

Within the ACE

2007 Outlook

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On behalf of the Company and myself, I wish a happy new year to all of you, and would like to serve you this year as sincerely as ever.

Looking back to 2006, Japan was apparently left behind in the worldwide stock rally. But, in my opinion, it is highly likely that Japanese stocks will perform remarkably well this year.

It is firstly because the Japanese economy, as well as the world economy, is expected to cease slowing down within the first half of the year, and then enter into an expansion phase thereafter. Usually in economic expansion, Japanese stocks, which are described as sensitive to the economic trend, would overperform the U.S. counterparts, and non-Japanese investors would continuously pick up Japanese equities.

The second reason is that financial assets of individuals will likely increase the shift from bank deposits to equities and investment trusts, triggered by retirees in the baby boomer generation and seeing clearer signs of post-deflation coming out.

And deregulation on triangle acquisition is the third point, which will stimulate mergers and acquisitions and related actions in the industries, and more corporations will be inclined to take such an attempt as aims to increase corporate value by way of consolidation in the industry, higher cash dividends, and so on.

The last point is the population in the 40s, the richest generation, turning to increase.