For immediate release

May 17, 2002

FISCAL 2001 FINANCIAL HIGHLIGHTS

NYK Line (Nippon Yusen Kabushiki Kaisha) announces the following statement of accounts for the period ended March 31, 2002.

A. CONSOLIDATED

1. Business Results (Years ended March 31, 2002 and 2001)

	¥ Million		US$ Thousand*	
	FY2001	FY2000	FY2001	FY2000
Revenue	1,142,934	1,133,905	8,577,367	8,509,611
Operating income	65,558	87,640	491,997	657,713
Ordinary income**	50,107	71,298	376,041	535,075
Net income	17,538	35,562	131,624	266,885

2. Balance Sheet (As at March 31, 2002 and 2001)

	¥ Million		US$ Thousand*	
	FY2001	FY2000	FY2001	FY2000
Assets				
Current assets	313,916	322,779	2,355,847	2,422,358
Fixed assets	1,026,002	1,058,807	7,699,832	7,946,021
Deferred assets	3	7	24	52
Total assets	1,339,922	1,381,593	10,055,704	10,368,432
Liabilities				
Current liabilities	387,321	378,954	2,906,729	2,843,937
Fixed liabilities	612,745	705,506	4,598,462	5,294,606
Total liabilities	1,000,066	1,084,460	7,505,191	8,138,543
Minority interest	19,759	18,384	148,290	137,971
Stockholders' equity				
Paid-in capital	88,531	88,531	664,398	664,398
Additional paid-in capital	93,342	93,342	700,503	700,503
Retained earnings	116,349	113,684	873,167	853,168
Unrealized gains on the holding of other securities	26,092	—	195,817	—
Foreign currency translation adjustments	–4,155	–16,802	–31,183	–126,097
Treasury stock	–64	–7	–480	–56
Total stockholders' equity	320,096	278,747	2,402,222	2,091,916
Total				
Liabilities, Minority interest and shareholders' equity	1,339,922	1,381,593	10,055,704	10,368,432

3. Revenue by Segment (Years ended March 31, 2002 and 2001)

	¥ Million		US$ Thousand*	
	FY2001	FY2000	FY2001	FY2000
Shipping	742,984	723,513	5,575,868	5,429,748
Cruise	33,845	34,539	253,996	259,209
Shipping Related	90,193	94,331	676,872	707,929
Logistics	192,430	196,316	1,444,129	1,473,292
Oil Wholesaling	55,147	54,369	413,862	408,028
Real Estate	11,864	12,761	89,035	95,772
Others	16,470	18,072	123,603	135,631
Total Revenues	1,142,934	1,133,905	8,577,367	8,509,611

4. Principal Financial Index

	FY2001	FY2000	FY1999
Gross Profit Margin	17.2%	19.0%	17.3%
Operating Profit Margin	5.7%	7.7%	6.4%
Net Profit Margin	1.5%	3.1%	1.4%
Return on Equity	5.9%	13.2%	6.2%

5. Forecast of Results for Fiscal 2002 (From April 1, 2002 to March 31, 2003)

	¥ Million	US$ Thousand*
Revenue	1,150,000	8,630,393
Ordinary income**	50,000	375,234
Net income	15,000	112,570

B. NON-CONSOLIDATED

1. Business Results (Years ended March 31, 2002 and 2001)

	¥ Million		US$ Thousand*	
	FY2001	FY2000	FY2001	FY2000
Revenue	748,995	728,129	5,620,982	5,464,389
Operating income	46,379	54,864	348,066	411,739
Ordinary income**	43,079	46,093	323,299	345,921
Net income	13,225	19,347	99,252	145,198

