September 10, 2013
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The Outlook for the Japanese Economy

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

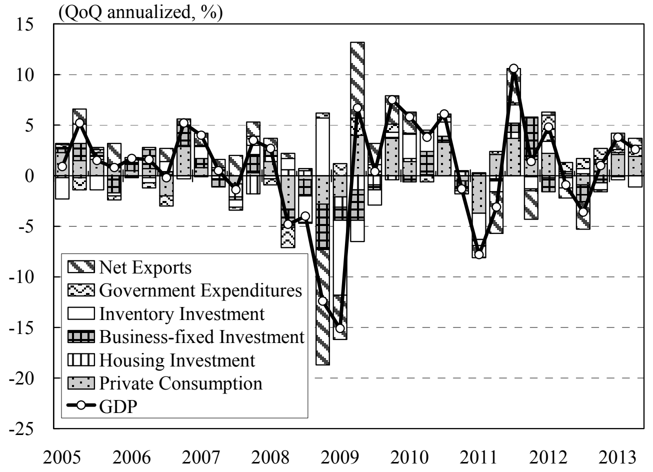
～Companies, Households to Drive Self-Sustaining Growth After Policy-Supported Economic Recovery～

1. Overview of the Japanese Economy

Abe Administration's economic measures first stimulating financial markets, then sentiment and real economy

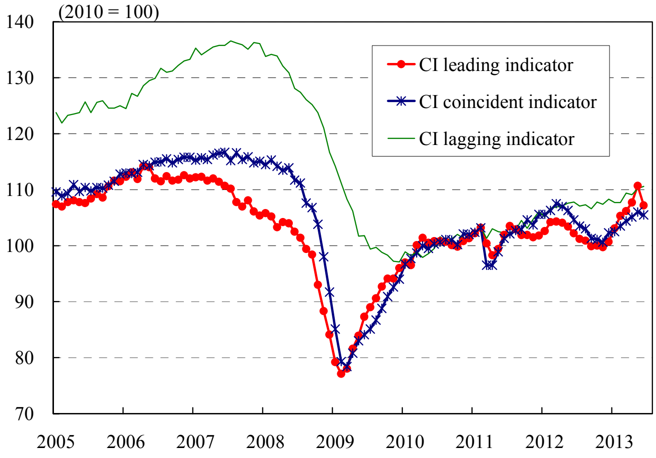
Japan's economy has been on a solid recovery trajectory since the end of 2012. Real GDP expanded by an annualized +2.6% in Apr-Jun, according to the first preliminary GDP report (Figure 1). This was the third straight quarter of positive growth, sustaining the relatively high growth of Jan-Mar (+3.8% QoQ annualized). By final demand component, private consumption (+3.1% QoQ annualized) and exports (+12.5% QoQ annualized) continued to show strength, while public investment re-accelerated to +7.3% QoQ annualized and the decline in capital expenditures slowed to -0.4% QoQ (the smallest rate of decline over the last six quarters). Assigning Jul-Sept 2008 a base value of 100, the Jan-Mar real GDP level stood at 101 and Apr-Jun at 102. The last two quarters have been post-Lehman collapse GDP highs. Further, both leading and coincident indicators in the Indexes of Business Conditions, a composite index of various monthly indicators, have risen every month since December, except for June (Figure 2). The leading index has risen by +7.5% since last November, and the coincident index by +4.9%. Since the launch of the Abe Administration and its measures to end deflation and stimulate the economy, primary effects have appeared in both financial markets (a weaker JPY and higher share prices) and sentiment (improved household and corporate sentiment). The real economy has followed suit, with the effects of various measures steadily taking hold. Above all, improvements are finally appearing in the lagging employment and wage earnings as June cash total cash earnings have started to rise, by +0.6% YoY (for workplaces with five or more employees).

Figure 1: Real GDP and Final Demands



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

Figure 2: Indexes of Business Conditions

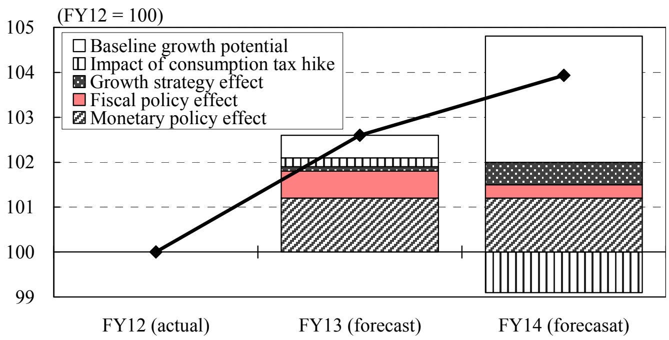


Source: Compiled by BTMU Economic Research Office from Cabinet Office data.

