

JFTC News

Contents

1. **Forecasts of Japan's Trade Balance and Current Accounts for Fiscal 2006**
2. **Financial Results of Shoshas for the Six Months ended September 30, 2005**

Japan Foreign Trade Council, Inc.

World Trade Center Bldg. 6th Floor,
4-1, Hamamatsu-cho 2-chome,
Minato-ku, Tokyo 105-6106, Japan
Tel. (03) 3435-5960 Fax. (03) 3435-5979
URL. <http://www.jftc.or.jp/>

Forecasts of Japan's Trade Balance and Current Accounts for Fiscal 2006

Monday, December 5, 2005
Japan Foreign Trade Council, Inc.

Japan Foreign Trade Council, Inc. (Chairman Mikio Sasaki) press released on December 5 "Japan's forecast of the trade balance and the current account in fiscal 2006."

The Trade Trend Research Committee of JFTC has been working on projections of trade balance and current account twice a year since 1974. One of the most unique features of JFTC forecast is a 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 from industry specialists.

I. Main Points of Forecasts

1. Forecasts of Japan's Exports and Imports by Commodity (Customs-cleared basis)

Fiscal 2005 – Exports are expected to be steady; imports are likely to register double-digit growth for the second consecutive year thanks to surges in price of natural resources.

According to forecasts made by Japan Foreign Trade Council, Inc. (JFTC), Japan will export a total of ¥65.986 trillion worth of shipments in fiscal 2005, up 6.9% from previous year.

In terms of total value of exports, the first half of the fiscal year saw a slight decline, but exports to China and the European Union (EU) will recover during the second half.

As a consequence, the shipments of commodities in terms of quantity will make a year-on-year increase of 2.2% and the price factor will contribute 4.6% up along with increases in raw material prices being reflected on export prices.

Exports of general machinery and transport equipment will be bullish, chiefly to North America and other countries and regions of Asia.

The total value of imports to Japan for fiscal 2005 is anticipated by JFTC to soar to ¥58.024 trillion (up 15.2%).

Import volume is projected to increase 4.0% in quantity, while import prices are prospected to report a notable increase of 10.8% resulting from sharp rises in international commodity prices continuing from the previous year.

Double-digit growth of import is expected for the second consecutive year for mineral fuels, chemical products and raw materials.

Fiscal 2006 – Exports are prospected to remain on an upward trend, while growth in imports is anticipated to slow owing to relatively calm international commodity prices.

JFTC claims the exports from Japan for fiscal 2006 will rise 5.5% in value from the previous year to ¥69.586 trillion.

Supported by expansion trend of world economy, the volume of exports in quantity will climb 3.7%, while the prices of export commodities will slow down to 1.7% increase.

The robustness of capital investment worldwide will maintain increases in exports of general and electrical machinery.

JFTC prospects that imports to Japan for fiscal 2006 will increase 2.5% in value to ¥59.496 trillion. The volume of import will gain 2.7% in quantity, however, the prices of import commodities will fall 0.2% as the previously boiling prices of natural resources will start to calm down.

Imports of mineral fuels and raw materials, among other commodities, will start marking negative growth.

2. Forecasts for Current Account (IMF Basis)

Fiscal 2005 – Japan's income balance surplus is expected to exceed its trade balance surplus.

Japan's trade balance surplus is prospected to shrink because of large increase in imports.

The service balance deficit is claimed to shrink as the receipts of royalties, license fees and cross-trade freight rates are increasing.

Due partly to the depreciation of the yen, the income balance surplus is likely to surpass the trade balance surplus.

As a result, Japan's current account surplus is projected

to be ¥17.515 trillion (down 3.8% from fiscal 2004).

Fiscal 2006 – Japan’s current account surplus is estimated to reach an all-time high, exceeding the ¥20-trillion mark for the first time.

With an upsurge in the trade balance surplus combined with a favorable increase in the income balance surplus, Japan’s current account surplus is projected to grow a remarkable 14.6% to a record-high ¥20.077 trillion.

II. Forecasts for Exports and Imports (Customs-cleared basis)

1. Exports

Fiscal 2005

According to JFTC, exports from Japan were not smooth during the first half of fiscal 2005 under the influence of economic adjustments in China, but they will shift into a recovery mode during the second half.

As regards exports of general machinery, turbines and other commodities for power generation facilities will be

robust due to steady growth in energy demand, while those of machine tools to overseas manufacturing bases will remain firm as well.

In respect to transport equipment, exports of small-size and fuel-efficient cars will increase, primarily to North America.

Concerning electrical machinery category, inventory adjustments for digital home electric appliances were completed during the first half, and semiconductors and other electronic products as well as visual equipment will start growing again during the second half.

The prices of chemical products will increase resulting from growth in demand in China and high resource prices in general.

Exports of construction materials such as ordinary-grade steel materials will be weak owing to remarkable growth in production by Chinese manufacturers, but demand for high-grade steel sheets made in Japan such as those for automobiles is bullish.

As a result, polarization will develop in exports of steel.

1. Exports

(hundred million yen)

