

DISCLAIMER

The information displayed on this web site is solely for providing English translations of certain selected information contained in the Japanese original text of Documents Accompanying the Notice of Ordinary General Meeting of Shareholders for reference only.

The original Japanese text of Documents Accompanying the Notice of Ordinary General Meeting of Shareholders should be available to foreign shareholders at their respective sub-custodians in Japan.

Documents Accompanying the Notice of the 115th Ordinary General Meeting of Shareholders

115th Fiscal Year
Report

From April 1, 2001
To March 31, 2002

Nippon Yusen Kabushiki Kaisha

NYK Line Business Credo

Since its foundation in 1885, Nippon Yusen Kaisha (NYK Line) has overcome various challenges, grown steadily, and become one of the world's leading shipping companies.

In recognizing the importance of far-ranging trade and commerce as a basis for the development of the world economy and culture, we, NYK Line, have sought to offer safe, high-quality services as both a logistics mega carrier and a cruise enterprise. We believe that we can best contribute to the growth of international society by complying with all relevant laws and conducting business in compliance with a code of social ethics. In support of this effort, we have developed the "NYK Line Business Credo" that follows.

(1) **Mission to Society**

Conscious of our mission to society to offer a safe and high-quality service as a logistics mega carrier and a cruise enterprise, we shall listen carefully to the wishes of our customers, satisfy their expectations and earn their trust, secure reasonable profits, comply with our shareholder's expectations and contribute to the development of society.

(2) **Safe Voyages and Global Environmental Protection**

We recognize that achieving safe passage for our ships is the most important task. We shall attempt to improve existing safety measures based on international safety standards and encourage the use of safe operating techniques. We further recognize that the oceans are precious natural assets, and shall endeavor to prevent marine pollution and preserve a favorable global environment.

(3) **Observance of Laws and Regulations**

We are aware that all commercial enterprises can be termed society members, and as such, shall make it our principle to act fairly, observe all laws and regulations, and perform our business activities in compliance with a code of social ethics.

(4) **Exclusion of Antisocial Activities**

We shall be resolutely opposed to antisocial people or organizations that threaten the order and/or safety of civil life.

(5) **Information Disclosure and Communication with Society**

We shall work to disclose business information in an active, timely, and appropriate manner and to achieve broad and meaningful communication with society.

(6) **Preservation of a Favorable Working Environment**

We shall respect the personalities and individuality of our company staff and endeavor to maintain a favorable working environment.

Contents

Business Report	1
1. Business Overview	1
Development and Results of Business Activities	1-5
Revenue by Segment.....	6
Funding.....	6
Operating Results and Trends in Asset Position.....	6
Capital Expenditures	7
Restructuring of the Conventional Shipping Business, the Handy Bulker Business and the Intra-Asia Container Business.....	7
2. Company Information	8
Establishment.....	8
Main activities.....	8
Offices	8
Capital	8
State of shares	9
Purchase, Disposal by Sale, Cancellation and Holding of Treasury Stocks.....	10
Principal Lenders, Amounts Borrowed and Number of NYK Shares Held by Lenders.....	11
Workforce	11
Independent Certified Public Accountants	11
Group Companies	12-14
Ships and Service Routes	15-17
3. Directors and Corporate Auditors	18
Directors and Corporate Auditors.....	18-20
Balance Sheet	21-22
Statement of Income	23
Proposed Appropriation of Retained Earnings	26

Business Report

(For the period from April 1, 2001 to March 31, 2002)

1. Business Overview

Development and Results of Business Activities

(1) General Situation

From the end of fiscal 2000, the US economy went into a recession for the first time in ten years as a result of the downturn in the IT sector. While capital spending had already started to weaken, the September 11 terrorist attacks on New York and Washington engendered fears that social unrest would lead to a major downturn in consumption and other activities. By the end of fiscal 2001 some signs of a recovery were emerging, but uncertainties about the economic outlook remain strong and caution is necessary. Although there had been expectations for a recovery in Europe, the economies of Germany and other major countries remained lackluster. With the exception of China, the export-led economies of Asia were unable to shake off their sense of insecurity.

In Japan, progress has been made in structural reform, but it is generally believed that the economy will not begin to recover in earnest for some time yet.

In the shipping market, the liner division faced a major deterioration in market conditions as the impact of the global economic slowdown on cargo shipments made itself felt, and the major shipping companies were forced to make adjustments in the way they deployed their fleets.

Unable to avoid the consequences of the economic slowdown, the tramp division generally remained sluggish and failed to recover. The tanker division continued weak, reaching an eight-year low towards the end of the fiscal year.

As a result of this severe environment, NYK posted revenues of ¥748,995 million, an increase of 2.9% over the previous year, but ordinary income came to ¥43,079 million, down by 6.5%, and net income to ¥13,225 million, down by 31.6%.

Having sold three vessels during the year, NYK owned 53 vessels with total gross operating tonnage of 4,905,263 DWT (kt) at the end of fiscal 2001. This represents a reduction of three vessels and 570,000 DWT (kt) compared with the end of the preceding fiscal year. Adding in 411 chartered vessels and one operated on a consignment basis brings the total to 465, or gross operating tonnage of 28,751,713 DWT (kt), a decrease of 85 vessels and 2,030,000 DWT (kt) compared with the end of the preceding fiscal year. The decline in gross operating tonnage stemmed mainly from the spin-off and consolidation of the conventional shipping business into Hinode Kisen Co., Ltd., and the restructuring of refrigerator shipping operations.

(2) Liner Division

The terrorist attacks caused a sudden temporary cooling off in the US economy, which had already been approaching a gradual downturn, and had a negative impact on the economies of Europe, resulting in a substantial overall decline in cargo movements on regular services. Bunker prices softened compared with the preceding term while the yen weakened on the foreign exchange market. However, because of a substantial decline in rates on key trades—eastbound to North American and westbound to Europe—the revenue/expenditure situation became extremely tough from the second half onwards. Under these conditions, cargo volume came in below forecasts and the tonnage supply-demand situation eased, causing a significant decline in rate levels. NYK took urgent measures to deal with the situation, implementing major lay-ups on its containership routes for the first time ever and

strengthening its ongoing cost-cutting activities, but was unable to achieve its initial revenue/expenditure targets.

NYK extended its service for issuing bills of lading via the Internet in North America, which started in March 2001, to Europe, Asia and Oceania as part of its efforts to improve services. It also finalized its policy of participating in shipping industrial portals to provide a wide range of on-line services (such as vessel scheduling, container tracking, Internet booking, etc.) to customers as a means of enhancing customer convenience.

Meanwhile, NYK's Intra-Asia Container Service is scheduled to start operations under a new system from October 2002. This will involve spinning off the division and consolidating its operations with Tokyo Senpaku Kabushiki Kaisha (TSK) in order to consolidate route management, enhance customer services on a global level as well as in regional markets, cut costs and raise competitiveness.

The following sections provide an overview of the situation on major trade routes.

Business on the North American trade did not achieve initial revenue/expenditure targets. Due to the sharp deceleration in business conditions, cargo traffic failed to recover after a seasonal downturn, with adverse consequences for rates on the eastbound route.

On the European trade, the downward trend in cargo volume that emerged at the beginning of the year eased somewhat in the second half, but falling rates in both directions meant that revenues and expenditures came in below initial targets.

