Investors Meeting in Tokyo

November 2018

Jeremy Nixon
Chief Executive Officer (CEO)

Ocean Network Express Pte. Ltd

Today's Agenda

1. Corporate Overview
2. Corporate Strategy
3. FY18 1H result and whole year forecast
4. Market outlook in FY18/19
5. Turnaround strategy

1. Corporate Overview

Three Companies – With Over 350 years of History

1885

Yubin Kisen Mitsubishi Kaisha and Kyodo Unyu Kaisha merge on September 29 to form Nippon Yusen Kaisha (NYK).

Over 130 Years of History

1884

Osaka Shosen Kaisha (OSK Line) is founded.

Over 130 Years of History

1919

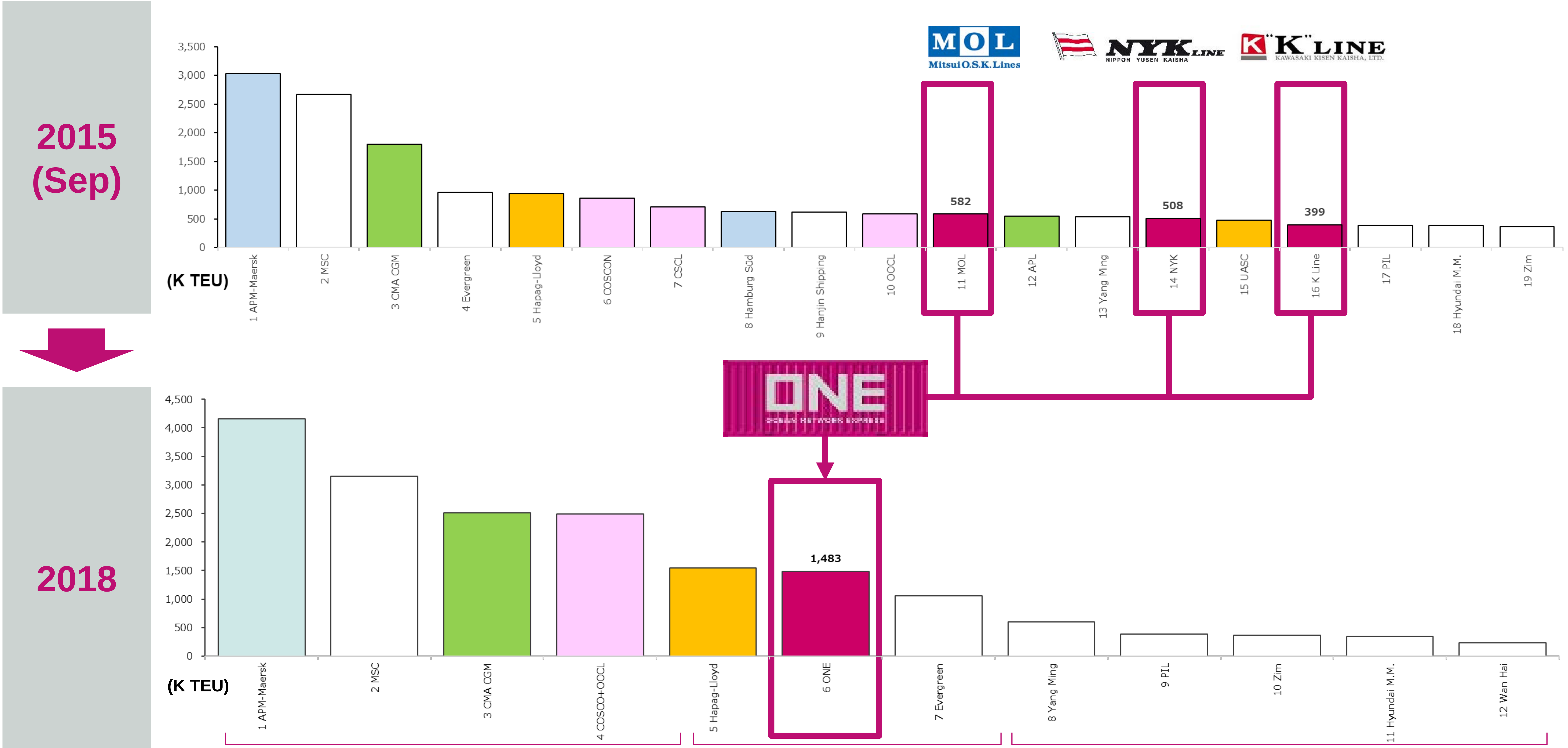
Established as Kawasaki Kisen Kaisha, Ltd.

Over 90 Years of History

Integration of 3 Japanese legacy companies

Continuous industry consolidation in the liner segment due to global M&A activities in recent years.

Increase of Carrier's Total Fleet by M&A



(Source: Alphaliner, 2018 Jan)

Major M&A in recent years

2018 :
- ➢ Launch of ONE by KL/NYK/MOL

2017 :
- ➢ Merger of UASC and Hapag-Lloyd
- ➢ Acquisition of OOCL by COSCO
- ➢ Acquisition of HSD by MSK

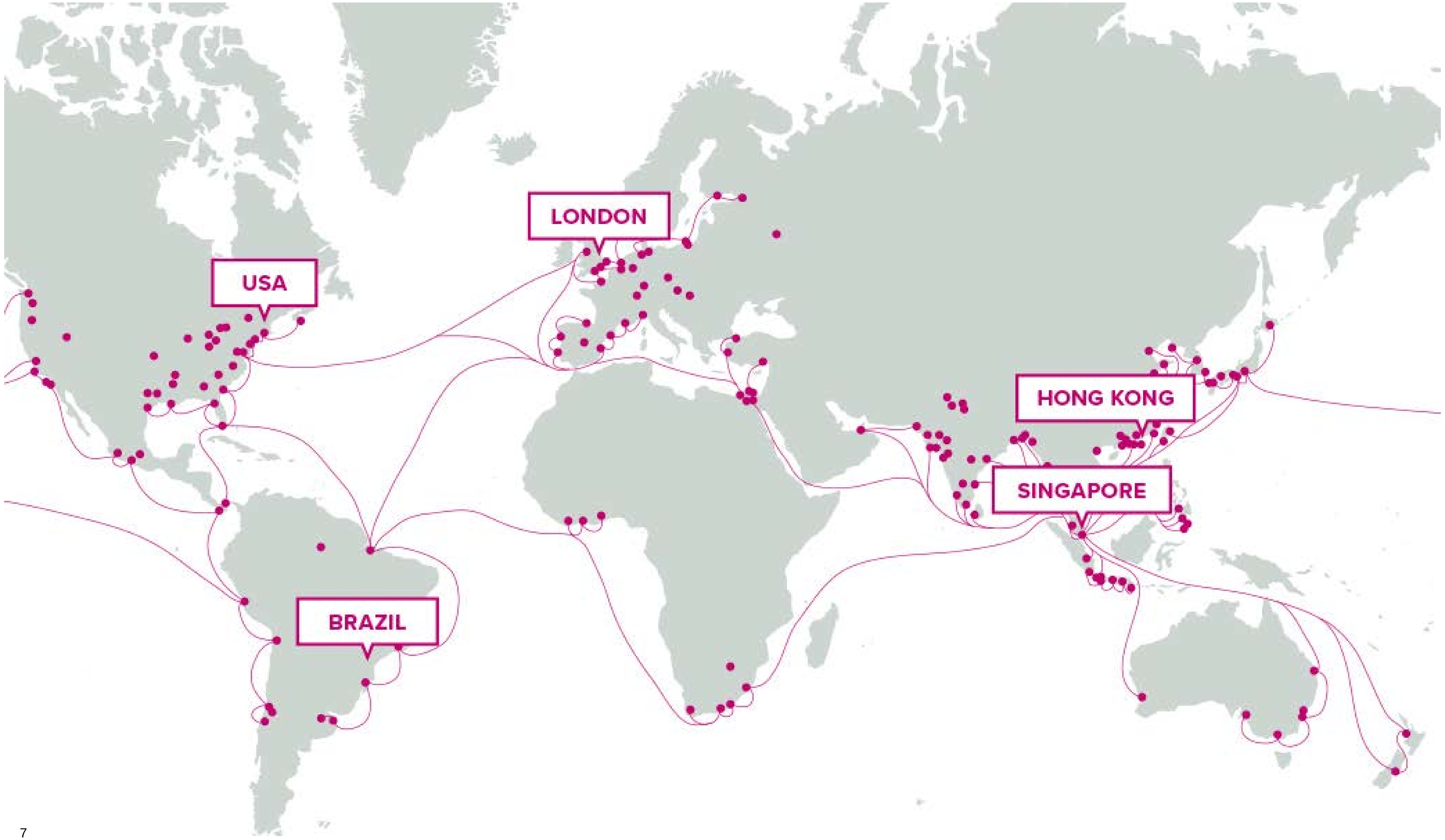
2016 :
- ➢ Merger of China Shipping by COSCO
- ➢ Acquisition of APL by CMA
- ➢ Bankruptcy of Hanjin

Overall Company

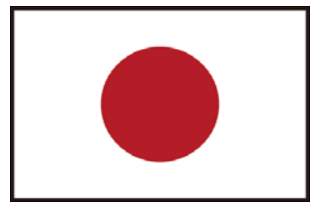
Shareholders/ Contribution Ratio	• **Kawasaki Kisen Kaisha : 31%** • **Mitsui O.S.K. Lines : 31%** • **Nippon Yusen Kabushiki Kaisha : 38%**
Amount of Contribution	**USD$ 3 Billion**
Business Domain	**Container Shipping Business (including terminal operating business excluding Japan)**
Fleet Size	**Approx. 1.5 Million TEU*, 6th in the market with approx. 7% of global share**

ONE Service Coverage

Offering 125 weekly service loops and a comprehensive delivery network across 120 countries