Commodity	FY2004		FY2005				FY2006			
	Results		The First Half Results		The Latter Half Forecast		Forecast			
Grand Total	617,208	+10.1%	324,630	+ 5.9%	335,231	+ 7.9%	659,860	+ 6.9%	↑ 695,860	+ 5.5%
Foodstuff	2,876	+ 6.4%	1,462	+ 8.2%	1,640	+ 7.6%	3,102	+ 7.9%	↑ 3,283	+ 5.8%
Raw Materials	6,414	+19.6%	3,710	+20.5%	3,934	+18.0%	7,644	+19.2%	↑ 8,431	+10.3%
Mineral Fuels	2,306	+26.5%	2,290	+93.2%	2,000	+78.5%	4,290	+86.0%	↑ 4,400	+ 2.6%
Chemicals	53,330	+14.8%	28,593	+10.3%	29,052	+ 6.0%	57,645	+ 8.1%	↑ 58,855	+ 2.1%
Manufactured Goods	67,290	+15.2%	37,441	+13.4%	37,288	+ 8.8%	74,728	+11.1%	↓ 73,234	▲ 2.0%
Iron & Steel Products	26,722	+24.7%	15,494	+22.9%	15,160	+ 7.4%	30,654	+14.7%	↓ 29,520	▲ 3.7%
Non-Ferrous Metals	6,914	+19.0%	3,901	+13.6%	3,964	+13.9%	7,865	+13.8%	↑ 7,953	+ 1.1%
Textile yarn, fabrics, make up articles and related products	7,566	+ 3.6%	3,799	▲ 1.9%	3,767	+ 2.0%	7,566	0.0%	➡ 7,605	+ 0.5%
Non-metallic Manufactures	6,868	+11.7%	3,881	+14.0%	4,053	+17.0%	7,934	+15.5%	↑ 8,600	+ 8.4%
Machinery other than Electric	127,960	+12.9%	66,257	+ 4.4%	71,300	+10.6%	137,557	+ 7.5%	↑ 152,413	+10.8%
Computers & Units	8,783	▲ 7.8%	3,787	▲17.8%	3,925	▲ 6.1%	7,712	▲12.2%	↓ 7,149	▲ 7.3%
Parts of Computer	16,095	+ 3.0%	8,216	+ 3.5%	8,725	+ 7.0%	16,941	+ 5.3%	↑ 18,127	+ 7.0%
Electrical Machinery	142,487	+ 6.7%	72,093	▲ 1.5%	73,244	+ 5.7%	145,337	+ 2.0%	↑ 154,784	+ 6.5%
Thermionic, etc., valves, tubes, transistors, etc.	43,676	+ 4.4%	21,933	▲ 3.6%	22,394	+ 7.0%	44,327	+ 1.5%	↑ 48,095	+ 8.5%
Telecommunications apparatus	5,499	▲11.8%	2,581	▲10.0%	3,000	+14.0%	5,581	+ 1.5%	↓ 5,450	▲ 2.3%
Transport Equipment	141,847	+ 5.8%	73,855	+ 6.9%	78,051	+ 7.3%	151,906	+ 7.1%	↑ 159,700	+ 5.1%
Motor Vehicles	93,015	+ 4.2%	48,485	+ 6.0%	51,767	+ 9.5%	100,252	+ 7.8%	↑ 105,000	+ 4.7%
Parts of Motor Vehicles	25,729	+ 9.7%	14,075	+ 8.4%	13,284	+ 4.2%	27,359	+ 6.3%	↑ 29,600	+ 8.2%
Vessels	12,202	+ 6.2%	5,999	▲ 0.1%	7,000	+13.0%	12,999	+ 6.5%	↓ 12,650	▲ 2.7%
Others	72,699	+11.8%	38,929	+ 7.2%	38,723	+ 6.4%	77,652	+ 6.8%	↑ 80,760	+ 4.0%
Scientific & Optical Equipment	25,311	+17.7%	12,512	▲ 2.2%	12,672	+ 1.3%	25,184	▲ 0.5%	↑ 25,839	+ 2.6%
Machinery & Equipment	484,992	+ 8.8%	251,135	+ 3.7%	261,317	+ 7.6%	512,452	+ 5.7%	↑ 547,657	+ 6.9%

* 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%).

Fiscal 2006

Thanks to the expansion of the global economy, JFTC projects that Japan will enjoy steady increases in exports during fiscal 2006.

Exports of general machinery will continue to grow.

Concerning electrical machinery and equipment, the exports of semiconductors from Japan are projected to expand, as global demand for semiconductors is expected to rise on a medium-term basis.

Visual apparatus will be expected to enjoy the impact of the World Cup soccer tournament in Germany.

Exports of transport equipment will continue to be strong thanks to shipments of small-size and fuel-efficient cars from Japan.

Growth in export of chemical products is anticipated to decelerate gradually due to increases in production in other countries such as China as well as rise in domestic demand.

In respect to steel, exports of high-grade steel materials will stay in high level, however, they will start declining, resulting from the easing of price-rise pressure.

2. Imports

Fiscal 2005

JFTC foresees that imports to Japan will surge in fiscal 2005, citing as major contributing factors the briskness of the international commodity markets and the recovery of the Japanese economy.

Double-digit increases are projected for the second consecutive year for imports of crude oil, petroleum products, coal and iron ore.

The steadiness of domestic demand and the expansion of supply capacities in China and other countries/regions will cause large increase in imports of commodities such as chemical products and steel.

In line with the advancement of Japanese enterprises' offshore production activities, imports of general machinery and electrical machinery/equipment will continue to grow.

Imports of manufactured products will share 57.7% of the total, a decline of 3.3 percentage points from fiscal 2004, chiefly due to increase in imports of raw materials

(hundred million yen)