Monetary, fiscal policy, growth strategy, as well as virtuous cycle put into motion to support economic expansion

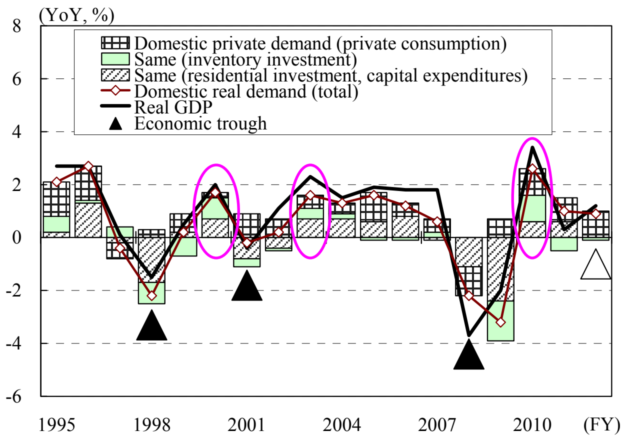
Looking ahead, Japan's economy is likely to continue recovering with direct support from monetary and fiscal policy, embarking on self-sustaining growth due to the effects of the government's growth strategy and the beginning of a virtuous cycle. The effects of monetary and fiscal policy are expected to be felt more fully in FY13, intensifying recoveries both in domestic and external demand. The growth rate is expected to hit +2.6% YoY range on demand brought forward ahead of the consumption tax hike (Figure 3). FY13 real GDP growth is expected to be boosted by +1.2%pt YoY due to the effects of monetary easing—the weaker JPY, improved net exports (an increase in exports coupled with a decrease in imports), the ripple effects from increased exports, and an asset effect from higher share prices. Further, public works projects budgeted for in the huge supplementary budget passed in February as well as demand ahead of the consumption tax hike are expected to have positive impacts of +0.6%pt and +0.2%pt, respectively, on growth. Further, growth is anticipated to remain at the +1% YoY level and inflation to slowly rise in FY14 as capital expenditures recover and expand, as the growth strategy, continued monetary easing by the BoJ, and a virtuous cycle set in motion by policy effects offset adverse effects stemming from the consumption tax hike and cuts to public investment. In particular, a virtuous cycle will get underway as higher corporate profits and household incomes boost production and demand, and whether the baseline growth potential will increase or not in line with the past pattern of growth rate picking up two years after an economic trough will be the key to our outlook (Figure 4). Risk factors include worsening external conditions like a slump in overseas economies or a big resurgence in the JPY's strength, capped household spending after the consumption tax hike, and market turmoil if fiscal restructuring is delayed.

Figure 3: Real GDP Forecast



Note: 1) *Baseline growth potential* is potential growth rate plus buildup of inventory from virtuous cycle and expanding demand stemming from policy effects.
2) *Monetary policy effects* are *Improvement in net exports* , *Ripple effects from increase in exports,* and *Asset effect of higher share prices* stemming from weaker JPY.
Source: Compiled by BTMU Economic Research Office from Cabinet Office data.

Figure 4: Real GDP and Domestic Private Demand



Note: *Domestic private demand* is contribution to *Real GDP* growth rate.
Source: Compiled by BTMU Economic Research Office from Cabinet Office data.

2. Current Situation and Outlook by Sectors and Components

(1) Corporate Sector

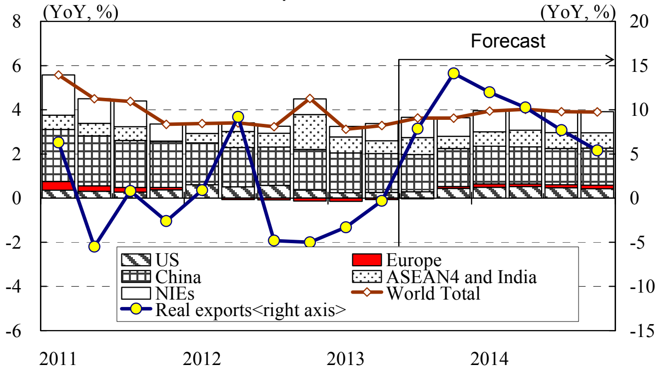
Exports and production expected to continue rising on JPY weakness and improving overseas economies

Real exports (GDP figures) jumped an annualized +12.5% QoQ in Apr-Jun, continuing the strong growth of Jan-Mar (+16.8% QoQ annualized). The effects of the JPY's weakness appear to be steadily permeating. On the production side as well, the recovery has been spreading to processing industries overall, which comprise a high share of exports. Furthermore, overseas economies are expected to improve, albeit gradually (Figure 5). Japanese exports and production are likely to continue on an upward trajectory.

Capital expenditures dipped again in Apr-Jun, but many factors pointing to increase over near-term

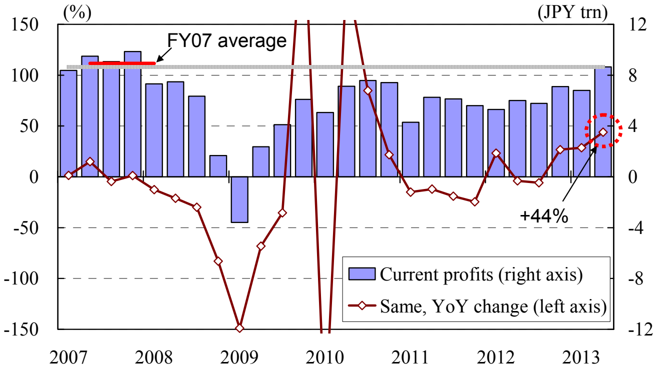
Real capital expenditures slipped by an annualized -0.4% QoQ in Apr-Jun, the sixth straight quarter of decline. Meanwhile, private-sector machinery orders (excluding volatile ones for ships and those from electric power companies), a leading indicator of capital expenditures, rose by +6.8% QoQ, the first increase in five quarters. Machinery orders stood at the highest level in monetary terms since Oct-Dec 2008. Fundamentals have also been favorable. Companies listed on the first section of the Tokyo Stock Exchange reported current profits were up as much as 40% on-year in Apr-Jun, to in line with the average level of FY07 (Figure 6). The sense of a capital stock surplus appears to be steadily easing. With the growth strategy and all-out measures including tax, budget, financial, and regulatory reform, that promote domestic investment, capital expenditures are expected to recover after bottoming, then continue to expand.

