

Recent depressed market *and its possible countermeasures*



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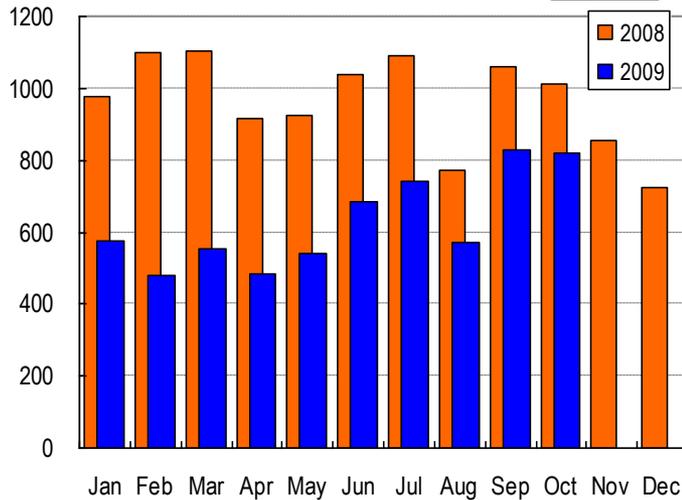
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1. Economic activities - Japan

Car production



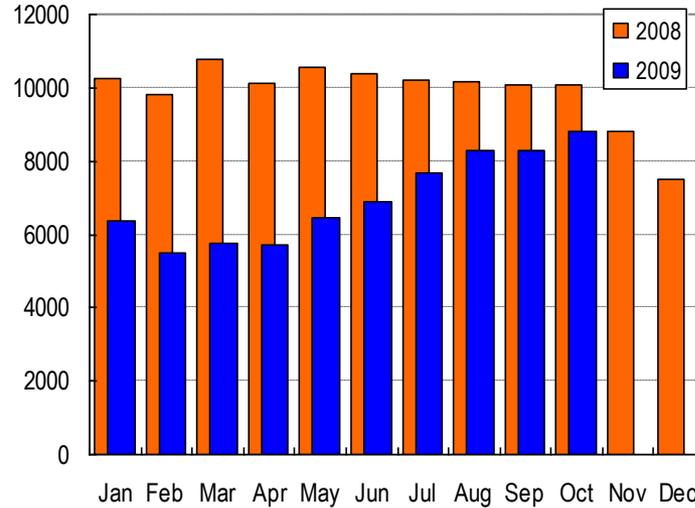
1,000 Cars



Crude steel production



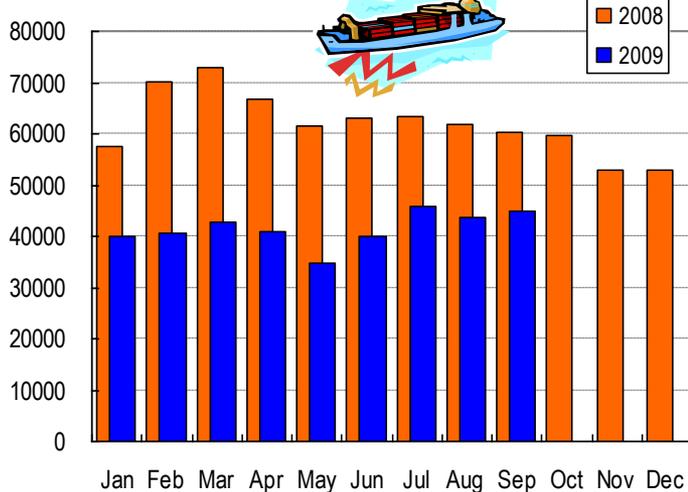
1,000 Ton



Container trade from Japan to U.S.



TEU



- Japanese economy is severely affected by global economic and financial crises.
- Recent productions are gradually recovering. However, output levels are still far below the previous year's.

