

March 16, 2011

Japanese Stock Market sees large slide on March 15

1. Japanese Stock Market plummets

Yesterday's stock market in Japan opened substantially lower after a sharp drop at close on 14 March, reflecting the worsening situation of the Fukushima Dai-ichi nuclear plant.

In a statement aired at 11:00am yesterday on national television, Prime Minister Naoto Kan stated that there is a danger of more radiation leaks due to explosions at the Fukushima Dai-ichi nuclear plant in Fukushima state. People living within 20 to 30 kilometers of the Fukushima Dai-ichi complex were told to stay indoors to avoid exposure to radiation. At one point, the Nikkei Average futures slumped to JPY 7,800; an intraday low after Prime Minister Naoto Kan said the risk of nuclear contamination at the Fukushima Dai-ichi complex was rising.

The unprecedented situation of a radiation leak resulted in the Japanese stock market showing signs of panic selling, and many individual stocks were sold to the limit down. The TOPIX closed lower at 766.73 points, down by 9.47 % from the previous day, while the Nikkei Average fell sharply to JPY 8,605.15 by 10.55% from the previous close. The drop in the Nikkei Average was the third largest ever in terms of the rate of decline. The volume of 5.77 billion shares on the Tokyo Stock Exchange was another record high trading volume, topping the trading volume of 4.88 billion shares million registered as a record on 14 March.

What attracted attention from market participants on 14 March in the market stock valuations as well as the demand for reconstruction after the earthquake, which was seen after previous earthquakes. Much was also expected from the increase in the BOJ's asset purchasing. However, since the crisis escalated yesterday, as radiation leaking from a crippled reactor hit dangerous levels, there were massive selling activities in the market.

2. Outlook

It is currently difficult to predict a market outlook due to the possibility of another nuclear power plant accident occurring. Once the nuclear plant's rescue plan is underway and

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manages to calm public anxiety, investors will regain their composure with regards to their investment judgment. On March 14, the Bank of Japan purchased JPY 15.9 billion of ETFs and JPY 1.8 billion of J-REITs in an effort to stabilise the market. Going forward, the dire circumstances caused by the earthquake are likely to improve. However, it is hard to predict the impact of nuclear incidents at this stage. Considering the adverse effect of the continuous blackouts upon production activities, the stock market will be forced to assume an unstable movement for the time being.

- End -

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