



# Outlook for Japanese Economy & Stock Market

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Monthly comments & views by  
Sumitomo Mitsui DS Asset Management (SMDAM)

-September 2019-

# Executive summary

## ■ Japanese Economy

Global trade momentum was about to form a bottom from August, however, rekindled tariff war initiated by US is going to delay this bottoming. SMDAM's economists forecast that, in the main scenario, 10% additional tariff is imposed on USD 100 bil imports from China and bottoming is going to be delayed until the end of 2019. In the sub-scenario, 10% additional tariff is avoided, and bottoming period is not significantly delayed but extended a little.

- SMDAM revised forecast for FY2019 from 0.4% to 0.8% after stronger than expected GDP for Apr-Jun quarter, which came out at 1.8% (QoQ, annualized) topping the preceding forecast of 0.2%. Forecast for FY2020 was slightly cut by 0.1%.
- Comparing consumer activities before the two consumption tax hikes in April 2014 and this time, October 2019, rush demand before the tax hike has been much smaller this time, which indicates that consumers are not expecting negative effects from the tax hike as large as in the previous one.

## ■ Japanese Stock Market

Global stock markets including Japan will stay volatile on changing prospects of global diplomatic and geo-political scenes such as US-China negotiation, Brexit, politics in Italy and situation in Middle East. Supporting factors for Japanese stock market will be such as global monetary easing, global fiscal expansion and already low stock valuation.

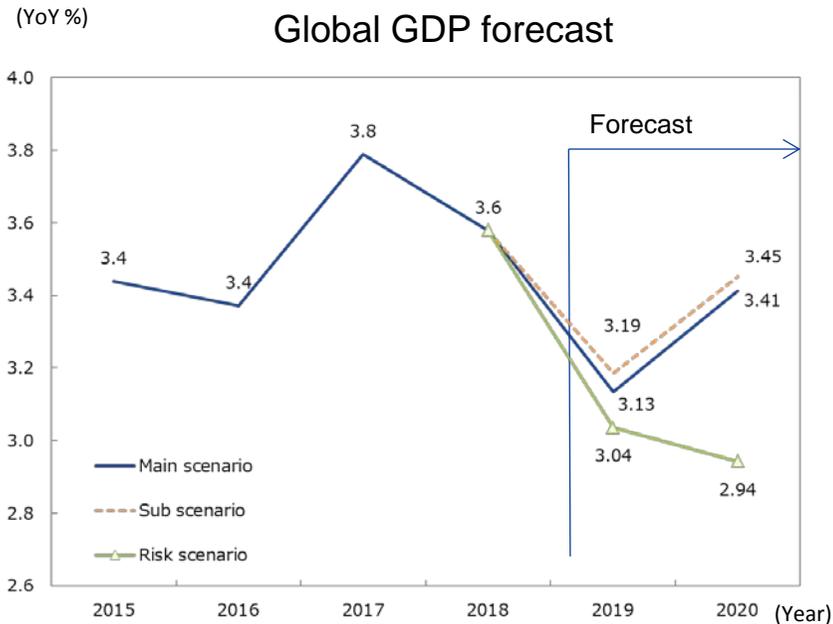
- ROE has been improving for Japanese stocks. ROE gap between Europe and also between Asia got narrower, however, this improvement in ROE has not reflected on PBR (Price to Book Ratio).
- In FY2018 (from April 2017 to March 2018), total upper limit of share buybacks, proposed as board of directors' resolutions, increased sharply and also actual share buybacks increased to renew a historical record. Dividends also renewed historical record in FY2018 and expected to increase further in FY2019.



# Outlook for Japanese Economy

# Outlook for the global economy

- Global economic sentiment deteriorated due to surprise announcement of US new tariff on imports from China.
  - SMDAM downgraded global real GDP growth forecast for 2019 and 2020 both by 0.1%.
- SMDAM forecast global GDP to make a recovery in 2020.



## Scenarios

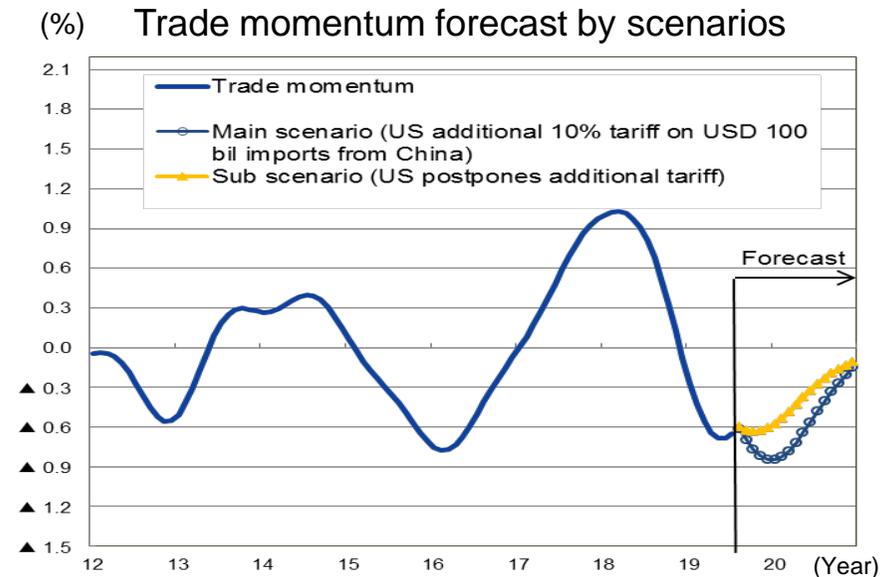
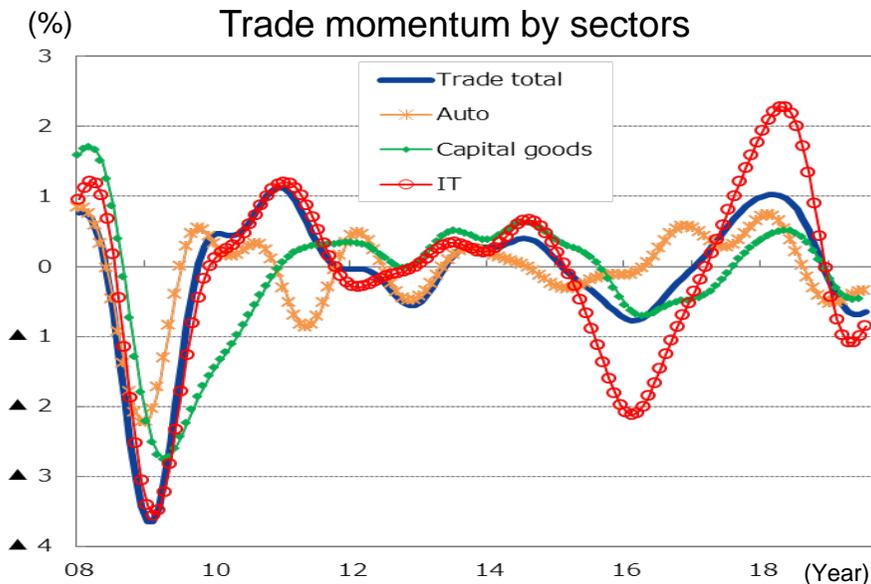
	Main scenario in August	Sub-scenario in August	Risk scenario in August
US-China tariff	US additional 10% tariff on USD 100 bil. + retaliation by China	Postpone US additional tariff on USD 100 bil. imports from China	US 25% tariff on USD 300 bil. + retaliation by China
Huawei & Chinese tech companies	30% sales cut on Huawei	30% sales cut on Huawei	30% sales cut on Huawei+5 other Chinese companies
Shock on CAPEX	CAPEX (ex. construction) down by 2%	Less shock on CAPEX (ex. construction)	CAPEX (ex. construction) down by 2.5%
Shock on consumption	Consumption in China down by 0.35%	Less shock on consumption	Global consumption down by 0.5%

Notes: Each real GDP assumption was made for US, China, Euro-area and Japan for each scenario. Other countries' forecasts were calculated using historical propensities of GDP to these four countries & regions. Forecasts and scenarios by SMDAM.

(Source) IMF, National statistics of each country, compiled by SMDAM.

