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Japan Economic Monthly

~ Reviewing Status of Japan's Economic Recovery and Distribution of Downside Risks ~

Economic Research Office
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

1 . The Real Economy

(1) Overview of the Economy

BoJ Tankan survey also backs economic recovery and degree of penetration

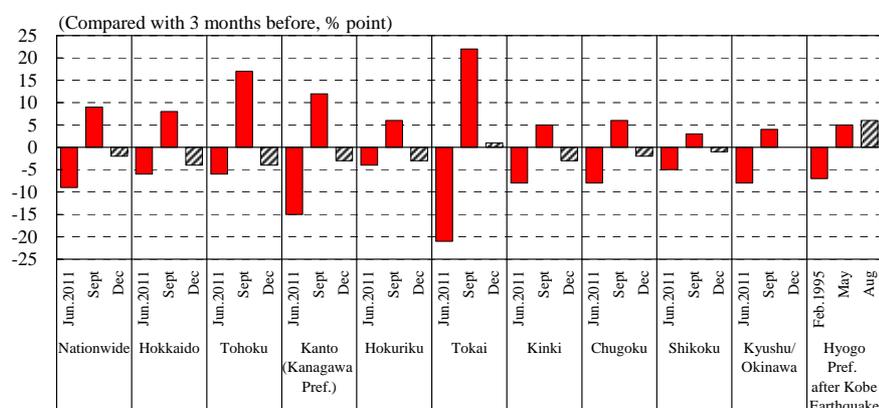
Japan's economy continues on its recovery trajectory. According to the Bank of Japan's September Tankan survey, conducted between August 29 and September 30 and released early this month, the actual Business Conditions DI improved across the board, for companies of all sizes, sectors, and regions (Figure 1). Nationwide, the DI for large manufacturers rose +11 pts from the previous survey conducted in June, while the non-manufacturers' DI rose +6 pts. Medium-sized companies' DIs for both manufacturers and non-manufacturers rose +9 pts, while the small manufacturers' DI rose +10ppt from June and non-manufacturers' DI by +7 pts. The DI for companies of all sizes and across all industries rose +9 ppt. Further, by area, the Tokai (+22 ppt) and Tohoku (+17 ppt) regions improved markedly, suggesting a restoration of the supply chain, primarily among automobile manufacturers, (large companies +65 pts, medium-sized companies +62 pts, and small companies +68 ppt) as well as reconstruction activities getting underway in the disaster region. Japan's real GDP in the Jul-Sept quarter is also likely to have turned positive on quarter for the first time in four quarters.

Economic recovery persists amidst risk of slowing

Our forecast—that is, that Japan's economic recovery continues, buoyed by reconstruction and recovery demand—remains our Main Scenario. However, a number of concerns, including slowing economies overseas and a persistently-strong JPY, as well as downward pressure from the electricity supply issues through this winter and next summer, are still lingering. The recovery trend will be limited and the economy will face uncertainty, with a danger of once again worsening, for some time. Perhaps reflecting such an environment, respondents to the BoJ's Tankan survey forecast that the Business Conditions DI will decline 2 pts from the September survey for

companies around the country, of all sizes, and in all industries (Figure 1). Unlike after the Kobe Earthquake in 1995 when the Tankan continued to improve, companies now are cautious overall.

Figure 1: Business Conditions Diffusion Index (BOJ Tankan) by Regions



Note: 1. Business conditions DI is *Favorable* minus *Unfavorable* for companies of all sizes and industries.

2. *Dec.* is September survey's Forecast minus the Actual result.

Source: Compiled by BTMU Economic Research Office from Bank of Japan data.

(2) Fiscal

FY11 third

supplementary budget
hits JPY12 trillion

On October 7, the Diet approved the FY11 third supplementary budget and Basic Plan for reconstruction funding. The supplementary budget included reconstruction project costs and local tax allocations, as well as replenishing the pension temporary funding that was used to fund the first supplementary budget (Table 1). Aside from March 11 disaster-related spending, the budget also included recovery costs following Typhoon 12 and assistance fund for hepatitis B programs. The supplementary budget has grown to JPY12 trillion.

Table 1: FY11 Third Supplementary Budget Outline

1 . March 11 disaster-related costs: Approx JPY11.6trn (JPY9.1trn aside from replenishing pension temporary funding)			
Expenditures		Funding	
(1) Reconstruction project costs (incl measures against strong JPY)	Approx JPY6.1 trn	(1) Reconstruction bonds	Approx JPY11.4trn
(2) Disaster damage-related financing costs	Approx JPY600bn	(2) Non-tax revenues	Approx JPY20bn
(3) Nationwide disaster management costs	Approx JPY500bn	(3) Spending cuts to fund reconstruction	Approx JPY200bn
(4) Decontamination costs	Approx JPY200bn		
(5) Local tax allocations	Approx JPY1.6trn		
(6) Replenishing pension temporary funding	Approx JPY2.5trn		
2 . Other costs : Approx JPY300bn			
Expenditures		Funding	
Disaster reconstruction projects related to Typhoon 12	Approx JPY300bn	(1) Non-tax revenue	Approx JPY100bn
		(2) Reduction in March 11 earthquake reconstruction, revitalization preparation costs	Approx JPY200bn
3 . Hepatitis B-related costs: Approx JPY50bn			
Expenditures		Funding	
Creation of special assistance fund for sufferers of hepatitis B virus	Approx JPY50bn	Non-tax revenues, etc.	Approx JPY50bn
Total: Approx JPY12.0 trillion			

Source: Compiled by BTMU Economic Research Office from MoF materials and media reports.

