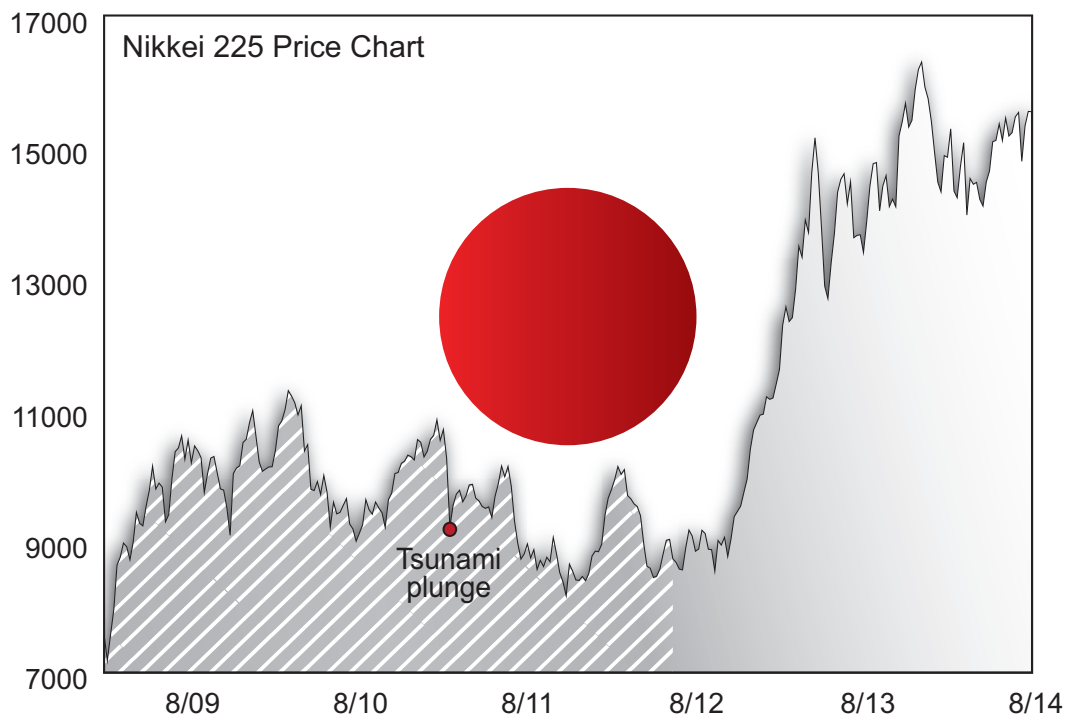


# Japanese Equities Still Worth A Look

## Japanese Stocks Still Below Mid-2007 Levels



Source: Bloomberg. Data from 2/27/09 through 8/27/14. Past performance is no guarantee of future results.

### View from the Observation Deck

1. Today's blog post is an update of one we did on 7/12/12 ("Japanese Stocks Worth A Look At These Levels"). The unshaded area in the chart represents the movement in the Nikkei 225 Index since 7/11/12.
2. From 7/11/12-8/27/14, the Nikkei 225 Index posted a cumulative total return of 39.53% (USD), or an average annualized gain of 16.94%, according to Bloomberg. The index level stood at 15534.82 on 8/27/14.
3. For the 10-yr period ended 8/27/14, the average price level of the Nikkei 225 Index was 12277.58. **The high was 18261.98 on 7/9/07.** As of 8/27, the index stood 14.9% below its 10-year high.
4. Despite a 6.8% contraction in real GDP in Q2'14 (*The Wall Street Journal* consensus estimate was -7.1%), primarily due to an increase in the nation's sales tax from 5% to 8%, the outlook for corporate earnings is encouraging.
5. The estimated 2014 and 2015 earnings growth rates on the Nikkei 225 Index were 15.95% and 12.13%, respectively, on 8/27/14, according to consensus estimates from Bloomberg.
6. Japan has already begun construction projects for the 2020 Summer Olympics in Tokyo. The reconstruction of areas hit by the Tsunami in March 2011 has been slow going. Japan has earmarked \$250 billion for the rebuild.
7. Japanese equities represent a 7.1% share of the total world equity market capitalization (cap), the second-biggest behind the 36.0% share for the U.S., according to data from Bloomberg.
8. Based on 2013 data, Japan has the third-largest economy in the world, behind the U.S. and China, according to the World Bank.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The Nikkei 225 Index is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.*