

**Financial Results for FY 06/3 and
Prospect for FY 07/3
and
Mid-term Management Plan
New Horizon 2007 Update**

May 2006



NYKLINE
NIPPON YUSEN KAISHA

Summary of Whole FY06/3

1) Record High Results in Revenue and Net Income

(Billion Yen)

		Revenue		Ope.Profit		Recurring Profit		Net Income	
Whole FY 05/3		1,606.1		161.4		154.8		71.3	
Whole FY 06/3		1,929.3		140.5		140.5		92.1	
Change	%	323.2	20%	20.9	-13%	14.4	-9%	20.7	29%

2) Shipping Divisions: Profit Decreased due to Downturn in Container Market and Hike in Bunker Price

3) 3 Major Non-Shipping Divisions(Logistics/Terminal/Cruise)

: Achieved Profit Recovery in Line with New Horizon 2007

4) Exchange Rate/Bunker Price(Comparison between 05/3 vs 06/3)

Exchange Rate : ¥5.63 Yen Depreciation (¥107.46 ¥113.09)

Bunker Price: Increase by \$89.24/MT(\$193.84/MT \$283.08/MT)

5) Prospect for Dividend: Maintain Annual Dividend of ¥18/Share for FY 06/3, including ¥9/Share at the end

Analysis of Change in Recurring Profit between FY05/3 and FY06/3

(Billion Yen)

Yen Depreciation	9.6	¥ 113. <u>09</u> / Depreciated by ¥ 5. <u>63</u> / \$
Bunker Oil Price	26.8	\$283. <u>08</u> / Increased by \$89. <u>24</u> /MT
Market Effects etc	12.4	Shipping Market, Increase in Lifting etc
Improvement of Non-Shipping Division	6.6	Total of 5 Non-Shipping Segments
Cost Reduction	11.6	Shipping ¥ 8.9B., Non-Shipping ¥ 2.7B.
New Consolidation	3.0	Shipping ¥ 0.2B., Non-Shipping ¥ -3.2B.
Total	14.4	

Sensitivity against Recurring Profit (Whole Year)

Exchanging Rate ¥1.7 Billion Decrease per ¥1/\$ Appreciation

Bunker Price ¥0.3 Billion Decrease per \$1/MT Increase

Comparison of Financial Result of FY06/3 vs FY05/3 by Industrial Segments

(Billion Yen)

Revenue	Liner (Container)	Other Shipping	Logistics	Terminal	Cruise	Real Estate	Other	Elimination/ Unallocation	Consolidated
FY 05/3	457.0	571.8	357.2	109.0	33.4	13.0	146.7	82.0	1,606.1
FY 06/3	539.2	677.7	426.4	111.5	40.8	12.5	234.3	113.1	1,929.3
Change	82.1	105.9	69.2	2.5	7.3	0.4	87.6	31.1	323.2

Recurring Profit	Liner (Container)	Other Shipping	Logistics	Terminal	Cruise	Real Estate	Other	Elimination/ Unallocation	Consolidated
FY 05/3	45.0	101.1	8.1	0.4	4.8	3.3	1.6	0.0	154.8
FY 06/3	17.5	108.2	13.0	2.2	0.2	3.4	3.7	0.0	140.5
Change	27.5	7.1	4.9	1.8	4.6	0.1	5.3	0.0	14.4

Revenue	FY 06/3	FY 05/3	Change
Bulk and Specialized Carriers	564.1	463.9	100.3
Tankers	113.6	107.9	5.7
Total	677.7	571.8	105.9

Summary of Prospect for Whole FY07/3

- 1) **Revenue / More than ¥2,000 Billion, Both Operating and Recurring Profit / ¥135 Billion, and Net Income / ¥89 Billion**
- 2) **Shipping Divisions: Profit Decrease due to Yen Appreciation and Bunker Price Hike, in Addition to the Weaker Market**
- 3) **Non-Shipping Divisions: Profit Increase in Logistics, Steady Recovery in Terminal and Cruise, and NCA aim to be Profitable**
- 4) **Exchange Rate and Bunker Price**
 - Exchange Rate : ¥110.00/\$ (¥3.09 Yen Appreciation against FY05/3 result)
 - Bunker Price : \$330.00/MT(\$46.92/MT Increase against FY05/3 result)
- 5) **Cash Dividend(Prospect):Maintain Annual Dividend of ¥18/Share**

Prospect for Whole FY07/3

(Billion Yen)

