

# NYK Logistics Americas

## **Supply Chain Challenges & Import/Export Outlook**

January 14, 2009



# Sea-Earth-Air “Logistics Integrator”

## Hardware / Assets

### Sea

- 700 Vessels – 200 ordered
- 23 Container Terminals
- 4 RORO Terminals

### Earth

- 4,000+ Tractors & Trailers
- 260 Distribution Centers

### Air

- 13 B-747 Freighters
- 22 Additional B-747 Freighters Ordered



## Software / Services

### NYK LINE

- 114 Offices / 4,000 Employees
- 11,000 Seafarers
- Ocean Transportation
  - NYK Line, TSK Line, NYK-Hinode
  - NYK Global Bulk

### NYK Logistics

- 250 Offices / 13,000 Employees
- Surface Transportation
- Warehousing & Distribution
- NVOCC “Double Wing Express”
- Customs House Brokerage – Import/Export
- Cross Dock / Deconsolidation
- Origin Cargo Order Management
- Manufacturers’ Inbound Logistics
- Other Logistics Services & Consulting
- Auto Logistics (PDI, Transportation)

### Yusen Air & Sea

- 166 Offices / 4,300 Employees
- Air Forwarding & Logistics Services

### Nippon Cargo Airlines

- 17 Offices / 750 Employees
- AirFreight Transportation

### NLA Airfreight

- Domestic & International Air Freight Service



# Shipping Market Update

- ✓ Bulk Market has Contributed Greatly to Liner Companies that operate in this sector, but market stabilizing
- ✓ Dry Bulk & Energy Market have dropped off post Olympics
- ✓ Longer Trade Distances likely to require long-term Bulk and Tanker Capacity
- ✓ New Build Order-book remains large and Shipbuilding Market uncertain:
  - Over 20% of Tankers are still single Hull
  - VLCC's being chartered/used for storage

# Container Shipping Market Update

Reduction of Liner Capacity

*Serve Market Demand but Control Variable Costs/Losses*

## October & November Announcements:

CKYH (Cosco, Hanjin, K Line, Yang Ming) Alliance

- Withdrawing 21 container vessels

New World Alliance (APL, Hyundai, MOL)

- Cutting Capacity by Approximately 20%

Maersk suspends 9x7600 Teu Service in Asia - Europe

Grand Alliance (Hapag, OOCL, NYK)

## Estimates are that:

- Over 50 container ships in the 1,000-2,000 TEU range currently idle awaiting charter.
- Unemployed vessels represent about 1.25% of the current cellular fleet or approximately 150,000 TEU – fast approaching the 180,000 TEU at the peak of the 2002 crisis.

# Container Shipping Market Update

Reduction of Liner Capacity

*Serve Market Demand but Control Variable Costs/Losses*

- New Vessel Sharing Agreements being Implemented to **Control Costs and Serve Market (Grand Alliance & New World Alliance)**.
- **Additional Vessels Deployed in Service** to reduce Speed and control Fuel Costs and Emissions.
- **Re-Deploy** Container Ships **between Markets** more **Quickly** depending on Trade Demand and Return.
- Challenge to gain **Estimates on Demand** for Vessel Space Planning for the Market, and Change in **Seasonality Trend**.

# Container Shipping Market Update

Trades Remain Imbalanced but change breaking paradigm of managing Exports to Serve Import Business

