

JAPAN WEEKLY REVIEW

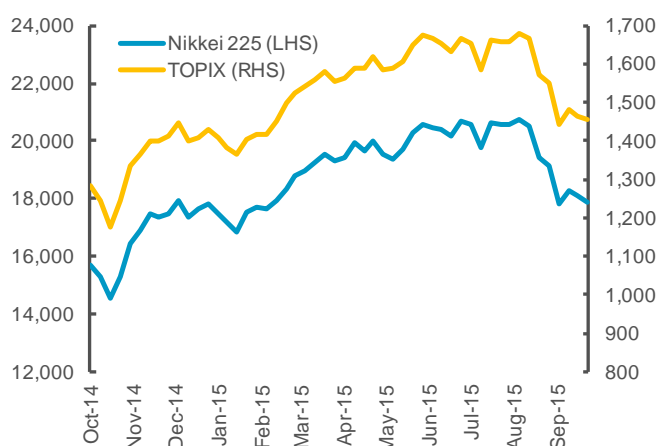
For Two Weeks Commencing 14 September, 2015

MARKET REVIEW

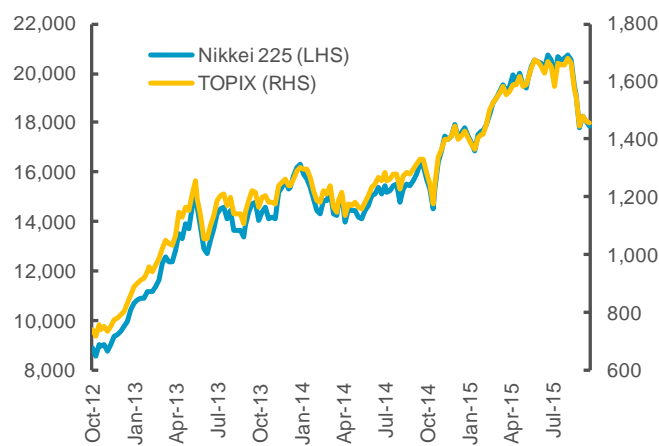
Below are performance data for the TOPIX, Nikkei 225 and JPX-Nikkei 400, stock indices representative of Japan's stock market:

Stock Index	As of 2015/9/25	Performance Returns (%)					
		1 Week	Rolling 3 Months	Rolling 6 Months	Rolling 1 Year	MTD	YTD
Nikkei 225	17,880.51	- 1.0	- 13.9	- 9.4	9.2	- 5.3	2.5
TOPIX	1,453.81	- 0.6	- 13.0	- 8.7	8.0	- 5.4	3.3
JPX-Nikkei 400	13,037.40	- 0.6	- 13.5	- 9.9	6.5	- 5.6	2.1

**Nikkei 225 & TOPIX
1 Year Performance**



**Nikkei 225 & TOPIX
3 Year Performance**



Source: Nikko AM, Tokyo Stock Exchange, Inc., as of 25 September 2015

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

MACRO & OTHER DATA

- ✓ BOJ maintains policy on monetary easing; bank governor says inflation "highly likely" to reach 2% next FY
- ✓ BOJ monthly report: Japan economy still recovering, but affected by slowdowns in emerging economies
- ✓ Japan on pace to receive record 19 million foreign visitors in 2015; visitors in January-August up 49% on year
- ✓ PM Abe heralds new phase for Abenomics, sets goal of increasing nominal GDP to ¥600 trillion (US\$5 trillion)
- ✓ Japan CPI falls 0.1% on year in August, dropping for first time in over two years
- ✓ Japan trade deficit decreases on year in August, as exports increase, imports decrease

- At its Monetary Policy Meeting on 15 September, the Bank of Japan (BOJ) voted to keep its monetary easing policy steady. However, the central bank modified its description of the economy, saying that, while it continues to recover moderately, exports and production have been affected by the slowdown in emerging economies. Speaking at a news conference following the meeting, BOJ governor Haruhiko Kuroda said that while he expects inflation to hover at around zero in the near term, it is projected to begin rising and is highly likely to reach the BOJ's 2% target around the first half of next fiscal year, depending on the direction of crude oil prices. Kuroda also reiterated that a positive cycle of wages boosting consumer spending is at work in the economy, and as a result there may be a return to positive GDP growth in the July-September quarter.
- In its Monthly Report of Recent Economic and Financial Developments released on 16 September, the BOJ stated that while Japan's economy has continued to recover moderately, exports and production have been affected by the slowdown in emerging economies. This was a change from the BOJ's assessment in August, when it simply stated that the economy was "continuing to recover moderately". The report noted that the slowdown in emerging economies had resulted in exports and industrial production being "more or less flat". This was in contrast to its assessment in August that exports and output were "picking up, albeit with some fluctuations".
- The Japan National Tourist Organization (JTN) announced on 16 September that the number of foreign visitors to Japan so far in 2015 has already surpassed the annual record of 13.41 million achieved in 2014, with 13.42 million foreign tourists having visited as of 10 September. Given the current trend, the total number of visitors for 2015 is likely to reach 19 million, the agency said. The JTN also announced that the number of visitors for the January-August 2015 period increased 49% on-year to 12.88 million. The increasing numbers continue to be attributable to a weaker yen, which results in lower prices for accommodation and shopping, and relaxed restrictions on the issuing of visas. Despite the continued turmoil in the Chinese market, the number of visitors from China in August more than doubled on year to 591,500.
- Speaking at a press conference on 24 September, Prime Minister Shinzo Abe declared that his signature "Abenomics" growth strategy is moving on to a new stage, and he stated his intention to continue governing Japan with top priority placed on the economy. Specifically, he announced a new set of "three arrows" to drive economic growth through 2020: (1) promotion of a strong economy, (2) child-rearing assistance to push up the low birth rate, and (3) social security measures to increase nursing facilities for the elderly. Regarding the current condition of the economy, he emphasized that Japan is on the cusp of putting an end to deflation, while stating his intention to set a goal of increasing nominal GDP to ¥600 trillion (approx. US\$5 trillion), up from ¥490 trillion as of last fiscal year. He also announced a target of increasing the fertility rate from the current 1.4 children per woman to 1.8, while pledging to provide free preschool education as well as support for marriage and infertility treatment.

- Data released by the Ministry of Internal Affairs and Communications on 25 September showed that Japan's Consumer Price Index (core CPI excluding perishables) fell 0.1% year-on-year in August to 103.4 (2010=100), falling for the first time since April 2013. The result is expected to increase pressure on the BOJ to introduce additional measures in the near future to stimulate inflation.
- According to preliminary trade statistics (on a customs clearance basis) released by the Ministry of Finance on 29 September, Japan recorded a ¥569.4-billion trade deficit (approx. US\$4.7 billion) in August, representing a year-on-year decrease of 40%. The trade deficit (calculated as the value of exports minus the value of imports) was pushed down by a 3.1% increase in the value of exports, and as the drop in the price of crude oil decreased the value of imports.

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