First, here at the outset of 2011, I wish you all a Happy New Year.

Last year proved to be a year in which we faced a succession of difficult issues in diverse spheres, primarily political, economic, and diplomatic, including the issues with neighboring countries such as on Senkaku Islands. There was a series of changes of government administration, deflation, the sharp appreciation of the yen, further monetary easing by the Bank of Japan, and accelerated efforts towards Asia-Pacific economic partnership that was sparked by the momentum given by the APEC in Yokohama.

The global economy appears to be generally undergoing a gradual recovery driven by growth in emerging nations. But it remains plagued by internal causes of instability, in particular the fact that the U.S. economy is shrouded by uncertainty and that the EU economy is hostage to the fiscal problems of PIIGS countries. As for Japan, last year marked a turning point in which every citizen was obliged to think long and hard about the country’s current status and future prospects.

Even amid this harsh economic environment, however, the JFTC members have been making proactive efforts to do as much as possible to help reenergize Japan. I am particularly pleased and encouraged by the vigorous, diverse, and multidirectional steps that are being taken, for example, the appointment in June last year of Mr. Uichiro Niwa (former chairman of Itochu Corporation) as the first-ever Japanese ambassador to China to come from the private sector. I sincerely hope that all JFTC member companies continue to be active this year, both through their own corporate activities and through the JFTC.

One very heartwarming piece of news in 2010 was the return to Earth of the asteroid probe Hayabusa. By chance, I recently had the opportunity to meet Prof. Junichiro Kawaguchi, the Hayabusa project team leader, and I talked with him on various subjects. I learned from him the secrets of how the Hayabusa was able to be brought back safely to Earth in spite of encountering numerous problems, such as the
failure of the ion engine, fuel leaks, and communications lapses. Those secrets, he said, were the sharing of goals and unshakeable conviction.

Hitherto, unmanned planetary exploration was commonly regarded as connoting one-way trips, but in this regard the Hayabusa overturned conventional wisdom. Taking up the challenge of missions that had never been accomplished successfully in the past requires original ideas that defy conventional wisdom and meticulous preparation. But in the Hayabusa's case, I believe the success was underpinned by advanced technology and outstanding teamwork, of which Japan can be proud, and, above all, by the indomitable spirit and faith of the entire project team. As a result, they overcame numerous unforeseen difficulties and by devising new control techniques and orbit stratagems they succeeded magnificently in achieving a return voyage that took 7 years and covered 6 billion kilometers.

Their boldness in the face of the risks of the unknown gave us great hope and courage. I regard this as a project that gave full vent to Japanese virtues such as diligence, tenacity, and teamwork. Surely we ourselves can significantly change the gloomy situation that Japan finds itself in today, symbolized by the word "helplessness," if we adopt the same kind of unshakeable conviction—the faith—that has characterized the Hayabusa team.

Another word that symbolizes Japanese society today is "introspection." Even as personal behavior and corporate activity become increasingly introspective, the global economic environment that surrounds us is abruptly changing the meaning of national borders. This phenomenon is described as "globalization," but what it really means is the emergence of a world in which it is not possible only to choose the best of everything. It is fast becoming a world in which nations can no longer erect barriers along their frontiers and protect what they want to protect, while admitting only what they choose from outside. While there is much to be gained from globalization, we must also be ready for having the pain that accompanies it.

In view of this, the Japanese people and Japanese companies need to adopt a wider vision of the world and ask and consider what they can do. It is vital that, armed with the aforementioned faith, Japan take the initiative in pursuing international cooperation by understanding the diverse needs of each part of the world and identifying clearly how Japan can use its capabilities to contribute around the world.

This reflects precisely the emphasis on acting in concert with the world that underlies the JFTC’s slogan "Pioneering a New Frontier of Global Trade": the international community acting in unison in a way that each nation contributes and cooperates in the area in which each excels, in order to create a better world.

Hitherto, we shosha (trading companies) have been reforming our business model as the times and the environment have evolved, but amid the current paradigm shift there are an increasing number of opportunities for us to play an active leadership role in reforming Japan. I believe that the lifeblood of shosha will continue to take the form of gaining an accurate grasp of diverse needs in places around the globe and using this to build business models. These efforts are aligned with "The New Growth Strategy," formulated by the Japanese government. I feel sure that such efforts will help to revitalize Japan. In order to bring about the revival of a vigorous society, we shosha should harness our core characteristics—creativity, ingenuity, indomitable spirit, and ability to get things done—and aim to be in the vanguard of stimulating bold structural change in Japanese industry and enhancing its competitiveness, and of opening up new markets overseas and new industrial fields.
New Year’s Reception

On Friday, January 7, 2011, the JFTC hosted a New Year’s Reception in the Ho-oh Room of the New Otani Hotel. Approximately 520 people attended, including Diet members and government officials, ambassadors from various countries, representatives of chambers of commerce and industry based in Japan, and business leaders.

The reception opened with greetings from Chairman Shoei Utsuda, followed by remarks by Mr. Susumu Atsuki, the Director-General, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry, and Mr. Shozaburo Jimi, the Minister of State for Financial Services. This was followed by the introduction of award recipients of the JFTC Essay Competition 2010, and by a toast given by JETRO Chairman and CEO Yasuo Hayashi. With the venue filled with pleasant conversation, the reception was brought to a successful conclusion.