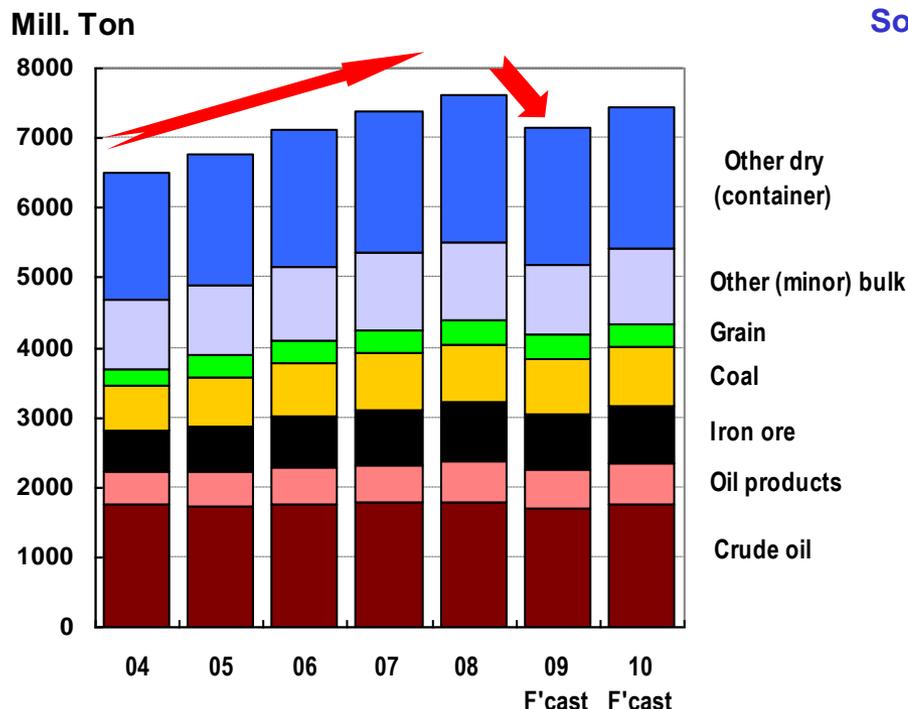
2. Apparent steel use

| | Mill. Ton | | | Growth Rates, % | | Share, % | | |
|--------------|-------------|-------------|-------------|-----------------|------------|-------------|-------------|-------------|
| | 2008 | 2009 | 2010 | '08/'09 | '09/'10 | 2008 | 2009 | 2010 |
| China | 443 | 526 | 553 | 18.8 | 5.0 | 36.7 | 47.7 | 45.8 |
| EU27 | 181 | 122 | 137 | -32.6 | 12.4 | 15.0 | 11.1 | 11.4 |
| USA | 98 | 60 | 72 | -38.7 | 18.8 | 8.2 | 5.5 | 5.9 |
| Japan | 76 | 53 | 61 | -31.3 | 15.8 | 6.3 | 4.8 | 5.0 |
| S. Korea | 59 | 46 | 53 | -21.3 | 15.7 | 4.9 | 4.2 | 4.4 |
| India | 51 | 56 | 63 | 8.9 | 12.1 | 4.3 | 5.1 | 5.2 |
| Russia | 35 | 25 | 27 | -29.5 | 8.5 | 2.9 | 2.3 | 2.2 |
| Brazil | 24 | 19 | 20 | -22.1 | 8.6 | 2.0 | 1.7 | 1.7 |
| Others | 239 | 197 | 220 | -17.6 | 11.7 | 19.8 | 17.8 | 18.2 |
| World | 1207 | 1104 | 1206 | -8.6 | 9.2 | 100 | 100 | 100 |

- Steel use (especially in **China, global share 40%+**) is the key to determine the bulk carrier (Cape size) demand in future.
- **Global steel use in 2009** is severely affected (**-8.6%**) by economic crisis except **China (+18.8%)** and **India (+8.9%)**.
- In 2010, global steel use may recover to 2008 level. But there are many uncertainties ahead. ex. Public funding can sustain ever?

