

“MOF Corporate Statistics”, Capex is on growing trajectory

“Financial Statements Statistics of Corporations by Industry”, so-called “MOF Corporate Statistics” is the aggregate financial statement data of approximately 22,900 Japanese corporations (approx.19,300 corporations, excluding financials and insurers). The Ministry of Finance (MOF) releases the report on quarterly and annual basis. This report shows those companies’ sales and profits growth, latest balance sheet and capex.

Point 1

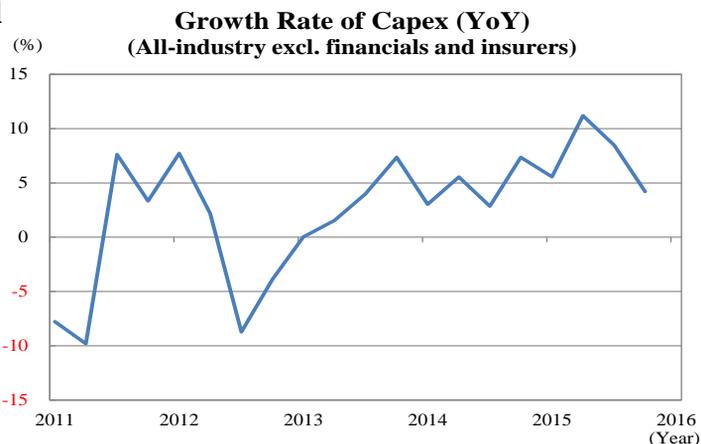
Capex rose for 12 consecutive quarters maintaining growth trajectory Growth rate has moderated

- The Ministry of Finance released “January-March 2016 MOF Corporate Statistics” on June 1st. The report shows capital expenditures (capex, hereafter) of all-industry (excluding financials and insurers) increased +4.2% YoY for twelve consecutive quarters, although it has fallen from its peak of +11.2% YoY marked in July-September 2015 quarter. Manufacturers and non-manufacturers grew +6.7% and +2.9% YoY respectively, both of which decelerated from previous quarter.
- The second preliminary private investment of January-March GDP is expected to be revised up from its first preliminary figures of -1.4% YoY.

Point 2

Decrease of both revenue and earnings continues Impacted by crude oil price fall

- The revenue of all-industry (excluding financials and insurers) fell -3.3% YoY for two consecutive quarters. Manufacturers were -2.2% YoY due to decrease in revenues of Oil & coal and Steel sectors. Non-manufacturers were -3.8% YoY due to Whole sellers and Retailers sectors.
- Meanwhile, the recurring profits declined by -9.3% YoY, which was a wider YoY decline than in the previous quarter. This was due to non-manufacturers turning negative to -4.5% YoY, in addition to manufacturers who saw over -20% decrease in their profits.



(Note) Data period is from Apr.-Jun. 2011 quarter to Jan.-Mar. 2016 quarter.
(Source) SMAM, based on the Ministry of Finance data.

Future Outlook

Corporate earnings are expected to improve toward the second half of year 2016

- While, capital expenditure continues to show strong growth, corporate earnings will be a key to maintain its growth trajectory going forward. External environments are showing stability as crude oil price is staying at around US\$40 and the US economy is improving further more. With these in mind, it is safe to say risk of JPY appreciation against USD has decreased. Corporate earnings are expected to improve as Japanese economy is likely to recover supported by economic stimulus measures expected to be implemented in the second half of year 2016.

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