

“Abenomics 2.0: the New Three Arrows”

“Abenomics” is a coinage for the comprehensive economic policy of the Abe administration. The Three Arrows stands for each of its measures. The “New Three Arrows” under the slogan of a society “Promoting Dynamic Engagement of All Citizens” was announced in September 2015. “Abenomics” will enter its second phase. Prime Minister Abe personally named this new economic policy as “Abenomics 2.0”.

Point 1

Abenomics’s target was to overcome deflation

The Three Arrows were monetary easing, fiscal policy and growth strategy

- “Abenomics” is a coinage for the comprehensive economic policy the Abe administration introduced in 2012 upon taking office. It aimed at “overcoming deflation” and “increasing wealth*”. The “Three Arrows” stand for the economic measures to materialize these aims.

* 3% annual average growth of nominal GDP for the coming 10 years.

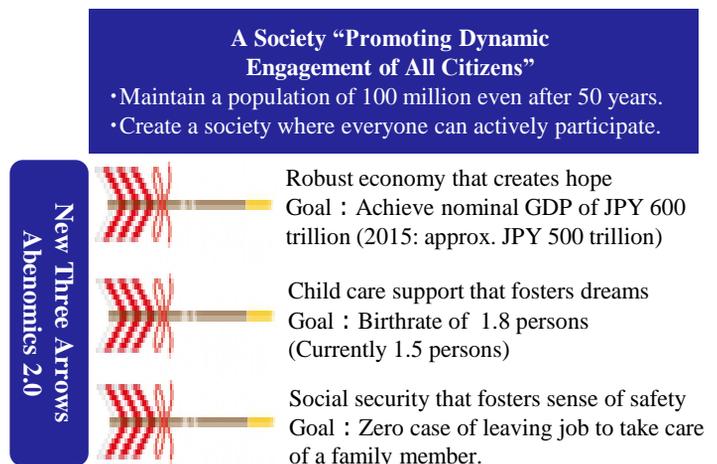
- The Three Arrows were 1) monetary easing, 2) fiscal policy and 3) growth strategy. Flexible fiscal policy was adopted by compiling supplemental budget when needed. The Bank of Japan decided to introduce “Quantitative and Qualitative Easing (QQE)” as a measure for monetary easing in April 2013. Later, at the end of October 2014, BOJ decided to expand QQE. “Japan Revitalization Strategy” was formulated as the growth strategy in June 2013 and this year the Cabinet endorsed the “Japan Revitalization Strategy (Revised 2015)” or the “Revised Growth Strategy”.

Point 2

Abenomics 2.0’s target is to overcome the supply constraint

The New Three Arrows aim at increasing potential growth rate

- Prime Minister Abe announced the “New Three Arrows”, naming the new policy “Abenomics 2.0” by himself in September 2015. He is aiming at building a society “Promoting Dynamic Engagement of All Citizens”. The Challenge that macro-economic management will face in the future is to find a solution to overcome the supply constraint created by the decline in the labor force population. The New Three Arrows aim to increase potential growth rate through; 1) Robust economy that creates hope, 2) Child care support that fosters dreams and 3) Social security that fosters sense of safety.



(Source) SMAM, based on publicly available data.

■ “Productivity improvement” continues to remain as an important issue

The “Revised Growth Strategy” announced in June this year pointed out that the challenge to the Japanese economy is “the decline in the labor force population (supply constraint)”. It urged corporate Japan to “improve productivity”. For the Japanese economy and corporations, further expansion of “earnings capability” through productivity improvement continues to remain as a key subject.

■ Tackling “declining birth rate and aging population”

“Abenomics 2.0” (New Three Arrows) is aiming at overcoming the “declining birth rate and aging population” issue. It is the most challenging issue under the long term vision, in order to revitalize Japan. “Productivity improvement” and countering the declining birth rate and aging population through “Abenomics 2.0” are the two key themes for Japan’s revitalization.

■ 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

