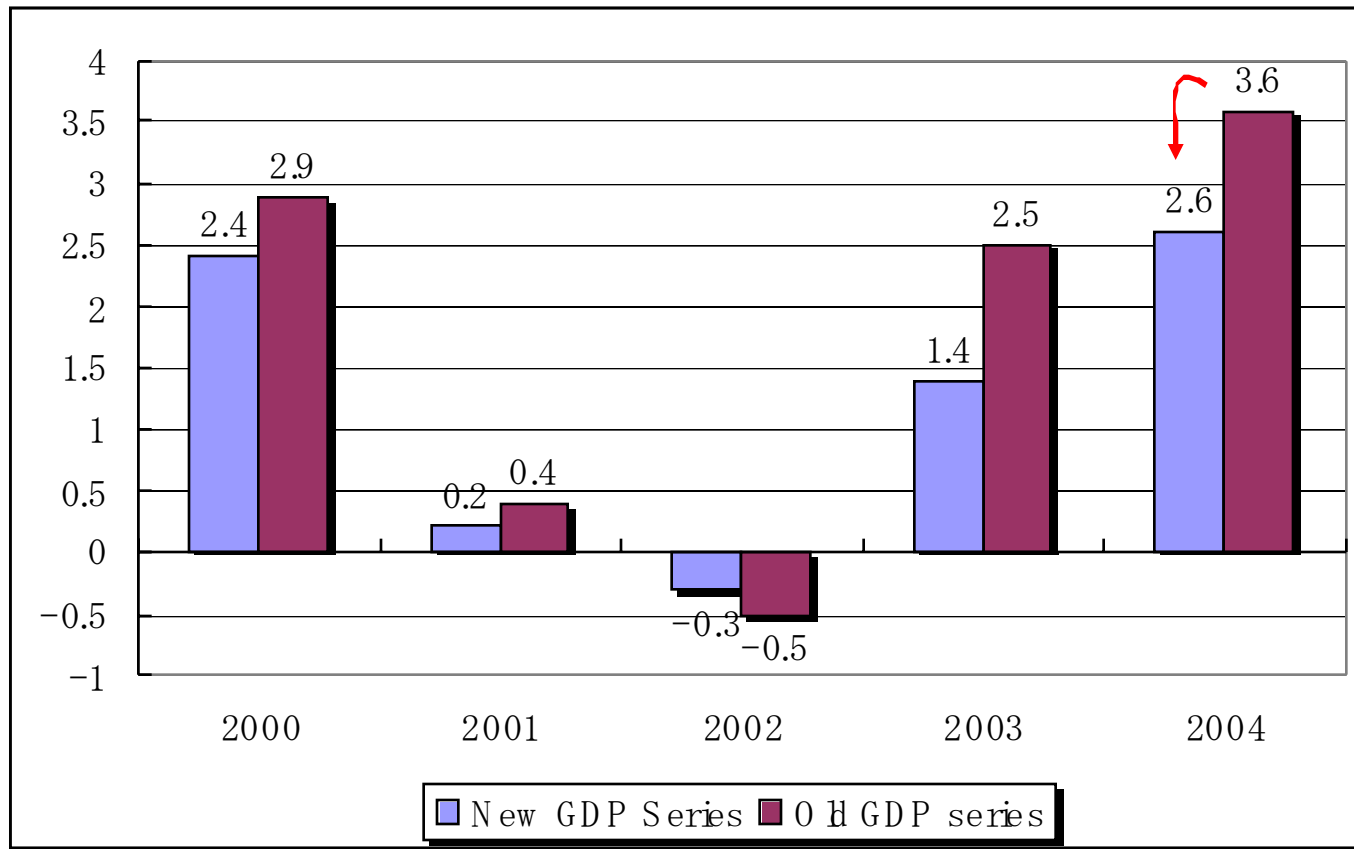


Japanese Economy 2004-2006

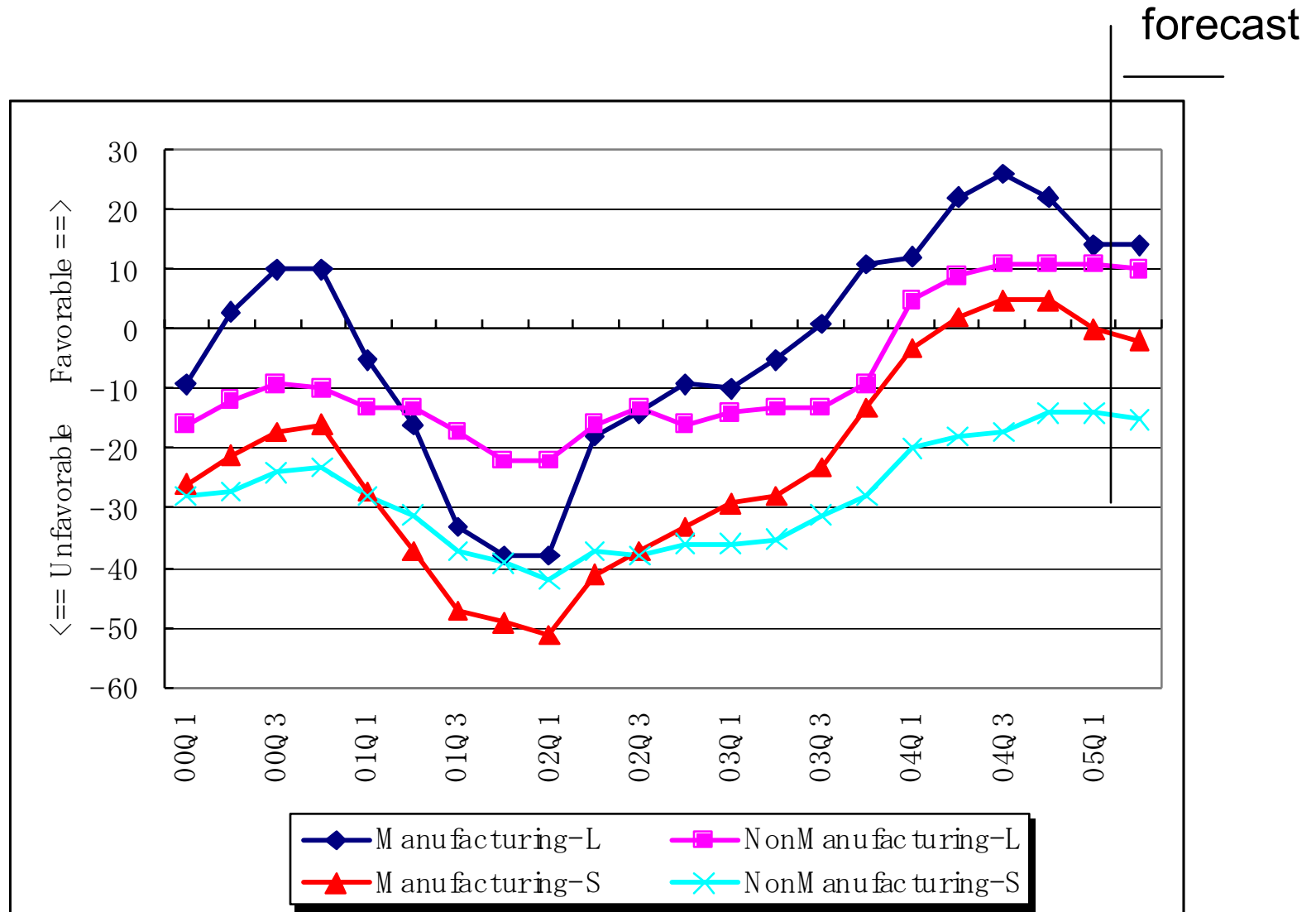
Project LINK Spring Meeting
May 16-20, Mexico City
Kanemi Ban