The government plans to spend JPY19 trillion on disaster-related costs over five years through FY15, based on the Reconstruction Basic Plan approved on July 29 (Table 2). In addition to the JPY6 trillion already committed in the first and second supplementary budgets, the third supplementary budget includes another JPY9.1 trillion (excluding replenishment of pension temporary funding) for a total of JPY15.1 trillion. The remaining JPY3.9 trillion is expected to be mostly covered in the FY12 budget ^(Note 1).

(Note 1) Already JPY3.5 trillion in budget requests for FY12 for disaster-related costs have been made.

Table 2: Distribution of Disaster-Related Costs Based on Reconstruction Basic

FY11-FY15 (Main recovery period)	JPY19trn
FY11 First supplementary budget	JPY4trn
Second supplementary budget	JPY2trn
Third supplementary budget (unbudgeted)	JPY9.1trn
FY16-FY20	JPY4trn
Total	JPY23trn

Source: Compiled by BTMU Economic Research Office from Eastern Japan Disaster Management Center materials

JPY16.2 trillion to be raised over 10 years through temporary tax hikes and non-tax revenues

The government anticipates JPY16.2 trillion in necessary expenses over the next five years, including the third supplementary budget. Broken down, the third supplementary budget includes JPY9.1 trillion in earthquake-related spending, JPY2.5 trillion to replenish pension temporary funding, JPY3.9 trillion for earthquake-related costs to be budgeted in the future, and JPY700 billion for hepatitis B costs (Figure 2). The funding will come from reconstruction bonds, and ultimately costs will be covered by temporary tax increases as well as non-tax revenues like the sale of government-held securities through 2022 (Table 3). The basic plan recently passed by the Diet proposes JPY9.2 trillion in temporary tax increases and JPY7 trillion in non-tax revenues, but the non-ruling parties oppose parts of the plan. Funding sources may change going forward, following debate by ruling and opposition parties.

Figure 2: Funding Plans for March 11 Disaster-Related Costs

Costs: JPY16.2 trn over 5 years	Funding method	Funding: JPY16.2 trn over 10 years
FY11 Third supplementary budget disaster-related costs: JPY9.1trn	Reconstruction bonds Issuance period: FY11-FY15 Redemption: Through FY22	Temporary tax increases: JPY9.2 trn
Replenishing pension temporary funding: JPY2.5trn	Temporary tax increase	Non-tax revenue: JPY7 trn
Disaster-related costs to be budgeted in future: JPY3.9trn	Non-tax revenue	
Hepatitis B-related costs: JPY700bn		

Source: Compiled by BTMU Economic Research Office from MoF materials.

Table 3: Funding Measures for March 11 Disaster-Related Costs

【Temporary tax increase】		
Type of tax	Details	Period
Income tax	4.0% added to income tax	Jan 2013 - Dec 2022 (10 years)
Corporate tax	10% added to corporate tax, together with FY11 tax system revision (cut in corporate effective tax rate + expanded taxable base)	Apr 2012 - Mar 2015 (3 years)
Cigarette tax	Special tax of JPY1 per 1 cigarette	Oct 2012 - Sept 2022 (10 years)

【Non-tax revenue】
<ul style="list-style-type: none"> • Tapping surplus funds in FILP special accounts • Selling JT shares • Selling Tokyo Metro shares • Try to sell Japan Post shares as measure to provide additional financial resources

Source: Compiled by BTMU Economic Research Office from MoF materials.

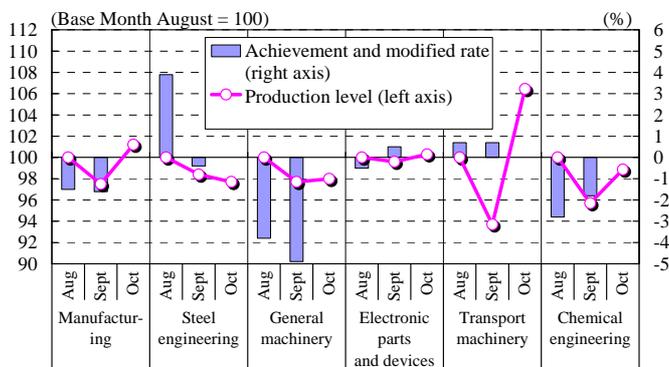
(3) Corporate Sector Production, Exports

Although production continued to rise through August, murkiness is increasing for industries other than the transport equipment sector

Industrial production rose +0.6% MoM in August, the fifth straight month of positive growth. However, the result fell short of the +2.8% MoM growth forecast as of July. Further, the previous month's forecast for a -2.4% MoM decline in September—the first decline in production after the March 11 earthquake—was cut to -2.5% MoM. Also, October's industrial production is projected to rise only +3.8% MoM, resulting in a production level exceeding the August result by 1.2%.