On the Oceania trade, rates weakened as the entry of several powerful shipping companies into the market increased competition and cargo movements stagnated, but initial revenue/expenditure targets were more or less met, thanks to efforts to speed up container turnaround, lower ship costs and improve ship-operating efficiency.

Freight rates on the Asia trade fell as a result of intensifying competition caused by an increase in tonnage supply on the important Thai route, preventing the Company from securing stable profits on the trade. Freight rates fell in line with the decline in cargo movements to India, Pakistan and the Middle East, but efforts to revamp services and rationalize deployment of the fleet underpinned revenues and expenditures.

Overall, measures to strengthen the Company's feeder network within Asia, and operating cost reductions helped it achieve earnings in excess of its initial forecasts.

Conditions on the Latin American trades were severe owing to such factors as the US economic slowdown and the economic crisis in Argentina, but cost-cutting and more efficient operations enabled NYK to pretty much achieve its initial revenue/expenditure targets.

(3) Tramp, Tanker and Gas Divisions

Tramper-specialized Carriers

At the beginning of the fiscal year, Capesize bulkers (150,000-170,000 DWT (kt) class) faced a flat market with bullish undertones, but the global slowdown in expanded crude steel construction and the impact of the September 11 terrorist attacks caused a weakening trend in market conditions. From January 2002, however, they recovered and began to rise. In contrast, Panamax bulkers (50,000-70,000 DWT (kt) class vessels capable of navigating the Panama Canal) suffered throughout the fiscal year as the weakness in US grain shipments continued. Given this environment, the Company kept a close eye on market conditions as it strove to improve its performance by working to secure high-grade cargoes and deploying its existing fleet more efficiently while engaging in activities designed to improve profitability.

The following sections look at conditions by vessel type.

Iron ore carriers (ore/bulk carriers) registered steady performance despite being affected by lower crude steel production.

Wood chip carriers came very close to achieving their targets as a result of efficient deployment of free-operating ships.

Bolstered by steady cargo shipments to fuel stable demand for electricity, coal carriers exceeded their initial targets and posted strong results.

Despite efforts to reduce ship-operating expenses, other tramp sectors did not perform so well because of the impact of stagnant market conditions.

Car carriers enjoyed sustained high levels of shipments to the North American market, but experienced a sharp downturn of around 18% year-on-year in transportation to Europe. As a result, total shipments for both routes fell by approximately 8% year-on-year, but thanks to robust cross-trade traffic between third countries and buoyant exports to the Middle East, the Company's ships carried over two million vehicles, close to the level recorded in the previous year. NYK also enhanced its fleet by remodeling three ships to accommodate high-roofed vehicles and scrapping three superannuated vessels that were unprofitable.

To improve business efficiency, NYK restructured its reefer shipping and open hatch bulker operations during the fiscal year. In its handy bulker business, it converted Toho Shipping Co., Ltd. into a wholly-owned subsidiary.

Tankers and Gas Carriers

The tanker division suffered from production cuts by OPEC member nations, the global economic slowdown, and the aftermath of the terrorist attacks in the United States. It worked hard to sign new contracts and extend existing ones with customers at home and abroad. To upgrade its tanker fleet, NYK took the decision to sell two single-hulled vessels (large tankers of over 200,000 DWT (kt)) and build one new double-hulled VLCC as a means of further improving operational safety and maritime environmental protection. It also worked to improve its competitiveness by promoting further cuts in ship management costs.

In the petroleum products sector, market conditions weakened somewhat in the second half after remaining buoyant in the first half, but the fleet performed safely and efficiently throughout.

NYK worked hard to secure new business for its methanol carriers in an attempt to expand its franchise while maintaining its existing fleet of three carriers.

In the area of chemical carriers, it continued its efforts to strengthen its cooperative relationships with European and North American specialist chemical shipping companies.

As part of its efforts to expand its business and increase the safety of its operations, NYK also chartered a newly-constructed LPG carrier, bringing its fleet to eight carriers altogether.

During the year, the 27 LNG carriers owned by NYK and companies in which NYK has an equity interest enjoyed steady operating rates, despite the fact that political instability affecting the Arun Project in Indonesia forced the Company to make temporary redeployments to obtain LNG from alternative sources. NYK also became a joint investor in a holding company which will own an LNG carrier due to be built to transport LNG for purchase by Japanese electric power companies, and was commissioned to undertake the task of managing the ship in question.

(4) Other Business

NYK operates its cruise business through three subsidiaries, one each in the United States and Australia, and the other in Japan. The US subsidiary Crystal Cruises, Inc. made some progress in offsetting the impact of the September 11 terrorist attacks in the United States by maintaining safe, smooth operations of its two ships, *Crystal Harmony* and *Crystal Symphony*. NYK has ordered a third ship, *Crystal Serenity*, with a view to expanding its business in this area. The ship is now under construction at a French shipyard and is scheduled for completion in June 2003. In fact, NYK has earned an excellent reputation in the US cruise business, among other things winning *Travel and Leisure* magazine's "World's Best Large Cruise Line" award in six successive years. Meanwhile, *Asuka*, which is owned and operated by the Company's subsidiary NYK Cruises Co., Ltd., has also established an excellent reputation in the domestic market, winning *Cruise* magazine's "Cruise Ship of the Year" award in ten successive years. *Asuka* continues to win high praise for its long cruises around the world, the Pacific Ocean and Japan. *Asuka* embarked on her seventh round-the-world cruise in April 2002. NYK also runs "Sun Lover Cruises"—day trips from Cairns to Australia's

Great Barrier Reef.

In the area of global logistics business, NYK established logistics facilities in Seattle and Portland in the United States as part of its program to provide integrated solutions to meet the increasingly sophisticated needs of its customers. NYK also purchased a logistics company with a view to developing its inland logistics bases and participating in U.S.-Mexico cross-border logistics operations, thereby expanding its logistics service network on the North American continent. It also set up NYK Logistics (Americas) Inc. to serve customers with the highest quality, fully integrated logistics products and services. NYK worked on expanding its services in Eastern Europe during the fiscal year under review, establishing logistics subsidiaries in Poland and the Czech Republic. In Japan, it launched a new system for promoting domestic logistics business activities in cooperation with five affiliated harbour transportation companies.

NYK worked to improve the utilization of real estate capacity under its ownership by renovating its building facilities, and securitized the NYK Tennozu Building as a means of boosting efficiency in its business operations.

In the area of technological development, the Company's subsidiary NYK Logistics Technology Institute continued to contribute to improvements in research on transportation technology in-house and outside the Company. It pursued technical research on logistical warehouses, worked on optimizing plans using numerical simulations, developed tracking and remote monitoring systems for containers and other movables, and conducted research into new cargo handling systems for transportation.

It continued its work on developing new business, advancing into the water transportation business through its investment in the Nordic Water Supply ASA of Norway, and cooperating in joint research with CargoLifter AG of Germany with a view to realizing multimodal transportation systems that use ships and airships to carry heavy loads. e-Jan Corporation, the Internet-based firm established by NYK in 2000 to offer ship chartering/brokering services, entered into a tie-up with a British software company and is aiming to expand its business by extending the functionality of its services still further. NYK's subsidiary Ran-ya KK is engaged in selling orchids via the Internet. In other areas, the Company is looking into a number of issues with social implications, including ocean funerals (ceremonies for scattering the ashes of deceased loved ones at sea) and day care centers in offices.