Statistical figures of real GDP were revised.

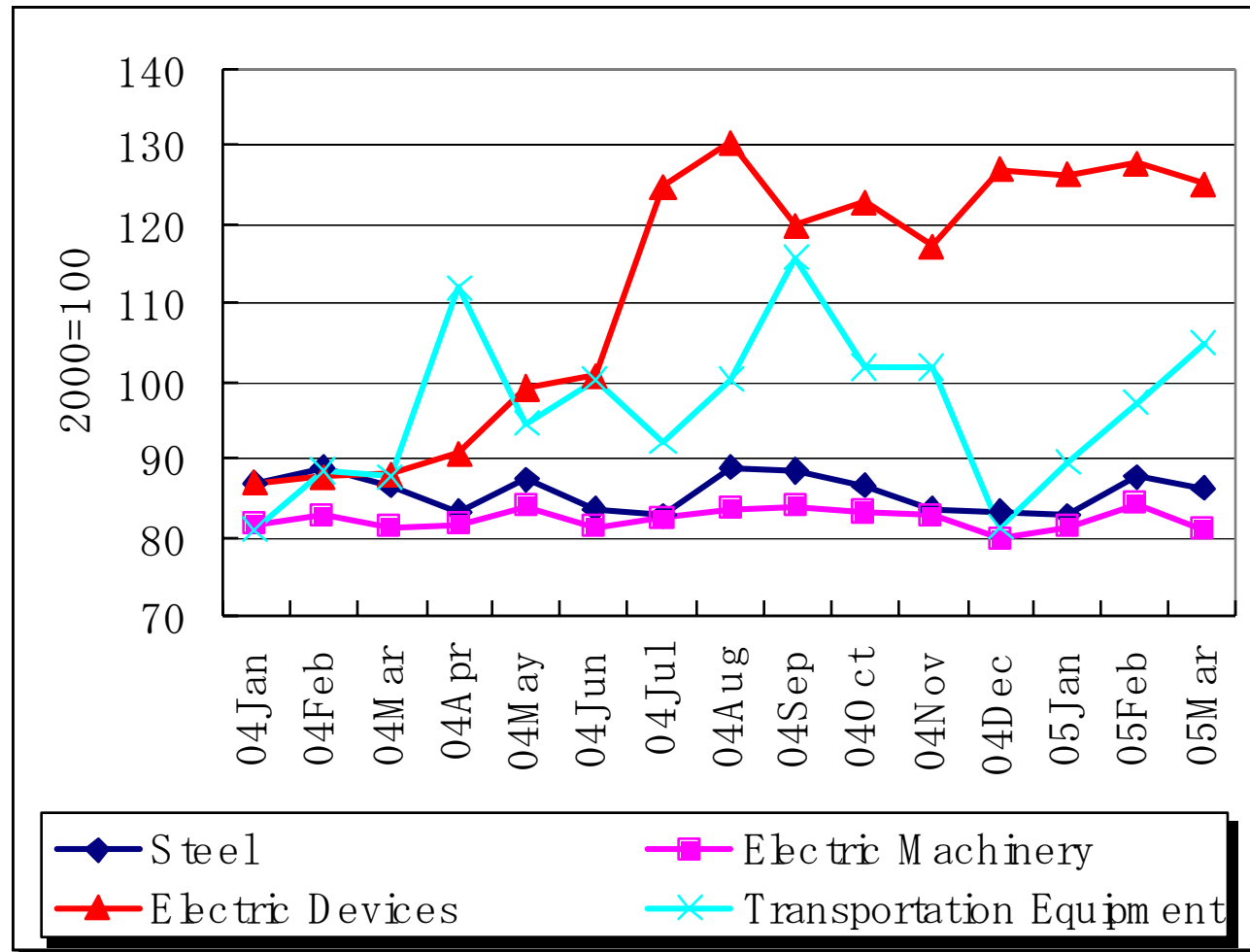


New GDP series are based on chain price index, while old GDP series are based on fixed price index.