2. Balance Sheet (As at March 31, 2002 and 2001)

	¥ Million		US$ Thousand*	
	FY2001	FY2000	FY2001	FY2000
Assets				
Current assets	154,938	172,700	1,162,763	1,296,061
Fixed assets	648,571	659,531	4,867,328	4,949,582
Deferred assets	1	3	10	27
Total assets	803,511	832,235	6,030,102	6,245,671
Liabilities				
Current liabilities	187,193	189,458	1,404,830	1,421,830
Fixed liabilities	334,474	384,135	2,510,127	2,882,818
Total liabilities	521,668	573,594	3,914,958	4,304,648
Stockholders' equity				
Paid-in capital	88,531	88,531	664,398	664,398
Additional paid-in capital	92,399	92,399	693,431	693,431
Retained earnings	76,678	77,710	575,449	583,192
Unrealized gains on the holding of other securities	24,289	—	182,287	—
Treasury stock	–56	—	–422	—
Total stockholders' equity	281,842	258,641	2,115,144	1,941,022
Total				
Liabilities and shareholders' equity	803,511	832,235	6,030,102	6,245,671

3. Revenue by Segment (Years ended March 31, 2002 and 2001)

	FY2001		FY2000	
	¥ Million	Share(%)	¥ Million	Share(%)
Liner	281,429	37.6	281,217	38.6
Tramp and specialized carrier	316,833	42.3	302,861	41.6
Tanker	143,225	19.1	137,711	18.9
Other	7,507	1.0	6,340	0.9
Total	748,995	100.0	728,129	100.0

4. Principal Financial Index

	FY2001	FY2000	FY1999
Gross Profit Margin	11.0%	12.3%	11.4%
Operating Profit Margin	6.2%	7.5%	6.6%
Net Profit Margin	1.8%	2.7%	1.7%
Return on Equity	4.9%	7.8%	5.0%

5. Forecast of Results for Fiscal 2002 (From April 1, 2002 to March 31, 2003)

	¥ Million	US$ Thousand*
Revenue	675,000	5,065,666
Ordinary income**	45,500	341,463
Net income	13,500	101,313

* The U.S. dollar amounts represent the calculation of exchanging Japanese yen to U.S. dollars on a basis of ¥133.25 = US$1.00 (as of March 29, 2002). The amounts previously reported for FY 2000 are restated to reflect the same calculation and the same exchange rate used in the current year.

** Income before income taxes and special items.

Management Policy

1. Basic Management Policy

Our company has surmounted a great many difficulties since its founding in 1885 and has continued to make sound progress as a leader in the world's shipping community. Based not only on a keen awareness of the importance of wide-ranging exchanges between people and of goods as cornerstones for the economic and cultural development of the world, but also on the full realization that it is our social mission to provide safe and high-grade services - which is required of us as a comprehensive physical distributor and passenger ship operator - we make it a basic management policy to live up to our customers' expectations and trust by humbly listening to their wishes; to reward our stockholders by securing reasonable profits through lawful and fair corporate management; and to contribute to the development of the international community as a business group dedicated to the three principles of freedom, moral discipline and order.

Under the unified "Double Wing" logo - which combines "NYK Logistics & Megacarrier," the catchphrase which has guided us for more than a decade, with a compound wing - our NYK Group makes it a fundamental objective to meet our customers' increasingly sophisticated and diversified logistics needs by supplying "integrated solutions" based on the comprehensive energies of our group companies, which are providing land/sea/air transport services throughout the world, thereby becoming a valuable strategic partner for our customers. We are exerting our utmost efforts day and night to thoroughly fulfill this mission. Under this new logo, which has become familiar to our customers during the year and a half since its adoption, the NYK Group is determined to make further leaps forward in the years to come.

2. Basic Policy on Profit Distribution

Our company makes it a basic policy to continue stable dividend payments, based on a comprehensive assessment of such factors as payout ratio, profitability for our stockholders and our company's business outlook, while paying due heed to future business development, such as the expansion of non-shipping logistics activities and passenger ship operations (it goes without saying that shipping will also be developed further), as well as to the maintenance of an adequate level of internal reserves in order to cope with fluctuations in the shipping market.