# Bottoming of the trade momentum will be delayed by US new tariff

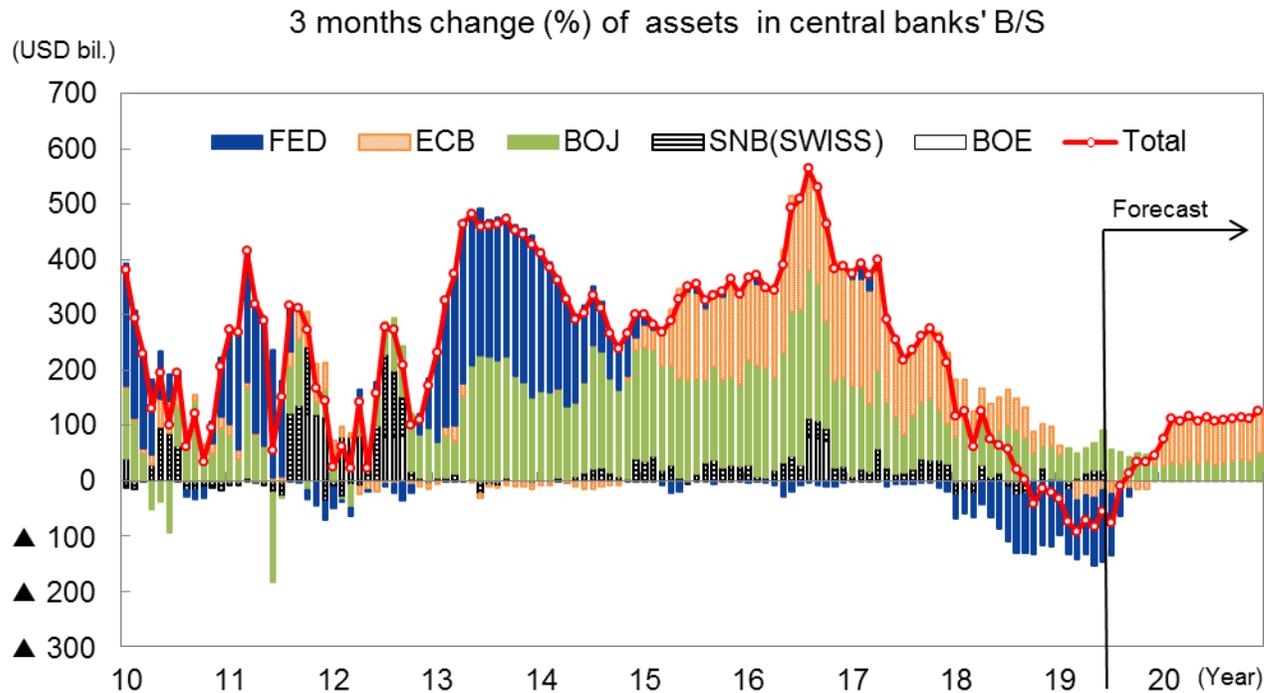
- Global trade momentum was about to form a bottom from August, for which IT sector seemed to lead the bottoming out, however, rekindled tariff war initiated by US is going to delay this bottoming.
- SMDAM's economists forecast that, in the main scenario, 10% additional tariff is imposed on USD 100 bil imports from China and bottoming is going to be delayed until the end of 2019. In the sub-scenario, 10% additional tariff is avoided, and bottoming period is not substantially delayed but extended a little.



Note: Data is from Jan 2008 to Aug. 2019 except for Capital goods, which is until Jul. 2019. Forecasts are by SMDAM economists.  
 (Source) Various statistics selected by SMDAM and composed to the original trade momentum index.

# Global quantitative easing is about to start again

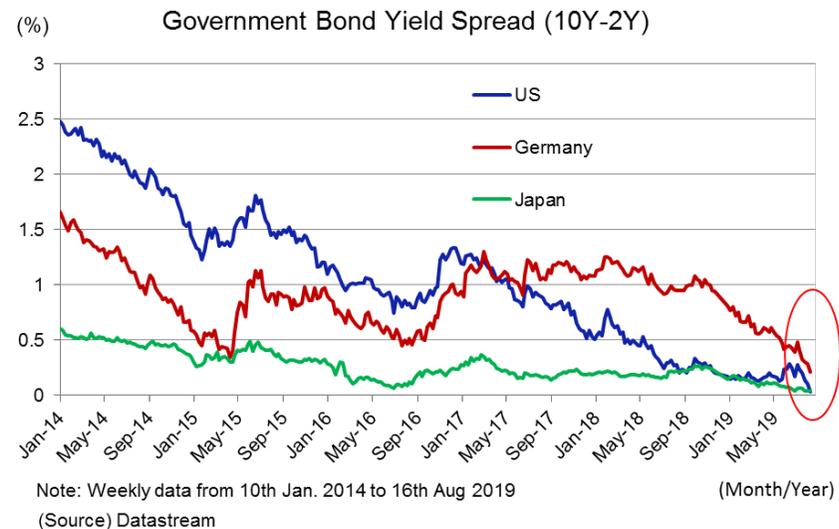
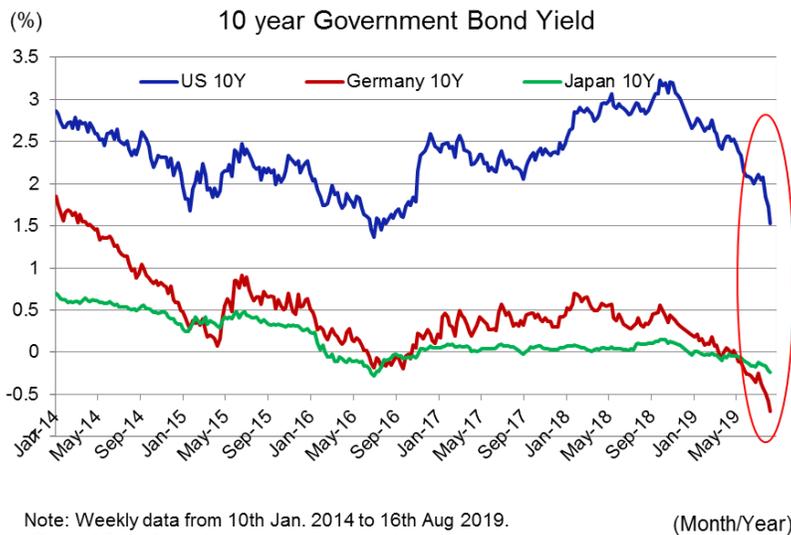
- ECB is expected to restart aggressive quantitative easing and FED to stop tapering.
- In addition to pre-emptive rate cuts, this quantitative easing will support global financial markets and economy.



Note: Data is from Jan 2010 to May 2019 and SMDAM's forecasts to Dec 2020.  
Assumes that ECB restarts monthly EUR 30 bil. of bond purchases and BOJ maintains current purchasing pace.  
(Source) Bloomberg, each central bank, compiled by SMDAM.

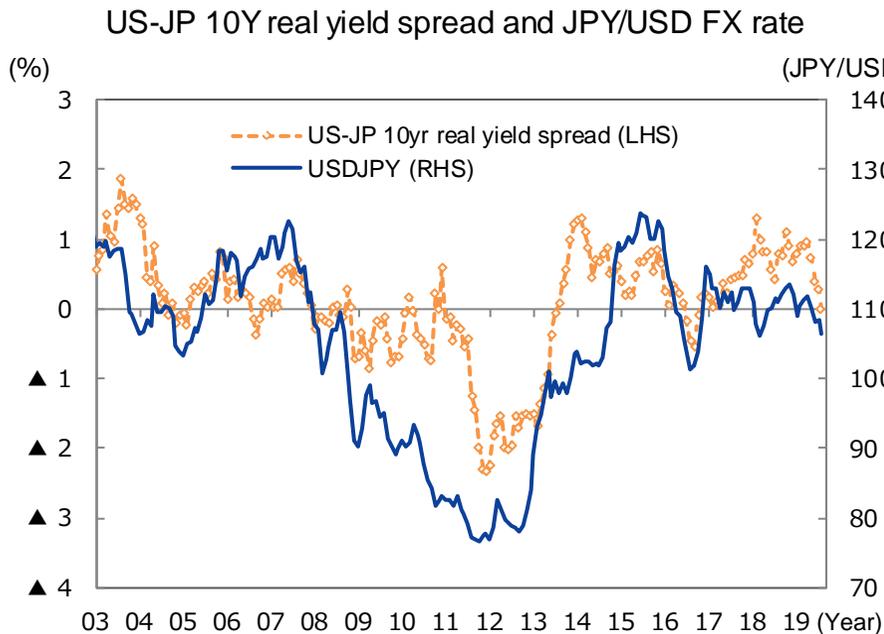
# Long term interest rates are falling sharply

- Long term bond yields continue falling globally. Rekindled US-China trade conflict is casting shadow over the global economy. Central banks are expected to take monetary easing rather aggressively.
- US Interest rates continued falling and 10Y-2Y yield spread inverted at least for the short term.

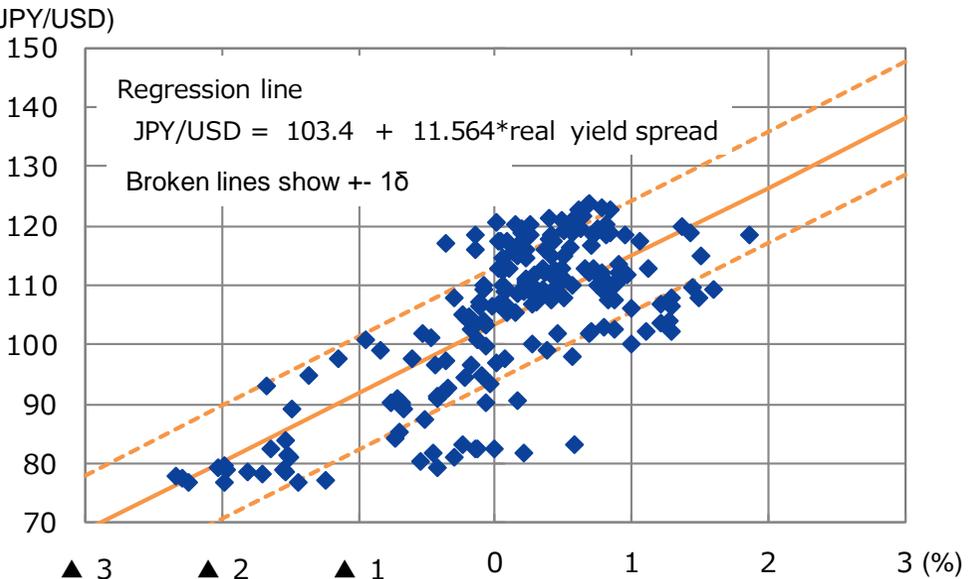


# JPY could move a little stronger from the current level

- Real yield spread (US 10Y-JP10Y) as of 16<sup>th</sup> August 2019 was at -0.02%. Regression analysis indicates JPY/USD FX rate to be around 103 with the latest yield spread admitting that FX rates could wildly deviate from such theoretical level.
- In Dec. 2011, JPY/USD was 78. JPY was extremely strong. At that time, real yield spread was substantially negative at -2.34%. Higher real yield pushed JPY stronger against USD. Today, such force from real yield spread does not exist.