Awards JFTC Essay Competition 2010

The JFTC sponsors the “JFTC Essay Competition 2010” is very pleased to announce that we received a total of 161 submissions from 32 different nationalities for the competition this year.

After a strict screening of all the essays, the five submissions below have been selected as the winners of the competition in 2010.

We would like to express our congratulations to the winners and thank all participants for taking part.

Selection Committee:
Chair : Dr. Iwao Nakatani, Director of Research, Mitsubishi UFJ Research and Consulting Co., Ltd. and Chairman of Fushiki-an
Vice Chair : Professor Yoko Wake, Faculty of Business and Commerce, Keio University
Mr. Kazuo Mori, Senior Staff Writer, NIKKEI INC.

Grand Prize of 1,000,000 yen
• “Change Japan by changing the world: Towards a country of entrepreneurs”
  Mr. Hirotsugu OHBA (Japan, age 34)

Prizes for Excellence of 200,000 yen
• “Reconstruction of Japan: prescription to transcend a downsized Japan”
  Mr. Samuel GUIBERTEAU (France, age 31)
• “A smaller, but happier country with increased mobility”
  Mr. Yu NODA (Japan, age 27)

• “Internal Reforms as a Prescription for the Revival and Reconstruction of Japan”
  Mr. Phetkeo POUMANYVONG (Laos, age 31)

Selection Committee Chair’s Special Prize of 100,000 yen
• “RECONSTRUCTION OF JAPAN: PRESCRIPTION TO TRANSCEND A DOWNSIZED JAPAN”
  Mr. Ramesh KRISHNAN (India, age 22)

*All the Awards-Winning Essays are posted on our web site : www.jftc.or.jp
Remarks by Selection Committee Chair,
Dr. Iwao NAKATANI
The JFTC Essay Competition 2010 attracted a record number of participants from around the world. This year’s competition was unique in that, second only to Japan, it attracted its largest number of participants from India, as well as a record number of participants aged in their 20s. The selection committee had the task of rigorously examining and identifying a Grand Prize winner, three Prize for Excellence winners, and one Selection Committee Chair’s Special Prize.

To our delight, the standard of essays seem to be getting higher and higher every year, and this has made the judges’ task of choosing the prizewinners both more challenging and more rewarding.

In 2010 we asked participants to address the theme, Reconstruction of Japan: prescription to transcend a downsized Japan, and despite the fact that this theme required a great deal of sophisticated analysis, we were delighted to find that the prizewinners were all much younger than in previous years—the Grand Prize Winner was 34, and other prizewinners ranged in age from 22 to 31.

Many of the participants began their essays by reviewing Japan as a nation, referring to Japan’s strengths and weaknesses from a historical viewpoint and subsequently proposing a diverse range of valuable ideas on how modern Japan can overcome its present challenges. All of the essays submitted developed profound and interesting arguments, and it was therefore only after many hours of in-depth analysis and deliberation that the judges were able to select the following essays as prizewinners.

The Grand Prize was awarded to the following essay:

Hirotsugu Ohba
“Change Japan by changing the world: Towards a country of entrepreneurs”

The main reason why this piece was chosen for the Grand Prize was that the writer, Hirotsugu Ohba, showed an in-depth analysis of the fundamental problems facing post-war Japan. One point that particularly impressed the judges was Ohba’s accurate argument that post-war Japan has, in global society, persistently offered only a passive response to issues arising in international centers such as New York, causing Japan to fall into a state of self-generated exclusion—. As a specific example of how to overcome this situation, Ohba suggested that Japan must proactively take initiatives in BOP (Base of the Pyramid) businesses, an area encompassing six billion people worldwide. Ohba succeeded in identifying modern Japan’s “peripheral-country” mindset, and also in presenting a specific countermeasure for this issue.

The Prize for Excellence was awarded to the following three essays. Each of the three essays produced arguments worthy of commendation.

Samuel Guiberteau
“Reconstruction of Japan: prescription to transcend a downsized Japan”

Yu Noda
“A smaller, but happier country with increased mobility”

Phetkeo Poumanyvong
“Internal Reforms as a Prescription for the Revival and Reconstruction of Japan”

Samuel Guiberteau notes that in order to recover from the current atmosphere of pessimism, Japan must use its inherent innovative capabilities and cultural heritage to implement educational, economic and political reform.

Yu Noda’s essay argues that Japan must set a clear future vision as a smaller but happier nation and, in elaborating the direction the nation must take to achieve this, talks about the need to increase mobility of people within and across the country.

Phetkeo Poumanyvong readdresses the superb reformative capabilities proven by Japan during the Meiji restoration and post-war period, and suggests that modern Japan should apply such innovative capabilities to tackle the problem of declining birthrates and leverage the potentialities of its female population.

