

#### Japanese equities: Gradual recovery is expected

| Nikkei Average | December end  | MoM    |
|----------------|---------------|--------|
|                | 19,033.71 yen | -3.61% |

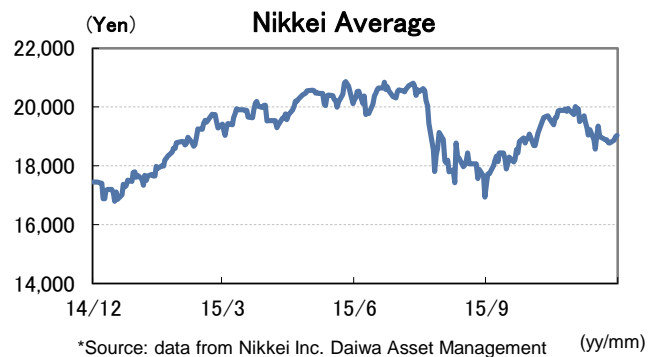
#### [Market review in December]

In December, equity markets in Japan dropped, mainly in the first half of the month. During the first half, equity prices decreased primarily because the additional monetary-easing by the ECB (European Central Bank) was less than the market expectation, oil prices fell, and some investment funds suspended redemptions. In the second half, equity prices showed volatile movements in some phases, as the BOJ's decision on supplementary measures for the quantitative and qualitative monetary-easing was temporarily misunderstood as a large-scale additional monetary-easing. Afterwards, however, Japanese equities also rebounded in response to the rise in oil prices and overseas equities.

#### [Outlook]

In January, equity markets in Japan are expected to recover gradually. Equity prices are likely to be pushed up by the improvement of external conditions, including the steady recovery of U.S. economic indicators, improvement of Chinese economic indicators; and in response to these, recovery of commodity markets such as for oil. Moreover, announcements by Japanese companies of financial results for the April - December period, which will start in earnest at the end of this month, are likely to show that the current level of equity prices is undervalued. Nonetheless, attention should be paid to the political situation such as the ordinary session of the Diet scheduled to be convened on January 4, and the Mayoral election for Ginowan City on January 24.

| Positive Factors  | Negative Factors  |
|---|---|
| <ul style="list-style-type: none"> <li>Recovery of economic activities in Japan and abroad.</li> <li>Favorable corporate financial results.</li> <li>Favorable supply and demand relationship of equities.</li> </ul> | <ul style="list-style-type: none"> <li>Political risks in Japan.</li> <li>Geopolitical risks overseas.</li> </ul> |



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