017, are reconciled to cash and deposits reflected in the accompanying consolidated balance sheets as of March 31, 2018 and 2017, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Cash and deposits	¥104,899	¥143,180	$987,386
Time deposits with a maturity of more than three months	(1,621)	(5,735)	(15,263)
Cash and cash equivalents	103,278	137,444	972,123

15. Income Taxes

(1) Significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Deferred tax assets:			
Provision for bonuses	¥ 2,204	¥ 2,239	$ 20,747
Net defined benefit liabilities	4,763	4,889	44,835
Impairment loss on vessels, property, plant, and equipment	56,221	56,693	529,196
Losses on revaluation of securities	3,790	6,832	35,683
Tax loss carryforwards	91,984	80,414	865,813
Unrealized gains on sale of vessels, property, plant, and equipment	3,500	1,526	32,946
Provision for periodic dry docking of vessels	5,961	6,115	56,110
Accrued expenses	2,423	1,523	22,809
Deferred loss on derivatives under hedge accounting	7,255	8,280	68,291
Allowance for doubtful accounts	2,440	2,267	22,967
Others	8,048	14,599	75,756
Subtotal of deferred tax assets	188,592	185,383	1,775,159
Valuation allowance	(174,384)	(171,877)	(1,641,418)
Total deferred tax assets	14,208	13,505	133,740
Deferred tax liabilities:			
Net defined benefit asset	(12,771)	(12,358)	(120,215)
Gain on securities contribution to employee retirement benefit trust	(2,862)	(2,864)	(26,941)
Depreciation	(2,787)	(2,810)	(26,239)
Reserve for reduction entry	(4,134)	(4,433)	(38,917)
Valuation difference on available-for-sale securities	(16,510)	(18,775)	(155,407)
Deferred gain on derivatives under hedge accounting	(5,482)	(3,938)	(51,600)
Undistributed retained earnings of consolidated subsidiaries	(4,807)	(3,692)	(45,250)
Others	(8,606)	(10,002)	(81,007)
Total deferred tax liabilities	(57,962)	(58,876)	(545,580)
Net deferred tax (liabilities) assets	(43,753)	(45,371)	(411,839)

(2) Reconciliation of the statutory income tax rate to the effective income tax rate for the years ended March 31, 2018 and 2017, was as follows :

	2018	2017
Normal statutory income tax rate	28.8%	28.9%
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	1.5	-
Equity in earnings of unconsolidated subsidiaries and affiliates	(2.7)	-
Permanently non-deductible expenses for tax purposes, such as entertainment expenses	3.1	-
Changes in valuation allowance	2.3	-
Tax exemption of shipping business	(4.2)	-
Effects of foreign tax included in deductible expenses	3.7	-
Income tax for prior periods	(0.1)	-
Other	4.0	-
Actual effective income tax rate	36.3%	-

* For the fiscal year ended March 31, 2017, the reconciliation of the statutory tax rate to the effective income tax rate is not stated as the Company and its consolidated subsidiaries recorded loss before income taxes.

16. Equity

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

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (a) having a Board of Directors, (b) having independent auditors, (c) having an Audit & Supervisory Board, and (d) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution of the company as stipulated. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

(3) Treasury stock and treasury stock acquisition rights

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

(A) Matters concerning outstanding shares

Changes in the number of outstanding shares in the consolidated fiscal year ended March 31, 2018, were as follows:

	Shares of common stock (Thousands)	Shares of treasury stock (Thousands)
At March 31, 2017	1,700,550	14,050
Increase in number of shares	-	40
Decrease in number of shares	1,530,495	12,694
At March 31, 2018	170,055	1,396

(B) Matters concerning dividends

The effective date for dividends, including retained earnings, as of March 31, 2018, shall be determined in the subsequent consolidated fiscal year as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
At the ordinary general meeting of shareholders on June 20 ,2018	¥5,087	$47,884

17. Statement of Income for Losses Related to Business Restructuring and Antitrust Law

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

	Millions of yen	Thousands of U.S. dollars (Note 2)
Impairment loss	¥4,570	$43,024
Provision for losses related to business restructuring	2,268	21,348
Others	773	7,279
Total	7,612	$71,652

The Company and its consolidated subsidiaries have grouped business assets into businesses separated for management accounting purposes and for making separate investment decisions, while properties for rent, assets held for sale, and idle assets are grouped on the basis of individual assets.