	FY06/3 (Actual)			FY07/3 (Prospect)			Change		
	1H	2H	Whole	1H	2H	Whole	1H	2H	Whole
Revenue	899.5	1,029.8	1,929.3	1,000.0	1,020.0	2,020.0	100.5 11%	9.8 -1%	90.7 5%
Operating Profit	80.5	60.0	140.5	61.0	74.0	135.0	19.5 -24%	14.0 23%	5.5 -4%
Recurring Profit	79.2	61.2	140.5	63.0	72.0	135.0	16.2 -20%	10.8 18%	5.5 -4%
Net Income	48.4	43.7	92.1	41.0	48.0	89.0	7.4 -15%	4.3 10%	3.1 -3%

Exchange Rate	¥109.39	¥116.79	¥113.09	¥110.00	¥110.00	¥110.00	¥0.61	¥-6.79	¥-3.09
Bunker Price	\$259.84	\$306.32	\$283.08	\$330.00	\$330.00	\$330.00	\$70.16	\$23.68	\$46.92

Exchange Rate : ¥110.00/\$
 Bunker Price : \$330.00/MT

Analysis of Change in Recurring Profit between FY06/3 and FY07/3

(Billion Yen)

Yen Appreciation	5.3	¥ 110.00 / Appreciated by ¥ 3.09 / \$
Bunker Oil Price	14.1	\$330.00 / Increased by \$46.92/MT
Market Effects etc	5.6	Shipping Market, Increase in Lifting
Improvement of Non-Shipping Division	8.4	Total of 5 Non-Shipping Segments
Cost Reduction	11.0	Shipping ¥ 9.0B., Non-Shipping ¥ 2.0B.
New Consolidation	0.0	
Total	5.5	

Sensitivity against Recurring Profit (Whole Year)

Exchanging Rate ¥1.7 Billion Decrease per ¥1/\$ Appreciation

Bunker Price ¥0.3 Billion Decrease per \$1/MT Increase

Comparison of Financial Result/Prospect of FY06/3 vs FY07/3 by Industrial Segments

(Billion Yen)

Revenue	Liner (Container)	Other Shipping	Logistics	Terminal	Cruise	Real Estate	Other	Elimination/ Unallocation	Consolidated
FY06/3 (Actual)	539.2	677.7	426.4	111.5	40.8	12.5	234.3	113.1	1,929.3
FY07/3 (Prospect)	551.9	690.4	473.4	115.6	40.0	12.4	271.4	135.2	2,020.0
<i>for 1H (Prospect)</i>	<i>274.3</i>	<i>341.2</i>	<i>228.7</i>	<i>58.2</i>	<i>22.6</i>	<i>6.1</i>	<i>133.1</i>	<i>64.2</i>	<i>1,000.0</i>
<i>for 2H (Prospect)</i>	<i>277.6</i>	<i>349.2</i>	<i>244.7</i>	<i>57.4</i>	<i>17.4</i>	<i>6.3</i>	<i>138.3</i>	<i>71.0</i>	<i>1,020.0</i>
Change	12.8	12.7	47.0	4.1	0.8	0.1	37.2	22.2	90.7

Recurring Profit	Liner (Container)	Other Shipping	Logistics	Terminal	Cruise	Real Estate	Other	Elimination/ Unallocation	Consolidated
FY06/3 (Actual)	17.5	108.2	13.0	2.2	0.2	3.4	3.7	0.0	140.5
FY07/3 (Prospect)	7.9	102.0	17.1	3.7	1.0	3.5	0.2	0.0	135.0
<i>for 1H (Prospect)</i>	<i>3.6</i>	<i>47.7</i>	<i>7.4</i>	<i>2.2</i>	<i>3.0</i>	<i>1.8</i>	<i>2.7</i>	<i>0.0</i>	<i>63.0</i>
<i>for 2H (Prospect)</i>	<i>4.3</i>	<i>54.3</i>	<i>9.7</i>	<i>1.5</i>	<i>2.0</i>	<i>1.7</i>	<i>2.5</i>	<i>0.0</i>	<i>72.0</i>
Change	9.6	6.2	4.1	1.5	1.2	0.0	3.5	0.0	5.5

Revenue	FY07/3	FY06/3	Change	%
Bulk and Specialized Carriers	574.9	564.1	10.8	2%
Tankers	115.5	113.6	1.9	2%
Total	690.4	677.7	12.7	2%

Overview of Each Industrial Segments

1. Shipping Division – 1)

**Container : Firm Cargo Movement through Slack Season.
Freight Rate trend turned up in NE Trade.**

Container Lifting Result / Prospect (1,000TEU)

	FY05/3 (Actual)	FY06/3 (Actual)	Change	(%)	FY07/3 (Prospect)	Change	(%)
Asia North America	656	702	46	7.0%	773	71	10.2%
Utilization	89%	86%			88%		
Asia Europe	355	403	48	13.6%	466	63	15.6%
Utilization	91%	90%			92%		

