

【Japanese Equity Market Outlook】 Expected to gradually restore steadiness

Nikkei Average	August end	MoM
	18,890.48 yen	-8.23%

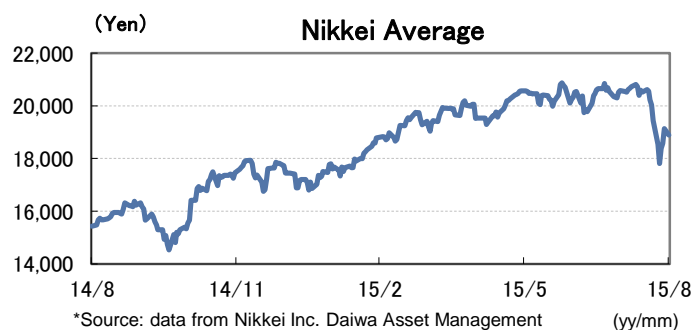
【Market review in August】

In August, equity markets in Japan sharply dropped in the second half of the month. In the first half of the month, equity prices were steady, partly due to the end of the Greece support issue and favorable financial results of companies, only to start showing uneasiness in the market after China implemented de facto devaluation of the renminbi. After entering the second half when Chinese equities dropped suddenly, there emerged uncertainties about the Chinese economy and concerns over the slowing down of the world economy, causing Japanese equities to plummet as well. Afterwards, when China announced monetary-easing towards the end of the month, Japanese equities finally rebounded.

【Outlook】

In September, equity markets in Japan are likely to gradually restore steadiness. For a while, it seems markets will continue to be nervous about developments in Chinese equities and the U.S. monetary policy. However, China appears to be strengthening its stance of giving priority to the economy. Moreover, when the U.S. FOMC (Federal Open Market Committee) meeting on September 16-17 is over, uncertainties about the U.S. monetary policy are likely to significantly disappear. Afterwards, we expect to see stronger trends of players taking into account in advance future upward revisions to earnings at the time that companies announce their financial results for the April-September period.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> • Backlash from excessive concerns about China • Receding of uncertainties over the U.S. monetary policy • Expected upward revisions to earnings 	<ul style="list-style-type: none"> • Economic downturn for China and Asian countries. • Weakened investor sentiment due to unstable markets



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