



Today's Theme  Japan

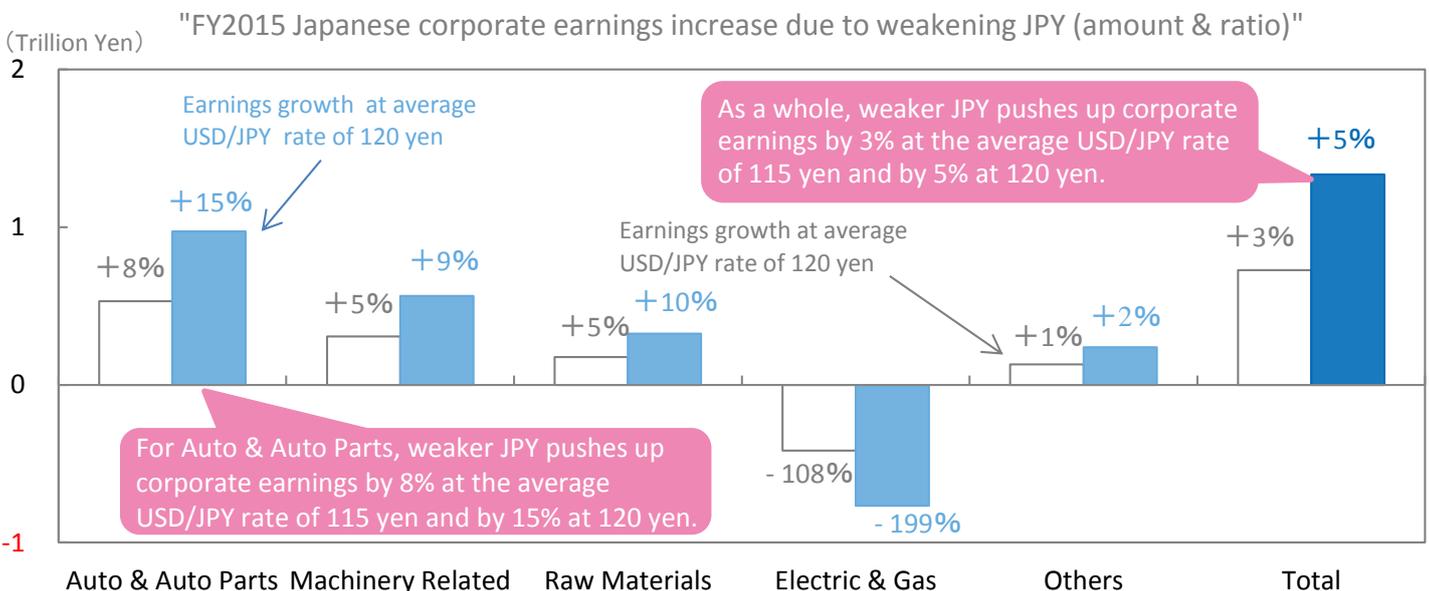
Japanese Corporate Earnings

Q How will the weaker JPY impact to the corporate earnings in FY2015?

A For FY2015, the impact of weaker JPY to corporate earnings would be approx. +3% at the average USD/JPY rate of 115 yen, and approx. +5% at 120 yen. Auto and Auto parts are expected to benefit most.

■ JPY weakened sharply after the additional monetary easing by the BOJ at October end. If USD/JPY rate remains at 115 yen till March end 2015, the average exchange rate for FY2014 would be around 109 yen.

■ The impact of weaker yen to corporate earnings in FY2015 would be approx. +3% at the average USD/JPY rate of 115 yen, and +5% at 120 yen, given the average rate for FY2014 is 109 yen. It is expected that Auto and Auto parts sectors would benefit most from weaker yen.



(Note) 1. Data is for FY 2015. Based on the aggregate of earnings of corporations whose fiscal year end fall between June 2015 to May 2016. The earnings data is an aggregate of 219 corporations (excluding financial sectors) covered by SMAM's own research.
2. % in the chart indicates the corporate earnings growth rate of FY2015 relative to the recurring profit (company plan) of FY2014.
3. The chart above is the simulation made by SMAM based on the past data and is not intended to indicate future results nor guarantee them.

(Source) SMAM, based on publicly available financial data of the companies.



Outlook

Expanding corporate earnings will continue to support the equity market

- SMAM's summation of corporates' recurring profit for FY2014 rose 11.2% y-o-y and is expected to accelerate to +13.5% in FY2015. USD/JPY rate assumption is 109.4 yen for FY2014 and 115.0 yen for FY2015, reflecting weaker yen forecast against USD.
- The reverse effect of the sales decline in FY2014 after the tax hike will work positively for the corporate earnings in FY2015. The moderate acceleration of the global economic growth led by US will also help.
- Expanding corporate earnings is expected to continue supporting the equity market.

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