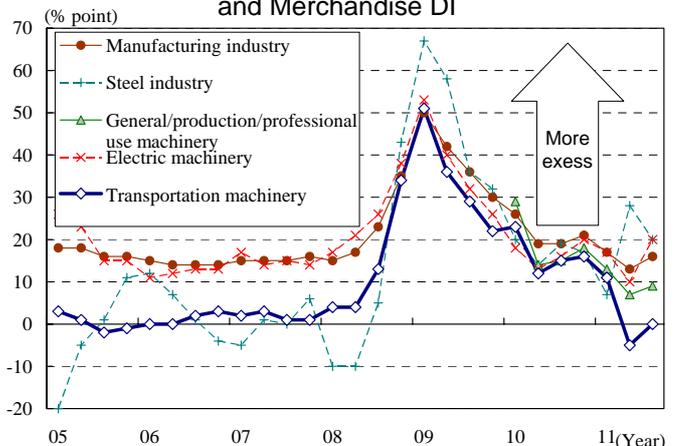
Recent production forecasts for the transport machinery sector and other sectors differ vastly. Only two sectors in the August survey posted positive realization rates (Figure 3), transport equipment (+0.7% MoM) and steel (+3.9% MoM). Sectors other than the transport sector are expected to weaken overall, while the transport machinery sector was revised up +0.7% MoM in the September survey. Production in October is also expected to jump by +13.6% MoM. As the September Tankan survey's Inventory Level of Finished Goods and Merchandise DI showed, there is relatively little sense of excess transport machinery inventory, and this appears to support the fairly bullish outlook for production (Figure 4). There are a number of concerns in regard to other industries, with inventories of other sectors—materials like steel and chemical engineering and electronic parts and devices—apparently remaining high. Also, foreign demand for machinery orders—a leading indicator of general machinery production by approximately two to three months—has plunged. We believe that production conditions for transport machinery and other sectors will differ for some time.

Figure 3: Production, Realization Rates and Revised Rates by Industries (since August 2011)



Notes: 1. Production level of Sept. and Oct. is based on forecasting survey.
2. Rate of achievement rate and modified rate is August achievement rate to July forecast and September modified rate to July forecast.
Source: Compiled by BTMU Economic Research Office from METI data.

Figure 4: Inventory Level of Finished Goods and Merchandise DI



Notes: DI = excessive or bit much - bit less or short.
Source: Compiled by BTMU Economic Research Office from BOJ data

Real export recovery pace gradually easing as shipments to Asia and EU fell in August

Real exports were up +0.1% MoM in August, rising for fourth straight month. However, the pace of export growth has gradually eased, together with industrial production. By destination, shipments to the US (+1.4% MoM) continued to rise, led by transport machinery, which comprises more than 30% of exports to that region. On the other hand, shipments to Asia (-2.3% MoM) and the EU (-0.8% MoM) fell due to drops in electric machinery and general machinery.

Capital Expenditures

Leading indicator machinery orders recovering, and although reconstruction demand is expected to pick up, cooling sentiment from the strong JPY will be watched

Machinery orders (private demand, excluding shipbuilding and power generating companies), a leading indicator of capital expenditures, jumped +11.0% MoM in August. Even the three-month moving average showed a steady recovery (Figure 5). Also, the September Tankan survey showed that companies of all sizes and across all industries expect capital expenditures (including software, excluding land investment) to rise +4.3% YoY in FY11, unchanged from the June survey (Table 4). Capital expenditures are expected to pick up on reconstruction demand, while corporate investment sentiment could chill considerably on the strong JPY and uncertainty about the direction of overseas economies. The direction of capital spending will bear close watching.

Figure 5: Machinery Orders from Private Sector excl. shipbuilding and power generation industries

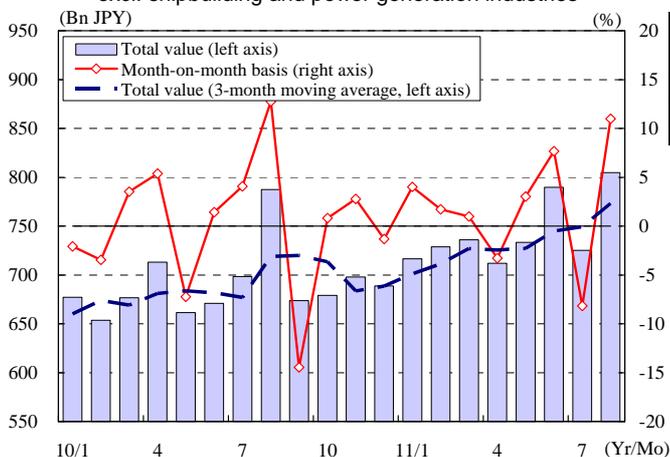


Table 4: Capital Expenditures Plans

Capital expenditures, incl software (excl land investment)	(YoY, % change)				
	FY10 Actual	Mar survey	Jun survey	Sept survey	Revision rate
All companies	-2.2	-0.2	4.3	4.3	0.0
Manufacturers	-1.4	7.0	12.1	13.5	1.3
Non-manufacturers	-2.6	-4.2	0.0	-0.7	-0.7

Note: 1. For companies of all sizes.
2. Revision rate is revision rate from June survey to September survey.

Source: Compiled by BTMU Economic Research Office from BoJ materials.

