

JFTC News

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Forecasts for Japan's Trade Balance and Current Account for Fiscal 2007

Tuesday, December 5, 2006
Japan Foreign Trade Council, Inc.

Japan Foreign Trade Council, Inc. (Chairman, Mikio Sasaki) press released on December 5 "Japan's forecasts for trade balance and the current account in fiscal 2007."

The Trade Research Committee of JFTC has been working on projections of trade balances and current accounts twice a year since 1974. One of the most unique features of the JFTC forecast is the methodology employed for the forecast. The forecast was conducted by compiling trade projections of major categories of commodities which were gathered and analyzed by hearings with industry specialists.

I. Summary

In line with the expansion of the global economy, exports from Japan will total more than ¥80 trillion, returning Japan's trade balance to an upward trend. Due to increases in both trade and income balances, Japan's current account will reach a record-high ¥24 trillion for fiscal 2007.

1. Forecasts for Exports and Imports by Commodity (Customs-cleared basis)

Fiscal 2006 – Both exports and imports will register double-digit year-on-year growth for the third consecutive year, helping Japan's trade balance trend return to an expansion.

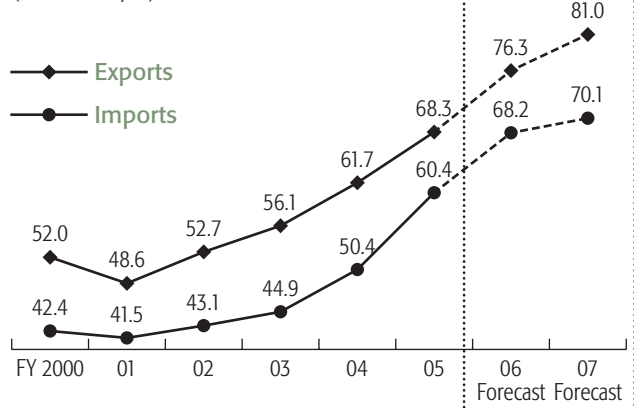
JFTC expects that Japan will export a total of ¥76.31 trillion in fiscal 2006, up 11.7% from the previous fiscal year. In terms of volume, exports will increase 6.5% due to the steady expansion of the global economy and weak yen level since 1985 in terms of real effective exchange

rates. The prices of export commodities will go up 4.9% in line with a shift towards exporting higher value products. This robustness is witnessed across a wide variety of commodities, including shipments of transport and general machinery and equipment to North America and other countries and regions of Asia.

In the meantime, the total value of commodities that Japan will import will reach ¥68.10 trillion, up 12.7%. Imports will improve 3.8% on a volume basis against the background of Japan's economic recovery. Although international markets for commodities such as crude oil

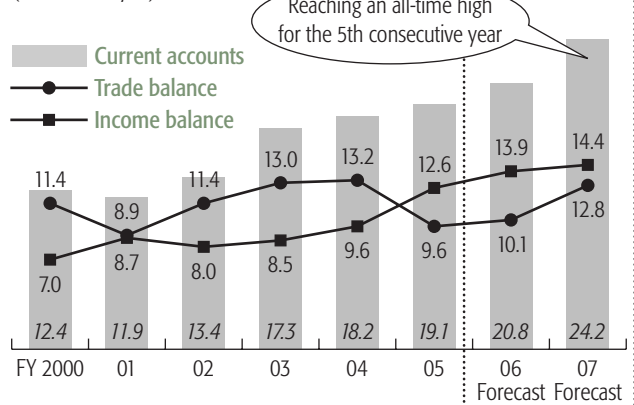
Forecast for Exports and Imports (customs-cleared basis)

(unit: trillion yen)



Forecast for Current Accounts

(unit: trillion yen)



and non-ferrous metals began to fall after reaching all-time highs during the first half of fiscal 2006, they will still remain at high levels on a full year basis. For these reasons, the prices of import items will end up with a rise by 8.5% for fiscal 2006. Major improvements will continue among items including mineral fuels, raw materials and electrical machinery/equipment.

As a result, Japan's trade balance will swell again, amounting to ¥8.21 trillion for fiscal 2006.

Fiscal 2007 – Exports will continue to increase, totaling more than ¥80 trillion; imports will also grow to amount to over ¥70 trillion.

JFTC predicts that Japan will export a total of ¥80.95 trillion in fiscal 2007, up 6.1% from a year earlier. As the global economy will fluctuate at an increasing pace with the Asian economy continuing to register high-level growth, Japan's exports will swell 3.5% in terms of volume. Exports prices will go up 2.5%. Increases will continue in transport equipment, which will be led by the

brisk sales of automobiles as well as general and electrical machinery.

In the meantime, JFTC predicts that the total value of imports will boost 2.8% to ¥70.01 trillion. On a volume basis, imports will gain 2.9% as the domestic economy is expected to grow continuously. On the other hand, prices of importing goods will fall 0.1% as the impact of surges in primary product prices will fade out. Mineral fuel prices, which are on the rise now, will begin to decline.

As a growth in the total value of imports will slow down, a trade balance surplus for fiscal year 2007 will expand to total ¥10.94 trillion.

2. Forecasts for Current Account

Fiscal 2006 – Japan's surplus in investment income will increase significantly.

