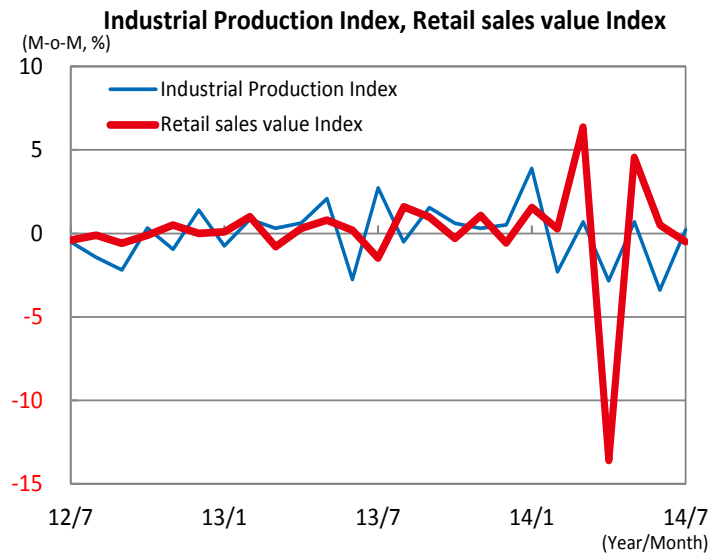


Today's Topic **Analysis on Latest Japanese Economic Indicators (September 2014)**

Favorable employment conditions to support the economy at a standstill

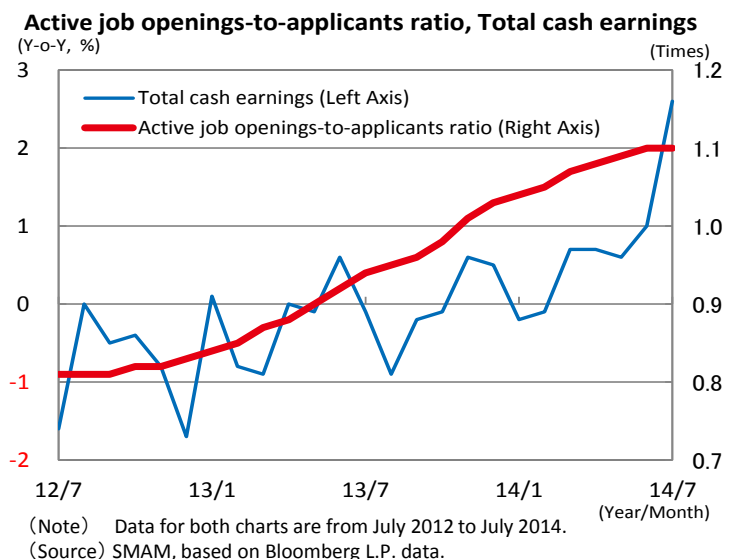
Point 1 Industrial production turned positive after 2 months interval Consumption recovery after the tax hike is still slow

- July Industrial production index (seasonally adjusted) rose 0.2% m-o-m after two months interval, however, it was lower than the previous month's forecast of +2.5% m-o-m. "Capital goods" such as Machinery etc. delivered an increase, while "Consumer durables" such as automobile showed a decline due to remaining influence of the consumption tax hike.
- July Retail sales value index (seasonally adjusted) declined 0.5% m-o-m after three months interval. While the impact of the consumption tax hike is diminishing, pace of economic recovery is still weak.



Point 2 Job opening-to-application is keeping a high ratio Total cash earnings rose more than 2% after 11 years interval

- July Active job openings-to-applicants ratio (seasonally adjusted) remained unchanged at 1.10 times, highest level in twenty two years after June 1992. The labour market is tight as the new job openings-to-applicants ratio is on a rising trend particularly in manufacturing and wholesale & retail trade sectors.
- July Total cash earnings (seasonally unadjusted) increased 2.6% y-o-y for five consecutive months, more than 2% increase after eleven years interval since June 2003. Not only one time bonus income increased but also basic salary and overtime allowance increased.



Future Outlook We expect the favorable employment condition will give a positive ripple effect on the Japanese economy going forward

- While It is true that total cash earnings are increasing in nominal terms, real wages, excluding the impact of price movement, is still struggling to go for a rise. We expect the wages to be increased further on the favorable labour market conditions and the improvement of the corporate earnings of the Japanese companies.
- The Abe administration has a policy of making an

judgment in December whether to give a green light for the second consumption tax hike or not, based on careful analysis of July-September business situation in Japanese economy. The steady implementation of growth strategies, so-called "Abenomics", is essential to put Japan on a sustainable growth track.

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