(4) Household Sector

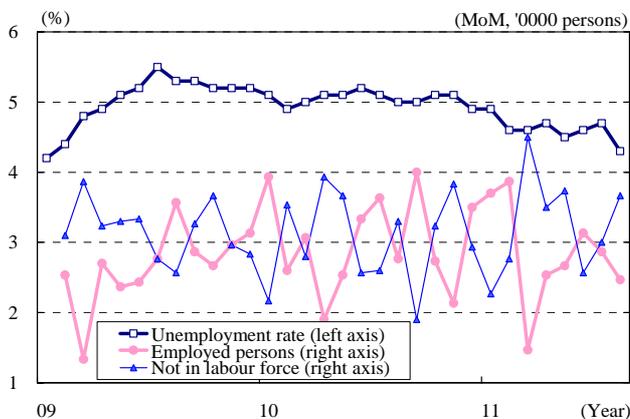
Employment, Private Consumption

Decline in unemployment rate does not indicate recovering employment conditions

According to the Labor Force Survey, the unemployment rate (excluding Iwate, Miyagi, Fukushima Prefectures) was 4.3% in August, down 0.4 ppt MoM (Figure 6). However, this does not indicate that the employment trend is recovering for two reasons. First, while the number of unemployed persons decreased by 240,000 persons from July, the number of employed

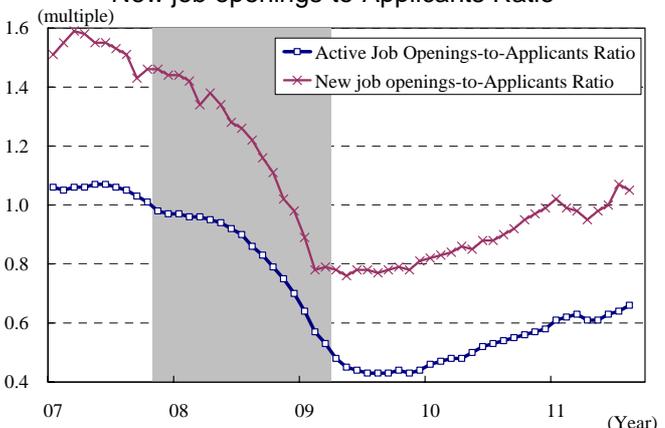
persons also fell by 160,000 persons MoM, for second straight month of contraction. The second reason is that the number of persons not in the labor force increased by 200,000 persons MoM, implying that people have exited the labor market. It is thus assumed that many people have quit job hunting. Moreover, according to one employment survey, although the job-openings-to-applicants ratio rose +0.02 points MoM to 0.65x, the new-job-openings-to-applicants ratio dropped 0.02 points MoM to 1.05x (Figure 7) . Both the number of hires (-1.3% MoM) and employment rate (-1.1ppt MoM), which is the number of hires divided by new job applicants, dropped in August. Overall, employment conditions continue to be challenging.

Figure 6: Unemployment rate, Employed persons and Not in labour force



Note: The Labor Force Survey excludes Iwate, Miyagi, and Fukushima prefectures.
Source: Compiled by BTMU Economic Research Office from MHLW data.

Figure 7: Active Job Openings-to-Applicants Ratio and New job openings-to-Applicants Ratio



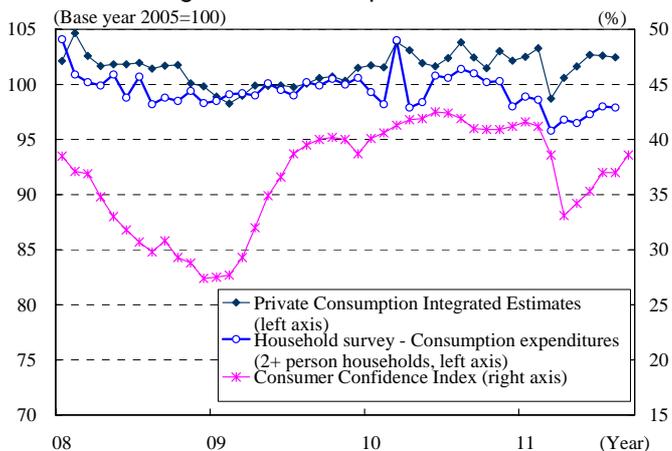
Note: a shaded area is recession.

Source: Compiled by BTMU Economic Research Office from MHLW Survey

Direction still unclear for private consumption

Private consumption-related indicators were fairly weak in August. The Ministry of Internal Affairs and Communications' Family Income and Expenditure Survey showed that consumption spending fell slightly, by -0.1% MoM, while the Cabinet Office's Private Consumption Integrated Estimates also fell -0.1% MoM (Figure 8). This was the second straight month of decline. Furthermore, commercial sales data from the Ministry of Economy, Trade and Industry show that retailer sales, large retail store sales and supermarket sales have started to fall on-year (Table 5). However, the September Consumer Sentiment Index stood at 38.6, once again rising from the August figure. Also, the decline in new car registrations shrank considerably. Private consumption has continued to fluctuate recently, alternating between increasing and decreasing.

Figure 8: Consumption Indices



Note: Private Consumption Integrated Estimates and Household Survey are actual figures.
Source: Compiled by BTMU Economic Research Office based on MIC, CAO data.

Table 5: Consumer-Related Statistics

	2011 (YoY, %)							
	Feb	Mar	Apr	May	Jun	Jul	Act	Sep
Commercial Sales (sales value)	5.3	-1.3	-2.6	1.3	3.1	2.3	3.1	
Retail	0.1	-8.3	-4.8	-1.3	1.2	0.6	-2.6	
Large-scale retail sales trade	0.5	-7.5	-1.9	-2.5	-0.5	0.8	-2.6	
Department stores	0.6	-15.0	-1.8	-2.6	0.1	-0.4	-2.1	
Supermarkets	0.4	-3.0	-1.9	-2.4	-0.8	1.5	-2.9	
Domestic sales of new cars	-18.4	-44.2	-58.7	-43.8	-25.6	-33.2	-22.9	-1.6
Domestic sales of used cars	-0.4	-4.0	-11.2	-0.4	-3.4	-7.0	-1.7	-5.5
Mobile phone shipments volume	-34.9	3.0	-37.8	-31.9	-17.5	26.6	49.5	
Domestic tour gross billing	2.8	-31.5	-26.7	-16.9	-10.0	-7.6	2.0	