Holding Company


Tokyo

Global Headquarters


Singapore

Regional Headquarters


Hong Kong


Singapore

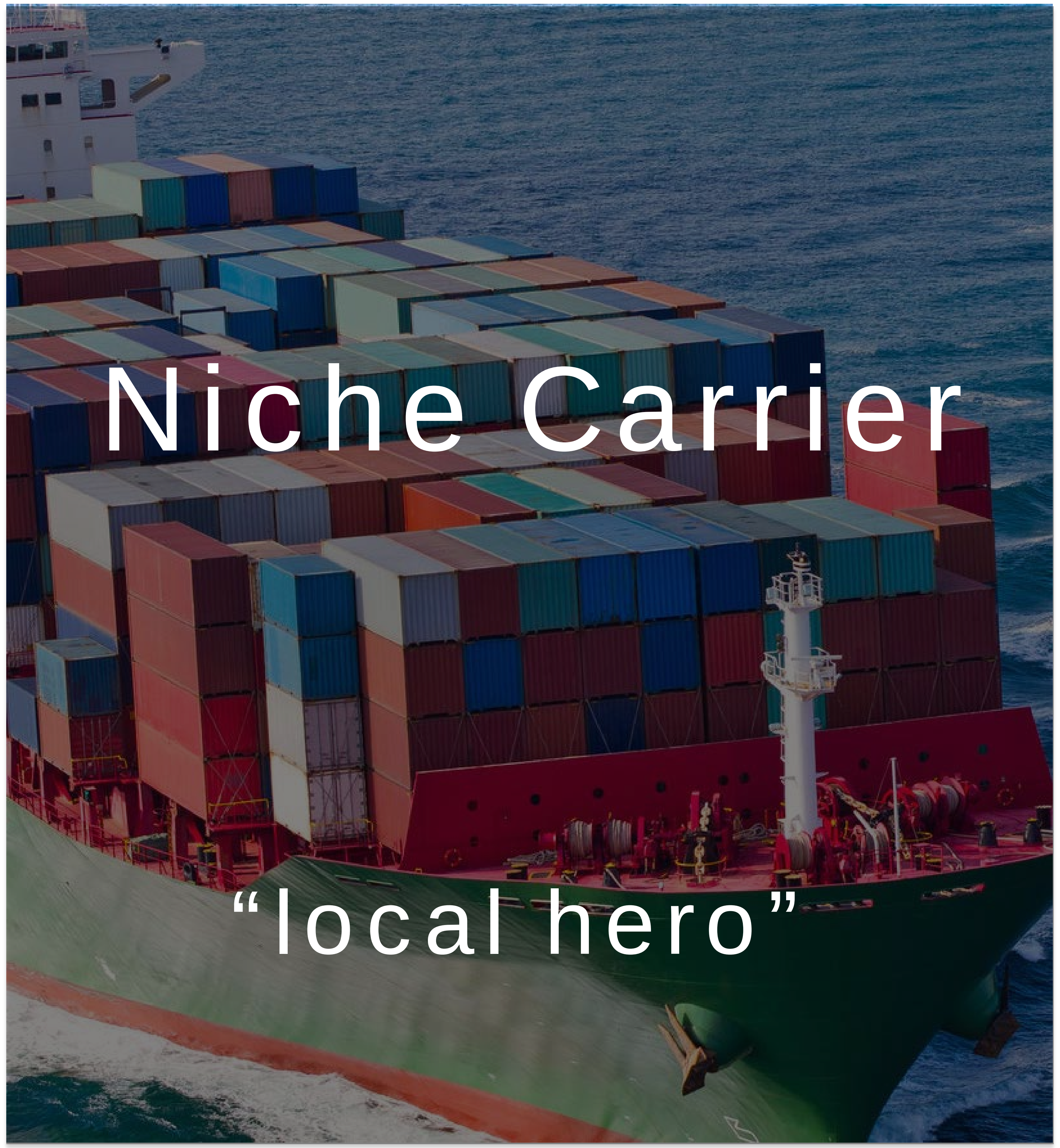

London


Richmond


Sao Paulo

2. Corporate Strategy

Competitor Strategy



ONE Go-to-Market Strategy

ONE takes a strong differentiated approach

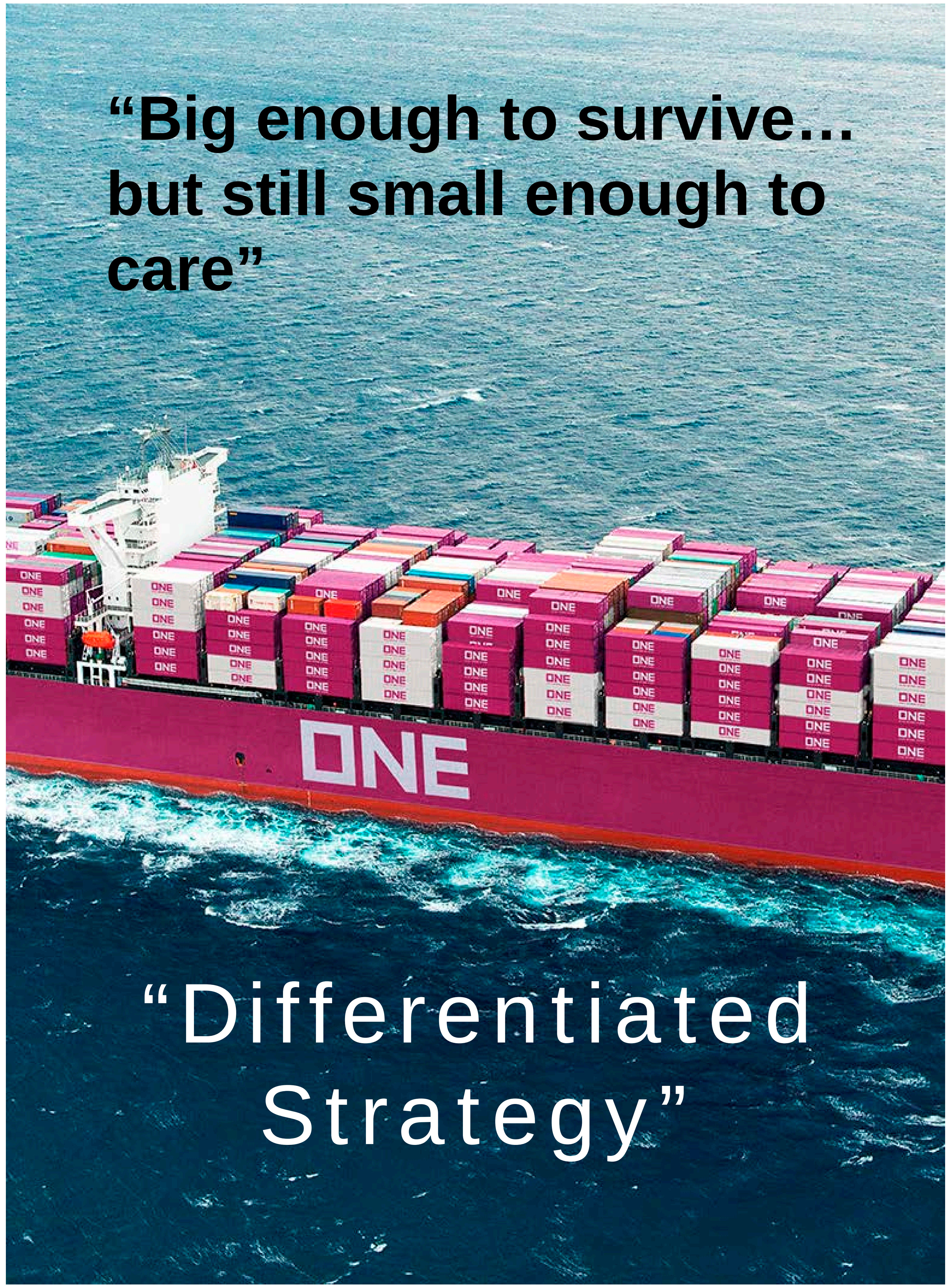
Single Global Brand
Globally, one single brand as ONE

Bigger Presence in THE Alliance
To lead competitive service among alliances in East-West trade with bigger presence in THE Alliance

Focus on Asia Market
As Asia originated Global carrier, take advantage of increasing demand in intra-Asia trade.

Commitment on IT Innovation
Active participation in technology field such as Blockchain Technology

Customer Service Excellency
Inherit Best Practice of 3J and provide quality customer service through best practice



Core Values

Outward

- Quality
- Reliability
- Innovation
- Customer Satisfaction

Inward

- Lean & Agile
- Teamwork
- Best Practice
- Challenge

Core Values

ONE Team

Teamwork

Best Practice

No.1

Quality

Reliability

Customer Satisfaction

Only ONE

Innovation

Challenge

Lean & Agile

Regrouping of Consortia

In conjunction of M&A, regrouping of Consortia has been very active. As of 2017, Consortias converged to 3 majors “2M” ”Ocean Alliance” ”THE Alliance”

Year	Early 2000	Early 2010	2012-2015	2018	Consortia as of today
# of Consortia	9	8	4	3	
Consortia Group	Maersk P&O	Maersk	2M Maersk MSC	Maersk MSC HMM	2M
	MSC CMA CSCL ZIM UASC	MSC CMA CSCL UASC ZIM	Ocean3 CMA CSCL UASC	CMA COSCO Evergreen	Ocean Alliance
	CKYH “K”-Line COSCO Yangming Hanjin Evergreen GA NYK Hapag-Lloyd OOCL MISC TNWA MOL APL HMM	CKYH “K”-Line COSCO Yangming Hanjin Evergreen GA NYK Hapag-Lloyd OOCL TNWA MOL APL HMM	CKYHE “K”-Line COSCO Yangming Hanjin Evergreen G6 NYK MOL Hapag-Lloyd OOCL APL HMM	ONE Yangming Hapag-Lloyd	The Alliance

Consortia regrouping in recent years

2017 :

- Consortia converged to 3 major ones in 2017, namely 2M, Ocean Alliance & THE Alliance

2015 :

- Formation of 2M and Ocean 3 (after failure of P3 Network)

2014 :

- Formation of CKYHE

2012 :

- Formation of G6

THE Alliance

Comprehensive port coverage

With over 81 major ports throughout Asia, North Europe, the Mediterranean, North America, Canada, Mexico, Central America, the Caribbean, Indian Sub-Continent and the Middle East

Fast Transit Times

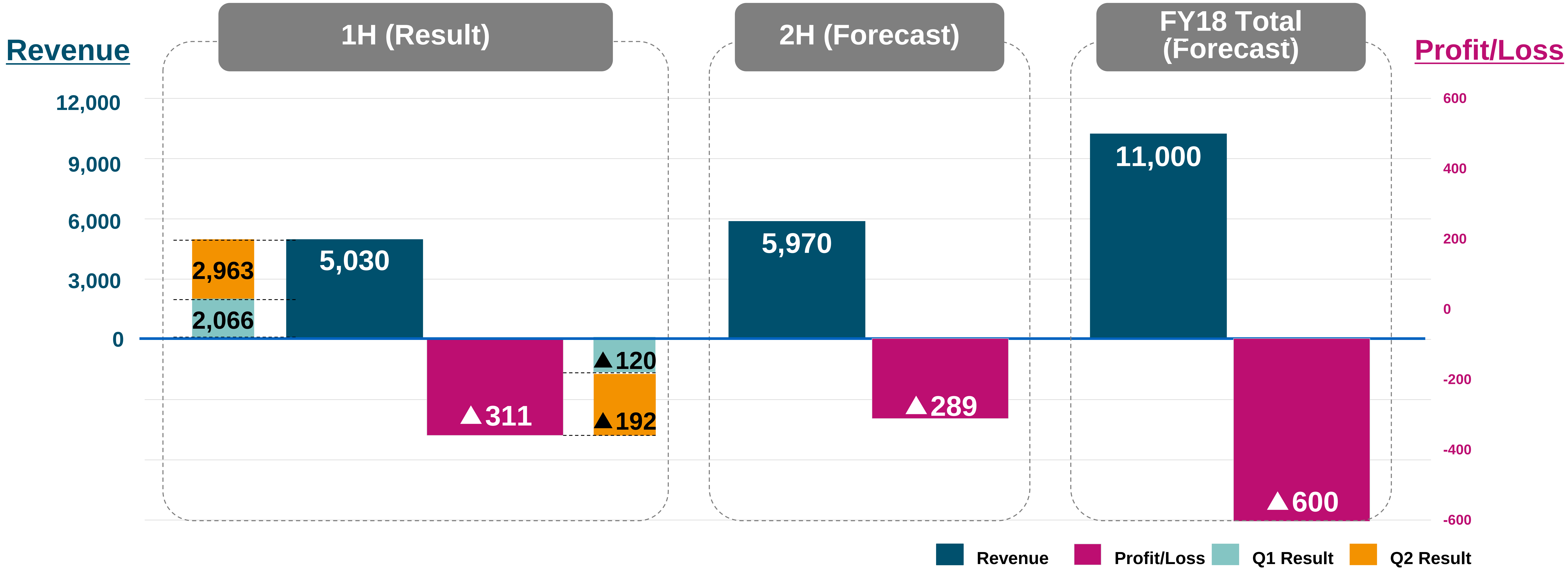
34 services with short transit times

More than 250 modern and most efficient ships

Deployment of more than 250 ships

3. FY18 1H Result and Whole Year Forecast

1H Results and FY18 Whole Year Forecast



	Q2 Result	1H Result	2H Forecast	Full Year Forecast
Revenue	2,963	5,030	5,970	11,000
Profit/Loss	▲192	▲311	▲289	▲600

(Unit: Million US$)