3. Seaborne trade

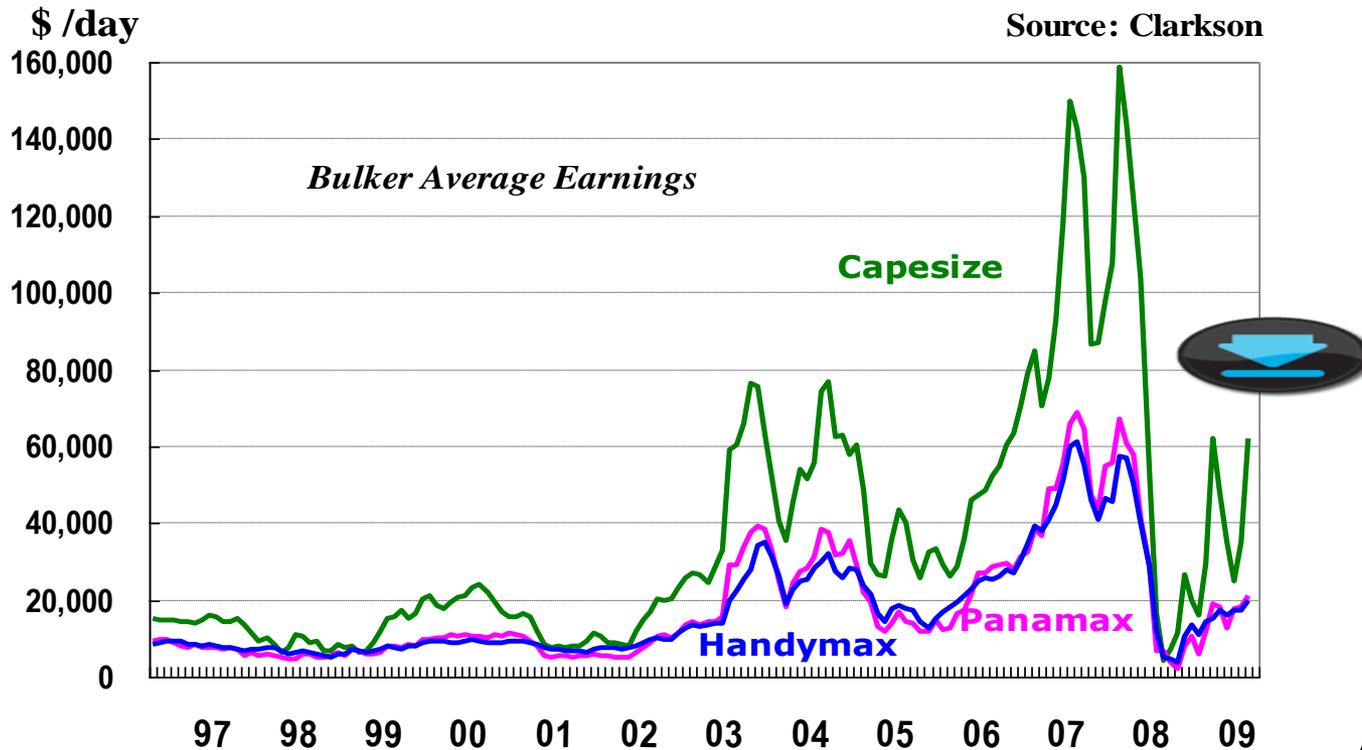
Source: Oil & 3 major bulk, Fearnleys quarterly
Other bulk and Other dry, Clarkson dry bulk outlook



| | Mill. Ton | | | Growth Rates, % | |
|--------------|-------------|-------------|-------------|-----------------|------------|
| | 2008 | 2009 | 2010 | '08/'09 | '09/'10 |
| | | F'cast | F'cast | % | % |
| Total | 7616 | 7149 | 7442 | -6.1 | 4.1 |
| Other dry | 2113 | 1949 | 2024 | -7.8 | 3.8 |
| Other bulk | 1105 | 1021 | 1077 | -7.6 | 5.5 |
| Grain | 344 | 339 | 339 | -1.5 | 0.0 |
| Coal | 834 | 790 | 830 | -5.3 | 5.1 |
| Iron ore | 845 | 800 | 825 | -5.3 | 3.1 |
| Oil products | 575 | 565 | 595 | -1.7 | 5.3 |
| Crude oil | 1800 | 1685 | 1752 | -6.4 | 4.0 |

- Global economic crunch impacted seaborne trades which would be down (6 % negative growth in 2009) after continuous growth in the past several years.
- In 2010, trade may turn upward thanks to economic recovery. However, expected growth is far from sufficient to absorb huge surplus fleet.