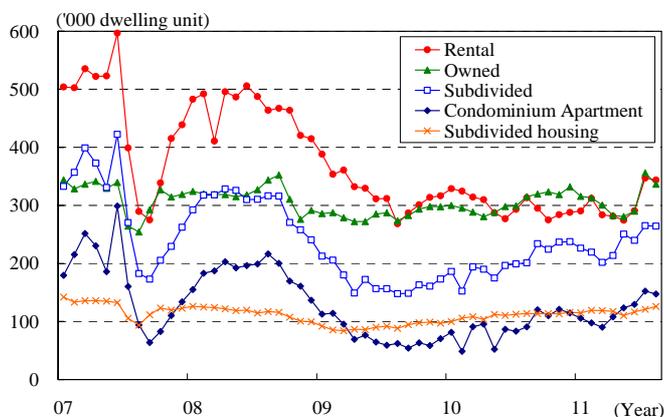
Source: Compiled by BTMU Economic Research Office from CAO, MITI, JTA etc.

Residential Investment

Housing starts in August remained high second straight month of growth. Further, the number of starts was high (exceeding 900,000 homes) at 934,000 homes. By type of occupancy, excluding subdivided housing, housing starts overall dipped slightly, but exceeded June levels before the surge in July. Construction starts rose on the back of reconstruction demand and home purchase assistance programs, some of which was ended early (Note 2).

(Note 2) The deadline for home starts under the Ecopoint housing acquisition support program was the end of July 2011, and the end of September 2011 for the preferential interest rate (-1.0%) program for home purchases. The latter program will go through March 2012, with a smaller interest rate cut (-0.3%). Expanded tax exemptions for gifts are scheduled to end at end-2011, while tax credits for home mortgages will expire at end-2013.

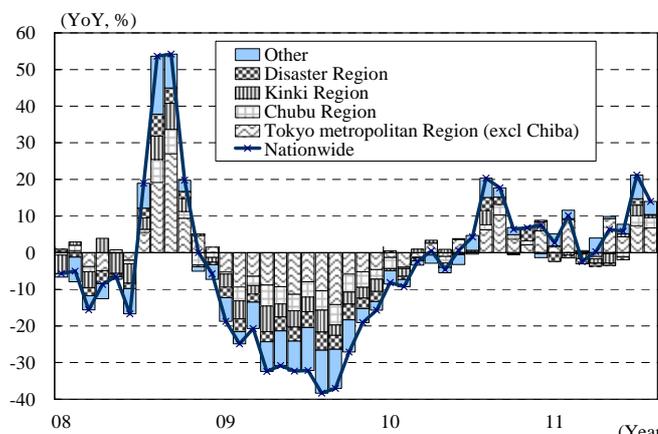
Figure 9: New Housing Starts by Type of Occupancy



Note: Condominium Apartment and Subdivided housing, which are included by Subdivided, adjusted for seasonability by BTMU.

Source: Compiled by BTMU Economic Research Office from MLIT

Figure 10: Residential Construction Starts by Region



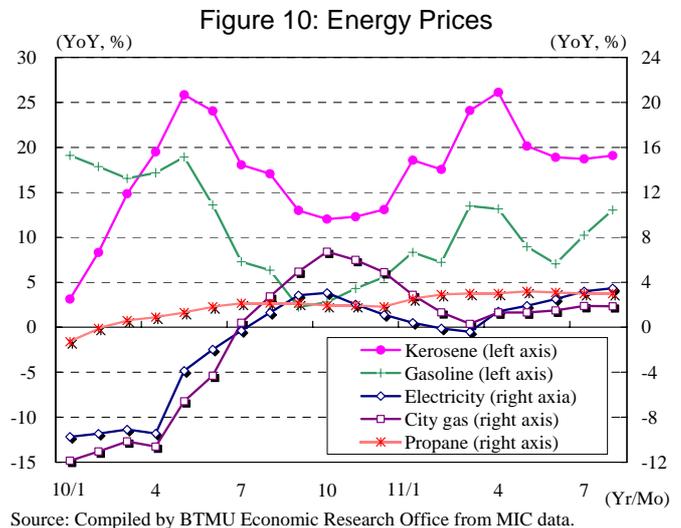
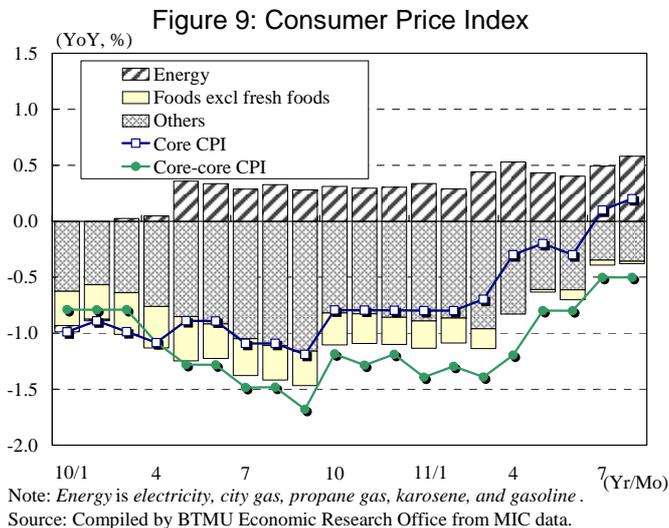
Note: Disaster area is Iwate, Miyagi, Fukushima, Chiba, Ibaragi, and Tochigi.