Commodity	FY2004		FY2005				FY2006			
	Results		The First Half Results		The Latter Half Forecast		Forecast			
Grand Total	503,676	+12.3%	284,084	+15.5%	296,155	+14.9%	580,240	+15.2%	↑ 594,960	+ 2.5%
Food Stuff	53,283	+ 3.7%	28,595	+ 5.9%	27,192	+ 3.5%	55,787	+ 4.7%	↑ 57,740	+ 3.5%
Fish & Shellfish	15,436	+ 3.5%	7,875	+ 2.9%	7,858	+ 0.9%	15,733	+ 1.9%	↔ 15,625	▲ 0.7%
Meat	10,212	+ 4.0%	5,883	+ 9.4%	4,939	+ 2.2%	10,822	+ 6.0%	↑ 11,556	+ 6.8%
Raw Materials	31,357	+16.1%	17,455	+ 8.9%	18,634	+21.6%	36,090	+15.1%	↔ 35,894	▲ 0.5%
Iron Ore	4,412	+13.7%	3,191	+45.7%	3,496	+57.3%	6,686	+51.6%	↑ 7,655	+14.5%
Non-Ferrous Metals Ore	7,842	+47.7%	4,745	+24.5%	5,843	+45.0%	10,588	+35.0%	↓ 9,529	▲10.0%
Mineral Fuels	112,195	+23.6%	72,529	+38.6%	81,220	+35.7%	153,749	+37.0%	↓ 147,906	▲ 3.8%
Petroleum, Crude and partly refined	63,609	+23.9%	44,686	+50.8%	48,983	+44.1%	93,669	+47.3%	↓ 89,218	▲ 4.8%
Petroleum Products	12,493	+26.8%	6,919	+24.6%	8,323	+20.0%	15,242	+22.0%	↑ 15,547	+ 2.0%
LNG	17,258	+ 5.2%	9,691	+19.5%	10,735	+17.3%	20,426	+18.4%	↑ 20,739	+ 1.5%
LPG	5,872	+16.0%	3,142	+24.8%	4,339	+29.3%	7,481	+27.4%	↑ 7,740	+ 3.5%
Coal	11,954	+57.6%	7,635	+27.1%	8,374	+40.8%	16,009	+33.9%	↓ 13,627	▲14.9%
Chemicals	39,158	+10.8%	21,754	+13.7%	22,803	+13.9%	44,556	+13.8%	↑ 47,230	+ 6.0%
Manufactured Goods	50,402	+20.5%	27,269	+ 9.9%	26,405	+ 3.2%	53,674	+ 6.5%	↑ 55,180	+ 2.8%
Iron & Steel Products	6,861	+65.8%	4,213	+35.9%	3,654	▲ 2.8%	7,867	+14.7%	↓ 7,517	▲ 4.4%
Non-Ferrous Metals	13,747	+31.1%	7,183	+ 4.8%	7,273	+ 5.5%	14,455	+ 5.2%	↑ 15,047	+ 4.1%
Textile yarn, fabrics, make up articles and related products	6,057	+ 4.0%	3,201	+ 4.6%	3,123	+ 4.2%	6,324	+ 4.4%	↑ 6,408	+ 1.3%
Non-metallic Mineral Manufactures	6,009	+ 7.7%	3,228	+ 8.8%	3,184	+ 4.7%	6,412	+ 6.7%	↑ 6,748	+ 5.2%
Machinery other than Electric	52,437	+ 8.3%	27,913	+10.1%	29,499	+ 8.9%	57,412	+ 9.5%	↑ 62,000	+ 8.0%
Computers & Units	19,273	+ 2.3%	9,979	+ 9.4%	10,472	+ 3.1%	20,451	+ 6.1%	↑ 21,017	+ 2.8%
Electrical Machinery	68,905	+ 9.7%	36,230	+ 4.9%	38,770	+12.8%	75,000	+ 8.8%	↑ 80,250	+ 7.0%
Thermionic, etc., valves, tubes, Photocells, transistors, etc.	22,393	+ 6.3%	11,731	▲ 1.6%	11,409	+ 9.0%	23,140	+ 3.3%	↑ 23,835	+ 3.0%
Transport Equipments	19,056	▲ 1.7%	10,844	+15.9%	8,977	▲ 7.5%	19,821	+ 4.0%	↓ 18,720	▲ 5.6%
Motor Vehicles	8,639	▲ 2.9%	4,690	+12.1%	4,467	+ 0.3%	9,157	+ 6.0%	↓ 8,910	▲ 2.7%
Aircrafts	4,633	▲ 8.1%	3,128	+33.1%	1,590	▲30.4%	4,718	+ 1.8%	↓ 4,194	▲11.1%
Others	76,882	+ 7.4%	41,507	+11.0%	42,643	+ 8.0%	84,150	+ 9.5%	↑ 90,040	+ 7.0%
Clothing & clothing accessories	23,398	+ 3.7%	12,558	+ 6.2%	12,393	+ 7.1%	24,951	+ 6.6%	↑ 25,464	+ 2.1%
Products	306,841	+ 9.8%	165,517	+ 9.9%	169,097	+ 8.2%	334,614	+ 9.1%	↑ 353,420	+ 5.6%

* 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%).

and fuels.

Fiscal 2006

JFTC prospects that the prices of import goods will undergo corrections in fiscal 2006 as impacts made by surges in the prices of market commodities, which continued since fiscal 2004, will subside.

Crude oil prices are anticipated to go down slowly due to slowdown of growth in demand, and the supply-demand balance of coal is projected to ease.

Imports of chemical products will see duller growth resulting from increase in domestic production, and those of steel will fall in reaction to the surge in the previous year.

Import of transport equipment is considered to be weak; as full-fledged sales of luxurious brand cars of domestic production will be accelerated in Japan.

Imports of manufactured products will account for 59.4% of the pie, a year-on-year improvement of 1.7%, as the imports of raw materials and fuels in value will decrease under the influence of weakening trend of international commodity markets.

III. Forecasts for Current Account (IMF Basis)

Fiscal 2005

According to JFTC, Japan's trade balance surplus for fiscal 2005 will plunge 21.9% from a year earlier to ¥10.282 trillion resulting partly from significant growth in imports.

Regarding the service trade, receipts of royalties, license fees and cross-trade freight rates will increase, while the deficit in tourism-related balance will shrink on account of the impact of the Aichi Expo 2005.

Japan will enjoy an increase in income balance surplus as income is expected to go up against the background of the brisk global economy and the depreciation of the yen.

The income balance surplus will surpass the trade balance surplus on a full-year basis for the first time in the Japanese history.

In terms of current transfers, the deficit will shrink as special factors contributed to the figures in previous year such as financial support for the rehabilitation of the damages in the Sumatra earthquake will disappear this year.

Consequently, Japan will have a current account surplus of ¥17.515 trillion, a down of 3.8% from a year earlier.

Fiscal 2006

For fiscal 2006, JFTC claims that Japan's trade balance surplus will soar 20.4% to ¥12.378 trillion, with the leading factor being slowdowns in

imports.

The deficit in service balance will increase slightly due mainly to recoveries in overseas trips from Japan.

The surplus in income balance will be enlarged thanks to the global expansion of economy as a whole.