Figure 5: Real Exports and Growth Rates of Main Export Destinations



Notes: 1. Europe includes Eurozone and UK.
2. World total is weighted average by export weight of main export destination's real GDP growth rate.
Source: Complied by BTMU Economic Research Office from MOF, country data.

Figure 6: TSE I Listed Company Current Profits (consolidated)



Note: *Current profits* are summed up for current profits of 1,126 companies that had announced Apr-Jun 2013 earnings as of Aug 26 with continuous data available from Jan-Mar 2006..
Source: Compiled by BTMU Economic Research Office from Bloomberg data.

(2)Household Sector

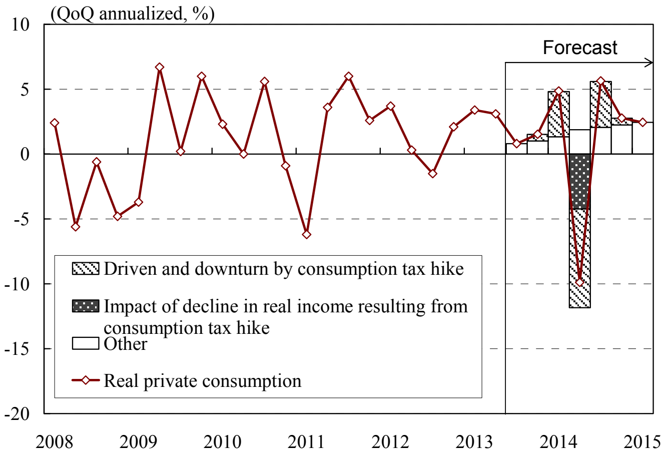
Private consumption expected to remain firm on improving sentiment, recovering employment/wage conditions, and demand ahead of tax hike

Real private consumption rose an annualized +3.1% QoQ in Apr-Jun, the third straight quarter of expansion (Figure 7). Spending on durable goods (+12.3% QoQ annualized) rose significantly, while expenditures on semi-durable goods (+5.7% QoQ annualized), non-durable goods (+1.8% QoQ), and services (+2.5% QoQ) also rose. Survey of Household Economy show that spending on per-household consumption of clothing and footwear, furniture and household utensils, food, and culture and recreation rose on-year at a faster pace than in Jan-Mar. The recovery appears to be expanding as consumer sentiment improves. Employment and income conditions, which have been starting to show signs of improvement recently, are expected to help support personal spending. Demand ahead of the consumption tax hike is also expected to boost private consumption through the end of FY13.

Apr-June drop in residential investment only temporary, likely to start rising again soon

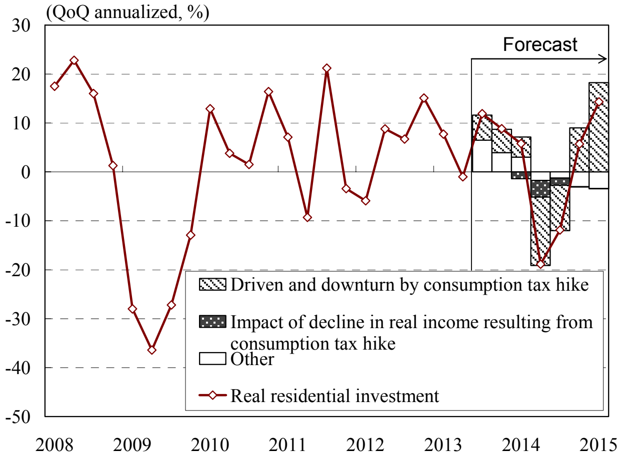
Real residential investment dipped by an annualized -1.0% QoQ in Apr-Jun, the fifth straight quarter of decline, albeit slight (Figure 8). Meanwhile, new housing starts, a leading indicator of residential investment, have been steadily increasing on expectations of rising land prices and mortgage interest rates as well as a surge of demand ahead of the consumption tax hike. Along the way, employment and wage conditions will likely recover, as noted above, while demand ahead of the consumption tax hike is expected to increase. Residential investment is expected to start to rise sooner or later.

Figure 7: Real Private Consumption



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

Figure 8: Real Residential Investment



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

（3）Public Sector

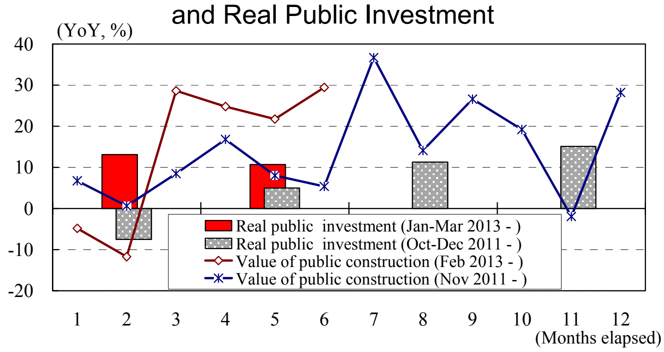
Public demand rising on huge supplementary budget outlays

Real public demand rose an annualized +4.2% QoQ in Apr-Jun in GDP figures, the sixth straight quarter of growth. Of this, public investment re-accelerated by +7.3% QoQ annualized. Although recovery and reconstruction demand generated by the March 2011 Tohoku earthquake has peaked out, outlays from the FY12 supplementary budget are expected to offset some of this. Further, government consumption has continued to rise, as medical and care cost in-kind benefits balloon as Japanese society ages.

