

1. Osaka-Kansai World Expo 2025

On 23 November, 2018, the 170 Member States of the Bureau International des Expositions (BIE) elected Japan to be the host of the 2025 World Expo during the 164th General Assembly of the BIE. Expo 2025 will take place in Osaka, the first expo to take place in the city since 1970. In this month, we take a look at the Osaka-Kansai Expo in more detail and consider what may be the impact for Japanese economy.

2. Market Review

1. Osaka-Kansai World Expo 2025

On 23 November, 2018, the 170 Member States of the Bureau International des Expositions (BIE) elected Japan to be the host of the 2025 World Expo during the 164th General Assembly of the BIE. Expo 2025 will take place in Osaka, the first expo to take place in the city since 1970. Osaka competed in the election against Ekaterinburg in Russia and Baku in Azerbaijan. The final round of voting was between Japan and Russia, but Osaka was elected with a large majority of 92 votes to 61. The Expo will be held in Yumeshima in Osaka.

Location of Yumeshima Island, Osaka, Kansai



Source: Ministry of Economy, Trade and Industry

The Ministry of Economy, Trade and Industry estimates that visitors to Expo 2025 could amount to approximately 30 million people, exceeding the 22 million that visited the 2005 Aichi Expo. It also estimates that the economic effect, such as construction costs, operation costs, and consumption expenditure could reach around two trillion JPY. In addition, it expects to see indirect effects such as market growth in fields related to Expo's concept of "Designing Future Society for Our Lives", increased investment by local companies, expansion of tourism and consumption demand. This would amount to a sizable economic stimulus.

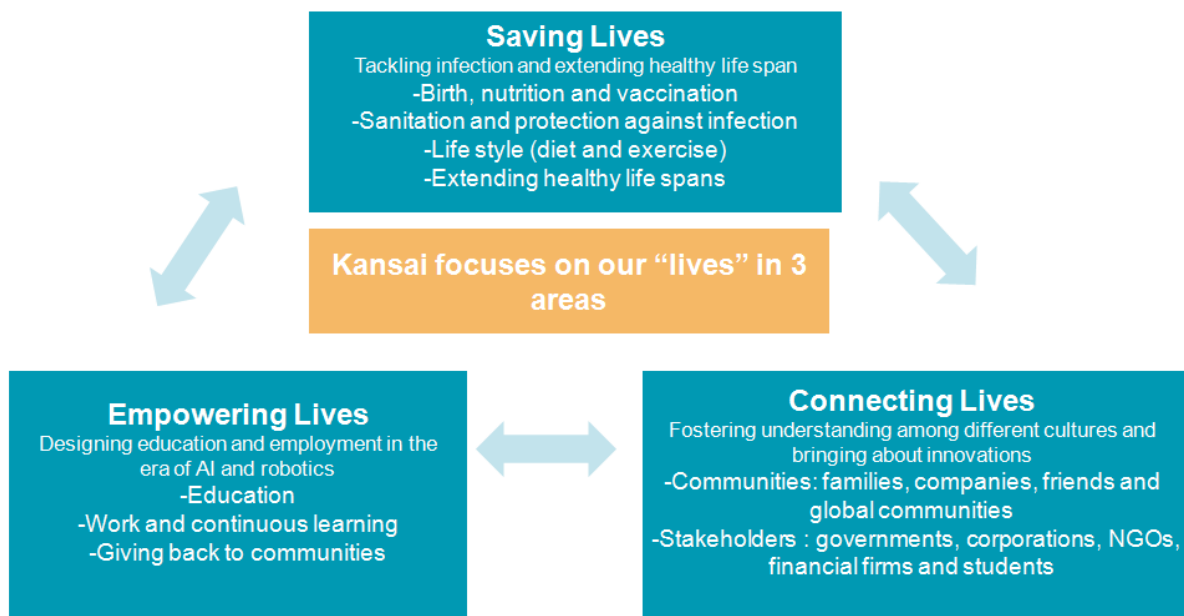
Osaka Prefecture is planning to open an integrated resort (IR) in Yumeshima in 2024 and together with the Osaka-Kansai Expo in 2025 the economic benefits for the region should be amplified. Companies which own property in Yumeshima district, or manage warehouses in the area, are potential beneficiaries of these events.