(5) Issues to be Addressed

The NYK21 New Millennium Declaration, Project "C," and Structural Reforms of Management
NYK has reviewed its "NYK21" medium- to long-range management vision every four years since its launch in 1986. In May 2000, the Company formulated the "NYK21 New Millennium Declaration--Meeting Tomorrow's Challenges Today," which positioned the container transportation, tramp and specialized carriers, logistics and cruise lines as the Company's four core businesses. The aim is to enable the Company to maximize enterprise value by making full use of scale and synergy strategies and integrated logistics to provide comprehensive solutions to the ever-diversifying, increasingly sophisticated needs of its customers.

In April 2001, NYK also launched its Project "C" CHANGE·CHALLENGE·CREATE activities. Phase 1 of Project C calls for Company-wide efforts to implement cost-cutting policies as a means of achieving the consolidated numerical targets set for the coming fiscal year under the above-mentioned "NYK21 New Millennium Declaration." The Company is also actively implementing Phase 2, which involves medium- to long-term measures for boosting corporate strength over the next five or ten years, and is designed to promote the true globalization of the NYK Group and improve its corporate culture.

From April 2002, NYK has introduced a number of schemes to enhance management efficiency. It will strengthen Group corporate governance by reinforcing the Board of Directors' functions of mapping out strategies and supervising business activities. It will also

reinforce the business execution system through the establishment of the Executive Committee for Strategic Management and the introduction of the Executive Officer system.

Guaranteeing Safety and Protecting the Environment

We recognize that safety and environmental protection are essential, basic factors when it comes to operating a shipping business. For this reason, NYK has always promoted safe operation of its ships, adopted countermeasures against marine and air pollution, and worked hard to conserve energy and resources. However, in an attempt to make these activities even more effective, it established the Safety and Environmental Management Committee in April 2001, and obtained ISO 14001 certification, the environmental management standard, on March 11 2002.

Promoting Corporate Ethics

As part of its commitment to corporate activities that conform to the ethical norms of society, the Company strives to ensure that its officers and employees understand and act in accord with the contents of its Business Credo, observe laws and regulations, and thoroughly comply with corporate ethics.

The Company looks forward to the continuing support of its shareholders in these endeavors.

Revenue by Segment

Segment	Revenue (¥ million)	Share (%)
Liner division	281,429	37.6
Tramp and specialized carriers	316,833	42.3
Tankers	143,225	19.1
Other business	7,507	1.0
Total	748,995	100.0

Funding

In fiscal 2001, the Company met its funding requirements from its own funds and borrowings. It did not raise any funds through corporate bonds issues including straight bonds, convertible bonds, equity bonds, or new share issues during the fiscal year.

Operating Results and Trends in Asset Position

	112th Business Period (Fiscal 1998)	113th Business Period (Fiscal 1999)	114th Business Period (Fiscal 2000)	115th Business Period (current fiscal year) (Fiscal 2001)
Revenue (¥ million)	685,876	683,491	728,129	748,995
Ordinary income (¥ million)	18,548	33,195	46,093	43,079
Net income (¥ million)	6,666	11,740	19,347	13,225
Net income per share	¥5.56	¥9.64	¥15.71	¥10.73
Total assets (¥ million)	884,450	876,307	832,235	803,511
Shareholders' equity (¥ million)	232,350	238,154	258,641	281,842

Note: "Net income per share" is calculated by dividing the net income for each fiscal year by the weighted average number of common stocks outstanding during the fiscal year in question (deducting treasury stock in the 115th Business Period).

- 112th Fiscal Year The Company achieved higher revenues and profits as a result of business expansion through its merger with the former Showa Line, Ltd., rationalization efforts and the yen's continuing weakness.
- 113th Fiscal Year Although cargo loads increased, revenues remained flat because of the increase in the value of the yen. Yet despite a sharp jump in fuel oil prices, rate restoration in the liner division and a company-wide drive to reduce costs resulted in a large profit increase.
- 114th Fiscal Year Despite the rising yen and a sharp jump in fuel oil prices, the Company achieved higher revenues and profits in the liner, tramp and specialized carrier, and tanker and gas carrier divisions thanks to buoyant cargo movements and efforts to lower ship-operating expenses.
- 115th Fiscal Year Conditions in the 115th Fiscal Year (current term) are described under "Development and Results of Business Activities " above (pages 2 through 4).

Capital Expenditures

Capital spending during the year totaled ¥6,500 million, most of which was spent on computer software.

(1) Increase in NYK-owned Vessels during Fiscal 2001

There was no increase in NYK-owned vessels as of the end of the fiscal year.

(2) Ships under Construction as of the end of Fiscal 2001

Type of vessel	Name	DWT (kt)	Scheduled completion
Coal carrier	Pending	89,999	August 2002
Total	1 vessel	89,999 kt	

(3) Decrease in NYK-owned Vessels during Fiscal 2001

Type of vessel	Name	DWT (kt)	Reason for decrease
Tanker/gas carrier	Cosmo Galaxy	238,770	Sold
Tanker/gas carrier	Tagawa Maru	239,781	Sold
Coal carrier	Noshiro Maru	91,443	Sold
Total	3 vessels	569,994 kt	

Restructuring of the Conventional Shipping Business, the Handy Bulker Business and the Intra-Asia Container Business

In order to improve the efficiency of its business operations and strengthen its competitiveness, NYK is restructuring its Group companies using the corporate split schemes that have recently become available in Japan.

On October 1, 2001, NYK spun off its conventional shipping business and consolidated it into Hinode Kisen Co., Ltd.

In its handy bulker business, NYK made Toho Shipping Co., Ltd. a wholly-owned subsidiary in December 2001. Further, NYK is planning to conclude a corporate divestiture contract with Toho Shipping on May 31, 2002, spinning out NYK's handy bulker business into Toho Shipping in October 2002. At the same time, Toho Shipping will be renamed NYK Global Bulk Inc.

Also, on May 31, 2002, NYK concluded an equity swap contract with Tokyo Senpaku Kabushiki Kaisha (TSK) which calls for the exchange of 0.17 NYK stock for 1 TSK stock in August 2002. Thereafter, NYK plans to separate off the intra-Asia container business and consolidate it into TSK in October 2002.

2. Company Information (as of March 31, 2002).

Establishment

September 29, 1885 (started business October 1, 1885).

Main Activities

Global logistics business and passenger ship business, principally international marine transportation business for the purpose of receiving freightage, vessel charterage and vessel operating commissions, as well as warehousing business and real estate leasing business using the property and land owned by the Company.

Offices

Head office: Yusen Building, 3-2, Marunouchi 2 Chome, Chiyoda-Ku, Tokyo 100-0005, Japan
Branches: Sapporo Hokkaido Building, 1, Kita 2-jo Nishi 4-chome, Chuo-ku, Sapporo
Yokohama Yusen Building, 9, Kaigan-dori 3-chome, Chuo-ku, Yokohama
Nagoya Meiji Seimei Nagoya Building, 1, Shinsakaemachi 1-chome, Chuo-ku, Nagoya
Osaka Mido Building, 1-13, Honmachi 4-chome, Chuo-ku, Osaka
Kobe Yusen Terminal Building, 25, Koyochi-higashi 4-chome, Higashi-nada-ku, Kobe
Kyushu Hakata Fukoku Seimei Building, 8-30, Tenyamachi, Hakata-ku, Fukuoka
Taipei No. 89, Exchange Square, Sung Jen Road, Taipei
Sub-branches Tomakomai, Muroran, Kushiro

Overseas offices, representative offices Buenos Aires, Mexico City, Dubai, Doha, Ho Chi Minh City, Hanoi, Seoul, Beijing, Tianjin, Johannesburg

Local incorporated subsidiaries North America, Europe, China, Hong Kong, Thailand, Malaysia, Singapore, Indonesia, Australia, New Zealand, Chile, Brazil

Note: On April 1, 2002, the branches in Osaka and Kobe were abolished and the Kansai Branch was newly established. The location of the Kansai Branch is the same as that of the former Kobe Branch.