4. Shipping market – dry bulk

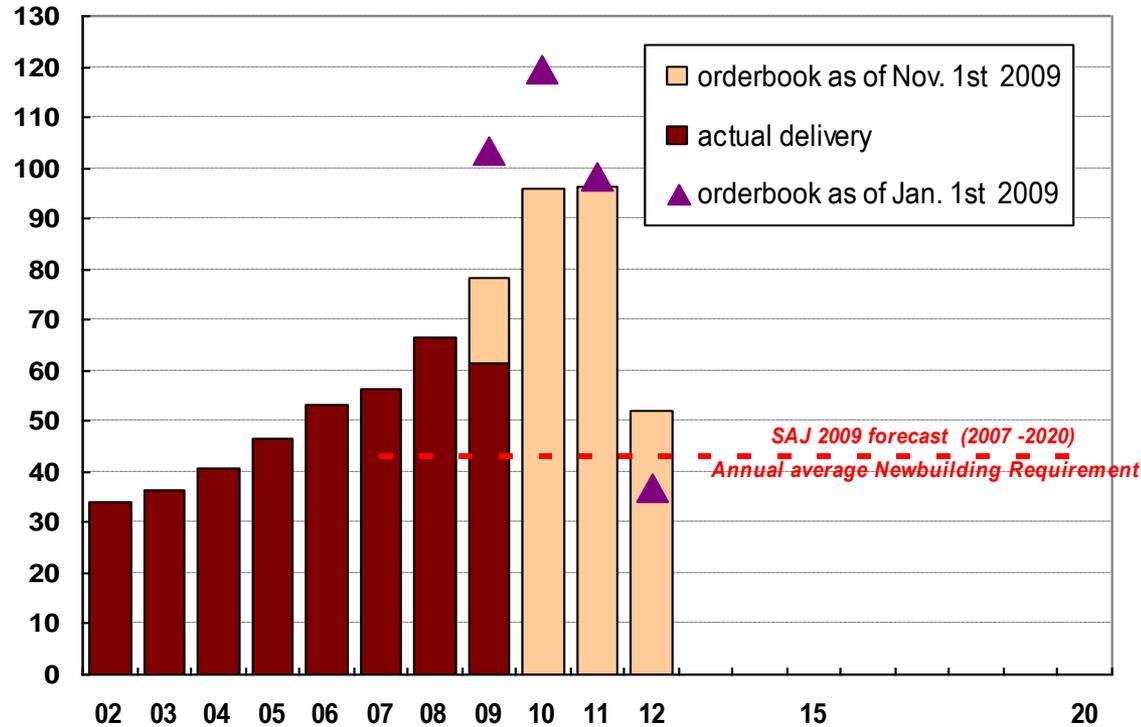


- After astonishing peak around May 2008, dry bulk market nosedived to historical bottom around end of 2008 affected by global economic crisis.
- In 2009, recovery can be seen to some extent. Full recovery to satisfactory level is **unlikely** in the near term due to **unstable global trades** as well as **strong pressure of new deliveries over the coming years.**

