Where we are today

- Years of overbuilding and reduced trade growth have resulted in chronic global overcapacity
- Rates are not renumerative with most carriers continuing to lose money
- Intense focus on cost-cutting, which can impact service quality
- Culminated in Hanjin bankruptcy last year – seventh largest carrier in the world
- Some modest improvements in rates this year, but not enough to restore financial health
Over the last several years, cargo demand growth has slowed while the supply of tonnage has steadily increased due to a large number of newly delivered vessels. This has deteriorated the supply and demand balance in the industry.
Freight levels tend to fluctuate in relation to the supply and demand balance, among other industrial factors. In the past two years, freight levels have slumped in contrast to the historical market trends.
Industry Responses

Vessel Sharing Alliances for scale
- ‘THE Alliance’ includes MOL, K-Line, NYK
- Ocean Alliance
- 2M

Mergers/Acquisitions (Since 2016)
- Hapag Lloyd/UASC
- Cosco/China Shipping
- CMA CGM/APL
- Maersk/Hamburg Sud
- Pending 3 Japanese Lines
Integrating Business

All three companies are diversified global logistics enterprises. The newly established JV will integrate the container shipping activities and container terminal business worldwide excluding Japan.

Note1: Segmentation information from each IR report
Note2: Logistics business in Containerships of “K”LINE and MOL is not to be integrated.
### Size of Integrating Business

<table>
<thead>
<tr>
<th></th>
<th>K Line</th>
<th>MOL</th>
<th>NYK Line</th>
<th>JV (Sum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (B JPY)</td>
<td>614.9</td>
<td>719.1</td>
<td>706.3</td>
<td>2,040.3</td>
</tr>
<tr>
<td>Fleet TEU (K)</td>
<td>357</td>
<td>517</td>
<td>508</td>
<td>1,382</td>
</tr>
<tr>
<td># of fleets</td>
<td>66</td>
<td>92</td>
<td>98</td>
<td>256</td>
</tr>
<tr>
<td># of serving countries</td>
<td>67</td>
<td>92</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td># of services</td>
<td>78</td>
<td>89</td>
<td>87</td>
<td></td>
</tr>
</tbody>
</table>

**Note 1:** Sales are as of Mar., 2016, TEU’s are as of Oct., 2016, # of fleets are as of Sep., 2016

**Note 2:** Sales figures are not equal to sales of integrating business because displayed figures are sales of segment which integrating business belong

*Source: Alphaliner, IR report*
M&A activities globally have recently been increased at a rapid pace.

Note) The sum figure is as of October 2016 excluding the order book of approx. 360,000 TEU

*1 HL and UASC case is still under discussion
Source: Alphaliner
By strengthening the global organization and enhancing the liner network, we will be able to provide higher quality services and unlock new value in order to exceed our clients’ expectations.
Following schedule is planned.

- Establishment of JV (Planned): July 1st, 2017
- Service Start (Planned): April 1st, 2018