Business transition from 3J to ONE

Need to manage 3J sunset and ONE sunrise simultaneously

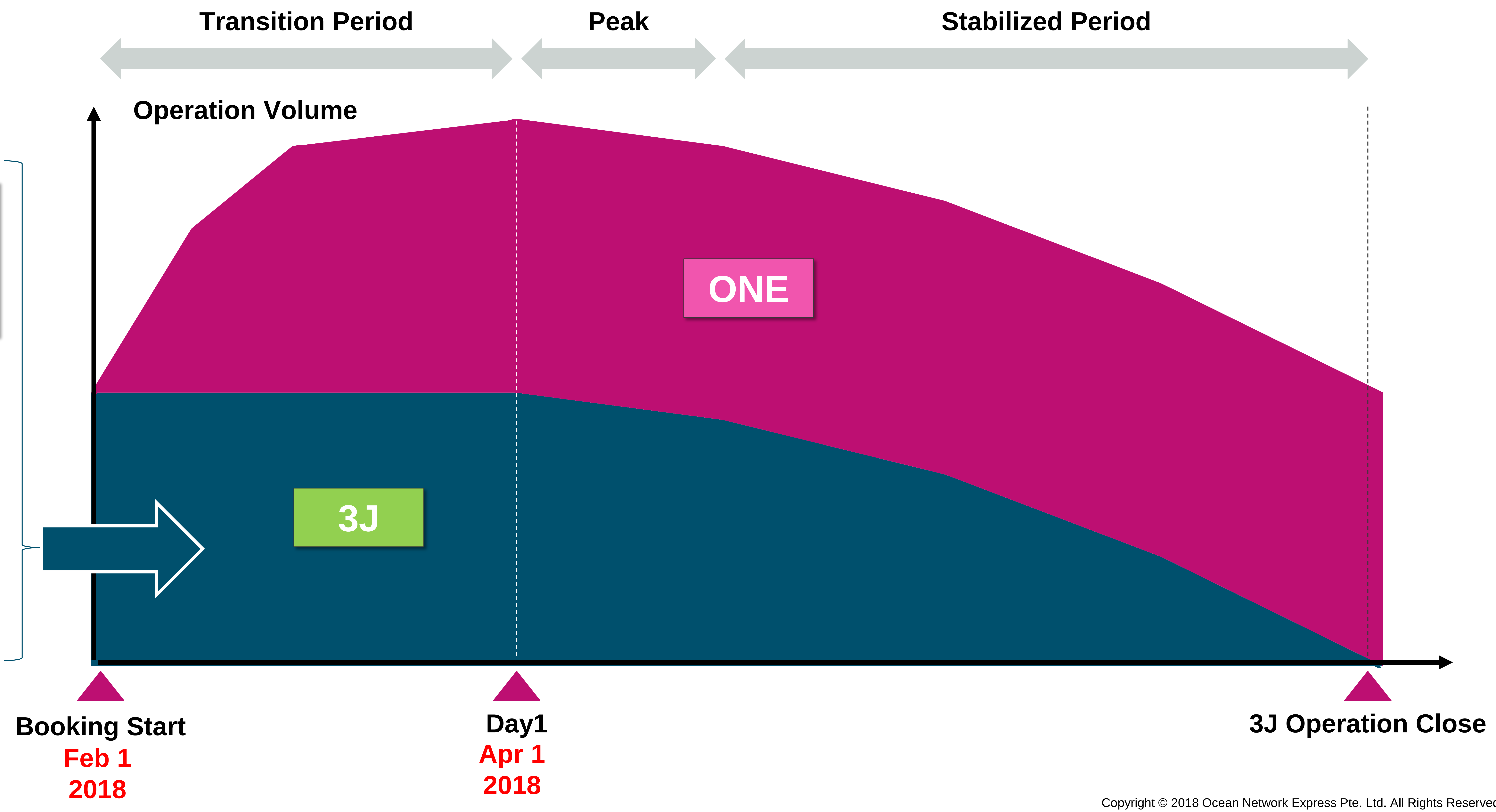
3J Tasks

N M K

- Office relocation
- Training
- Communication
- Master Data Loading

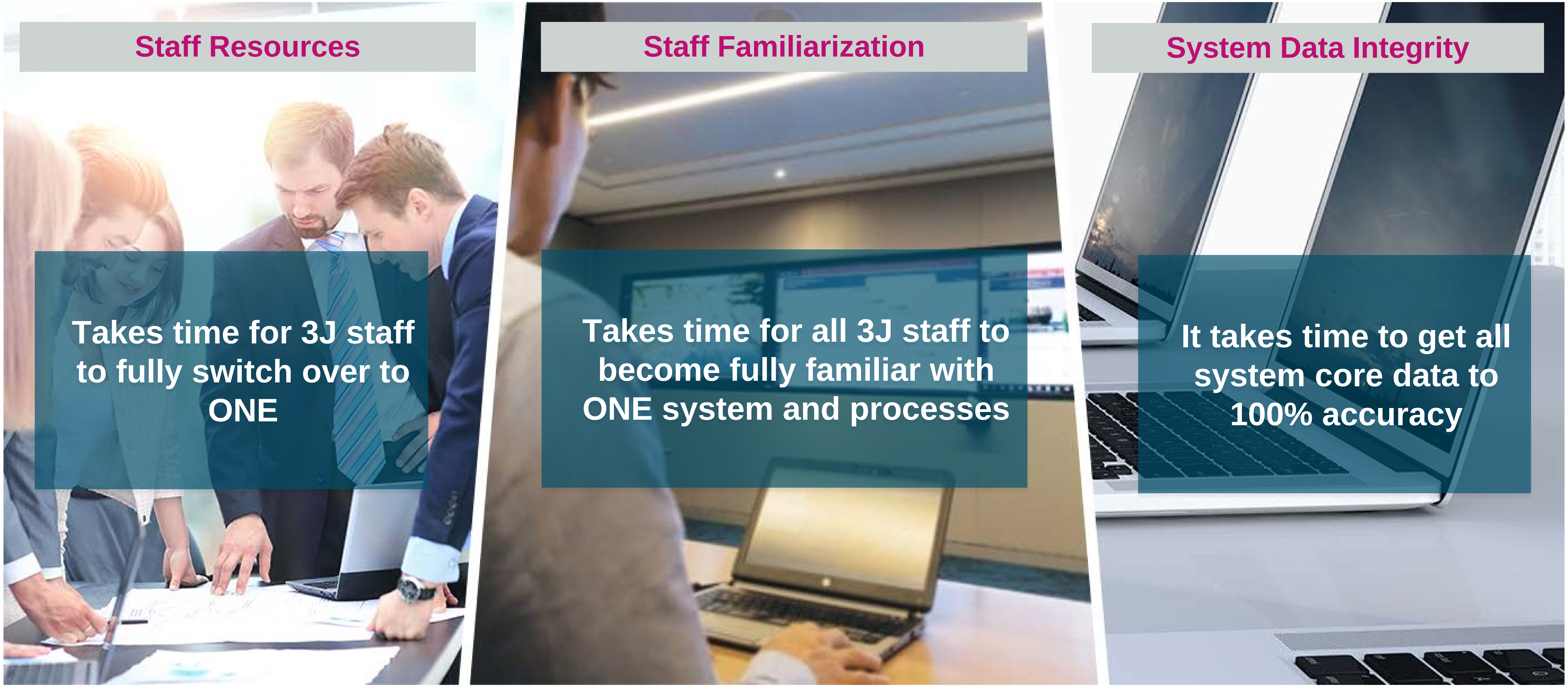
+

- Tentative actions to manage 3J operation and ONE operation simultaneously (incl. tentative resource)



Some inevitable initial launch “Teething” Challenges

3 key areas we were particularly focused on….



Countermeasures for 3 core challenges

We worked tirelessly to improve our launch quality service levels as quickly as possible.

- ✓ Our Global and Regional Headquarters Task Force teams, which includes all senior management, met on daily basis. These “kaizen” teams were regularly jointly visiting our onshore and offshore service centers to accelerate communication and process productivity.
- ✓ Significantly added extra staffs to original plan in all our offshore booking and documentation processing centers.
- ✓ Further accelerated the transfer of 3J frontline staff over to ONE.
- ✓ Booking and documentation staff working weekends and national holidays to eliminate initial launch production backlog, and accelerate data cleansing.

Background of downward revision for FY18 forecast

Teething problems

Root Cause: Underestimated initial launch resource requirement in light of unexpected regulatory delays

- ➢ Have been fixed within Q2

But caused
- ✓ Q1 service quality spill over
- ✓ Q2 cargo recovery lag effect

Impact to the bottom-line at/around US$400mil for FY2018

ONE OCEAN NETWORK EXPRESS

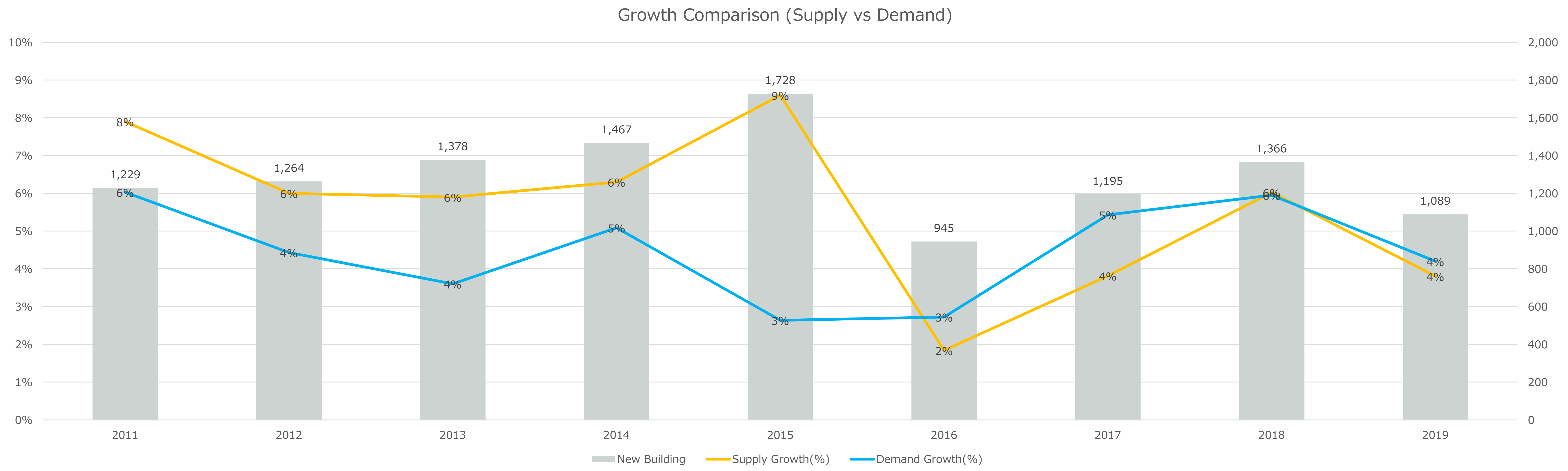
4. Market Outlook in FY18/19

Overall Business Environment – Demand & Supply

- ✓ Relatively steady Demand growth is expected for the years to come.
- ✓ Quite low New-building delivery is planned in 2019, which will contribute to tighten the demand/supply situation.

(Source: Supply; Alphaliner2018/09, Demand; Drewry 2018 3Q)

(K TEU)		2011	2012	2013	2014	2015	2016	2017	2018	2019
Supply	All	15,403	16,327	17,290	18,380	19,960	20,328	21,103	22,374	23,226
	Supply Growth(%)	8%	6%	6%	6%	9%	2%	4%	6%	4%
	New Building	1,229	1,264	1,378	1,467	1,728	945	1,195	1,366	1,089
	NB Growth(%)	-11%	3%	9%	6%	18%	-45%	26%	14%	-20%
Demand	Lifting	327,100	341,600	353,900	371,900	381,700	392,100	413,400	438,000	449,623
	Demand Growth(%)	6%	4%	4%	5%	3%	3%	5%	6%	4%