JFTC estimates that Japan's current account surplus will grow to ¥20.82 trillion in fiscal 2006. The surplus in

(hundred million yen)

1. Exports

Commodity	FY2005		FY2006				FY2007			
	Results		The First Half Results		The Latter Half Forecast		Forecast			
Grand Total	682,963	+ 10.7%	373,978	+15.2%	389,078	+ 8.6%	763,056	+11.7%	↑ 809,542	+ 6.1%
Foodstuff	3,276	+ 13.9%	1,699	+16.2%	2,159	+19.0%	3,858	+17.8%	↑ 4,461	+15.6%
Raw Materials	7,848	+ 22.4%	4,703	+26.8%	4,930	+19.1%	9,633	+22.7%	↑ 10,621	+10.3%
Mineral Fuels	5,334	+131.3%	3,769	+66.7%	3,230	+ 5.1%	6,999	+31.2%	↓ 6,300	▲10.0%
Chemicals	61,279	+ 14.9%	33,745	+18.0%	34,107	+ 4.3%	67,852	+10.7%	↑ 70,609	+ 4.1%
Manufactured Goods	76,978	+ 14.4%	43,535	+16.3%	44,985	+13.8%	88,520	+15.0%	↓ 87,252	▲ 1.4%
Iron & Steel Products	31,289	+ 17.1%	17,210	+11.1%	16,886	+ 6.9%	34,096	+ 9.0%	↓ 32,391	▲ 5.0%
Non-Ferrous Metals	8,825	+ 27.6%	6,392	+63.8%	7,545	+53.2%	13,937	+57.9%	↓ 13,240	▲ 5.0%
Textile yarn, fabrics, make up articles and related products	7,572	+ 0.1%	4,026	+ 6.0%	4,032	+ 6.8%	8,058	+ 6.4%	↑ 8,344	+ 3.5%
Non-metallic Manufactures	7,961	+ 15.9%	4,318	+11.3%	4,594	+12.6%	8,912	+12.0%	↑ 9,633	+ 8.1%
Machinery other than Electric	137,398	+ 7.3%	74,411	+12.0%	75,589	+ 6.5%	150,000	+ 9.2%	↑ 160,000	+ 6.7%
Computers & Units	7,950	▲ 9.8%	4,122	+ 6.9%	4,200	+ 2.6%	8,322	+ 4.7%	↓ 8,000	▲ 3.9%
Parts of Computer	16,939	+ 5.0%	8,850	+ 6.4%	9,054	+ 5.0%	17,904	+ 5.7%	↑ 18,620	+ 4.0%
Electrical Machinery	150,212	+ 5.4%	79,926	+11.0%	80,000	+ 2.3%	159,926	+ 6.5%	↑ 168,000	+ 5.0%
Thermionic, etc., valves, tubes, transistors, etc.	45,301	+ 3.7%	23,788	+ 8.5%	25,000	+ 7.0%	48,788	+ 7.7%	↑ 51,228	+ 5.0%
Transport Equipment	160,249	+ 13.0%	88,501	+19.8%	94,834	+ 9.8%	183,335	+14.4%	↑ 200,272	+ 9.2%
Motor Vehicles	105,018	+ 12.9%	60,039	+23.8%	65,020	+15.0%	125,059	+19.1%	↑ 139,066	+11.2%
Parts of Motor Vehicles	29,083	+ 13.0%	15,011	+ 6.7%	15,430	+ 2.8%	30,441	+ 4.7%	↑ 31,101	+ 2.2%
Vessels	13,856	+ 13.6%	7,359	+22.7%	8,384	+ 6.7%	15,743	+13.6%	↑ 17,905	+13.7%
Others	80,388	+ 10.7%	43,690	+12.3%	49,243	+18.7%	92,933	+15.6%	↑ 102,027	+ 9.8%
Scientific & Optical Equipment	24,961	▲ 1.1%	12,263	▲ 0.6%	12,752	+ 1.0%	25,015	+ 0.2%	↑ 25,390	+ 1.5%
Machinery & Equipment	528,247	+ 8.9%	286,528	+14.1%	299,666	+ 8.1%	586,194	+11.0%	↑ 630,299	+ 7.5%

* Machinery & Equipment = Machinery Other Than Electric + Electrical Machinery + Transport Equipment + Precision Instruments

* Values are rounded up/off to the nearest hundred million yen; year-on-year comparisons are based on figures rounded to the nearest millions.

* (↑) indicates an improvement from a year earlier; (↓), a decrease; (↔), a leveling off (an improvement or a decrease of less than 1%).

investment income will expand notably resulting from increases in dividends received from overseas and interest receipts, exceeding that in trade balances for the second consecutive year. Japan's surpluses in trade and services will also increase driven by the expansion of the trade surplus.

Fiscal 2007 – Japan will register a current account surplus of more than ¥24 trillion, reporting an all-time high for the fifth consecutive year.

JFTC forecasts that Japan will register a current account surplus of ¥24.16 trillion, reporting an all-time high for the fifth consecutive year. The trade surplus will further expand in fiscal 2007. The deficit in trade and services will shrink thanks to increases in receipts in travel accounts as number of foreign tourists coming to Japan is expected to grow and also, transport income is also expected to grow due to increases in offshore trade. The surplus in investment income will swell due to improvements in profits at overseas subsidiaries and

affiliates.

II. Forecasts for Exports and Imports (Customs-Cleared Basis)

1. Exports

Fiscal 2006

JFTC expects that exports of goods from Japan will increase steadily in fiscal 2006. Factors behind this projection include the continuation of simultaneous economic expansions worldwide; the weak yen level in real effective exchange rates, which is as notable as it was in 1985; and improvements in Japanese enterprises' global competitiveness resulting from the production of high-value-added goods.