Regression analysis of real yield spread and JPY/USD FX rate



Notes: Monthly data from Jan 2003 to 16<sup>th</sup> Aug 2018. Yields are changed to a real basis by adjusting for CPI ex food and energy.  
 (Source) US Bureau of Labor Statistics, Bloomberg

# SMDAM Japanese economic outlook for FY18-20

- SMDAM revised forecast for FY2019 from 0.4% to 0.8% after stronger than expected GDP for Apr-Jun quarter, which came out at 1.8% (QoQ, annualized) topping the preceding forecast of 0.2%. Forecast for FY2020 was slightly cut by 0.1%.
- Japanese economy is forecast to keep moderate growth going into FY2020.

(YoY %)	FY15	FY16	FY17	FY18	FY19E	FY20E
Real GDP growth	1.3%	0.9%	1.9%	0.7%	0.8%	0.4%
Private Consumption Expenditure	0.7%	0.0%	1.1%	0.4%	0.5%	0.4%
Private Housing Investment	3.7%	6.3%	-0.7%	-4.3%	0.5%	-1.9%
Private Capital Investment	1.6%	-0.5%	4.5%	3.5%	2.4%	0.4%
Public Consumption Expenditure	1.9%	0.7%	0.4%	0.9%	1.3%	0.7%
Public Capital Investment	-1.6%	0.6%	0.5%	-3.9%	2.3%	1.8%
Net Exports (contrib. to GDP growth)	0.1%	0.8%	0.4%	-0.1%	-0.3%	-0.1%
Exports	0.8%	3.6%	6.4%	1.3%	-2.2%	0.1%
Imports	0.4%	-0.9%	4.1%	2.0%	-0.3%	0.5%
Nominal GDP	2.8%	0.7%	2.0%	0.5%	1.4%	0.9%
GDP Deflator	1.5%	-0.2%	0.1%	-0.2%	0.6%	0.5%
Industrial Production	-0.7%	0.8%	2.9%	0.3%	-2.7%	-0.2%
CPI (excl. fresh food)	-0.1%	-0.2%	0.7%	0.8%	0.4%	0.3%

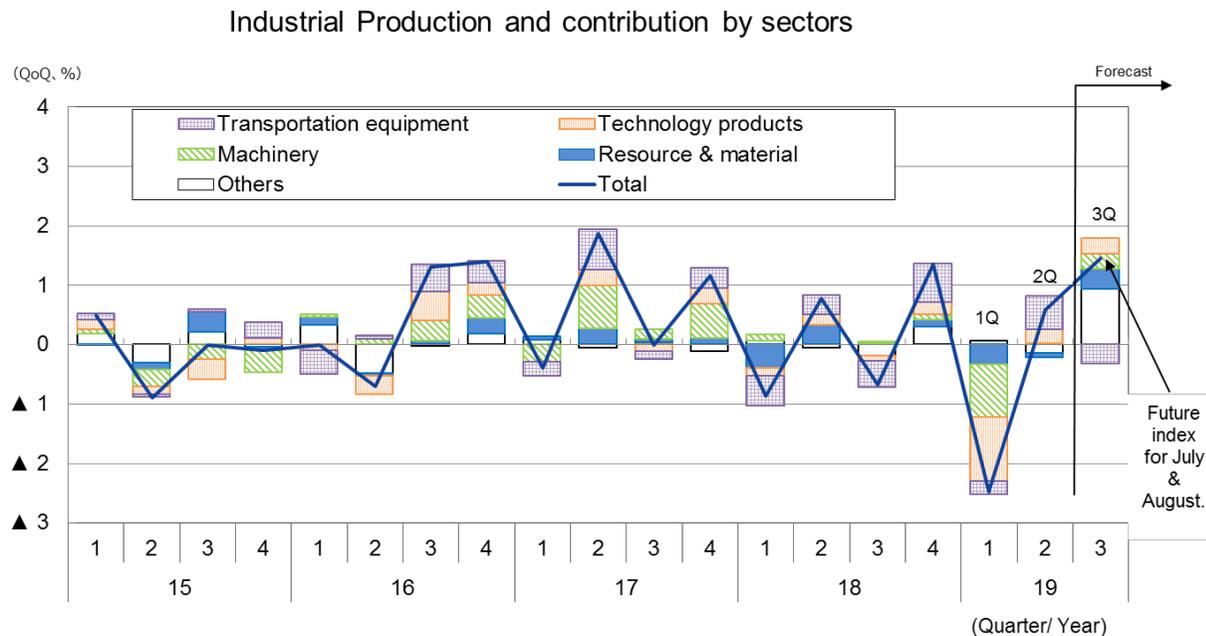
Note: E=SMDAM forecasts. SMDAM views are as of 20<sup>th</sup> Aug. 2019 and subject to updates thereafter without notice

(%, YoY except Net Exports)

(Source) Cabinet Office, Bank of Japan, Ministry of Economy, Trade and Industry, Ministry of Internal Affairs and Communications, SMDAM forecasts

# Industrial production plan shows further recovery with possible down-revision

- Industrial production made a recovery in 2Q and current production plan shows further recovery in 3Q though this could be revised down.
- Demands from China, especially for capital goods, are still weak, however, solid demand is coming from US and some part of Asia.
- Robust domestic capital investments and solid consumption are supporting production and overall economy in Japan.

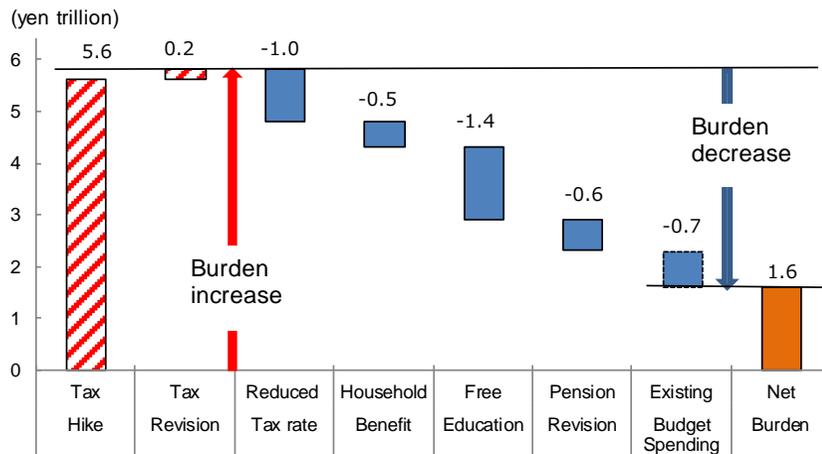


(Source) Data forecast and estimate by Ministry of Economy, Trade and Industry, compiled by SMDAM

# Consumption Tax Hike in October will make only a limited impact

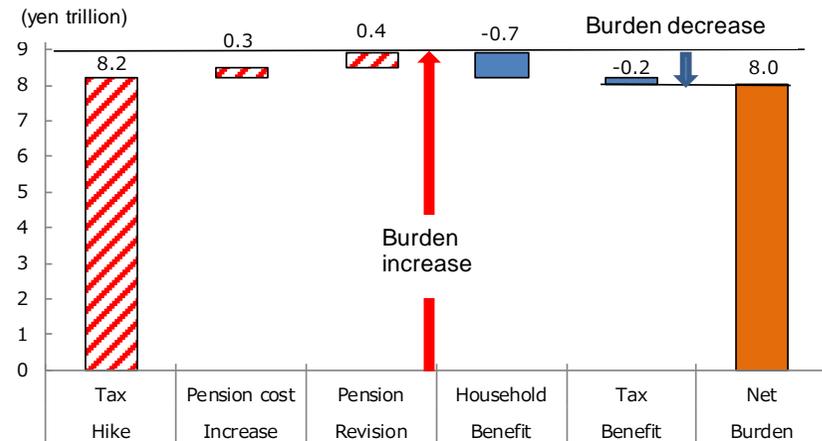
- Consumption tax is going to be hiked from 8% to 10% as scheduled in October, however, negative effect will be limited compared to the last hike in 2014 from 5% to 8%.
- The last time in 2014, there were little counter measures and the net negative effect on Japanese households was as much as 8 trillion yen. However, this time, negative effect of 5.8 trillion yen is mostly offset by various counter measures and net negative effect is forecast to shrink to 1.6 trillion yen.
- The Japanese government is reported to be preparing tens of trillion yens of large fiscal stimulus in 2020 in order for fending off any possible recession.