Liner Shipping – Global Flows

Containerized ocean trade growth, 2018

YoY growth, %

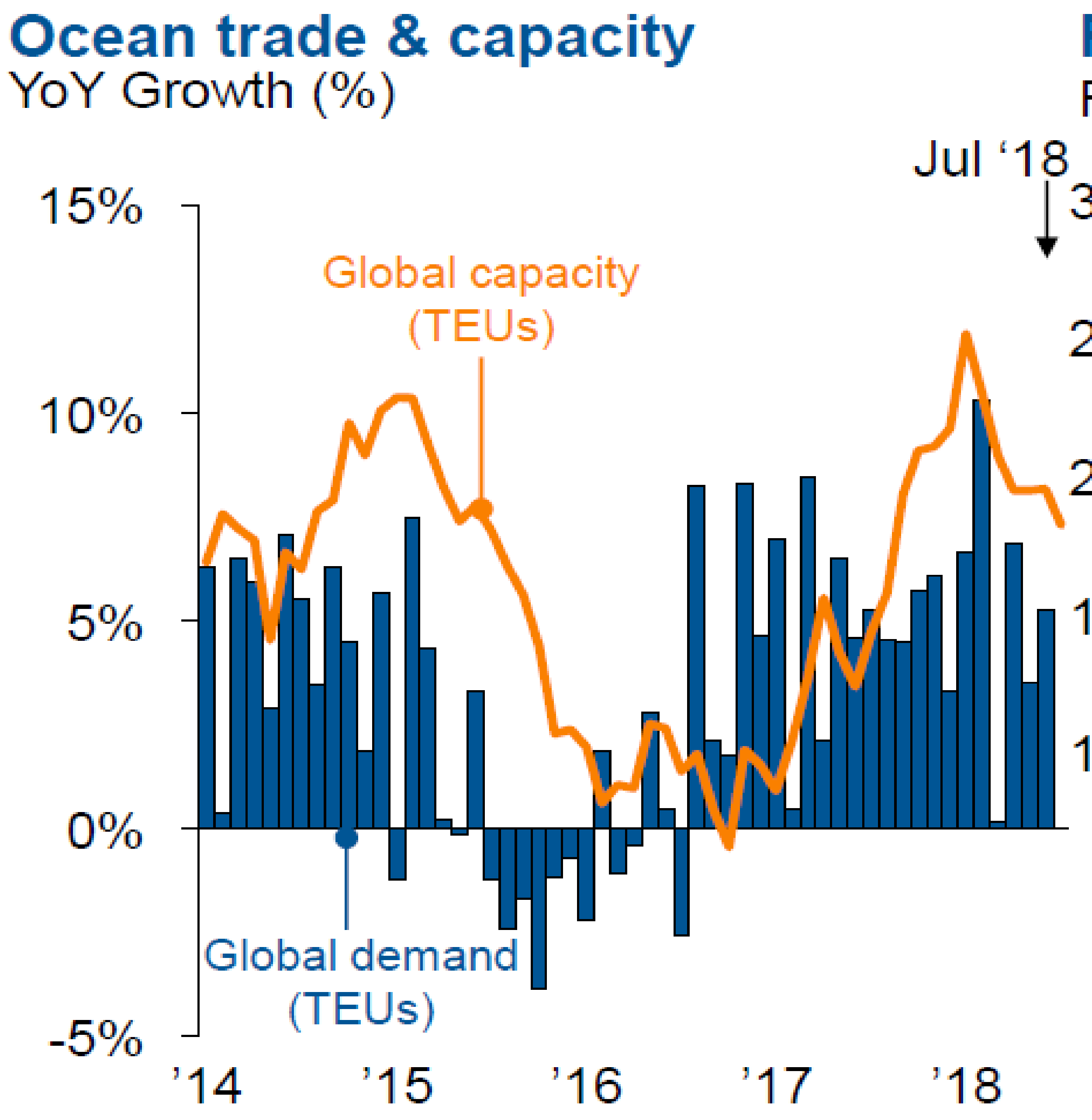
Global containerized trade growth 4.6%

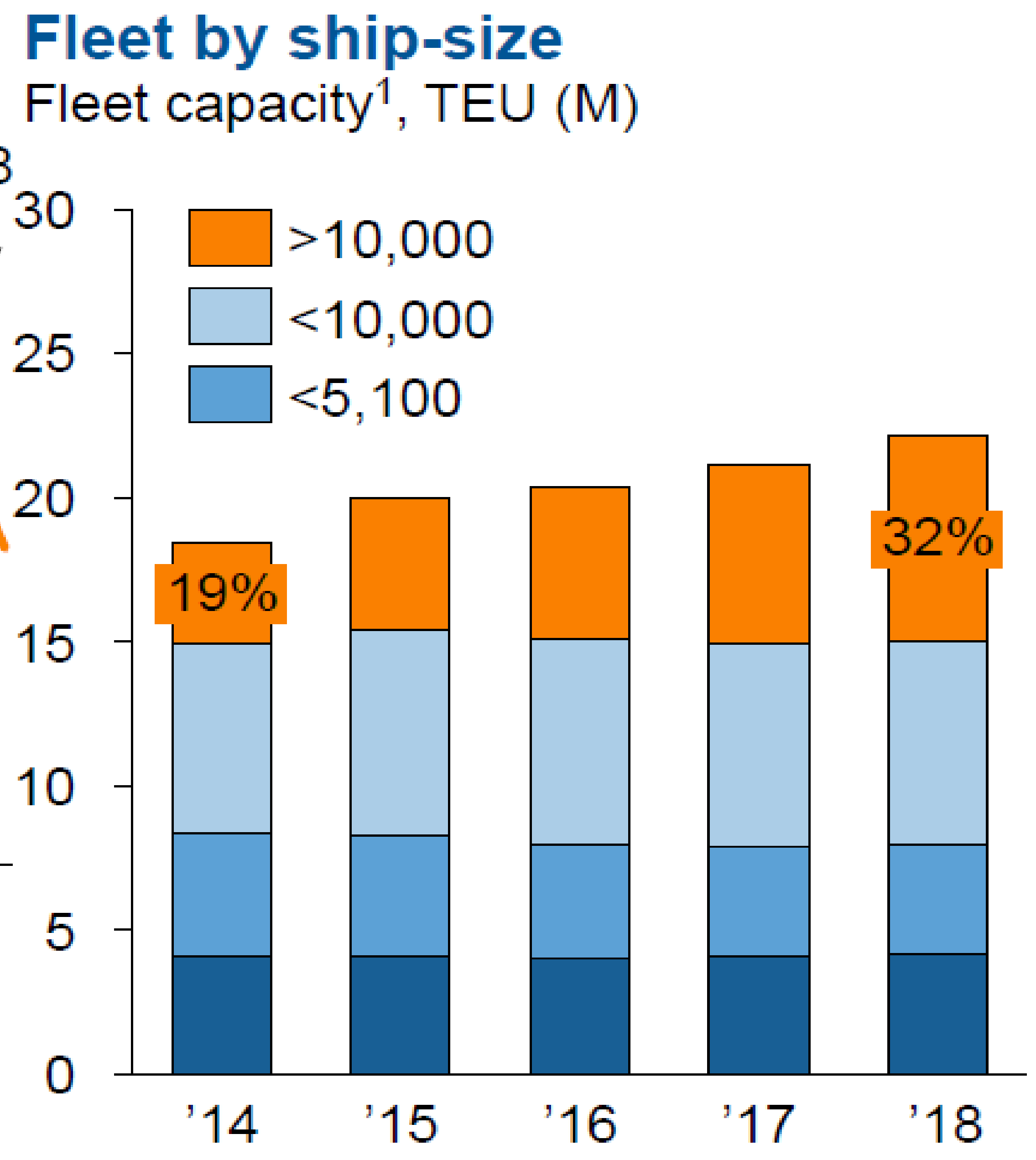
1) Measured as year-over-year growth rate (YoY) compared to 2017 in terms of TEU volumes; thickness of arrows is representative 2017 trade lane size in TEU;
Source: Seabury Global Ocean Trade Database & Seabury Ocean Trade Dashboard, excluding UN Comtrade; Seabury Consulting analysis (November 2018)

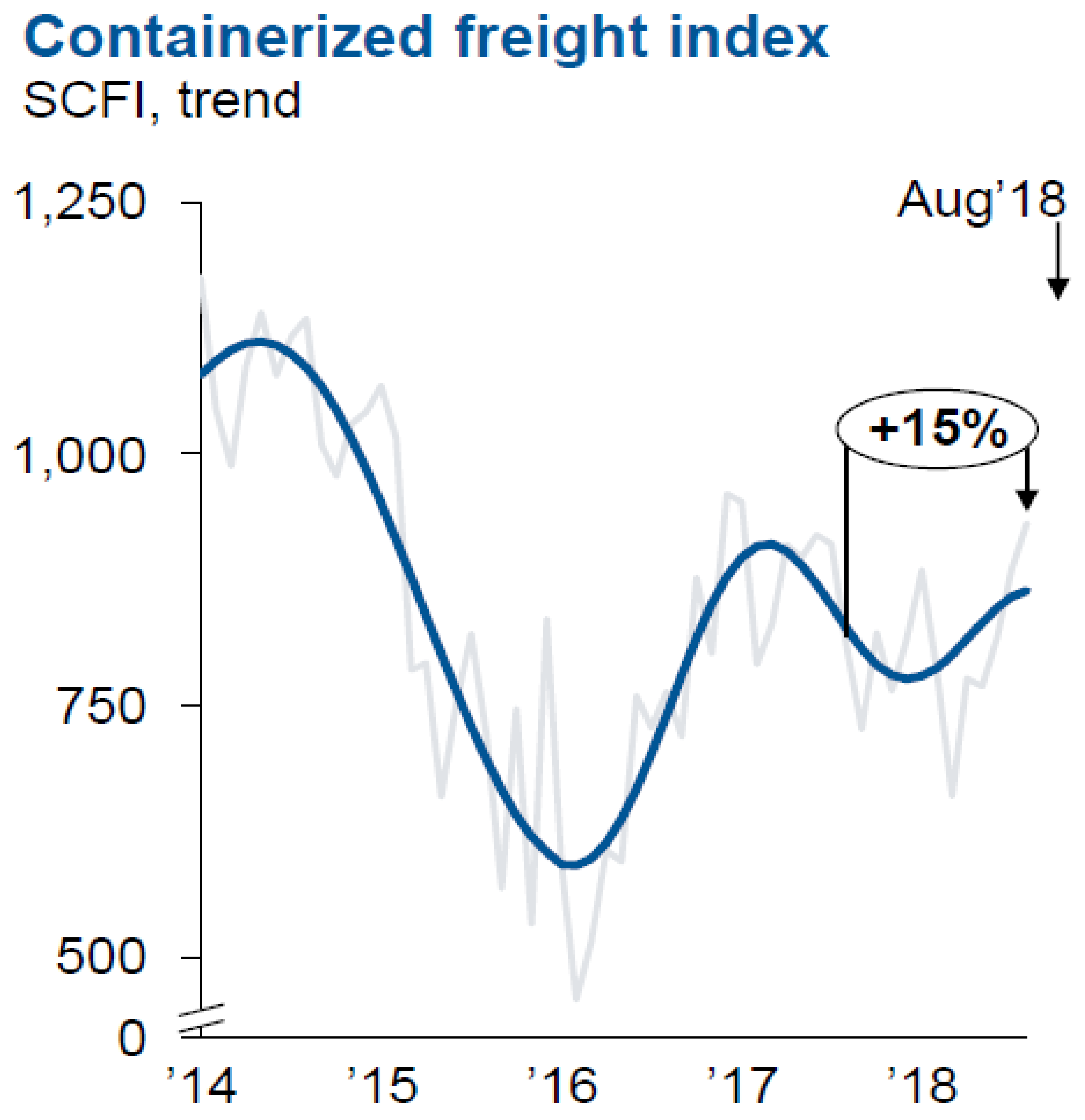
Source: Seabury Consulting

Global Demand has consistently kept up with supply in 2018

Spot rates from Shanghai are up, despite global overcapacity; higher spot rates could be seen as an encouraging sign for the strength of the market, but supply/demand balance doesn't support this view





