

Number of “foreign visitors” to exceed 18 million this year

The trend of number of foreign visitors can be found in the statistics of “Number of foreign tourists visiting Japan” released by the Japan National Tourist Organization (JNTO). The statistics for the last 2 months show estimated “numbers of tourists” from the key 18 countries and regions which have larger number of tourists to Japan. Also, the Ministry of Justice releases provisional numbers of incoming tourists from 36 countries and regions for 3 months ago and before. Confirmed numbers are announced in the following year.

Point 1

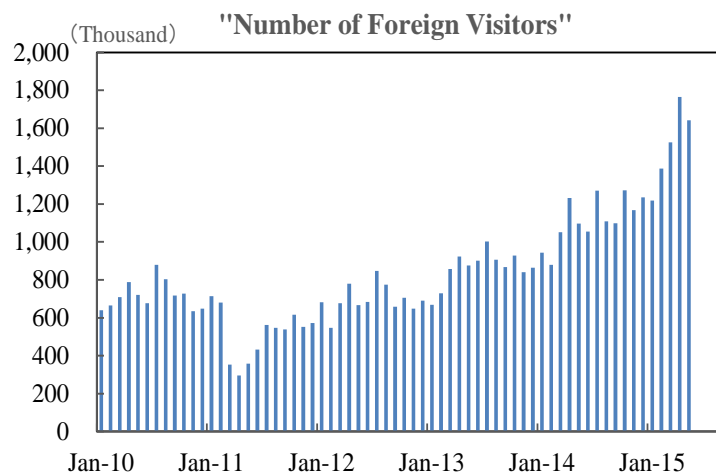
Number of “foreign visitors” continues growing Promotion measures by government, weak JPY and increasing flight numbers raised the number of tourists

- The latest “Number of foreign tourists visiting Japan” was released by JNTO on June 17th, gaining by 50% y-o-y in May. The number tends to slow in May, a gap month between April’s cherry blossoms’ season and summer holidays. However, it continued increasing at a rapid pace this year and the monthly number has grown to the second highest, next to the previous month. The backdrops are visa exemption, relaxing visa requirements, increasing duty free items from last October, JPY depreciation and increasing flights to Japan.
- The annualized number from January to May is estimated to exceed 18 million. The Japanese government tries to reinforce the promotion in order to raise the number to 30 million, as the government originally planned to raise the number of visitors to 20 million a year in 2020, but the target can be achieved soon.

Point 2

Historical high visitors from Taiwan, Hong Kong and India MERS might affect the number

- By countries and regions, visitors from Taiwan, Hong Kong and India hit historical highs on a monthly basis. The numbers of visitors in May from 18 countries and regions except for UK and Russia also renewed historical highs. An increasing number of flights pushed the number of visitors higher from Taiwan and Hong Kong, whereas promotion advertisements raised the tourists from India, as many of them tend to travel in May.
- The visitors from China increased by 2.3 times y-o-y underpinned by an increasing number of flights from Guangzhou to Osaka and Fukuoka, higher incentives to go shopping due to weaker JPY and promotion advertisements. The visitors from Korea also rose by 61.5% y-o-y, but the effect of Middle East respiratory syndrome (MERS) might affect the tourism.



(Note) Data is from January 2010 to May 2015.
(Source) SMAM, based on JNTO data.

■ Increasing duty free shops to almost double

A number of duty free shops almost doubled in six months from last October to April alongside a solid growth in “foreign visitors”. The number in seven prefectures in Tohoku and Kyushu region outstandingly grew by more than 4 times. This shows inbound tourism consumption is spreading to regions from large cities.

■ Increase of “Inbound tourism consumption” will support the economy

According to the data by Japan Tourism Agency, the expenditures by foreign visitors rose by 64% y-o-y to JPY 706.6 billion in January-March 2015. The spending would grow to about JPY 3 trillion this year with this pace. The “Inbound tourism consumption” is expected to support consumer expenditures as the number of visitors is likely to continue growing.

■ 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