5. Huge global orderbook (expected deliveries)

Mill. GT

Source: Clarkson

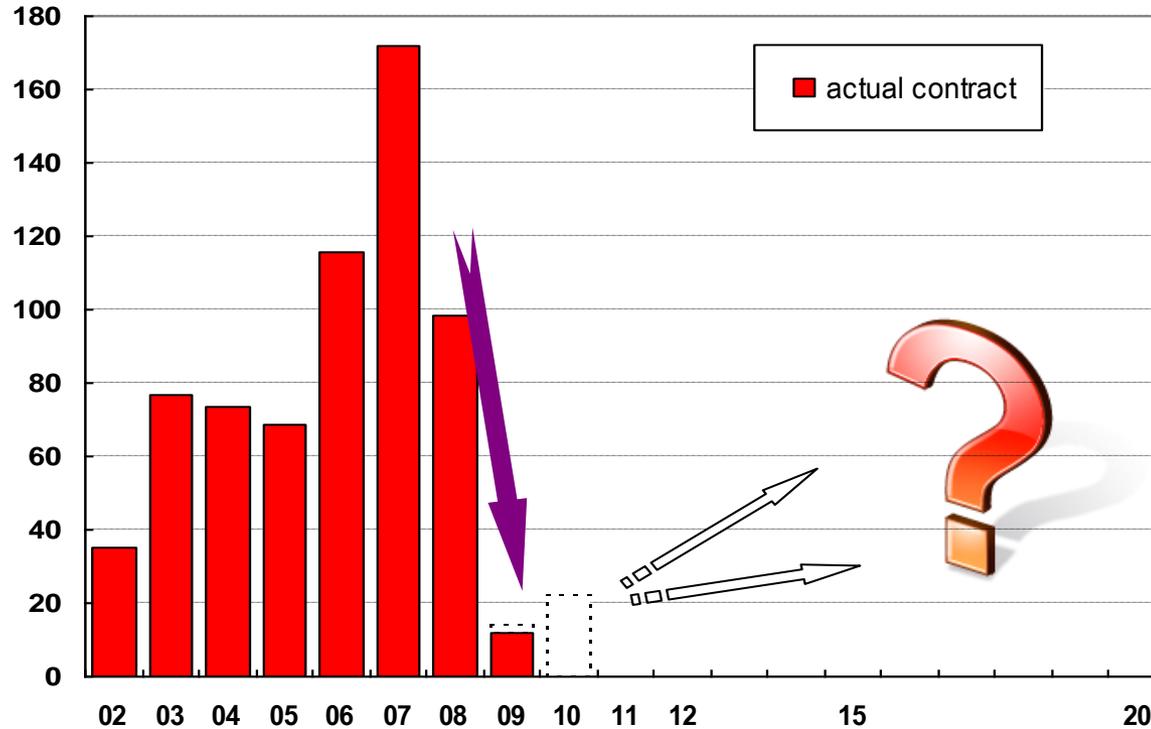


- **Quite a high level of deliveries** (compared with past records) is expected **in the next few years**, though some of them are postponed or canceled.
- Newly supplied vessels would **aggravate the tonnage imbalance** further.
- Considering huge surplus tonnage, theoretically **new vessel demands is almost none** for the time being.

6. Sluggish global new contracts

Mill. GT

Source: Clarkson



- Reflecting the present surplus tonnage, new contracts in 2009 plunged, only 11.9 mill. GT as of end Oct, down 85 % y.o.y.
- Given the oversupply tonnage and unstable seaborne trades, new contract volume may remain low for some years.
- Under these circumstances, if shipbuilders are hungry to get new orders, they are forced to be involved in a price war.

7. Fear of prolonged oversupply

Sufficient Newbuilding Capacity

Capacity = Downsizing flexibility is low.

- *Few yards have declared to withdraw from newbuilding.*
- *Some countries (Russia, Brazil) have plans to construct new big yards.*
- *Ongoing new and expansion projects are likely to materialize eventually, though projects in planning stage may be scrapped or suspended.*

Price War

- *In the imbalanced supply and demand market, it would be very tough to get new orders without offering competitive **low prices**.*
- *Financial **supportive measures by the government** or government controlled agencies **to maintain the ailing yards operation** (to avoid cancellations) would lead to **add surplus tonnage** and to **delay the restoration of the market**.*

8. For sustainable industry

Challenges ahead

Challenge of imbalance

-  Careful and disciplined adjustment of shipbuilding capacity based on market principles will be necessary.
-  Facilitate a process towards a fair competitive business environment (Berlin JECKU chairman's note)
Government supporting measures (subsidies) should be restricted to truly needed ones, such as support for shipbuilders withdrawing from the market.

Challenge of creating new demand

-  R & D of environment-friendly vessels.
-  To diversify or convert the business into more promising fields such as renewable energy and offshore.

Summary

- Any supportive measures (inc. ones recently implemented according to press) distorting the market should be avoided for our sustainable development.
- For this goal, continuous dialogs are very important.

Merci Beaucoup!