Capital

¥88,531,033,730

Note: There were no changes in capital during the fiscal year.

State of shares

(1) **Number of authorized shares:** 2,983,550,000 shares

Note: During the fiscal year, the number of authorized shares decreased by 9,450,000 shares compared with the end of the preceding fiscal year as a result of the repurchase and retirement of shares.

(2) **Number of issued and outstanding shares:** 1,227,504,249 shares

Note: During the fiscal year, the number of authorized shares decreased by 9,450,000 shares compared with the end of the preceding fiscal year as a result of the repurchase and retirement of shares.

(3) **Number of shareholders:** 123,332 (increase of 587 compared with the end of the preceding fiscal year).

(4) **Principal shareholders** (top ten)

Name	Number of shares held (thousands)	Percentage of total issued and outstanding shares (%)	NYK equity investment in principal shareholder in question	
			Number of shares held (thousands)	Percentage of total (%)
Japan Trustee Service Bank Limited (Trust Accounts)	90,741	7.39	0	0
The Tokio Marine and Fire Insurance Co., Ltd.	58,546	4.77	17,891	1.15
The Mitsubishi Trust and Banking Corporation (Trust Account)	56,499	4.60	0	0
Mitsubishi Heavy Industries, Limited	54,473	4.44	12,150	0.36
Meiji Life Insurance Company	45,899	3.74	0	0
The Bank of Tokyo-Mitsubishi, Limited	41,108	3.35	0	0
The Industrial Bank of Japan, Limited	35,082	2.86	0	0
UFJ Trust Bank Limited (Trust Account A)	34,600	2.82	0	0
The Mitsubishi Trust and Banking Corporation	33,786	2.75	0	0
Shinsei Bank, Limited	32,210	2.62	0	0

Purchase, Disposal by Sale, Cancellation and Holding of Treasury Stocks

- 1) Stocks purchased
Purchased under the resolution of the Board of Directors meeting held June 28, 2001 in accordance with the stipulations of Article 3 of the Law for Special Exceptions to the Commercial Code Concerning Procedures for the Cancellation of Shares and NYK's Articles of Incorporation:
9,450,000 common stocks, total purchase price ¥3,972,558,000.
304,726 common stocks, total acquisition price ¥134,303,084.
- 2) Stocks disposed of by sale
180,000 common stocks, total disposal price ¥86,221,076.
- 3) Stocks cancelled
9,450,000 common stocks
- 4) Stocks held at book closing
139,201 common stocks

Principal Lenders, Amounts Borrowed and Number of NYK Shares Held by Lenders

Name of lender	Loans outstanding ¥ millions	Number of NYK shares held by lender (thousands)	Percentage of total shares outstanding (%)
Development Bank of Japan	84,152	0	0.00
Nippon Life Insurance Company	37,854	9,678	0.79
Meiji Life Insurance Company	30,394	45,899	3.74
Sumitomo Life Insurance Company	20,332	1,750	0.14
The Bank of Tokyo-Mitsubishi, Limited	19,668	41,108	3.35
The Yasuda Mutual Life Insurance Company	16,282	3	0.00
The Mitsubishi Trust and Banking Corporation	11,142	33,786	2.75
Daido Life Insurance Company	8,470	0	0.00
The Taiyo Mutual Life Insurance Co.	7,714	3,073	0.25
The Industrial Bank of Japan, Limited	7,557	35,082	2.86

Workforce

		Number of employees	Change compared with previous fiscal year-end	Average age	Average length of service
Land	Males	1,054	28	41.6	17.9
	(Land-based seamen)	(278)	(9)	(44.0)	(21.2)
	Females	270	19	37.6	16.0
	Sub-total	1,324	47	40.8	17.5
Sea	Officers	468	29	42.4	20.4
	Ratings	86	05	52.1	34.3
	Sub-total	554	34	43.9	22.6
	Total	1,878	81	41.7	19.0

Note: denotes a decrease.

Independent Certified Public Accountants

ChuoAoyama Audit Corporation

Kasumigaseki Building, 3-2-5, Kasumigaseki, Chiyoda-ku, Tokyo

Group Companies

(1) Progress in business mergers

In cooperation with group companies at home and overseas, NYK is steadily expanding its businesses related to its core marine transportation business, and is currently developing a variety of businesses as a global logistics company.

(2) Major subsidiaries

Company	Paid –in capital	NYK's ownership (%)	Main activities
Hikawa Shoji Kaisha, Ltd.	¥1,096 million	88.14	Sales of petroleum products, etc.
Yusen Air & Sea Service Co., Ltd.	¥4,301 million	60.94	Air freight forwarding business, etc.
UNI-X Corporation	¥934 million	60.86	Harbor transportation business.
Kinkai Yusen Kaisha, Ltd.	¥1,449 million	73.20	Marine transportation business
Hinode Kisen Co., Ltd.	¥2,100 million	100.00	Marine transportation business.
Hachiuma Steamship Co., Ltd.	¥500 million	68.72	Marine transportation business.
NYK Cruises Co., Ltd.	¥2,000 million	100.00	Ownership and operation of cruise ships.
Yusen Real Estate Corporation	¥750 million	100.00	Real estate management and sales, etc.
NYK Holding (USA) Inc.	US\$4,000,000	100.00	Oversees holding company whose subsidiaries engage in marine transportation and global logistics businesses, etc., in the United States.
NYK Holding (Europe) B.V.	€55,035,000	100.00	Oversees holding company whose subsidiaries engage in marine transportation and global logistics businesses, etc., in Europe (excluding the United Kingdom).
NYK UK Holding Ltd.	£53,500,000	100.00	Oversees holding company whose subsidiaries engage in marine transportation and global logistics businesses, etc., in the United Kingdom.
181 companies, including Albireo Maritima S.A.	US\$156,386,000 (total for 88 companies) 40,304,000 Singapore dollars (1 company) ¥13,626 million (total for 92 companies)	100.00 (all companies)	Ship leasing business

Notes:

1. The 181 companies including Albireo Maritima S.A. are all wholly-owned consolidated subsidiaries established in Panama, Liberia, etc., for the purpose of owning and leasing ships. The vessels regularly chartered from these companies and operated by NYK constitute an important part of the fleet operated by the Company.
2. NYK Tennozu Building Inc. was dissolved on December 21, 2001.
3. Hinode Kisen Co., Ltd.'s capital came to ¥2,100 million following the capital increase resulting from the corporate split of October 1, 2001, the capital decrease of January 12, 2002, and the capital increase of January 22, 2002.