Effect of consumption tax hike and counter measures on households (2019)



(Source) Bank of Japan, compiled by SMDAM

Effect of consumption tax hike and counter measures on households (2014)

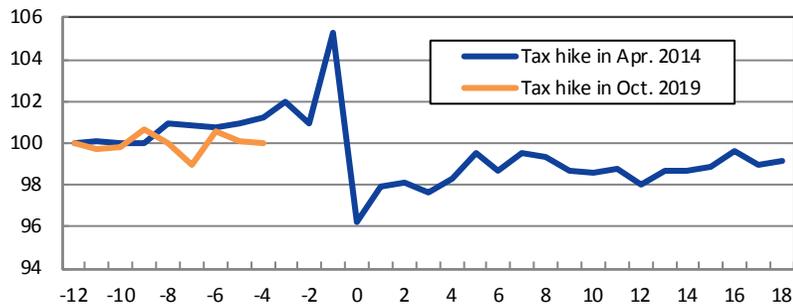


(Source) Bank of Japan, compiled by SMDAM

# Rush demand before the tax hike is smaller than the previous case

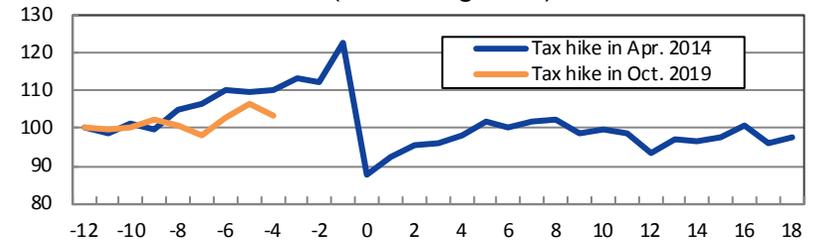
- Comparing consumer activities before the two consumption tax hikes in April 2014 and this time, October 2019, rush demand before the tax hike has been much smaller this time.
- This fact may indicate that consumers are not expecting negative effects from the tax hike as large as in the previous one.

Real consumer activity index (total)

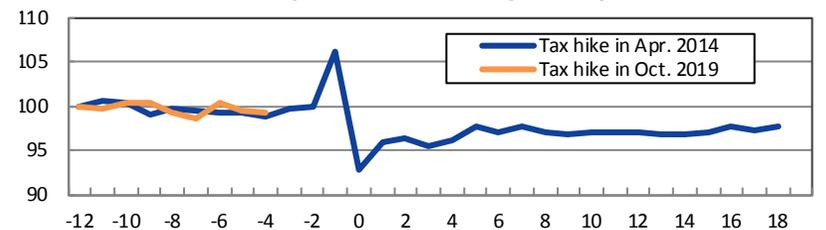


Note: Indexed with 12 months before consumption tax hike = 100. Data is from 12 months before and 18 months after each tax hike. Until Jun. 2019 for the tax hike in Oct. 2019. (Source) Bank of Japan, compiled by SMDAM.

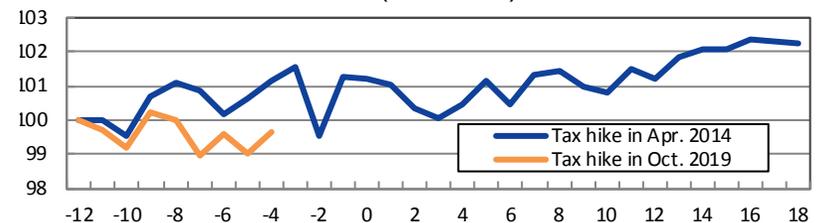
(Durable goods)



(Non-durable goods)

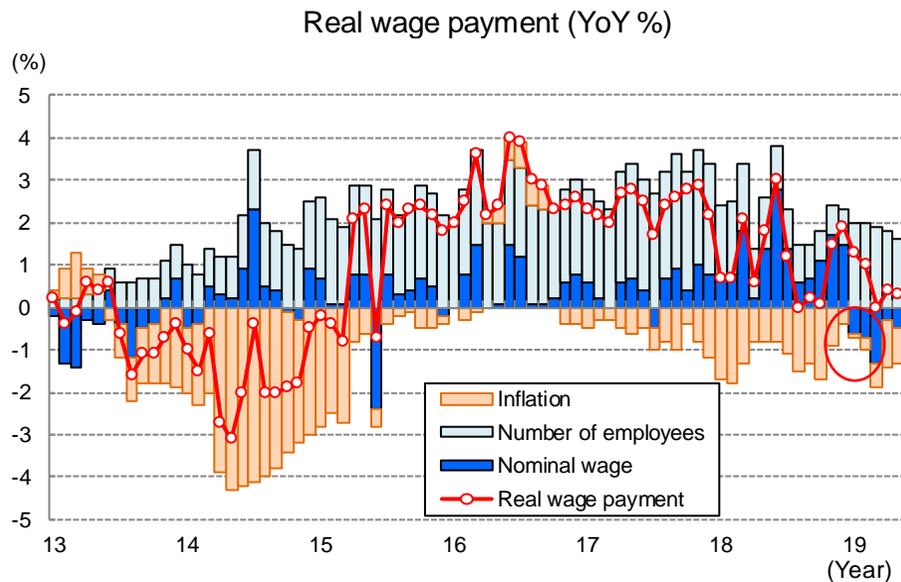


(Services)

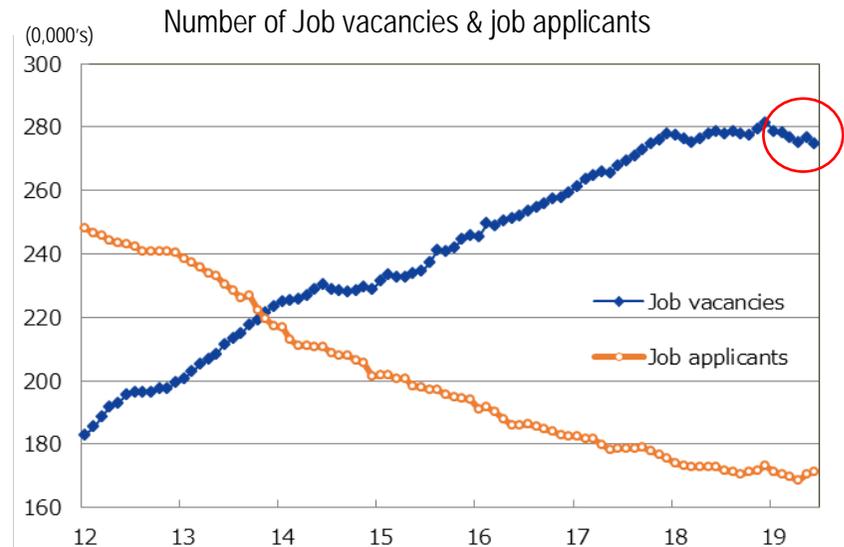


# Wage is mildly growing, which is supportive for private consumption

- Wage keeps mildly growing in Japan, which is supporting private consumption. On the left hand chart, large decline of nominal wage in Jan-Mar 2019 was due to a statistical error and actual wage growth was higher than exhibited.
- Number of job vacancies has been declining since January 2019, which is a little worrying and needs to be monitored. However, number of new job vacancies is not declining although not shown here. This combination probably means that employers are withdrawing job vacancies unfilled for a long time, which is not a sign of weakness in the labor market.



Note: Data is from Jan. 2013 to May 2019.  
(Source) Ministry of Health, Labour and Welfare



Note: Data is from Jan 2012 to Jun 2019.  
(Source) Ministry of Health, Labour and Welfare

# The list of risk events are getting longer

- The list of risk events is getting longer such as Brexit, Italian politics, US-China negotiation, Hong Kong situation, consumption tax hike in Japan and US-Japan trade negotiation, Middle East and now Argentine.

## Upcoming key events

Month	Region/Country	Events	Notes
2019 September	Japan	18-19 BOJ Monetary Policy Committee Meeting	
		Reshuffle of cabinet ministers expected	
	US	17-18 FOMC in US	
	US-Japan	US-Japan trade negotiation goes on	
	EU	12 ECB meeting	
October	Japan	11-12 One Belt One Road Summit meeting is scheduled in Hong Kong	
		1 Consumption Tax is scheduled to rise from 8% to 10%	
		30-31 BOJ Monetary Policy Committee Meeting & Perspective Report	
	EU	Rakuten begins mobile carrier business as the 4th company in Japan	
		Lagarde becomes ECB president	
	UK-EU	24 ECB meeting	
Argentine	31 Time limit for Brexit		
November	US-Japan,EU	27 Presidential election	
December	Japan	13 Limit for deciding US action on car tariffs	
2020	February	18-19 Bank of Japan Monetary Policy Committee Meeting	
	Jul-Aug	US Presidential Primary Election Campaigns are expected to begin	
	Japan	Tokyo Olympic Games	

(Source) Various publications, assembled by SMDAM

# Japan is still competitive in innovation, but has some weaknesses

- According to World Economic Forum, Japan was ranked 8th in innovation among 137 economies, which is still competitive, however on a moderate declining trend. As a strength, R&D in Japan is largely led by companies and producing the largest number of patents in this ranking.
- On the weak side, however, this company led R&D tends to be “progressive” rather than “innovative” and often lacks in global collaboration. Government initiative on innovation is stronger in economies such as US, Germany Singapore and China.
- Facing with strong global competition in developing key technologies such as AI or Autonomous Driving Technology, Japanese companies are changing approach to more open and more collaborating with global partners.