As regards dividend payments for the fiscal year under review (ending in March 2002), our company's thorough cost-cutting campaigns enabled us to contain decreases in profits and pay a midterm dividend of 3.75 yen per share, and we also intend to pay an additional dividend of 3.75 yen per share as of the end of said fiscal year, notwithstanding the fact that we found ourselves in an adverse environment due to instability in both the global and Japanese economies. As a result, the annual dividend works out at 7.50 yen per share - or the same as that of the previous year.

Moreover, taking into account the general economic situation, the current state of our company's business and assets, and other factors, our company purchased 9.45 million shares of its own common stock at a profit during the term under review for the purpose of depreciation so as to enhance the value of stock ownership.

3. Our Company's Medium- and Long-Term Management Strategy

Our company mapped out and inaugurated its medium- and long-term vision "NYK21" in 1986 and has since then undertaken what we call "Plan-Do-Check" concerning our medium- and long-term targets by reviewing the vision every four years. In May 2000, we mapped out the fourth NYK21 -

“NYK21 New Millennium Declaration - Meeting Tomorrow’s Challenges Today” - and determined at that time our consolidated numerical targets for the 2002 fiscal year, including a return on investment (ROI) that fully takes into account stockholders’ equity cost.

With these targets to guide us, we have defined our container transport, tramper/specialized carrier, logistics (including airfreighting) and passenger ship divisions as “core businesses,” and are expanding and developing our business by meeting each and every logistics need of our customers by means of active use of information technology, and with the “strategy of scale” and “strategy of synergy” as main pillars, in an effort to enhance our corporate worth as a group.

Furthermore, at a time when the business environment is undergoing a drastic change due to the rapid progress of globalization at the start of the 21st century, our company newly launched the Project “C” - CHANGE/CHALLENGE/CREATE - campaign in April last year in parallel with the NYK21 New Millennium Declaration so that the NYK Group can come out ahead against intensified international competition in the totally free market, attain the goals of the New Millennium Declaration without fail and transform itself into a truly global corporate group through a structural reform that looks five to 10 years ahead.

This project focuses on cost reduction with a view to attaining two targets - that is, the short-term target of improving profits by about 20 billion yen over the next two or three years (Phase 1) and the medium- and long-term target of pursuing new business models looking five to 10 years ahead (Phase 2). Under this project, we are pushing ahead with measures for bolstering our competitive position by means of fresh and bold concepts and innovation.

As part of this bid to meet tomorrow’s challenges today for the purpose of strengthening our international competitiveness, our company carried out regroupings and consolidations within the NYK Group by accomplishing “the concentration of conventional shipping services in Hinode Kisen Co., Ltd.” and “the unification of technological divisions and the establishment of a new ship management company” as of October 1 last year. Subsequent to these actions, we went on to take the following measures:

Consolidation of handy-size bulker operations:

Our company decided to spin off its handy-size bulker division on October 1 this year for transfer to its wholly-owned subsidiary Toho Shipping Co., Ltd. and then to have this subsidiary start business as a new company, named NYK Global Bulk Corporation. The purpose is to improve the efficiency of ship deployment and the ability to meet diversified transport needs by making the most of the scale of our group’s handy-size bulker fleet, and at the same time to thoroughly enhance business efficiency through the reduction of our work force.

Transformation of Tokyo Senpaku Kaisha, Ltd. into a wholly-owned subsidiary and consolidation of intra-Asian containership operations within the NYK Group:

Tokyo Senpaku Kaisha, Ltd. will be transformed into a wholly-owned subsidiary of our company as of August this year, and our company’s intra-Asian container shipping division will be turned over to Tokyo Senpaku Kaisha, Ltd. in October this year in order to launch a new setup for integrated business in the intra-Asian container shipping market. The purpose is to further enhance the competitiveness of the NYK Group in both the intra-Asian and global container markets by concentrating our relevant management resources in the intra-Asian container shipping business and creating the most appropriate system for containership operation.

