

November 8, 2013

Press Release

Nikko Asset Management Co., Ltd.

Nikko AM: Japan household financial net worth at record high, result of the 'Abenomics Wealth Effect'

- Japan household net financial assets (excluding real estate) now at JPY1.2 quadrillion (USD12.2 trillion), a rise of more than JPY71 trillion (USD720 billion) in the twelve months to June 2013

Nikko AM's latest research shows that Abenomics is exceeding its targets and consensus expectations on the road to reform. Prime Minister Shinzo Abe's 'Three Arrows' policy, dubbed by Nikko AM as 'Super-Abenomics', is providing a clear boost to Japan's household finances.

Since Abe's appointment, asset prices in Japan have surged, leading to rising consumer and business confidence, a key indicator of economic growth. As a result, more than JPY71 trillion (USD720 billion) of household financial net worth (excluding real estate) has been created in the twelve months to June 2013, leading to a total of JPY1.2 quadrillion (USD12.2 trillion) net financial assets – a record high in Japan.

"The 'Abenomics Wealth Effect' has started to play a key role in Japan's economy," said John F. Vail, Chief Global Strategist at Nikko AM's Tokyo head office. "When asset prices are rising, consumer confidence clearly rises with it. In our view, Japan's economy and its tax revenues have been given a clear boost with Abe's 'Three Arrows' and we expect the forthcoming economic and regulatory reforms to provide a further uplift to Japan's investment markets."

In addition, Nikko AM is monitoring Japan's inflation numbers closely. Japan's Core CPI excludes fresh food, while an unofficial measure called 'Core-Core CPI' excludes all food and energy. Nikko AM has adjusted the Core-Core CPI forecast to allow for the VAT hike due in April 2014 (which we believe is not truly durable inflation), to arrive at what we call 'Triple Core CPI'.

Core-Core CPI will match Triple Core CPI through to March 2014, but we believe it will move close to 2.0% year-on-year thereafter, as the VAT hike will affect nearly all of the components in the Core-Core CPI basket. As for Triple Core CPI, we expect it to hit 1.0% year-on-year by December 2014, driven mainly by the housing component. While housing costs are difficult to predict, anecdotal evidence suggests that rents are starting to firm in Tokyo and will likely soon do so in other cities.

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About Nikko Asset Management

Established in 1959, the Nikko Asset Management group (Nikko AM) has grown to become the largest regional asset management company headquartered in Asia, with total AUM of US\$156 billion* and one of the largest distributor networks across the Asia-Pacific region, comprising over 300 banks, brokers, IFAs and life insurance companies.

Nikko AM manages a wide range of Asian equity and Asian fixed income strategies for retail and institutional investors around the world. The company has been recognised by industry peers for outstanding performance, product innovation and market leadership across the Asia-Pacific region, winning a number of prestigious awards, including "Asia-Based Asset Manager of the Year" in 2012 and "Best Japan Onshore Fund Manager" in 2013, 2012 and 2011, both from *AsianInvestor*.

Nikko AM also offers specialist third-party expertise – currently from over 40 fund managers – through the World Series Fund Platform®, operating a "best-in-class" approach across a broad range of asset classes.

Nikko AM's senior management team has significant experience across Asian as well as global markets. The team combines local knowledge with internationally recognised standards of investment practice, transparency and corporate governance to achieve growth across the business. The company adopts a "multi local" approach – giving local management teams a high degree of autonomy to address local market conditions and client servicing needs.

Nikko AM's head office is in Tokyo and the firm has an extensive footprint across the Asia-Pacific region that includes offices in Singapore, Hong Kong, Sydney, Melbourne, Brisbane and Auckland. Offices in New York and London with full service teams provide support to investors in the US, Europe and the Middle East.

Nikko AM's strong Asian presence is cemented with stakes in several joint venture companies. Rongtong Fund Management is one of the largest Sino-foreign joint venture fund management firms in China, while Hwang Investment Management Berhad and Asian Islamic Investment Management Sdn. Bhd. are leading investment management firms in Malaysia. Recent additions Ambit Investment Advisory Private Limited in Mumbai and Ambit Mauritius Investment Management Private Limited provide Indian equity expertise to Nikko AM's global clients.

Nikko AM is an independently managed asset management company, majority owned by Sumitomo Mitsui Trust Holdings and with DBS Bank as the second largest shareholder.



For more information, please visit <http://en.nikkoam.com/>

* Consolidated assets under management and advice of Nikko AM and its subsidiaries as at 30 June 2013. "Largest" based on AUM sourced from Asia, including Australia and New Zealand, using third party published AUM figures as of June 30, 2013. "Regional" excludes firms with more than 75% of AUM sourced from a single country.