(3) Consolidated results

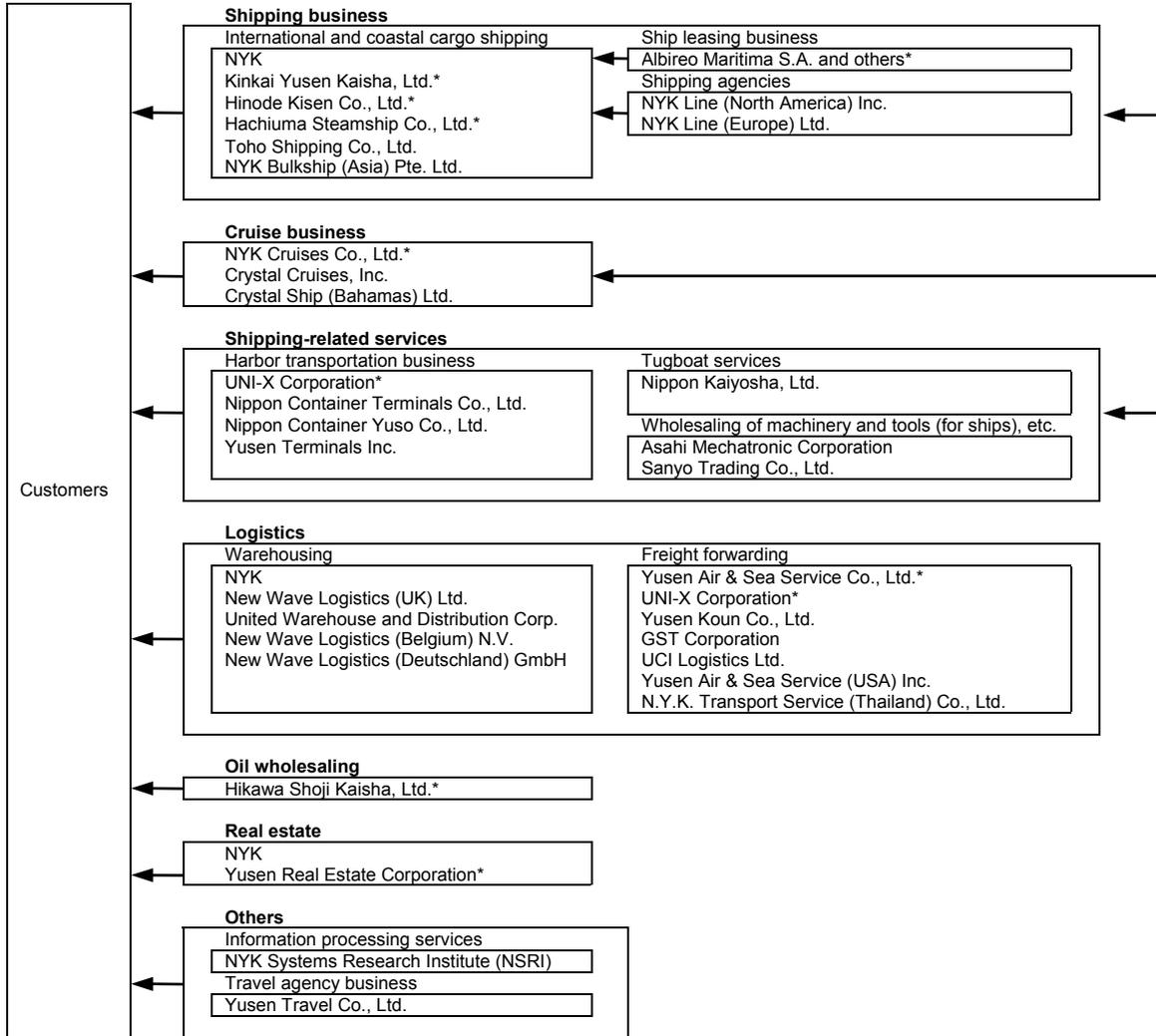
As of March 31, 2002, NYK had 329 consolidated subsidiaries, and 32 other associated companies were accounted for by the equity method. The consolidated accounts were as follows:

	112th Business Period (Fiscal 1998)	113th Business Period (Fiscal 1999)	114th Business Period (Fiscal 2000)	115th Business Period (current fiscal year) (Fiscal 2001)
Revenue (¥ million)	1,082,525	1,102,433	1,133,905	1,142,934
Ordinary income (¥ million)	25,825	39,148	71,298	50,107
Net income (¥ million)	12,430	15,795	35,562	17,538
Net income per share	¥10.37	¥12.96	¥28.88	¥14.23

Note: "Net income per share" is calculated by dividing the net income for each fiscal year by the weighted average number of common stocks outstanding during the fiscal year in question.

(4) The NYK group

The positioning of, and relationships between, NYK and its key consolidated subsidiaries in carrying out the group's business are as shown in the following organization chart.



Notes: Arrows denote the flow of services provided.
Asterisks indicate major subsidiaries.

Ships and Service Routes

(1) Gross operating tonnage

	Number of vessels	DWT (kt)
NYK-owned vessels	53	4,905,263
Chartered vessels	411	23,796,397
Vessels operated on a consignment basis	1	50,053
Total	465	28,751,713

(2) Details of ships owned

Type of vessel	Number of vessels	DWT (kt)	
Freighters	Containerships	5	226,412
	Sub-total	5	226,412
Tankers	General oil tankers	5	1,276,664
	LNG carriers	22	1,519,203
	Sub-total	27	2,795,867
Specialized carriers	Ore carriers	2	431,922
	Ore/bulk carriers	4	764,189
	Coal carriers	6	582,604
	Car carriers	5	77,892
	Cement carriers	3	22,656
	Ferries	1	3,721
	Sub-total	21	1,882,984
Total	53	4,905,263	

Note: The above table includes 33 jointly-owned vessels with gross tonnage of 2,372,591 DWT (kt), of which 1,384,681 DWT (kt) belongs to the other joint owners.

(3) Sector operations by route during fiscal 2001**Liner Division**

Containerships

Route	Aggregate number of voyages
Europe – containers	325
Europe (Portugal) – containers	364
Asia/North American west coast/North American east coast/European routes (via Panama)	170
Asia/North American west coast route #1	53
Asia/North American west coast route #2	52
Asia/North American west coast route #3	54
Asia/North American west coast route #4	52
Asia/North American west coast route #5	30
Asia/North American east coast routes (via Suez)	53
Canada express	51
China, Korea/North American west coast – containers	52
Australia – containers	131
Asia/Australia – containers	77
Australia/Malaysia/Arabian Gulf – containers	57
New Zealand – containers	63
Southeast Asia – containers	720
Singapore/Surabaya – containers	208
Thailand/Malaysia – containers	269
Gulf/Karachi – containers	59
South Asia – containers	103
Far East/Hawaii/Central America – containers	34
Far East/South American west coast – containers	52
Far East/South Africa/South American east coast – containers	93
South American east coast/Europe – containers	71
Sub-total	3,193

Conventional ships

Route	Aggregate number of voyages
Micronesia	49
Papua New Guinea	12
South Pacific (Bali Hai)	24
Southeast Australia	7
Western Australia	6
New Zealand	26
Red Sea, Mediterranean, Europe	28
India	9
East Africa	10
Far East/Manaus, South American east coast	20
Far East/South American west coast	45
Sub-total	236
Total voyages by liner division	3,429

Note: The Southeast Australia, Western Australia, Red Sea, Mediterranean, Europe, India and East Africa routes were transferred to Hinode Kisen Co., Ltd. on October 1, 2001.

