

“MOF Corporate Statistics”

- Capex accelerated in January-March 2015

“Financial Statements Statistics of Corporations by Industry”, so-called “MOF Corporate Statistics” is the aggregate financial statement data of approximately 22,000 Japanese corporations (approx. 19,000 corporations, excluding financials and insurers). The Ministry of Finance (MOF) releases the report on quarterly and annually basis. This report shows those companies’ sales and profits growth, latest balance sheet and capex.

Point 1

Capex rose for 8 consecutive quarters

Private investment of January-March GDP is expected to rise

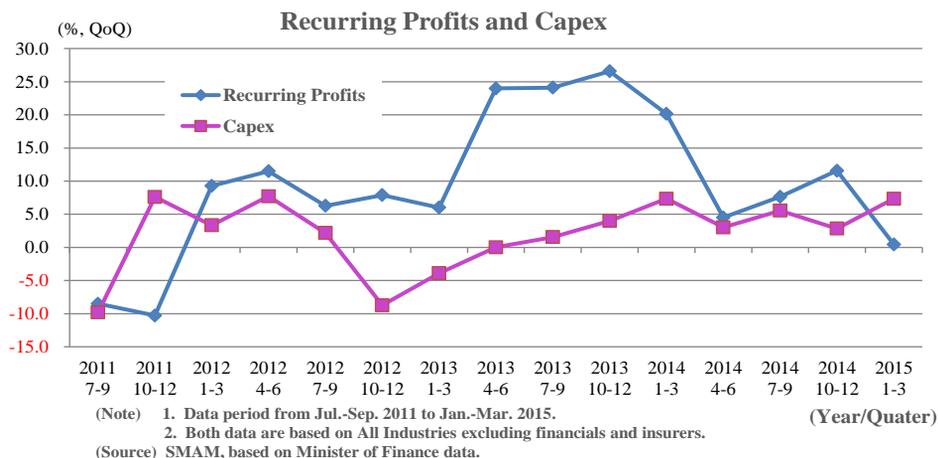
- The Ministry of Finance released “January-March 2015 MOF Corporate Statistics” on June 1st. The report shows all-industry (excluding financials and insurers) capital expenditures (capex, hereafter) increased by 7.3% y-o-y for eight consecutive quarters, accelerating from 2.8% y-o-y in the previous quarter.
- In terms of sectors, both of manufacturers and non-manufacturers increased 6.4% and 7.8% y-o-y respectively. Manufacturers were likely to shift production lines to domestic bases, whereas non-manufacturers seemed to increase investments for building new outlets to meet the expansion in domestic demand.
- The private investment of January-March GDP is expected to be revised upward from 0.4% q-o-q based on the relevant data in this MOF Corporate Statistics. The revised GDP data is scheduled to be released as its second preliminary GDP estimates on June 8th..

Point 2

Recurring profits increased for 13 consecutive quarters

Exporters perform well on weak JPY

- The recurring profits of all Industries (excluding financials and insurers) inched up by 0.4% y-o-y. The profits increased for 13 consecutive quarters to the second largest record to October-December 2014 profit, although it grew at slower pace from the same quarter a year ago surging on rush demand prior to consumption tax.
- Exporters improved the profitability by JPY depreciation, whereas wholesaler, retailer, oil & coals sectors slashed on low crude oil price and the downturn from the rush demand.



Upbeat corporate profits will lead to wage growth, capex increase and domestic economic expansion

■ Robust corporate profits to be continued

Industrial production is moderately picking up, while exports have been expanding since last September buoyed by weak JPY. Solid corporate profits are expected to continue as favorable exchange rates for exporters and low crude oil price push up the profits, unless we see a big reversal movement in those prices.

■ Recovery in domestic demand will boost the economy

Expectation on higher wages gain shows a bright sign for private consumption. Such a virtuous cycle is anticipated to make progress as robust corporate profits raise wages and then wage gain picks up private consumption expenditures. Upbeat capex is also anticipated to stimulate domestic economy in Japan.

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