Consequently, Japan's current account surplus will jump 14.6% to ¥20.077 trillion, exceeding the ¥20-trillion mark for the first time in the Japanese history.

IV. Forecasts for Economic Circumstances

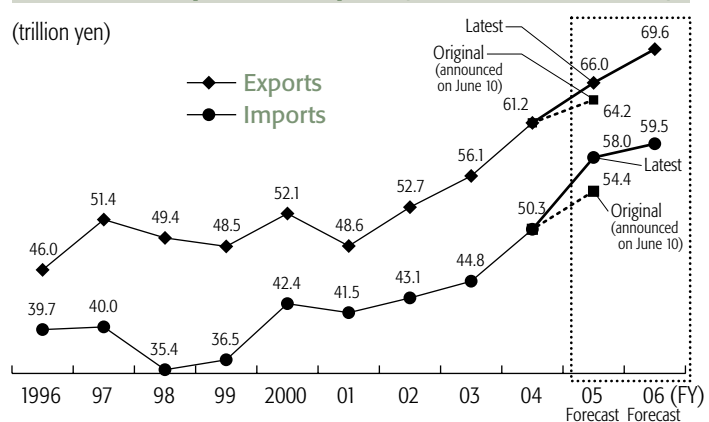
1. Global Economy

JFTC expects that the real growth rate of the global economy will reach 4.3% from a year earlier in fiscal 2005 and another 4.3% in fiscal 2006.

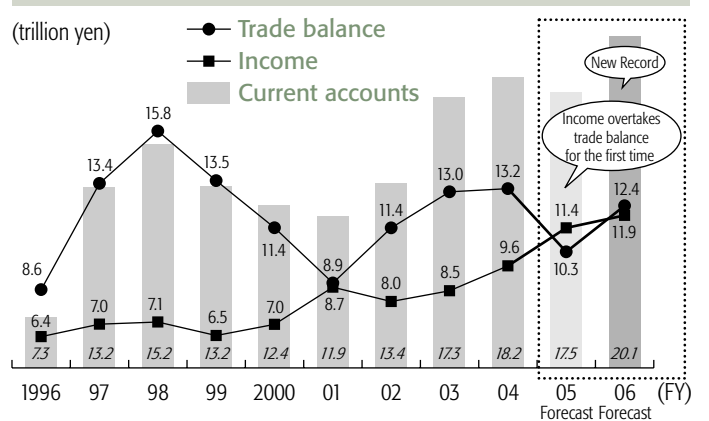
2005 witnessed negative factors such as interest rate increases in the U.S., control of over-investments in China and the fluctuation of crude oil prices at high levels, but none of them was influential enough to adversely affect global economic growth.

In 2006, the global economy in general will stay on an expansion trend due to the robustness of Asia and resource-rich countries/regions, although the U.S. economy is expected to slow slightly.

Forecast for Exports and Imports (Customs-Cleared Basis)



Forecast for Current Accounts



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>

In line with the expansion of the global economy, notable growth will be registered for global trade in 2006.

In the U.S., strong personal consumption is maintained as a result of employment recoveries, however, it will be decelerated slightly, due to adverse factors such as increase in household burdens resulting from tight money policy and housing investment having run its course.

Nonetheless, the U.S. economy is unlikely to plunge notably and likely to manage to achieve growth of 3.4% in 2005 and 3.2% in 2006.

As the EU's unemployment rate has been stuck at high levels, income levels are stagnant, forcing personal spending to rise poorly.

As the down trend of the euro is anticipated to

increase exports from the EU, a mild economic recovery is expected for 2006.

JFTC anticipates that the EU economy will mark an improvement of 1.5% in 2005 and 1.9% in 2006.

The Asian economy is foreseen to continue to be bullish, but 2005's economic growth will be smaller than the previous year due to, among other reasons, surges in crude oil prices and declines in demand for IT-related products.

In 2006, Asia's economic growth is projected to slow slightly owing to the easing of an overheat of Chinese economy.

It is estimated that the Asian economy will accomplish growth of 7.5% in 2005 and 7.0% in 2006.

V. Summary Data

1. Customs-Cleared Basis

Item	FY2004 Results (final)		Forecast for FY2005		Forecast for FY2006	
	(hundred millions of yen)	(growth rate)	(hundred millions of yen)	(growth rate)	(hundred millions of yen)	(growth rate)
Trade Balance	113,532	(1.3%)	79,620	(▲29.9%)	100,900	(26.7%)
Exports	617,208	(10.1%)	659,860	(6.9%)	695,860	(5.5%)
Quantum Index		6.8%		2.2%		3.7%
Unit Value		3.1%		4.6%		1.7%
Imports	503,676	(12.3%)	580,240	(15.2%)	594,960	(2.5%)
Quantum Index		5.4%		4.0%		2.7%
Unit Value		6.5%		10.8%		▲ 0.2%

2. Balance of Payment Basis

Item	FY2004 Results (final)		Forecast for FY2005		Forecast for FY2006	
	(hundred millions of yen)	(growth rate)	(hundred millions of yen)	(growth rate)	(hundred millions of yen)	(growth rate)
Goods and Services	95,624	(▲ 0.4%)	70,560	(▲26.2%)	90,870	(28.8%)
Trade Balance	131,571	(1.1%)	102,820	(▲21.9%)	123,780	(20.4%)
Exports	588,300	(10.2%)	628,980	(6.9%)	663,290	(5.5%)
Imports	456,729	(13.2%)	526,160	(15.2%)	539,510	(2.5%)
Services	▲ 35,947	(5.5%)	▲ 32,260	(▲10.3%)	▲ 32,910	(2.0%)
Income	96,441	(13.3%)	113,730	(17.9%)	119,420	(5.0%)
Current Transfers	▲ 9,969	(21.6%)	▲ 9,140	(▲ 8.3%)	▲ 9,520	(4.2%)
Current Account	182,096	(5.3%)	175,150	(▲ 3.8%)	200,770	(14.6%)