The book values of the Group's assets that have no prospects of being used due to the integration of the container shipping business were reduced to their respective recoverable amounts, and the reduced amounts were recorded under other losses as losses related to business restructuring.

The breakdown is as follows:

Location	Application	Type	Millions of yen	Thousands of U.S. dollars (Note 2)
Singapore	Business assets	Vessels (Container ships)	¥4,229	$39,806
Others	Business assets	Vessels (Dry bulk carriers)	341	3,217
Total			4,570	43,024

The recoverable amount for these asset groups will be the net selling price of the asset.

(2) The NYK Group has appropriated funds for paying fines issued by authorities outside Japan resulting from investigations of antitrust law violations concerning marine shipments of automobiles and other cargo, and for covering future losses estimated at the time of the publishing of this report.

18. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 1,626	¥ 20,398	$ 15,306
Reclassification adjustments to profit or loss for the year	(11,496)	37	(108,214)
Amount before income tax effect	(9,870)	20,436	(92,908)
Income tax effect	2,512	(5,856)	23,653
Total	(7,357)	14,580	(69,254)
Deferred gain (loss) on hedges:			
Gains (losses) arising during the year	724	10,305	6,815
Reclassification adjustments to profit or loss for the year	6,202	(1,754)	58,380
Adjustment for the acquisition cost of assets	(274)	(1,808)	(2,582)
Amount before income tax effect	6,652	6,742	62,613
Income tax effect	(1,644)	(68)	(15,474)
Total	5,008	6,674	47,138
Foreign currency translation adjustments:			
Gains (losses) arising during the year	6,252	(10,181)	58,849
Reclassification adjustments to profit or loss for the year	(424)	41	(3,991)
Amount before income tax effect	5,828	(10,140)	54,858
Income tax effect	-	-	-
Total	5,828	(10,140)	54,858
Remeasurements of defined benefit plans:			
Gains (losses) arising during the year	8,777	8,962	82,617
Reclassification adjustments to profit or loss for the year	(3,243)	2,483	(30,533)
Amount before income tax effect	5,533	11,446	52,083
Income tax effect	(1,390)	(3,046)	(13,092)
Total	4,142	8,400	38,990
Share of other comprehensive income of associates accounted for using the equity method:			
Gains (losses) arising during the year	(4,728)	(5,879)	(44,510)
Reclassification adjustments to profit or loss for the year	3,873	4,467	36,462
Adjustment for the acquisition cost of assets	34	5	324
Total	(820)	(1,406)	(7,723)
Total other comprehensive income (loss)	6,800	18,107	64,009

19. Commitments and Contingent Liabilities

(1) Commitments made by the Company and its consolidated subsidiaries as of March 31, 2018, totaled ¥116,718 million ($1,098,629 thousand) for the construction of vessels.

Contingent liabilities for notes receivable discounted and endorsed, guarantees of loans, and debt assumption as of March 31, 2018, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Notes receivable discounted and endorsed	¥ 20	$ 191
Guarantees of loans	116,718	1,098,629

(2) 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 ($81,010 thousand). The guarantee may be paid if the companies choose to return the leased property rather than exercise an option to buy it. The operating lease agreements will expire by March 2020.
(3) 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 ($545,820 thousand). The companies may pay the guarantee if they choose to return the leased properties at the end of the lease term. The operating lease agreements will expire by December 2026.
(4) 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 NYK 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.

