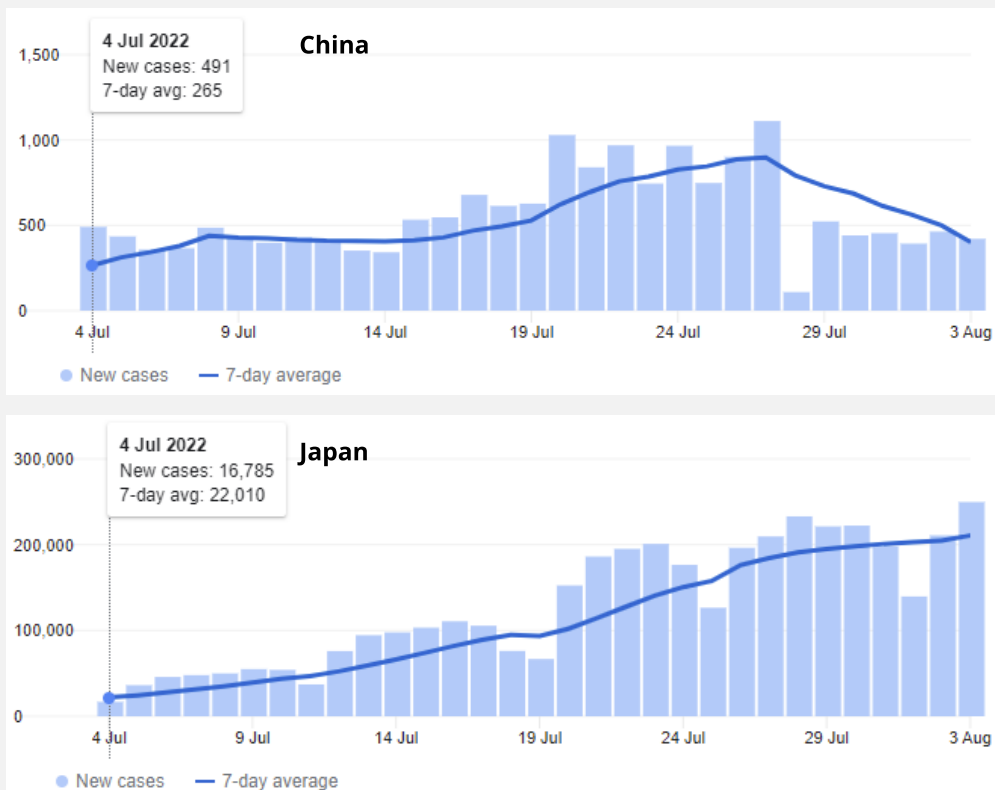


INBOUND TOURISM PART II:



THE IMPENDING REBOUND IN TOURISM

We think it will take some time for the number of inbound tourists to recover to the pre-pandemic level, as deregulation in border control is gradual. **Current resurgence of omicron virus** in Japan and Covid situation in China and other countries are the major factors to **affect the pace of recovery**. **Social consensus** in Japan to accept and promote inbound tourists **is another factor, which will gradually improve** as Japanese outbound tourists increase.



Source: Johns Hopkins University Center for Systems Science and Engineering (JHU CSSE)

As stated in the previous article, it will be some time before all restrictions are lifted and visitor numbers return to pre-pandemic levels. **If Chinese visitors are limited** due to the country's zero Covid policy, **industries such as hotels and transportations**, rather than retailers and consumer products, **will benefit more** as Western visitors tend to spend less for shopping but more for accommodation and dining.

OUR CURRENT STANCE AND POSITIONING

Retailers such as department stores, drug stores and appliance and electronics stores, as well as cosmetics manufacturers, railroad companies, leisure industry, are beneficiaries. We have **some exposure to those industries, we are prepared but not currently overweighting inbound tourism related names.** Since their major revenue are often from domestic (i.e., not foreign visitors related) demand for those names, we need to watch the situation when increasing our exposure for them.

Some examples of inbound tourism related names.

