



Member of Cat Group

Zurich, 25th September 2007

Mr. Yasuo Fukuda elected new Prime Minister of Japan

This weekend saw the election of the new party leader of the Liberal Democratic Party (LDP), Mr. Yasuo Fukuda (71 years). Mr. Fukuda was elected as Japan's 58th Prime Minister by the Lower House of Parliament today.

The weaker Upper House voted for the leader of the opposition, Mr. Ichiro Ozawa of the Democratic Party of Japan (DPJ), but the decisive vote in the Lower House confirmed Mr. Fukuda's win with 338 vs. 117 votes in his favour.

Mr. Fukuda, as his predecessor Mr. Abe, proclaims a commitment to economic reforms but as we know, Mr. Abe did not deliver. The lack of action seems set to continue. There is of course the possibility that Mr. Fukuda will only be a temporary solution.

Mr. Fukuda will have to take care of the pension fund scandal and will have to face the 1st of November naval supply mission agreement. The DPJ are against a renewal of the agreement and will block it.

Mr. Fukuda is pro-China and has stated that he will not visit the Yasukuni Shrine.

Spending cuts are to be expected but it is yet unclear how Mr. Fukuda stands to the consumption tax hike. We will inform you of any changes as soon as they happen.

Japan Post Privatisation News

Ahead of its privatisation on October 1st 2007 the Nikkei newspaper suggests that the Japan Post has finished selling Japanese shares. Both the postal savings and the postal life insurance sold around Yen 1.15 trillion (US\$ 10 bn.) worth of stocks from April to July 2007. This selling trend is expected to end.

Yucho Bank, the new entity which will run the postal savings operation from October 2007 will have over Yen 900 bn. (US\$ 7.8 bn.) available to invest in domestic equities. Not a very big amount but money will start to flow back into the stock market.

Kind regards.

Your Cat team.