Exports of transport equipment will continue to increase due to the expansion of Japanese automobiles' share in the North American market and growth in car

(hundred million yen)

Commodity	FY2005		FY2006				FY2007			
	Results		The First Half Results		The Latter Half Forecast		Forecast			
Grand Total	604,108	+19.9%	334,975	+17.7%	345,988	+ 8.3%	680,963	+12.7%	↑ 700,103	+ 2.8%
Food Stuff	56,510	+ 6.0%	28,256	▲ 1.2%	28,739	+ 3.0%	56,995	+ 0.9%	➡ 57,473	+ 0.8%
Fish & Shellfish	15,580	+ 0.9%	7,800	▲ 1.0%	7,690	▲ 0.1%	15,490	▲ 0.6%	➡ 15,427	▲ 0.4%
Meat	10,790	+ 5.7%	4,903	▲ 16.7%	4,927	+ 0.4%	9,830	▲ 8.9%	➡ 9,900	+ 0.7%
Raw Materials	37,279	+18.6%	23,373	+31.6%	24,527	+25.6%	47,900	+28.5%	↑ 52,693	+10.0%
Iron Ore	6,875	+55.7%	4,204	+31.1%	4,182	+14.0%	8,386	+22.0%	↑ 9,131	+ 8.9%
Non-Ferrous Metals Ore	10,767	+36.3%	8,042	+60.1%	8,134	+41.6%	16,176	+50.2%	↑ 18,379	+13.6%
Mineral Fuels	163,021	+45.3%	94,567	+30.3%	88,005	▲ 2.7%	182,573	+12.0%	↓ 165,346	▲ 9.4%
Petroleum, Crude and partly refined	99,883	+57.0%	60,040	+34.3%	53,349	▲ 3.3%	113,389	+13.5%	↓ 99,956	▲ 11.8%
Petroleum Products	16,404	+31.3%	8,906	+28.7%	9,100	▲ 4.1%	18,006	+ 9.8%	↓ 15,845	▲ 12.0%
LNG	21,631	+25.3%	13,114	+35.3%	12,219	+ 2.3%	25,333	+17.1%	↓ 24,622	▲ 2.8%
LPG	8,208	+39.8%	4,354	+38.4%	4,519	▲ 10.7%	8,873	+ 8.1%	↑ 9,145	+ 3.1%
Coal	16,224	+35.6%	7,931	+ 3.6%	7,946	▲ 7.3%	15,877	▲ 2.1%	↓ 14,789	▲ 6.9%
Chemicals	44,678	+14.1%	24,526	+12.8%	25,469	+11.1%	49,995	+11.9%	↑ 52,440	+ 4.9%
Manufactured Goods	55,970	+11.0%	32,841	+20.4%	34,692	+20.9%	67,533	+20.7%	↑ 69,472	+ 2.9%
Iron & Steel Products	7,590	+10.6%	3,730	▲ 11.5%	4,000	+18.4%	7,730	+ 1.9%	➡ 7,750	+ 0.3%
Non-Ferrous Metals	15,715	+14.3%	10,983	+52.9%	11,764	+37.9%	22,747	+44.7%	➡ 22,959	+ 0.9%
Textile yarn, fabrics, make up articles and related products	6,585	+ 8.7%	3,569	+11.5%	3,703	+ 9.5%	7,272	+10.4%	↑ 7,712	+ 6.1%
Non-metallic Mineral Manufactures	6,685	+11.2%	3,583	+11.0%	3,616	+ 4.6%	7,199	+ 7.7%	↑ 7,916	+10.0%
Machinery other than Electric	58,912	+12.2%	30,575	+ 8.9%	34,844	+13.0%	65,419	+11.0%	↑ 72,615	+11.0%
Computers & Units	21,380	+10.8%	9,949	▲ 1.1%	11,894	+ 5.1%	21,843	+ 2.2%	↑ 22,216	+ 1.7%
Electrical Machinery	78,170	+13.5%	42,653	+18.0%	49,000	+16.6%	91,653	+17.2%	↑ 105,000	+14.6%
Thermionic, etc., valves, tubes, Photocells, transistors, etc.	25,475	+13.9%	14,746	+26.8%	15,898	+14.8%	30,644	+20.3%	↑ 33,647	+ 9.8%
Transport Equipments	21,681	+13.7%	11,289	+ 4.1%	10,445	▲ 3.6%	21,734	+ 0.2%	↓ 20,881	▲ 3.9%
Motor Vehicles	9,498	+ 9.9%	4,403	▲ 6.1%	4,433	▲ 7.8%	8,836	▲ 7.0%	↓ 8,648	▲ 2.1%
Aircrafts	5,596	+20.8%	3,199	+ 2.3%	2,215	▲ 10.3%	5,414	▲ 3.3%	↓ 4,001	▲ 26.1%
Others	87,886	+14.3%	46,894	+12.9%	50,267	+ 8.5%	97,161	+10.6%	↑ 104,183	+ 7.2%
Clothing & clothing accessories	25,636	+ 9.6%	13,723	+ 9.3%	13,498	+ 3.2%	27,221	+ 6.2%	↑ 27,593	+ 1.4%
Products	347,298	+13.2%	188,778	+14.0%	204,717	+12.7%	393,495	+13.3%	↑ 424,591	+ 7.9%

* Products = Chemicals + Manufactured Goods + Machinery other than Electric + Electrical Machinery + Transport Equipments + Others

* Values are rounded up/off to the nearest hundred million yen; year-on-year comparisons are based on figures rounded to the nearest millions.

* (↑) indicates an improvement from a year earlier; (↓), a decrease; (➡), a leveling off (an improvement or a decrease of less than 1%).

sales in thriving Russian and the Middle East markets due to a boost in energy resource prices. Against the background of the growth in demand around the world for digital home appliances, exports of electrical machinery will improve, led by semiconductors and other electronic parts and components bound for factories in other countries and regions of Asia. Those of general machinery will also rise resulting from the briskness of notebook computers destined for the U.S. and prime movers (e.g. motorcar engines and gas turbines) to Europe. Chemical products will continue to grow as demand in Asian countries and other regions will remain strong. With respect to iron and steel, exports of general-purpose steel products will not grow as much as expected owing to expansion of supply capacity in China, but those of steel plates for automobiles and other high-grade steel products from Japan will continue to grow.