This year, we decided to present one additional award, the Selection Committee Chair’s Special Prize to the following contestant.:
Ramesh Krishnan
“Reconstruction of Japan: prescription to transcend a downsized Japan”

What stood out about this essay was that, in addition to his superb writing ability and despite being just 22 years of age, Krishnan elucidated a highly sophisticated argument about modern Japan. He points out that, in the process of modernization, Japan has lost sight of its traditional values, and convincingly argues that these values need to be re-evaluated for the recovery of the nation.

The JFTC Essay Competition has now wrapped up for another year, and as the Chair of the selection committee, I highly commend the JFTC for their continued efforts in hosting such a prestigious international essay competition.

Establishment of Special Research Committee on Sogo Shosha Principles

The Special Research Committee on Sogo Shosha Principles has been established by the Japan Foreign Trade Council, Inc. (JFTC) to engage in special research activity on the theme of “Sogo Shosha Principles: Reaffirmation of the identity of Sogo Shosha toward the future.” The committee's first meeting was held on November 1, 2010.

1. Committee Objectives

What is the nature of the existence of Sogo Shosha (general trading companies), renowned as uniquely Japanese institutions, and why did they come into being and develop in Japan? What is the essence of the corporate spirit that has driven their activities and of their contributions to society? In what ways will Sogo Shosha change as they evolve further, and what parts of their essence will remain immutable? Seeking answers to questions such as these, the committee will return to Sogo Shosha's origins in order to paint "a portrait of the Sogo Shosha" of the future.

2. Nature of Research (Planned)

- To answer the question "What are ‘Sogo Shosha’?," the research will formulate a clear and precise reply that is intelligible to people in other industries and to the general public.
- Accordingly, the research will compile, based on concrete examples, details of the contribution made by Sogo Shosha to Japan’s economic development since the Meiji period (1868–1912), and of the attitudes and spirit with which they have approached their business activities.
- The research will also elucidate the presence of Sogo Shosha in quantitative terms, with reference to measures such as the proportions of Japan’s GDP, employment, overseas investment, and other macroeconomic indicators that Sogo Shosha account for.
- In addition, based on the fact that Sogo Shosha are known as a uniquely Japanese business format, the committee will examine the raison d’être of Sogo Shosha by means of a detailed study of why entities of the same kind did not come into being in other countries or were not deemed necessary.
- The committee will then use the above as the basis on which to depict the Sogo Shosha of the future, attempting to identify what will change, and what essential aspects will not.
3. Composition of the Special Research Committee
Adviser: Professor Takayuki Tanaka, Faculty of Economics, Senshu University
Chair: Toshimitsu Hidaka, Executive Director & Vice President, Mitsui Global Strategic Studies Institute
Members: The eight companies whose officers are members of the JFTC Board of Executive Directors (Itochu Corporation, Sumitomo Corporation, Sojitz Corporation, Toyota Tsusho Corporation, Hanwa Co., Ltd., Marubeni Corporation, Mitsui & Co., Ltd., and Mitsubishi Corporation), and the Executive Managing Director and the Managing Director of the JFTC Secretariat: Planning Group, the JFTC

4. Schedule (Planned)
Period of activity: November 2010–March 2012
• November 2010–September 2011: Collation of information, exchanges of opinion
• October 2011–March 2012: Report compilation
• June 2012: Report publication

Second Meeting of the Japan-Arab Economic Forum

The second meeting of the Japan-Arab Economic Forum was held in Tunis, Tunisia, on December 11 and 12, 2010, co-hosted by Japan's Ministry of Economy, Trade and Industry and Ministry of Foreign Affairs, and the League of Arab States. The Japan Foreign Trade Council, Inc. (JFTC) was represented by its Chairman, Mr. Shoei Utsuda.

In a panel discussion on the theme of "Cooperation in Investment, Tourism, Finance and Trade," Mr. Utsuda spoke on such subjects as the potential role of Shosha (trading companies) and his requests to the governments of Arab countries and the Japanese government.

From the Japanese side the participants in the forum meeting numbered 400 representatives of governmental and government-related institutions, private-sector companies and organizations, including the Minister of Economy, Trade and Industry and the Minister for Foreign Affairs. On the Arab side there were 700 participants, including the Secretary-General of the League of Arab States, leaders of international organizations, and government ministers. At this forum the participants lively exchanged opinions with the objective of strengthening mutual economic relations between Japan and Arab nations.

The following is an outline of the comments made by Mr. Utsuda.

1. Introduction
• According to the IMF World Economic Outlook, in spite of the impact of Lehman Brothers’ collapse there is rapid recovery and sustained growth in the Middle East and North Africa, with high economic growth of 4.1 percent in 2010 and 5.1 percent in 2011 forecast.

• Buoyed by an increase in the number of young people, Arab countries have already become a big market with a population of some 330 million people. In parallel with a growing need for the development of its economic infrastructure in terms of hardware and software, its profile as a consumer market is also becoming significant.

• In Arab countries, a very important issue is that of creating employment opportunities, especially through encouraging new industries in non-oil sectors and diversification and sophistication of
them. While Japan must intensify its current efforts in developing businesses in the fields of energy and natural resources, at the same time we must aim to build new strategic partnerships to meet the various needs of individual countries in this region.

