

## “Street Business Sentiment”, Future Conditions DI Improved

“Economy Watchers Survey” is a business sentiment survey conducted by Japan’s Cabinet Office every month, also known as the “Street Business Sentiment” survey. Approximately 2,000 observers, called “Watchers”, who engage in economic sensitive businesses such as taxi drivers, convenience store managers, restaurant operators, etc., participate in this survey. The survey examines economic sentiment at the time of survey in comparison with that of three months ago and includes perspective for two to three months. The neutral level of this index, to judge whether the economic sentiment is favorable or not, is 50 points.

### Point 1

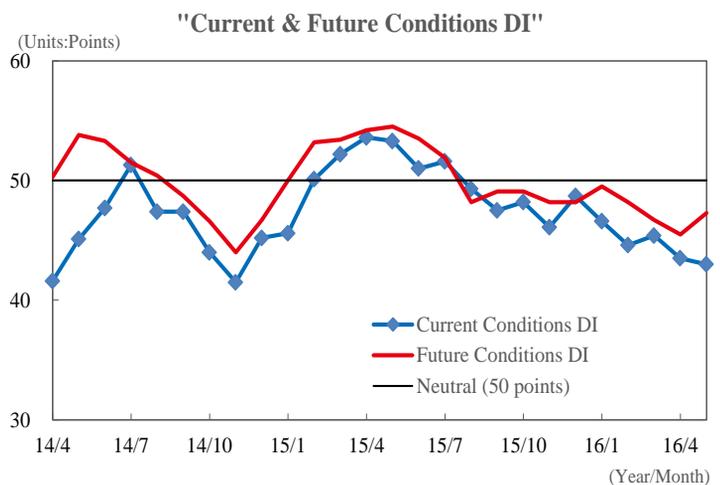
## Current Conditions DI dropped for two consecutive months Below 50 points for ten consecutive months

- According to the May 2016 “Economy Watchers Survey”, the “Current Conditions DI” which reflects current business sentiment, dropped 0.5 points from last month to 43.0 points staying below neutral level of 50 points for ten consecutive months. Employment-related DI improved, while Household-related DI and Corporate Activity DI worsened.
- A department store operator in South Kanto region made a comment expressing that sales of overall women’s clothing and accessories including miscellaneous items dropped sharply. In addition, related to corporate activities, some concerns were heard that “fuel price continues to rise” (comment from operator of agriculture, forestry and fisheries industry of Tohoku region).

### Point 2

## Future Conditions DI rose Improved for the first time in four months

- The “Future Conditions DI”, the statistics indicating the perspectives in two to three months, rose 1.8 points to 47.3 points, improving for the first time in four months. Household, corporate activity and employment-related DI, all have improved. Improvement of Kyushu region’s DI was outstanding, which was most likely a reaction of significant deterioration of previous month’s DI impacted by Kumamoto earthquake.
- A watcher of clothing specialty store in Kyushu region answered that “business is recovering gradually from negative impact of Kumamoto earthquake”.



(Note ) Data period is from April 2014 to May 2016.

(Source) SMAM, based on Bloomberg L.P. data.

## Expectation on strong Japanese equity market supported by economic stimulus package

- “Economy Watchers Survey” is a focal business sentiment survey as it functions as a leading or coincidence indicator to stock price. According to this period’s survey, we can expect a recovery in Japanese economy, as future conditions DI improved, while current conditions DI indicated stall in economy at present. PM Abe stated that consumption tax hike would be postponed for two and a half years to October 2019 on 1<sup>st</sup> June. We can expect expansion of fiscal spending in the second half of FY2016 as he also addressed “comprehensive and bold economic measures will be implemented in autumn”. BOJ’s additional easing is also expected. Strong Japanese equity market is likely to be seen in future, as both Japanese government and central bank will take some measures going forward.

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