Fiscal 2007

JFTC forecasts that economic growth rates in advanced nations will slow down slightly, but Asian and other emerging economies will maintain expansions at high levels in fiscal 2007. As a result, it is expected that exports from Japan will grow strongly in fiscal 2007.

With respect to transport equipment, exports of automobiles will slow in quantity, due to increases in overseas local production, but continue to achieve a double-digit increase in terms of value as exports of luxury cars from Japan will increase. Auto parts and component exports will mount only slightly because of growth in local and offshore procurements abroad. Electrical machinery will remain on an upward trend, but demand will not improve significantly in the absence of major events in 2007, such as the Olympic Games and the World Cup soccer tournament. Exports of general machinery will continue to be brisk thanks to economic expansions across the globe; however, their growth will be weaker as demand for personal computers and other items will become sluggish in line with gradual slowdown in the U.S. economy.

2. Imports

Fiscal 2006

JFTC expects that imports to Japan will increase in fiscal 2006 thanks to a recovery of the domestic economy, the progress of the international division of labor with other countries and regions of Asia and international commodity markets hovering at high levels. Imports of mineral fuels, which soared during the first half of 2006 resulted from surges in crude oil prices, began to fall during the second half of 2006 due to falls in crude oil prices and a projected warm winter. On a full-

year scale, however, they will maintain a double-digit increase. A notable improvements will be marked for processed materials, with the leading contributing factor being sharp rises in prices in the non-ferrous metal market. Imports of raw materials will also expand at high levels thanks to rises in iron ore and non-ferrous metal ores prices. Due to the robustness of domestic demand, imports of chemical products will maintain double-digit growth. The growth of imports of electrical machinery will expand as imports of semiconductors and other electronic parts and components grew at a healthy rate for personal computers in advance of the release of Windows Vista and also for cellular phones in preparation for launch of a number portability systems.

Fiscal 2007

JFTC expects that the Japanese economy will continue to grow slowly, but increases in Japan's imports will slow down greatly in 2007 because crude oil and other international commodity prices will be lower than they were in fiscal 2006. Imports of mineral fuels will take a downward turn as crude oil and petroleum product prices slide. The demand and supply situation of coal will be loosened in 2007. Demand for processed materials will grow but imports to Japan will climb only minutely as price-inflating pressures will calm. With respect to raw materials, price inflation of iron and non-ferrous metal ores will slow down, but imports to Japan will still maintain double-digit growth. Although demand for chemical products will continue to expand, their prices will fall under the influence of declines in crude oil prices; as such, they will see a smaller growth rate. Demand for semiconductors and other electronic parts and components for personal computers will remain powerful, but the growth rate of those for cellular phones will slow down. As a consequence, improvements in imports of electrical equipment will become milder.

III. Forecasts for Current Account

Fiscal 2006

JFTC predicts that Japan will enjoy a trade surplus of ¥10.13 trillion in fiscal 2006, an increase of ¥0.57 trillion from a year earlier, achieving year-on-year growth for the first time in two years. In terms of income balance, Japan will mark a surplus of ¥13.93 trillion, an improvement of ¥1.32 trillion, thanks to increases in dividend and interest receipts from overseas as well as growth in revenues and profits at subsidiary companies abroad. With respect to current transfers, Japan will suffer a deficit of ¥1.12 trillion, a worsening of ¥0.23 trillion, due to increases in the remittance of wages abroad. As a consequence,

Japan will register a surplus in current accounts of ¥20.82 trillion, a gain of ¥1.70 trillion, led primarily by growth in the surplus in income balances.

Fiscal 2007

As imports will swell more slowly, Japan's trade surplus will climb by ¥2.67 trillion from the previous fiscal year to reach ¥12.80 trillion, according to JFTC's forecast. A deficit of ¥2 trillion will be marked in trade in services, an improvement of ¥0.13 trillion, with contributing factors including increases in receipts in travel accounts thanks to increases in foreign tourists visiting Japan and increases

in receipts in transport accounts due to expansion of offshore trade.

The surplus in the income balance will receive a boost from growth in revenues and profits at Japanese enterprises' foreign subsidiaries and affiliates thanks to a powerful global economy, increasing by ¥0.45 trillion to a total of ¥14.41 trillion. Japan will post a larger current account balance surplus, contributed chiefly by a larger trade balance surplus, consequently, of ¥24.16 trillion, an increase of ¥3.34 trillion, setting an all-time high for the fifth consecutive year.

Summary Data

1. Trade on Customs-Cleared Basis

Item	FY2005 Results (final)		Forecast for FY2006		Forecast for FY2007	
	(Hundred million yen)	(Year-on-year up/down growth rate)	(Hundred million yen)	(Year-on-year up/down growth rate)	(Hundred million yen)	(Year-on-year up/down growth rate)
Trade Balance	78,855	▲ 34,481	82,093	+ 3,238	109,439	+ 27,346
Exports	682,963	(10.7%)	763,056	(11.7%)	809,542	(6.1%)
Quantum Index Unit Value		3.9%		6.5%		3.5%
		6.3%		4.9%		2.5%
Imports	604,108	(19.9%)	680,963	(12.7%)	700,103	(2.8%)
Quantum Index Unit Value		3.4%		3.9%		2.9%
		15.9%		8.5%		▲ 0.1%