**Car Carrier : Series of New Building delivery begins from
Second Half of this year.**

Cars Transportation Results / Prospect (10,000Cars)

	FY05/3 (Actual)	FY06/3 (Actual)	Change	(%)	FY07/3 (Prospect)	Change	(%)
All Trade	256	286	30	11.7%	306	20	7.0%

Overview of Each Industrial Segments

1 . Shipping Division – 2)

Shipping Market Forecast (Index)

	FY05/3	FY06/3			FY07/3	
		Forecast	Actual	Change	Prospect	Change
Bulk Carriers (Capesize)	100	90	64	26	50	14
Bulk Carriers (Handysize)	100	90	73	17	65	8
VLCC	100	75	69	6	60	9

Bulk Carrier: Forecast Weaker Market in FY07/3

**Capesize Business to Increase Profit by Addition of Long-Term Contract and Fleet Expansion.
Handysize Business to Decline in Profit due to Weaker Market Forecast.**

Tanker: Minimize the Effect of Weaker Market by Fleet Expansion.

Overview of Each Industrial Segments

2. Logistics Segment (Earth/Air)

1) NYK Logistics (Earth) :

Income Recovery Plan under “New Horizon 2007” in Process and Recurring Profit Growth to Continue in FY07/3.

	FY05/3 (Actual)	FY06/3 (Actual)	FY07/3 (Prospect)
Recurring Profit	¥-1.3 Billion	¥3.6 Billion	¥7.5 Billion
Change		¥4.9 Billion	¥3.9 Billion

2) YAS (Air Forwarding):

Promote the Income Expansion Plan with YAS Global Challenge.

	FY05/3 (Actual)	FY06/3 (Actual)	FY07/3 (Prospect)
Recurring Profit	¥9.4 Billion	¥9.4 Billion	¥9.6 Billion
Change		¥0.0 Billion	¥0.2 Billion

Overview of Each Industrial Segments

3. Terminal Segment

1) Terminal Business Expansion in Dalian Port in China

- Dalian RORO Terminal (NYK Holds 30% Stakes) Starts Operation
- Strategic Investment in the Subsidiary of Dalian Port (PDA), Operating Container and Oil Terminal and Logistics Services.

2) More New LOOPs introduced to Ceres Paragon Terminal

4. Cruise Segment

Two Crystal Cruise Ships and the Renovated AsukaII
Took Off for Smooth Voyage in FY07/3.

New Horizon 2007 Update

- 1) Started to “BRUSH UP” the Original Plan to Reflect the Change in Business Environment and the Expansion of Corporate Fundamentals (New Target Figures are Scheduled to be Announced in November 2006.)**
- 2) Next Slide Shows the Financial Results of FY06/3 and Performance Forecasts of FY07/3 / FY08/3 as of May 2006, Reflecting the Changes of Exchange Rate and Bunker Oil Price only.**

New Horizon 2007 Update

1. Performance Result/Forecasts

	FY06/3 Actual	FY07/3 Plan	FY08/3 Plan
Revenue	1,929.3	2,020.0	2,030.0
Recurring Profit plus Interest Cost	156.1	158.0	165.0
Recurring Profit	140.4	135.0	140.0
Net Income	92.1	89.0	90.0

(Original)

(Billion Yen)

FY06/3 Plan	FY07/3 Plan	FY08/3 Plan
1,640.0	1,750.0	1,800.0
165.0	175.0	175.0
150.0	160.0	160.0
90.0	95.0	95.0

Prerequisites

Exchange Rate	¥ 113/\$	¥ 110/\$	¥ 110/\$	¥ 100/\$	¥ 100/\$	¥ 100/\$
Bunker Price	\$283/MT	\$330/MT	\$330/MT	\$200/MT	\$200/MT	\$200/MT

2. Balance of Growth and Financial Stability

	FY06/3 Actual	FY07/3 Plan	FY08/3 Plan
Interest-Bearing Debt at Year-End	766.0	880.0	970.0
Total Shareholders' Equity at Year-End	575.4	633.0	680.0
Shareholders' Equity Ratio	31%	31%	31%
Debt Equity Ratio	133%	139%	139%
Cash Flows from Operating Activities	114.9	140.0	166.0
Cash Flows from Investing Activities	-170.5	-255.0	-254.0

(Billion Yen)

FY06/3 Plan	FY07/3 Plan	FY08/3 Plan
610.0	610.0	630.0
480.0	557.0	633.0
32%	35%	38%
127%	110%	100%
148.0	155.0	163.0
-113.0	-152.0	-186.0