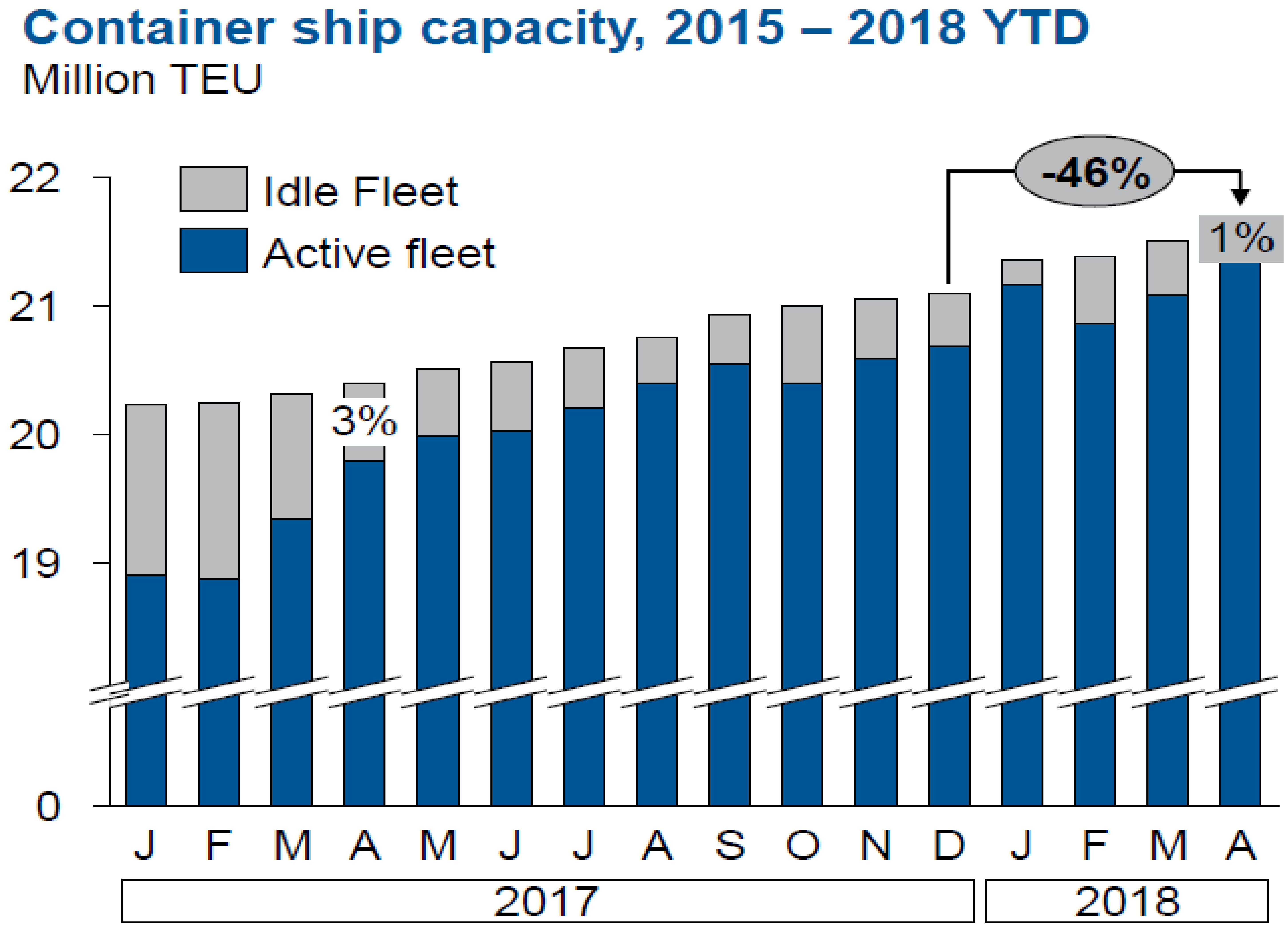


1) 2018 fleet capacity is based on actual fleet as of Sep 1st, 2018 plus expected deliveries for the rest of the year, excluding adjustments for forecasted scrapping and delivery slippage;
Source: Seabury Global Ocean Trade Database, Alphaliner, Shanghai Shipping Exchange; Seabury Consulting analysis (October 2018)

Source: Seabury Consulting

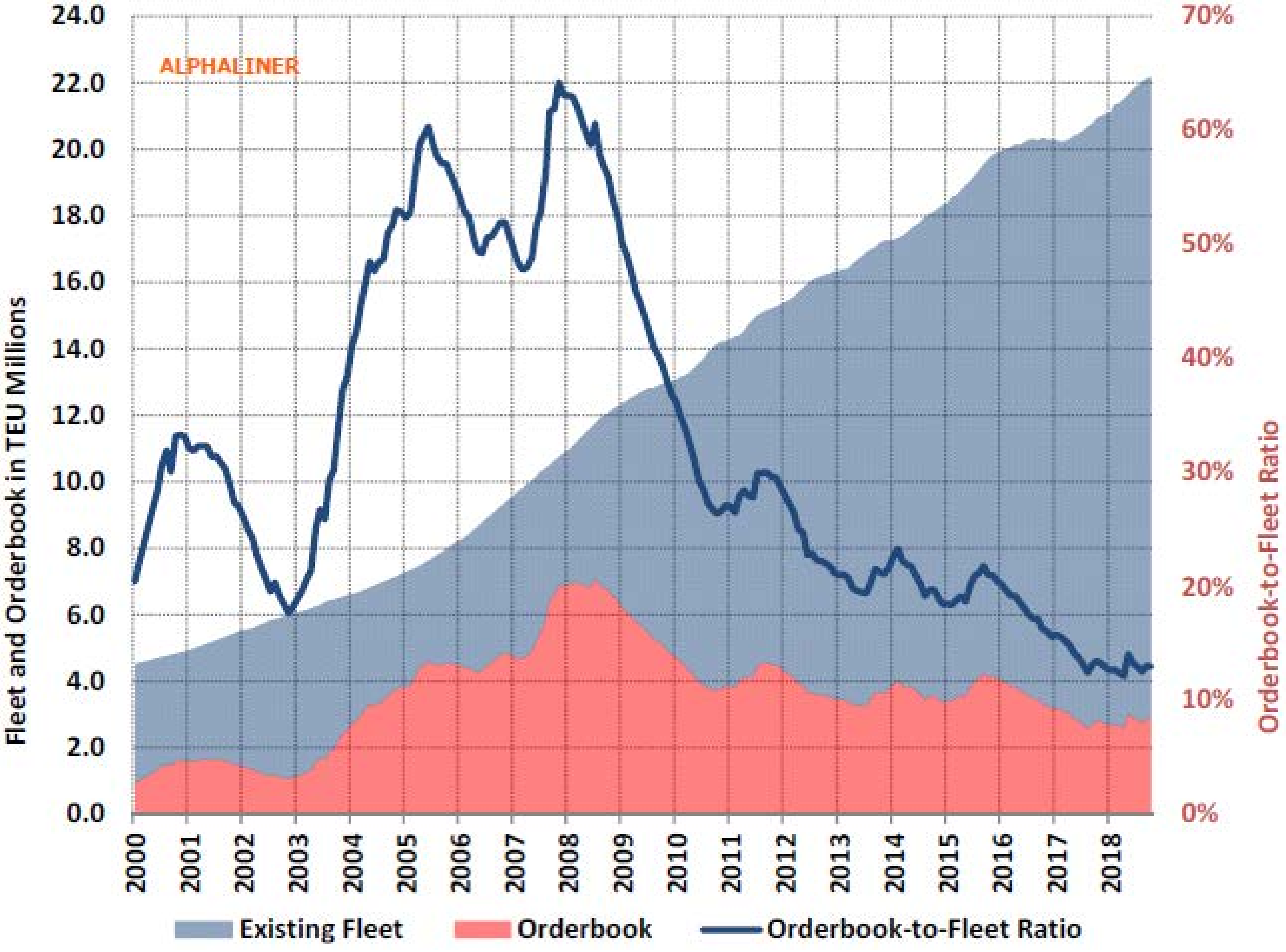
The idle fleet has substantially decreased in 2018

While total fleet growth has picked up since March last year, the size of the inactive fleet has remained low



Source: Alphaliner

Orderbook - to - Fleet Development 2000 - 2018



Source: Alphaliner

Market uncertainty after 2019FY

- **U.S-China trade war**
- **Brexit (Withdrawal of the United Kingdom from the European Union)**
- **Bunker Price**

Source: Seabury Consulting

US-China Trade War

Even though the exact effect the additional US –China trade measures will be hard to predict, we see a number of possible outcomes based on our analysis of previous "trade wars"

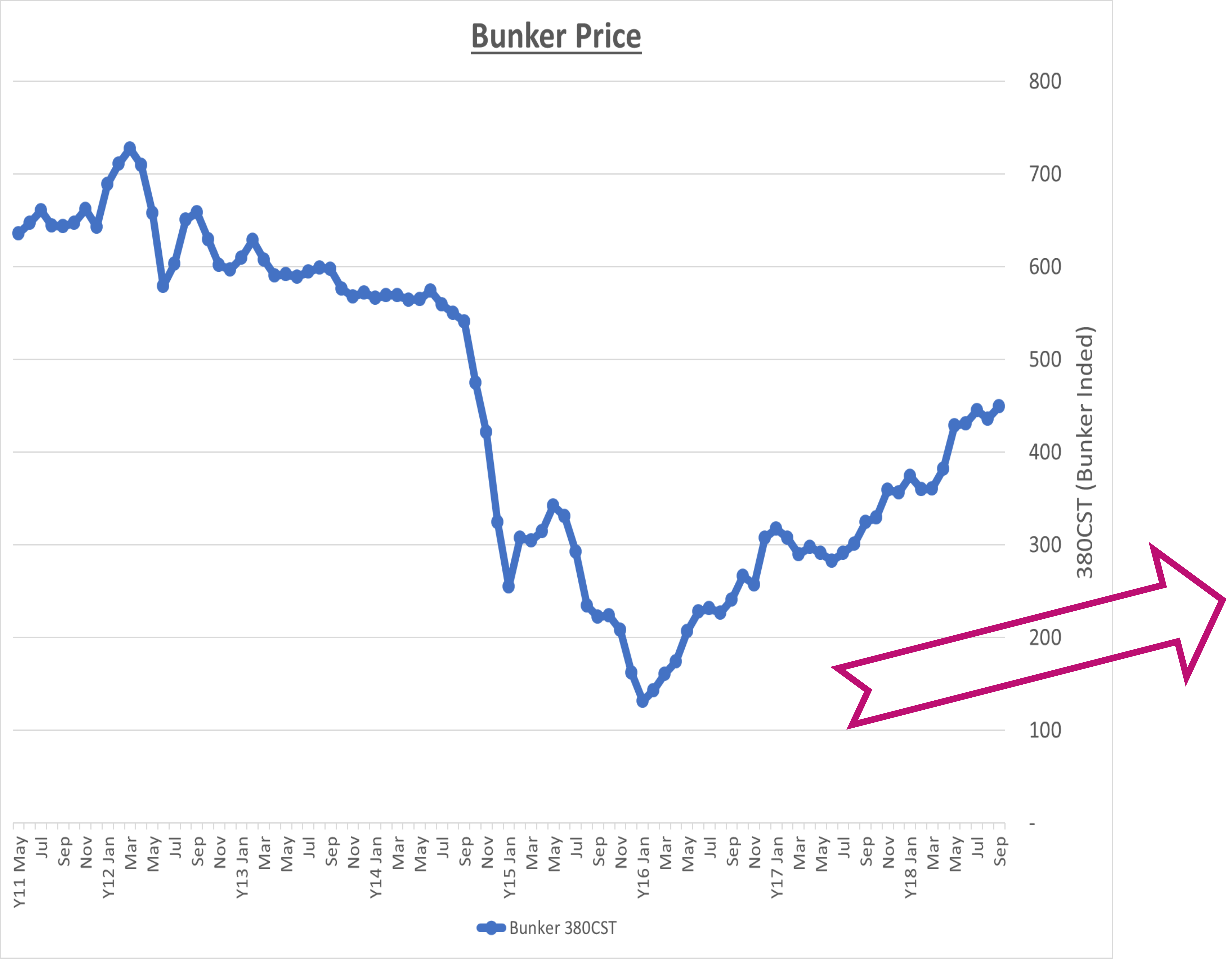
Production:	1 No change in source country	2 Different source country	3 Production in N. America
Example:	▪ Europe specialty steel ▪ Solar panels	▪ China to Vietnam ▪ China to Europe	▪ LG washing machines ▪ Televisions?
Best case:	Container trade remains largely unchanged	Container trade volume and distance largely unchanged	Moderate to substantial drop in TEU volumes
Worst case:	Moderate drop in TEU volumes	Distance decreases, container volume largely unchanged	Substantial drop in TEU volumes