Source: Compiled by BTMU Economic Research Office from MLIT data.

(5) Inflation

Deflationary trend still persists, despite positive core CPI for two consecutive months

The August consumer price index (excluding fresh foods, or core CPI) stood at +0.2% YoY, the second straight month of rise (Figure 9). However, the recent uptrend is mainly due to rising energy prices. In addition to kerosene (+19.1% YoY) and gasoline (+13.0% YoY), prices of electricity (+3.5% YoY), propane (+3.0% YoY), and city gas (+1.9% YoY) have also been on an upward trend (Figure 10). The core-core CPI (excluding foods except alcohol and energy) remains negative, at -0.5% YoY in August, indicating that deflationary pressure is still deep-rooted. It is highly possible that the downward trend will persist for some time due to a lingering deflationary gap, even though the real economy is expected to continue to recover.



2 . Financial Markets

(1) Monetary Policy & Long-term Interest Rates

BoJ grows more cautious about economic outlook

The BoJ voted to maintain current monetary policy at its Monetary Policy Meeting on October 6-7. However, the central bank's outlook has grown increasingly cautious, with the policy statement including the phrase 'overseas economic growth... is expected to slow for the time being.' Also, the sentence '[t]he Bank will continue to carefully examine the outlook for economic activity and prices, and take actions in an appropriate manner' was added, once again stressing the possibility of further monetary easing, depending on conditions.

Long-term yields remain low due to persisting risk aversion

Long-term yields have been low since the summer, with yields on newly-issued 10Yr JGBs remaining around 1% (Figure 11). With wariness about the European sovereign debt problem mounting, share prices dipped to year-

to-date lows in early October. Risk aversion is persisting, and the flight to quality is putting downward pressure on long-term yields.

Figure11 : Newly-issued ten-year government bond yields



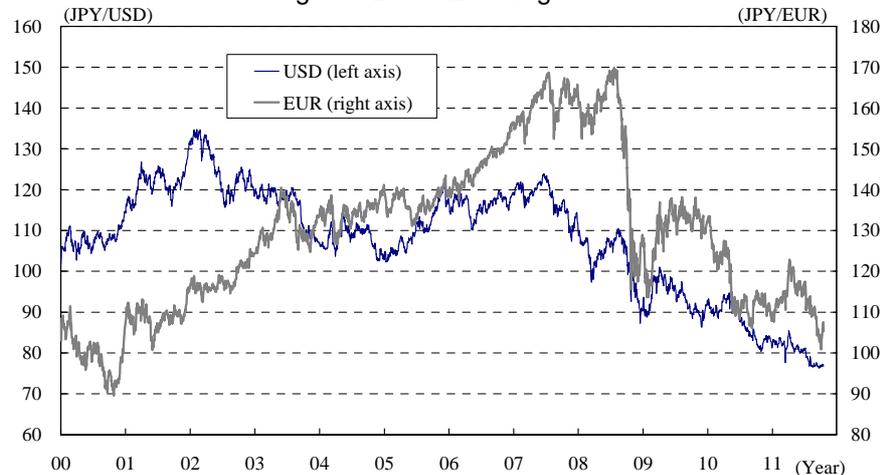
Source: Compiled by BTMU Economic Research Office based on Bloomberg data.

(2) Exchange Rates

JPY strengthens, EUR weakens further

The JPY has strengthened and the EUR has weakened since September, with the exchange rate hitting JPY/EUR101 for the first time in approximately 10 years in early October (Figure 12). The functions of the European Financial Stability Facility (EFSF) have been expanded recently and the EUR's weakening has paused. Even so, conditions are still unpredictable. Meanwhile, the JPY has remained steady against the USD at the upper JPY/USD 76 level, with the JPY strengthening/USD weakening trend since July appearing to have halted. However, large manufacturers' assumption exchange rate for H2 FY11 is JPY/USD 81.06, according to the September Tankan. Therefore, even if the JPY strengthening/USD weakening does not continue, concerns about impacts of corporate profits persist.

Figure 12: Yen Exchange Rate



Source: Compiled by BTMU Economic Research Office based on Bloomberg data.

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MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1 . Main Economic Indicators