Global Competitiveness Ranking of Innovation among 137 economies

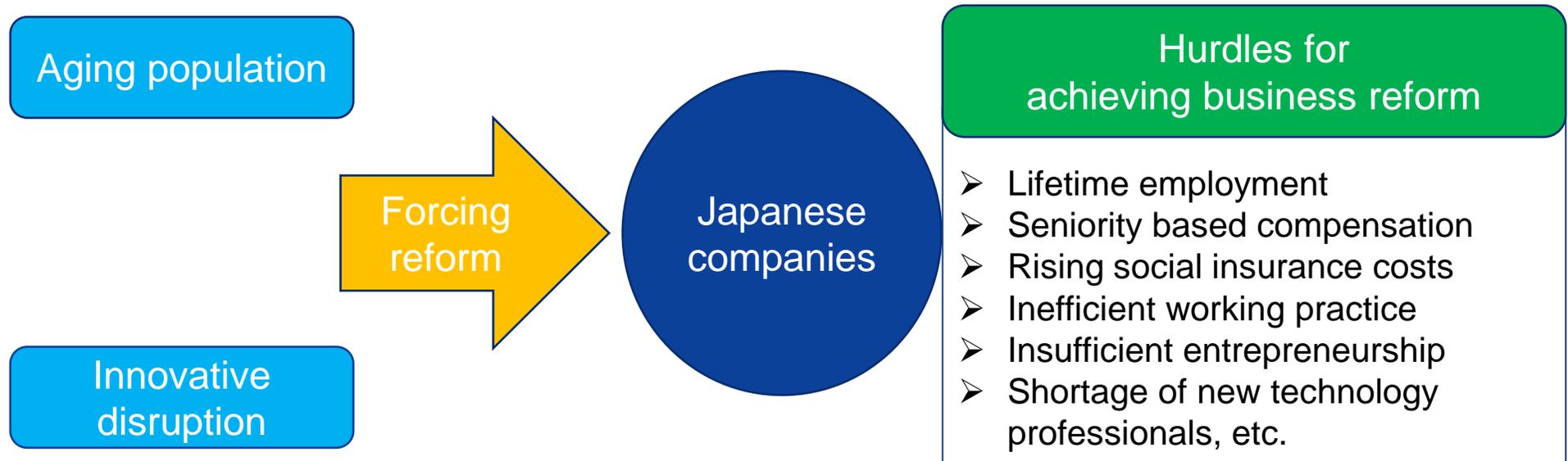
	Switzerland	U.S.	Israel	Finland	Germany	Netherlands	Sweden	Japan	Singapore	Denmark	China
Innovation total	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	28th
a) Capacity for innovation	1	2	3	7	5	6	4	21	23	16	44
b) Quality of scientific research institutions	1	5	3	8	11	4	13	14	12	16	36
c) Company spending on R&D	1	2	3	7	4	8	6	5	17	16	21
d) University-industry collaboration in R&D	1	2	3	4	7	5	10	23	8	21	28
e) Gov't procurement of advanced technology products	37	2	11	20	6	19	17	23	5	39	10
f) Availability of scientists and engineers	12	2	6	1	11	19	20	8	9	44	29
g) PCT patents	3	10	6	4	7	9	2	1	12	8	30

Note: All numbers are rankings among 137 economies. Top 10 rankings are highlighted in green. Japan's relative weakness is highlighted in orange.

(Source): World Economic Forum, The Global Competitiveness Report 2017–2018

# Japanese society is changing slowly but steadily

- It may look slow or even stagnant from outside, but Japanese society is making necessary reforms.
- Many problems are stemming from deep rooted Japanese culture & social practice, which became apparent in the face of “aging population” and “innovative disruption”.
- Change of the deep rooted culture & practice should take time, however, it is making progress, and will eventually put Japan in an advantage over other advanced economies, which also have aging population lagging Japan.



# Japanese society is changing slowly but steadily

## ■ Examples of long-term social challenges and progressing solutions

Source of problems	Challenges	Solutions
1. Aging population	a) Pension system reform	<ul style="list-style-type: none"> <li>● Unconventional "macro-slide" has been implemented to curb pension payment increase referring to "low birth rate" and so on.</li> <li>● Encourage people to continue working into 70's.</li> <li>● Encourage people to shift saving to investments. (NISA*, DC)</li> </ul>
	b) Labor shortage	<ul style="list-style-type: none"> <li>● Capital investment for enhancing labor efficiency. (FA, AI, IoT, autonomous driving car, renovating software, etc. )</li> <li>● Allowing more foreign workers.</li> <li>● Encourage people to delay retirement.</li> <li>● Support female workers. (increase nursery, etc.)</li> </ul>
2. Weak consumption propensity	c) Clearing peoples worry for the future life	<ul style="list-style-type: none"> <li>● Pension system reform.</li> <li>● Gradual adjustment of seniority based wage system to shift compensation from elderly to younger workers.</li> <li>● Increase of new generation companies.</li> <li>● Increase of young people working with non-seniority wage system.</li> </ul>
3. Rigid employment practice	d) Encouraging business structure reform	<ul style="list-style-type: none"> <li>● Elder people to retire or continue working at lower wage.</li> <li>● Gradual adjustment of seniority based wage system.</li> <li>● More fluid labor market enabling companies to make restructuring.</li> <li>● Young people are not expecting lifetime employments and focusing on building own career (already progressing).</li> </ul>
4. Inefficient working practice	e) Enhancing labor efficiency	<ul style="list-style-type: none"> <li>● Work style reform to progress.</li> </ul>
5. Insufficient entrepreneurship	f) Enhancing "challenge spirit" g) Education reform	<ul style="list-style-type: none"> <li>● Increase of successful new generation companies.</li> <li>● Increase of young people with skills of new technologies.</li> <li>● Young and talented people chose new generation companies rather than old &amp; large firms (already progressing).</li> </ul>
6. Shortage of new technology professionals		

Note: \*NISA is "Nippon Individual Savings Account". (Source) SMDAM



# Outlook for Japanese Stock Market

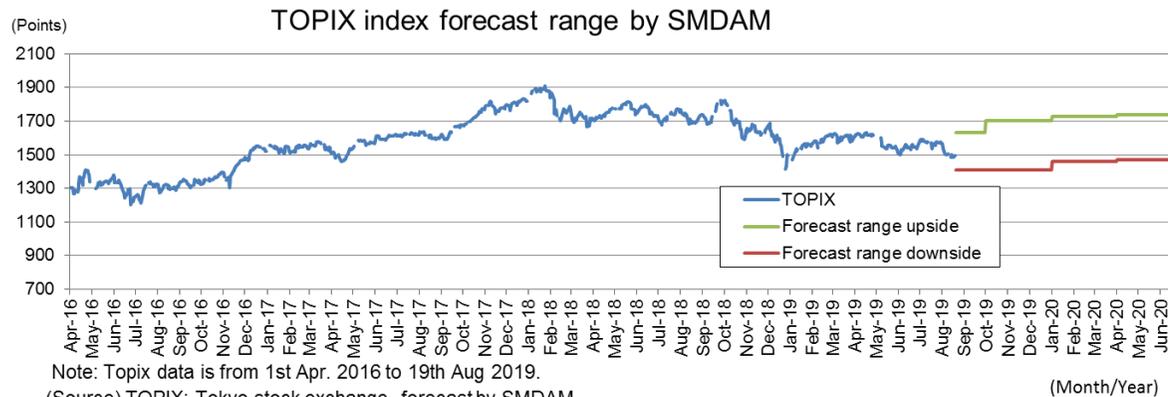
# Rekindled tariff war made a fresh blow to the stock markets

## ■ SMDAM short-term view

➤ Global stock markets including Japan will stay volatile on changing prospects of global diplomatic and geo-political scenes such as US-China negotiation, Brexit, politics in Italy and situation in Middle East. Supporting factors for Japanese stock market will be such as global monetary easing, global fiscal expansion and already low stock valuation.

## ■ Longer-term outlook (6-months and beyond)

➤ Consumption tax is going to be raised from 8% to 10% in October as scheduled. Negative effect is going to be mostly offset by various counter measures this time. In the last tax hike in 2014, negative impact hit the households almost in full. Delayed recovery of capital investment in China is a matter of concern for capital goods sector, however, domestic capital investment is quite strong in the face of labor shortage and obsolete system & software. Japanese government is preparing massive budget spending when necessary considering risk of larger than expected negative impact from consumption tax hike in October or a global recession.



# Base scenario & Upside / Downside risks for our forecasts

- Our **Base Scenario** is assuming the following views:
  - Severe tensions between US and China go on, however, US is going to avoid making a fatal blow to the global economy.
  - US economy keeps growing despite possible mild slowdown. Recession in 2019 is avoided.
  - Consumption tax hike in Japan in October will make a limited impact on private consumption.
  - Japanese yen does not get extremely stronger beyond 100 yen against US\$.
  - Tension in the East Asia or Middle East does not get out of control.
  - Central banks ease monetary policies again.
- **Upside Risks** include:
  - China makes significant concession in the trade negotiation with US.
  - Stronger-than-expected global growth.
  - Denuclearization in Korean peninsula makes a visible progress.
  - Japanese economy gets stronger than expected boosted by large fiscal spending.
- **Downside Risks** include:
  - US economy significantly slows down and puts global economy into a recession.
  - Chinese economy falls into a significant slowdown spreading negative shock globally.
  - Trade negotiation between US and China completely breaks up igniting a decades of power struggle.
  - Seriously escalating geo-political tensions in Middle East & East Asia.
  - Political turmoil flares up in US running up to US presidential election in 2020.
  - Populism gains in Europe further destabilizing EU.
  - Japanese Consumption Tax Hike in October makes unexpectedly severe impact on private consumption.