20. Accounting for Leases

As discussed in Note 3. K, the Company accounts for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transaction date on an "as if capitalized" basis for the years ended March 31, 2018 and 2017, was as follows:

(1) Finance leases accounted for as operating leases, which started before the consolidated fiscal year ended March 31, 2009

As lessees

a. Acquisition cost, accumulated depreciation, accumulated impairment loss, and net balance at the end of the year of leased assets as of March 31, 2018 and 2017, which included the portion of interest thereon, would have been shown in the consolidated balance sheets as follows, if the leased assets had been capitalized:

	Millions of yen				Thousands of U.S. dollars (Note 2)	
	2018		2017		2018	
	Equipment	Total	Equipment	Total	Equipment	Total
Acquisition cost	¥-	¥-	¥2	¥2	$-	$-
Accumulated depreciation	-	-	1	1	-	-
Net balance at end of the year	-	-	0	0	-	-

b. Future lease payments as of March 31, 2018, which included the portion of interest thereon, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥-	$-
More than one year	-	-
Total	-	-

c. Lease expenses, depreciation, and interest expenses for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Lease expenses for the year	¥0	¥0	$1
Depreciation	0	0	1
Interest expenses	-	-	-

d. Calculation of depreciation equivalent

Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

(2) Operating leases

As lessees

Future lease payments as of March 31, 2018, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 56,165	$ 528,666
More than one year	176,888	1,664,987
Total	233,053	2,193,653

As lessors

Future lease income as of March 31, 2018, is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Within one year	¥ 4,102	$ 38,618
More than one year	45,574	428,972
Total	49,676	467,591

21. Accounting for Employees' Retirement Benefits

1. Outline of employees' retirement benefit plans

The Company and its domestic consolidated subsidiaries maintain the following defined benefit plans: the national government's Employees' Pension Fund and a retirement lump-sum allowance system.

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

2. Defined benefit plans

(1) Changes in defined benefit obligation for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Balance at beginning of year	¥84,949	¥83,419	$799,603
Service costs	3,485	3,299	32,812
Interest costs	1,117	1,107	10,514
Actuarial (gains) losses	547	1,590	5,150
Benefits paid	(3,890)	(3,432)	(36,618)
Prior service cost	15	(6)	150
Others	(10)	(1,028)	(98)
Balance at end of year	86,215	84,949	811,514

(2) Changes in plan assets for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Balance at beginning of year	¥120,466	¥110,889	$1,133,912
Expected return on plan assets	1,448	1,454	13,637
Actuarial gains (losses)	9,339	10,362	87,906
Contributions from the employer	2,358	1,371	22,204
Benefits paid	(2,703)	(2,570)	(25,445)
Others	(3,200)	(1,042)	(30,121)
Balance at end of year	127,710	120,466	1,202,093

(3) Reconciliation between the balance at beginning of year and the balance at end of year in relation to net defined benefit liability for which the shortcut method was applied for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Balance at beginning of year	¥6,859	¥6,775	$64,568
Net periodic benefit costs	1,324	1,253	12,465
Benefits paid	(697)	(550)	(6,566)
Contributions from the employer	(682)	(615)	(6,428)
Other	21	(2)	199
Balance at end of year	6,824	6,859	64,239

(4) Reconciliation between the liability recorded in the consolidated balance sheets and the balances of defined benefit obligation and plan assets as of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Funded defined benefit obligation	¥ 87,045	¥ 85,534	$ 819,331
Plan assets	(135,360)	(127,855)	(1,274,104)
	(48,315)	(42,320)	(454,772)
Unfunded defined benefit obligation	13,644	13,663	128,432
Net liability (asset) arising from defined benefit obligation	(34,670)	(28,657)	(326,339)
Net defined benefit liability	18,301	18,596	172,266
Net defined benefit asset	(52,971)	(47,253)	(498,605)
Net liability (asset) arising from defined benefit obligation	(34,670)	(28,657)	(326,339)

(5) Components of net periodic benefit costs for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Service costs	¥3,485	¥3,299	$32,812
Interest costs	1,117	1,107	10,514
Expected return on plan assets	(1,448)	(1,454)	(13,637)
Recognized actuarial (gains) losses	(3,166)	2,478	(29,800)
Amortization of prior service cost	42	(1)	401
Net periodic benefit costs calculated using the shortcut method	1,324	1,253	12,465
Other	89	1	840
Net periodic benefit costs	1,444	6,684	13,595

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Prior service cost	¥ 7	¥ 5	$ 70
Actuarial gains (losses)	5,525	11,441	52,012
Total	5,533	11,446	52,083

