

“May Nationwide Consumer Price Index - Upward Trend Intact, Almost Flat”

May Nationwide Consumer Price Index

On June 27, the Ministry of Internal Affairs & Communications released May Nationwide Consumer Price Index (hereafter “Nationwide CPI”) and June Wards of Tokyo Consumer Price Index (mid of month provisional figure, hereafter “Tokyo CPI”). Key figures are shown as below. Also, CPI figures excluding consumption tax hike effect are calculated and shown in parenthesis.

	General		Core		Core Core	
Nationwide CPI (May)	+ 3.7%	(+ 1.6%)	+ 3.4%	(+ 1.3%)	+ 2.2%	(+ 0.5%)
April	+3.4%	(+1.5%)	+3.2%	(+1.4%)	+2.3%	(+0.7%)
Tokyo CPI (June)	+ 3.0%	(+ 1.1%)	+ 2.8%	(+ 0.9%)	+ 2.0%	(+ 0.4%)
May	+3.1%	(+1.2%)	+2.8%	(+0.9%)	+1.9%	(+0.3%)

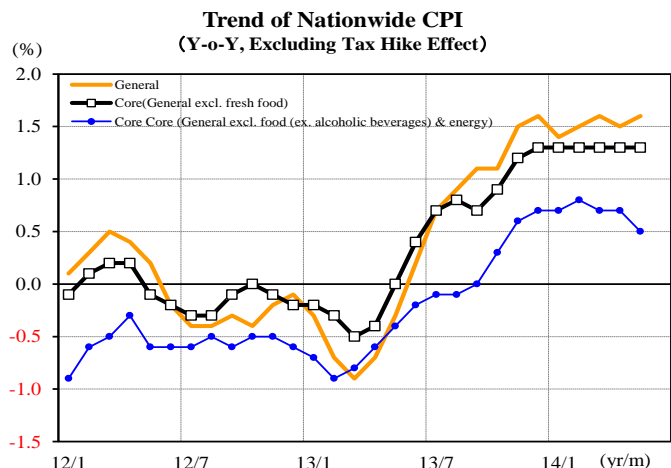
(Note) 1. Y-o-Y changes. Figures in parenthesis are CPI excluding tax hike effect.

2. Core: General index excluding fresh food Core Core: General Index excluding food (except alcoholic beverages) & energy.

(Source) SMAM, based on the Ministry of Internal Affairs & Communications data.

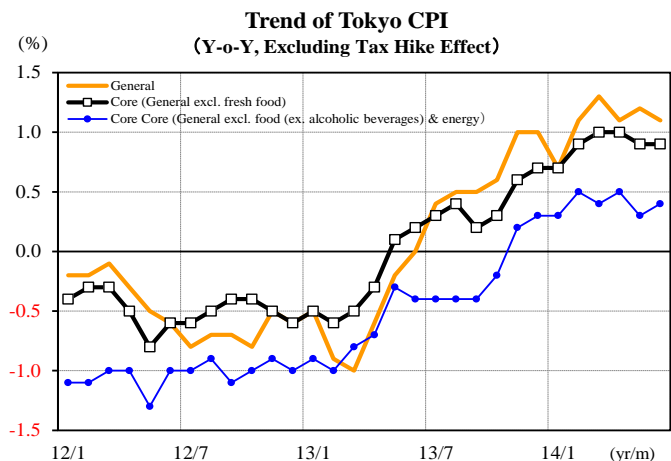
May Nationwide Core CPI rose 0.2 points from its April y-o-y figure (+3.2% ⇒+3.4%), however, it declined 0.1 points to +1.3% from +1.4% excluding the impact of the consumption tax hike. This was caused as the consumption tax hike was reflected in the utility rates from May. However, we believe that the price is on a firmer footing as there were no particular signs of the price fall due to the pullback of rush demand.

June Tokyo CPI indicates that Nationwide CPI in June would likely show a steady rise. Its Core CPI rose 2.8% y-o-y (+0.9% excluding consumption tax) unchanged from May and its Core core CPI increased by 0.1 point. Hotel charges and Package tours rose substantially (+5.3% & +6.1% respectively, both y-o-y). This was possibly due to the transfer of cost increase by fuel price hike etc. to the price of final goods & services.



(Note) Data period from January 2012 to May 2014

(Source) SMAM, based on the Ministry of Internal Affairs & Communications data



(Note) Data period from January 2012 to June 2014

(Source) SMAM, based on the Ministry of Internal Affairs & Communications data



Future Outlook & Focus

The crude oil price has been rising sharply since June this year, as the tension in Iraq is mounting. It is very likely that the price will remain high for some time, as there is no sign of current circumstances to subside. My baseline scenario is that the CPI growth will slow gradually because of the decrease in real income and the end of Japanese yen's depreciation. However, the pace of decline could be slower as the price of final goods & services will be sustained as the higher energy cost will be transferred.

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/indexes 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 Regional Finance Bureau (KINSYO) No.399
Member of Japan Investment Advisers Association and the Investment Trusts Association, Japan
© Sumitomo Mitsui Asset Management Company, Limited