As for our positive advance into new business fields, our company newly entered the market for the transport of ammonia and coal-tar pitch in February this year by concluding a time-charter contract for a newly-built vessel to carry those chemicals. Moreover, in April this year, Global Ocean Development Inc., an affiliate of our company, was selected by the Japan Marine Science and Technology Center as the firm that will be commissioned to operate and manage Chikyu, the center's specialized Earth-depth exploration ship.

Also, our company opened a website for the sale of Occidental orchids via the Internet in October last year; started a funeral service for sprinkling ashes of the deceased on the open sea from NYK-operated containerships in December last year; and set up on-site day nursery at the head office and formed Yusen Child Care Co., Ltd. to manage and operate it from March this year. Thus, our company is vigorously coping with the challenge of opening new business fields.

From the foregoing it is clearly apparent that in the current fiscal year - the second year of the NYK21 New Millennium Declaration, - as in the previous fiscal year, our company is steadily implementing specific measures in line with our action plans. The ultimate target of the NYK Group is to establish "a dynamic and virtuous corporate group that attaches importance to humanity." To that end, we believe it most important to secure and foster able personnel. In addition to the hitherto-implemented ability-enhancement program (which includes in-house training that imparts business knowledge and experience), and the promotion of self-recognition and self-enlightenment (in order to raise levels of mental acumen, including leadership), we have been striving to reinforce education as a means for fostering an international sense of civilization and history in each and every employee as well as promoting the comprehensive refinement of human nature from the standpoint of an international business group. Furthermore, in February this year, we introduced an educational program for middle- and high-ranking personnel with prime emphasis laid on "fostering leadership." This represents a sequel to the introduction of a new educational system for newly-hired personnel in the current fiscal year (the theme of which is "return to on-the-spot training") as part of a drastic reform of our personnel training system. We intend to improve and expand this new integrated education program as a means for fostering our company's leaders for the 21st century; eventually, this program will cover upper-echelon personnel at our overseas subsidiaries as well.

4. Measures for Improvement of Our Company's Management/Administrative Structure (Enhancement of Corporate Governance)

Our company, fully aware of its social mission, is managing its operations lawfully, properly and efficiently in order to avoid impairing our stockholders' interests and to prevent our directors and auditors from behaving in a manner that runs counter to their loyalty obligation. This principle is specifically enunciated in our company's Business Credo, which was formulated in December 1997 and can be found on our company's website as well as on the inside cover of our "Report."

Moreover, in order to clarify the principles stated in the Business Credo by means of more concrete terminology, we formulated a "code of conduct" in March 1999; this is the minimum standard that must be adhered to by our company's directors and personnel. Thus, we have been promoting the awareness and implementation of said principles through enlightenment and educational activities so that each individual will always behave with a law-abiding spirit in a way befitting our company.

Furthermore, in April this year, we introduced the Executive Officer System in order to enhance our corporate governance and further strengthen our system for business execution by reinforcing the functions of our board of directors as it concerns mapping out strategies and supervising the execution of business. Executive Officers are appointed for two-year terms and are responsible for the execution of business in the respective divisions of our company for which they are selected by the board of directors. They are entrusted by the board with decision-making authority for the execution of business. At the same time, they take full responsibility for business execution.

In this context, our company has introduced a new management structure that comprises the Board of Directors, the Board of Corporate Auditors, the Executive Committee for Strategic Management, the Board of Executive Officers and the NYK Group Conference of Presidents. In the hopes of improving business efficiency, the Board of Directors will clarify its functions and responsibility systems, turning over to the Board of Executive Officers a large part of its business execution-related responsibilities and powers. The Executive Committee for Strategic Management consists of directors from the level of senior managing director and above as well as directors designated by the President. It is charged with deliberating about matters of strategic importance, centering on group strategies, and indicating their future direction. The Board of Executive Officers holds a regular weekly meeting (replacing the hitherto-held meeting of directors), the main purpose of which is to report on the progress of business execution as well as raise and discuss appropriate issues. The NYK Group Conference of Presidents is composed of the members of our company's Management Strategy Conference and the presidents of all strategically important group companies. It is charged with establishing a system of strategic decision making for ensuring the integrated functioning of the NYK Group as a whole as well as clearly defining the powers of the group member firms and improving the transparency of group management. As for the Board of Corporate Auditors, the functions of auditors are strengthened and their independence ensured since half of the four-member board - i.e. two auditors - is from outside our company (in anticipation of the amendment of the Commercial Code). Our company is determined to continue its unflagging drive for reform in the years ahead in the interests of our stockholders and customers.