2. Balance of Payment Basis

Item	FY2005 Results (final)		Forecast for FY2006		Forecast for FY2007	
	(Hundred million yen)	(Year-on-year up/down growth rate)	(Hundred million yen)	(Year-on-year up/down growth rate)	(Hundred million yen)	(Year-on-year up/down growth rate)
Balance in Goods and Services	74,072	▲ 21,552	80,065	+ 5,993	108,057	+ 27,992
Trade in Goods	95,633	▲ 35,938	101,316	+ 5,683	128,057	+ 26,741
Exports	651,722	(10.8%)	728,151	(11.7%)	772,511	(6.1%)
Imports	556,089	(21.8%)	626,835	(12.7%)	644,454	(2.8%)
Trade in Services	▲ 21,560	+ 14,387	▲ 21,251	+ 309	▲ 20,000	+ 1,251
Investment Income	126,094	+ 29,653	139,341	+ 13,247	144,129	+ 4,788
Current Transfers	▲ 8,934	+ 1,035	▲ 11,206	▲ 2,272	▲ 10,550	+ 656
Current Account	191,233	+ 9,137	208,200	+ 16,967	241,636	+ 33,436

3. Assumptions

Item	FY2005 Results (final)	Forecast for FY2006	Forecast for FY2007
Global Trade (C.Y.)	7.5 %	9.3 %	7.4 %
Global Economy (real growth rate/C.Y.)	4.9 %	5.1 %	4.7 %
U.S. Economy (real growth rate/C.Y.)	3.2 %	3.4 %	2.8 %
EU Economy (real growth rate/C.Y.)	1.8 %	2.7 %	2.1 %
Asian Economy (real growth rate/C.Y.)	8.5 %	8.4 %	8.1 %
Japanese Economy (nominal growth rate)	2.4 %	2.5 %	2.1 %
Yen Exchange Rate (against dollar)	113.3 yen	115.0 yen	111.0 yen
At-arrival Crude Oil Price (dollar/barrel)	55.8 dollars	62.0 dollars	58.0 dollars

Note: Data on world trade/economy in fiscal 2005 are taken from the September 2006 edition of "World Economic Outlook." Those on Asian economy have, however, been adjusted to a 29-country/region basis as defined by the IMF (25 developing countries/regions in Asia and four NIEs).

IV. Assumptions of Economic Environments

1. Global Economy

Local economies will grow simultaneously worldwide leading to a growing global economy. The U.S. economy will slow down but on the whole, will continue favorably. The Asian economy will continue to expand at high levels, led by China. The European economy will remain on a recovery track. As a result, JFTC predicts that the world economy will record a real GDP growth rate of 5.1% year on year in fiscal 2006 and a milder 4.7% in fiscal 2007.

In the U.S., overheated housing investment will ease, but corporate earnings remains strong and personal consumption is increasing. JFTC presumes that the U.S. economy will maintain steadiness in general, marking growth of 2.8% in fiscal 2007.

In China and other countries and regions of Asia, capital investment will continue to increase, and exports will maintain high growth. As a result, JFTC expects that the Asian economy will continue to expand significantly in fiscal 2007, registering a growth rate of 8.1%.

The recovery of the European economy has become more prominent with capital investment increasing, mainly in Germany. However, a rise in value-added tax (VAT) rate which will start from January 2007 in Germany will have a negative impact on consumption. As such, the European economy will slow in fiscal 2007, growing only 2.1% from a year earlier.

2. Japanese Economy

The Japanese economy is on a recovery trend, with exports continuing to increase thanks to the expansion of the global economy and weak yen rate. Against the background of strong corporate earnings, capital investment is growing, chiefly in the field of digital home appliances.

There are factors restricting consumer spending, as the fixed-rate income tax cuts will be discontinued in January 2007 and the resident tax cuts, in June. However, the strong corporate earnings will have positive effects on the improvement of employment and salary income that will underpin personal consumption.

Taking these factors into consideration, JFTC assumes the Japanese economy will continue to expand mildly, achieving a real GDP growth rate of 2.5% in fiscal 2006 and 2.1% in fiscal 2007 respectively.

3. Exchange Rate and Crude Oil Prices

A slowdown in the U.S. economy will shrink gaps in interest rates between Japan and the U.S., which will induce adjustment of the imbalance in current accounts between the nations. Against the background of these factors, the yen will slowly become stronger, and JFTC anticipates the average yen/U.S. dollar exchange rate for fiscal 2007 will be ¥111/\$1.

Crude oil prices will fluctuate around current price levels for the time being. However, they will begin to go up slowly in accordance with the expansion of the global economy and JFTC predicts the average at-arrival crude oil price will be \$58 per barrel in fiscal 2007.

Welcome Luncheon inviting the President of Indonesia

The JFTC co-hosted a welcome luncheon reception on November 28th, 2006 at the Imperial Hotel in Tokyo, for H.E. Dr. H. Susilo Bambang Yudhoyono, the President of Indonesia who visited Japan as a state guest together with Keidanren (Japan Business Federation), the Japan Chamber of Commerce and Industry, Keizai Doyukai (Japan Association of Corporate Executives).

Mr. Fujio Mitarai, chairman of Keidanren, gave a welcome speech representing hosting organizations and JFTC chairman Mr. Mikio Sasaki hosted the members of official delegation, including Ministers from Indonesia, at the main table.

Mr. and Mrs. Sasaki also attended the banquet reception at the Imperial Palace which was held in the previous evening.



Welcome Luncheon with the Prime Minister of India

H.E. Dr. Manmohan Singh, Prime Minister of India made an official visit to Japan in the middle of December.

JFTC chairman Mr. Mikio Sasaki attended to a luncheon meeting with Dr. Singh and his delegation including approximately 60 businessmen from India which was held at the Tokyo Kaikan on December 15th, 2006. The luncheon was jointly hosted by the Japan Chamber of Commerce and Industry, Keidanren (Japan Business Federation), Keizai Doyukai (Japan Association of

Corporate Executives), The Japan-India Business Cooperation Committee, and JFTC.

Mr. Nobuo Yamaguchi the chairman of the Japan Chamber of Commerce and Industry, gave a welcome speech as a prime host.