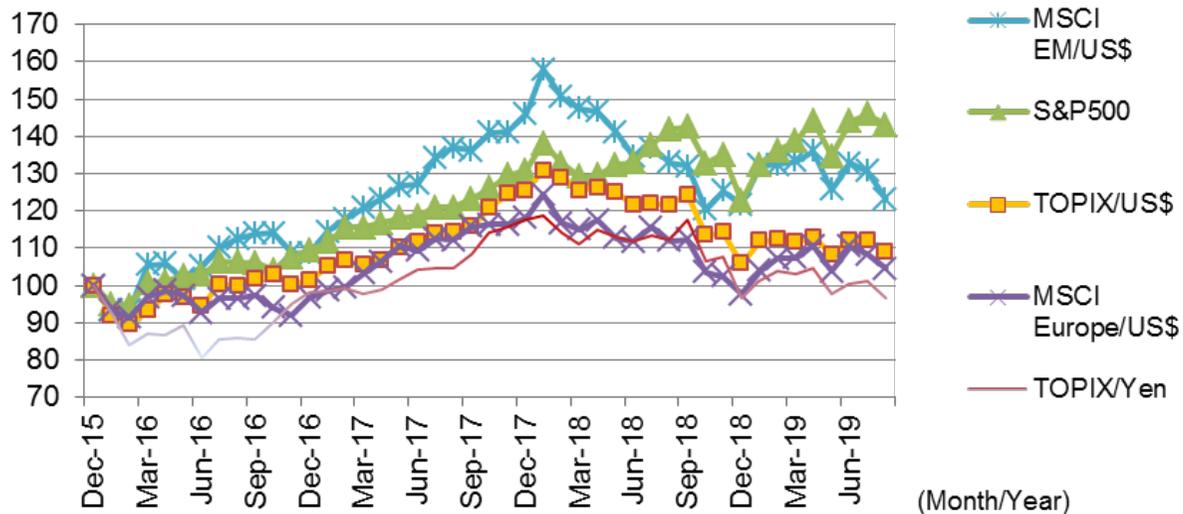
Note: SMDAM's projection is as of 20<sup>th</sup> Aug. 2019 and subject to updates without notice.



# Rekindled tariff war sent global stock markets tumbling down

- Global stock markets went down sharply though US stock market showed resilience.
- Emerging market made a sharp retreat pulled by Argentina.

US\$ based performance of stock markets (Dec 2015=100)



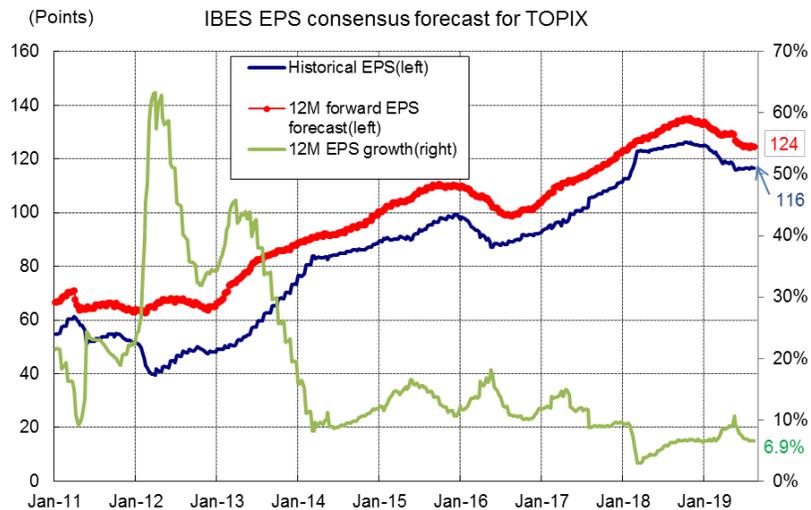
Notes: Data is up to 19th Aug 2019.

(Source) Datastream, MSCI and Tokyo Stock Exchange, compiled by SMDAM.



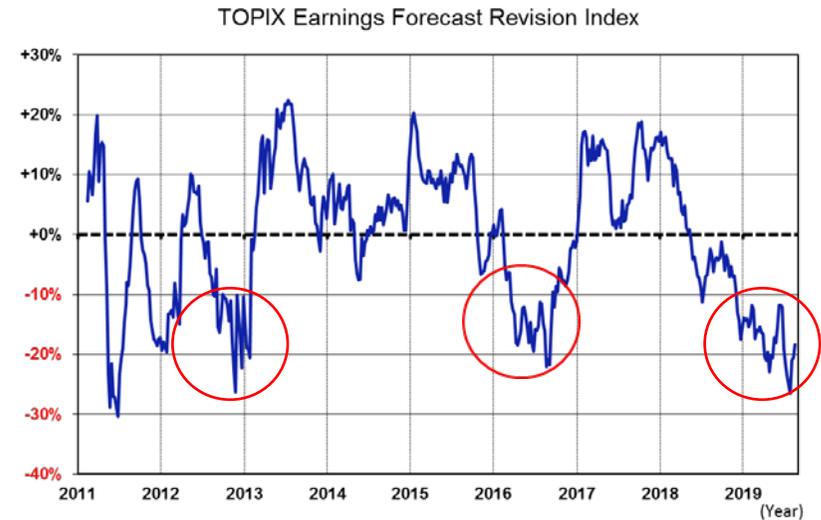
# Downward earnings forecast revision is continuing

- Downward earnings forecast revision is a little getting prolonged compared to the previous setbacks in 2012 and 2016. Recovery in capital investment in China has been delayed and affecting overseas exposed manufacturing sector in Japan.



Note: Weekly data from 7th Jan. 2011 to 16th Aug. 2019. (Month/Year)

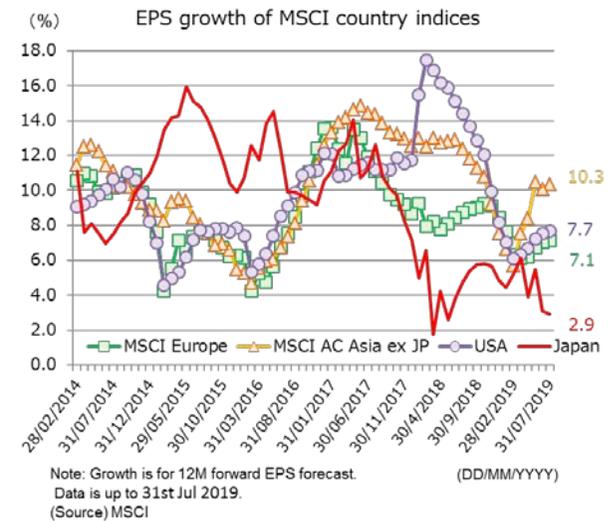
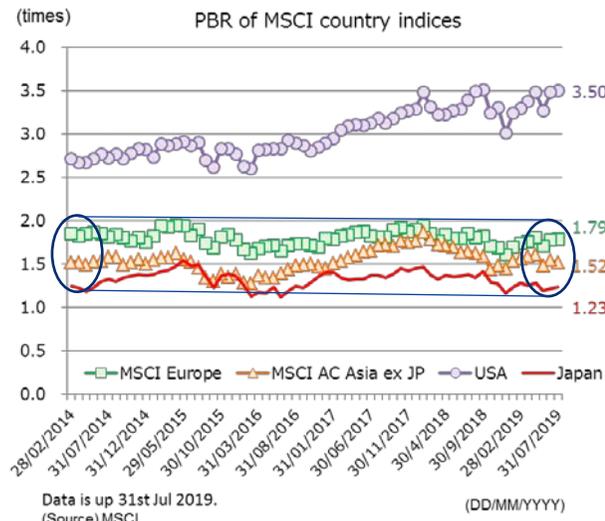
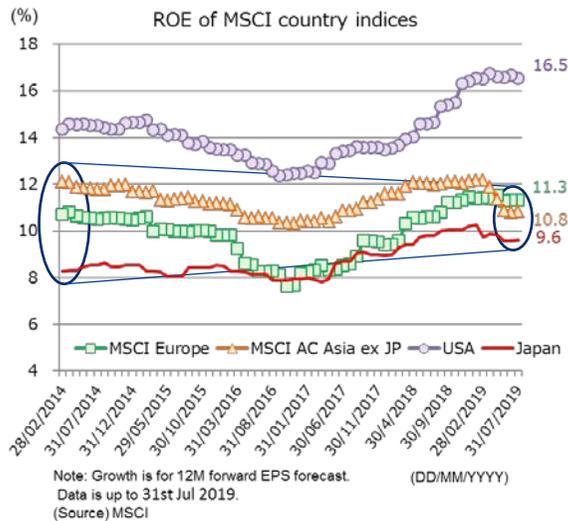
(Source) Datastream, IBES



Notes: Revision index= % of Analyst upgrades out of total Topix firms - % of downgrades. Data is weekly from 7th Jan. 2011 to 16th Aug. 2019. (Source): IBES, SMDAM