One example of a possible beneficiary is Asia Pile Holdings (JP 5288). This company is a major concrete piles manufacturer and engineering firm. This company also has a large market share in steel pipe piling works and cast-in-place piling projects. It has expanded its sales in Kyushu and Kansai, and reinforced its cast-in-place pile products. As Yumeshima is man-made island of soft ground, when the new 2025 facilities are constructed on Yumeshima island, it is expected to use a lot of piles, and Asia Piles could benefit from this business opportunity.



The main theme of the Osaka-Kansai expo is “Designing Future Society for Our Lives”. Its sub-themes are “How to Lead a Healthy Life in a Diverse Manner” and “Sustainable Socioeconomic Systems”. Medicine and health, sports, entertainment and new businesses in fields of advanced technology such as artificial intelligence (AI) and virtual reality (VR) will be presented to the people of the world as the future image of economy and society. Osaka’s population is aging at a speed which is higher than the national average, and Japan is famous for its aging society. At the same time, many global research institutions and companies in the life science field are clustered in Kansai region, and at the BIE general meeting in June this year, Dr. Shinya Yamanaka, President of iPS Cell Research Institute at Kyoto University and winner of a Nobel Prize in Physiology or Medicine, gave a presentation. Osaka-Kansai Expo’s themes include the fusion of advanced technologies and life science. The 2018 Nobel Prize in Physiology or Medicine of 2018 being awarded to Dr. Tasuku Honjo of Kyoto University was another sign of the appeal of life sciences.

Systemex, a company located in Kobe City in Hyogo Prefecture, is an example of a company that may benefit from the Expo’s theme. Systemex is a medical equipment manufacturer with a large market share in clinical test equipment and clinical re-agents, it also has a high overseas sales ratio of around 80%. As Japan’s society continues to age, typical examples of issues preventing the elderly from living a healthy life are Cancer and Alzheimer’s. Systemex is trying to develop medicine and equipment which can help diagnose Cancer and Alzheimer’s through a blood diagnosis. Diagnostic medicines and medical devices in development by Systemex will be useful for future human health, improved standards of living in old age, and are likely to be highly valued by society if successful.



Source: 2025 Japan World Expo Committee Secretariat, SuMi TRUST

The location and timing of Osaka welcoming the World Expo in 2025 is similar to fifty five years ago, when Osaka hosted the World Expo in 1970, six years after the Tokyo Olympics. At that time, the Japanese government conducted fiscal stimulus by issuing government bonds, and manufacturers made investments in large facilities to enhance international competitiveness, in order to deal with the severe recession which occurred after the Tokyo Olympics in 1964. This spurred the Izanagi economic boom which continued from 1965 to 1970.

While the same level of economic expansion cannot be expected head of 2025, still we can expect the region to see more inbound tourists and international exchange. The Tokyo Olympic and Paralympic Games in 2020, and Osaka-Kansai Expo in 2025, will gather attention from all over the world, presenting a good opportunity to Japan to demonstrate its leadership in different fields and to kick start the jump to a new stage of the economy.



2. Market Review

TOPIX ended November up 1.30% on October's close. The Japanese equity market declined in the first half of the month due to a fall in US high-tech companies' share prices and negative news on Apple's sluggish iPhone sales, which weakened investors' sentiments. However, in the latter of the month, the market showed reversal and ended up on the previous month supported by several positive factors; the appointment of Osaka as the venue of the World Expo in 2025, the expectations for a top-level meeting between the US and China, and the expectations for the decline in the pace of raising interest rates in US.