Financial Results of Major Shoshas for the Six Months ended September 30, 2006

(Millions of Yen, Percentage changes from the previous year)

Consolidated Financial Results	ITOCHU CORPORATION	MARUBENI CORPORATION	mitsubishi CORPORATION	MITSUI & CO., LTD.	SOJITZ CORPORATION	SUMITOMO CORPORATION	TOYOTA TSUSHO CORPORATION*
Total Assets	5,206,359 (8.5%)	4,694,493 (2.3%)	10,597,228 (1.8%)	9,382,134 (9.4%)	2,685,271 (6.5%)	6,999,644 (4.3%)	2,373,870 –
Liabilities	4,415,232 (8.5%)	4,008,293 (2.2%)	8,082,889 (0.6%)	7,547,955 (9.5%)	2,139,626 (2.1%)	5,636,032 (4.2%)	1,919,779 –
Shareholders' Equity	202,241 (0.0%)	262,686 (0.0%)	198,618 (0.4%)	295,795 (0.0%)	60,127 (▲ 53.9%)	219,279 (0.0%)	26,748 –
Total Shareholders' Equity	791,127 (8.8%)	686,200 (3.4%)	2,514,339 (5.7%)	1,834,179 (9.3%)	545,645 (27.8%)	1,363,612 (4.6%)	454,091 –
Trading Transactions	5,572,402 (11.1%)	4,686,738 (16.7%)	9,835,687 (9.1%)	7,622,220 (8.1%)	2,529,244 (7.4%)	5,246,611 (6.6%)	2,934,669 –
Gross Trading Profit	421,948 (24.7%)	265,016 (12.2%)	565,900 (12.3%)	427,794 (14.0%)	122,585 (3.3%)	415,629 (27.7%)	155,699 –
Gross Trading Profit Ratio	7.57%	–	5.75%	–	4.85%	–	5.31%
Selling, General and Administrative Expenses	295,351 (20.3%)	174,898 (4.3%)	358,755 (6.2%)	285,019 (10.0%)	83,264 (3.1%)	294,687 (25.6%)	105,007 –
Operating Income	123,572 (38.4%)	90,850 (39.0%)	204,956 (24.9%)	141,165 (22.9%)	39,321 (3.8%)	119,913 (38.5%)	50,692 –
Financial Balance	▲ 3,767 (7.9%)	▲ 11,005 (66.9%)	59,157 (97.3%)	10,199 (63.5%)	▲ 8,840 (▲ 2.6%)	▲ 8,565 (483.8%)	147 –
Net Income	96,669 (56.3%)	65,645 (72.2%)	234,832 (31.7%)	159,166 (91.3%)	31,356 (21.0%)	102,052 (15.8%)	38,751 –
Non-Consolidated Financial Results	ITOCHU CORPORATION	MARUBENI CORPORATION	mitsubishi CORPORATION	MITSUI & CO., LTD.	SOJITZ CORPORATION**	SUMITOMO CORPORATION	TOYOTA TSUSHO CORPORATION*
Total Assets	2,682,642 (4.5%)	2,864,424 (4.8%)	5,740,992 (▲ 0.1%)	5,298,485 (6.8%)	1,972,378 –	4,336,961 (3.6%)	1,724,756 –
Liabilities	2,319,871 (4.3%)	2,372,900 (6.8%)	4,322,773 (▲ 0.4%)	4,165,869 (7.6%)	1,429,506 –	3,432,546 (4.4%)	1,356,908 –
Shareholders' Equity	202,241 (0.0%)	262,686 (0.0%)	198,618 (0.4%)	295,797 (0.0%)	60,127 –	219,278 (0.0%)	26,748 –
Total Shareholders' Equity	362,771 (5.4%)	491,524 (▲ 3.8%)	1,418,219 (0.5%)	1,132,615 (3.8%)	542,871 –	904,414 (0.8%)	367,848 –
Trading Transactions	2,948,305 (1.4%)	3,290,857 (15.7%)	5,268,877 (3.6%)	5,625,429 (3.5%)	1,326,917 –	2,816,750 (▲ 7.0%)	1,989,395 –
Gross Trading Profit	76,763 (11.7%)	61,987 (6.0%)	93,647 (▲ 1.4%)	112,682 (6.9%)	27,289 –	93,430 (15.9%)	54,551 –
Gross Trading Profit Ratio	2.60%	–	1.78%	–	2.06%	–	2.74%
Selling, General and Administrative Expenses	59,930 (3.8%)	48,147 (2.8%)	87,052 (▲ 1.8%)	100,900 (2.1%)	24,200 –	80,421 (3.5%)	47,787 –
Operating Income	16,833 (53.5%)	13,840 (19.1%)	6,595 (3.5%)	11,781 (77.3%)	3,088 –	13,009 (352.8%)	6,764 –
Financial Balance	36,473 (50.3%)	35,593 (102.0%)	95,312 (29.8%)	73,757 (10.5%)	9,770 –	26,560 (34.3%)	18,404 –
Ordinary Profit	52,198 (41.3%)	49,206 (53.6%)	96,223 (13.0%)	84,596 (15.2%)	17,323 –	39,569 (74.8%)	24,945 –
Income Taxes	▲ 15,048 –	10,800 –	29,417 (62.9%)	29,482 (7.4%)	▲ 4,975 –	7,800 (▲ 63.0%)	24 –
Net Income	39,051 (30.0%)	26,885 (250.7%)	121,674 (72.1%)	74,854 (106.2%)	9,873 –	39,555 (27.3%)	26,199 –
Cash Dividends	5.0 yen –	3.5 yen –	18.0 yen –	17.0 yen –	0.0 yen –	15.0 yen –	12.0 yen –

*) The same period comparison with the previous year has not been described due to merger with Tomen Corporation on April 1, 2006.

***) The same period comparison with the previous year has not been described due to merger with Sojitz Holding's subsidiary, Sojitz Corporation on October 1, 2005.

