

December 2, 2013

Press Release

Nikko Asset Management Co., Ltd.

Nikko AM: Japan corporate profitability reaches new historical high; Personal consumption up 2.2% year-on-year; Wage growth expected in early 2014

- Recurring pre-tax profit margin for the 2nd quarter 2013 reached a record high
- Reflationary psychology spurred 3rd quarter personal consumption levels to more than 2% year-on-year
- Wage growth is key to the success of Abenomics – expected by 2nd quarter 2014

Profit margins at Japanese companies have improved dramatically and are expected to show further improvements in the coming quarters, new research from Nikko Asset Management shows. Recurring pre-tax profit margins have been steadily expanding since 2003, when structural reforms first started to bear fruit in Japan's major industries. Although the Global Financial Crisis and subsequent disasters in Japan and the wider Asia region caused profit margins at Japanese companies to falter temporarily, Nikko AM's research shows that recurring pre-tax profit margins have structurally improved, with the four-quarter average reaching a record 4.19% for the 2nd quarter 2013 and expected to rise further in the quarters ahead.

Japan's personal consumption figures grew slightly in the 3rd quarter 2013, leading to nearly 2% year-on-year growth, faster than the US or the Eurozone. After the VAT hike in April 2014, Nikko AM expects a major drop in consumption, but for it to bounce back firmly in the 3rd and 4th quarter 2014.

In 2014, Nikko AM will be watching the March wage negotiations in Japan very closely. With the Bank of Japan targeting a 2% inflation rate and the already announced VAT hike in April 2014, Nikko AM believes that wage growth is a key factor in the success of Abenomics policies and is confident that such will occur in early 2014. Large business groups have already signalled wage hikes and small and medium-sized enterprises will have to follow suit, to some extent. Nikko AM's view is that the Japanese equity market will already have factored in more optimistic valuations in this regard and investors should not wait until next March to fulfil their allocations.

Nikko AM also notes that many of the deregulation or "Third Arrow" reforms are occurring internationally behind the media headlines, with significant progress especially apparent in the

Trans-Pacific Partnership negotiations.

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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\$163 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 www.nikkoam.com/english

* Consolidated assets under management and advice of Nikko AM and its subsidiaries as at 30 September 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.