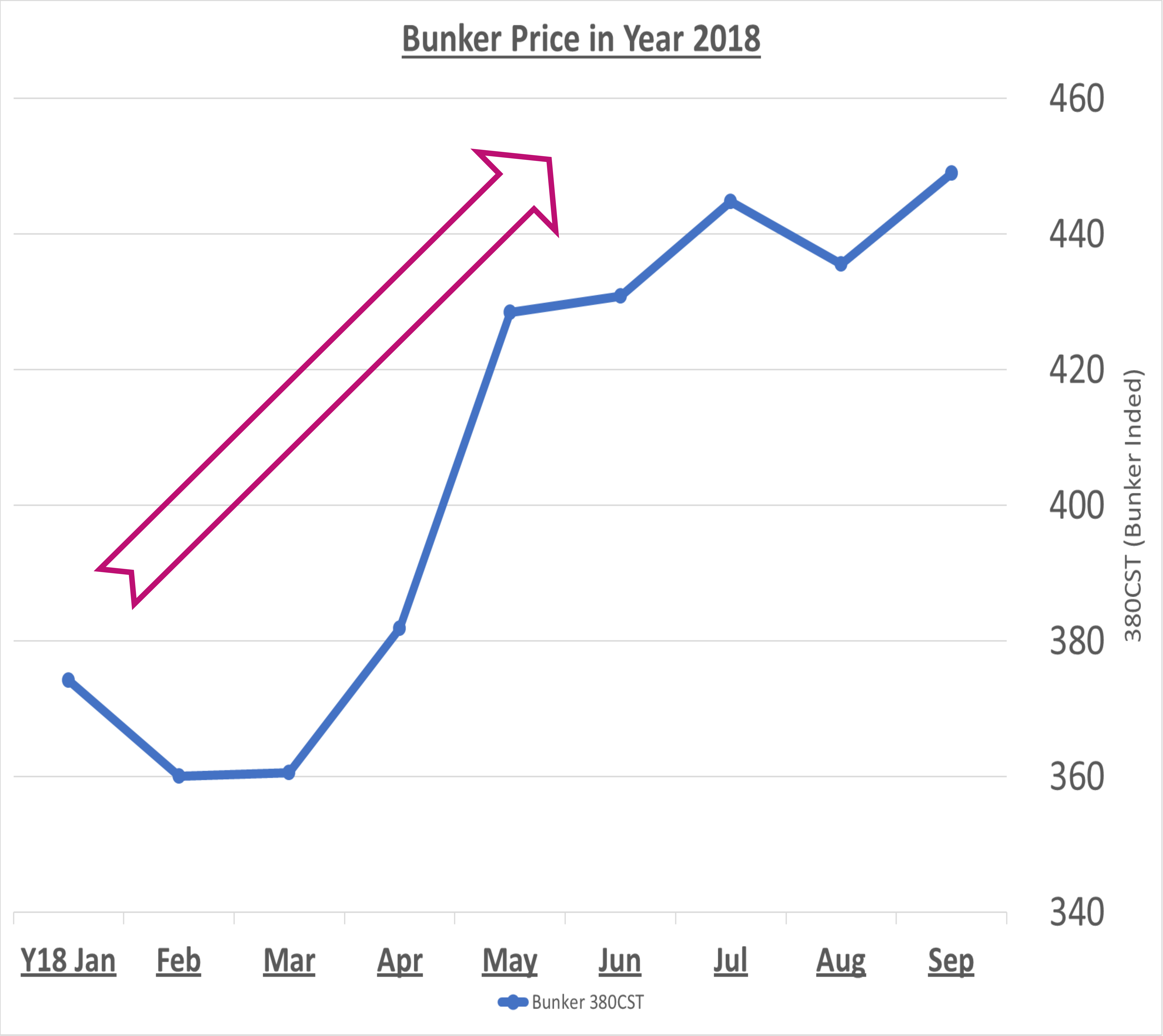
Impact on Transpacific

Shipping will have to adjust to fast changing trade flows in the near future

Fuel Price

➢ **Acute fuel price spike is causing significant cost increase**





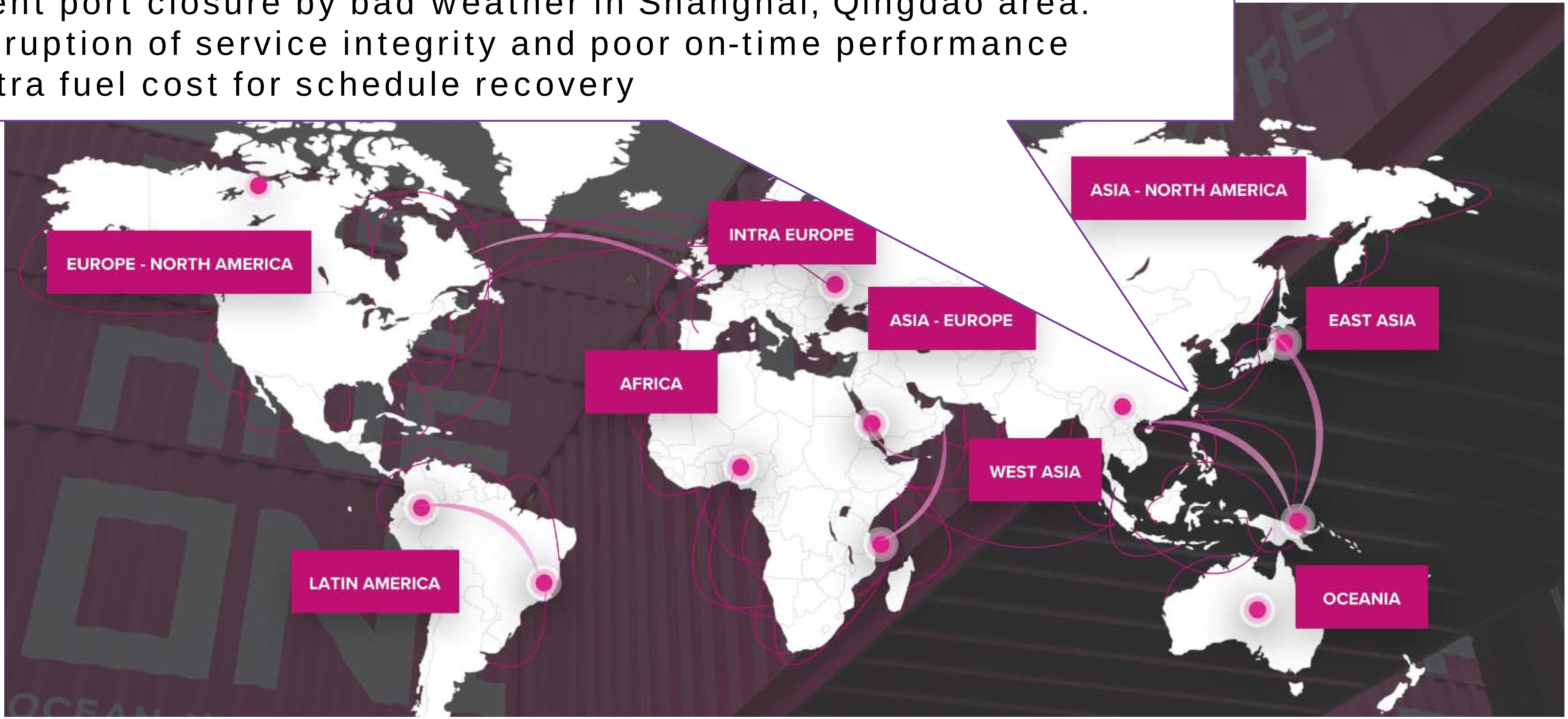
2020 IMO Fuel Regulations

- **Global environmental concerns ➡ need to reduce greenhouse emissions**
- **January 2020 ban on residual fuel oil (SOX 3.5%)**
- **Countermeasures (SOX 0.5%, Scrubbers, LNG)**
- **Future impact on supply chain costs and freight rates**

Terminal Congestion

Frequent port closure by bad weather in Shanghai, Qingdao area:

- ➢ disruption of service integrity and poor on-time performance
- ➢ extra fuel cost for schedule recovery



5. Turnaround Strategy

Action Plans for Profit Improvement

Establish an organization that can tolerate market volatility by stabilizing initial setup challenges and accomplishing significant structural reformation.

FY2019

FY2018 2H

※Planning to review the business plan of subsequent fiscal year after careful validation and consideration the appropriate time.

FY2018

Group 1

Stabilization and Recovery from Teething Problems

- Liftings and Utilization
- Improved Detention & Demurrage Collection

Around+ US$400MIL

Group 2

2019 Structural Reforms

- Cargo Portfolio Optimization
- Product Optimization
- Organization Optimization
- Synergy Effects

Stabilization → Reformation

Action Plans for Profit Improvement

Group 1	
	Stabilization and Recovery from Teething Problems
	Recovery of Liftings
	Enhancement of Detention & Demurrage Collection

Group 2	
	Action Plans toward Restructuring in FY2019
	Cargo Portfolio Optimization
	Product Optimization
	Organization Optimization
	Synergistic Effects

