

JAPAN WEEKLY REVIEW

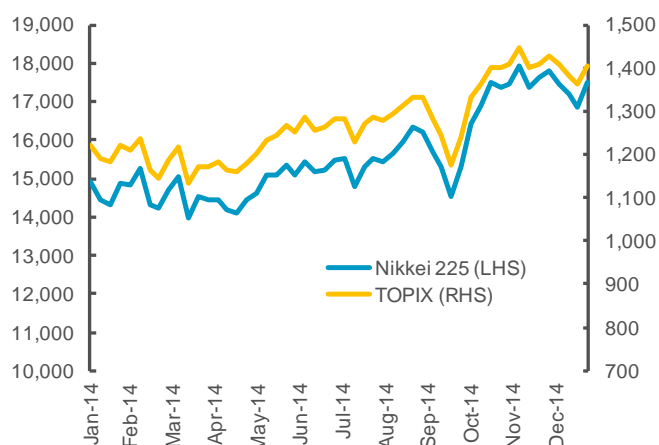
For Week Commencing 19 January, 2015

MARKET REVIEW

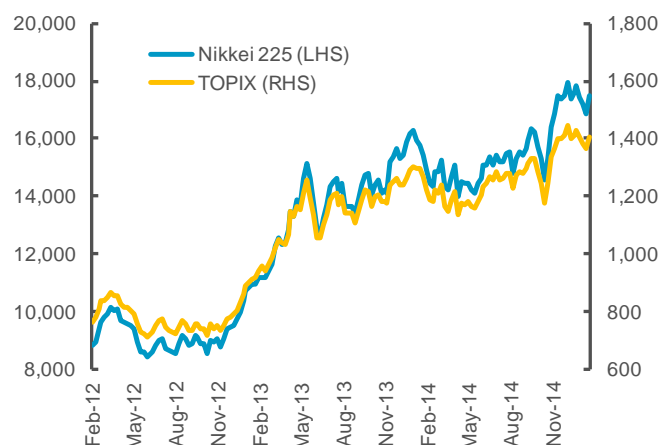
Below are performance data for the TOPIX, Nikkei 225 and JPX-Nikkei 400, stock indices representative of Japan's stock market:

Stock Index	As of 2015/1/23	Performance Returns (%)					
		1 Week	Rolling 3 Months	Rolling 6 Months	Rolling 1 Year	MTD	YTD
Nikkei 225	17,511.75	3.8	15.7	14.2	11.6	0.3	0.3
TOPIX	1,403.22	2.9	13.9	10.3	9.0	-0.3	-0.3
JPX-Nikkei 400	12,749.04	3.0	13.7	10.0	9.7	-0.2	-0.2

**Nikkei 225 & TOPIX
1 Year Performance**



**Nikkei 225 & TOPIX
3 Year Performance**



Source: Nikko AM, Tokyo Stock Exchange, Inc., as of 23 January 2014

※Past performance or any prediction, projection or forecast is not indicative of future performance.

MACRO & OTHER DATA

- ✓ Over 15 million foreign travellers projected to visit Japan in 2015 after 13.4 million visit in 2014
- ✓ Government maintains basic view of the economy in January monthly economic report; indicates production on uptrend
- ✓ BOJ Governor Kuroda hints at delay in achieving 2% inflation; takes cautious stance toward more easing

- The Japan National Tourist Organisation announced on 20 January that 13.41 million foreign travellers visited Japan in 2014, an increase of 29% from the previous year. At the same time, Japan's government predicts that this figure will exceed 15 million in 2015. It was also announced that the amount of money spent by foreign tourists during their stay in Japan (on activities such as shopping, accommodation and meals) increased in 2014 by more than 40% to around ¥2.03 trillion (approx. US\$16.9 billion). Spending on shopping accounts for around 35% of this figure, followed by accommodation (roughly 30%) and meals (about 20%). When converting the more than ¥2 trillion/US\$16.9 billion spent to a per visitor basis, each spends about ¥151,000 (approx. US\$1250). Such growth in inbound demand is expected to continue in earnest toward the 2020 Tokyo Olympics.
- On 23 January, the Japanese government published its monthly economic report for January in which it kept unchanged its basic view of the economy. The government indicated that production is on an upward trend, despite weakness in personal consumption. On 19 January, the Ministry of Economy, Trade and Industry released revised data on Japan's industrial production for November, with the seasonally-adjusted index falling 0.5% month-on-month in November 2014. However, the index for transport equipment rose 0.8%. Production of other major categories also increased, including a 1.9% rise in the index for electronic parts and devices.
- At a news conference following the Bank of Japan's Monetary Policy Meeting on 21 January, BOJ Governor Haruhiko Kuroda said that the timing for achieving Japan's 2% inflation target may need to be flexible. Specifically, he indicated that, even though the central bank in April 2013 set a "2% in two years" target for price inflation, it may now require until fiscal 2016 due to the drop in crude oil prices. Kuroda said that given the improvement in the labor market and moves toward wage increases, there is no change to prices' upward trend. This is viewed as an indication of a cautious stance toward taking additional easing steps – a stance that the BOJ will maintain for the time being.

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