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Unrecognized prior service cost	¥ (7)	¥ (15)	$ (70)
Unrecognized actuarial gains (losses)	15,787	10,292	148,603
Total	15,780	10,277	148,533

(8) Components of plan assets

Plan assets consisted of the following as of March 31, 2018 and 2017:

	2018	2017
Debt investments	35%	36%
Equity investments	54%	51%
Cash and cash equivalents	1%	3%
Others	10%	10%
Total	100%	100%

A retirement benefit trust established for a corporate pension plan accounted for 37% and 36% of plan assets as of March 31, 2018 and 2017, respectively.

(9) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(10) Assumptions in calculation of the above information

Discount rate	Mainly 1.1%
Expected rate of return on plan assets	Mainly 1.6%
Expected rate of salary increase	Mainly 1.2% ~7.1%

Note: A point system has been adopted for certain employees, and the expected rate of salary increase includes the expected rate of point increase.

3. Defined contribution plan

Certain consolidated subsidiaries had ¥2,612 million ($24,585 thousand) for the fiscal year ended March 31,2018, in defined contribution retirement benefit costs. Besides the retirement benefit costs shown above, certain consolidated subsidiaries treated the amount of defined contributions paid to the multi-employer plan as retirement benefit costs.

22. Segment Information

The Company and its consolidated subsidiaries operate in six businesses: Liner Trade, Bulk Shipping, Logistics, Air Cargo Transport, Real Estate, and Others.

The table below presents certain segment information for the years ended March 31, 2018 and 2017.

Year ended March 31, 2018:

	Millions of yen								
	Global Logistics				Others				
	Liner Trade	Air Cargo Transport	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues:									
(1) Revenues from customers	¥676,818	¥92,184	¥508,005	¥ 794,894	¥ 6,814	¥104,483	¥2,183,201	¥ -	¥2,183,201
(2) Intersegment revenues	14,614	5,641	4,326	711	1,127	67,816	94,238	(94,238)	-
Total	691,433	97,826	512,332	795,606	7,941	172,300	2,277,440	(94,238)	2,183,201
Segment profit (loss)	10,874	1,811	2,382	9,643	2,659	3,167	30,539	(2,522)	28,016
Segment assets	405,431	77,362	277,948	1,256,137	58,887	195,306	2,271,073	(199,100)	2,071,972
II Other items:									
Depreciation and amortization	13,770	2,825	8,355	59,404	1,259	2,244	87,859	(19)	87,839
Amortization of goodwill and negative goodwill	363	-	598	1,181	-	-	2,143	-	2,143
Interest income	503	432	389	2,539	1	4,827	8,694	(5,216)	3,478
Interest expenses	4,701	210	1,023	14,220	83	2,765	23,003	(5,216)	17,787
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	(7,283)	-	81	17,023	39	75	9,936	(0)	9,935
Investments in equity method affiliates	56,364	-	1,618	201,591	1,006	264	260,845	(66)	260,778
Increase in vessels, property, plant, and equipment and intangible assets	40,075	35,647	17,079	99,297	10,476	1,008	203,583	(3,140)	200,443
III Information about balance of goodwill by reportable segments: Balance of goodwill (negative goodwill) at the end of current period	1,703	-	6,878	13,450	-	-	22,032	-	22,032