Tramp, Tanker and Gas Divisions

Tramper specialized carriers

Route	Cargoes	Aggregate number of voyages
North America	Automobiles, coal, grain, wood chips, iron ore, log and forest products, coke, salt, copper concentrate, steel materials, etc.	667
Africa	Manganese ore, chrome, coal, phosphate rock, wood chips, etc.	66
Middle East	Automobiles, phosphate rock, chrome, etc.	124
India	Iron ore, manganese ore, coal, etc.	31
Asia	Automobiles, nickel, coal, grains, wood chips, etc.	504
Oceania	Automobiles, coal, iron ore, wood chips, nickel, manganese ore, bauxite, log and forest products, salt, grain, etc.	822
Europe	Automobiles, log and forest products, grain, etc.	179
Cross-trade	Automobiles, reefer cargo, coal, iron ore, salt, grain, bauxite, log and forest products, wood chips, etc.	530
Total		2,923

Tankers and gas carriers

Route	Aggregate number of voyages
Arabian Gulf/Japan, Southeast Asia	406 (LNG 118, LPG 25)
Southeast Asia/Japan	177 (LNG 147, LPG 12)
Western Australia/Japan	35 (LNG 35, LPG 0)
China/Japan	3
Cross-trade	58 (LNG 1, LPG 8)
Other	8
Total	687

Cargo liners, jointly-owned ships operated by other companies

	Aggregate total
NYK-owned vessels provided as cargo liners	6
Jointly-owned ships provided to other joint owner for operation or as cargo liners	29
Vessels owned by other companies provided as cargo liners	448
Total	483

3. Directors and Corporate Auditors

Directors and Corporate Auditors

(As of March 31, 2002)

Name	Position and responsibilities or principal duties	
Jiro Nemoto	* Chairman	
Takao Kusakari	* President	
Kuniaki Shirakuma	* Executive Vice President	Oversees Tramp Co-ordination Group and Tramp Section, Oversees New Frontier Group, Car Carrier Group, Open Hatch Bulker Group, Forest Products Group, Steaming Coal Group, Petroleum Group, Petroleum Product and LPG Group, and Gas Carrier Group, Technical Headquarters and Sapporo and Kyushu Branches (Technical Headquarters: collective name for Safety and Environmental Management Group, No. 1 Ship Management Group, No. 2 Ship Management Group, Marine Technology Group, Technical Development Group, Ship Plan and Design Group and Marine Human Resources Group).
Yuji Hirano	* Executive Vice President	Oversees Container Trade Business Group No. 1, Container Trade Business Group No. 2, Logistics Group, Yokohama, Nagoya, Osaka and Kobe Branches, in charge of Harbour Group.
Tsunenari Tokugawa	* Executive Vice President	Oversees Container Trade Business Section, IT Strategy Group and Container Trade Management Group, in charge of Semi-Liner Group and IT Strategy Committee.
Kazuhira Kamiya	* Senior Managing Director	Oversees Cruise Group, Corporate Affiliate Management Group, Law and Insurance Group, Finance Group and Group Accounting Group.
Kin-ichi Hirayama	Senior Managing Director	Chairman, NYK Line (North America) Inc.
Saburo Kawahara	Managing Director	Oversees Handy and Panamax Bulker Group, No. 1 Capesize Bulker Group, No. 2 Capesize Bulker Group and assists in overseeing Forest Products Group.
Tadatoshi Mamiya	* Managing Director	Oversees Corporate Communication Group and Management Coordination Group, in charge of General Affairs Group, Secretary Group, Human Resources Group and Research Group.
Mitsutada Hinonishi	Managing Director	Assists in overseeing Car Carrier Group
Masaru Yamamoto	* Managing Director	In charge of Safety and Environmental Management Group, No. 1 Ship Management Group, No. 2 Ship Management Group, Marine Technology Group and Marine Human Resources Group.
Yoshihiro Uesu	Managing Director	In charge of Technical Development Group and Ship Plan and Design Group.
Yukio Ozawa	Managing Director	In charge of New Frontier Group, Management Coordination Group, Planning Group, Cruise Group, Corporate Affiliate Management Group and Group Management Committee.
Tadamasa Ishida	Managing Director	Chairman, NYK UK Holding Ltd., and NYK Line (Europe) Ltd.
Koji Usami	Director	In charge of Corporate Communication Group and General Manager of Human Resources Group.
Takahiko Kakei	Director	In charge of Handy and Panamax Bulker Group, No. 1 Capesize Bulker Group, No. 2 Capesize Bulker Group and Petroleum Group.
Michio Tamiya	Director	In charge of Car Carrier Group
Shin-ichi Miwa	Director	In charge of Finance Group and Group Accounting Group.
Shun-ichi Yano	Director	In charge of No. 1 Container Trade Business Group, No. 2 Container Trade Business Group, Logistics Group, in charge of Yokohama, Nagoya, Osaka and Kobe Branches.
Koji Miyahara	Director	In charge of IT Strategy Group, Container Trade Management Group and IT Strategy Committee.
Takahiro Ota	Director	General Manager of Semi-Liner Group
Yasushi Yamawaki	Director	Assists in overseeing Tramp Co-ordination Group, in charge of Steaming Coal Group, Petroleum Product and LPG Group, Gas Carrier Group and Sapporo and Kyushu Branches.

Koichi Aoki	Director	Chief Representative for China
Masahiro Aoyama	Director	In charge of Law and Insurance Group and General Manager of Harbour Group.
Hiromitsu Kuramoto	Director	In charge of Tramp Co-ordination Group, Open Hatch Bulker Group and Forest Products Group.
Tasuku Naito	Corporate Auditor	(Full-time Corporate Auditor)
Tomoyuki Hirai	Corporate Auditor	(Full-time Corporate Auditor)
Teizo Tanaka	Corporate Auditor	(Full-time Corporate Auditor)
Jotaro Wada	Corporate Auditor	Advisor, Mitsubishi Logistics Corporation
Noboru Saito	Corporate Auditor	Chairman, Japan Shipping Exchange, Inc.

- Notes: 1. Asterisks denotes Representative Directors.
2. Of the Corporate Auditors, Jotaro Wada and Noboru Saito are outside auditors as stipulated in paragraph 1, Article 18 of the Law for Special Exceptions to the Commercial Code Concerning Audits, etc., of Kabushiki-kaisha.
3. The directors who retired from office or were newly appointed during fiscal 2001 are as follows:

Retired	Managing Director	Seiji Meguro	Retired following resignation on June 28, 2001.
	Director	Hachiro Fukami	Retired on the expiry of his term of office on June 28, 2001.
	Director	Junkichi Kato	Retired on the expiry of his term of office on June 28, 2001.
	Managing Director	Mitsutada Hinonishi	Retired following resignation on March 31, 2002.
Newly-appointed	Director	Koichi Aoki	Took office June 28, 2001
	Director	Masahiro Aoyama	Took office June 28, 2001
	Director	Hiromitsu Kuramoto	Took office June 28, 2001

4. NYK introduced a Management Committee system on April 1, 2002. The following 30 people were newly elected to the Management Committee:
Takao Kusakari, Kuniaki Shirakuma, Yuji Hirano, Tsunenari Tokugawa, Kazuhira Kamiya, Kin-ichi Hirayama, Saburo Kawahara, Tadatoshi Mamiya, Masaru Yamamoto, Yoshihiro Uesu, Yukio Ozawa, Tadamasa Ishida, Koji Usami, Takahiko Kakei, Michio Tamiya, Shin-ichi Miwa, Shun-ichi Yano, Koji Miyahara, Takahiro Ota, Yasushi Yamawaki, Koichi Aoki, Masahiro Aoyama, Hiromitsu Kuramoto, Takao Manji, Taizo Akabane, Minoru Sato, Tadashi Akitomi, Hiroyuki Shimizu, Taizo Kudo, Yutaka Yasunaga.