Fleet Expansion Plan

Size of Fleet, Number of New Buildings and Investments
(Consolidated)

	March 2005	March 2006-2008	
Bulk Carriers, Tankers, LNG Carriers Etc.	March 31,2005 371	New Buildings 106, ¥490Bil.	March 31,2008 490
Container Ships, Semi- Container Ships, Car Carriers, Etc	March 31,2005 275	New Buildings 59, ¥310Bil	March 31, 2008 310
Total	March 31, 2005 646	New Buildings 165, ¥800Bil.	March 31, 2008 800

Summary of NCA Financial Results for FY06/3

1. NCA Financial Results for FY06/3

(Billion Yen)

		Prospect Feb. 06	Actual for FY06/3			Change
			1H	2H	Whole	
Effect to NYK (Consolidated)	Revenue	55.7	-	55.7	55.7	0.0
	Rec. Profit	6.7	1.9	4.8	6.7	0.0
NCA	Revenue	103.7	48.0	55.7	103.7	-
	Rec. Profit	10.4	5.6	4.8	10.4	-

On Track to Our Forecast in February 2006.

NCA Phoenix Project

2. NCA Phoenix Project Performance Target

	Phase-1			Phase-2	Phase-3
	FY07/3	FY08/3	FY09/3	FY12/3	FY16/3
Revenue (Bil. Yen)	110.0	120.0	125.0	200.0	310.0
Rec. Profit (Bil. Yen)	0.2	3.0	7.0	18.0	37.0
Own Aircrafts	10	9	8 ~ 10	16 ~ 18	22 ~ 24
Ave. Age of Own Aircrafts	11.8	7.8	2.1	3.5	3.8

Exchange Rate : ¥ 110/US\$

Jet Oil Price : US\$ 74.0/bll (Singapore Kerosene)

**By the End of FY15, Rank in the Top 10 in IATA
International Air Cargo Ranking (Ton-Kilo Basis)**

NCA Phoenix Project

3. What We Will Do to Achievement the Target

- Improve the Cost Structure

Accelerate the Fleet Replacement Plan

- Take Over the Operation and Maintenance Activities

Promote **Efficient Operation** as Exclusive Cargo Carrier

- Reform Sales / Operation System as well as Global Network

Trade-wise Organization to be Responsible for Profitability

- Expansion of Network

Service Network Expansion through Alliance

Introduction of Innovated Aircrafts to Serve the Expansion of the Capacity of Airports

NYK - Yamato Strategic Alliance

“NYK Group and Yamato Group Agreed to Enter into a Strategic Alliance”

Business Partnership

- Establish J/V Yamato NYK Global Solutions Co.,Ltd
Develop New Logistics Services by Combining Management Resources of Both Group
Joint Operation in Airfreight Forwarding Business.

Capital Partnership

- Total Investment of ¥ 10 Billion Each to Respective Group Companies.

1) Business Partnership

(a) Yamato NYK Global Solutions Co., Ltd., As a Platform, will Start its Activities from Establishment of Following New Logistics Services

- Integrated Global Logistics Service for Japanese Exports and Imports
- B to B Logistics Service Targeting Chinese Market
- Management / Leasing Service of Transport Equipment Using IC Tags

(b) Start Joint Operation in Airfreight Forwarding Business

- Start Co-Loading Air Freight Cargo
- Establish a New J/V Providing Joint Operation for Air Freight Cargo
- Form Steering Committee to Seek Further Cooperation

2) Capital Partnership

(a) **NYK's Total Investment**

Acquisition of Shares of Yamato HD	¥6 Billion
Capital Injection into a Newly Established J/V	¥1 Billion
Acquisition of Shares of Yamato Logistics	¥3 Billion

(b) **Yamato HD's Total Investment**

Acquisition of Shares of NYK	¥6Billion
Capital Injection into a Newly Established J/V	¥1Billion
Acquisition of Shares of Yusen & Sea Services	¥2 Billion
Acquisition of Shares of Nippon Cargo Airlines	¥1 Billion

3) Advantage by Strategic Alliance

- (a) **Develop New Logistics Service by Yamato NYK Global Solutions**
Target Revenue of ¥ 17 Billion, Rec. Profit of ¥ 1.5 Bil. in FY09
- (b) **Joint Operation in Airfreight Forwarding Business**
Cost Reduction and More Efficiency in Airfreight Forwarding Business by Joint Operation between YAS and Yamato Logistics
- (c) **Expand the Scope of Strategic Alliance**
Through the Activity of Steering Committee, NYK and Yamato Group to Pursue Further Collaboration, to Achieve the Leading Position in Global Logistics Business and Provide More Comprehensive Solutions to Our Customers.