2. Function of Shosha

- The JFTC is an industry association composed of some 100 member companies, with general trading companies (Sogo Shosha) at their core, and 50 trade-related organizations. I am chairman of the JFTC and also chairman of the general trading company Mitsui & Co., Ltd.

- The Shosha is a unique business entity grown in Japan. Although it is very difficult to fully explain its business model, I will attempt to give you a thumbnail description. I would say that “it is a corporate entity that seeks out industrial solutions for the diverse needs and issues of the time as a directly involved party”.

- For example, in Arab countries, initially we started in the energy trading business, but this has subsequently been transformed into participation in energy development itself. Nowadays, our business fields have been diversified and expanded into proactive participation in large-scale infrastructure projects in such fields as power generation, water production, and railways projects, etc. in accordance with the development of the regional economy. In this way, our business model has been changing dynamically.

- As a consumer market, Arab countries are becoming significant, and we are also conducting consumer-related business activities, actively undertaking new energy projects and environment-related projects in which new technologies are pivotal, and entering a wide array of other fields ranging from agriculture to medical care and the water business, etc.

- That is, Shosha are undertaking a diverse range of projects as either participants or organizers, by combining a variety of capabilities in an organic manner and carrying out activities that include information-gathering and analysis, planning of business schemes, the selection of partners, the formation of consortia, the procurement of essential finance, materials and equipment, and the marketing development for products and so on, in a comprehensive manner.

- In addition, in response to the present dramatic advances being made in globalization and the IT revolution, Shosha are taking further steps to upgrade, diversify, and add value to their capabilities, by using, for example (1) information-gathering and analysis capabilities and market development capabilities accumulated hitherto, (2) know-how and risk-management capabilities relating to business development and operation management, (3) IT (Information Technology), LT (Logistics Technology), FT (Financial Technology), and MT (Marketing Techniques).

- Armed with multifaceted capabilities such as these and with a can-do spirit and flexibility that we have each inherited through our individual histories and traditions, we shosha continue to take up the challenge of satisfying every conceivable business need in every country and region worldwide.

- To take the example of Mitsui & Co., the spheres in which we are active are very extensive indeed. In the field of energy, we undertake such activities as LNG liquefaction in Qatar. With regard to infrastructure development we are active in the utility field, engaging in IWPP (independent water and power producer) businesses in the UAE and Jordan. In the field of logistics infrastructure we
are engaging in the distribution and warehousing business in collaboration with Dubai firms. In the field of transportation infrastructure we are involved in the North-South Railway Line Project for mineral transportation in Saudi Arabia.

• We shosha are able to directly confront diverse needs and issues that arise in the course of the socioeconomic development of countries and regions in this area, and to address them precisely, no matter what items they involve and no matter what fields they are in.

• The shosha have offices in all Arab countries, so I would invite you all to make maximum use of them as one-stop consultancies able to meet all your needs.

3. Requests to governments
• Arab countries are very valuable strategic partners of Japan. We shosha are also very keen to join with you all in taking up the challenge of implementing important projects that contribute to the socioeconomic development of Arab countries. And in order to deal with business and projects on diverse needs swiftly, we believe that the government and private sector need to collaborate. In view of this, I would like to take an opportunity to state a couple of requests to both the governments on the Arab side and the government on the Japanese side.

• First, I would like to ask the governments on both sides to go further in liberalizing trade, investment, and services.

• To the Arab side in particular I wish to request that you enhance the business environment still further, for example by means of further measures to encourage inflows of foreign capital investment, and by taking vigorous steps to bring about further economic liberalization.

• To the Japanese government I request that you give support to the strengthening of business relationships, including by means of high-level diplomacy, and in particular by increasing and strengthening your support for exports of infrastructure systems.

• Infrastructure projects require huge investment. In cases where it is difficult for Japanese companies to cope by themselves alone, it is necessary to collaborate with foreign companies or package them into project partners. I, therefore, strongly request that ODA loans be expanded and that the government of Japan provide flexible supporting schemes.

4. Conclusion
• Finally, I would like to conclude my speech by wishing that platforms like this forum contribute to helping deepen the dialogue between Japan and Arab countries, through the multilateral and multilayered interpersonal networking, including by means of high-level diplomacy, and to lead to the ongoing expansion of the relationships between our countries.

Measures to Enhance the Functions of Public Financial Institutions to Support the Export of Packaged Infrastructure Systems

Economic Cooperation Committee
Finance Committee

In December 2010, the Economic Cooperation Committee and the Finance Committee completed compilation of a paper on the subject of “Measures
to Enhance the Functions of Public Financial Institutions to Support the Export of Packaged Infrastructure Systems”, and submitted it in the name of the JFTC chairman to the chief cabinet secretary, the minister of economy, trade and industry, the minister for foreign affairs, and other interested parties.

The government convened the sixth ministerial meeting on the export of packaged infrastructure systems on December 10, 2010, and the decision was taken to augment the risk-assumption capacities of the relevant governmental institutions. Much of the proceedings of that meeting concerned concrete steps to address the matters raised in the JFTC’s requests. These include, with regard to enhancing the functions of the Japan Bank for International Cooperation, the preparation of bills with the intention of submitting them to the next ordinary session of the Diet, and, with regard to Japan International Cooperation Agency’s private-sector investment finance, its resumption before the end of the current fiscal year.