5. The following organizational changes, etc., were made during fiscal 2000.

		(From April 1, 2001)	Newly established	(From May 15, 2001)			
Container Trade Management Group	}	Container Trade Management Group		Cruise Group			
Container Trade Co-ordination Group							
Japan Area Management Group	}	No. 1 Container Trade Business Group	Marine Technical Group	(From October 1, 2001) Safety and Environmental Management Group			
Europe/Oceania Group					No. 2 Container Trade Business Group	}	No. 1 Ship Management Group
North America Group							No. 2 Ship Management Group
Asia Group				Marine Technology Group			
Car Carrier Group (1)	}	Car Carrier Group	Ship Administration Group	Marine Technology Group			
Car Carrier Group (2)							
Petroleum Product Group	}	Petroleum Product and LPG Group	Marine Engineering Group	Technical Development Group			
Accounting Group					Group Accounting	}	Ship Plan and Design Group
Accounts Consolidation Group		Group	Technical Group	Marine Human Resources Group			
			South East Asia Bulk Group	(Abolished)			
			Reefer Cargo Group	(From January 1, 2002) (Abolished)			

The following organizational changes were made as of April 1, 2002.

Semi-Liner Group	→	Latin America/Africa Group	Osaka Branch	}	Kansai Branch
No. 1 Capesize Bulker Group	}	Capesize Bulker Group	Kobe Branch		}
No. 2 Capesize Bulker Group				Open Hatch Bulker Group	
Steaming Coal Group	→	Fuel Coal Group			

Note: Monetary amounts and numbers of shares given in this business report are rounded down to the nearest unit shown.

Balance Sheet

(As of March 31, 2002)

Assets		Liabilities	
Item	Amount ¥ millions	Item	Amount ¥ millions
Current assets	154,938	Current liabilities	187,193
Cash and time deposits	20,449	Notes and accounts payable	51,705
Notes and accounts receivable	51,244	Current portion of corporate bonds	35,500
Short-term loans receivable	26,566	Current portion of long-term debt	51,591
Advances	1,211	Accrued non-operating expenses	1,983
Inventories	8,625	Advances received	24,248
Deferred or prepaid expenses	22,053	Agency liabilities	1,724
Agency claims	7,304	Employees' bonuses accrued	2,874
Deferred income tax assets	2,781	Other current liabilities	17,564
Other current assets	21,315		
Allowance for doubtful accounts	(6,614)	Long-term liabilities	334,474
Fixed assets	648,571	Corporate bonds	66,800
Tangible fixed assets: Sub-total	221,769	Long-term debt	245,549
Vessels	146,981	Deferred income tax liabilities	3,584
Buildings and structures	27,796	Reserve for employees' retirement benefits	174
Equipment and fixtures	1,142	Reserve for directors' retirement benefits	1,316
Land	42,824	Reserve for periodical dry docking of vessels	3,651
Construction in progress	677	Other long-term liabilities	13,397
Other tangible fixed assets	2,345		
Intangible fixed assets: Sub-total	10,108	Total liabilities	521,668
Leaseholds	1,098		
Software	8,259		
Other intangible fixed assets	750	Shareholders' equity	
Investments and other assets: Sub-total	416,693	Common stock	88,531
Investments in securities	206,131	Legal reserves	105,546
Trust securities	3,021	Additional paid-in capital	92,399
Stocks and equity in subsidiaries	98,101	Earned surplus reserve	13,146
Long-term loans receivable	78,347	Retained earnings	63,531
Other investments, etc.	38,625	Dividend reserve	50
Allowance for doubtful accounts	(7,533)	Special depreciation reserve	11,275
		Reserve against investment losses	9
		Reserve for advanced depreciation	2,851
		Transfer to advanced depreciation account	434
		Other reserves	28,324
		Unappropriated retained earnings (including net income for the term)	20,587
		(Net income for the term)	(13,225)
		Unrealized holding gain on securities	24,289
		Treasury stocks	(56)
		Total shareholders' equity	281,842
Deferred assets	1	Total liabilities and shareholders' equity	803,511
Discounts on bond premiums	1		
Total assets	803,511		

Notes:

1.	Totals stated are rounded down to the nearest million yen.		
2.	Significant accounting principles are as described separately.		
3.	Claims and liabilities toward subsidiaries	Short-term monetary claims	¥43,590 million
		Long-term monetary claims	¥83,595 million
		Short-term monetary liabilities	¥13,261 million
		Long-term monetary liabilities	¥180 million
4.	Tangible fixed assets — accumulated depreciation		¥273,057 million
5.	Tangible fixed assets — advanced depreciation		¥502 million
6.	In addition to the fixed assets shown in the balance sheet, 136 thousand containers are used as important fixed assets under leasing contracts.		
7.	Important foreign currency assets and liabilities:		
	Note and accounts receivable	(US\$187,191 thousand, etc.)	¥26,259 million
	Investments in securities	(US\$113,138 thousand, etc.)	¥17,978 million
	Stocks and equity in subsidiaries	(US\$267,495 thousand, etc.)	¥67,795 million
	Notes and accounts payable	(US\$221,659 thousand, etc.)	¥38,189 million
	Current portion of long-term debt	(US\$91,813 thousand, etc.)	¥13,029 million
	Long-term debt	(US\$685,463 thousand, etc.)	¥92,078 million
8.	Assets pledged as collateral		
	Tangible fixed assets		¥129,813 million
	Investments in securities		¥19,060 million
9.	Guarantee obligations		¥487,496 million
	Amount of joint and several obligations borne by other joint and several obligors		¥91,387 million
10.	Matters relating to retirement benefit obligations		
	Retirement benefit obligations		¥52,327 million
	Pension assets		¥47,521 million
	Unrecognized actual accounting		¥8,700 million
	Prepaid pension costs		¥4,069 million
	Reserve for employees' retirement benefits		¥174 million
	The balance of the reserve for the employment retirement benefit before deductions of the pension assets associated with the retirement benefit trust, and the amount of the pension assets in the retirement benefit trust offset against this at fiscal year-end.		
	The balance of the reserve for the employment retirement benefit before deductions of the pension assets associated with the retirement benefit trust		
	Lump-sum retirement benefit scheme	¥12,521 million Tax Qualified Pension Plan	¥2,371 million
		Total	¥14,893 million
	Amount of the pension assets in the retirement benefit trust		
	Lump-sum retirement benefit scheme	¥12,346 million Tax Qualified Pension Plan	¥6,441 million
		Total	¥18,788 million
	Balance of Reserve for employees' retirement benefits (Prepaid pension costs)		
	Lump-sum retirement benefit scheme		¥174 million
	Tax Qualified Pension Plan (Prepaid pension costs)		¥4,069 million
11.	Net income per share		¥10.73
12.	Change in net assets under the provisions of item 6, paragraph 1, Article 290 of the Commercial Code		¥24,304 million