Figure 1. TOPIX and USD/JPY in 2016-2018

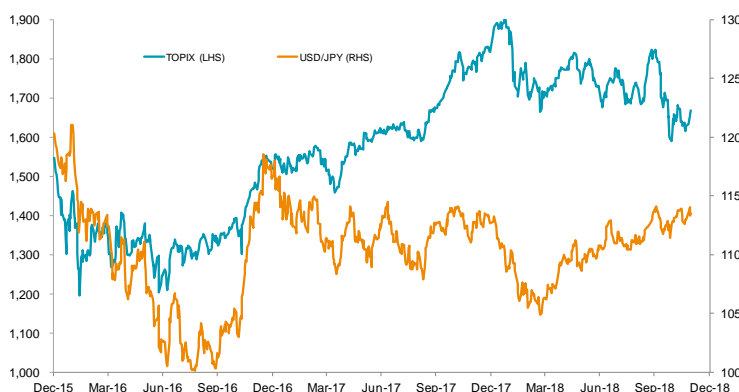


Table1. Global Equity Market Performance

(as of the end of November 2018)

Index		November	YTD
TOPIX	USD	0.68%	-8.99%
	JPY	1.30%	-8.26%
S&P500	USD	1.79%	3.24%
Eurofirst 300	USD	-0.97%	-13.11%
	EUR	-0.90%	-7.84%
MSCI AC Asia (ex. Japan)	USD	5.24%	-13.85%

Source: Bloomberg, SuMi TRUST as of end of November 2018

All enquiries regarding the report should be made to:

Global Business Development Department
 Sumitomo Mitsui Trust Asset Management Co., Ltd.,
 1-4-1 Marunouchi, Chiyoda-ku
 Tokyo-to 100-8233 Japan
 Tel: +81-3-6256-3449
 e-mail: fundservices@smtb.jp

Disclaimer – UK

This marketing communication is issued by Sumitomo Mitsui Trust International Limited (“SMTI”). SMTI is authorised and regulated by the United Kingdom’s Financial Conduct Authority (the “FCA”), whose address is 12 Endeavour Square, London, E20 1JN, United Kingdom.

This marketing communication has been made available to you only because SMTI has classified you as a professional client in accordance with the FCA’s rules. If you have received this marketing communication from a source other than SMTI, you should contact SMTI before using it or relying on it. You must not send this marketing communication to any other person without first having received written approval from SMTI.

The information contained in this marketing communication (the “Material”) is being made available for information purposes only and is designed to provide information on the investment services which SMTI may offer to clients.

Nothing in the Material amounts to or should be construed as an actual offer by SMTI to provide any investment services to any person. If SMTI agrees to provide any investment services to any person, those services will be the subject of a separate written agreement between SMTI and that person. Furthermore, the Material has not been prepared with any consideration of the individual circumstances of any person to whom it is communicated.

Accordingly, it is not intended to, and does not, constitute a personnel recommendation in relation to the purchase or sale of, or exercise of any rights in relation to, any financial instruments or advice in relation to any investment policy or strategy to be followed. The Material also does not contain the results of any investment research carried out by SMTI and is not intended to amount to a financial promotion of any particular financial instrument which may be referred to in it.

While SMTI uses all reasonable endeavours to ensure the Material is accurate, it has not been prepared with a view to any person relying on it. Accordingly, SMTI accepts no responsibility for any loss caused to any recipient of this document as a result of any error, inaccuracy or incompleteness in the Material, nor for any error in the transmission or receipt of this communication.

Any enquiries regarding the products should be made to:

Hirofumi Hayashi

Head of Investment Management Department

Sumitomo Mitsui Trust International Limited

155 Bishopsgate, London EC2M 3XU, United Kingdom

Direct: +44 (0)20 7562 8405

Email: imd@smtil.com

Sumitomo Mitsui Trust International Limited is authorised and regulated by the Financial Conduct Authority

© Sumitomo Mitsui Trust International Limited 2025