Consolidated Financial Results	CHORI CO., LTD.	HITACHI HIGH-TECHNOLOGIES CORPORATION	INABATA & CO., LTD.	IWATANI INTERNATIONAL CORPORATION
Total Assets	73,033 (5.3%)	476,263 (4.0%)	282,453 (4.8%)	396,319 (▲ 1.4%)
Liabilities	51,667 (4.3%)	272,684 (3.1%)	199,987 (4.6%)	342,423 (▲ 0.9%)
Shareholders' Equity	6,800 (0.0%)	7,938 (0.0%)	8,292 (0.0%)	20,096 (0.0%)
Total Shareholders' Equity	21,365 (7.8%)	203,580 (5.3%)	82,466 (5.1%)	53,896 (▲ 4.2%)
Trading Transactions	112,701 (4.1%)	469,321 (10.5%)	223,517 (11.9%)	319,143 (13.6%)
Gross Trading Profit	10,581 (8.8%)	68,589 (9.7%)	15,496 (11.0%)	60,400 (5.6%)
Gross Trading Profit Ratio	9.39% —	14.61% —	6.93% —	18.93% —
Selling, General and Administrative Expenses	7,467 (1.4%)	47,716 (1.8%)	11,534 (8.9%)	57,008 (3.8%)
Operating Income	3,113 (32.0%)	20,873 (33.1%)	3,961 (17.4%)	3,391 (51.1%)
Financial Balance	▲ 474 (▲ 3.5%)	931 (183.8%)	▲ 238 —	▲ 1,046 (17.7%)
Net Income	2,213 (1.8%)	13,090 (71.2%)	3,452 (4.9%)	840 —

Non-Consolidated Financial Results	CHORI CO., LTD.	HITACHI HIGH-TECHNOLOGIES CORPORATION	INABATA & CO., LTD.	IWATANI INTERNATIONAL CORPORATION
Total Assets	66,243 (4.8%)	381,979 (10.4%)	215,663 (8.2%)	284,780 (▲ 1.3%)
Liabilities	46,545 (3.5%)	218,378 (7.8%)	142,853 (11.8%)	235,084 (▲ 0.7%)
Shareholders' Equity	6,800 (0.0%)	7,938 (0.0%)	8,292 (0.0%)	20,096 (0.0%)
Total Shareholders' Equity	19,698 (7.9%)	163,600 (14.1%)	72,810 (1.8%)	51,696 (▲ 4.1%)
Trading Transactions	104,536 (3.9%)	347,375 (12.2%)	155,715 (8.6%)	250,380 (16.9%)
Gross Trading Profit	8,465 (11.8%)	46,425 (21.2%)	6,979 (4.6%)	28,539 (▲ 3.7%)
Gross Trading Profit Ratio	8.10% —	13.36% —	4.48% —	11.40% —
Selling, General and Administrative Expenses	5,710 (3.4%)	31,293 (6.1%)	4,986 (▲ 7.3%)	27,489 (▲ 6.1%)
Operating Income	2,754 (34.1%)	15,133 (71.5%)	1,993 (54.7%)	1,050 (199.1%)
Financial Balance	▲ 457 (2.0%)	2,157 (55.7%)	293 (▲ 60.0%)	354 (142.5%)
Ordinary Profit	2,394 (21.8%)	17,826 (91.5%)	2,301 (17.7%)	1,180 (122.2%)
Income Taxes	▲ 287 —	6,481 (107.1%)	970 (▲ 87.8%)	57 (▲ 107.3%)
Net Income	2,021 (1.6%)	21,389 (246.2%)	1,641 (▲ 85.3%)	665 —
Cash Dividends	0.0 yen —	12.5 yen —	6.0 yen —	0.0 yen —

Consolidated Financial Results	JFE SHOJI HOLDINGS, INC.	KANEMATSU CORPORATION	NAGASE & CO., LTD.	SUMIKIN BUSSAN CORPORATION
Total Assets	599,932 (0.3%)	576,366 (3.7%)	406,583 (2.5%)	418,039 (3.9%)
Liabilities	509,516 (▲ 0.9%)	545,556 (2.9%)	209,113 (4.5%)	389,255 (3.2%)
Shareholders' Equity	20,000 (0.0%)	27,781 (0.0%)	9,699 (0.0%)	8,077 (0.0%)
Total Shareholders' Equity	90,416 (8.0%)	30,810 (18.5%)	197,469 (0.4%)	28,783 (14.9%)
Trading Transactions	1,067,293 (8.7%)	626,277 (33.9%)	343,074 (11.4%)	573,487 (6.9%)
Gross Trading Profit	40,298 (▲ 2.4%)	48,467 (37.7%)	36,108 (10.1%)	33,943 (0.8%)
Gross Trading Profit Ratio	3.78% —	7.74% —	10.52% —	5.92% —
Selling, General and Administrative Expenses	25,202 (1.0%)	36,396 (33.9%)	25,508 (6.4%)	24,571 (▲ 7.6%)
Operating Income	15,095 (▲ 7.7%)	12,071 (50.7%)	10,600 (20.4%)	9,372 (32.3%)
Financial Balance	15 —	▲ 2,624 (▲ 10.5%)	376 (▲ 25.1%)	▲ 1,255 (27.5%)
Net Income	7,105 (▲ 18.2%)	6,271 —	6,489 (▲ 13.8%)	4,734 (199.8%)

