

Today's Topic **Lower House election result and market trend**

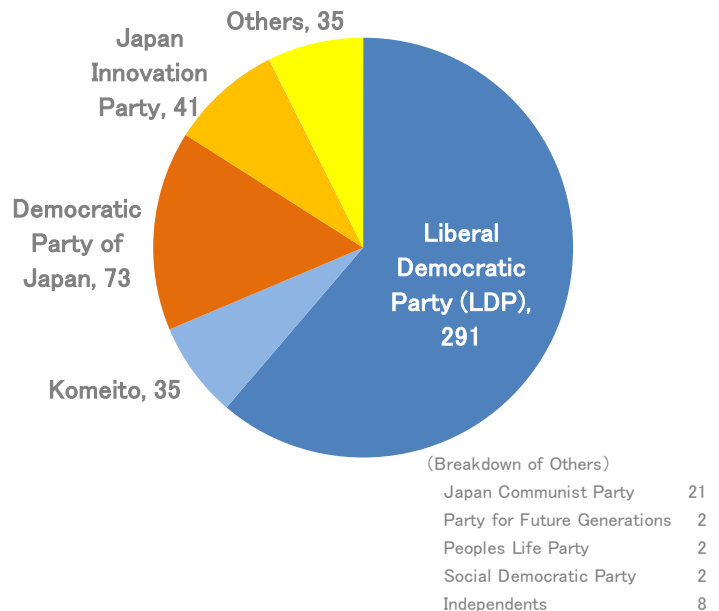
Victory of the ruling coalition empowered Abe's administration

Point 1

Ruling coalition (LDP+ Komeito) captured two thirds of seats Growing expectation for an economic stimulating measures

- At the Lower House election held on 14 December, Abe's LDP (Liberal Democratic Party) won 291 seats, majority of the House, and secured 326 seats in total with the junior coalition partner Komeito, more than two thirds. While the opposite Democratic Party of Japan and Japan Communist Party had more seats than before election, opposite parties as a whole failed to increase their seats. Voters gave an approval of the Abenomics and empowered Abe's administration for a longer duration.
- Gaining more than two thirds of the total seats means the given parties are able to pass bills into law by reapproving even when they were not approved by the Upper House. Going forward, more active discussion on TPP and Nuclear power policy and quick arrangement of additional economic measures is expected.

< Lower House Seats after election : Total 475 >

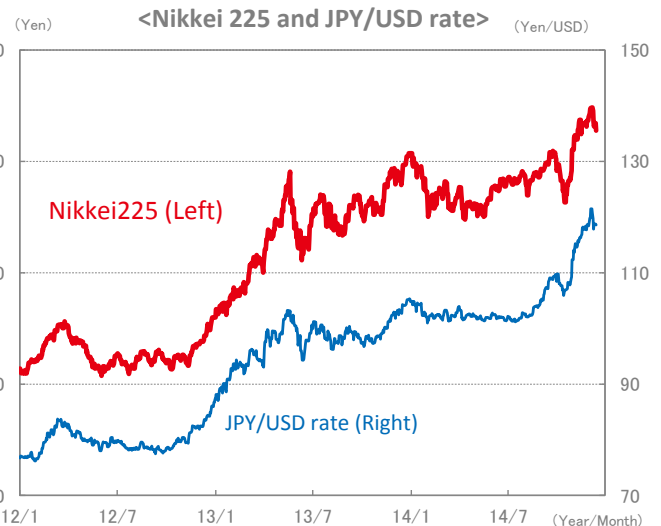


(Source) Various news providers, data compiled by SMAM.

Point 2

Stock market down after the election but bullish trend with JPY depreciation seems reassured by the election result

- Nikkei 225 fell down to 17,099.40 yen, 272.18 yen lower than the previous week end level. The given party's victory is thought to have been digested in the market and the market was affected by fall in crude oil prices and US and European stock markets. The JPY FX rates, hovering at 118's yen-level, did not make significant movement as compared with the previous week end.
- Since the Abenomics have got an approval, the market remains to have a view of continuation of JPY weakening and positive stock market trend with growing conviction of keeping powerful monetary easing and economic stimulating policy by the Abe's administration. Business outlook and corporate earnings trend will be more focused in the stock market than political issues.



(Note) Data from 4 January 2012 to 15 December 2014
(Source) SMAM, based on Bloomberg L.P. data.

Future Outlook

Growing expectation on long-lasting Abenomics for implementation of effective Growth Strategy

- In order to eliminate the prevailing slowdown of the economy, Abe is first expected to elaborate an economic measures to lift weak private consumption and CAPEX investments of corporates.
- The victory of the given parties this time gave Abe a chance of longer duration of his administration. As his growth strategy, the third and most important arrow, is mostly composed of plenty of effective measures for

mid-and-long term perspective such as new market creation and deregulation to improve earning ability and efficiency of Japanese economy. Therefore, his victory in the election is meaningful in a sense that he was given for a longer period of administration to successfully implement his growth strategy, putting Japan back on a business recovery trend.

Disclaimer

Please read this disclaimer carefully.

- This material is for non-Japanese institutional investors only.
- The research and analysis included in this report, and those opinions or judgments as outcomes thereof, are intended to introduce or demonstrate capabilities and expertise of Sumitomo Mitsui Asset Management Company, Ltd. (hereinafter "SMAM"), or to provide information on investment strategies and opportunities. Therefore this material is not intended to offer or solicit investments, provide investment advice or service, or to be considered as disclosure documents under the Financial Instruments and Exchange Law of Japan.
- The expected returns or risks in this report are calculated based upon historical data and/or estimated upon the economic outlook at present, and should be construed no warrant of future returns and risks.
- Past performance is not necessarily indicative of future results.
- The simulated data or returns in this report besides the fund historical returns do not include/reflect any investment management fees, transaction costs, or re-balancing costs, etc.
- The investment products or strategies do not guarantee future results nor guarantee the principal of investments. The investments may suffer losses and the results of investments, including such losses, belong to the client.
- The recipient of this report must make its own independent decisions regarding investments.
- The opinions, outlooks and estimates in this report do not guarantee future trends or results. They constitute SMAM's judgment as of the date of this material and are subject to change without notice.
- The awards included in this report are based on past achievements and do not guarantee future results.
- The intellectual property and all rights of the benchmarks/indices belong to the publisher and the authorized entities/individuals.
- This material has been prepared by obtaining data from sources which are believed to be reliable but SMAM can not and does not guarantee its completeness or accuracy.
- All rights, titles and interests in this material and any content contained herein are the exclusive properties of SMAM, except as otherwise stated. It is strictly prohibited from using this material for investments, reproducing/copying this material without SMAM's authorization, or from disclosing this material to a third party.

Registered Number: Kanto Local Finance Bureau (KINSHO) No.399
Member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and
Type II Financial Instruments Firms Association
© Sumitomo Mitsui Asset Management Company, Limited