Fiscal spending impact to continue through FY13

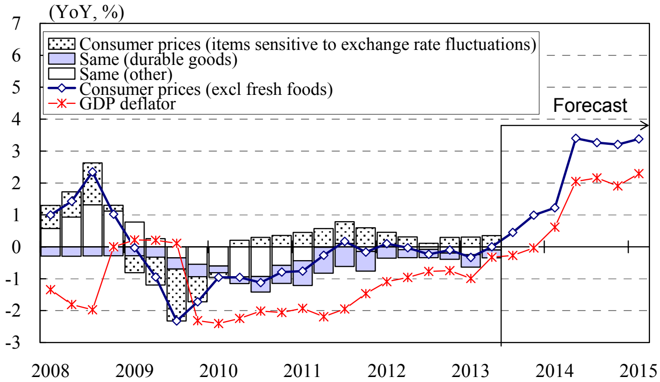
Outlays from the supplementary budget will continue to be made, and public demand is likely to continue to rise. Emergency economic measures included in the recent supplementary budget are a significant portion of government spending at JPY10.3 trillion, and are expected to boost the country's growth rate, as public works projects are the core of the spending. Value of public works contracts, a leading indicator, started to rise on-year in April, expanding faster through July (+29.4% YoY) than the pace since November 2011, when a supplementary budget roughly on par with the current supplementary budget was drafted (Figure 9). Such projects are expected to boost real GDP by +0.6%pt in FY13, when most of the projects will be carried out.

Figure 9: Public Works Contracts and Real Public Investment



Note: *November 2011* is when JPY9 trillion FY11 third supplementary budget including spending related to March 2011 earthquake (excl covering pension temporary resources) was passed (Nov 21); *February* 2013 is when JPY10 trillion FY12 supplementary budget (incl spending for emergency economic measures) was passed (Feb 26).
Source: Compiled by BTMU Economic Research Office from East Japan Construction Surety, Cabinet Office data.

Figure 10: Consumer Prices and GDP Deflator



Note: *Items sensitive to exchange rate fluctuations* include energy, airplane fares, and package tours to overseas.
Source: Compiled by BTMU Economic Research Office from MIC, Cabinet Office data.

(4) Inflation

Weaker JPY and higher import prices slowly permeating and lifting consumer prices

Consumer prices in core terms (excluding fresh foods) rose +0.4% YoY in June, the first increase in one year two months. Broken down, items that rose most were those most sensitive to higher import prices (Figure 10). Further, prices of durable consumer goods have been falling more slowly. An end to deflation—the symbol of Japan's prolonged economic stall—may finally be coming into sight.

Inflation expected to rise as supply-demand gap improves

Japan's supply-demand balance is expected to tighten as the economy recovers and growth continues. As this happens, consumer prices are likely to rise. Core consumer prices are expected to rise at a faster pace in FY13 (+0.7% YoY) and FY14 (+3.3% YoY, or +1.2% YoY excluding the impact of the consumption tax hike). The GDP deflator is also expected to turn positive on-year in H2 FY13, and the nominal-real inversion will likely end in the FY14 full-year growth rate.

3. Current Situation and Outlook of Monetary Policy and Financial Markets

(1) Monetary Policy and Long-tern Interest Rates

BoJ steadily implementing qualitative, quantitative monetary easing

The BoJ has been maintaining its quantitative and qualitative monetary easing, introduced on April 4. The easing policy is intended to expand the monetary base by JPY60-70 trillion a year by increasing purchases of assets like long-term JGBs and lift inflation to +2% YoY over two years. The efforts have been showing results through end-July, with the monetary base JPY35 trillion bigger than in July 2012 (a 56.6% achievement of the 2013 target) and a JPY28 trillion increase in holdings of long-term JGBs (a 55.2% achievement of the target, Table 1). The BoJ is expected to maintain current policy for the time being, while studying the effects of those policies carefully.

Long-term yield expected to rise very slowly

Long-term yields became volatile after the introduction of quantitative and qualitative monetary easing, and a number of surges occurred (Figure 11). The BoJ countered these developments by reviewing its asset management methods regarding purchases of long-term JGBs and increasing the flexibility of those methods (for example by boosting the frequency of purchases on April 18 and abolishing limits on frequency and size of purchases on May 30) and introducing one-year contract fund-supplying operations (a total of JPY7.2 trillion over five times in April and JPY3.3 trillion twice in May). The 10Yr JGB yield has become less volatile recently, with the level capped in the 0.7% range. On the other hand, with Japanese fundamentals—the economic growth rate and inflation—expected to improve and interest rates in the US to rise, Japan's long-term yields are also likely to rise. At the same time, yield-capping factors—the BoJ's large-scale purchases of JGBs and an improved fiscal balance (in particular if the consumption tax is hiked)—continue to have an effect, and the pace of yield rise is expected to be slow.