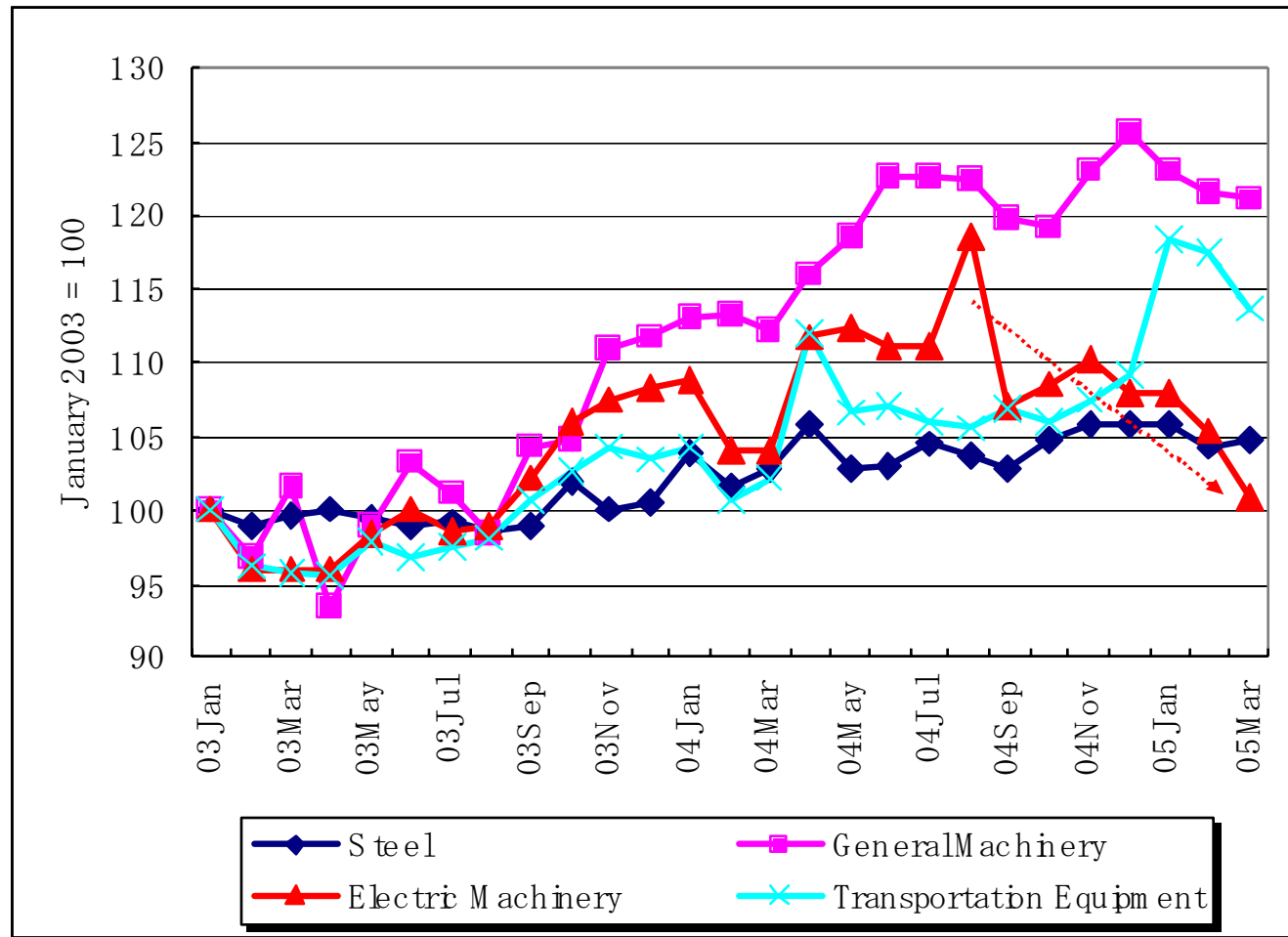
Business conditions of manufactures deteriorated.



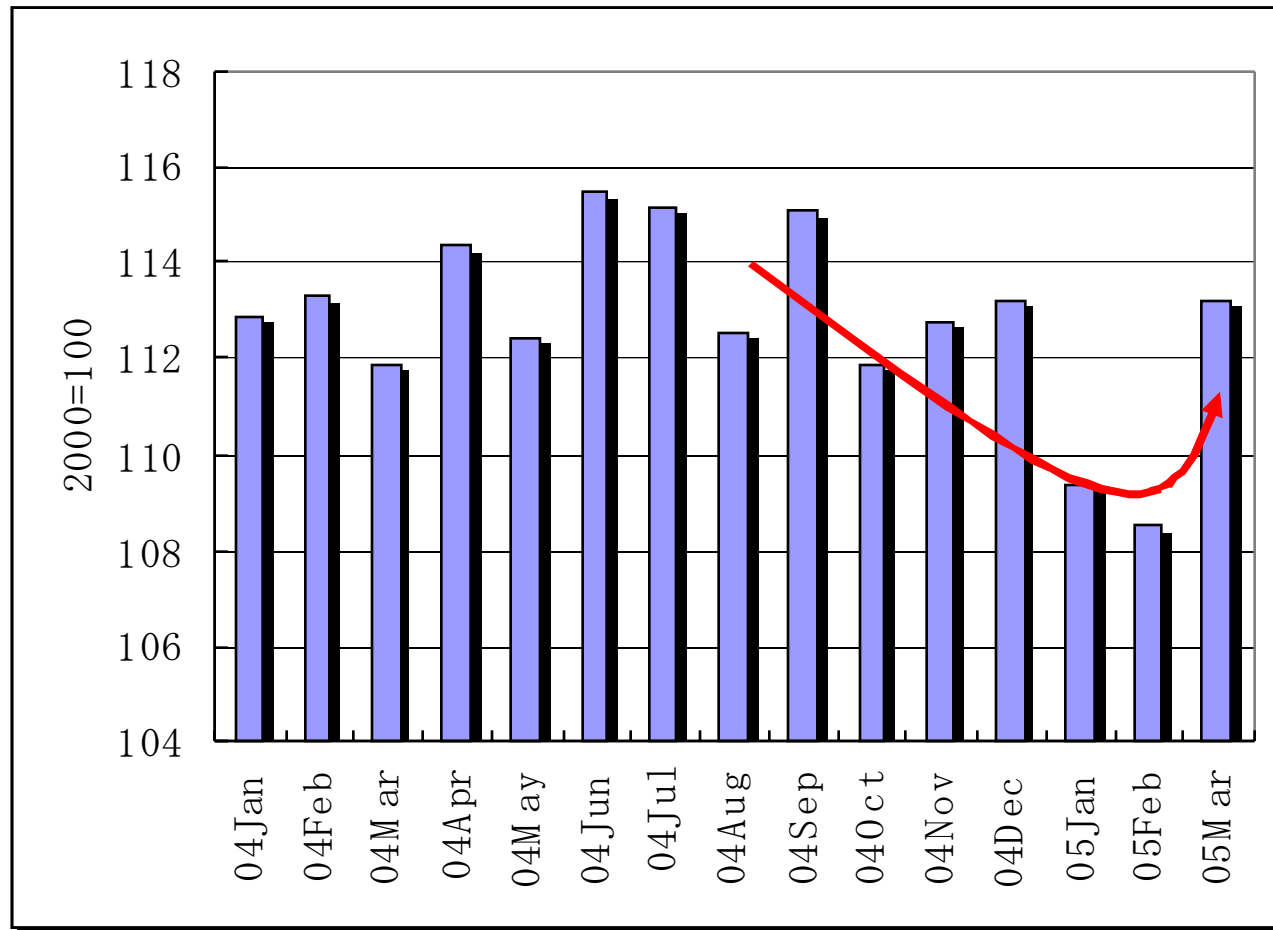
Inventory ratio increased in electric devices.



Production in electric machinery sharply declined.