5. Issues to Be Addressed by Our Company

With movements for the protection of the global environment mounting in strength spreading worldwide in recent years, we are convinced that the need to secure "safety" and deal with "environment issues," as the most fundamental factors of our business, is closely and inseparably connected with our bid to fulfill our social responsibility as a "corporate citizen." From this point of view, we have set up the Safety Measures/Environmental Issues Committee and are conducting vigorous activities through the committee in order to integrate the various related activities undertaken thus far as well as provide our customers with even better services.

Activities for Guaranteeing Safety and Quality

As for measures to guarantee safety and quality, we launched full-fledged inspection activities on all the vessels involved in our services in 1993, having formulated action guidelines as a basis for ensuring safety and environmental protection in vessel operations and establishing the Safety Promotion Headquarters. Based on vessel safety management systems in compliance with the ISO 9002 certificate and the ISM Code as well as NYK "NAV 9000," a standard for the safe navigation of ships which we had previously introduced, we conducted a vigorous campaign in 1999 - which included auditing vessels, related owners and management companies - to promote activities to guarantee safety and quality. As part of this campaign, we activity encouraged movements to support the "Zero Accident, Zero Trouble" slogan. Thus, we have all along been very thorough as it concerns activities for guaranteeing safety and quality, including ship inspections and the auditing of related shipowners and ship management companies.

This is especially true where it concerns the safety of tankers, which have the potential to affect people's lives in general by impacting the local marine environment. As such, we have exerted the maximum possible company-wide effort, including the consolidation and strengthening of ship management activities, the thorough training of crewmen, the establishment of an emergency action system and the promotion of the shift to double-hull tankers.

Measures for Protection of Global Environment and Acquisition of ISO 14001 Certificate

Meanwhile, in order to strive for the protection of the global environment, our company formed its "Earth Environmental Committee" in 1990 and since then has been taking positive measures in regard to both hardware and software. This has been done not only to meet emission standards established by domestic and international laws and regulations regarding the reduction of environmental pollutants - NOx, SOx and hull paints, as well as CO_2, which contributes to global warming - but also to minimize their emission as much as possible.

Specifically, based on the viewpoint that a reduction in fuel consumption (ratio) can be most effective in helping protect the environment, our company has taken such measures as slowing the acceleration speed of ships, improving fuel combustion efficiency through the use of a chemical agent and enhancing propulsion efficiency by means of a hull cleaning program. At the same time, we are promoting various other steps, including a switch to new ships and appropriate ship types which have greater energy/transport efficiency; the promotion of research into and adoption of energy-efficient equipment; and the earlier-than-scheduled partial implementation of measures, stipulated by laws and ordinances, related to use of non-TBT antifouling paints and replacement of chlorofluorocarbon materials. Furthermore, in addition to such in-house activities as enlightenment/research/training regarding environmental issues for the purpose of educating our personnel, and outside activities such as participation in oil analysis and seawater monitoring activities in various parts of the world, our group members (including the NYK Logistics Technology Institute and Nippon Yuka Kogyo Co., Ltd.) are pushing ahead with research and technical development activities on their own, including studies of oil cleanup techniques using microorganisms and the development and production of oil spill dispersal agents.

