

JFTC News

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Bilingual "Japan's Foreign Trade 2006" published on March 24

Japan Foreign Trade Council, Inc. published "Foreign Trade 2006" (Nihon Boeki no Genjo) on 24th of March this year. A series of this handy booklet, a kind of the latest "Mini-White Paper on Trade" has been widely used among those interested in Japanese economy and trade since the first edition in 1976.



Foreign Trade 2006 is written bilingually in Japanese and English. Booklet (¥1,000 including tax) is available for purchase at large book stores and government book centers. Inquiry for mail order should be addressed to jar@jftc.or.jp or by phone: 03-3435-5959, by Fax 03-3435-5979

— Introduction —

Japan's 2005 trade continued to grow strongly in both exports and imports. Exports climbed to ¥66 trillion while imports soared to ¥57 trillion, hitting an all-time high for four consecutive years in exports and three consecutive years in imports. As a result, overall trade exceeded the ¥120 trillion mark and achieved a fourth consecutive record high, reaching ¥123 trillion in 2005. However, the trade surplus (on a customs-cleared basis) declined for the first time in four years to approximately ¥9 trillion to sink below the ¥10 trillion mark for the first time in three years. This was due to higher growth of imports than exports.

Four characteristics are notable about Japan's 2005 trade:

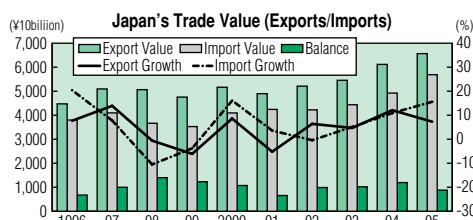
- 1) Trade with each of the BRICS (Brazil, Russia, India, and China) recorded a high, double-digit growth on the

back of the expanding world economy and steep rise in prices of natural resources such as crude oil. The rising crude oil prices also led Japan's trade with the Middle East to a nearly 2-digit growth.

- 2) Overall trade with Asia reached ¥57 trillion to account for nearly half of Japan's total external trade. Among Asian countries, China (with Hong Kong included) further consolidated the position it had in 2004 as Japan's largest trade partner.
- 3) Looking at trade by commodity, exports saw higher growth in general machinery for capital equipment or resources development such as power generating and metalworking machinery, and in basic materials such as iron, steel and chemicals. Imports grew in some of the machinery and equipment, but grew particularly high in natural resources such as crude oil, coal, and nonferrous metal ores boosted by steep rise in prices.
- 4) A temporary pause was seen in the progress of Japan's intra-industry trade i.e. exporting parts from Japan and importing assembled products back to Japan. This was caused by inventory adjustments made on IT products and a slight stagnation in Asian economy observed in the first half of 2005.

The structural changes in Japan's trade are progressing. We hope that, with such viewpoint in mind, readers will understand the current state of Japan's trade further in detail by going through the overview and the analysis provided here for major countries, regions, and products in the following pages.

In the same manner as last year, this booklet provides you with the English translation alongside the original Japanese text. It will be our great pleasure if the booklet serves you for wide use both at home and abroad.



Note: Export and import growth is up/down from a year earlier. Figures in the table represent growth in value. Value indexes divided by unit value indexes make quantum indexes.
Source: Compiled from MOF's Trade Statistics on a Custom-cleared Basis

Speech by U.S. Ambassador, Mr. J. Thomas Schieffer at the JFTC

Japan Foreign Trade Council, Inc. invited His Excellency Mr. J. Thomas Schieffer, the U.S. Ambassador to Japan, as a guest speaker to the 297th Meeting of the Board of Executive Directors held at the Imperial Hotel in Tokyo on the morning of February 26th.



Briefings on current issues between the U.S. and Japan, including international relations, the transformation of the role of the U.S. military forces, concerns regarding BSE, WTO negotiations and the U.S. strategy on bilateral negotiations on FTAs, were given by the Ambassador followed by a question and answer session. Further details are available in the April issue of the JFTC Monthly Bulletin (in Japanese).

