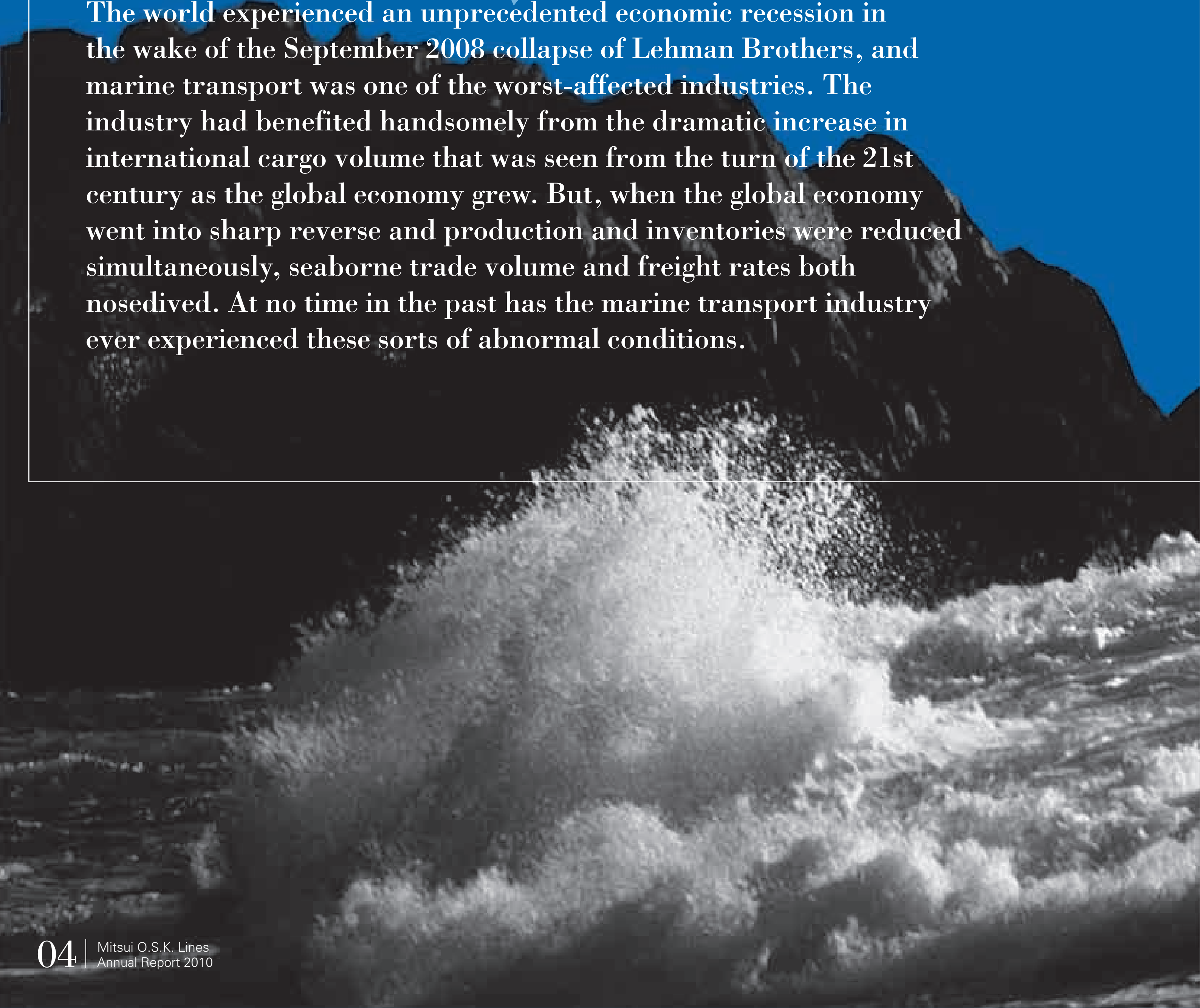
Great Recess

The world experienced an unprecedented economic recession in the wake of the September 2008 collapse of Lehman Brothers, and marine transport was one of the worst-affected industries. The industry had benefited handsomely from the dramatic increase in international cargo volume that was seen from the turn of the 21st century as the global economy grew. But, when the global economy went into sharp reverse and production and inventories were reduced simultaneously, seaborne trade volume and freight rates both nosedived. At no time in the past has the marine transport industry ever experienced these sorts of abnormal conditions.