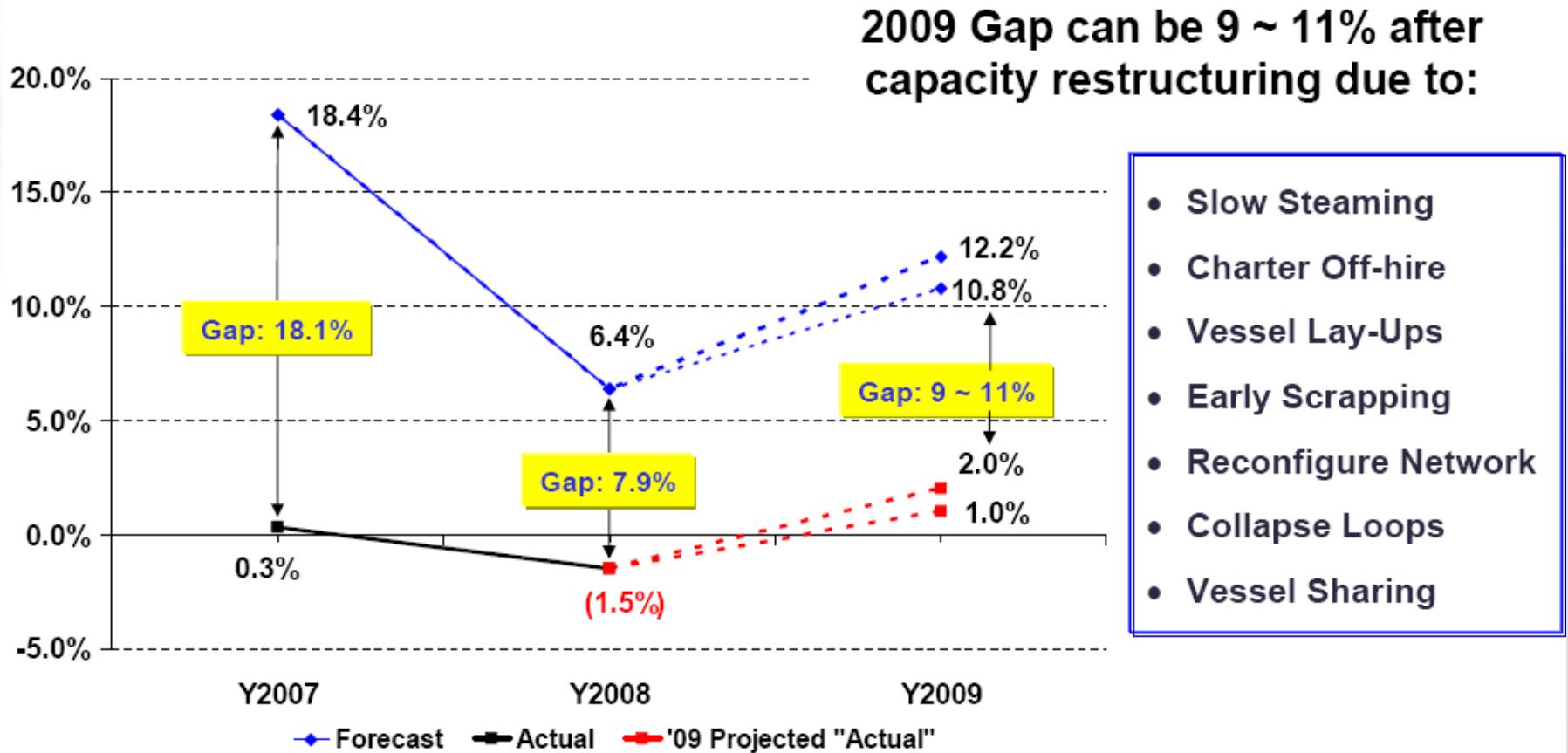
| TRANS-ATLANTIC |                       |                  |
|----------------|-----------------------|------------------|
|                | 2007 Volume (mm TEUs) | 2008 est. growth |
| Inbound        | 2.8                   | -9.4%            |
| Outbound       | 2.6                   | 9.0%             |

| TRANS-PACIFIC |                       |                  |
|---------------|-----------------------|------------------|
|               | 2007 Volume (mm TEUs) | 2008 est. growth |
| Inbound       | 14.5                  | -7.8%            |
| Outbound      | 5.9                   | 12.2%            |

| LATIN AMERICA |                       |                  |
|---------------|-----------------------|------------------|
|               | 2007 Volume (mm TEUs) | 2008 est. growth |
| Inbound       | 1.8                   | -3.5%            |
| Outbound      | 2.0                   | 3.3%             |