The proposal is shown below.

※    ※    ※

In February 2010 the Japan Foreign Trade Council, Inc. (JFTC) released a paper entitled “The Opinions and Requests for Japan’s Economic Cooperation Policy:” in which it expressed the wish to see the enhancement of the functions of public financial institutions. It is our hope that, based on the government’s subsequent policy, a fresh examination will be made into a structure for public financial institutions that will support the export of packaged infrastructure systems. The JFTC’s specific requests are set out in the items below.

1. Enhancement of the financing and investment functions of the Japan Bank for International Cooperation (JBIC)

(1) Active use of capital/Rapid implementation of financing and investment

We recognize that, as a measure to undertake strategic overseas investment and financing through the use of JBIC, the government will seek to lend foreign-currency funds to JBIC and increase the bank’s capital. We hope that those funds will be utilized actively and flexibly for financing and investing in infrastructure-related projects.

(2) Implementation of long-term export financing directed at industrialized countries

In the sphere of export financing, we hope that JBIC will be enabled to provide long-term export financing for projects, such as the construction of nuclear power plants and high-speed railways in industrialized countries, that are difficult for private-sector financial institutions to cope with.

(3) Expansion of investment financing directed at industrialized countries

With the amendment of a government ordinance in November 2010, coal-fired thermal power plant was added to the types of projects for which JBIC can provide investment financing. In industrialized countries, however, gas-fired thermal power plant is the mainstream, owing to its environment-friendliness. Given also the fact that Japan has technical superiority over manufacturers in other countries in the field of high-efficiency gas-fired turbines, we request that JBIC be enabled to apply investment financing to gas-fired thermal power plants in industrialized countries.

(4) Implementation of short-term bridging loan

For large-scale infrastructure projects, such as nuclear power plant, it takes some considerable time before the governments of investee countries issue approvals. We request that JBIC be enabled to provide short-term bridging loan to cover the period until those approvals are issued.

(5) Implementation of financing for Japanese companies relating to cases such as the obtainment of concessions

We request that JBIC be enabled to provide funds to Japanese companies when, in infrastructure and other fields either in industrialized countries or developing countries, they are engaging in international collaboration of the kind that involves acquiring overseas companies or
obtaining concessions and are undertaking large-scale infrastructure projects.

(6) Spin-off of JBIC as an independent financial institution

JBIC has an important role to play as a governmental financial institution when Japanese companies undertake large-scale projects overseas. In view of this, we request that JBIC be given to making as a government financial institution, in part in order to further enhance its business flexibility and strategic value.

2. Resumption of private-sector investment finance by the Japan International Cooperation Agency (JICA)

Since the Overseas Economic Cooperation Council decided, in June 2009, to embark upon a study directed at the recommencement of JICA’s private-sector investment finance, our expectations for early recommencement have been very high. We request most strongly that it be resumed as soon as possible.

3. Strengthening of Nippon Export and Investment Insurance (NEXI) risk-assumption functions

The Japanese government should give importance not only to financing but also to risk assumption. Companies would be particularly grateful for insurance that is able to address the exchange risk associated with local currencies to which they are exposed when investing in infrastructure projects.

4. Increase in Official Development Assistance (ODA) and acceleration of yen loans

Japan’s ODA has declined to around 60 percent of its peak level. ODA not only promotes infrastructure-related exports but is also an important element of diplomacy. We urge that the importance of ODA be recognized and that the amount be prevented from declining further. In addition, in order to facilitate infrastructure-related exports we wish to see further acceleration of yen loans and an increase in tied yen loans.

5. Financing denominated in local currencies (JBIC)

The water business and analogous businesses are “local production, local consumption” business models, and therefore investments made in local currency accounts for a large proportion of total investment. We hope that a system be designed that makes it possible to provide finance in local currencies sufficient to cover that local-currency portion.

FY 2011 Outlook for Japan’s Trade Balance and Current Account

Trade Research Committee

The JFTC released on December 3, 2010 the “FY 2011 Outlook for Japan’s Trade Balance and Current Account”. One of the most unique features of the JFTC Outlook is the methodology employed for the forecast. The Outlook was conducted by compiling trade forecast of major categories of commodities which were gathered and analyzed by hearing with industry specialists. The Trade Research Committee of the JFTC has been working on forecast of trade balance and current account since 1974. This is the 56th report in the series. The full document (in Japanese) can be downloaded from the JFTC website (http://www.jftc.or.jp).

Overview

1. Outlook for Trade by Commodity (Customs-Cleared Basis)

- FY 2010: Substantial increases in both imports and exports in reaction to preceding fiscal year

Total exports will increase by 14.5 percent in
value terms from the previous fiscal year, to 67,598 billion yen, marking the largest rate of increase since FY 1980, in reaction to the large (17.1 percent year-on-year) decline in the previous fiscal year. A breakdown of this shows that export volume will rise strongly by 16.0 percent, but that export prices will fall for the third successive year, declining by 1.5 percent, owing to factors such as the yen’s appreciation.

