

Notice of Agreement to the Integration of Container Shipping Businesses



31st October 2016

Dear Valued Customer,

We wish to inform you that earlier today Nippon Yusen Kabushiki Kaisha (hereafter, NYK), Mitsui O.S.K. Lines Ltd. (hereafter, MOL) and Kawasaki Kisen Kaisha, Ltd. (hereafter, K-Line) agreed, subject to regulatory approval from the authorities. To establish a completely new joint-venture company to integrate and consolidate the container shipping businesses of all three companies.

1. Background

As no doubt aware, the container shipping industry has faced over the last five years unprecedented financial challenges. Global trade growth has slowed and the industry has witnessed a significant over supply of new tonnage. These two factors have contributed to create an adverse supply and demand imbalance environment, which has significantly undermined long term industry financial stability and future investment sustainability. In order to combat these factors, industry participants have sought to gain scale merit consolidation through integration and acquisition activity. Under such similar circumstances, NYK, MOL, and K-Line have now decided to integrate all their container shipping and terminal operating businesses excluding Japan, into one new single entity. The name of the new company will be advised in due course, but it will look to retain the highest of service standards, whilst offering a comprehensive global network, scale, innovation and strong financial credentials.

2. Overview of the new joint-venture company

Item	Outline
Shareholders/ Contribution Ratio	Nippon Yusen Kabushiki Kaisha 38% Mitsui O.S.K. Lines, Ltd. 31% Kawasaki Kisen Kaisha, Ltd. 31%
Amount of Contribution	Approx. 300 Billion JPY (Including fleets, share of terminals as investment in kind)
Business Domain	Container Shipping Business (Including terminal operating business excluding Japan)
Fleet Size	Approx. 1.4 Million TEU*, 6th in the market with approx. 7% of global share Note1) Figures are as of October, 2016 excluding order book Notes2) Source: Alphaliner

*TEU: Twenty-foot Equivalent Unit

NYK Group South Asia Pte Ltd

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3. Schedule

In the meantime, it is business as usual, and all three companies will continue to operate and serve their customers as they do today on an ongoing basis. Once regulatory agreement has been obtained then the new company will start to be established and over time an orderly transfer of assets and staff will take place between the three existing companies and the new one. An expected timeline is currently envisaged as follows.

- **Establishment of the new joint-venture company**
July 1st, 2017(planned)
- **Business commencement**
April 1st, 2018(planned)

We will continue to keep you updated of any key developments. Meantime thank you for your continued support to NYK Line, and we look forward to also working with your esteemed company in the future, and ensuring a smooth transition of services across to our new company in due course.

Yours faithfully,

Jeremy Nixon
Chief Executive Officer
Global Liner Management Division
Nippon Yusen Kaisha (NYK Line)