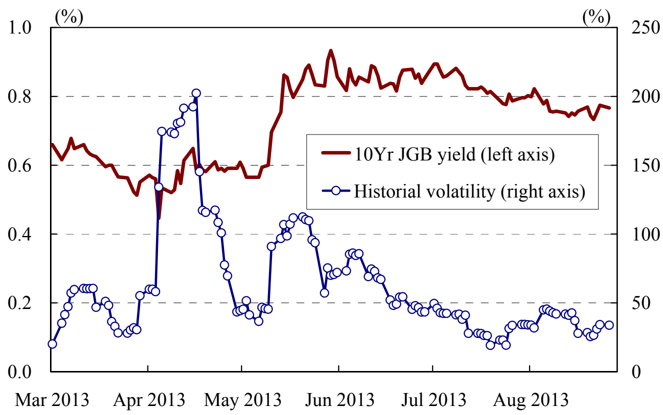
Table 1: Monetary Base and Other Targets under BoJ Qualitative and Quantitative Monetary Easing Policy

(JPY trn)

		Targeted increase, 2013	As of end-July	Achievement rate (%)	Targeted increase, 2014
Monetary base		62	35	56.6	70
Assets	Long-term JGBs	51	28	55.2	50
	CP・corporate bonds, etc.	0	0	6.7	0
	ETFs・J-REITs	1	1	49.6	1
	Lending support program	10	3	33.0	5
Liabilities	Banknotes	1	-3	—	2
	Current accounts	60	38	63.5	68

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

Figure 11: The 10Yr JGB Yield and Historical Volatility



Note: *Historical volatility* is standard deviation of JGB yield daily change over last 10 days, annualized.
Source: Compiled by BTMU Economic Research Office from Bloomberg.

(2) Exchange Rates

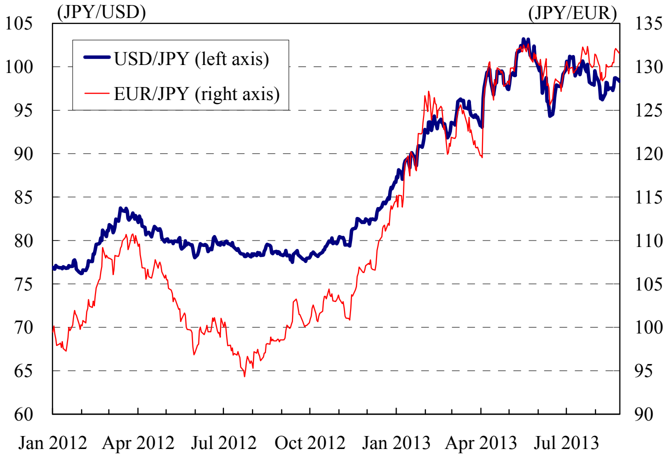
JPY's weakening since last fall reversed slightly

While the JPY has been relatively weak since compared to prior to the launch of the Abe Administration, the currency has regained some strength since early July (Figure 12). The JPY has risen above the USD/JPY100 level again to approximately the USD/JPY96 level, and to EUR/JPY128. Behind the re-strengthening has been heightened speculation that the FRB will curtail its quantitative easing measures as well as concerns about the outlook for emerging economies, the fates of which are closely tied to the end of monetary easing. As a result, JPY buying has prevailed as investors have averted risk.

Continued BoJ monetary easing, widening domestic-foreign interest rate spreads point to JPY weakening

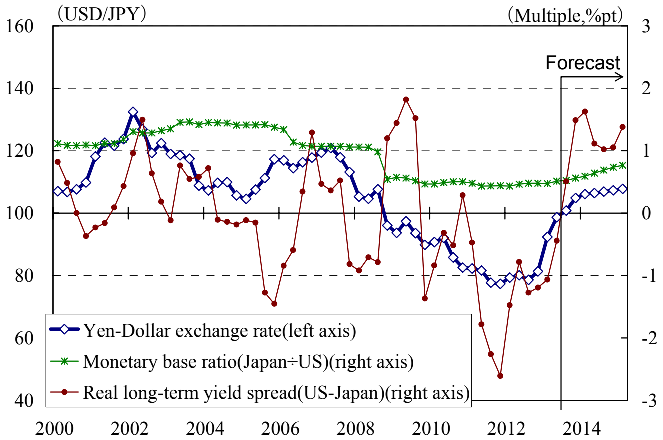
The global economy, including emerging markets, is expected to slowly stabilize, and risk aversion movements that tend to cause the JPY to strengthen are likely to diminish. JPY weakening pressures—expansion of the monetary base as the BoJ maintains quantitative and qualitative monetary easing and a growing gap between US and Japan real long-term interest rates (Japan < US)—will clearly persist (Figure 13). The JPY's weakening trend is expected to last for some time.

Figure 12: Yen Exchange Rate



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

Figure 13: Yen-Dollar Exchange Rate, Monetary Base Ratio and Real Long-term Yield Spread



Source: Compiled by BTMU Economic Research Office from Bloomberg, various data.

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Outlook for the Japanese Economy

Forecast →

Bank of Tokyo-Mitsubishi UFJ Economic Research Office

(%, billion yen)