As of Oct 21, 2011

	Fiscal 2009	Fiscal 2010	2010		2011		2011				
			4Q	1Q	2Q	MAY	JUN	JUL	AUG	SEP	
Real GDP Growth Rate <% changes from previous period at SA annual rate>	-2.4	2.3	-2.4 (2.2)	-3.7 (-1.0)	-2.1 (-1.1)	***	***	***	***	***	
Index of All Industries Activity	-4.2	2.0	-0.2 (2.1)	-1.9 (-0.5)	-0.4 (-1.7)	2.0 (-1.3)	2.2 (0.2)	0.4 (-0.8)	-0.5 (0.0)		
Industrial Production Index	-8.8	8.9	-0.1 (5.9)	-2.0 (-2.5)	-4.0 (-6.8)	6.2 (-5.5)	3.8 (-1.7)	0.4 (-3.0)	0.6 (0.4)		
Production											
Shipments	-8.3	9.3	-0.3 (6.4)	-1.9 (-2.6)	-5.9 (-8.4)	5.3 (-8.0)	8.1 (-1.8)	0.1 (-3.0)	0.2 (0.2)		
Inventory	-6.1	3.5	-0.6 (3.8)	1.0 (3.5)	3.2 (4.0)	5.6 (7.7)	-2.8 (4.0)	-0.1 (4.1)	2.1 (5.8)		
Inventory/Shipments Ratio (2005=100)	120.4	108.2	111.0 [114.7]	106.9 [106.3]	119.1 [106.5]	120.7 [107.5]	111.9 [106.9]	116.4 [109.0]	114.8 [108.0]	[109.1]	
Domestic Corporate Goods Price Index	-5.2	0.7	0.3 (1.0)	1.2 (1.8)	1.2 (2.5)	-0.2 (2.2)	0.0 (2.5)	0.2 (2.8)	-0.2 (2.6)	-0.1 (2.5)	
Consumer Price Index(SA, total, excl.fresh foods)	-1.6	-0.8	0.1 (-0.8)	-0.3 (-0.8)	0.5 (-0.3)	0.0 (-0.1)	-0.3 (-0.2)	0.1 (0.1)	0.0 (0.2)		
Index of Capacity Utilization (2005=100)	80.0	88.0	88.4 [81.8]	86.1 [89.5]	80.4 [89.8]	82.1 [90.5]	86.4 [88.9]	86.9 [88.5]	89.0 [88.5]	[88.1]	
Machinery Orders(Private Demand, Excl.Electric Power and Ship building)	-20.4	9.1	-4.3 (5.6)	5.6 (8.9)	2.5 (9.8)	3.0 (10.5)	7.7 (17.9)	-8.2 (4.0)	11.0 (2.1)		
Manufacturing	-27.9	18.3	-1.7 (11.5)	5.3 (16.3)	-0.2 (17.2)	-1.4 (22.5)	9.3 (21.1)	-5.2 (3.2)	13.7 (5.0)		
Non-manufacturing Excl.Electric Power & Ship building	-14.7	2.7	-5.1 (0.3)	1.4 (3.5)	5.0 (4.2)	-5.4 (1.5)	15.7 (15.4)	-1.4 (5.8)	-6.1 (-0.1)		
Shipments of Capital Goods (Excl.Transport Equipment)	-24.2	21.3	1.2 (23.9)	-2.4 (6.6)	6.1 (9.0)	8.4 (16.9)	1.1 (9.3)	0.6 (7.5)	-3.0 (8.1)		
Construction Orders	-14.2	-5.2									
Private	-15.3	-2.6									
Public	-11.1	-12.1									
Public Works Contracts	4.9	-8.8									
Housing Starts 10,000 units at Annual Rate, SA	77.6 (-25.4)	81.9 (5.6)	84.3 (6.9)	84.2 (3.2)	81.0 (4.1)	81.5 (6.4)	81.7 (5.8)	95.5 (21.2)	93.4 (14.0)		
Total floor											
Sales at Retailers	-0.4	0.8									
Real Consumption Expenditures of Households over 2 persons (SA)	1.0	-0.9									
Propensity to Consume (SA,%)	74.7	73.4									
Overtime Hours Worked (All Industries, 5 employees or more)	-8.5	6.8									
Total Cash Earnings (Regular Employees Only; All Industries, 5 employees or more)	-3.3	0.6									
Employment Index(Regular Employees Only;All Industries, 5 employees or more) (Change over the M/Q/Y)	-77,894	23,384									
Ratio of Job Offers to Applicants (SA,Times)	0.45	0.56									
Unemployment Rate (SA,%)	5.2	5.0									
Economy Watcher Survey (Judgment of the present condition D.I,%)	39.9	44.2									
Bankruptcies (Number of cases)	14,732 (-8.7)	13,065 (-11.3)									

(Notes)

Unless otherwise indicated, tabulated figures and those in parentheses show % changes from previous quarter/month as applicable.

The figures in () indicate % changes from previous year.

[] show the comparable figure of the previous year.

Unemployment Rate excludes Iwate, Miyagi, and Fukushima prefectures from March 2011.

2 . Balance of Payments

As of Oct 21, 2011

	Fiscal 2009	Fiscal 2010	2010 4Q	2011		2011				
				1Q	2Q	MAY	JUN	JUL	AUG	SEP
Customs Clearance(Exports in Yen Terms)	-17.1	14.9	(10.0)	(2.5)	(-8.1)	(-10.3)	(-1.6)	(-3.4)	(2.8)	
Value	-7.0	0.2	(1.2)	(-0.0)	(0.2)	(0.5)	(1.1)	(2.0)	(1.9)	
Volumes	-9.9	14.6	(8.6)	(2.4)	(-8.3)	(-10.8)	(-2.7)	(-5.3)	(0.9)	
Imports(In Yen terms)	-25.2	16.0	(11.3)	(11.4)	(10.4)	(12.4)	(9.8)	(9.9)	(19.2)	
Value	-18.4	3.3	(1.6)	(4.0)	(7.4)	(6.5)	(8.0)	(12.9)	(12.5)	
Volumes	-7.3	12.4	(9.6)	(7.2)	(2.8)	(5.5)	(1.7)	(-2.6)	(6.0)	
Current Balance(100 mil. yen)	157,817	161,255	36,482	39,866	15,372	5,859	5,389	9,902	4,075	
Trade Balance(100 mil. yen)	65,996	64,955	19,233	5,577	-10,534	-7,713	1,299	1,233	-6,947	
Services(100 mil. yen)	-18,185	-12,730	-3,984	-771	-5,040	-193	-1,046	-3,062	-1,826	
Capital and Financial Accounts(100 mil. yen)	-123,113	-97,221	-10,192	-34,301	8,947	-1,013	-1,783	-7,531	31,005	
Gold & Foreign Exchange Reserves(\$1mil.)	1,042,715	1,116,025	1,096,185	1,116,025	1,137,809	1,139,524	1,137,809	1,150,877	1,218,501	1,200,593
Exchange Rate(V/\$)	92.80	85.69	82.59	82.32	81.70	81.23	80.51	79.47	77.22	76.84

