

“MOF Corporate Statistics” is in good shape

“Financial Statements Statistics of Corporations by Industry”, the so-called “MOF Corporate Statistics”, is the aggregate financial statement data of approximately 23,000 Japanese corporations (approx. 19,000 corporations, excluding Finance and Insurance). The Ministry of Finance (MOF) releases the report annually and on a quarterly basis. This report shows the domestic companies’ sales and profit growth, the latest balance sheet and the amount of capital expenditures (hereafter referred to as “capex”).

Point 1

Capex rose for nine consecutive quarters Increase by Manufacturers accelerated

- MOF released the “MOF Corporate Statistics” for April-June 2015 on September 1st. The report shows All Industry (excluding Finance and Insurance) capex increased by 5.6% YoY. Manufacturers rose to 11.6%, accelerating from the previous quarter, whereas non-manufacturers decelerated to 2.6%. The manufacturers’ movement to shift production lines to domestic bases due to the weakening yen seem to have strengthened. Deceleration of capex in non-manufacturers was negatively affected mainly by decrease of the Information & Communications and Real estate industries.
- The private capital investment of the second preliminary Apr.-Jun. 2015 GDP is expected to be almost unchanged from - 0.1% QoQ based on the relevant data in this quarter’s “MOF Corporate Statistics”.

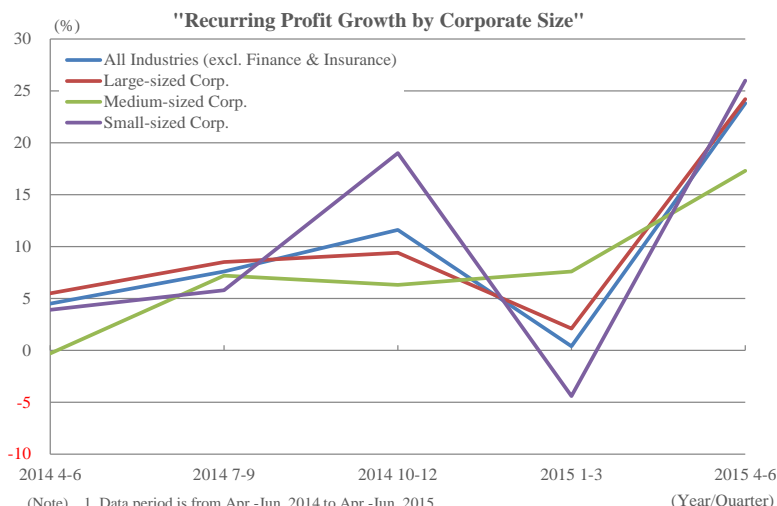
| | Capex Growth (%) YoY | | | | |
|---|----------------------|-----------|-----------|-----------|-----------|
| | 2014 | | | 2015 | |
| | Apr.-Jun. | Jul.-Sep. | Oct.-Dec. | Jan.-Mar. | Apr.-Jun. |
| All industries (excl. Finance & Insurers) | 3.0 | 5.5 | 2.8 | 7.3 | 5.6 |
| Manufacturers | -0.8 | 10.8 | 8.0 | 6.4 | 11.6 |
| Non-manufacturers | 5.0 | 2.7 | 0.3 | 7.8 | 2.6 |

(Note) Data period is from Apr.-Jun. 2014 to Apr.-Jun. 2015.
(Source) SMAM, based on the Ministry of Finance data.

Point 2

Recurring profits increased to its record high Profit of All Industries increased

- The recurring profits of All Industries (excluding Finance and Insurance) sharply increased by 23.8% YoY to its record high. Profit of all industries within Manufacturers and Non-Manufacturers increased. Also, by corporate size (Large, Medium and Small), all showed double digit profit growth.
- The reasons behind recurring profit increase across industries can be attributed to the improving margin of export companies due to weaker JPY, decrease in energy costs by falling crude oil price and stable growth of domestic demand related companies in sectors such as Construction and Real estate.



(Note) 1. Data period is from Apr.-Jun. 2014 to Apr.-Jun. 2015.
2. Large-sized corporations are those with capital of 1 billion yen or over, Medium-sized corporations are those with capital of 100 million to 1 billion yen and Small-sized corporations are those with capital of 10 to 100 million yen.
(Source) SMAM, based on the Ministry of Finance data.

Virtuous cycle of corporate profit expansion leading to consumption increase is expected

■ Robust corporate profits to be continued

In general, the trend of corporate profit expansion is likely to continue despite some recent slowness in export and production as the positive effect of the weaker JPY and cheaper crude oil price compared to the previous year will continue, if the JPY exchange rate and crude oil price do not change drastically.

■ Profit growth of small and medium sized corporations is robust

The virtuous cycle of corporate profit expansion leading to consumption increase is expected to continue as profit growth is robust not only for large-sized corporations but also for small and medium sized corporations.

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