	2012				2013				2014				2015	FY2012	FY2013	FY2014
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q			
1. The Real Economy (QoQ annualized change)																
Real GDP	4.8	-0.9	-3.6	1.0	3.8	2.6	3.4	3.5	4.2	-5.2	4.0	2.8	2.9	1.2	2.6	1.3
Private Consumption	3.7	0.3	-1.5	2.1	3.4	3.1	0.8	1.5	4.9	-9.9	5.6	2.8	2.4	1.6	2.2	0.1
Housing Investment	-5.9	8.8	6.7	15.1	7.7	-1.0	11.9	8.8	5.8	-18.9	-11.9	5.7	14.3	5.3	7.1	-3.3
Private Business Fixed Investment	-9.6	-1.3	-12.3	-5.5	-0.7	-0.4	5.7	7.0	7.0	4.9	4.9	5.3	5.7	-1.4	0.8	5.7
Business Inventory (Contribution)	1.2	-1.0	0.5	-0.7	-0.3	-1.1	0.6	0.3	-0.2	0.3	0.4	0.4	0.5	-0.1	-0.2	0.3
Government Expenditures	11.1	3.7	4.2	4.2	1.0	4.2	-1.3	-1.1	-1.4	-2.2	-1.5	-1.3	-1.1	4.3	1.4	-1.5
Public Investment	33.6	22.1	14.9	12.7	4.5	7.3	-4.3	-3.9	-5.5	-12.9	-9.6	-8.9	-7.8	15.0	2.8	-8.6
Net Exports (Contribution)	0.3	-1.0	-2.7	-0.2	1.6	0.7	1.6	1.4	0.8	1.0	0.3	0.2	0.1	-0.8	0.9	0.8
Exports	11.2	-0.7	-16.8	-10.2	16.8	12.5	14.8	12.6	8.2	5.7	4.5	3.2	2.8	-1.2	8.3	6.8
Imports	8.3	5.4	-0.0	-7.8	4.1	6.2	4.5	4.1	3.6	-0.4	3.0	2.8	2.8	3.8	2.9	2.5
Nominal GDP	5.0	-3.3	-3.4	0.4	2.5	2.9	3.9	4.3	4.7	1.1	4.5	3.7	3.8	0.3	2.6	3.5
GDP Deflator (YoY)	-1.0	-1.0	-0.8	-0.7	-1.1	-0.3	-0.3	-0.0	0.6	2.0	2.2	1.9	2.3	-0.9	0.0	2.1
Industrial Production Index (QoQ)	0.8	-2.2	-3.2	-1.9	0.6	1.5	2.8	2.7	2.1	-1.4	-0.2	0.3	0.6	-2.9	4.3	2.2
Domestic Corporate Goods Price Index (YoY)	0.3	-1.1	-2.0	-0.9	-0.3	0.6	2.0	2.2	2.5	5.0	5.0	4.9	4.6	-1.1	1.8	4.9
Consumer Price Index (excl. fresh food, YoY)	0.1	0.0	-0.2	-0.1	-0.3	0.0	0.5	1.0	1.2	3.4	3.3	3.2	3.4	-0.2	0.7	3.3
2. Balance of Payments																
Trade Balance (billion yen)	-1,069	-1,097	-1,651	-1,592	-2,523	-1,761	-1,744	-1,453	-1,308	-1,144	-1,145	-966	-955	-6,892	-6,266	-4,210
Current Balance (billion yen)	1,636	1,537	976	1,080	782	2,122	1,664	2,185	2,444	2,685	2,766	3,027	3,121	4,354	8,415	11,599
3. Financial																
Uncollateralized overnight call rate	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0-0.1	0.1	0.1
Euro-Yen TIBOR (3-mo.)	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Newly Issued 10-Year Government Bonds Yield	1.0	0.9	0.8	0.7	0.7	0.7	0.9	0.9	1.0	1.0	1.0	1.0	1.1	0.8	0.9	1.0
Exchange Rate (USD/JPY)	79	80	79	81	92	99	101	105	106	106	107	107	108	83	103	107

Note: Uncollateralized overnight call rate guidance target (end-quarter) through Jan-Mar 2013; offered rate (mid-quarter average) for Apr-Jun 2013. Euro-Yen TIBOR (3-mo.), newly issued 10-year government bonds yield, and exchange rate (Yen/U.S.$) are period average.Domestic Corporate Goods Price and Consumer prices reflect 2005 base revision.

MAIN ECONOMIC AND FINANCIAL INDICATORS (JAPAN)