3. Assumptions

Item	FY2004 Results (final)	Forecast for FY2005	Forecast for FY2006
Global Trade (C.Y.)	10.9 %	7.4 %	7.5 %
Global Economy (real growth rate/C.Y.)	5.1 %	4.3 %	4.3 %
U.S. Economy (real growth rate/C.Y.)	4.2 %	3.4 %	3.2 %
EU Economy (real growth rate/C.Y.)	2.5 %	1.5 %	1.9 %
Asian Economy (real growth rate/C.Y.)	7.9 %	7.5 %	7.0 %
Japanese Economy (nominal growth rate)	0.5 %	1.5 %	1.6 %
[chain method basis] (real growth rate)	1.7 %	2.6 %	1.9 %
Yen Exchange Rate (against dollar)	107.5 yen	112.0 yen	110.0 yen
At-arrival Crude Oil Price (dollar/barrel)	38.7 dollars	54.0 dollars	52.0 dollars

Note: The 2004 data for the global trade and economy are based on World Economic Outlook (September 2005); however, Asian data were adjusted to the 29-country basis (25 developing countries + 4 NIEs countries) as defined by IMF.

2. Japanese Economy

Thanks to the briskness of demand both domestic and overseas, the Japanese economy has taken steps forward from a temporary lull.

In addition to growth in capital investment, which is projected against the background of the recovery of corporate earnings, JFTC foresees that personal consumption will grow in step with the improvement of the employment situation.

Japan will register a real economic growth rate of 2.6% in fiscal 2005 and 1.9% in fiscal 2006.

2006 will see almost the end of deflation, which is expected to allow the Japanese economy to achieve nominal growth for the fourth consecutive year.

Normally nominal economic growth is higher than real economic growth. However, Japan experienced abnormal situation for a while, which will not reverse in 2006.

3. Foreign Exchange Rates and Crude Oil Prices

The yen/U.S. dollar exchange market is witnessing a weaker yen at present against the background of expansions in gaps in interest rates between Japan and the U.S. and purchasing of overseas bonds by individual investors in Japan.

It is anticipated by JFTC, however, that the yen will take off, with major reasons including rises in long-term interest rates in line with the recovery of the Japanese economy and the expansion of U.S. current account deficit.

The average yen/dollar exchange rate is prospected to be ¥112/\$1 in fiscal 2005 and ¥110/\$1 in fiscal 2006.

Due to increases in interest rates and speculative investments having to run their courses, crude oil prices, which were skyrocketing, will cool down. However, prices will go down only slightly since expansions in capacities for supplying crude oil will not be made sufficiently.

JFTC projects that crude oil prices will remain at high levels, reaching \$54 on average in 2005 and \$52 per barrel on average in 2006, respectively.

Financial Results of Shoshas for the Six Months ended September 30, 2005

(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
Total Assets	4,801,381 (7.4%)	4,313,988 (5.9%)	9,541,984 (11.7%)	8,207,037 (8.1%)	2,505,214 (2.3%)	5,792,443 (4.7%)
Liabilities	4,190,595 (5.8%)	3,800,265 (3.7%)	7,576,545 (4.5%)	6,918,879 (6.9%)	2,108,673 (▲ 2.7%)	4,638,100 (0.9%)
Shareholders' Equity	202,241 (0.0%)	231,789 (0.0%)	190,071 (50.1%)	192,499 (0.0%)	130,049 (▲ 61.3%)	219,279 (0.0%)
Total Shareholders' Equity	610,786 (19.7%)	513,723 (26.1%)	1,965,439 (51.9%)	1,288,158 (14.7%)	396,540 (41.5%)	1,154,343 (23.5%)
Trading Transactions	5,015,129 (9.0%)	4,014,371 (7.3%)	9,013,659 (10.1%)	7,057,338 (4.9%)	2,354,027 (4.4%)	4,921,804 (2.8%)
Gross Trading Profit	338,384 (11.4%)	236,226 (11.8%)	503,781 (19.8%)	378,622 (6.4%)	118,670 (▲ 0.9%)	325,565 (19.9%)
Gross Trading Profit Ratio	6.75%	5.88%	5.59%	5.36%	5.04%	6.61%
Selling, General and Administrative Expenses	245,583 (8.7%)	167,673 (▲ 0.1%)	337,794 (5.6%)	262,349 (4.6%)	80,771 (▲ 6.9%)	234,607 (8.4%)
Operating Income	89,296 (17.4%)	65,377 (65.4%)	164,108 (67.3%)	115,043 (13.3%)	37,899 (15.1%)	86,562 (66.3%)
Financial Balance	▲ 3,490 (▲ 21.7%)	▲ 6,592 (▲ 13.8%)	29,980 (18.2%)	6,019 (▲ 42.9%)	▲ 9,074 (▲ 37.4%)	▲ 1,467
Net Income	65,280 (47.9%)	38,123 (57.8%)	178,312 (98.2%)	83,193 (34.0%)	25,908	88,131 (102.5%)

