

#### [Japanese Equity Market Outlook]

Adjusting the speed according to fluctuations

Nikkei Average	March end	MoM
	19,206.99 yen	2.18%

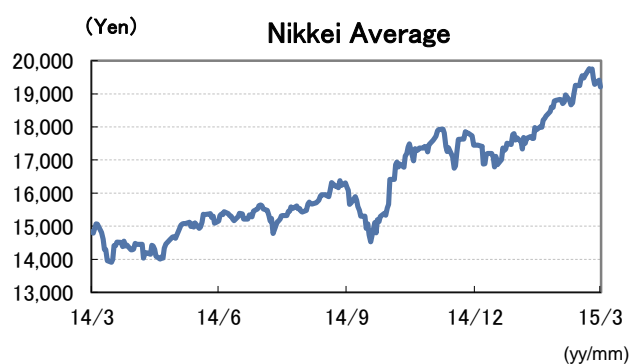
#### [Market review in March]

In March, equity markets in Japan were mostly steady, although they weakened somewhat at the end of the month. Early in the month we saw tepid upward movement, mainly due to reactions to the significant rise in February, uncertainties in domestic politics caused by the problems of financial contributions to political parties, and heightened concerns about early interest rate increases in the U.S. In the middle of the month, however, equity prices rose substantially in favorable response to successive reporting of agreement on large across-the-board increases in basic pay centered on the automobile and other industries in the spring wage negotiations, reporting of the strengthened stance of major companies placing more importance on shareholders, the continued favorable supply and demand relationship of equities, and so on. Toward the end of the month, in the midst of a heightened sense of caution about the high Nikkei stock average that was nearing 20,000 yen, equity prices dropped a bit due to political uncertainties in Yemen, the downturn of some economic indicators, and the like, which were occurring simultaneously.

#### [Outlook]

In April, equity markets in Japan are likely to fluctuate partly as a reaction to the rapid rises thus far. The Nikkei stock average rose about 3,000 yen from the low in mid-January, or no less than 5,000 yen from the low in mid-October, to the recent high level. With the PER not currently appearing low, it is expected that increases will level off temporarily, followed by a phase of speed adjustment. With the rise of U.S. interest rates coming into view, investor sentiment seems to be increasingly cautious. There appears to be little risk of a substantial fall, however, because there seem to be many investors in Japan and abroad who are willing to buy Japanese stocks backed by steady earnings once their prices go down.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Economic recovery of Japan due to weaker yen, cheaper oil and improvement in corporate earnings</li> <li>Purchase of Japanese equities by BOJ and GPIF</li> <li>Strengthened attitude of companies to place more importance on shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Reactionary downturn after the rapid rise in equity prices</li> <li>Heightened geopolitical risks including those in the Middle East</li> <li>Excessive deceleration of some emerging economies</li> </ul>



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