

JAPAN WEEKLY REVIEW

For Week Commencing 6 June 2016

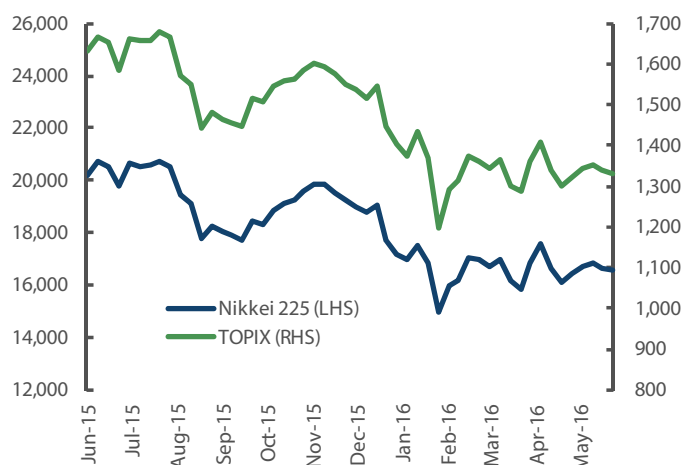
Market Review

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

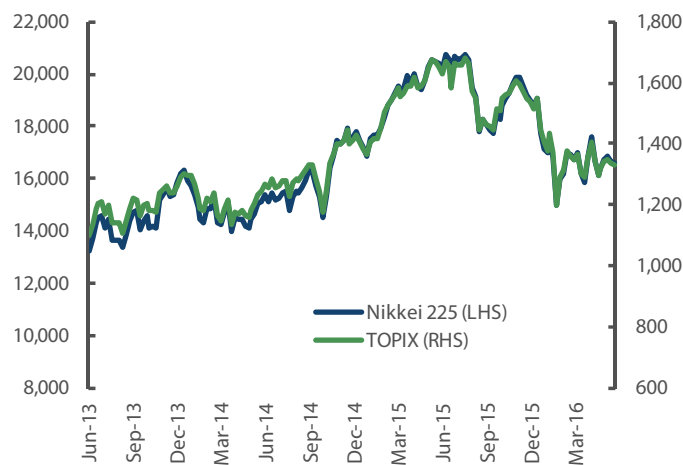
| Stock Index | As of 2016/6/10 | Performance Returns (%) | | | | | |
|----------------|--------------------|-------------------------|---------------------|---------------------|-------------------|------|-------|
| | | 1 Week | Rolling 3 Months | Rolling 6 Months | Rolling 1 Year | MTD | YTD |
| Nikkei 225 | 16,601.36 | -0.2 | -1.5 | -12.8 | -17.2 | -3.7 | -12.8 |
| TOPIX | 1,330.72 | -0.5 | -1.6 | -13.6 | -18.3 | -3.6 | -14.0 |
| JPX-Nikkei 400 | 11,981.60 | -0.6 | -2.1 | -13.5 | -18.5 | -3.8 | -14.1 |

Nikkei 225 & TOPIX

1 Year Performance



3 Year Performance



Source: Nikko AM, Tokyo Stock Exchange, Inc., as of 10 June 2016

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

Macro & Other Data

- Japan coincident composite index in business conditions data sees highest rise in a year in April; diffusion index for current economic indicators in Economy Watchers Survey falls in May
- Japan GDP revised upward to annualized 1.9% in January-March; capital spending falls less than expected
- Japan machinery orders decrease 11% on-month in April; pushed down by China slowdown and stronger yen

- On 7 June, Japan's Cabinet Office released the Indexes of Business Conditions preliminary data for April, which showed the coincident composite index (CI), a measure of the current state of the economy, rising 2.0 points on-month to 112.2 (2010 = 100). It was the CI's second straight month of increase, as it was boosted by domestic shipments of electronic components and an improvement in the ratio of job offers to job seekers. This was the largest climb in the index since April 2015, when it grew 2.2 points. However, on 8 June, the Cabinet Office released the Economy Watchers Survey for May, which showed the diffusion index (DI) for current economic indicators, an indicator of street-level business sentiment, fell 0.5 point from the previous month to 43.0 points. The corporate activity and household activity indicators both fell, weighing on the DI.
- According to revised figures released by the Cabinet Office on 8 June, Japan's seasonally-adjusted real GDP increased 0.5% on-quarter in January-March, or a rise of 1.9% on an annualised basis. This represents a slight upward revision from the preliminary data (which showed an annualized increase of 1.7%) and the first increase in real GDP in two quarters. The upward adjustment can be partially attributed to corporate capital spending dropping a revised 0.7%, much smaller than the 1.4% decrease in the preliminary report. Although spending was sluggish in a wide range of sectors, including real estate, transportation, and machinery, it increased in transportation equipment due to expanded production capacity for new automobile models.
- April machinery orders statistics released by the Cabinet Office on 9 June showed that private sector machinery orders (excluding volatile orders for ships and those from electric power companies), a leading indicator of private capital investment, decreased a seasonally-adjusted 11.0% from the previous month to JPY 796.3 billion (approx. USD 7.44 billion). It was the first time in two months for orders to decline on-year and the largest drop for a single month in nearly two years. The government expressed the view that the economic slowdown in China and further yen strength contributed to slowing orders, but noted that the earthquake in southern Japan in April did not appear to have had a large impact. Despite the decline, the government maintained its assessment that orders are showing signs of picking up.

Nikko Asset Management Asia Limited

12 Marina View, #18-02, Asia Square Tower 2,
Singapore 018961
Phone: +65 6500 5700
Fax: +65 6534 5183
Email: SGContactUs@nikkoam.com

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