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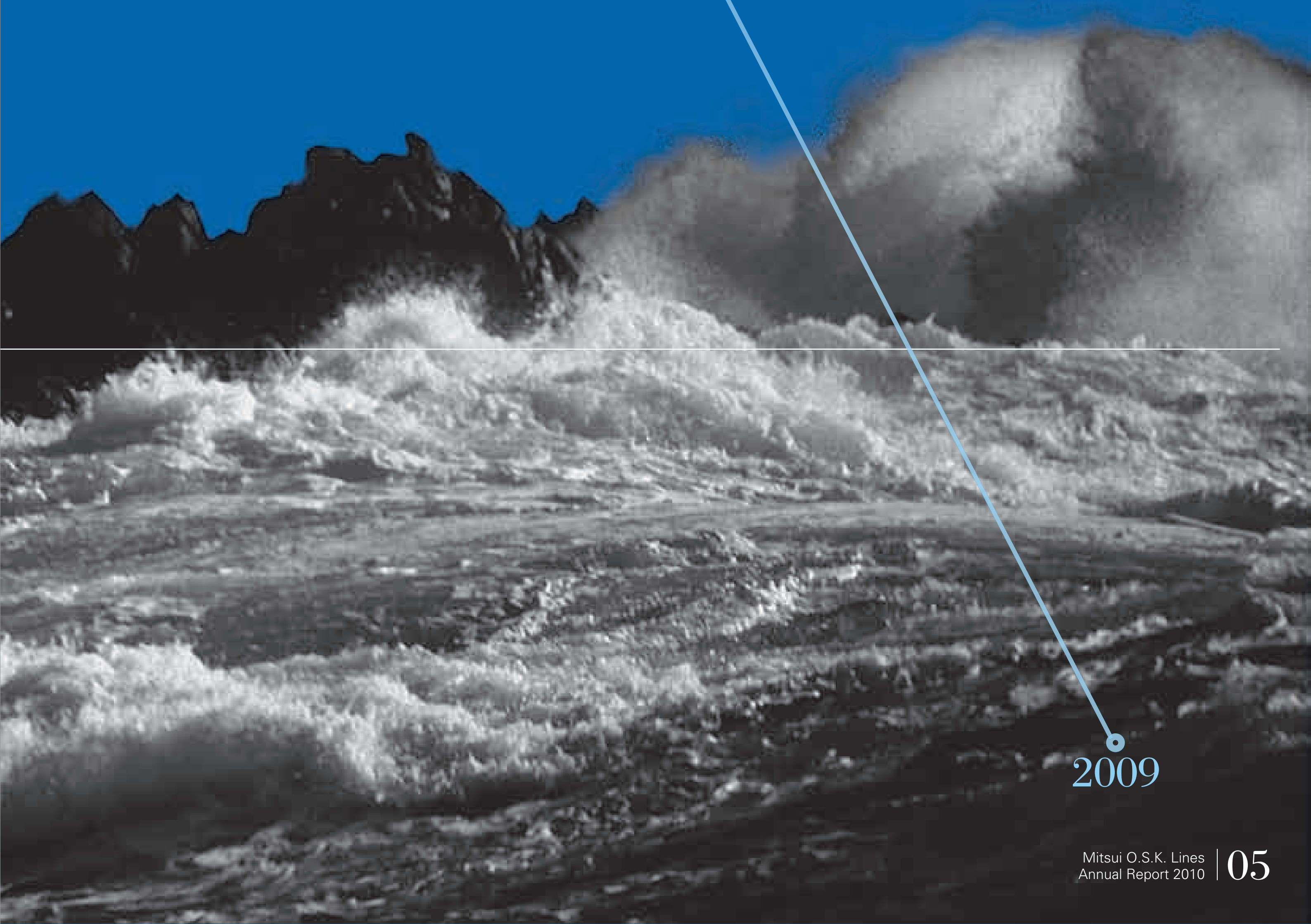
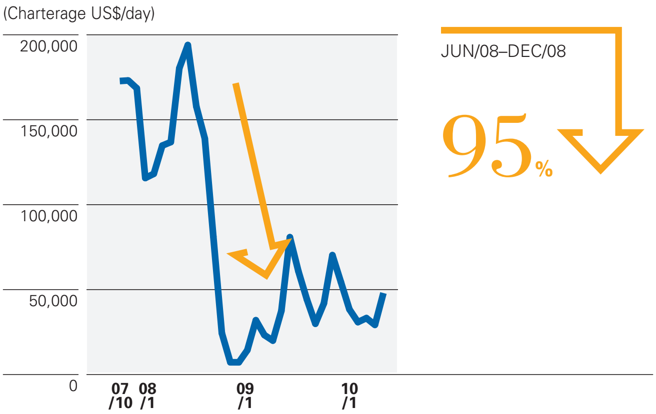