The value of total imports will rise by 13.9 percent from the previous fiscal year, to 61,257 billion yen, while in volume terms there will be growth of 11.2 percent, with import prices up by 2.7 percent. Although import prices will be impacted by rises in prices of resources, the extent of the increase will be kept low by countervailing factors such as the appreciation of the yen.

- **FY 2011:** Pace of export and import growth to slow, the increase in imports being markedly low owing to sluggish domestic demand

Total exports should rise by 4.0 percent year-on-year in value terms, to 70,333 billion yen, while export volume will also rise by 4.0 percent, maintaining its upward trend. In terms of the export volume index (2005=100), however, it will be at only 107.3, which is above its level in FY 2008 (98.8), but remains below its pre-financial-crisis level of 115.3 in FY 2007. Export prices, meanwhile, will remain relatively static, primarily because the impact of exchange rates will ease.

The value of total imports will reach 61,871 billion yen, up by 1.0 percent year-on-year, while import volume will grow by only 0.5 percent, since the strength of the recovery in domestic demand will be weak. Import prices will edge up by a modest 0.6 percent.

2. Outlook for the Current Account

- **FY 2010:** Current account surplus to widen for the second year in succession, owing to an increased surplus in the balance of trade in goods and services

The current account surplus will widen for the second year in a row, to 16,697 billion yen, because despite a slight contraction in the income account surplus, the balance of trade surplus in goods and services will widen.

The surplus in the balance of trade in goods will register a year-on-year increase of 1,512 billion yen, to 8,112 billion yen, since export growth will exceed growth in imports. The deficit in the balance of trade in services will continue to narrow, reaching a total of 1,774 billion yen. As a result, the surplus in the balance of trade in goods and services will widen for the second successive year, reaching 6,338 billion yen. The surplus in the income account, on the other hand, will slip below its year-earlier level to 11,586 billion, owing principally to the strength of the yen.

- **FY 2011:** Current account surplus to recover to close to the 20 trillion yen level, marking the third-highest level ever

The current account surplus will increase again as it did in the previous fiscal year, to a total of 19,232 billion yen, buoyed by the widening of the surpluses in both the balance of trade in goods and services and the income account.

The trade surplus in goods will continue to widen, as export growth outpaces the increase in imports, reaching a total of 9,776 billion yen, while the services deficit will show a modest decline from the previous fiscal year, to 1,727 billion yen. In consequence, the surplus in the balance of trade in goods and services will increase by 1,711 billion yen year-on-year, to 8,049 billion yen. Owing to an increase in net external assets arising as a result of the continuing current account surplus, the surplus on the income account will rise by 807 billion yen, to 12,393 billion yen.
**Summary Data**

**1. Customs-Cleared Trade**

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<th>FY 2010 Forecast</th>
<th>FY 2011 Forecast</th>
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<td>Billions of yen</td>
<td>Year-on-year change (Rate)</td>
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**2. Current Account Balance**

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<td>Billions of yen</td>
<td>Year-on-year change (Rate)</td>
<td>Billions of yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods and Services Balance</td>
<td>4,781</td>
<td>+5,669</td>
<td>6,338</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>6,600</td>
<td>+5,441</td>
<td>8,112</td>
</tr>
<tr>
<td>Exports</td>
<td>55,567</td>
<td>(-17.9%)</td>
<td>64,035</td>
</tr>
<tr>
<td>Imports</td>
<td>48,967</td>
<td>(-26.4%)</td>
<td>55,923</td>
</tr>
<tr>
<td>Service Balance</td>
<td>▲ 1,819</td>
<td>+228</td>
<td>▲ 1,774</td>
</tr>
<tr>
<td>Income</td>
<td>12,076</td>
<td>-2,477</td>
<td>11,586</td>
</tr>
<tr>
<td>Current Transfers</td>
<td>▲ 1,076</td>
<td>+254</td>
<td>▲ 1,227</td>
</tr>
<tr>
<td>Current Account</td>
<td>15,782</td>
<td>+3,446</td>
<td>16,697</td>
</tr>
</tbody>
</table>

**3. Assumptions**

<table>
<thead>
<tr>
<th></th>
<th>FY 2009 Results</th>
<th>FY 2010 Forecast</th>
<th>FY 2011 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Trade (CY)</td>
<td>▲ 12.0 %</td>
<td>11.7 %</td>
<td>7.0 %</td>
</tr>
<tr>
<td>Global Economy (Real growth rate/CY)</td>
<td>▲ 0.6 %</td>
<td>4.6 %</td>
<td>4.0 %</td>
</tr>
<tr>
<td>United States</td>
<td>▲ 2.6 %</td>
<td>2.6 %</td>
<td>2.2 %</td>
</tr>
<tr>
<td>Eurozone</td>
<td>▲ 4.1 %</td>
<td>1.5 %</td>
<td>1.2 %</td>
</tr>
<tr>
<td>Asia</td>
<td>5.8 %</td>
<td>8.7 %</td>
<td>7.3 %</td>
</tr>
<tr>
<td>Japanese Economy (Real growth rate/FY)</td>
<td>▲ 1.9 %</td>
<td>2.6 %</td>
<td>1.3 %</td>
</tr>
</tbody>
</table>

Notes
1. “Asia” is defined here, in accordance with IMF definitions, as 26 developing Asian economies plus the 4 NIEs, totaling 30 economies.
2. In addition to the assumptions above, the following assumptions are also factored in on the basis of developments in foreign exchange markets and the crude-oil market in mid-November: Yen/dollar exchange rate of 85yen/US$1 in FY 2010 and 85yen/US$1 in FY 2011; a CIF crude-oil price of US$80/barrel in FY 2010 and US$80/barrel in FY 2011.