Non-Consolidated Financial Results	ITOCHU CORPORATION	MARUBENI CORPORATION	MITSUBISHI CORPORATION	MITSUI & CO., LTD.	SOJITZ CORPORATION	SUMITOMO CORPORATION
Total Assets	2,577,682 (7.5%)	2,598,464 (4.9%)	5,382,140 (11.1%)	4,690,168 (3.6%)	436,894 (38.0%)	3,580,763 (4.4%)
Liabilities	2,265,843 (5.8%)	2,182,610 (3.7%)	4,151,389 (2.2%)	3,884,046 (2.6%)	96,298 (164.9%)	2,749,243 (1.2%)
Shareholders' Equity	202,241 (0.0%)	231,789 (0.0%)	190,071 (50.1%)	192,499 (0.0%)	130,049 (▲ 61.3%)	219,278 (0.0%)
Total Shareholders' Equity	311,839 (21.0%)	415,854 (11.8%)	1,230,751 (57.0%)	806,122 (8.5%)	340,596 (21.5%)	831,520 (16.6%)
Trading Transactions	2,908,963 (3.8%)	2,843,228 (8.6%)	5,085,663 (6.3%)	5,434,172 (6.1%)	1,335 (23.6%)	3,027,137 (▲ 5.8%)
Gross Trading Profit	68,718 (1.9%)	58,467 (9.0%)	95,023 (▲ 1.8%)	105,431 (▲ 10.1%)	1,335 (23.6%)	80,582 (▲ 8.7%)
Gross Trading Profit Ratio	2.36%	2.06%	1.87%	1.94%	100.00%	2.66%
Selling, General and Administrative Expenses	57,752 (6.3%)	46,842 (▲ 3.2%)	88,654 (2.1%)	98,785 (▲ 4.3%)	873 (3.7%)	77,708 (▲ 4.3%)
Operating Income	10,966 (▲ 16.4%)	11,625 (121.3%)	6,369 (▲ 35.6%)	6,646 (▲ 53.0%)	461 (94.5%)	2,873 (▲ 59.7%)
Financial Balance	24,267 (26.8%)	17,617 (172.0%)	73,409 (84.6%)	66,720 (▲ 10.1%)	639 (289.6%)	19,770 (86.4%)
Ordinary Profit	36,938 (13.3%)	32,034 (156.3%)	85,154 (85.2%)	73,423 (▲ 14.3%)	602 (264.8%)	22,643 (27.7%)
Income Taxes	10,883 (0.4%)	250 (▲ 96.8%)	18,059 (422.1%)	27,444 (▲ 24.6%)	234 (1131.6%)	21,100
Net Income	30,034 (49.6%)	7,666 (▲ 9.9%)	70,680 (311.7%)	36,305 (▲ 10.7%)	357	31,081 (64.7%)
Cash Dividends	4.0 yen	2.0 yen	13.0 yen	10.0 yen	0.0 yen	11.0 yen

Consolidated Financial Results	CHORI CO., LTD.	HITACHI HIGH-TECHNOLOGIES CORPORATION	INABATA & CO., LTD.	JFE SHOJI HOLDINGS, INC.	KANEMATSU CORPORATION
Total Assets	67,787 (▲ 3.5%)	419,471 (▲ 3.0%)	205,048 (▲ 0.8%)	608,524 (▲ 8.0%)	485,768 (▲ 6.6%)
Liabilities	49,940 (▲ 8.9%)	234,063 (▲ 8.3%)	155,400 (▲ 3.0%)	534,000 (▲ 6.7%)	463,719 (▲ 3.3%)
Shareholders' Equity	6,800 (▲ 0.0%)	7,938 (▲ 0.0%)	8,292 (▲ 38.4%)	200 (▲ 0.0%)	27,513 (▲ 0.0%)
Total Shareholders' Equity	17,846 (▲ 15.5%)	181,273 (▲ 4.6%)	49,648 (▲ 10.2%)	70,621 (▲ 22.2%)	19,153 (▲ 49.6%)
Trading Transactions	108,273 (▲ 12.7%)	424,870 (▲ 13.4%)	199,700 (▲ 9.1%)	981,831 (▲ 53.8%)	467,676 (▲ 8.2%)
Gross Trading Profit	9,725 (▲ 5.7%)	62,543 (▲ 2.6%)	13,966 (▲ 8.4%)	41,301 (▲ 24.6%)	35,196 (▲ 3.4%)
Gross Trading Profit Ratio	8.98%	14.72%	6.99%	4.21%	7.53%
Selling, General and Administrative Expenses	7,366 (▲ 8.8%)	46,855 (▲ 3.2%)	10,590 (▲ 8.8%)	24,953 (▲ 22.8%)	27,187 (▲ 3.8%)
Operating Income	2,358 (▲ 5.4%)	15,688 (▲ 0.8%)	3,375 (▲ 7.4%)	16,347 (▲ 27.5%)	8,009 (▲ 2.2%)
Financial Balance	▲ 5 (▲ 97.4%)	328 (▲ 89.6%)	412	▲ 562 (▲ 21.4%)	▲ 2,932 (▲ 35.1%)
Net Income	2,173 (▲ 26.4%)	7,645 (▲ 4.7%)	3,291 (▲ 2.9%)	8,690 (▲ 0.4%)	▲ 24,213

Non-Consolidated Financial Results	CHORI CO., LTD.	HITACHI HIGH-TECHNOLOGIES CORPORATION	INABATA & CO., LTD.	JFE SHOJI HOLDINGS, INC.	KANEMATSU CORPORATION
Total Assets	62,250 (▲ 4.5%)	314,109 (▲ 2.6%)	143,264 (▲ 13.3%)	52,810 (▲ 0.3%)	413,703 (▲ 7.6%)
Liabilities	45,516 (▲ 9.7%)	174,502 (▲ 7.9%)	98,378 (▲ 0.9%)	3,623 (▲ 68.7%)	372,958 (▲ 2.9%)
Shareholders' Equity	6,800 (▲ 0.0%)	7,938 (▲ 0.0%)	8,292 (▲ 38.4%)	20,000 (▲ 0.0%)	27,513 (▲ 0.0%)
Total Shareholders' Equity	16,734 (▲ 13.7%)	139,607 (▲ 4.9%)	44,885 (▲ 65.5%)	49,186 (▲ 18.8%)	40,745 (▲ 35.8%)
Trading Transactions	100,583 (▲ 9.3%)	309,724 (▲ 9.3%)	143,322 (▲ 5.7%)	8,168	253,675 (▲ 5.4%)
Gross Trading Profit	7,574 (▲ 2.3%)	38,305 (▲ 5.2%)	6,670 (▲ 0.8%)	8,168	10,409 (▲ 1.1%)
Gross Trading Profit Ratio	7.53%	12.37%	4.65%	100.00%	4.10%
Selling, General and Administrative Expenses	5,520 (▲ 7.1%)	29,480 (▲ 5.4%)	5,381 (▲ 9.2%)	336 (▲ 68.0%)	8,208 (▲ 3.4%)
Operating Income	2,053 (▲ 13.5%)	8,825 (▲ 4.6%)	1,288 (▲ 28.4%)	7,831	2,201 (▲ 15.1%)
Financial Balance	▲ 87 (▲ 46.6%)	1,385 (▲ 43.9%)	732 (▲ 28.2%)	13	438 (▲ 41.7%)
Ordinary Profit	1,966 (▲ 19.4%)	9,308 (▲ 3.7%)	1,955 (▲ 15.3%)	7,844	2,861 (▲ 10.2%)
Income Taxes	▲ 24	3,130 (▲ 38.8%)	7,950 (▲ 614.9%)	43 (▲ 290.9%)	361 (▲ 9.1%)
Net Income	1,990 (▲ 30.9%)	6,178 (▲ 13.2%)	11,132	7,801	▲ 25,428
Cash Dividends	0.0 yen	10.0 yen	20.0 yen	0.0 yen	0.0 yen