	Thousands of U.S. dollars (Note 2)								
	Global Logistics				Others				
	Liner Trade	Air Cargo Transport	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues:									
(1) Revenues from customers	$6,370,654	$867,704	$4,781,677	$ 7,482,065	$ 64,141	$ 983,467	$20,549,710	$ -	$20,549,710
(2) Intersegment revenues	137,564	53,100	40,728	6,697	10,612	638,335	887,038	(887,038)	-
Total	6,508,218	920,805	4,822,405	7,488,762	74,753	1,621,802	21,436,748	(887,038)	20,549,710
Segment profit (loss)	102,361	17,053	22,424	90,766	25,029	29,817	287,453	(23,742)	263,711
Segment assets	3,816,188	728,187	2,616,228	11,823,578	554,286	1,838,351	21,376,820	(1,874,063)	19,502,757
II Other items:									
Depreciation and amortization	129,612	26,594	78,649	559,156	11,853	21,123	826,990	$ (187)	826,802
Amortization of goodwill and negative goodwill	3,425	-	5,632	11,121	-	-	20,179	-	20,179
Interest income	4,737	4,073	3,670	23,904	11	45,442	81,840	(49,099)	32,741
Interest expenses	44,255	1,982	9,630	133,847	786	26,026	216,528	(49,097)	167,430
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	(68,559)	-	767	160,239	367	710	93,525	(6)	93,518
Investments in equity method affiliates	530,542	-	15,236	1,897,510	9,471	2,486	2,455,246	(627)	2,454,619
Increase in vessels, property, plant, and equipment and intangible assets	377,216	335,537	160,758	934,650	98,608	9,488	1,916,261	(29,555)	1,886,705
III Information about balance of goodwill by reportable segments:									
Balance of goodwill (negative goodwill) at the end of current period	16,030	-	64,746	126,607	-	-	207,384	-	207,384

Adjustments of segment profit or loss are ¥28 million ($263 thousand) of internal exchanges or transfers among segments and -¥2,550 million (-$24,005 thousand) of corporate expenses which are not attributed to specific segments.
The Company treats general and administrative expenses that do not belong to any single segment as corporate expenses.
Adjustments of segment assets are -¥235,247 million (-$2,214,305 thousand) of receivables or assets relating to internal exchanges among segments and ¥36,147 million ($340,241 thousand) of corporate assets.
Major corporate assets are the excess of operating funds(cash and deposits).
There is no important impairment loss of fixed assets other than losses related to business restructuring, which is presented under “other losses.”

Year ended March 31, 2017:

	Millions of yen								
	Global Logistics				Others				
	Liner Trade	Air Cargo Transport	Logistics	Bulk Shipping	Real Estate	Others	Total	Adjustments*	Consolidated Total
I Revenues:									
(1) Revenues from customers	**¥572,883**	**¥75,997**	**¥457,935**	**¥ 716,840**	**¥ 8,147**	**¥ 92,078**	**¥1,923,881**	**¥ -**	**¥1,923,881**
(2) Intersegment revenues	**13,021**	**5,921**	**3,426**	**889**	**1,292**	**54,536**	**79,087**	**(79,087)**	**-**
Total	**585,904**	**81,919**	**461,361**	**717,729**	**9,439**	**146,614**	**2,002,969**	**(79,087)**	**1,923,881**
Segment profit (loss)	**(12,716)**	**2,631**	**7,650**	**(4,168)**	**12,079**	**(1,496)**	**3,980**	**(2,940)**	**1,039**
Segment assets	**401,983**	**53,004**	**255,189**	**1,269,346**	**56,266**	**209,981**	**2,245,771**	**(201,587)**	**2,044,183**
II Other items:									
Depreciation and amortization	**17,646**	**2,360**	**7,175**	**61,223**	**1,056**	**2,543**	**92,006**	**(1)**	**92,004**
Amortization of goodwill and negative goodwill	**357**	**-**	**324**	**1,543**	**-**	**1**	**2,226**	**-**	**2,226**
Interest income	**457**	**150**	**336**	**2,782**	**1**	**3,707**	**7,435**	**(3,763)**	**3,671**
Interest expenses	**2,954**	**187**	**606**	**13,134**	**52**	**2,386**	**19,321**	**(3,763)**	**15,557**
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	**935**	**-**	**63**	**12,858**	**35**	**7**	**13,900**	**-**	**13,900**
Investments in equity method affiliates	**33,937**	**-**	**1,102**	**193,904**	**989**	**211**	**230,145**	**(40)**	**230,105**
Increase in vessels, property, plant, and equipment and intangible assets	**50,231**	**20,681**	**10,461**	**70,487**	**2,603**	**1,656**	**156,123**	**(129)**	**155,993**
III Information about impairment loss by reportable segments: Impairment loss	**75,304**	**5,075**	**1,439**	**85,588**	**-**	**661**	**168,069**	**58**	**168,127**
IV Information about balance of goodwill by reportable segments: Balance of goodwill (negative goodwill) at the end of current period	**2,165**	**-**	**2,156**	**14,314**	**-**	**-**	**18,636**	**-**	**18,636**