1． Main Economic Indicators

As of Sep. 10, 2013

	Fiscal	Fiscal	2012	2013		2013				
	2011	2012	4Q	1Q	2Q	APR	MAY	JUN	JUL	AUG
Real GDP Growth Rate <% changes from	0.3	1.2	1.1	4.1	3.8	***	***	***	***	***
previous period at SA annual rate>			(0.4)	(0.3)	(1.2)					
Index of All Industries Activity	0.3	0.1	-0.1	0.0	1.1	0.1	1.2	-0.6		
			(-0.3)	(-1.2)	(0.7)	(0.4)	(1.3)	(0.3)		
Industrial Production Index	-0.7	-2.9	-1.9	0.6	1.5	0.9	1.9	-3.1	3.2	
Production			(-5.9)	(-7.9)	(-3.1)	(-3.4)	(-1.1)	(-4.6)	(1.6)	
Shipments	-1.5	-1.8	-1.3	4.1	-1.9	-1.4	1.0	-3.2	1.3	
			(-6.4)	(-6.3)	(-3.5)	(-3.0)	(-2.1)	(-5.1)	(0.7)	
Inventory	12.1	-2.7	-1.6	-3.4	0.4	0.8	-0.4	0.0	1.5	
			(5.2)	(-2.7)	(-2.9)	(-4.0)	(-2.7)	(-2.9)	(-2.8)	
Inventory/Shipments Ratio	109.0	114.4	117.7	112.1	107.6	107.1	104.8	111.0	110.5	
(2010=100)			[107.2]	[107.6]	[111.5]	[112.2]	[110.5]	[111.7]	[115.3]	[115.5]
Domestic Corporate Goods Price Index	1.4	-1.1	0.0	0.8	0.6	0.4	0.0	0.1	0.5	
			(-0.9)	(-0.3)	(0.6)	(0.1)	(0.5)	(1.2)	(2.2)	
Consumer Price Index(SA, total, excl.fresh foods)	0.0	-0.2	-0.1	-0.3	0.7	0.1	0.1	0.3	0.2	
			(-0.1)	(-0.3)	(0.0)	(-0.4)	(0.0)	(0.4)	(0.7)	
Index of Capacity Utilization	97.9	95.4	93.1	94.4	96.6	95.9	98.1	95.8		
(2010=100)			[100.3]	[102.6]	[99.6]	[101.3]	[99.8]	[97.7]	[97.8]	[95.7]
Machinery Orders(Private Demand,	6.2	-3.0	-0.8	0.0	6.8	-8.8	10.5	-2.7		
Excl.Electric Power and Ship building)			(-0.8)	(-4.6)	(6.4)	(-1.1)	(16.5)	(4.9)		
Manufacturing	5.9	-10.1	-5.3	-1.7	5.6	-7.3	3.8	2.4		
			(-11.1)	(-12.1)	(-4.2)	(-9.8)	(-6.2)	(2.4)		
Non-manufacturing	6.6	2.8	5.6	-3.1	12.5	-6.0	25.4	-17.5		
Excl.Electric Power & Ship building			(7.4)	(2.8)	(14.1)	(4.8)	(34.3)	(6.6)		
Shipments of Capital Goods	6.7	-6.0	-4.3	4.7	-0.2	-1.8	1.7	-3.5	3.7	
(Excl.Transport Equipment)			(-11.5)	(-9.1)	(-5.4)	(-3.0)	(-6.4)	(-6.4)	(1.0)	
Construction Orders	7.1	2.4								
			(-2.7)	(1.2)	(17.0)	(2.0)	(26.0)	(21.9)	(13.7)	
Private	3.7	2.6								
			(3.1)	(1.2)	(13.5)	(3.2)	(26.6)	(12.4)	(1.6)	
Public	22.7	5.3								
			(-7.3)	(0.2)	(18.7)	(11.5)	(32.7)	(13.6)	(4.0)	
Public Works Contracts	-0.5	10.3								
			(17.7)	(-6.0)	(25.2)	(28.6)	(24.8)	(21.7)	(29.4)	
Housing Starts	84.1	89.3	90.9	89.9	98.3	93.9	102.7	97.6	97.5	
10,000 units at Annual Rate, SA	(2.7)	(6.2)	(15.0)	(5.1)	(11.8)	(5.8)	(14.5)	(15.3)	(12.0)	
Total floor	(2.5)	(4.8)	(12.2)	(5.7)	(11.6)	(6.4)	(13.0)	(15.3)	(11.2)	
Sales at Retailers	0.8	0.3								
			(-0.0)	(-1.2)	(0.7)	(-0.2)	(0.8)	(1.6)	(-0.3)	
Real Consumption Expenditures	-1.2	1.6	-0.6	3.8	-1.9	-4.6	0.1	-2.0	0.9	
of Households over 2 persons (SA)			(-0.2)	(2.8)	(-0.2)	(1.5)	(-1.6)	(-0.4)	(0.1)	
Propensity to Consume	73.3	74.8	74.4	76.3	73.9	73.2	74.0	72.3	73.7	
(SA,%)			[73.8]	[72.3]	[74.2]	[73.2]	[74.2]	[73.2]	[74.7]	[72.9]
Overtime Hours Worked	0.8	-0.3	-0.3	1.5	2.7	1.9	0.5	-0.1	-1.0	
(All Industries, 5 employees or more)			(-2.5)	(-1.6)	(1.0)	(0.9)	(0.0)	(2.0)	(2.9)	
Total Cash Earnings (Regular Employees	-0.3	-0.7								
Only; All Industries, 5 employees or more)			(-1.1)	(-0.6)	(0.3)	(0.0)	(-0.1)	(0.6)	(0.4)	
Employment Index(Regular Employees Only;'All Industries,	52	107	133	24	33	29	32	37	40	
5 employees or more）(Change over the M/Q/Y)										
Ratio of Job Offers to Applicants	0.68	0.82	0.82	0.85	0.90	0.89	0.90	0.92	0.94	
(SA,Times)			[0.71]	[0.75]	[0.80]	[0.79]	[0.80]	[0.81]	[0.81]	[0.81]
Unemployment Rate	4.5	5.0	4.2	4.2	4.0	4.1	4.1	3.9	3.8	
(SA,%)										
Economy Watcher Survey	44.9	46.3	41.6	53.3	55.1	56.5	55.7	53.0	52.3	51.2
(Judgment of the present condition D.I,%)			[46.0]	[47.3]	[47.3]	[50.9]	[47.2]	[43.8]	[44.2]	[43.6]
Bankruptcies (Number of cases)	12,707	11,719	2,889	2,779	2,841	899	1,045	897	1,025	819
	(-2.7)	(-7.7)	(-6.8)	(-12.7)	(-9.1)	(-10.4)	(-8.9)	(-8.0)	(0.0)	(-15.3)

(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.

