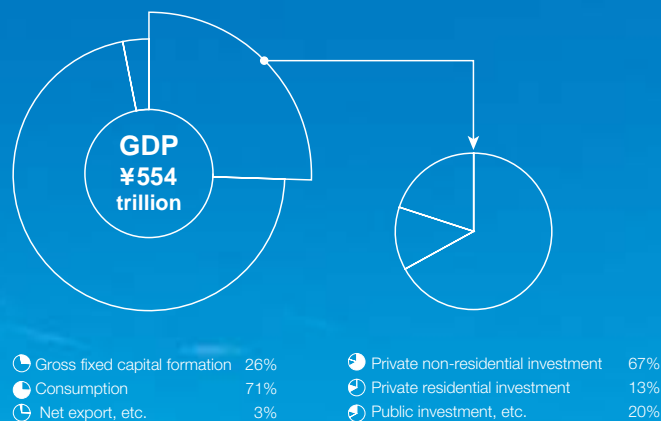


In Japan

Japanese Economy in Fiscal 2003

Economic growth abroad had positive implications for the Japanese economy, and corporate earnings recovered, especially in export-oriented manufacturers. The number of corporate bankruptcies and the unemployment rate fell year on year. While Japanese real GDP ultimately rose 3.2% from the previous term, achieving the highest rate of growth since fiscal 1996, and evidenced the recovery of the economy, housing and construction market have still kept shrinking.

Breakdown of real GDP in fiscal 2003



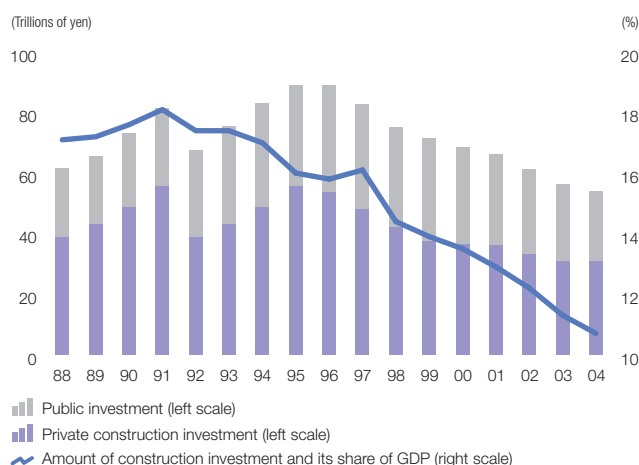
Construction and Housing Market in Japan

After peaking at ¥84 trillion in fiscal 1992, the construction market in Japan fell consistently throughout fiscal 2003, dropping to ¥53,850 billion. As a percentage of GDP, construction investment also fell from a high of 20% to around 10%. In particular, government outlays on construction fell by a substantial margin of roughly 10% for the second consecutive year, significantly impacted by cutbacks in public works spending. In contrast, construction orders began showing signs of recovery, supported by rising capital spending, mainly in manufacturing.

Private housing investment also continued to fall from its most recent peak of ¥28 trillion in fiscal 1996, reaching ¥17,880 billion during the term, or just two thirds of its peak level. New housing construction starts, which mainly consisted of private demand, did in fact reach 1,173,649 units. This represented a rise of 2.5% from the previous term — the first increase in four years — on the strength of positive factors such as the front-loading of housing demand before the revision of housing-related tax reduction, falling land prices and low interest rates. Still, the figure fell 30% short of the level in fiscal 1996, when the housing construction jumped ahead of the consumption tax hike. Market expansion remains difficult given the aging population, combined with a declining birthrate and a rise in the housing stock.

Although land prices in Japan fell for the thirteenth straight year, the rate of decline (in publicly assessed land prices) shrank 0.2 percentage point, as of January 2004 to 6.2% year-on-year. This was the first such improvement in six years, and primarily reflected signs of a bottoming-out in commercial districts in downtown Tokyo and residential areas in the 23-ward central part of Tokyo. The dichotomy between the three megalopolises and other parts of the country became more evident as residents returned to the center of Tokyo and other large cities, where redevelopment projects offered greater convenience and attracted an influx of investment capital.

Construction investment in Japan (unadjusted figures)



Rate of change in land prices in Japan (publicly assessed prices)