“**Japan's Foreign Trade 2011**”

Now Printing

The JFTC will publish “Foreign Trade 2011” (Nihon Boeki no Genjo), with full coverage of Japan’s foreign trade statistics on a customs-cleared basis for the previous year in next March. It has been widely used among those interested in Japanese economy and trade since first edition in 1976. It is “Foreign Trade 2011” (500 including tax), written bilingually in Japanese and English, is available for purchase at large book stores and government book centers. Inquiry for mail order should be addressed to iar@jftc.or.jp (Research Group) or by fax 03-3435-5979.
### Financial Results of Shoshas for the Six Months ended September 30, 2010

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

<table>
<thead>
<tr>
<th>Consolidated Financial Results</th>
<th>ITOCHU CORPORATION</th>
<th>MARUBENI CORPORATION</th>
<th>MITSUBISHI CORPORATION</th>
<th>MITSUI &amp; CO., LTD.</th>
<th>SOJITZ CORPORATION</th>
<th>SUMITOMO CORPORATION</th>
<th>TOYOTA TSUSHO CORPORATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>5,459,763 (-0.2%)</td>
<td>4,543,790 (-1.8%)</td>
<td>10,861,106 (2.6%)</td>
<td>6,210,594 (-1.0%)</td>
<td>2,074,931 (-8.4%)</td>
<td>7,029,296 (4.4%)</td>
<td>2,234,545 (7.9%)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>4,137,025 (-2.9%)</td>
<td>3,770,744 (-2.4%)</td>
<td>7,492,280 (-5.5%)</td>
<td>5,786,421 (-3.4%)</td>
<td>1,718,380 (-8.0%)</td>
<td>5,365,431 (3.5%)</td>
<td>1,589,159 (8.4%)</td>
</tr>
<tr>
<td>Shareholders' Equity</td>
<td>202,241 (0.0%)</td>
<td>262,686 (0.0%)</td>
<td>203,338 (0.2%)</td>
<td>341,482 (0.0%)</td>
<td>160,339 (0.0%)</td>
<td>219,270 (0.0%)</td>
<td>64,936 (0.0%)</td>
</tr>
<tr>
<td>Total Shareholders' Equity</td>
<td>1,322,738 (10.3%)</td>
<td>773,046 (1.3%)</td>
<td>3,368,826 (10.3%)</td>
<td>2,424,173 (5.2%)</td>
<td>356,560 (-10.2%)</td>
<td>1,660,867 (7.2%)</td>
<td>645,385 (4.5%)</td>
</tr>
<tr>
<td>Trading Transactions</td>
<td>5,668,810 (18.1%)</td>
<td>4,451,934 (20.3%)</td>
<td>9,540,412 (18.2%)</td>
<td>4,866,537 (6.1%)</td>
<td>1,965,179 (4.2%)</td>
<td>4,112,299 (8.7%)</td>
<td>2,733,244 (19.9%)</td>
</tr>
<tr>
<td>Gross Trading Profit</td>
<td>505,349 (14.9%)</td>
<td>249,328 (1.9%)</td>
<td>606,072 (18.7%)</td>
<td>437,822 (27.1%)</td>
<td>93,669 (10.1%)</td>
<td>426,192 (13.9%)</td>
<td>165,885 (25.8%)</td>
</tr>
<tr>
<td>Gross Trading Profit Ratio</td>
<td>8.91% — 5.60% — 6.35% — 9.00% — 4.77% — 10.36% — 6.07% —</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling, General and</td>
<td>388,437 (1.7%)</td>
<td>180,497 (0.4%)</td>
<td>405,672 (-1.6%)</td>
<td>264,514 (0.2%)</td>
<td>76,291 (-4.3%)</td>
<td>319,968 (1.3%)</td>
<td>119,151 (6.7%)</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>115,874 (115.9%)</td>
<td>66,438 (5.7%)</td>
<td>197,692 (104.8%)</td>
<td>169,825 (124.9%)</td>
<td>17,378 (221.8%)</td>
<td>102,808 (91.2%)</td>
<td>46,733 (132.0%)</td>
</tr>
<tr>
<td>Financial Balance</td>
<td>102,976 (86.1%)</td>
<td>68,684 (36.1%)</td>
<td>267,797 (94.9%)</td>
<td>183,234 (151.6%)</td>
<td>9,119 (-54.4%)</td>
<td>108,863 (75.4%)</td>
<td>27,103 (181.0%)</td>
</tr>
</tbody>
</table>

### Non-Consolidated Financial Results

| Cash Dividends | 9.0 yen — 5.5 yen — 26.0 yen — 20.0 yen — 1.5 yen — 16.0 yen — 12.0 yen — |