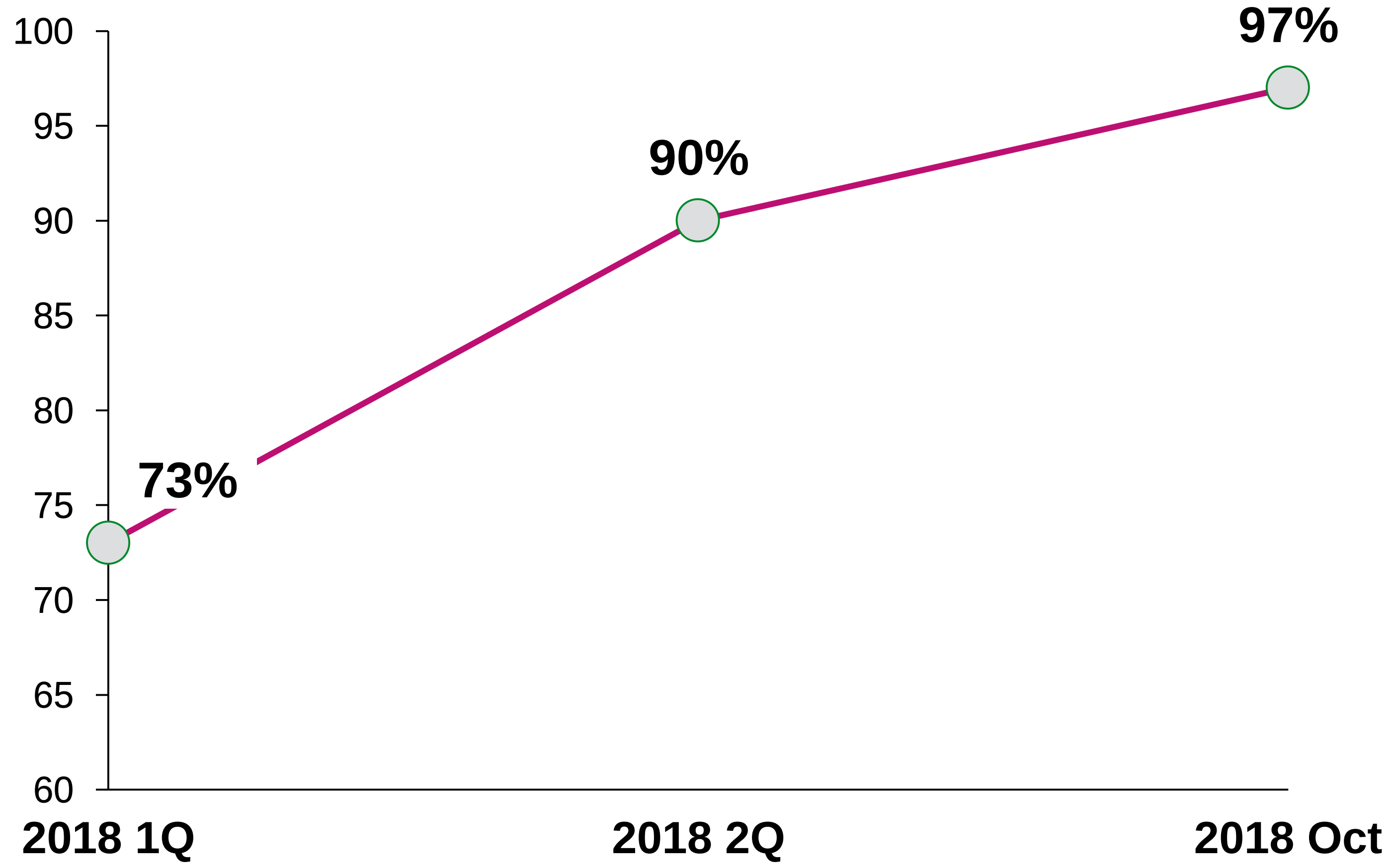
Action Plans for Profit Improvement

Stabilization and Recovery from Teething Problems

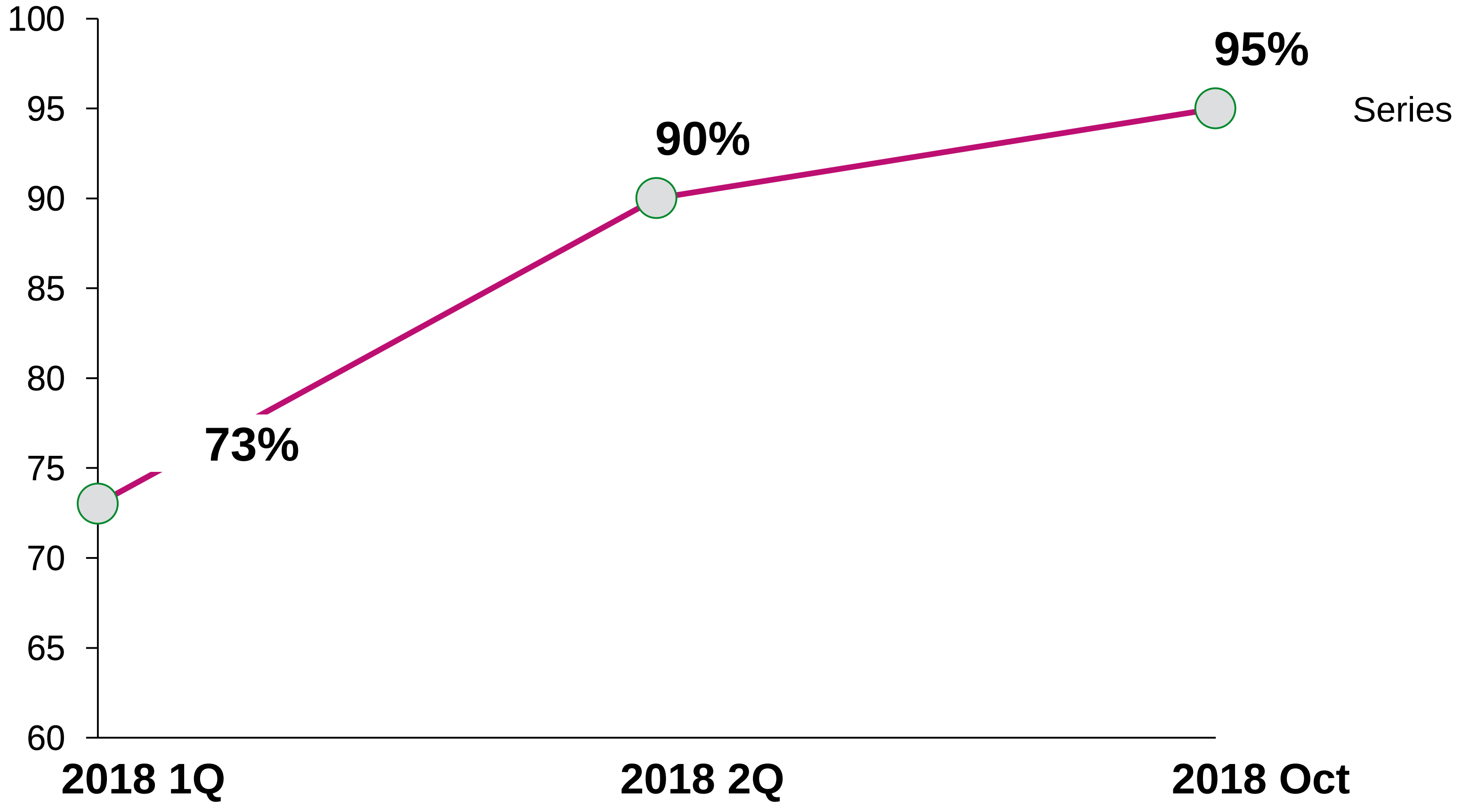
	Items	Description
Group 1	Recovery of Liftings	• Opportunities lost due to teething problems in 1H to be recovered by FY2019. • Main Target Trades for recovery ; ➢ Europe trade for both West-bound & East-bound ➢ Transpacific trade for both West-bound & East-bound ➢ Intra-Asia trade ➢ Latin America, Africa trade
Group 1	Enhancement of Detention & Demurrage Collection	• Unable to collect all in 1H due to operational disruption. • Stabilizing process and improving collection up to 3J standard from 2H onwards.

