

News Release

MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:15 (Japan), 26 February 2010
23:15 (UK), 25 February 2010

Nomura/JMMA Japan Manufacturing PMI

Strongest rise in export sales since May 2004 supported further growth in output during February

Key points:

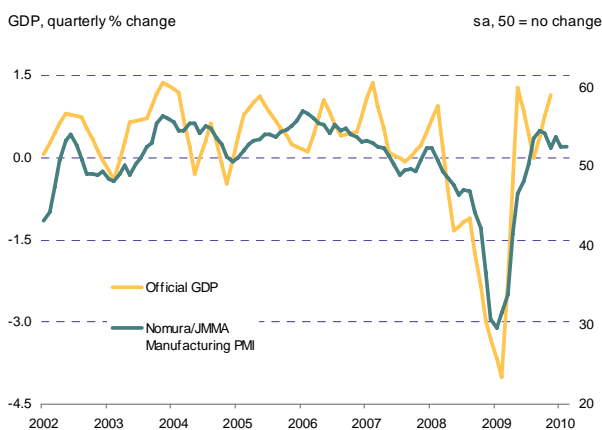
- Solid rise in output.
- New business growth only marginal, but exports rose markedly.
- Pre-production stocks rose for the first time in twelve months.

Summary:

At 52.5, the seasonally adjusted Nomura/JMMA Purchasing Managers' Index remained unchanged from one month previously, pointing to a moderate improvement of operating conditions in the Japanese manufacturing sector.

Behind the latest PMI reading, February's survey pointed to slower growth of output and new business, with the latter easing to only a marginal rate. Job shedding was again fractional, while stocks of pre-production goods increased for the first time in a year. Meanwhile, average vendor performance deteriorated at a marked rate.

Nomura/JMMA Japan Manufacturing PMI

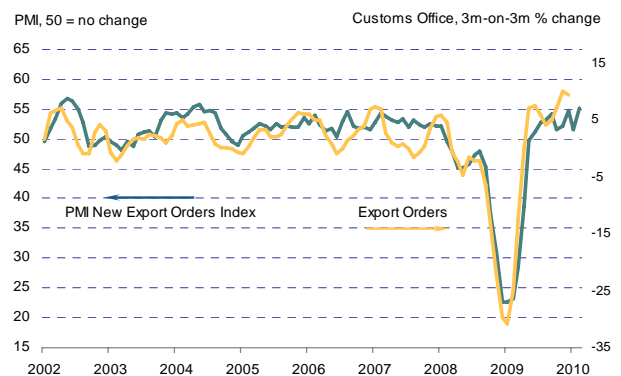


Output at Japanese manufacturers rose solidly in February, extending the current period of growth to

nine months. Where a rise in production was signalled, panellists generally attributed this to greater inflows of new orders.

The level of new business taken by Japanese manufacturers rose in February, albeit at only a marginal rate that was the slowest in the current eight-month period of expansion. Respondents widely attributed slower new business growth to weak domestic consumption. In contrast, export sales rose at the fastest rate since May 2004, mainly reflecting strong demand from China.

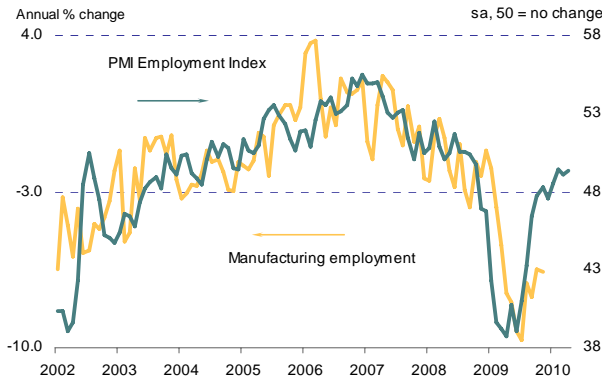
New Export Orders



Work-in-hand continued to fall in February as reduced new business growth enabled firms to complete existing workloads. It was the fifth successive month in which backlogs have fallen.

Staffing levels fell again in February, decreasing at a marginal rate that was broadly similar to that seen in the preceding two months. Reduced employment mainly reflected restructuring efforts. This was primarily achieved through the non-replacement of departing staff.

Employment



But we expect the strength of the yen trading at around \$1/¥90 (compared with the break even point for export companies of 92.9 yen per dollar in FY2009 survey) gradually to have a negative impact on exports and that growth of exports will slow in the near future.”

-Ends-

Average input costs faced by Japanese manufacturers rose for the second month running in February. Higher raw material prices were cited by panellists as a key source of inflationary pressure, with oil mentioned in particular. Although solid, the rate of inflation was still much slower than that seen before the onset of the financial crisis.

February data signalled that manufacturers continued to reduce their output charges on average, largely as a result of strong competitive pressures and requests from clients for discounts. The rate of price discounting remained solid, but much slower than the near-record seen in November last year.

Purchasing activity rose in February following two successive months of reduction. Subsequently, pre-production inventories increased for the first time in twelve months. Meanwhile, average vendor performance deteriorated at the fastest rate since June 2006. Panellists noted that supply shortages at vendors were primarily to blame for slower lead times, with electronic goods mentioned in particular.

Comment:

Commenting on the Nomura/JMMA Japan Manufacturing PMI data, Minoru Nogimori, Economist of Financial & Economic Research Centre at Nomura, said:

“The Japan Manufacturing PMI for February was unchanged from January, at 52.5, remaining above the dividing line of 50.0 for the eighth consecutive month. Although the rapid rise of the index from February through to September in 2009 has abated, it still indicates strong production activity in Japan. We see that ongoing firmness in exports supported by demand from Asia, especially China, has boosted manufacturing production. The New Export Orders Index, which rose rapidly by 3.7 points to 55.2 in February, suggests that export growth gained significant momentum on the month.

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Notes to Editors:

The Nomura/JMMA Japan Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to GDP. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nomura/JMMA Japan Manufacturing PMI is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

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About JMMA

Japan Materials Management Association (JMMA) is a voluntary organization, established by members in 1958. JMMA contributes to the practice of business management in the field of research, education, books and standardization of materials / purchasing management. In relation to education, JMMA is the organization which trains Purchasing Managers, the specialists of materials / purchasing. JMMA is the organization which gives the certification of "Certified Purchasing Manager (CPM)", the globally recognized certification for purchasing managers. JMMA is also the representative of IFPMM (International Federation of Purchasing and Materials Management) in Japan. JMMA, 6F Iwamotochokiita-bld, 1-8-15, Chiyoda-ku, Tokyo, Japan. Tel: +81 3 5687 3477; Fax: +81 3 5687 3660 email: info_jmma@jmma.gr.jp website: www.jmma.gr.jp

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About Markit Economics

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for 26 countries and key regions including the Eurozone and BRIC. The PMIs have become the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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