JFTC Chairman Mikio Sasaki attends Luncheon Meeting with the Crown Prince of Saudi Arabia

His Royal Highness Sultan Bin Abdulaziz Al-Saud, the Crown Prince of the Kingdom of Saudi Arabia, made an official visit to Japan in early April this year.

The JFTC co-hosted a welcome luncheon on April 7th, 2006 at the Imperial Hotel in Tokyo, together with Keizai Doyukai (Japan Association of Corporate Executives), Keidanren (Japan Business Federation), the Japan Chamber of Commerce and Industry and the Japan-Saudi Arabia Society.

Mr. Kakutaro Kitashiro, the Chairman of Keizai Doyukai, gave a welcome speech as main host and Mr. Mikio Sasaki hosted the official delegation members, including Ministers from Saudi Arabia, at the main table.



Minister of Australian Embassy talks about benefit of bilateral EPA at JFTC

The International Market Committee of JFTC invited Ms. Penny Richards, the Minister of Australian Embassy in Tokyo, as guest speaker on March 15th for the discussion about potential benefits of bilateral Economy Partnership Agreement (EPA) between Australia and Japan which is currently under study between both governments to determine whether to start negotiations.

The discussion was focused on agricultural sector, which is believed to be the "sensitive" issue for Japan. The Minister illustrated how agriculture could be managed within an EPA without adverse effects on Japan's agricultural sector.

"SHOSHA" Today & TomorrowToward a Bright Future (Part IV)

Originally the "SHOSHA" were known as trading companies. However, general trading companies have expanded and diversified their functions and business fields to include not only trading, but also investment as well as services and industry development.

JFTC News have featured SHOSHA's "Function", "Activities" in past issues and this is the final part of this series illustrating SHOSHA's "Vision" for the future.

Vision of SHOSHA

At the beginning of the 21st century, the business circumstances surrounding the SHOSHA are in the midst of momentous and rapid change. To overcome this change and to be able to contribute to economic advancement worldwide in the new century, SHOSHA are promoting constant self-reform and striving to refine and renew their functions. In order to paint a portrait of the future SHOSHA, this section presents the current changes taking place in the business environment, and a brief outline of their corporate vision, management plans and image of the future.



Corporate vision, management plans and future outlook.

Amid the aforementioned rapid change, SHOSHA are

seeking to strengthen their earnings power and improve business performance so that they can continue to contribute to economic advancement in Japan and the world. To this end, the SHOSHA have each formulated a corporate vision and medium-term management plan, while reshaping their management and business structures.



The following are cited as the key words showing the direction of the reform incorporated in these visions and plans.

- * Globalization
- * Upgrading and combining inherent functions
- * Selection and concentration of the business portfolio, and priority allocation of management resources
- * Business alliances, consolidation, and reorganization
- * Group-oriented management, nurturing and strengthening group affiliates and subsidiaries
- * Adopting a cash flow management system, curtailing risk assets and interest-bearing debts
- * Multi-functional SHOSHA, enterprise creating SHOSHA, strategic business group, specialized SHOSHA

The terminology therein varies, but is marked by a strong feeling of challenge, which is commonly shared by all the SHOSHA. It means that their survival in the 21st century fully depends upon the outcome of their challenge to reform their management systems and business structures, and to renew and refine their unique functions. On the other hand, there is strong confidence that SHOSHA can be reborn as “global business innovators” creating new value in the world economy by making maximum use of their global networks, a unique management resource particular to Japanese SHOSHA.

SHOSHA have established worldwide networks and developed their business from a global perspective. Their networks will give them fundamental advantages and extensive



opportunities, however they must adapt to prevailing global standards in order to make the best use of these resources. This demands better achievement of good investor relations (IR) through positive disclosure of management strategy, business performance and financial statements, a stronger emphasis on corporate governance, establishment of better management monitoring systems visible from outside the company, and installment of a consolidated accounting system and cash flow basis management system. By harmonizing their management system with global standards, the SHOSHA will be better understood and appreciated by their investors and business partners in the international business community.