Adjustments of segment profit or loss are -¥52 million (-$497 thousand) of internal exchanges or transfers among segments and -¥2,887 million (-$27,180 thousand) of corporate expenses which are not attributed to specific segments.
The Company treats general and administrative expenses that do not belong to any single segment as corporate expenses.
Adjustments of segment assets are -¥244,172 million (-$2,298,306 thousand) of receivables or assets relating to internal exchanges among segments and ¥42,584 million ($400,836 thousand) of corporate assets.
Major corporate assets are the excess of operating funds (cash and deposits).

23. Related Information

Information by geographical segment is as follows. As there were no customers that accounted for more than 10% of consolidated revenues, information about revenues from major customers is omitted.

Year ended March 31, 2018:

	Millions of yen					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	¥1,600,438	¥162,084	¥166,589	¥232,846	¥21,241	¥2,183,201
II Tangible fixed assets	665,879	35,142	155,561	60,467	1,719	918,770

	Thousands of U.S. dollars (Note 2)					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	$15,064,368	$1,525,643	$1,568,049	$2,191,707	$199,941	$20,549,710
II Tangible fixed assets	6,267,691	330,781	1,464,248	569,161	16,183	8,648,066

Year ended March 31, 2017:

	Millions of yen					
	Japan	North America	Europe	Asia	Others	Total
I Revenues	¥1,393,172	¥152,270	¥145,548	¥213,393	¥19,496	¥1,923,881
II Tangible fixed assets	640,046	31,279	157,129	60,745	1,347	890,547

24. Related Party Disclosures

(1) The Company underwrote capital increase of OCEAN NETWORK EXPRESS PTE. LTD., a related party, at March 31, 2018 and 2017, as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
	¥33,661	¥-	$316,840

* With regard to underwriting of capital increase, the Company underwrote capital increase of OCEAN NETWORK EXPRESS PTE. LTD. at 10,000 U.S. dollars per share.

(2) Summarized financial information as of and for the year ended March 31, 2018 and 2017, for OCEAN NETWORK EXPRESS PTE. LTD., which was classified as a significant affiliated company, is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Total current assets	¥53,642	¥-	$504,915
Total non-current assets	25,924	-	244,015
Total current liabilities	12,668	-	119,242
Total non-current liabilities	5,231	-	49,245
Total equity	61,666	-	580,442
Revenues	27	-	245
Loss before income taxes	(24,412)	-	(219,553)
Loss attributable to owners of parent	(24,412)	-	(219,557)

25. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2018 was approved at the Company's shareholders' meeting held on June 20 ,2018

	Millions of yen	Thousands of U.S. dollars (Note 2)
Year-end cash dividends, ¥30.00 ($0.28) per share	**¥5,087**	**$47,884**

Additional Investment in Affiliate Accounted for by the Equity Method

The Company made additional investment as initially scheduled in OCEAN NETWORK EXPRESS PTE. LTD., an affiliate accounted for by the equity method, on April 2, 2018, together with Kawasaki Kisen Kaisha, Ltd. and Mitsui O.S.K. Lines, Ltd.

1. Overview of the affiliate accounted for by the equity method in which additional investment is to be made
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

Issuance of Corporate Bonds

On May 18, 2018, the Company's management decided to issue straight bonds after taking into account the upper limit for the issuance of unsecured straight bonds, set in a meeting of the Board of Directors held on December 21, 2017, and a review of that limit. The issuance of the bonds was conducted on May 24, 2018. Details are as follows.

