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Press Release

Nikko Asset Management Co., Ltd.

BOJ's Cure for the Summertime Blues: More Easing

- *External factors could force more easing by the central bank*
- *Energy-related concerns in Europe could end up helping Japan's economy*
- *Japan's economic recovery on track*

The Bank of Japan will likely be forced to amplify its monetary easing program in July or August in response to dimming prospects for GDP growth in the country, according to Nikko Asset Management's latest *Evolving Markets* research report. Analysts at the Tokyo-based asset manager believe the BOJ's inability to forecast the slowdown in the Chinese and Eurozone economies, as well as the negative impact on the central bank's inflation target from generally lower commodities prices, will prod the BOJ to act. Furthermore, news reports indicate that the BOJ is also worried about the surprise effect from the possible resurgence of the El Nino weather pattern, which could intensify Pacific hurricane activity beginning around September.

"We've been consistently, and correctly, on the other side of the consensus view that the BOJ would ease further in the first half of 2014," said John F. Vail, Chief Global Strategist and Chairman of the Global Investment Committee at Nikko Asset Management. "And we're happy to continue to be contrarian in our call for additional easing in the second half, based on external factors outside the BOJ's control."

Another external factor impacting the Japanese economy is the energy situation in Europe, where Western-allied countries opposed to recent Russian moves are facing the need to cut their reliance on Russian natural gas that flows through the troubled Ukraine region. The G-7 is urging its members to tap other sources of energy, which for Japan means restarting its nuclear power plants that have been offline following the Great East Japan Earthquake in 2011.

"Japan stands to benefit the most from increasing the use of nuclear power, as it would reduce the trade deficit and boost GDP growth substantially," said Vail. "At the same time,

corporate profit margins would rise and real personal income would also get a boost from lower energy prices.”

In analyzing recent Japanese economic statistics, the firm’s analysts noted that Japan’s first quarter GDP growth of 5.9% far exceeded the consensus view of 4.2% (and Nikko Asset Management’s own 5.3% forecast) and would have been much higher if not for a “statistical discrepancy factor.” Despite an expected plunge of some 15% QoQ in personal consumption in the second quarter owing to the VAT hike in April, the firm sees a rebound in the second half with personal consumption anticipated to end 2014 almost flat versus the previous year.

“We believe Japan’s recovery is on track and will, barring an external shock, weather the VAT hike,” said Vail. “Our positive outlook on inventory building and net exports is likely what sets us apart from consensus, but our forecasts are hardly aggressive, in our view.”

For 2014, Nikko Asset Management sees GDP registering 1.7% growth versus a consensus view of 1.3% (as reported by Bloomberg).

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About Nikko Asset Management

Nikko Asset Management (Nikko AM) is a leader in the Asian financial services industry, with over \$160 billion in assets under management as of December 31, 2013. Established in 1959, the firm has representation in 25 locations in 12 countries and enjoys one of the largest distributor networks in the region, serving both retail and institutional clients. More than 300 banks, brokers, financial advisors and life insurance companies distribute the company's products.

Nikko AM manages a wide range of equity and fixed income strategies in both active and passive formats, leveraging the talents of over 250 investment professionals. In 2013 alone, Nikko AM won awards for excellence in asset management from Lipper, Mercer, AsianInvestor, R&I, among others.

The company's management team is highly diverse and experienced, and is committed to running the company according to international best practices. Nikko AM's independence from the limitations imposed on many captive asset management companies allows it to focus on the interests of clients. At the same time, the company enjoys a stable base of shareholders, with majority ownership held by Sumitomo Mitsui Trust Holdings and a smaller stake by DBS Bank.

For more information, please visit <http://en.nikkoam.com/>

* Consolidated assets under management and sub-advisory of Nikko AM and its subsidiaries as of 31 December 2013.