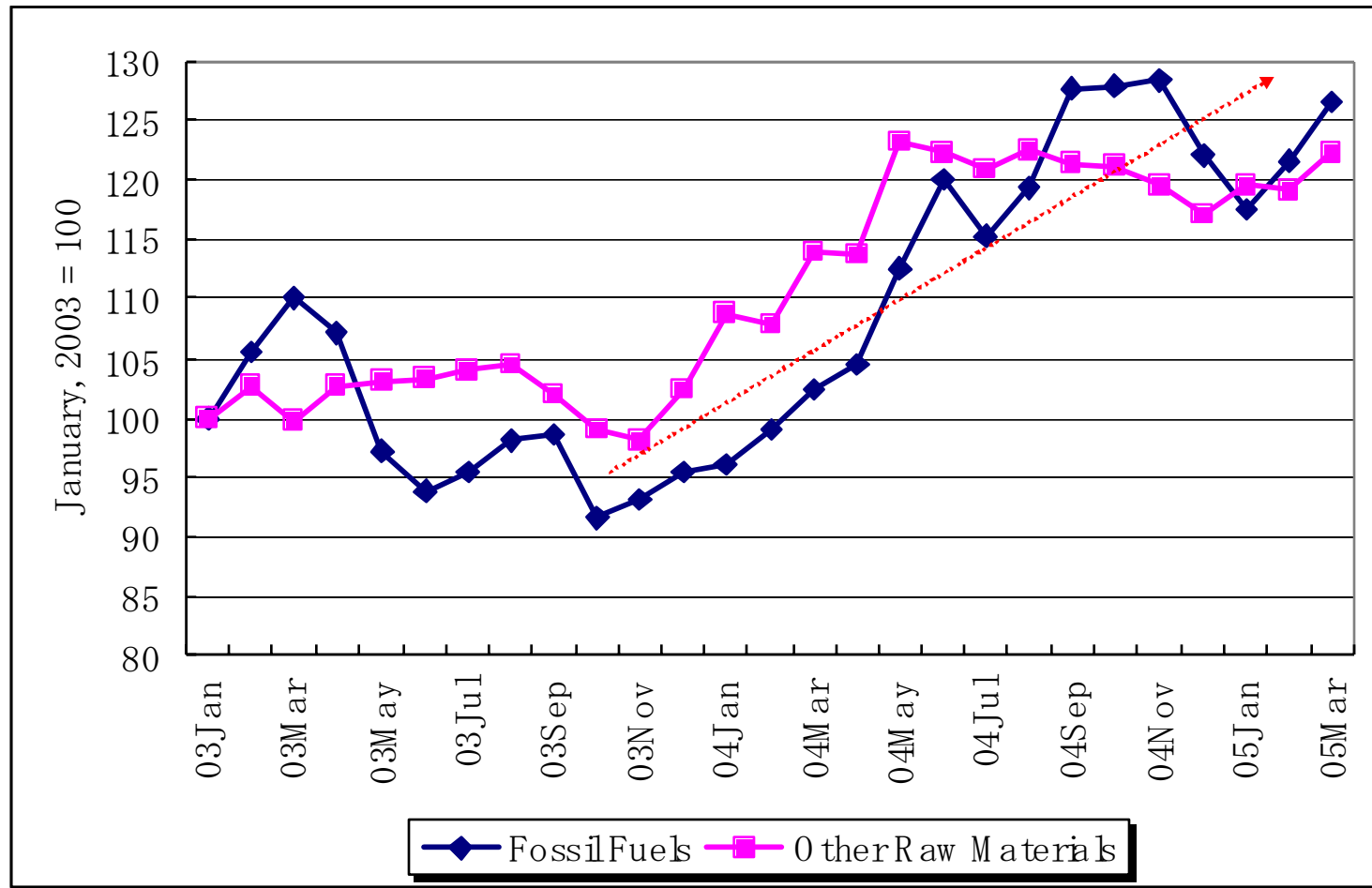
Real exports index has declined.