Our company published its "Global Environment Charter," which is based on NYK's Business Credo, in September last year and has since pushed ahead with its own activities for environmental management, characterized by the integration of the safety of ship operation with the protection of the global environment. In March this year, Lloyds QA formally accorded us an ISO 14001 certificate by recognizing that these activities fully meet the environmental management requirements, stipulated by the ISO 14001, in both effectiveness and practicality.

This certification of our company's environmental activities covers the transport services of our entire fleet (about 500 ships), including chartered vessels - hence, it is not limited to services of our own vessels alone. We are convinced that it is the world's first-ever ISO 14001 certificate covering such a large-scale mercantile fleet.

Our acquisition of the said certificate amounts to the public acknowledgement that our environmental management system is operated by fully transparent means. Our company, as a comprehensive physical distributor intent on developing its business worldwide, will further step up its environmental management activities in order to extend them to our business facilities abroad as well as our domestic branches.

We understand that, henceforth, all corporations will be increasingly called upon by society to fully perform their social responsibilities without fail. We regard our activities for environmental protection as an important pillar of our response to society's demand, and are determined to redouble the concerted efforts of our group as a whole in order to further advance activities that contribute to society, including environmental protection.

Business Results and Financial Situation

I. Business Results
1. General Situation in the Term Under Review

(1) General Business Results

The U.S. economy entered a phase of recession toward the end of the previous term for the first time in 10 years under the impact of slack business in information technology (IT)-related industries. Capital spending was already beginning to stagnate when terrorist attacks occurred in the U.S. on September 11 last year. This incident generated concern that consumption would decline sharply because of social unrest. At the end of the term under review, signs of recovery were seen in some sectors of the U.S. economy. But the business outlook still remains very uncertain, making it necessary for us to remain cautious. As for Europe, the economies of Germany and other major countries turned out to be sluggish even though there were expectations of recovery. As for the export-led Asian economy, the sense of uncertainty cannot yet be entirely dispelled, save for China. In Japan, meanwhile, a structural reform is under way. But it will still be some time before the Japanese economy starts to pick up on a full scale.

As a result of our company's full-force efforts to reduce costs, we registered consolidated sales of 1.143 trillion yen, an increase of 0.8 percent from the previous term. Its operating and ordinary profits came, on the other hand, to 65.5 billion yen (down 25.2 percent) and 50.1 billion yen (down 29.7 percent), respectively, while the net profit stood at 17.5 billion yen (down 50.7 percent) due to the depreciation of securities holdings it had invested.

In non-consolidated terms, sales totaled 748.9 billion yen, up 2.9 percent from the previous term. However, operating and ordinary profits declined by 15.5 percent and 6.5 percent, respectively, to 46.3 billion yen and 43 billion yen. The net profit came to 13.2 billion yen, down 31.6 percent from the preceding term.

(2) Segment-by-Segment General Situation
<Shipping>

With respect to the liner trade in the shipping business, which constitutes the core activity of our group, the U.S. economy, which had entered a phase of slow recession, cooled down rapidly for a time under the impact of terrorist attacks in that country, adversely affecting the European economy as well. This impacted cargo movements on liner routes as a whole in no small measure. Bunker oil prices sagged compared with the previous term, while the exchange value of the yen tended to be low. Nevertheless, because freight rates for outbound cargoes on the trunk routes to North America and Europe declined sharply, the earnings environment became very severe from the second half of the term under review. Under these circumstances, we initiated the first-ever large-scale layup of vessels serving container routes in an urgent bid to cope with a steep fall in freight rates due to smaller-than-expected cargo volumes and the easing of the space supply-demand situation. Even though we have thus continued and intensified our cost-cutting efforts, we could not achieve the original earnings target.

Concerning the tramper division, the market for Cape-size vessels (large-sized ships of 150,000 to 170,000 deadweight tons), which had started out with a bullish leveling-off trend, tended to weaken primarily under the impact of a global reduction in crude steel output and the terrorist attacks in the U.S. In January this year, however, the business started to pick up again. On the other hand, Panamax vessels (50,000-70,000-deadweight-ton ships that can pass through the Panama Canal) experienced a sluggish trend throughout the term under review amid stagnation in U.S. grain shipments.