In addition, SHOSHA must create new value-added for all of their “stakeholders” (all parties with a stake in their activities, meaning not only investors, but business partners, employees, consumers, and communities as well). The fundamental factor required to do so is to constantly innovate and add value to management resources. With these efforts SHOSHA will reach an ever higher level of competitiveness, and better reliability and reputation.

In order to create a new model, the SHOSHA are proceeding with selection and concentration in their business portfolio, while looking to maintain one of their unique characteristics; the comprehensive but integrated set of functions derived from the wide range of business transactions they carry out. At the same, SHOSHA are adopting various types of organizational reforms such as the division system and business unit management system in which they analyze the potential earning power of each business unit. These findings provide the data to decide on which division or unit-wise management strategies to take, such as (1) expansion, reinforcement or withdrawal, or (2) consolidation, reorganization or dissolution. In addition, the SHOSHA sometimes select corporate level consolidation or reorganization to restore their competitive management resources. Through such processes, the SHOSHA should be able to make the transition to new business models with respectively bright futures, slightly or largely different from the current “SHOSHA” models.

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>

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 March 2006 Issue

1. Foreword: "Social Responsibility of Corporate and Investors"
 - ... Masaaki Furukawa, JFTC Executive director, Chairman of Toyota Tsusho Corporation
2. Special Articles: "Potential of Vietnam"
 - Vietnam taking off for a high economic growth ... Motoyuki Oka, JFTC Vice-Chairman, President & CEO, Sumitomo Corporation
 - Round-table talks: "Possibility of Business with Vietnam and Future Expectations"
 - Advantages of Investment in Vietnam as a substitute for China
 - ... Masato Horie, Economist, Research Dept., Mitsubishi UFJ Research & Consulting Co., Ltd.
 - Vietnamese port facilities and logistics development overview
 - ... Wann Shang Jye, Joseph, General Director, First Logistics Development (JV) Company
 - Possibility of Vietnam Market – Distribution Business & Basic material industry ... Kyoko Ohnishi, Public Relations Group, JFTC
3. International Letter: "Peru, the Country of Rich Natural Resources" ... Takeshi Saino, General Manager, Marubeni Corporation Lima Office
4. Zoom-Up: "Marketing of Pocket Tissue Paper – Challenge in the U.S.A." ... Hiroyuki Fukui, ITOCHU Internatioal

From April 2006 Issue

1. Foreword: "ASEAN flying with Two Wings" ... Eizo Kobayashi, JFTC Vice-Chairman, President & CEO, ITOCHU Corporation
2. Special Articles: "Shosha's Management of Human Resources"
 - Round-table talks
 - ... ITOCHU Corporation, Sojitz Corporation, Sumitomo Corporation, Mitsui & Co. Ltd., Mitsubishi Corporation, Marubeni Corporation
 - Human resource management of Japanese companies in East Asia and problems
 - ... Mitsuhide Shiraki, Professor, School of Political Science and Economics, Waseda University
 - For encouraging female leaders and managers in Sogo Shosha ... Kimiko Horii, Representative Director, GEWEL
 - Diversity and strategic behavior of company ... Mami Taniguchi, Associate Professor, the Graduate School of Commerce, Waseda University
3. International Letter: "Living in Italy" ... Shoichi Kinoshita, General Manager, Sumikin Bussan Corp. Representative Office, Milan, Italy
4. The Angles: "St. Petersburg Summit and Anti-Russian Sentiment"
 - ... Shunsuke Nakagawara, Director of Russia · CIS · BALTICS Business Development Center, Mitsui Global Strategic Studies Institute
5. Zoom-Up: "New Shipbuilding Industry in Vietnam" ... Kenji Okada, Kanematsu Corporation

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 JAPAN WATCH IMPORTERS' ASSOCIATION, JAPAN WINES AND SPIRITS IMPORTERS ASSOCIATION, KOBE FOREIGN TRADE ASSOCIATION,
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