Seasonally Adjusted

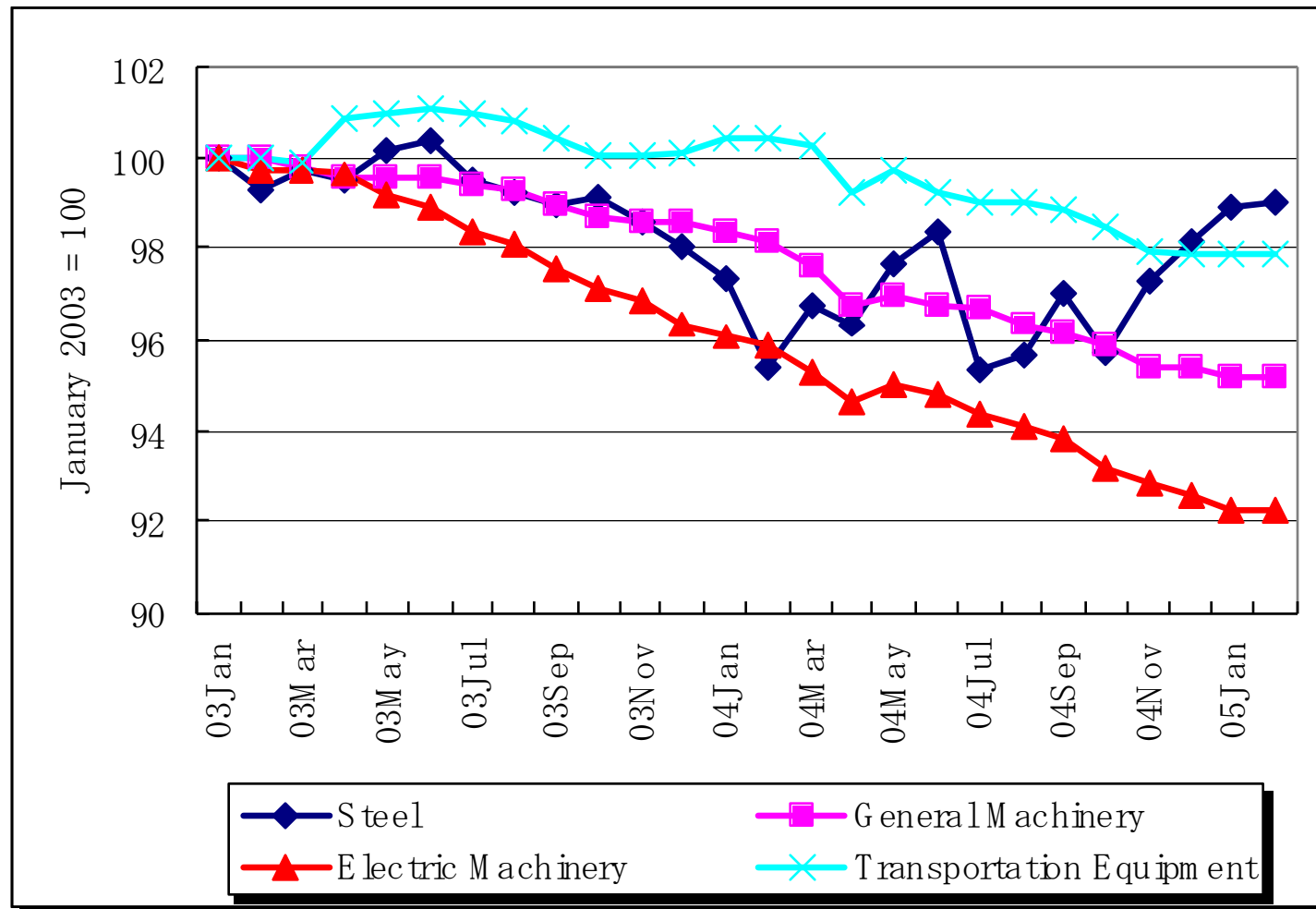
Ministry of Finance, April 28, 2005

Prices of imported materials has increased.