As regards car carriers, Europe-bound shipments sagged sharply by about 18 percent from the previous year, even though North America-bound shipments continued to run at a high level. As a result, the total transport volume for the two routes decreased by about 8 percent. Even so, cross-trade shipments between third nations and export shipments to the Middle East turned out to be brisk, enabling our car carriers to transport more than two million vehicles in total, or much the same as in the previous term.

As for the tanker division, the tanker market continued to be slack due to such factors as a production cut by members of the Organization of Petroleum Exporting Countries (OPEC), deceleration in the world economy and the terrorist attacks in the U.S.; however, we made efforts to conclude new contracts with new customers both in Japan and other countries as well as extend expired ones. The petroleum product sector grew favorably during the first half but slowed in the second.

Concerning liquefied natural gas (LNG) transport sector, the fleet of 27 ships - comprising our own vessels and those of companies owned partially by it - was operated smoothly.

As a result, our shipping business as a whole registered sales of 744.1billion yen, up 2.6 percent. Operating and ordinary profits stood at 59.4billion yen, down 20.2 percent respectively, and 44.3 billion yen, down 26.0 percent.

<Passenger ships>

Our passenger ship business is operated via our three subsidiaries in the U.S., Japan and Australia. Both the Crystal Harmony and the Crystal Symphony, operated by U.S. subsidiary Crystal Cruises, Inc., continued safe and smooth voyages but could not avoid the adverse impact of the slowdown in the U.S. economy and the September terrorist attacks. The Crystal Serenity, the third ship ordered by this firm to expand its cruise business, is under construction at a French shipyard (scheduled for completion in June next year). Meanwhile, the Asuka, owned and operated by our Japanese subsidiary NYK Cruises Co., Ltd., enjoys the highest reputation in Japan, and continues to offer very popular extended cruises around the world and to the North Pacific Ocean in addition to those centered on Japan.

As a consequence, our passenger ship division registered sales of 33.8 billion yen, down 2.0 percent. Operating and ordinary profits came to 1.9 billion yen, down 61.7 percent respectively, and 500 million yen, down 85.3 percent.

<Shipping-related services>

Our shipping-related services include transportation in port areas, tugboat operation and marine equipment wholesaling. Our container terminals continued to enjoy a positive container-handling trend. Overseas terminals (mainly in North America) and domestic terminals (centering on the Kanto region) operated smoothly by and large during the term under review. Our shipping-related services as a whole chalked up sales of 107.2 billion yen, down 4.6 percent. Operating and ordinary profits amounted to 2.6 billion yen, down 3.2 percent respectively, and 2.9 billion yen, down 6.3 percent.

<Logistics>

Although it was feared they might be influenced adversely by the slowdown of the economy, our logistics operations - expect for air cargo handling - maintained a favorable pace. We established logistics hubs in Seattle and Portland, the U.S. as part of our efforts to supply “integrated solutions” tailored to the sophisticated needs of our customers. In order to increase our inland logistics hubs in the U.S. and participate in logistics operations across the Mexican border, we acquired local logistics firms and enlarged our logistics service networks. In Europe, we established logistics subsidiaries in Poland and the Czech Republic so as to expand our services in Eastern Europe. At the same time, we formed an overall logistics control company for the convenience of our customers. In Japan, meanwhile, we inaugurated a new system for the promotion of domestic logistic service in conjunction with five NYK group companies engaged in harbor-related transportation.

As for our airfreighting service, airborne cargo traffic shrank rapidly because of economic stagnation in the U.S. centering on IT-related industries. This impacted our earnings in the airfreighting business in no small measure.

As a result, our logistics operations accomplished sales of 196.8 billion yen, down 2.1 percent. Operating and ordinary profits stood at minus 700 million yen, down 124.9 percent respectively, and minus 2.1 billion yen, down 181.5 percent.