Utilization Up to Date

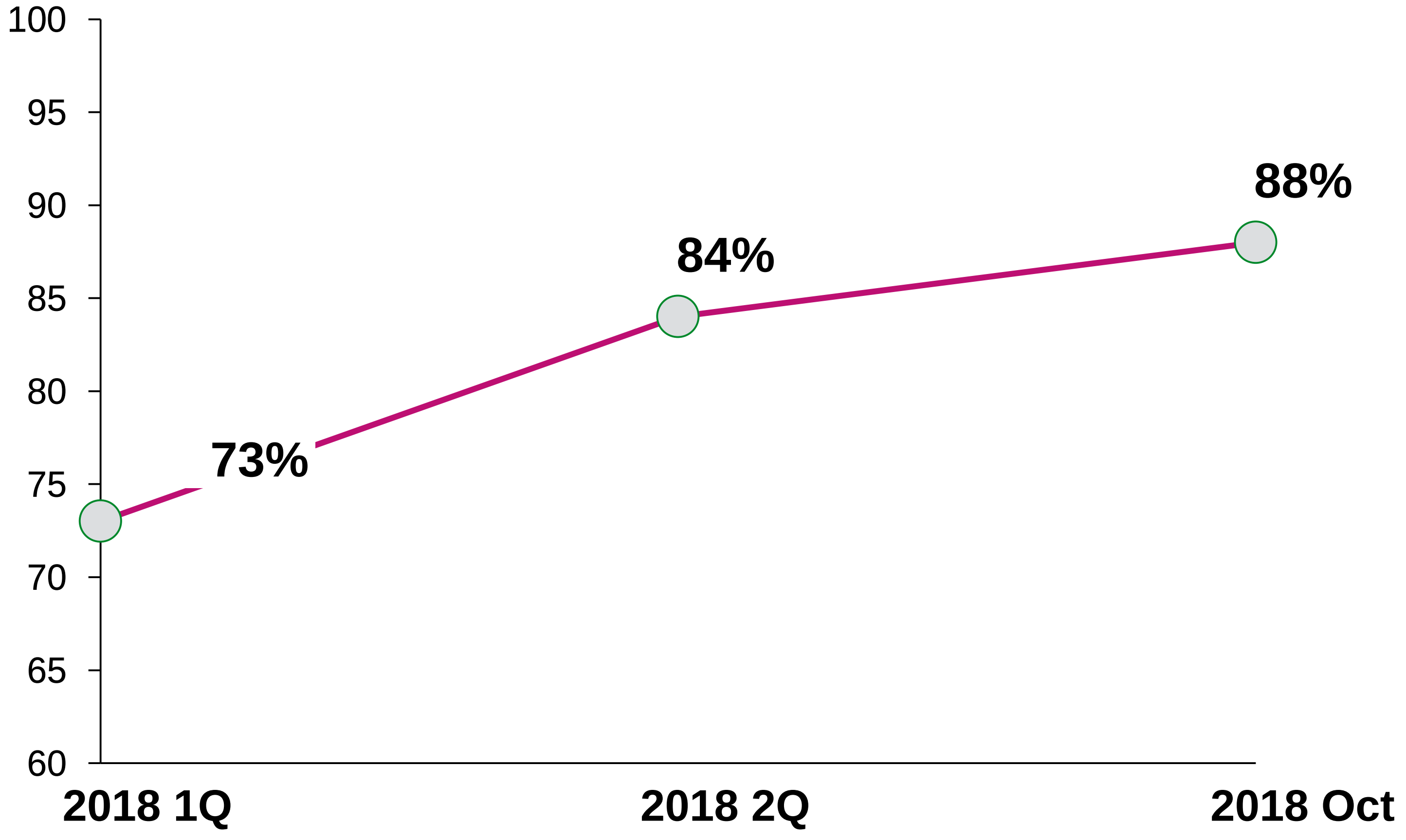
Asia - North America Eastbound



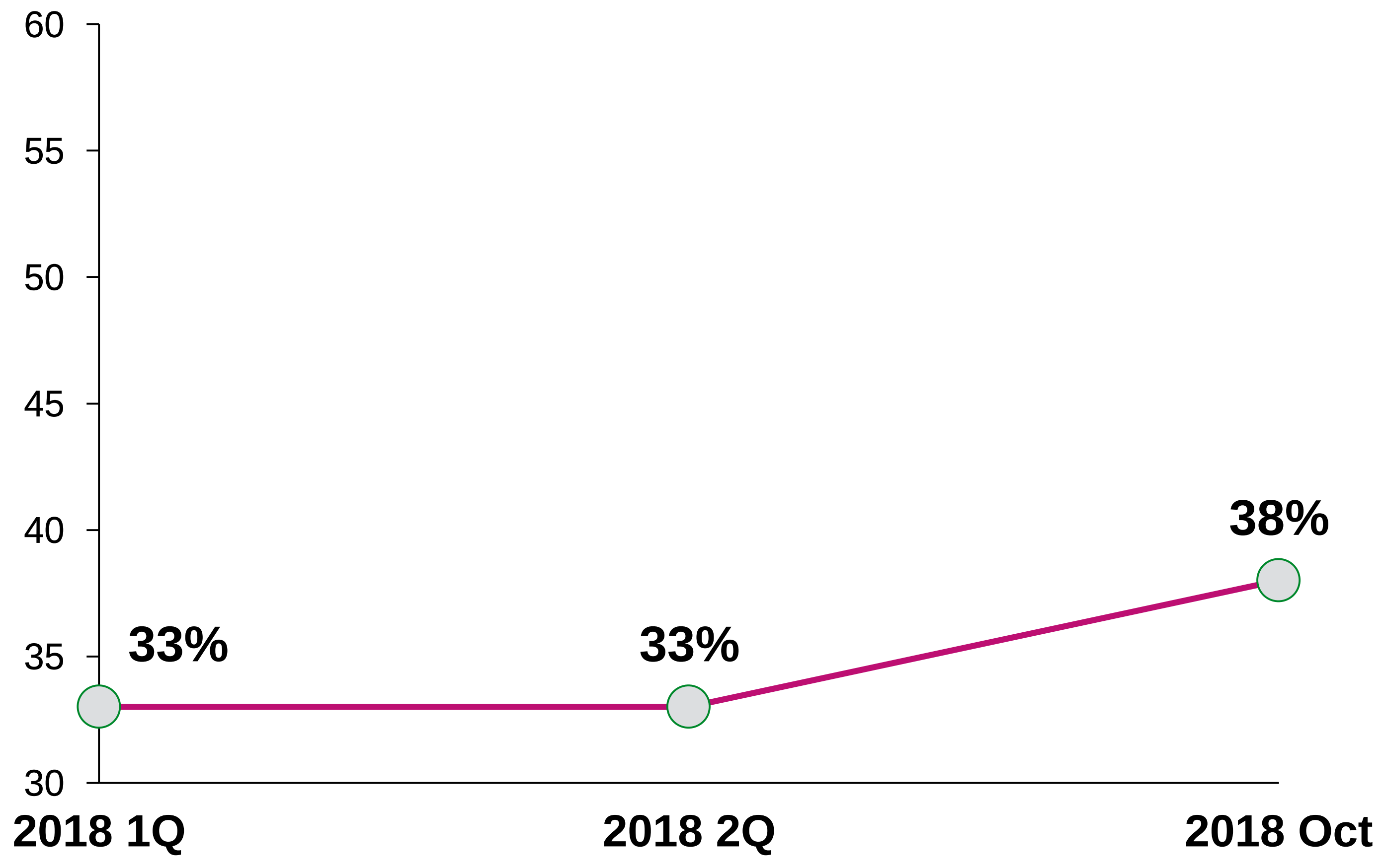
Asia – Europe Westbound



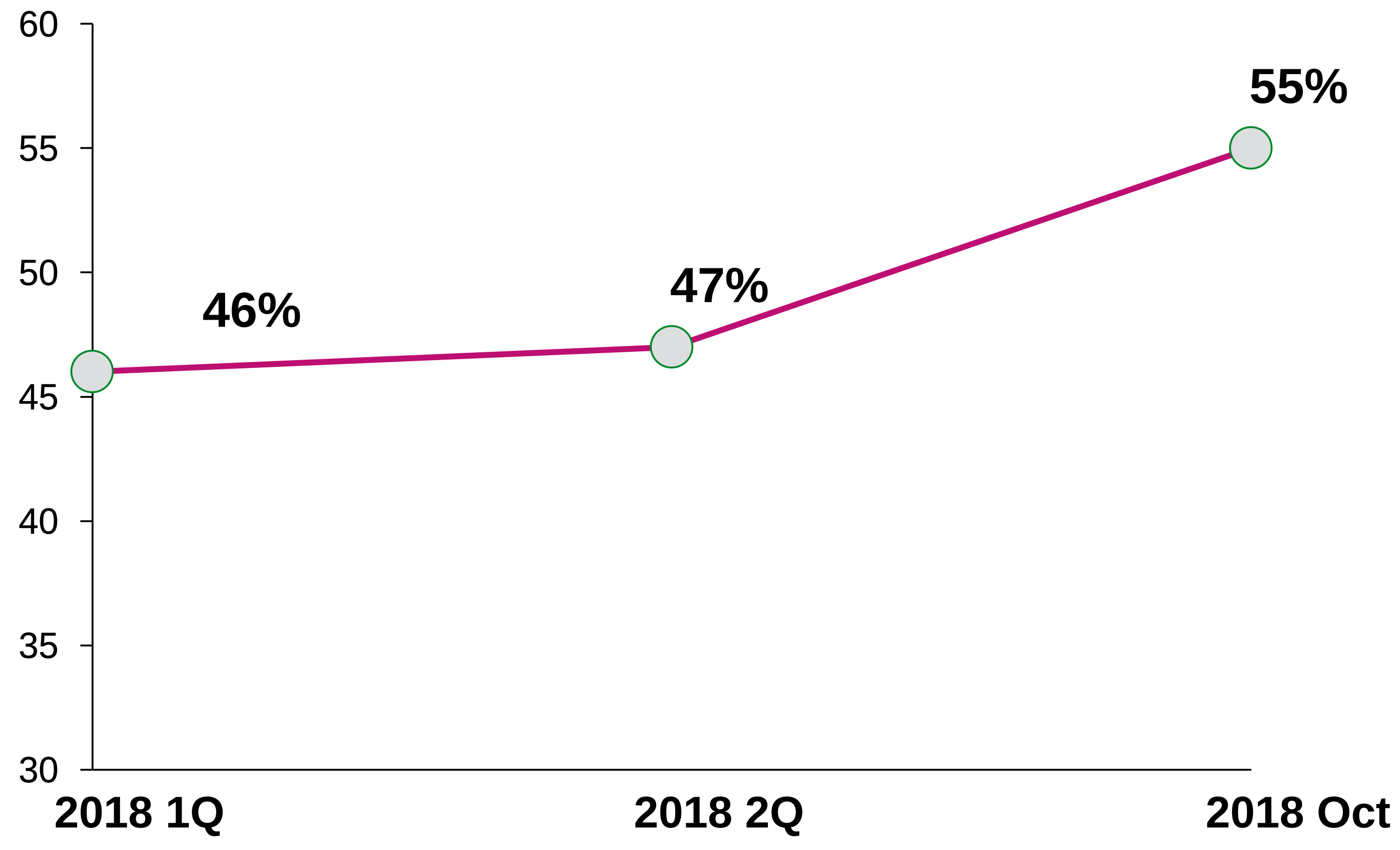
Intra Asia – Dominant



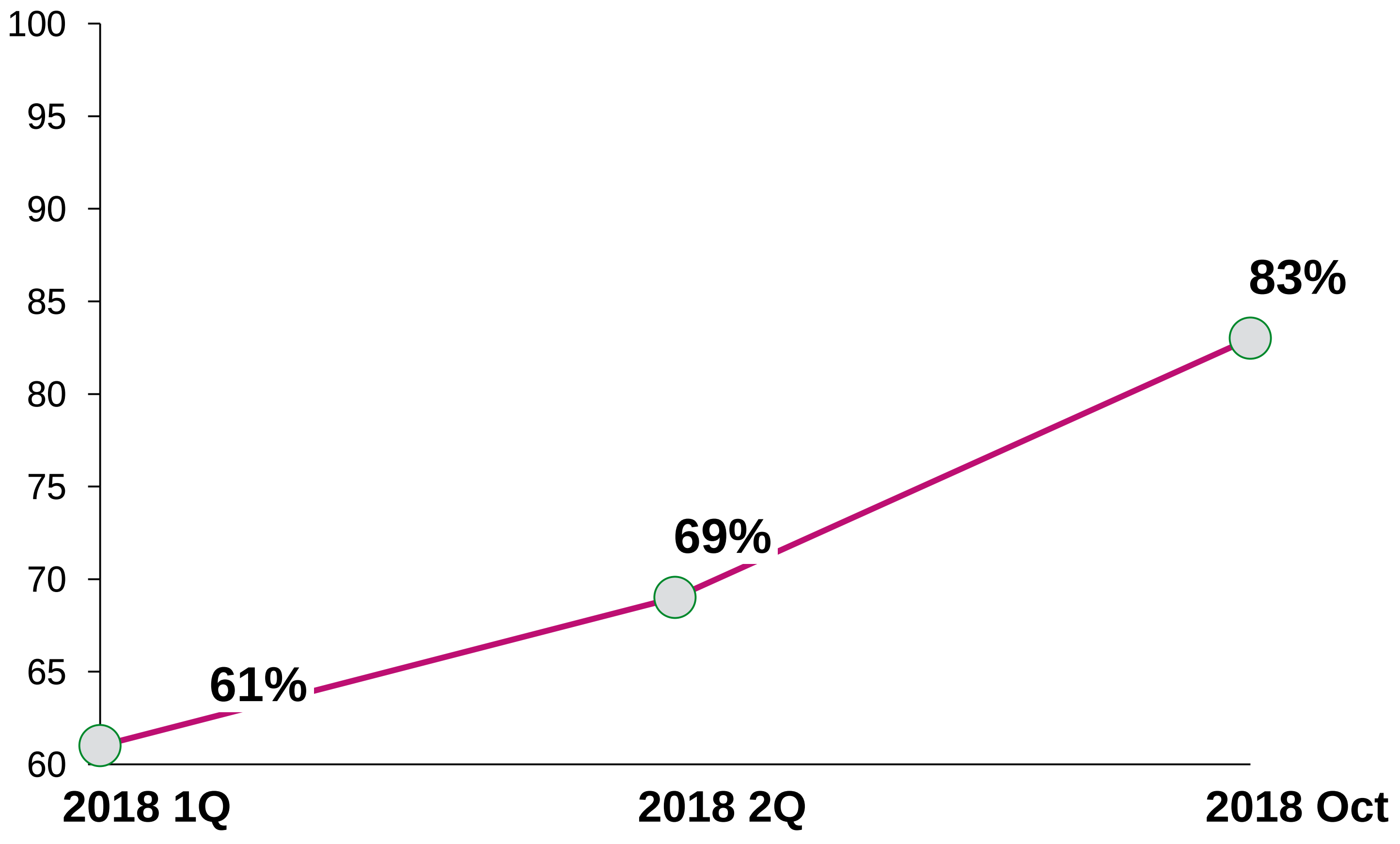
Asia - North America Westbound



Asia – Europe Eastbound



Intra Asia – Non Dominant



Action Plans for Profit Improvement

Action Plans toward Restructuring in FY2019		
	Items	Description
Group 2	**Product Optimization**	• Enhancement of network product ; ➢ Making optimum use of new-building ULCS ➢ New own feeder service in Europe and Asia cooperating with partner ・Fuel Saving Initiative (Sapphire Project) ; ➢ Cross Departmental cost-saving initiative ➢ Effective schedule management(speed, route, Shorter port stay etc.) ➢ Terminal productivity improvement ➢ Vessel modification for better performance

Action Plans for Profit Improvement

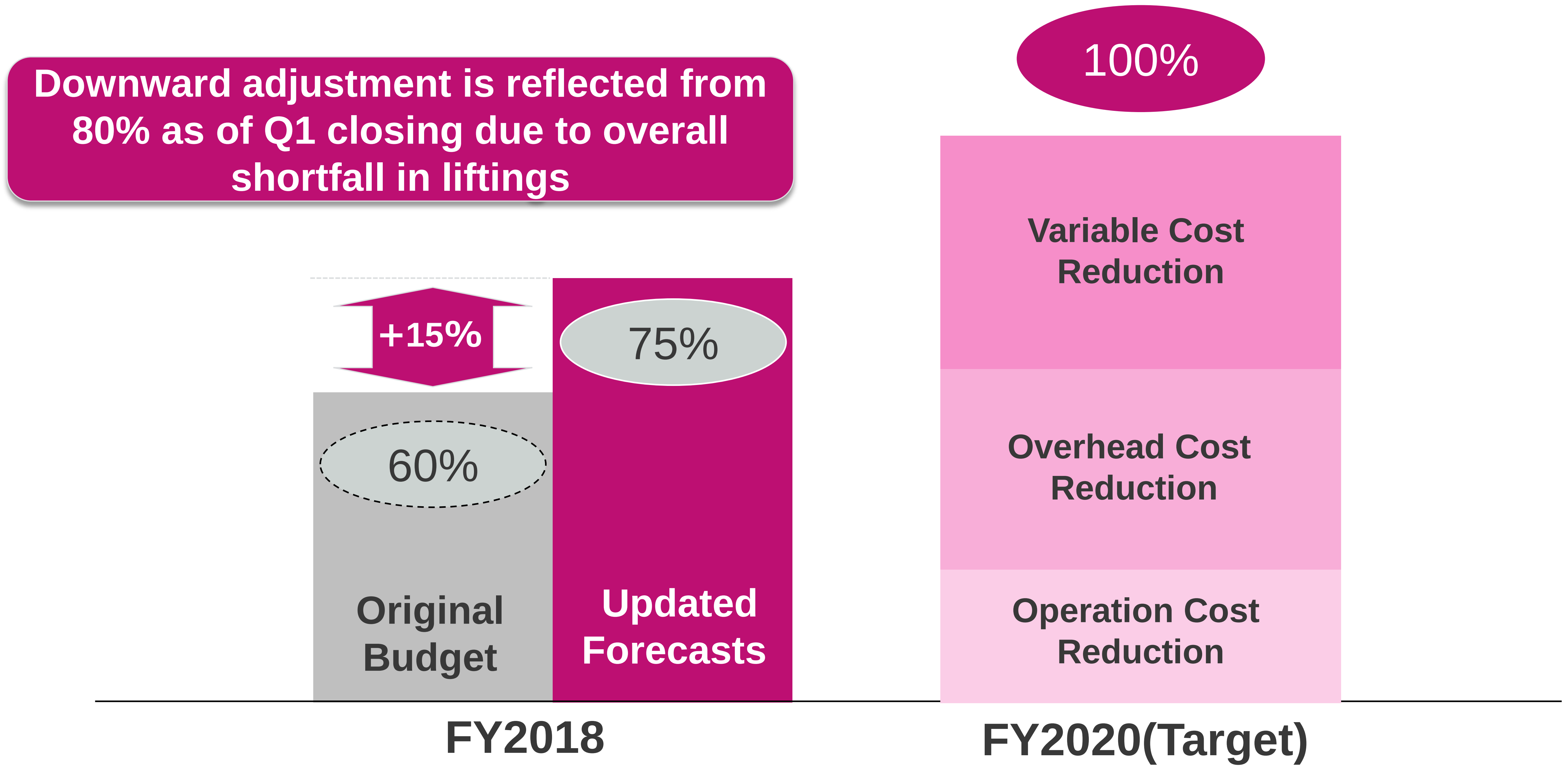
Action Plans toward Restructuring in FY2019		
	Items	**Description**
Group 2	**Cargo Portfolio Optimization**	• Transforming cargo portfolio ; ➢ Through contract renewal process for FY2019. ➢ Replacing lower contribution cargo/port-pairs with higher ones. ➢ Tighter yield management from the viewpoint of round-trip contribution · Floating BAF (Fuel cost recovery) application ; ➢ Update fuel recovery formulas to reflect new operating environment and fuel types. ➢ Universal rollout for new 2019 contracts.
	Organization Optimization	• Review for optimum organization ; ➢ Downsizing off-shore centre (business process optimization) • IT system cost saving

Action Plans for Profit Improvement

From Initial integration synergy forecast of US$1,050 million, 75% of the synergistic effects is expected to emerge for the 1st year (originally budgeted 60% and was expected to be 80% as of Q1 closing).

- **Break-down of the synergistic effect US$1,050 million is as follows.**
  - Variable Cost Reduction ・・・US$430 million：Rail, Truck, Feeder, Terminal, Equipment, etc.
  - Overhead Cost Reduction ・・・US$370 million：IT cost, Rationalization of organization, Outsourcing, etc.
  - Operation Cost Reduction ・・・US$250 million：Bunker consumption, product rationalization, etc.

Achievement ratio against the initial target



Thank You

ONE

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