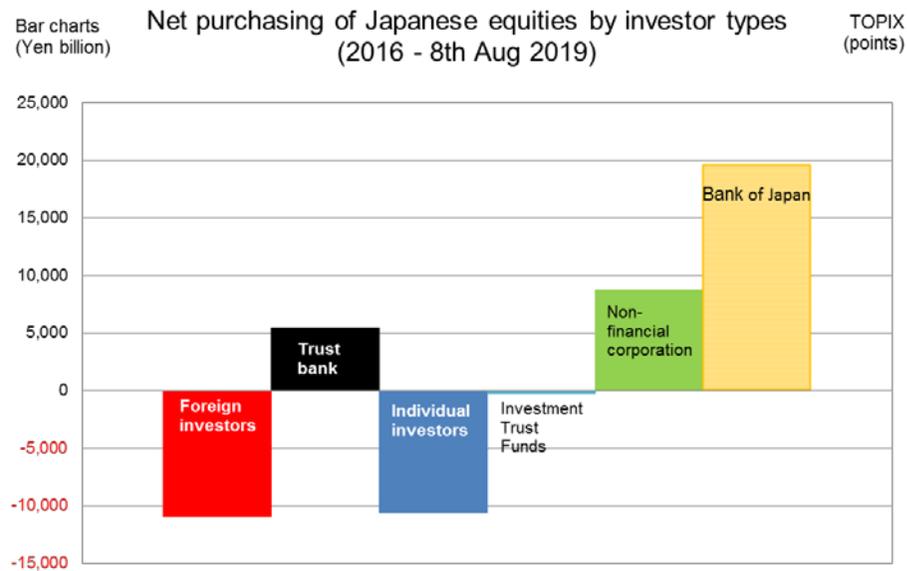
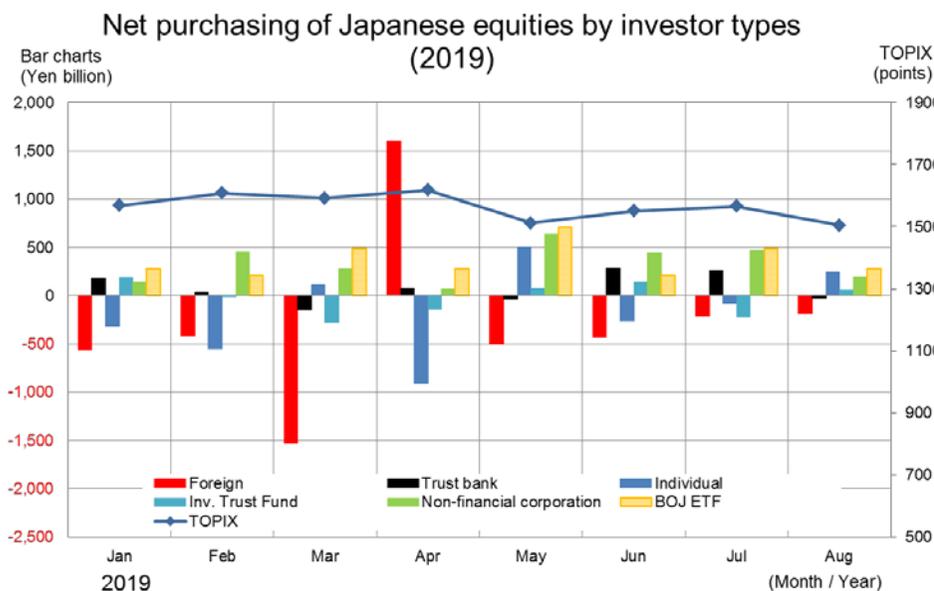
# Relative stock valuation is getting attractive for the Japanese stocks

- ROE has been improving for Japanese stocks. ROE gap between Europe and also between Asia got narrower in the last five years, which is exhibited on the left chart.
- However, this improvement in ROE has not reflected on PBR (Price to Book Ratio), which stays at low level compared to other markets, which is shown in the middle chart.
- For the short term, however, 12M forward EPS growth forecast for MSCI Japan Index fell recently and looks inferior to peer stock indices.



# BOJ and company share buybacks are supporting Japanese stock market

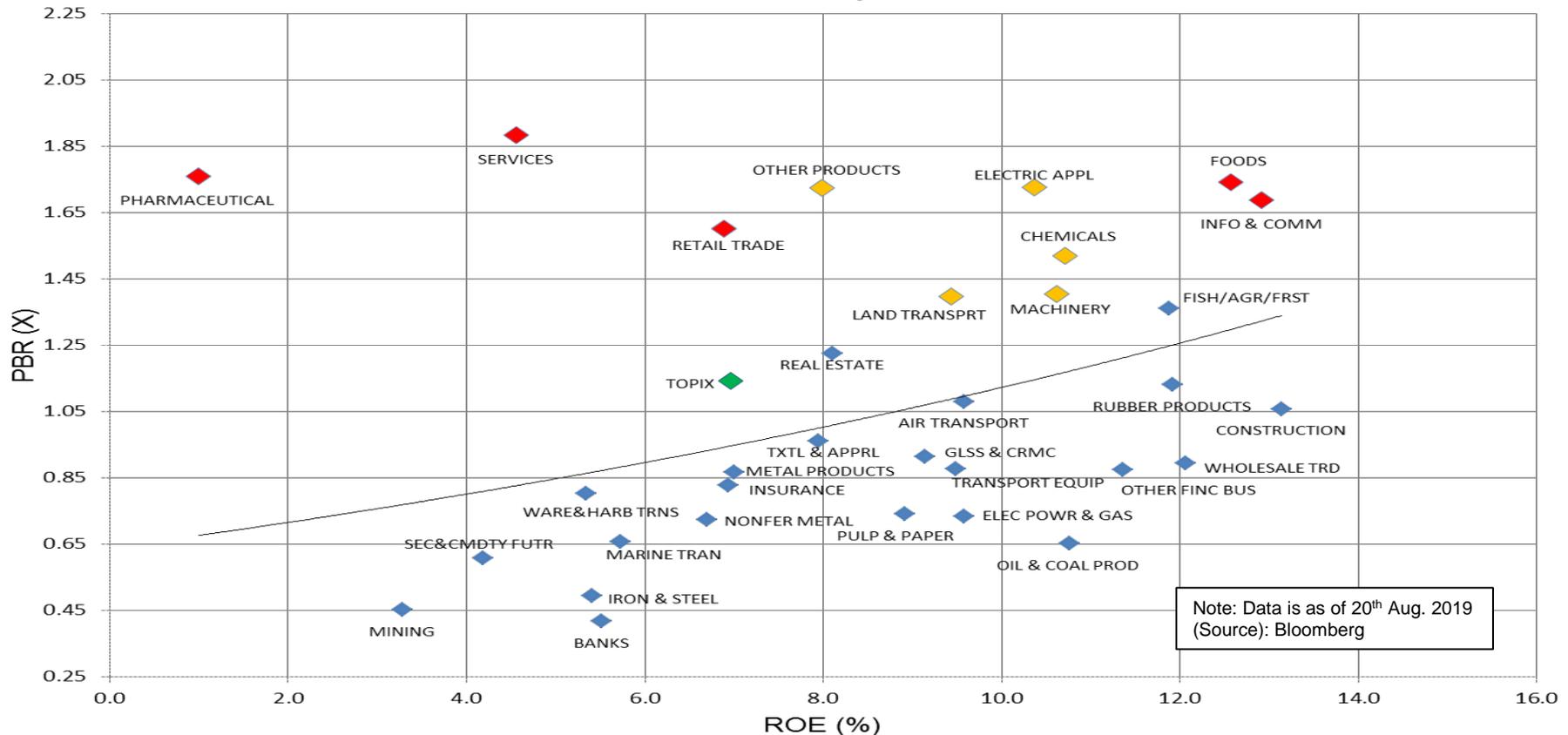
- Since 2016, foreign investors were net sellers. Net selling by individuals should be smaller by trillions yen or could be slightly positive if IPO participation is considered, such as SoftBank Corp. and periodically made offering of Japan Post companies.
- Bank of Japan now holds stakes of more than 5% of the total listed Japanese companies. Admitting controversies that BOJ is distorting the stock market, existence of such political strong buyer is surely one of the advantages of the Japanese stock market compared to its global peers when the environments get sour.



# Stock valuation levels are widely dispersed among industry sectors

- Defensive sectors (red dots) and long-term favorite sectors (orange dots), which are related to new technologies or productivity enhancement, are expensively valued.
- Cyclical and financial sectors are cheaply valued in general.

**TSE 33 Sector PBR/ROE Matrix**



# Advancing Corporate Governance Code and Stewardship Code

- Stewardship Code (SC) was set in February 2014. Investors are taking more pro-active approach in talking to the companies and exercising proxy voting rights. Financial Services Agency discloses the name of institutional investors, which publicly accepted SC.
- After inception of Corporate Governance Code (CGC) in June 2015, pressure has been increasing on companies to improve its governance, efficiency and shareholder returns.
- These two codes have been progressively reviewed and enhanced, and making visible impact on the corporate behavior and investors' attitudes as shareholders.
- In the most recent amendment of CGC, companies are required to explain the rationale of "cross holdings" or "strategic holdings" of other companies' shares, which implicitly provide protection against takeovers and hostile shareholder actions, and is often negative for achieving shareholder value.