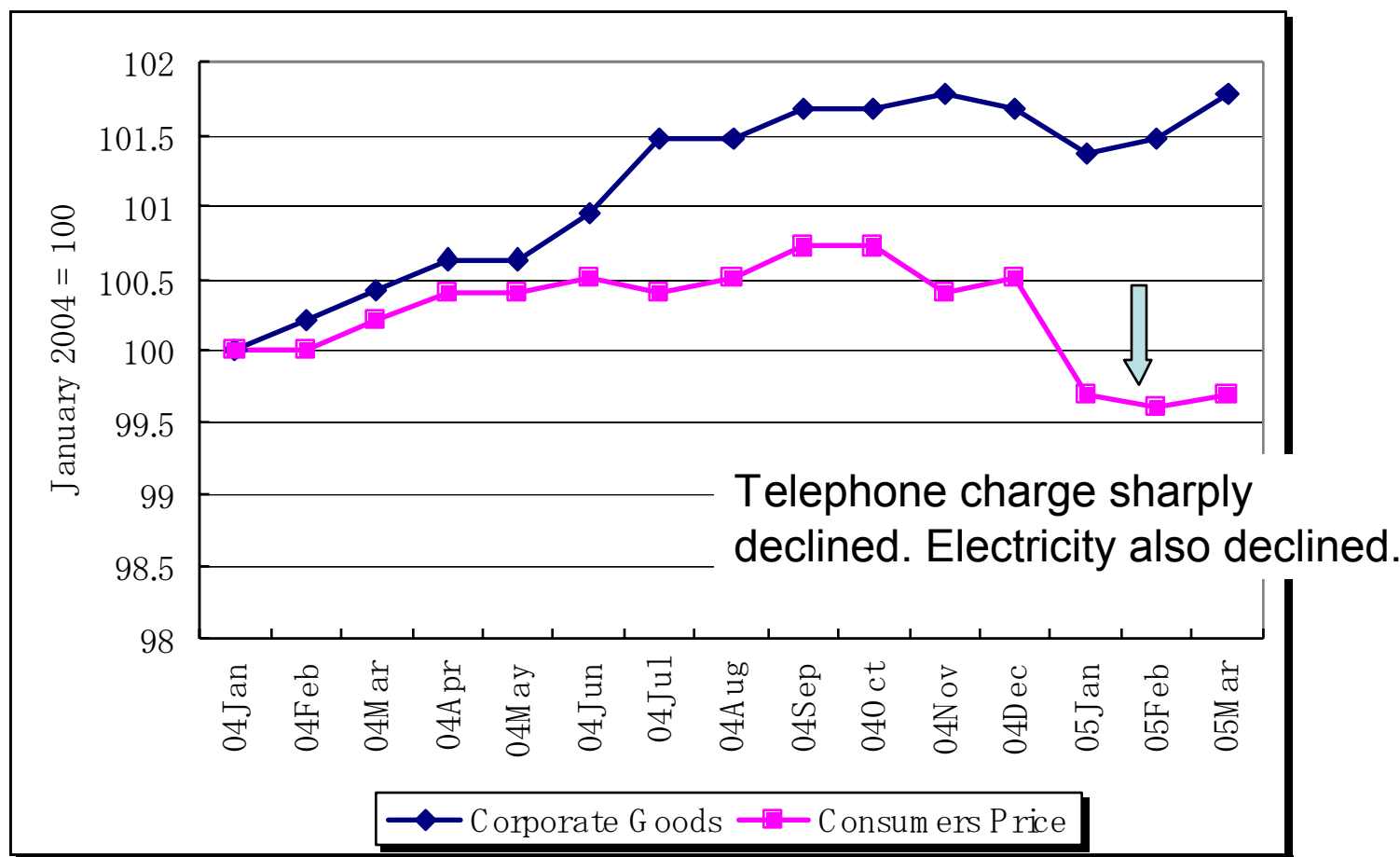
Ministry of Finance, April 28, 2005

Output Prices / Input Prices in Major Industries



Bank of Japan, April 15, 2005

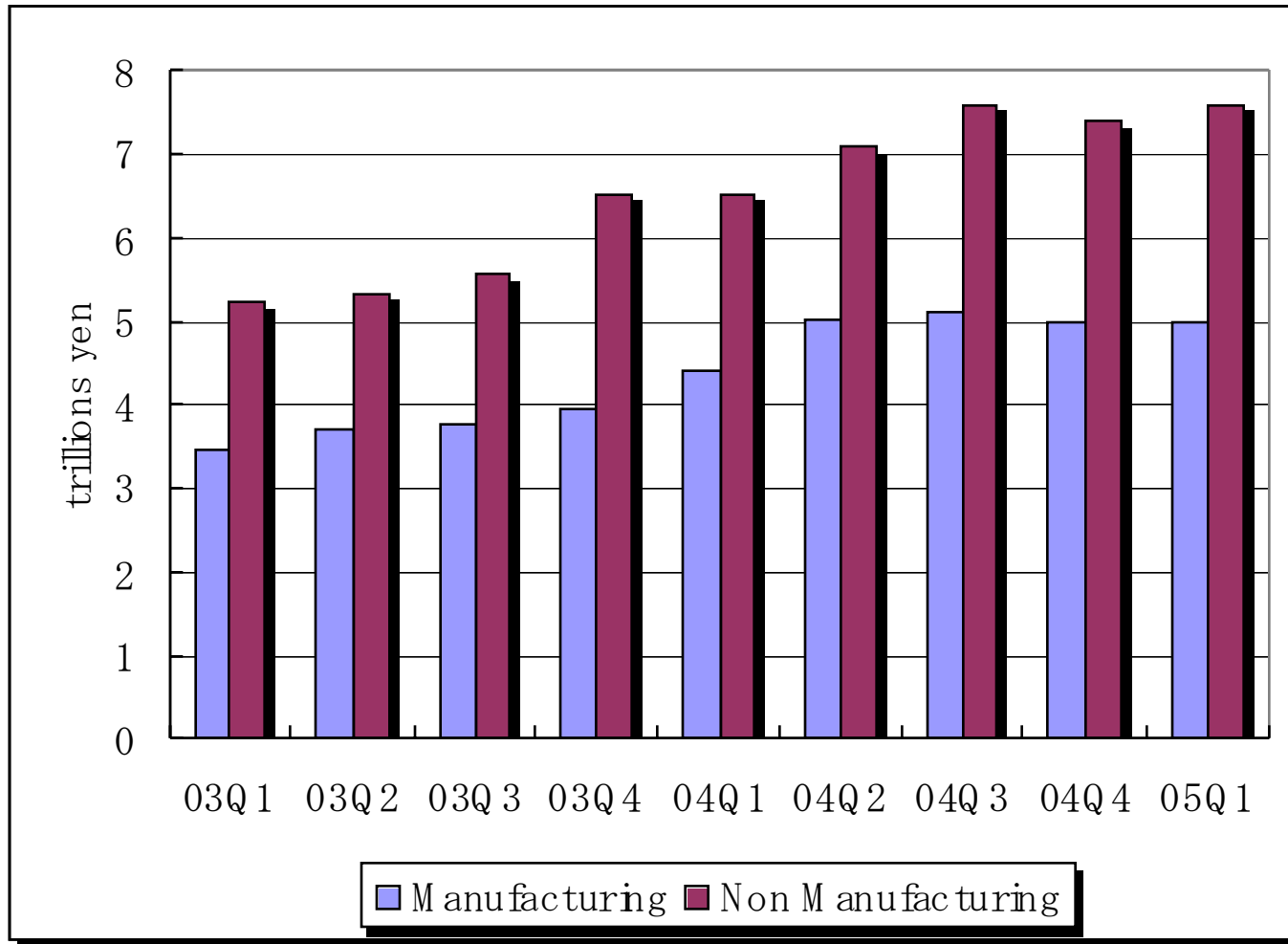
Corporate and Consumer Price Index



Bank of Japan, April 13, 2005

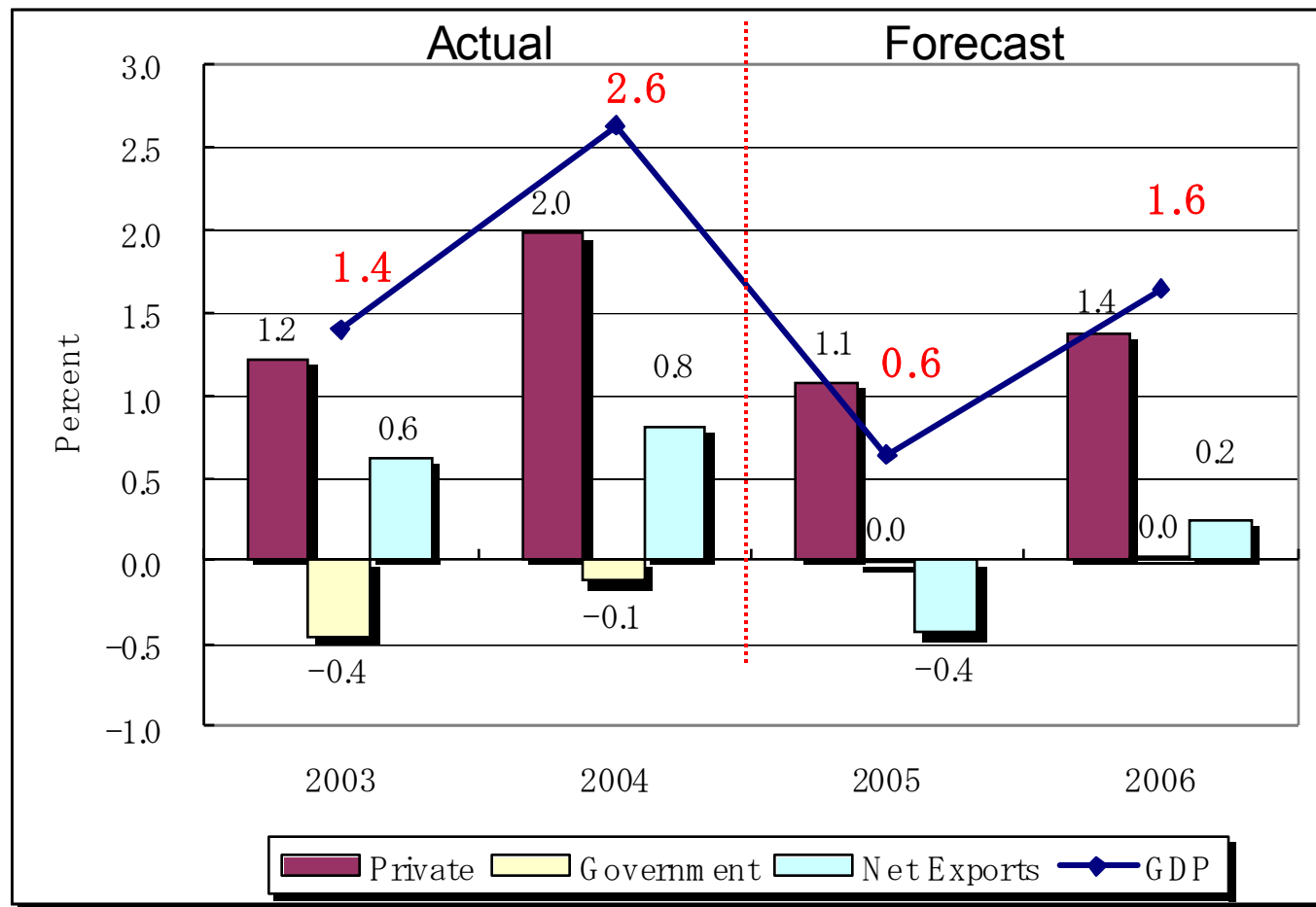
Statistics Bureau, April 26, 2005

Corporate Profits remain high.