3 . Financial Market Indicators

	Fiscal 2009	Fiscal 2010	2010 4Q	2011		2011						
				1Q	2Q	MAY	JUN	JUL	AUG	SEP		
Uncollateralized Overnight Call Rates	0.102	0.091	0.090	0.088	0.067	0.069	0.069	0.073	0.081	0.080		
			[0.104]	[0.098]	[0.093]	[0.091]	[0.095]	[0.094]	[0.095]	[0.091]		
Euro Yen TIBOR (3 Months)	0.516	0.356	0.336	0.336	0.332	0.332	0.332	0.332	0.329	0.329		
			[0.498]	[0.443]	[0.388]	[0.388]	[0.381]	[0.373]	[0.363]	[0.355]		
Newly Issued Japanese Government Bonds Yields (10 Years)	1.353	1.127	1.072	1.242	1.160	1.150	1.130	1.080	1.030	1.020		
			[1.317]	[1.337]	[1.208]	[1.260]	[1.085]	[1.055]	[0.975]	[0.930]		
Average Contracted Interest Rates on Loans and Discounts(City Banks) (% changes from previous period)	1.449	1.357	1.382	1.357	1.349	1.346	1.349	1.338	1.337			
			(-0.010)	(-0.025)	(-0.008)	(-0.013)	(0.003)	(-0.011)	(-0.001)			
The Nikkei Stock Average (TSE 225 Issues)	11,090	9,755	10,229	9,755	9,816	9,694	9,816	9,833	8,955	8,700		
			[10,546]	[11,090]	[9,383]	[9,769]	[9,383]	[9,537]	[8,824]	[9,369]		
M2(Average)	(2.9)	(2.7)	(2.6)	(2.4)	(2.8)	(2.7)	(2.9)	(3.0)	(2.7)	(2.7)		
Broadly-defined Liquidity(Average)	(0.5)	(0.6)	(0.3)	(-0.3)	(-0.0)	(-0.3)	(0.3)	(0.8)	(0.6)	(0.7)		
Principal Figures of Financial Institutions												
Loans and Discount (Average)	Banks & Shinkin	Banks & Shinkin	(0.8)	(-1.9)	(-2.0)	(-1.8)	(-0.8)	(-0.8)	(-0.6)	(-0.6)	(-0.5)	(-0.3)
		Banks	(0.8)	(-2.0)	(-2.1)	(-1.9)	(-0.8)	(-0.8)	(-0.6)	(-0.6)	(-0.5)	(-0.3)
		City Banks etc.	(-0.4)	(-4.2)	(-4.6)	(-4.6)	(-2.8)	(-2.7)	(-2.7)	(-2.7)	(-2.6)	(-2.3)
		Regional Banks	(2.4)	(0.6)	(0.9)	(1.2)	(1.5)	(1.4)	(1.7)	(1.8)	(1.8)	(1.9)
		Regional Banks	(1.3)	(-0.4)	(-0.5)	(-0.0)	(0.9)	(0.7)	(1.1)	(1.3)	(1.2)	(1.2)
		Shinkin	(0.8)	(-1.3)	(-1.3)	(-1.1)	(-0.7)	(-0.7)	(-0.6)	(-0.5)	(-0.5)	(-0.2)
Deposits and CDs (Average)	Total(3 Business Condition)	Total(3 Business Condition)	(2.9)	(2.6)	(2.7)	(2.2)	(2.7)	(2.6)	(2.8)	(2.1)	(2.3)	
		City Banks	(3.0)	(2.6)	(3.0)	(1.8)	(2.3)	(2.1)	(2.2)	(1.5)	(0.6)	(0.9)
		Regional Banks	(3.1)	(3.1)	(3.0)	(3.1)	(3.4)	(3.4)	(3.7)	(4.0)	(3.8)	(4.0)
		Regional Banks	(1.8)	(0.6)	(0.1)	(0.9)	(2.0)	(1.9)	(2.2)	(2.6)	(2.7)	(2.9)

(Notes)

Interest rates are averages. The Nikkei Stock Average is as of month-end.

Unless otherwise indicated, tabulated figures and those in parentheses show % changes from previous quarter/month as applicable.

The figures in () indicate % changes from previous year.

[] show the comparable figure of the previous year.

(Sources) Cabinet Office, National Accounts, Machinery Orders; METI, Indices of Tertiary Industry Activity, Industrial Production, Current Survey of Commerce; MOF, Trade Statistics, Balance of Payments; MPMHAPT, Consumer Price Index, Family Income and Expenditure Survey, Labour Force Survey; MHLW, Monthly Labour Survey; Ministry of Land, Infrastructure, and Transport, Economic Construction Statistics; BOJ, Corporate Price Index, Financial and Economic Statistics Monthly, etc.