<Petroleum>

As for sales of petroleum, domestic demand for petroleum products diminished owing to the sluggish domestic economy as well as a mild winter, causing petroleum wholesalers to adjust their supplies through production cutbacks. As a result, prices tended to remain low.

Under these circumstances, we registered sales of 67.8 billion yen in this sector, down 0.3 percent, by means of further cementing our existing business connections as well as securing new customers. Operating and ordinary profits came to 100 million yen, down 14.6 percent respectively, and 200 million yen, up 29.6 percent.

<Real estate>

We endeavored to enhance the efficiency of our real estate business by improving the space utilization ratio of buildings owned by our company by means of equipment renewal as well as by securitizing the Tennozu Yusen Building.

As a consequence, sales totaled 14.4 billion yen, down 0.8 percent. Operating and ordinary profits stood at 3.6 billion yen, up 11.0 percent respectively, and 2.2 billion yen, up 57.5 percent.

<Others>

Other segments, including our data processing and travel agency businesses, registered sales of 26 billion yen, down 1.5 percent, an operating profit of minus 1.5 billion yen, down 44.7 percent, and an ordinary profit of 2.8 billion yen, up 144.7 percent.

2. Outlook for the Next Term

The U.S. economy, which at one time was thought to be headed for a serious recession, is reportedly on a recovery track, accompanied by brisk consumption. This became apparent at the start of the term and is due mainly to a flexible monetary policy. Moreover, reflecting the pickup in the U.S. economy, an upturn is also observed in the European and Asian economies. Nevertheless, capital spending still remains in an adjustment phase in the U.S., while energy prices remain high because of a tense situation in the Middle East. Moreover, Japan, the world's second largest economic power, continues to fare badly because of deflation and accumulated nonperforming bank loans. Under these circumstances, we apparently need to remain cautious about the economic outlook even though the economic trend is getting brighter by and large.

As such, the situations around our company are becoming severer and severer, and we are making efforts to reduce costs and rationalize our activities through activities under our thorough campaign, the Project "C."

As regards the consolidated business outlook for the next fiscal year, we project sales of 1.15 trillion yen, an ordinary profit of 50 billion yen and a net profit of 15 billion yen. Concerning the non-consolidated business outlook, we expect sales of 675 billion yen, an ordinary profit of 45.5 billion yen and a net profit of 13.5 billion yen. These business projections assume an exchange rate of 125 yen to the U.S. dollar.

In respect to dividends for the next fiscal year, we plan to provide a midterm dividend of 3.75 yen per share and a yearly dividend of 7.5 yen, comprehensively considering various factors such as our financial situation and prospects for our full-year performance for the next fiscal year.

II. Financial Situation

Regarding our financial situation at the end of the term under review, our total assets decreased 41.6 billion yen in value to 1.34 trillion yen. Our overall liabilities also declined 84.3 billion yen to 1 trillion yen. The value of stocks owned by minority shareholders fell 1.3 billion yen to 19.7 billion yen, while our stockholders' equity increased 41.3 billion yen to 320 billion yen. The decrease in our total assets was made mainly by reducing interest-bearing debts.

The cash flow stemming from our business activities came to 84.6 billion yen, a decrease of 19.6 billion yen, due partly to a decline of 26 billion yen in a net profit before tax and other arrangements.

The cash flow arising from our investment activities amounted to 25.1 billion yen, down 20.7 billion yen, including a decline of 37.5 billion yen in earnings made by breaking down our pension assets.

The cash flow resulting from our financial activities decreased 6.9 billion yen to minus 142.3 billion yen because in part of an increase of 3.9 billion yen in expenses for repaying interest-bearing liabilities.

As a result, the balance of cash and cash equivalents at the end of the term under review worked out at 81.9 billion yen, a decline of 27.2 billion yen from the balance at the end of the previous term.