# Transpacific Market Update

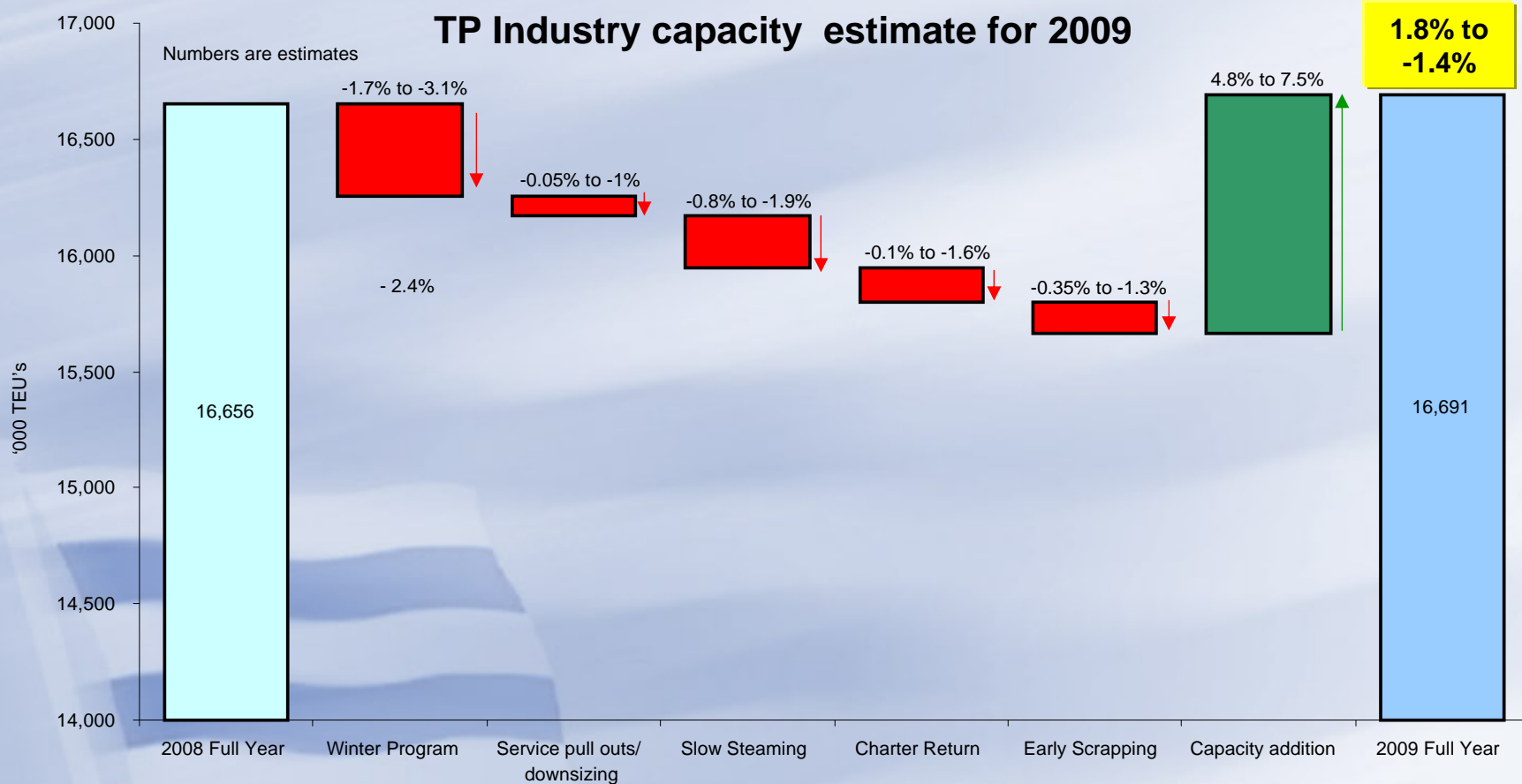
*Evaluating Supply & Demand and its Impact has become more Complex*



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

# Transpacific Market Update

## Complexity of Supply & Demand and Its Impact



Source: Carrier Internal Analysis

# Global Extended Supply Chain

## The Distributed Manufacturing Dilemma Coordinating Response Across the Virtual Enterprise



### Global Supply Chain KPI's

- Inventory Turns
- Total Landed Cost
- Fill Rate
- Cost of Quality
- Working Capital
- Currency Gain/Loss
- Lead Time

