Areas for Review

1. Overview of NYK Line
2. Liner Trade Business
3. Demand versus Supply Outlook
4. Bunker
5. Customer Expectations
6. Challenges Facing Terminals
The NYK Group

- Nippon Yusen Kaisha- Founded 1885
- 2007-08 Revenue: $25.8 Billion
- 2007-08 Operating Profit: $1.1 Billion
- 48,000 Worldwide Employees

NYK Logistics & Megacarrier
2007 - 08 Business Unit Revenue

- Liner (container shipping) $6.7 billion
- Other shipping (bulk and energy) $10.3 billion
- Logistics $5.3 billion
- Terminals $1.5 billion
- Cruise $.4 billion

Other $1.6 billion
Fleet of NYK Group

- Container ships: 155 vessels
- Bulk carriers (Capesize): 113 vessels
- Bulk carriers (Panamax & Handysize): 173 vessels
- Wood-chip carriers: 55 vessels
- Car carriers: 113 vessels
- Reefer carriers: 21 vessels
- Tankers: 79 vessels
- LNG carriers: 30 vessels
- Cruise ships: 3 vessels
- Others: 35 vessels

777 vessels with 50.5 million DWT (as of March 31, 2008)
Liner Trade Business
NYK Liner volume was favorable in 2007 but lower growth rates were achieved based on economic conditions.

2008 is showing signs of slow growth hinged to the housing and sub-prime loan crisis.

Export market growth was robust and is primarily being driven by the weak dollar.

Bunker prices had a negative impact on cost structures in 2007.

There was moderate recovery in freight rates and with bunker recovery in early 2008.
For the U.S., TEU growth has shifted to exports.

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>11%</td>
<td>2.8%</td>
</tr>
<tr>
<td>2008</td>
<td>6.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>2009</td>
<td>5.3%</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

Source: Global Insight
Liner Trade Outlook

- NYK Line is bullish on container growth
- 2008 will show moderate to flat growth overall but BRIC countries and emerging markets look favorable
- Freight rates will continue to stabilize
- Export markets will continue to see positive growth but will slow as dollar gains strength
- Terminal services may drive capacity in the longer term given limited development opportunities
## Demand Summary

### Analyst Growth Forecast

<table>
<thead>
<tr>
<th>Source</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Horizons (Issued 10/3/08)</td>
<td>0.9%</td>
<td>(7.8%)</td>
<td>(1.4%)</td>
<td>7.6%</td>
</tr>
<tr>
<td>Drewry (Issued 6/30/08)</td>
<td>1.6%</td>
<td>0%</td>
<td>2.6%</td>
<td>NA</td>
</tr>
<tr>
<td>Howe Robinson</td>
<td>NA</td>
<td>(3.0%)</td>
<td>3.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Clarkson</td>
<td>NA</td>
<td>(1.9%)</td>
<td>6.1%</td>
<td>NA</td>
</tr>
<tr>
<td>Global Insight National Retail Federation Port Tracker</td>
<td>NA</td>
<td>(5.9%)</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>
Supply Outlook

• Gap between “forecast” and “reality” as result of various capacity management programs

2009 Gap can be 9 ~ 11% after capacity restructuring due to:

- Slow Steaming
- Charter Off-hire
- Vessel Lay-Ups
- Early Scrapping
- Reconfigure Network
- Collapse Loops
- Vessel Sharing

Sources of data: MDS Container Capacity, TSA/Drewry Data, Company Research
Ocean Bunker

- Historical Comparison of Crude Oil vs. Bunker Fuel Price

### Comparison of Crude Oil vs. Weighted average Bunker Price

<table>
<thead>
<tr>
<th>Date</th>
<th>Crude Price</th>
<th>Bunker Price</th>
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</thead>
<tbody>
<tr>
<td>December 31 2007</td>
<td>95.95</td>
<td>509.62</td>
</tr>
<tr>
<td>Sept 15 2008</td>
<td>95.52</td>
<td>592.62</td>
</tr>
<tr>
<td>March 17 2008</td>
<td>105.74</td>
<td>536.11</td>
</tr>
<tr>
<td>Sept 8 2008</td>
<td>106.35</td>
<td>644.26</td>
</tr>
<tr>
<td>Sept 24 2007</td>
<td>82.50</td>
<td>406.89</td>
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</tbody>
</table>
Terminal Operations
Customer Expectations

• Yard and Gate Operations
• Vessel Operations
• Maintenance and Repair
• Terminal Management
• Security
Yard and Gate Operations

• Efficient Gate Turn times – 20 min/45 min
  ➢ Increased Trucker Drays - 3 vs 5 turns/day

• Chassis Pools – Help reduce footprint on terminals / increases terminal effectiveness

• Gate Inspections – Optical Scanners

• 95% grounded facilities – Only wheel reefer and hazardous cargo

• On Dock rail capabilities – increase terminal fluidity
  ➢ West Coast Clean Truck Program
Vessel Operations

• Increased Vessel Production:
  - Europe – 36 mph
  - Asia – 34 mph
  - North America – 28 mph

• Dispatch Vessels within Port Proforma Time (maximize all shifts)

• Increased Production = Early Departure = Cost Savings (SO and Terminal)
  - Service of 12 T/Days departs 12 hrs early = $85,000 cost savings

• Speed up a vessel by 1 Hr = $8,500 additional costs
Maintenance and Repair

- Timely / Accurate Notification of damage discovery

- Repair of equipment in a safe and cost effective manner

- Damages to carriers equipment on terminal is terminal responsibility

- Improved processes of gate inspections (damages documented at in/out gates)
Terminal Management

• Effective Customer Service – Problem Resolution

• Terminal Technology –
  ➢ Wherenet
  ➢ RFID
  ➢ OCR (cranes/gates)

• Electronic Billing / Invoicing

• Good / Accurate Reporting on Daily Terminal Activities

• Infrastructure – Adequate berth / water depth
Inherent Challenges to Security

• No Uniformed Code to Security –
  • Terminals are under USCBP and USCG requirements

• The lack of consistency in Port versus Terminal Operator Ownership
  • Who is responsible for security? Port Authority or Tenant?
  • Alignment with commercial security (i.e. C-TPAT, AEO – Europe (July ’09))

• Upcoming Security Requirements
  • TWIC
  • High Security Seals
  • 100% container inspections
Future Terminal Challenges

• US Terminal expansion severely limited
  • Only 3 USEC Terminals built / expanded by 2010
  • 1 USWC Terminal built / expanded by 2012

• Terminal Infrastructure and port access – air drafts and water depths

• Efficiency versus Environmental Requirements

• Cost Competitive (LA versus Oakland, Seattle)

• Rail Connectivity – new capacity and services to meet customers demands

• Changes in Technology and Security Requirements
Thank You