

“Street Business Sentiment”

Current Conditions DI slightly improved in April

“Economic Watchers Survey,” also known as the “Street Business Sentiment” survey, is conducted by sending questionnaire to approximately 2,000 “Watchers”, who are sensitive to economies and able to observe local business sentiment such as taxi drivers, retailers, manufacturers, transportation companies, and advertising agencies. April 2019 Current Conditions DI of “Street Business Sentiment” improved for the first time in two months. However, the Cabinet Office maintained its assessment of “Street Business Sentiment” unchanged, stating that “weakness has been seen in recovery recently.”

Point 1

Current Conditions DI rose 0.5 points MoM, improved for the first time in two months,

Future Conditions DI deteriorated for three consecutive months

- According to April 2019 “Street Business Sentiment,” Current Conditions DI (seasonally adjusted) improved 0.5 MoM to 45.3 points. Business sentiment improved for the first time in two months in favor of expectations on positive impact of long holidays and sales related to Japanese era-name-change to the Japanese economy. By sector, as for household-related DI, services-related improved. Also corporate activity-related DI improved in manufacturing while non-manufacturing remained flat.
- Meanwhile, Future Conditions DI slightly declined for three consecutive months, dropped by 0.2 MoM to 48.4 points. By sector, household-related DI slightly improved while corporate activity-related DI and employment-related DI deteriorated.

Point 2

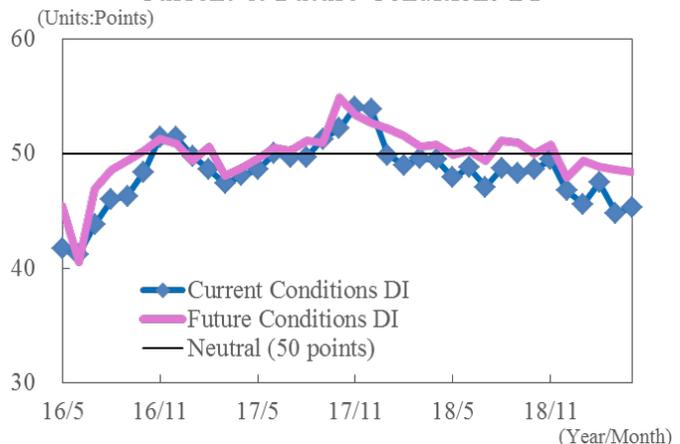
For current conditions, number of words such as “savings” and “price increase” increased in Watcher’s comments

For future conditions, use of words such as “consumption tax,” “tax hike” and “rush to buy” has further increased

- According to SMDAM’s proprietary text-mining methodology (*), which analyzes “Street voice” more objectively, the number of words used in “Watcher’s comments” for current conditions has increased significantly in terms of “savings” and “price increase”, indicating the cautiousness of households on spending.
- Meanwhile, for future conditions DI, the words “consumption tax,” “tax hike,” and “rush to buy” showed further increase, indicating higher interest towards consumption tax hike. On the other hand, “lack of working force” drastically declined. We have a concern that economic slowdown could have a negative impact on employment environment.

* Text mining is the analysis of data contained in natural language text. Typical methodology is to measure frequency of word used to statistically analyze and visualize characteristics of text, aiming at finding valuable data and information contained

“Current & Future Conditions DI”



(Note) Data period is from May 2016 to April 2019. Seasonally adjusted.

(Source) SMDAM, based on Japan’s Cabinet Office data.

Although Current Conditions DI improved, the US-China Trade Talks need to be watched

- The Cabinet Office maintained its assessment of “Street Business Sentiment,” stating that “the recovery is showing signs of weakness recently.” As for future conditions, it stated that “there were concerns over the overseas environments.” Although the Current Conditions DI improved slightly in April, Japanese stock market has dropped sharply since May due to uncertainty of economy caused by difficulties in US-China trade talks. If US-China confrontation becomes protracted, there is a concern that Japanese economy would be impacted negatively.

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