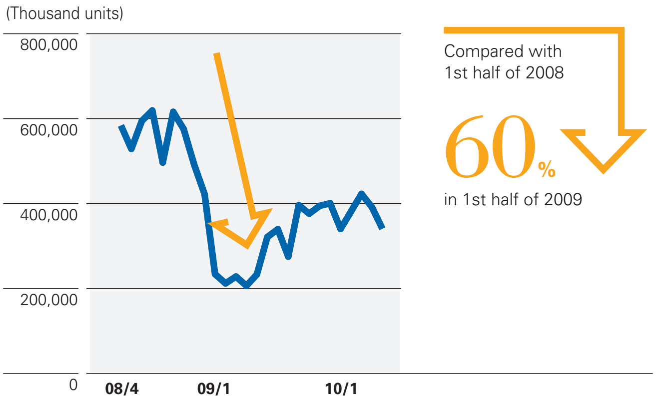
In the second half of fiscal 2008 and first half of fiscal 2009, the marine transport industry was forced to navigate in market conditions that were akin to zero visibility. Demand plunged by several dozen percent, threatening the marine transport industry, a typically capital-intensive industry requiring huge outlays on vessels.

CAPESIZE CHARTERAGE
(4TC AVERAGE [MONTHLY AVERAGE])



Source: Bloomberg

MONTHLY EXPORT VOLUMES OF AUTOMOBILES FROM JAPAN



* Passenger Car, Truck and Bus Total (Including KD)
Source: Japan Automobile Manufacturers Association, Inc.

DRY BULKERS: STEEL MILL PRODUCTION CONTRACTED WORLDWIDE AS INDUSTRIALIZED NATIONS STAGNATED. BUT AN UPTURN IS BEING LED BY EMERGING NATIONS.

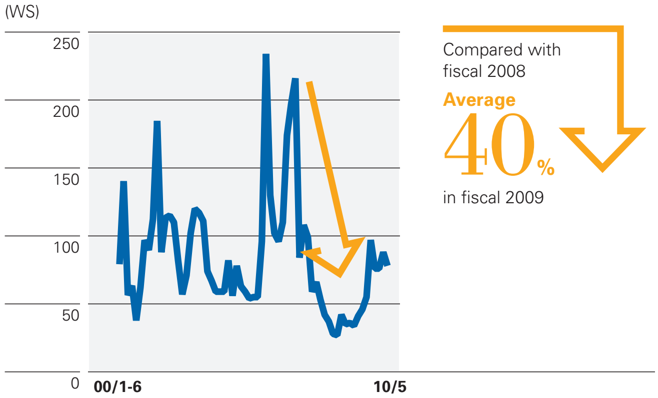
The first half of 2008 saw industrialized nations buoyed by strong financial markets, with China's economy continuing to grow in tandem. These twin engines of economic growth powered full capacity utilization at steel mills around the world. With the supply of dry bulkers unable to keep up with this buoyant demand, the daily spot charter rate for Capesize bulkers spiked to US$230,000 at one point in June 2008. But as industrialized economies fell into recession, all steel mills in industrialized countries cut back operations. With steel mills also adjusting steel raw material inventories, transportation demand dipped. At one point in December 2008 the Capesize spot charter rate dropped to US$2,000 per day—a level that would have been unthinkable just months earlier.