Non-Consolidated Financial Results	JFE SHOJI HOLDINGS, INC.	KANEMATSU CORPORATION	NAGASE & CO., LTD.	SUMIKIN BUSSAN CORPORATION
Total Assets	41,673 (▲ 15.4%)	405,016 (0.2%)	313,472 (2.7%)	357,211 (1.8%)
Liabilities	563 (681.9%)	364,390 (0.4%)	165,057 (5.5%)	334,594 (0.8%)
Shareholders' Equity	20,000 (0.0%)	27,781 (0.0%)	9,699 (0.0%)	8,077 (0.0%)
Total Shareholders' Equity	41,110 (▲ 16.4%)	40,626 (▲ 1.2%)	148,414 (▲ 0.3%)	22,617 (19.8%)
Trading Transactions	331 (▲ 95.9%)	267,716 (5.5%)	246,357 (8.4%)	507,430 (5.3%)
Gross Trading Profit	331 (▲ 95.9%)	11,972 (15.0%)	15,736 (5.3%)	19,444 (4.3%)
Gross Trading Profit Ratio	100.00% —	4.47% —	6.39% —	3.83% —
Selling, General and Administrative Expenses	336 (0.0%)	8,512 (3.7%)	11,710 (1.0%)	12,269 (▲ 13.7%)
Operating Income	▲ 4 —	3,460 (57.2%)	4,025 (20.0%)	7,174 (62.3%)
Financial Balance	17 (30.8%)	197 (▲ 55.0%)	3,259 (20.6%)	▲ 115 —
Ordinary Profit	18 (▲ 99.8%)	4,184 (46.2%)	7,741 (16.7%)	6,982 (35.0%)
Income Taxes	14 (▲ 67.4%)	264 (▲ 26.9%)	2,538 (24.9%)	2,453 —
Net Income	▲ 3,397 —	131 —	5,362 (▲ 1.3%)	4,558 —
Cash Dividends	0.0 yen —	0.0 yen —	7.5 yen —	4.0 yen —

JFTC MONTHLY BULLETIN ON-LINE — Titles

JFTC publishes monthly bulletin covering wide variety of topics for the members and subscribers.

The following contents are available from the website (<http://www.jftc.or.jp>) though written in Japanese.

From November issue

1. Foreword: "To maintain a trust in Japan"
... Yoshiro Kuwata, Executive Director of JFTC, Chairman of the Board, Hitachi High-Technologies Corporation
2. Special Articles: "Increasing complexity in the Middle East and Japan's strategy"
 - Round-table talks: "To seek closer relationship with oil-producing countries in the Middle East"
(Japanese Embassy, JABIC, JETRO, Marubeni, Mitsui, Mitsubishi)
 - "Japan's efforts to strengthen relationships with the Middle East countries."
... Michio Sakuramachi, General Manager, Mideast-Africa Dept., Trade Policy Bureau, METI
 - "Building of a friendship with Saudi Arabia in the new era"
... Miki Hatanaka, Study Adviser, Energy and Environmental Program Division, International Development Center of Japan
 - "How does Japan deal with tense situation of Iran" ... Koichiro Tanaka, General Manager, JIME Center, The institute of Energy Economics, Japan
 - "Dynamic international city 'Dubai'" ... Toshio Sampei, Managing Director, JFTC
 - "Dubai Now" ... Michitaka Yamanaka, Manager, Public Relations Group, JFTC
3. The Angles: "National character and characteristic of Russian People"
... Ivan Pokrofsky, Overseas Marketing Dept. Europe-CIS Group, Research Institute of Sumitomo Corporation
4. International Letter: "A letter from North Carolina" ... Yoichiro Inagaki, Project Director, Kowa Research Institute, Inc.
5. Zoom-Up "Challenges to expand semiconductor process business in the world"
... Kazuhiro Otani, Wafer-Bumping Business Office, Nagase & Co., Ltd.

From December issue

1. Foreword: "Chemical Industry and Shosha" ... Hiroshi Nagase, Executive Director of JFTC, President, Nagase & Co., Ltd.
2. Special Articles: "Globalization of Chinese Companies"
 - "Overseas presence of Chinese companies and international management" ... Zhu Yan, Chief Economist, Fujitsu Research Institute
 - "International business strategies and overseas investment of Chinese companies"
... Kang Rong Ping, Senior Research Fellow, Institute of World Economics and Politics, Chinese Academy of Social Sciences
 - "Chinese companies developing businesses in Australia, Brasil and Indonesia" ... Mitsui & Co., Ltd., Mitsubishi Corporation, Toyota Tsusho
 - "Chinese companies in the EU" ... Hiromasa Kubo, President of the EUJ, Kansai / Professor, Graduate School of Economics, Kobe University
 - "Chinese companies setting up operations in Africa" ... Aiko Kamiwazumi, Middle-East Africa Sect. Overseas Research Dept. JETRO
3. International Letter: "A rich country 'Argentina'" ... Shuichi Ijiri, President, Mitsubishi Argentina S.A.C. y R.

What is "SHOSHA"?

SHOSHA is consistently changing to meet the requirements of each era. Its function, activities and vision are explained in detail in English at <http://www.jftc.or.jp/shosha/english/index.html>

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 NOMURA TRADING CO., LTD., NOSAWA & CO., LTD., OGURA TRADING CO., LTD., OKAYA & CO., LTD., SANKO MEDICAL SYSTEM CO., LTD.
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 SUMITOMO CORPORATION, T. CHATANI & CO., LTD., THE TOSHO CO., LTD., TOKYO BOEKI LTD., TOSHOKU LTD., TOHO BUSSAN KAISHA, LTD.
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COSMETIC IMPORTERS ASSOCIATION OF JAPAN, FUKUOKA FOREIGN TRADE ASSOCIATION,
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 THE JAPAN BANANA IMPORTERS ASSOCIATION, JAPAN CHEMICAL EXPORTERS' ASSOCIATION, JAPAN CHEMICAL IMPORTERS' ASSOCIATION,
 JAPAN EEL IMPORTERS ASSOCIATION, JAPAN ELECTRONIC PRODUCTS IMPORTERS ASSOCIATION, JAPAN FISH TRADERS ASSOCIATION,
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