Statement of Income

From April 1, 2001
to March 3, 2002

Item	Breakdown	Amount
	¥ million	¥ million
Recurring profit and loss		
Operating profit and loss		
Revenue from shipping operations	741,488	
Revenue from other business	7,507	
Total operating revenue		748,995
Shipping operation expenses	661,959	
Other operating expenses	4,652	
General and administrative expenses	36,004	
Total operating expenses		702,616
Operating income		46,379
Non-operating profit and loss		
Interest and dividend income	13,360	
Other non-operating revenue	1,033	
Total non-operating revenue		14,394
Interest expenses	13,908	
Other non-operating expenses	3,786	
Total non-operating expenses		17,694
Ordinary income		43,079
Extraordinary profit and loss		
Gains on sales of fixed assets	2,571	
Proceeds from sales of investment securities	5,468	
Other extraordinary profit	584	
Total extraordinary profit		8,624
Loss on disposal of fixed assets	1,563	
Expenses for restructuring of refrigerator shipping operations	4,149	
Appraisal losses on investment securities	12,475	
Transfer to reserves for doubtful accounts	1,788	
Valuation loss on affiliates' stocks	8,645	
Other extraordinary losses	1,083	
Total extraordinary losses		29,706
Income before income taxes		21,998
Income taxes	7,413	
Deferred taxes	(1,359)	
		8,772
Net income for the term		13,225
Retained earnings at the beginning of the year		15,952
Retirement of treasury stock out of retained earnings		3,972
Interim dividends		4,618
Unappropriated retained earnings		20,587

Notes:

1. Totals stated are rounded down to the nearest million yen.
2. Significant accounting principles are as described separately.
3. Value of transactions with subsidiaries Value of business transactions

Revenue	¥59,814 million
Operating expenses	¥181,919 million
Value of transactions other than business transactions	¥15,293 million

Note: Significant accounting policies

The significant methods and procedures adopted for preparing the balance sheet and statement of income are as follows.

1. Valuation standards and methods used for securities
 - Shares in subsidiaries and affiliates Moving average cost method
 - Other securities
 - With market quotes Market quotation based on average market price for one month prior to yearend date, etc., (valuation differences are treated as comprehensive income; costs of products sold are calculated by the moving average method).
 - Without market quotes Moving average cost method

Since fiscal 2001, the Accounting Standards for Financial Instruments (Opinion Relating to the Establishment of Accounting Standards for Financial Instruments <Business Accounting Council, January 22, 1999>) have been applied to the methods used for evaluating other securities with market quotes. As a result, the Company posted ¥24,289 million in Unrealized holding gains on securities, and Deferred tax liabilities of ¥14,950 million.
2. Valuation standards for derivatives transactions Market quotation
3. Valuation standards and methods used for inventories
 - Fuel oil Stated at the lower of cost or market, with cost determined by the moving average method.
 - Ships' supplies, etc. Stated at cost using the first-in, first-out method
4. Depreciation of fixed assets
 - Tangible fixed assets
 - Vessels and buildings Straight-line method based on the Japanese Corporation Tax Law.
 - Other Declining-balance method in accordance with the provisions of the Japanese Corporation Tax Law.
 - Intangible fixed assets
 - Software Straight-line method based on the length of period it can be used internally (five years).
 - Other Straight-line method based on the Japanese Corporation Tax Law.
5. Deferred expenses
 - New stock issue expenses Amortized in equal amounts over three years in accordance with the Commercial Code.
 - Discounts on bond premiums Amortized in equal amounts over the maturity of the bond in accordance with the Commercial Code.
6. Treatment of provisions
 - Allowance for doubtful accounts To prepare for the risk of possible losses arising owing to the nonpayment of accounts receivable, loans, and other claims, the Company sets aside a general reserve based on these actual default experiences. For specific claims where collection is in doubt, the possibility for recovery is considered individually and the amount considered uncollectible is set aside in the reserve.
 - Employees' bonuses accrued Employees' bonuses accrued are provided for the portion relevant to the current year of the amount estimated for bonus payments in the future.
 - Reserve for employees' retirement benefits To provide for employees' retirement benefits, this reserve is set aside based on the estimated actuarial present value of the Company's retirement benefit obligations and the estimated fair value of pension assets at the end of the fiscal year.
 - Reserve for directors' retirement benefits To provide for the payment of retirement benefits to directors and corporate auditors, the Company set aside reserves to the amount payable at the end of the fiscal year based on its internal rules concerning retirement benefits for directors and corporate auditors.

- The reserve for directors' retirement benefits conforms to the provisions of Article 287-2 of the Commercial Code.
- Reserve for periodical dry docking of vessels The reserve for periodic dry-docking of vessels is set aside on the basis on the estimated amount of expenditure for periodic dry-docking in the future. The reserve for periodical dry docking of vessels conforms to the provisions of Article 287-2 of the Commercial Code.
7. Freight revenues and expenses recognition
Transportation by containerships
Revenues and expenses arising from ocean transportation of containers are recognized proportionately as shipments move from origin to destination.
Transportation by vessels other than containerships
Revenues and expenses from transportation by vessels other than containerships are recognized upon completion of unloading cargoes at the final destination port.
8. Accounting for leases
Finance leases other than those that are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that applicable to ordinary operating leases.
9. Method of accounting for material hedge transactions
For derivative financial instruments used to offset the risks to assets and liabilities due to fluctuations in interest rates, foreign currency exchange rates and cash-flow, the Company applies hedge accounting. Hedge accounting is also applied to derivative financial instruments used to limit the risks of price fluctuations in fuel procurement. For hedge accounting, the Company adopts a deferred hedge method, but for certain currency swap contracts that meet the required condition under the accounting standards, the Company translates hedge foreign currency assets and liabilities at the rate of these contracts. In addition, for interest rate swap contracts that meet specified conditions under the accounting standard, the related interest differentials paid or received under the contracts are included in the interest income/expenses of the hedged financial assets and liabilities. In addition, the following hedging methods for various risks are utilized: interest rate swaps for the risk of interest rate fluctuations related to borrowings, bonds, etc.; currency swap contracts, exchange contracts and foreign currency-denominated monetary assets and liabilities for the foreign exchange risk associated with monetary assets and liabilities, investments in overseas subsidiaries and expected transactions, etc.; and swaps for the risk of fluctuations in fuel oil prices. Semi-annually, the Company evaluates the effectiveness of hedging methods by analyzing the ratios of the cumulative amount of market fluctuation or cash flow among the hedging financial instruments and the hedged items.
10. Consumption tax, etc., is accounted for on a tax-exclusive basis.

Additional information

Presentation of treasury stocks in the accounts

In fiscal 2000, treasury stocks (¥7 million at year-end) were posted under Assets. In fiscal 2001, they were posted as a deduction at the foot of the Shareholders' equity column in accordance with the provisions of Ministerial Ordinance for the Partial Revision of the Regulation concerning Balance Sheet, Profit and Loss Statement, Business Report, and Annexed Specifications of Limited Companies (Kabushiki-kaisha) (Ministry of Justice Ordinance No. 66 of September 1, 2001).

Proposed Appropriation of Retained Earnings

Remarks	Amount	
	¥	
Unappropriated retained earnings		20,587,336,554
Reversal of voluntary reserve		
Reversal of special depreciation reserve	2,387,470,438	
Reversal of reserve against investment losses	4,236,561	
Reversal of reserve for advanced depreciation	187,221,680	2,578,928,679
Total		23,166,265,233
This is to be appropriated as follows:		
Cash dividends (¥3.75 per share)	4,602,618,930	
Directors' bonuses	90,000,000	
Reserve for advanced depreciation	81,325,461	
Transfer to advanced depreciation account	950,816,621	
Retained earnings to be carried forward	17,441,504,221	
Total		23,166,265,233

Note: Interim dividends amounting to ¥4,618,318,110 (¥3.75 per share) were paid on December 10, 2001.