In contrast to industrialized nations, newly emerging economies continued to perform robustly even in 2009, and China especially continued to increase imports of steelmaking raw materials as it developed internal infrastructure. China is now driving a nascent recovery in the economies of industrialized nations. As a result, although freight rates have fluctuated, the dry bulker market moved into recovery mode from the middle of 2009.

CAR CARRIERS AND TANKERS: MARKETS OVER-REACTED, BUT A SLOW RECOVERY IS TAKING SHAPE.

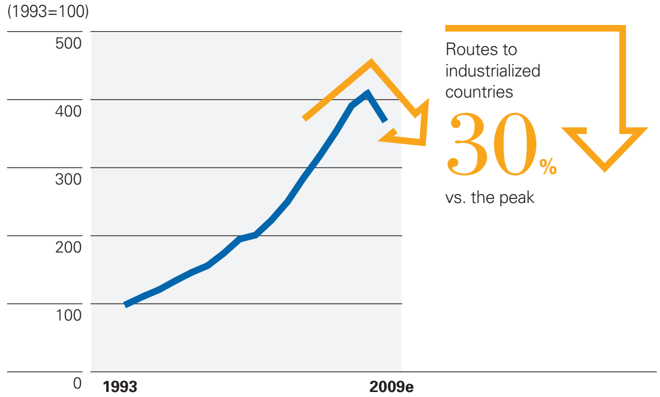
Car carriers felt the impact of the great recession more than any other type of vessel. Before the recession, in 2008, auto exports from Japan, South Korea and other countries posted unprecedented growth on the back of robust auto sales in the U.S., Europe, the Middle East and elsewhere. The supply of vessels could not keep pace with export demand. Following the sudden collapse of Lehman Brothers, however, car makers slashed production and began

VLCC SPOT RATE (ARABIAN GULF/EAST)



Source: Drewry, etc.

CONTAINERSHIP SEABORNE TRADE



* MOL internal calculation based on Clarkson Research Services Autumn 2009 (2009e: estimated figures)

adjusting inventories. Consequently, exports of finished vehicles from Japan dropped an unimaginable 60% in the first half of 2009, compared to the corresponding period of the previous year.

Tankers, meanwhile, saw global oil consumption fall for the first time in more than two decades. The direct impact of this fall was minor, but unfounded fears of an oversupply of vessels meant that VLCC freight rates in fiscal 2009 dropped by an average of 40% from the previous fiscal year.

What transpired in both these markets was clearly an over-reaction, and at present market conditions are slowly recovering.

CONTAINERSHIPS: ALL CARGO TO INDUSTRIALIZED NATIONS DROPPED, PROMPTING CONTAINERSHIP COMPANIES TO LOOK FOR WAYS TO IMPROVE EFFICIENCY.

Container transport is often referred to as a microcosm of the global economy, and true to this characterization, containerships logged the highest rate of growth in trade volume of all vessel types until the first half of 2008. In the aftermath of the Lehman Shock, inventory adjustments for all types of products saw a precipitous drop in trade volume for auto parts and components, electronics, machine tools, building materials and other cargo. On routes to industrialized countries, trade volume was down 30% compared to the peak at one point. In order to counter these conditions, containership companies around the world scaled back operations by laying up ships or sailing slower. Consequently, as trade volume has rebounded, the utilization rate has improved considerably and freight rates are also recovering.