Consolidated Financial Results	NAGASE & CO., LTD.	SUMIKIN BUSSAN CORPORATION	TOMEN CORPORATION	TOYOTA TSUSHO CORPORATION
Total Assets	356,230 (▲ 6.2%)	384,506 (▲ 0.2%)	739,031 (▲ 0.7%)	1,333,313 (▲ 11.3%)
Liabilities	175,485 (▲ 4.3%)	365,595 (▲ 0.9%)	718,444 (▲ 3.8%)	1,049,499 (▲ 10.6%)
Shareholders' Equity	9,699 (▲ 0.0%)	8,077 (▲ 0.0%)	44,199 (▲ 0.0%)	26,748 (▲ 0.0%)
Total Shareholders' Equity	180,745 (▲ 8.2%)	18,910 (▲ 13.5%)	20,585 (▲ 50.2%)	269,634 (▲ 13.7%)
Trading Transactions	307,899 (▲ 10.0%)	536,604 (▲ 8.9%)	825,638 (▲ 6.7%)	1,845,684 (▲ 14.7%)
Gross Trading Profit	32,788 (▲ 8.0%)	33,667 (▲ 12.5%)	37,937 (▲ 8.0%)	101,573 (▲ 20.5%)
Gross Trading Profit Ratio	10.65%	6.27%	4.59%	5.50%
Selling, General and Administrative Expenses	23,981 (▲ 0.5%)	26,583 (▲ 8.4%)	26,234 (▲ 8.0%)	66,358 (▲ 13.9%)
Operating Income	8,807 (▲ 35.6%)	7,083 (▲ 31.0%)	11,702 (▲ 7.9%)	35,214 (▲ 35.4%)
Financial Balance	502 (▲ 10.8%)	▲ 984 (▲ 9.5%)	▲ 2,382 (▲ 9.9%)	2,614 (▲ 12.5%)
Net Income	7,532 (▲ 60.7%)	1,579 (▲ 3.7%)	▲ 28,800	20,375 (▲ 9.6%)

Non-Consolidated Financial Results	NAGASE & CO., LTD.	SUMIKIN BUSSAN CORPORATION	TOMEN CORPORATION	TOYOTA TSUSHO CORPORATION
Total Assets	277,562 (▲ 6.9%)	342,951 (▲ 0.2%)	558,275 (▲ 0.2%)	1,010,323 (▲ 9.4%)
Liabilities	139,973 (▲ 5.0%)	327,647 (▲ 0.4%)	534,997 (▲ 7.8%)	787,338 (▲ 8.6%)
Shareholders' Equity	9,699 (▲ 0.0%)	8,077 (▲ 0.0%)	44,199 (▲ 0.0%)	26,748 (▲ 0.0%)
Total Shareholders' Equity	137,589 (▲ 8.9%)	15,304 (▲ 4.7%)	23,277 (▲ 61.9%)	222,984 (▲ 12.0%)
Trading Transactions	227,306 (▲ 2.1%)	482,004 (▲ 7.3%)	525,614 (▲ 4.1%)	1,420,981 (▲ 9.9%)
Gross Trading Profit	14,948 (▲ 3.6%)	18,642 (▲ 19.3%)	16,055 (▲ 0.2%)	39,118 (▲ 10.7%)
Gross Trading Profit Ratio	6.58%	3.87%	3.05%	2.75%
Selling, General and Administrative Expenses	11,593 (▲ 0.1%)	14,223 (▲ 17.1%)	9,898 (▲ 0.7%)	29,800 (▲ 8.9%)
Operating Income	3,354 (▲ 18.6%)	4,419 (▲ 27.2%)	6,157 (▲ 1.8%)	9,317 (▲ 16.7%)
Financial Balance	2,702 (▲ 73.8%)	743	▲ 511 (▲ 922.0%)	15,320 (▲ 83.4%)
Ordinary Profit	6,633 (▲ 32.1%)	5,170 (▲ 69.7%)	4,899 (▲ 9.4%)	24,638 (▲ 50.8%)
Income Taxes	2,032 (▲ 26.4%)	▲ 1,468	63 (▲ 96.0%)	7,555 (▲ 47.4%)
Net Income	5,431 (▲ 50.6%)	▲ 886	▲ 40,492	18,291 (▲ 95.4%)
Cash Dividends	0.0 yen	2.0 yen	0.0 yen	9.0 yen

JFTC MONTHLY REPORT ON-LINE — Titles

JFTC publishes monthly reports 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 2005 issue

1. Foreword "Unusual Weather" ... Yorihiro Miwa, Executive Director of JFTC, President & CEO, Kanematsu Corporation
2. Special Articles "Internal Control"
(Interview)
 - Toward the improvement of corporate value ... Osamu Sato, Executive Director of JFTC, President & CEO, JFE Shoji Holdings, Inc.
 (Contributions)
 - Preparation & operation of effective internal control system ... Takashi Hashimoto, Professor, Aoyama Gakuin University
 - Movement of internal control laws and companies' action in Japan and abroad ... Hiroyo Kambayashi, President & CEO, Protiviti Japan Co., Ltd.
 - Toward preparation of corporate internal control system ... Sumitomo Corporation, Marubeni Corporation, Tokyo Gas Co., Ltd., Teijin Ltd.
3. Zoom Up "Improvement of Logistics system & Business Process – Missionary of Toyota Style 'Kaizen' Mind –"
... Masatoshi Onda, BRT Project, Tomen Corporation
4. International Letter "From Heartland Chicago, USA" ... Atsushi Kunugida, Vice President, Hitachi High-Technologies America Inc.

