



Today's Theme



Japan

## Japanese Corporate Earnings



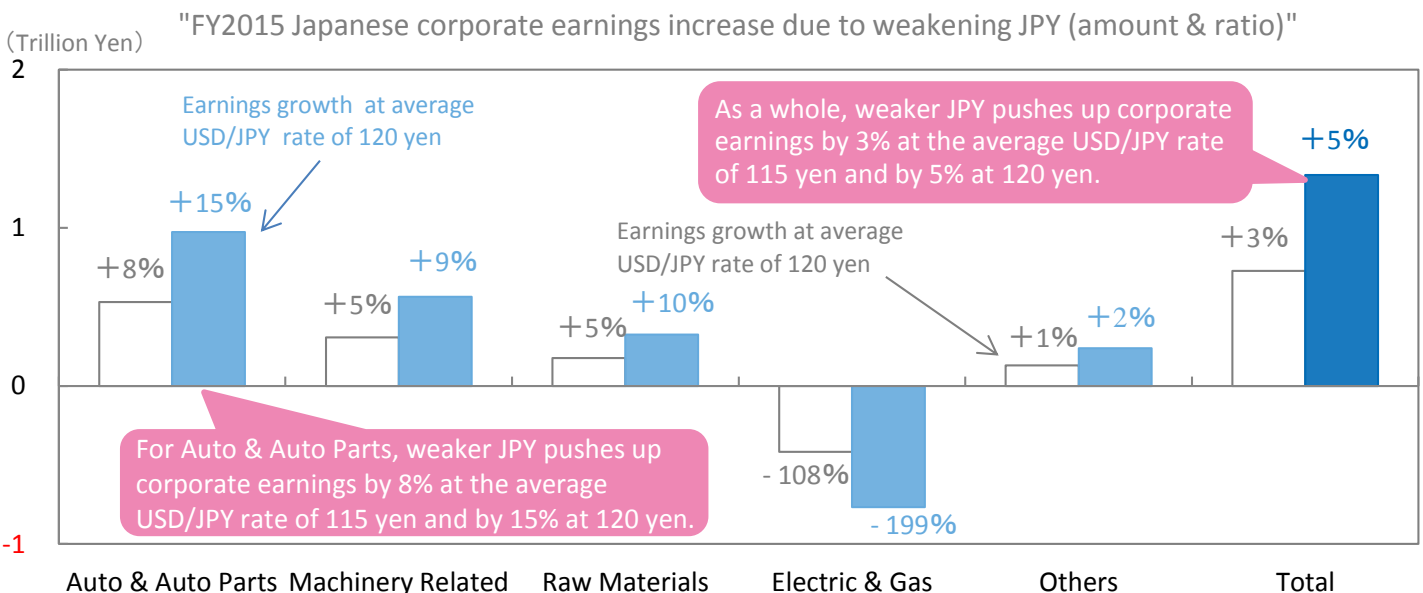
### How will the weaker JPY impact to the corporate earnings in FY2015?



For FY2015, the impact of weaker JPY to corporate earnings would be approx. +3% at the average USD/JPY rate of 115 yen, and approx. +5% at 120 yen. Auto and Auto parts are expected to benefit most.

■ JPY weakened sharply after the additional monetary easing by the BOJ at October end. If USD/JPY rate remains at 115 yen till March end 2015, the average exchange rate for FY2014 would be around 109 yen.

■ The impact of weaker yen to corporate earnings in FY2015 would be approx. +3% at the average USD/JPY rate of 115 yen, and +5% at 120 yen, given the average rate for FY2014 is 109 yen. It is expected that Auto and Auto parts sectors would benefit most from weaker yen.



- (Note)
1. Data is for FY 2015. Based on the aggregate of earnings of corporations whose fiscal year end fall between June 2015 to May 2016. The earnings data is an aggregate of 219 corporations (excluding financial sectors) covered by SMAM's own research.
  2. % in the chart indicates the corporate earnings growth rate of FY2015 relative to the recurring profit (company plan) of FY2014.
  3. The chart above is the simulation made by SMAM based on the past data and is not intended to indicate future results nor guarantee them.

(Source) SMAM, based on publicly available financial data of the companies.



## Outlook

### Expanding corporate earnings will continue to support the equity market

- SMAM's summation of corporates' recurring profit for FY2014 rose 11.2% y-o-y and is expected to accelerate to +13.5% in FY2015. USD/JPY rate assumption is 109.4 yen for FY2014 and 115.0 yen for FY2015, reflecting weaker yen forecast against USD.
- The reverse effect of the sales decline in FY2014 after the tax hike will work positively for the corporate earnings in FY2015. The moderate acceleration of the global economic growth led by US will also help.
- Expanding corporate earnings is expected to continue supporting the equity market.

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