

EMBASSY OF JAPAN

2520 MASSACHUSETTS AVENUE, N.W.
WASHINGTON, D.C. 20008

March 30, 2005

Dear Ms. Cutler:

With regard to the procurement of supercomputers in the public sector, I am pleased to inform you of the following.

The Government of Japan has decided to revise the "Procedures to Introduce Supercomputers" attached to the letter from Ambassador Nobuo Matsunaga to Ambassador Clayton Yeutter dated August 7, 1987 (the "Procedures"), implemented in August 1987, and previously revised:

1. In June 1990 as communicated to Ambassador Carla Hills in a June 15, 1990 letter from Ambassador Ryohei Murata.
2. In March 1995 as communicated to Ambassador Michael Kantor in a March 31, 1995 letter from Ambassador Takakazu Kuriyama.
3. In April 1999 as communicated to Ambassador Charlene Barshefsky in an April 30, 1999 letter from Minister Plenipotentiary Hideaki Kobayashi.
4. In March 2000 as communicated to Ambassador Charlene Barshefsky in a March 31, 2000 letter from Ambassador Shunji Yanai.

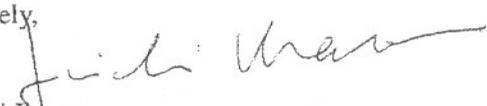
Section I(3) of the Procedures sets out a theoretical peak rating threshold for coverage of the Procedures of 100 billion floating point operations per second (GIGAFLOPS) and over and provides that the coverage be reviewed as necessary.

In order to reflect technological advances in the supercomputer market, this coverage threshold needs to be raised. Accordingly, we have amended Section I(3) of the Procedures to read as follows: "These Procedures will apply to the introduction of supercomputers with theoretical peak ratings of 1.5 trillion floating point operations per second (TERAFLOPS) and over. This coverage will be reviewed as necessary." The new threshold will become effective April 1, 2005. It will govern all procurements of supercomputers by the entities listed in ANNEXES I and II of the Procedures that are initiated on or after April 1, 2005.

In addition, as a consequence of this change, the procurement of computers with the theoretical peak ratings of below 1.5 TERAFLIPS initiated on or after April 1, 2005, will be covered by the 1992 "Measures Related to Japanese Public Sector Procurement of Computer Products and Services" (the "Measures"), provided that other applicable conditions are met under the Measures.

Because the supercomputer market is dynamic, it will be necessary to review the Procedures as technology develops.

Sincerely,



Junichi Ihara
Minister for Economic Affairs

Ms. Wendy S. Cutler
Assistant United States Trade Representative for Japan, Korea and APEC Affairs
Office of the United States Trade Representative
Washington, DC 20508

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

MAR 30 2005

Mr. Junichi Ihara
Minister for Economic Affairs
Embassy of Japan
Washington, D.C. 20008

Dear Minister Ihara:

I am pleased to acknowledge receipt of your letter today which reads as follows:

With regard to the procurement of supercomputers in the public sector, I am pleased to inform you of the following.

The Government of Japan has decided to revise the "Procedures to Introduce Supercomputers" attached to the letter from Ambassador Nobuo Matsunaga to Ambassador Clayton Yeutter dated August 7, 1987 (the "Procedures"), implemented in August 1987, and previously revised:

1. In June 1990 as communicated to Ambassador Carla Hills in a June 15, 1990 letter from Ambassador Ryohei Murata.
2. In March 1995 as communicated to Ambassador Michael Kantor in a March 31, 1995 letter from Ambassador Takakazu Kuriyama.
3. In April 1999 as communicated to Ambassador Charlene Barshefsky in an April 30, 1999 letter from Minister Plenipotentiary Hideaki Kobayashi.
4. In March 2000 as communicated to Ambassador Charlene Barshefsky in a March 31, 2000 letter from Ambassador Shunji Yanai.

Section I(3) of the Procedures sets out a theoretical peak rating threshold for coverage of the Procedures of 100 billion floating point operations per second (GIGAFLOPS) and over and provides that the coverage be reviewed as necessary.

In order to reflect technological advances in the supercomputer market, this coverage threshold needs to be raised. Accordingly, we have amended Section I(3) of the Procedures to read as follows: "These Procedures will apply to the introduction of supercomputers with theoretical peak ratings of 1.5 trillion floating point operations per second (TERAFLOPS) and over. This coverage will be reviewed as necessary." The new threshold will become effective April 1, 2005. It will govern all procurements of supercomputers by the entities listed in ANNEXES I and II of the Procedures that are initiated on or after April 1, 2005.

In addition, as a consequence of this change, the procurement of computers with the theoretical peak ratings of below 1.5 TERAFLIPS initiated on or after April 1, 2005, will be covered by the 1992 "Measures Related to Japanese Public Sector Procurement of Computer Products and Services" (the "Measures"), provided that other applicable conditions are met under the Measures.

Because the supercomputer market is dynamic, it will be necessary to review the Procedures as technology develops.

p.2

I welcome the Government of Japan's decision to amend the Procedures to take account of advances in supercomputer technology and to keep the Procedures under continual review. I am pleased to confirm that it is also the view of the Government of the United States that the threshold in Section I (3) of the Procedures needs to be raised. I understand, therefore, that Section I (3) of the Procedures and coverage under the Measures are amended as described in your letter.

Sincerely,

A handwritten signature in cursive script that reads "Wendy S. Cutler".

Wendy S. Cutler
Assistant U.S. Trade Representative
for Japan, Korea and APEC Affairs