Medium-High expedited freight cost

Medium-high compliance cost

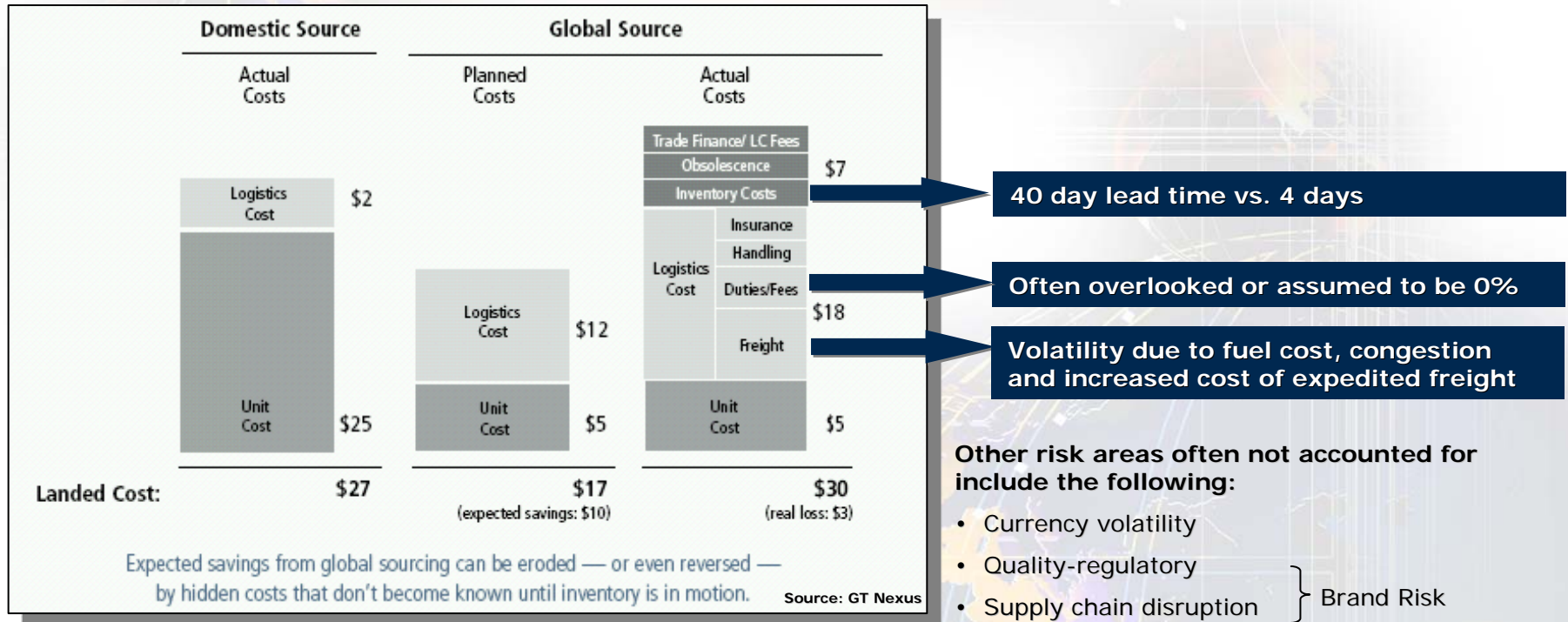
"69% of brand owners say they now have *less control* over at least five key supply chain processes, including: order promising, analyzing and managing risk, inventory liability, and forecast sharing."

Source: Electronics Supply Chain Association and Industry Directions survey of 121 leading brand owners, December 2005

**Global Planning, Integration and Partnership is the Main Focus**

# US Retail & Supply Chain

## Landed Cost; Domestic vs. Global & Purchase Terms



**Total Landed Costs Are Often Underestimated-Not Compared to Actuals**

# Liner Trade Outlook

- NYK Line is bullish on container growth long-term.
- In 2009 we hope for moderate to flat growth overall, but certain economies (BRIC) and emerging markets look more favorable for 2009-2010.
- Freight rates will continue to stabilize, but Fuel and Infrastructure Costs prevail the economic outlook.
- Export markets from Developed Countries will continue to see positive growth but not at level of 2007/2008.

# Transpacific Market Update

## Mid Term Issues

- **Terminal Capacity Remains a Concern**
- **Rail Fluidity and Costs**
- **US Policy on Infrastructure**
- **State & Federal Fee Policies**
- **US and Ocean Carrier Economics**

Questions?

Thank You!