Total number of institutional investors, which publicly declared acceptance of the stewardship code	
Trust banks	6
Investment management companies	177
Insurance companies	23
Pension funds	35
Others (include proxy voting advising companies)	7
Total	248

Note: As of 8th May 2019.  
(Source) Financial Services Agency

# Shareholders are putting positive pressure on companies

- Shareholders are raising voice for improving governance & management of the companies, in which they invest.
- Sumitomo Mitsui Asset Management (SMAM), which is a legacy company of current SMDAM, voted against as much as 38% of the appointment of directors in FY2017.
- As one of the guidelines relating to "Appointment of directors", SMAM voted against appointments if ROE was constantly lower than both industry average and 5% (it was raised to 7% in June 2018) for the last 3 years and the candidate had been on the board of directors for more than 3 years.

Results of exercising proxy voting rights in FY2017 (general meetings from July 2017 to June 2018)

Nature of resolutions	Total number	Supported		Opposed	
		Number	%	Number	%
Company resolutions	19,180	12,686	66.1%	6,494	33.9%
1  <b>Appointment of directors</b>	14,840	9,163	61.7%	5,677	<b>38.3%</b>
2  Appointment of auditors	1,516	1,107	73.0%	409	27.0%
3  Appointment of accounting auditors	28	28	100.0%	0	0.0%
4  Director compensation	675	572	84.7%	103	15.3%
5  Payment of retirement benefits	140	80	57.1%	60	42.9%
6  Appropriation of retained earnings	1,333	1,154	86.6%	179	13.4%
7  Matters related to restructuring	29	29	100.0%	0	0.0%
8  Matters related to anti-takeover measures	53	6	11.3%	47	88.7%
9  Matters related to capital policy	121	114	94.2%	7	5.8%
10  Amendment of the Article of Incorporation	441	433	98.2%	8	1.8%
11  Other company resolutions	4	0	0.0%	4	100.0%
Shareholder resolutions	141	20	14.2%	121	85.8%
1  Appointment of directors	23	5	21.7%	18	78.3%
2  Appointment of auditors	1	0	0.0%	1	100.0%
3  Director compensation	4	4	100.0%	0	0.0%
4  Appropriation of retained earnings	8	4	50.0%	4	50.0%
5  Matters related to capital policy	1	0	0.0%	1	100.0%
6  Amendment of the Article of Incorporation	94	5	5.3%	89	94.7%
7  Other shareholder resolutions	10	2	20.0%	8	80.0%

Note: Number of voting regarding appointment of directors and auditors are counted by individual candidates.

Data is for Sumitomo Mitsui Asset Management (SMAM) which is a legacy company of SMDAM.

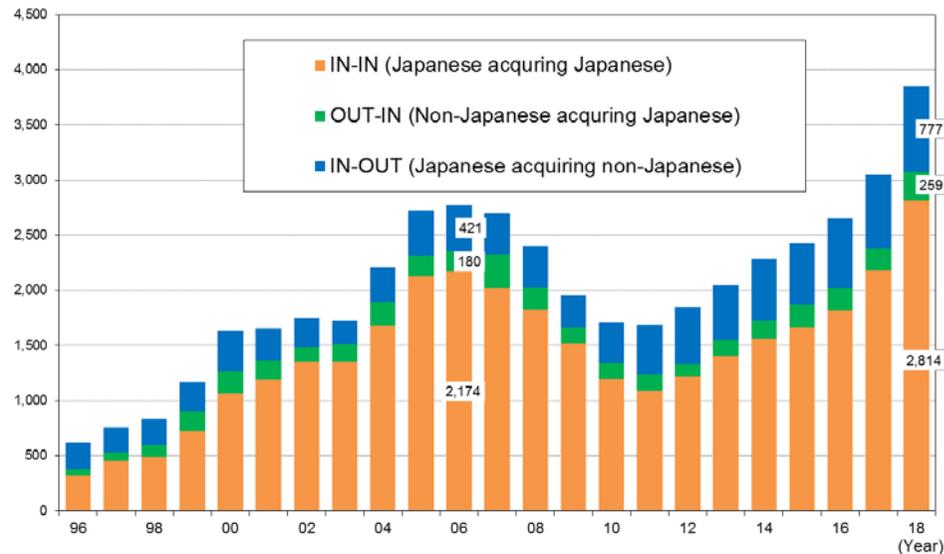
(Source) SMDAM



# Business restructuring is progressing for Japanese companies

- Japanese companies are getting more and more willing to make positive business restructuring.
- Number of M&A deals between Japanese companies (IN-IN) rose from 2,174 in 2006 to 2,814 in 2018 increasing by 30%, which is an evidence that business restructuring is progressing in Japan.
- Number of the deals of Japanese companies acquiring overseas businesses also rose from 421 in 2006 to 777 in 2018, increasing by 84%.

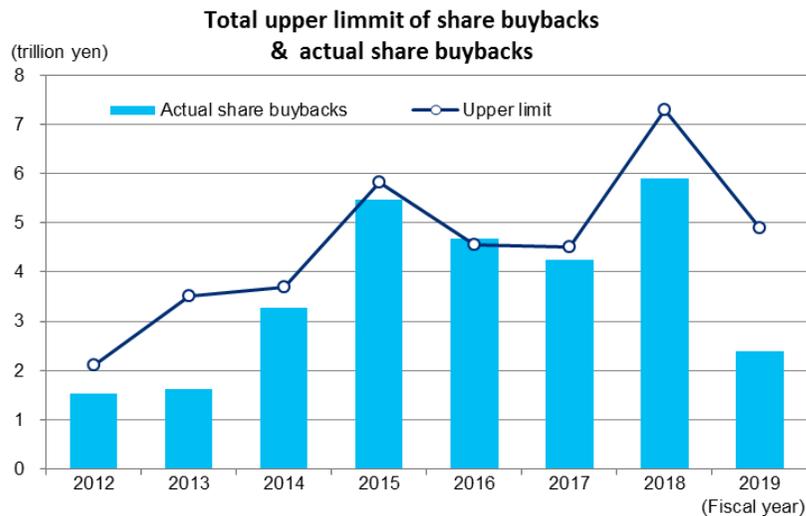
Number of M&A deals involving Japanese companies  
(Excluding transactions among the same business group)



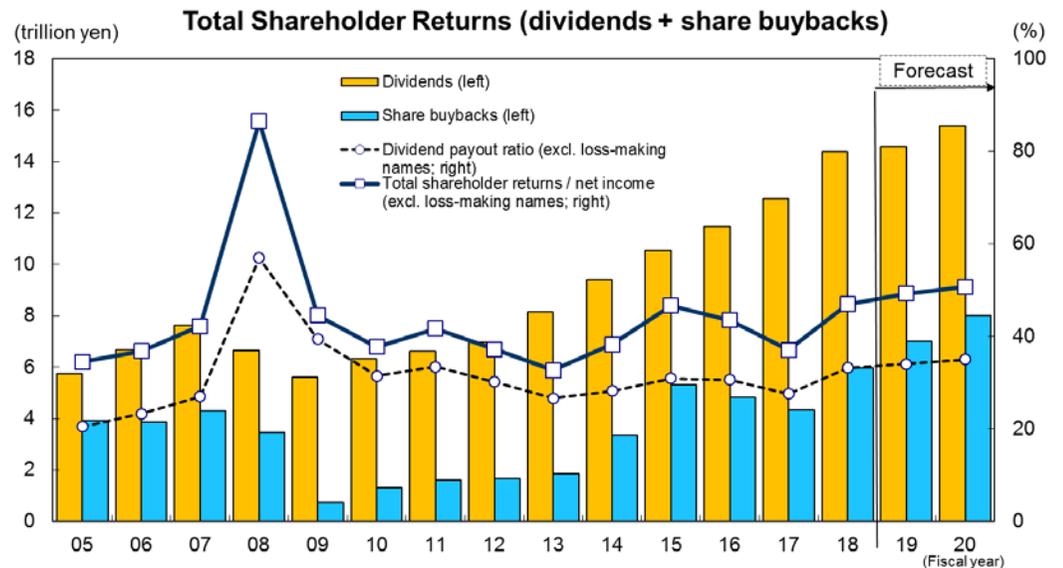
Note: IN-IN means Japanese company acquiring Japanese one, OUT-IN is for Non-Japanese company acquiring Japanese company, and IN-OUT is for Japanese company acquiring non-Japanese company.  
(Source) RECOF and SMBC NIKKO Securities.

# Behavior of Japanese companies are making positive changes

- Share buyback is one of the powerful tools for Japanese companies in disposing of accumulated liquidity in the B/S and enhancing EPS growth as well as ROE.
- In FY2018 (from April 2017 to March 2018), total upper limit of share buybacks, proposed as board of directors' resolutions, increased sharply and also actual share buybacks increased to renew a historical record.
- Dividends also renewed historical record in FY2018 and expected to increase further in FY2019.



Note: Share buyback proposals: As of 9th August, collected in units of one month based on the date of the Board of Directors' resolution. Share buybacks: As of end of July 2019. Universe is TSE stocks (excluding overseas firms). (Source) Astra Manager, Citi Research.



Note: All listed firms. Dividend projections are Toyo Keizai estimates, share buybacks forecast is by Daiwa Securities. Data as of Aug 2019. (Source) Toyo Keizai, QUICK, INDB, compiled by Daiwa Securities.

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