Unsecured Straight Bond No. 40
1. Issue amount: 10 billion yen
2. Issue price: 100 yen per par value of 100 yen
3. Coupon rate: 0.290% per annum
4. Maturity date: May 24, 2023 (lump-sum payment upon maturity)
5. Closing date and issuance date: May 24, 2018
6. Use of proceeds: Investment in LNG-fueled vessels, LNG bunkering vessels, ballast water treatment equipment, sulfur oxide scrubber systems, and other equipment

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

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

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

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

The assessment of internal control over financial reporting was performed as of March 31, 2018, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

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

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

3. Matters relating to the results of the assessment

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

内藤忠顕

Tadaaki Naito

President, Representative Director,
President Corporate Officer
June 20, 2018

高橋栄一

Eiichi Takahashi

Director, Senior Managing Corporate Officer

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nippon Yusen Kabushiki Kaisha:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Nippon Yusen Kabushiki Kaisha and its consolidated subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Yusen Kabushiki Kaisha and its consolidated subsidiaries as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in "3. Summary of Significant Accounting Policies, O. Additional Information, (4) New Companies Established Following the Integration of the Container Shipping Businesses," Nippon Yusen Kabushiki Kaisha, 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 has begun container shipping services from April 1, 2018. Our opinion is not modified in respect of this matter.

Member of
Deloitte Touche Tohmatsu Limited

Convenience Translation

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

Report on Internal Control

We have audited management's report on internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2018.

Management's Responsibility for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of Nippon Yusen Kabushiki Kaisha as of March 31, 2018 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Deloitte Touche Tohmatsu LLC

June 20, 2018

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Major Consolidated Subsidiaries

(As of March 31, 2018)

(Millions of yen)

		Company	Voting rights held (%)	Paid-in capital
Domestic	Liner	UNI-X CORPORATION	100.00	¥ 934
		GENEQ CORPORATION	55.14	242
		NIPPON CONTAINER TERMINALS CO., LTD.	51.00	250
		ASAHI UNYU KAISHA, LTD.	100.00	100
		YUSEN KOUN CO., LTD.	100.00	100
		NIPPON CONTAINER YUSO CO., LTD.	51.00	250
		ASIA PACIFIC MARINE CORPORATION	100.00	35
		KAIYO KOGYO CORPORATION	100.00	90
	Air Cargo Transportation	NIPPON CARGO AIRLINES CO., LTD.	100.00	10,000
	Logistics	YUSEN LOGISTICS CO., LTD.	100.00	4,301
		KINKAI YUSEN KAISHA LTD.	100.00	465
		CAMELLIA LINE CO., LTD.	51.00	400
	Bulk Shipping	NYK BULK & PROJECTS CARRIERS LTD.	100.00	2,100
		ASAHI SHIPPING CO., LTD.	69.67	495
		HACHIUMA STEAMSHIP CO., LTD.	74.86	500
	Real Estate	YUSEN REAL ESTATE CORPORATION	100.00	450
	Others	NYK CRUISES CO., LTD.	100.00	2,000
		NYK BUSINESS SYSTEMS CO., LTD.	100.00	99
		SANYO TRADING CO., LTD.	50.37	100
		NYK TRADING CORPORATION	79.25	1,246
		BOLTECH CO., LTD.	100.00	30

(Millions of indicated units)

		Company	Voting rights held (%)	Paid-in capital
Overseas	Liner	NYK TERMINALS (NORTH AMERICA) INC.	100.00	US$ 0.001
		YUSEN TERMINALS LLC	100.00	US$ 2
		NYK LINE (NORTH AMERICA) INC.	100.00	US$ 4
		ACX PEARL CORPORATION	100.00	¥ 0.1
	Logistics	YUSEN LOGISTICS (AMERICAS) INC.	100.00	US$ 70
		YUSEN LOGISTICS (CHINA) CO., LTD.	100.00	CHY 158
		YUSEN LOGISTICS (UK) LTD.	100.00	£ 44
		YUSEN LOGISTICS (HONG KONG) LTD.	100.00	HK$ 55
		YUSEN LOGISTICS (THAILAND) CO., LTD.	84.48	B 70
	Bulk Shipping	NYK BULKSHIP (ASIA) PTE. LTD.	100.00	US$ 7
		NYK BULKSHIP (ATLANTIC) N.V.	100.00	US$ 555
		NYK ENERGY TRANSPORT (ATLANTIC) LTD.	100.00	US$ 51
		ADAGIO MARITIMA S.A.	100.00	¥ 0.1

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

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