From December 2005 issue

1. Foreword "Turning Point of Japan" ... Kenichi Tanaka, President & CEO, Chori Co., Ltd.
2. Special Articles "New energy building the future"
- Present situation & long-term outlook of Japan's Energy Policy
... Satoru Murayama, General Manager, Energy Planning Office, General Policy Section, Agency for Natural Resources and Energy
- Current trend of new energy industry and its vision
... Tsuyoshi Nakano, New Energy Measure Section, Save Energy/New Energy Division, Agency for Natural Resources and Energy
- Future outlook of new energy – Can it be the main source of non-fossil energy?
... Tetsuya Iida, Director, Institute for Sustainable Energy Policies
- Present situation of new energy business, problems for market expansion and its outlook
Challenge to hydrogen energy business ... Akira Tatemoto, General Manager, Hydrogen Energy Division, Iwatani International Corporation
Utilization and application of biomass energy ... Kaori Sonoyama, President & CEO, Summit Myojo Power Co., Ltd.
Challenge to wind power generation business and its outlook ... Osamu Igarashi, Machinery & Electronics Division, Toyota Tsusho Corporation
Present situation and outlook of solar power generation ... Yoshinori Matsui, Manager, Solar Systems Division, Solar Systems Group
Realization of sustainable energy society – natural energy development in overseas ... Mika Obayashi, co-representative Green Energy "Law" Network
3. The Angle "Struggle with FTA Negotiations" ... Kazuomi Takahashi, International situation analyst, Marubeni Research Institute
4. International Letter "Wishing the development of Myanmar" ... Terumasa Yamato, Secretary, Iron & Steel Division No.2, Sumitomo corporation

REGULAR MEMBERS OF JFTC

Companies (Total 46)

ASSOCIATED LUMBER & TRADING CO., LTD., CHORI CO., LTD., CBC CO., LTD., D. NAGATA CO., LTD., HANWA CO., LTD.
HITACHI HIGH-TECHNOLOGIES CORPORATION, INABATA & CO., LTD., ITOCHU CORPORATION, IWATANI INTERNATIONAL CORPORATION
JFE SHOJI HOLDINGS, INC., KANEMATSU CORPORATION, KINSHO CORPORATION, KOWA COMPANY, LTD., KYOEI SHOJI CO., LTD.
KYOKUTO BOEKI KAISHA, LTD., MARUBENI CORPORATION, MEIWA CORPORATION, METAL ONE CORPORATION, MITSUBISHI CORPORATION
MITSUI & CO., LTD., MORIMURA BROS., INC., NAGASE & CO., LTD., N. I. TEIJIN SHOJI CO., LTD., NOMURA TRADING CO., LTD., NOSAWA & CO., LTD.
OGURA TRADING CO., LTD., OKAYA & CO., LTD., SANKO MEDICAL SYSTEM CO., LTD., SANKYO SEIKO CO., LTD., SEIKA CORPORATION, SHINYEI KAISHA
SMILE CORP., SOJITZ CORPORATION, SUMIKIN BUSSAN CORPORATION, SUMITOMO CORPORATION, T. CHATANI & CO., LTD., THE TOSHO CO., LTD.
TOKYO BOEKI LTD., TOMEN CORPORATION, TOSHOKU LTD., TOHO BUSSAN KAISHA, LTD., TOYOTA TSUSHO CORPORATION, Y. NISHIDA & CO., LTD.
YAGI & CO., LTD., YAGI TSUSHO LTD., YUASA TRADING CO., LTD.

Associations (Total 26)

COSMETIC IMPORTERS ASSOCIATION OF JAPAN, FUKUOKA FOREIGN TRADE ASSOCIATION,
INTERNATIONAL DEVELOPMENT ASSOCIATION OF THE FURNITURE INDUSTRY OF JAPAN, JAPAN AUTOMOBILE IMPORTERS ASSOCIATION,
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,
JAPAN FOREIGN TRADERS ASSOCIATION, INC., JAPAN MACHINE TOOL IMPORTERS' ASSOCIATION, JAPAN MACHINERY EXPORTERS' ASSOCIATION,
JAPAN OVERSEAS ROLLING STOCK ASSOCIATION, JAPAN PAPER IMPORTERS' ASSOCIATION, JAPAN SHEEP CASING IMPORTERS ASSOCIATION,
JAPAN SHIP EXPORTERS' ASSOCIATION, JAPAN TEXTILE EXPORTERS ASSOCIATION, THE JAPAN TEXTILES IMPORTERS ASSOCIATION,
JAPAN WATCH IMPORTERS' ASSOCIATION, JAPAN WINES AND SPIRITS IMPORTERS ASSOCIATION, KOBE FOREIGN TRADE ASSOCIATION,
KYOTO FOREIGN TRADE ASSOCIATION, THE RUBBER TRADE ASSOCIATION OF JAPAN, TOKYO TRADE AND INDUSTRY ASSOCIATION,
THE YOKOHAMA FOREIGN TRADE ASSOCIATION

CHAIRMAN

Mikio Sasaki (Chairman – Mitsubishi Corporation)

VICE CHAIRMEN

Shoei Utsuda (President & CEO – Mitsui & Co., Ltd.)
Nobuo Katsumata (President & CEO – Marubeni Corporation)
Motoyuki Oka (President & CEO – Sumitomo Corporation)
Eizo Kobayashi (President & CEO – ITOCHU Corporation)
Akio Dobashi (President & CEO – Sojitz Corporation)

EXECUTIVE MANAGING DIRECTOR

Keisuke Takanashi

MANAGING DIRECTOR

Yasuo Yoshida