### Consolidated Financial Results

<table>
<thead>
<tr>
<th>CHORI CO., LTD.</th>
<th>HANWA CO., LTD.</th>
<th>HITACHI HIGH-TECHNOLOGIES CORPORATION</th>
<th>INABATA &amp; CO., LTD.</th>
<th>IWATANI CORPORATION</th>
<th>JFE SHOJI HOLDINGS, INC.</th>
<th>KANEHSU &amp; CO., LTD.</th>
<th>SUMIKIN BUSSAN CORPORATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>60,064 (10.6%)</td>
<td>471,290 (8.0%)</td>
<td>418,397 (6.6%)</td>
<td>230,749 (4.7%)</td>
<td>354,960 (2.1%)</td>
<td>557,082 (5.4%)</td>
<td>388,786 (-3.5%)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>35,750 (6.6%)</td>
<td>364,857 (8.4%)</td>
<td>182,505 (10.4%)</td>
<td>162,992 (8.1%)</td>
<td>250,509 (2.4%)</td>
<td>446,850 (4.7%)</td>
<td>343,195 (-4.1%)</td>
</tr>
<tr>
<td>Shareholders'</td>
<td>6,800 (0.0%)</td>
<td>45,651 (0.0%)</td>
<td>7,938 (0.0%)</td>
<td>9,364 (0.0%)</td>
<td>20,096 (0.0%)</td>
<td>20,000 (0.0%)</td>
<td>27,781 (0.0%)</td>
</tr>
<tr>
<td>Total Shareholders' Equity</td>
<td>24,314 (17.0%)</td>
<td>106,433 (6.6%)</td>
<td>235,893 (3.8%)</td>
<td>67,757 (-2.6%)</td>
<td>64,450 (0.8%)</td>
<td>110,232 (8.2%)</td>
<td>45,591 (1.7%)</td>
</tr>
<tr>
<td>Trading Transactions</td>
<td>105,919 (19.2%)</td>
<td>647,172 (21.7%)</td>
<td>335,257 (19.0%)</td>
<td>231,646 (22.2%)</td>
<td>283,846 (14.2%)</td>
<td>996,553 (12.3%)</td>
<td>454,551 (8.0%)</td>
</tr>
<tr>
<td>Gross Trading Profit</td>
<td>9,233 (1.6%)</td>
<td>21,519 (5.6%)</td>
<td>55,752 (71.7%)</td>
<td>16,282 (92.0%)</td>
<td>63,056 (3.7%)</td>
<td>36,144 (17.2%)</td>
<td>37,968 (1.4%)</td>
</tr>
<tr>
<td>Gross Trading Profit Ratio</td>
<td>8.72% — 3.33% — 16.63% — 7.03% — 22.21% — 3.63% — 8.35% — 11.17% — 7.13% —</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling, General and Administrative Expenses</td>
<td>6,720 (-3.9%)</td>
<td>14,771 (0.6%)</td>
<td>41,969 (4.7%)</td>
<td>11,655 (3.7%)</td>
<td>59,641 (2.5%)</td>
<td>24,775 (-1.8%)</td>
<td>28,744 (-7.4%)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>2,512 (4.8%)</td>
<td>6,746 (18.2%)</td>
<td>13,763 (-803.3%)</td>
<td>4,026 (321.3%)</td>
<td>3,414 (31.4%)</td>
<td>11,368 (102.3%)</td>
<td>9,223 (64.0%)</td>
</tr>
<tr>
<td>Net Income</td>
<td>3,765 (105.9%)</td>
<td>3,931 (54.2%)</td>
<td>9,780 (-384.3%)</td>
<td>3,948 (822.4%)</td>
<td>829 (-30.4%)</td>
<td>7,443 (146.8%)</td>
<td>4,039 (151.3%)</td>
</tr>
</tbody>
</table>

### Non-Consolidated Financial Results

| Cash Dividends | 0.0 yen — 8.0 yen — 10.0 yen — 7.0 yen — 0.0 yen — 0.0 yen — 0.0 yen — 9.0 yen — 2.5 yen — |
REGULAR MEMBERS OF JFTC

Companies (Total 42)

Associations (Total 23)
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 AND 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 CENTER FOR TRADE AND INVESTMENT, 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 YOKOHAMA FOREIGN TRADE ASSOCIATION

CHAIRMAN
Shoei Utsuda (Chairman, Mitsui & Co., Ltd.)

HONORARY CHAIRMAN
Nobuo Katsumata (Chairman, Marubeni Corporation)

VICE CHAIRMEN
Susumu Kato (President and CEO, Sumitomo Corporation)
Yutaka Kase (President and CEO, Sojitz Corporation)
Junzo Shimizu (President, Toyota Tsusho Corporation)
Teruo Asada (President and CEO, Marubeni Corporation)
Masahiro Okafuji (President and CEO, Itochu Corporation)
Ken Kobayashi (President and CEO, Mitsubishi Corporation)

EXECUTIVE MANAGING DIRECTOR
Masayoshi Amano

MANAGING DIRECTOR
Yasuo Ichimura