２．Balance of Payments

As of Sep. 10, 2013

	Fiscal	Fiscal	2012	2013		2013				
	2011	2012	4Q	1Q	2Q	APR	MAY	JUN	JUL	AUG
Customs Clearance(Exports in Yen Terms)	-3.7	-2.1	(-5.5)	(1.2)	(7.1)	(3.8)	(10.1)	(7.4)	(12.2)	
Value	0.7	4.9	(4.2)	(13.5)	(13.7)	(7.0)	(11.5)	(13.1)	(10.2)	
Volumes	-4.3	-6.4	(-9.3)	(-10.8)	(-5.8)	(-3.0)	(-1.2)	(-5.0)	(1.8)	
Imports(In Yen terms)	11.6	3.5	(0.4)	(8.1)	(10.4)	(9.5)	(10.1)	(11.8)	(19.6)	
Value	9.2	2.7	(1.1)	(10.7)	(12.6)	(6.9)	(12.5)	(17.6)	(16.8)	
Volumes	2.2	0.8	(-0.6)	(-2.3)	(-1.9)	(2.5)	(-2.2)	(-5.0)	(2.4)	
Current Balance(100 mil. yen)	76,180	43,536	105	15,844	16,270	7,500	5,407	3,363	5,773	
Trade Balance(100 mil. yen)	-34,698	-68,921	-18,744	-23,735	-18,647	-8,188	-9,067	-1,392	-9,433	
Services(100 mil. yen)	-18,265	-25,417	-7,083	-1,939	-5,269	-4,405	441	-1,305	-1,965	
Capital and Financial Accounts(100 mil. yen)	29,618	-49,201	3,165	1,720	20,290	-1,124	6,390	15,024	-8,618	
Gold & Foreign Exchange Reserves($1mil.)	1,288,703	1,254,356	1,268,125	1,254,356	1,238,713	1,257,964	1,250,243	1,238,713	1,254,033	1,254,204
Exchange Rate(\/$)	79.05	83.08	81.16	92.38	98.74	97.71	101.08	97.43	99.71	97.87

(Notes)
Customs-cleared export and import values and volumes using Base Year 2005 for fiscal year and quarterly figures, Base Year 2010 for monthly figures.

３．Financial Market Indicators

		Fiscal	Fiscal	2012	2013		2013				
		2011	2012	4Q	1Q	2Q	APR	MAY	JUN	JUL	AUG
Uncollateralized Overnight Call Rates		0.077	0.083	0.084	0.083	0.073	0.072	0.073	0.074	0.073	0.073
				[0.079]	[0.083]	[0.078]	[0.075]	[0.084]	[0.076]	[0.084]	[0.086]
Euro Yen TIBOR		0.331	0.312	0.318	0.270	0.228	0.228	0.228	0.228	0.228	0.228
(3 Months)				[0.329]	[0.331]	[0.333]	[0.332]	[0.332]	[0.335]	[0.327]	[0.327]
Newly Issued Japanese Government Bonds Yields		1.050	0.760	0.757	0.655	0.772	0.600	0.860	0.855	0.795	0.720
(10 Years)				[1.030]	[0.968]	[0.848]	[0.885]	[0.830]	[0.830]	[0.780]	[0.795]
Average Contracted Interest Rates		1.269	1.184								
on Loans and Discounts(City Banks)				1.226	1.184	1.153	1.183	1.179	1.153	1.145	
(% changes from previous period)				(-0.019)	(-0.042)	(-0.031)	(-0.001)	(-0.004)	(-0.026)	(-0.008)	
The Nikkei Stock Average		10,084	12,398	10,395	12,398	13,677	13,861	13,775	13,677	13,668	13,389
(TSE 225 Issues)				[8,455]	[10,084]	[9,007]	[9,521]	[8,543]	[9,007]	[8,695]	[8,840]
M2(Average)		(2.9)	(2.5)	(2.3)	(2.9)	(3.5)	(3.2)	(3.5)	(3.8)	(3.7)	(3.7)
Broadly-defined Liquidity(Average)		(0.2)	(0.5)	(0.5)	(1.3)	(2.6)	(2.0)	(2.7)	(3.1)	(3.2)	(3.5)
Principal Figures of Financial Institutions											
	Banks & Shinkin	(-0.1)	(0.9)	(1.0)	(1.4)	(1.8)	(1.7)	(1.8)	(1.9)	(2.0)	(2.0)
Loans and	Banks	(-0.1)	(1.1)	(1.2)	(1.8)	(2.1)	(2.1)	(2.1)	(2.2)	(2.3)	(2.3)
Discount	City Banks etc.	(-1.8)	(-0.2)	(-0.1)	(1.0)	(1.6)	(1.5)	(1.6)	(1.6)	(1.8)	(1.9)
(Average)	Regional Banks	(1.9)	(2.9)	(3.1)	(3.1)	(3.2)	(3.2)	(3.2)	(3.3)	(3.4)	(3.3)
	Regional Banks Ⅱ	(1.1)	(0.8)	(0.4)	(0.4)	(0.6)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)
	Shinkin	(-0.5)	(-0.7)	(-0.7)	(-0.5)	(-0.2)	(-0.4)	(-0.2)	(-0.1)	(-0.0)	(0.2)
	Total(3 Business Condition)	(2.7)	(2.2)	(2.0)	(2.9)	(3.8)	(3.6)	(3.7)	(4.1)	(3.9)	(3.8)
Deposits	City Banks	(1.9)	(1.8)	(1.7)	(2.8)	(4.1)	(3.9)	(4.0)	(4.5)	(4.0)	(3.7)
and CDs	Regional Banks	(3.7)	(2.8)	(2.6)	(3.4)	(4.0)	(3.8)	(4.0)	(4.2)	(4.4)	(4.4)
(Average)	Regional Banks Ⅱ	(2.8)	(1.8)	(1.1)	(1.2)	(1.5)	(1.4)	(1.5)	(1.7)	(1.7)	(1.9)

(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.