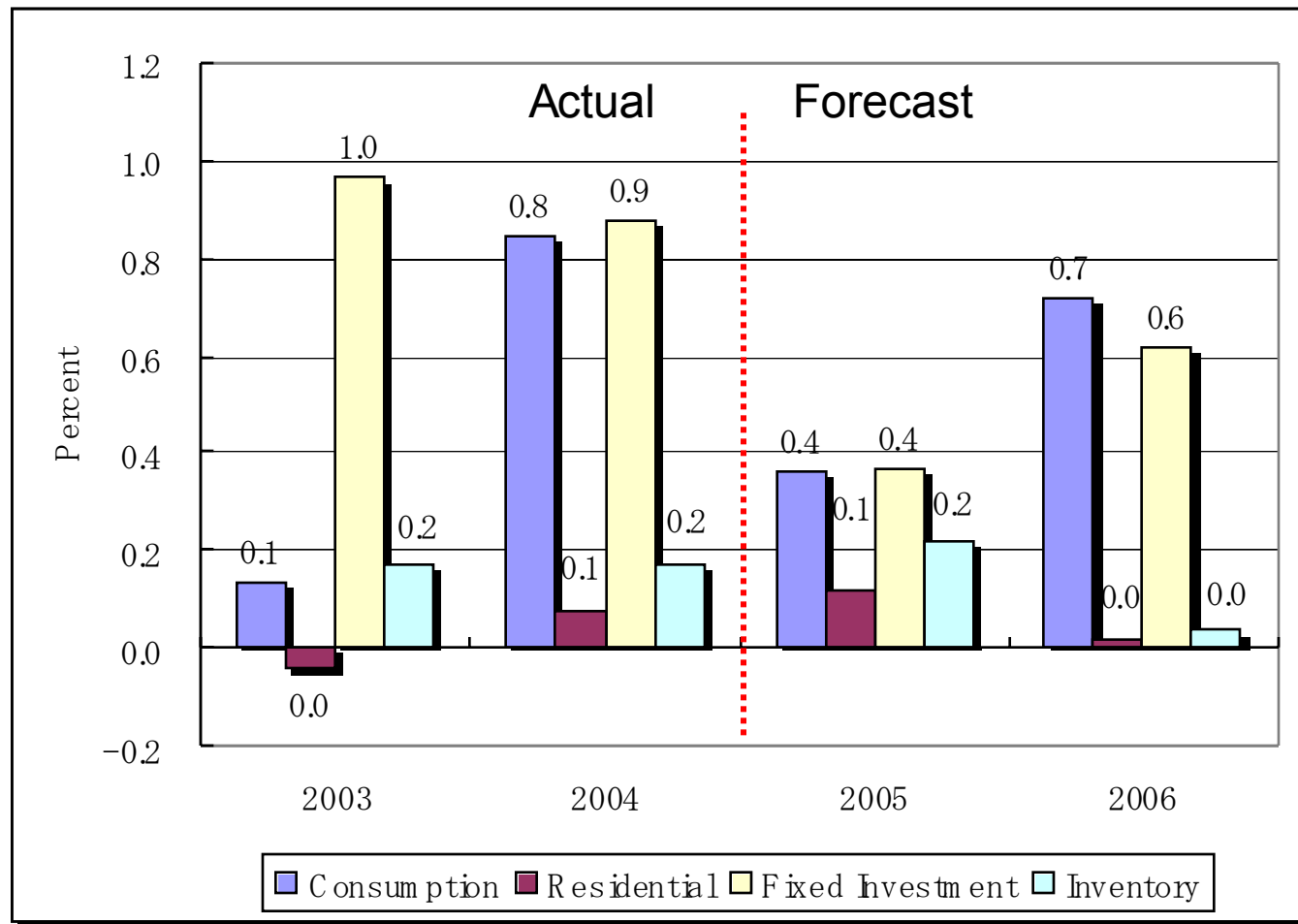


Ministry of Finance

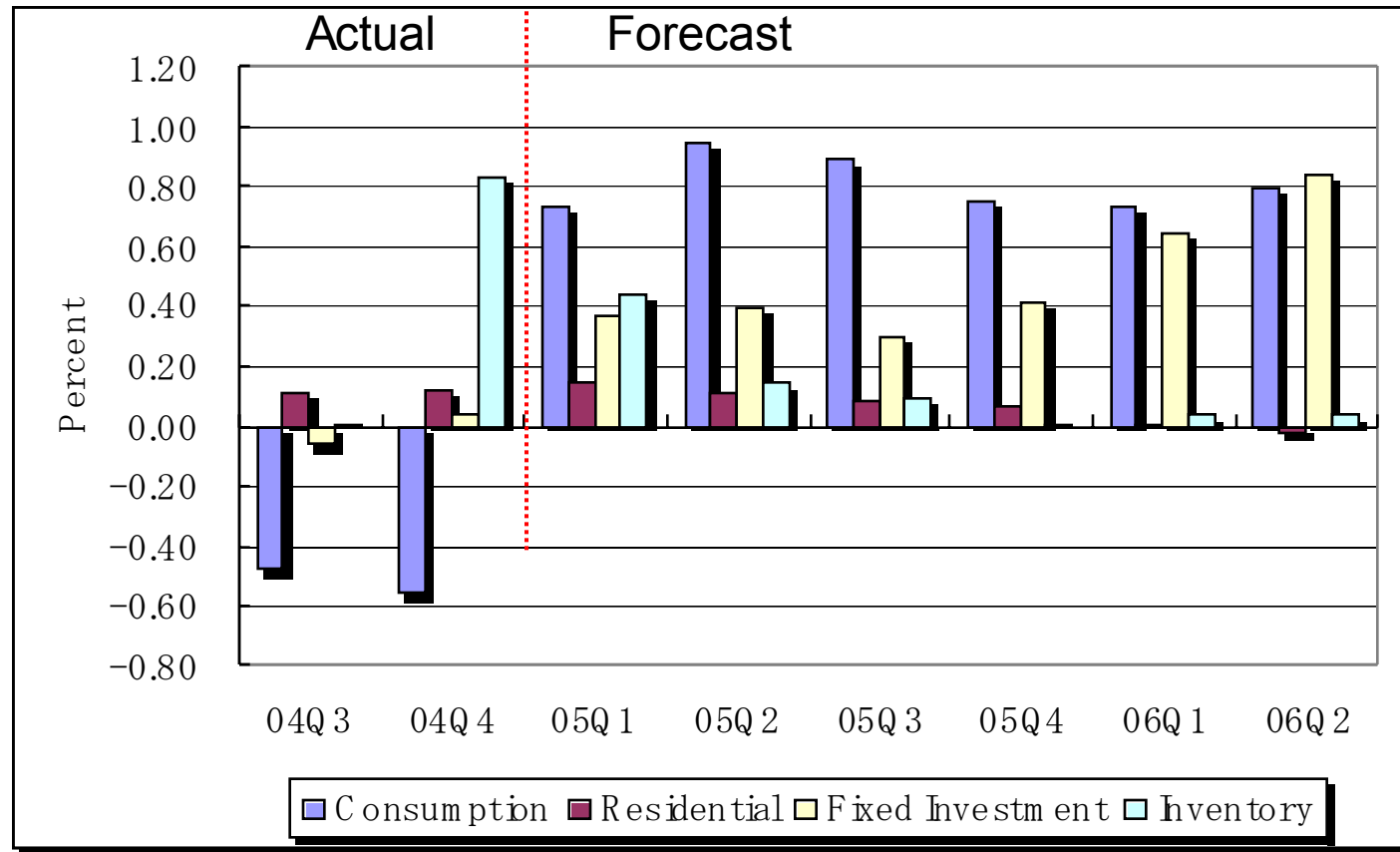
Forecast of GDP growth



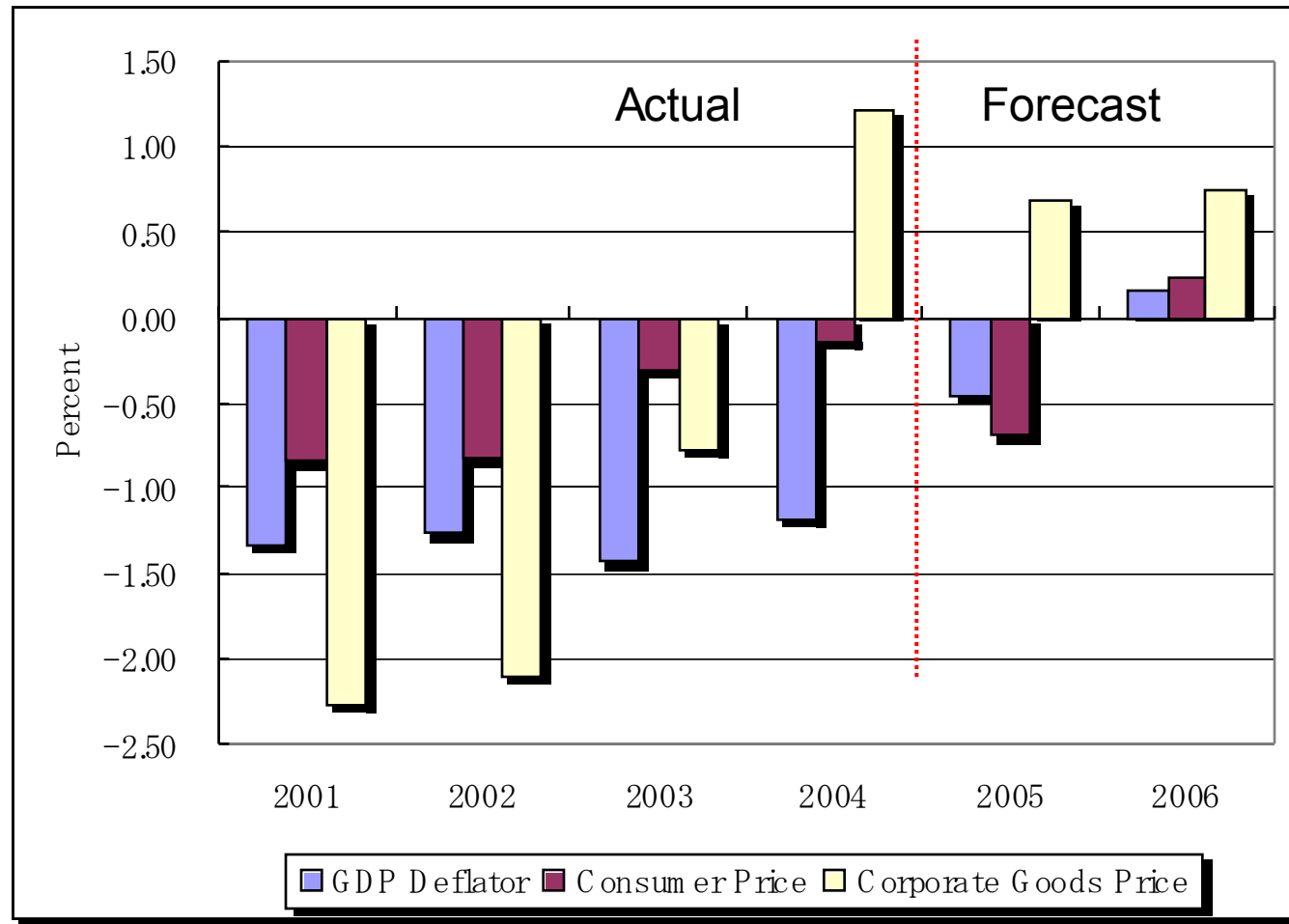
Contributions of Private Demands to GDP Growth



Contribution of Private Demands to GDP Growth



Deflation is expected to be over in 2006.



Monetary policy unchanged.

The BOJ has kept the target for the outstanding balance of current accounts held at the Bank at around 30 to 35 trillion yen.

The amount of government bonds as assets declined, while bills and loans for private sectors increased.

		04Q 1	04Q 2	04Q 3	04Q 4	05Q 1	05A PR
Liability	Monetary base	112	110	111	116	115	112
	Bank notes	82	79	80	85	86	83
	Current account balance	30	31	31	31	29	30
Asset	Government bond	82	81	77	75	74	70
	Bills and loans	30	28	34	41	40	43

Overnight uncollateralized call rate is at zero percent.

Yields on 10 year government bond are around 1.3 percent.

Nikkei 225 stock average is weak around 11,000yen.

summary

1. The Japanese economy continues to stay in a lull because of weak exports and consumptions.
2. Production is also weak, which is mainly due to world-wide Inventory adjustment in IT-related manufactures.
3. Business fixed investment is expected to be steady, because corporate profits continue to be high.
4. GDP growth in 2005 will decline to 0.6 percent.
5. Deflation will continue until the late 2005 or the early 2006.
6. The BOJ will follow the current policy within 2005.
7. The time when Japanese economy recovers strongly depends on the world economy.