

“MOF Corporate Statistics”

- Corporate earnings’ expansion accelerated in 4Q 2014

“Financial Statements Statistics of Corporations by Industry”, so-called “MOF Corporate Statistics” is the aggregate financial statement data of approximately 23,000 Japanese corporations (approx. 20,000 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 continued growing for seven consecutive quarters

Led by manufacturing sector for Oct.-Dec. 2014

- The Ministry of Finance released “Oct.-Dec. 2014 MOF Corporate Statistics” on March 2. The report shows all-industry capex increased by 2.8% y-o-y for seven consecutive quarters. Manufacturing industry capex, the top contributor, rose by 8.0% y-o-y, while Non-Manufacturing capex inched up 0.3% y-o-y. Of the Manufacturing sector, Chemical, Electrical Machinery and Information & Communication Equipment sectors helped to grow. Non-Manufacturing capex was almost flat as Electric Power and Information & Communications sectors slashed the expenditure, while Services and Transport sectors increased it this year.

Point 2

Weakening yen and falling oil price improved Profitability

Profit growth accelerating for SMEs

- Recurring profit of All Industries (excluding financials and insurers) accelerated to increase by 11.6% y-o-y from +7.6% y-o-y in the previous quarter, and the profit renewed the all-time high record. This results from the improvement of exporters’ profit margin due to weakening yen and the decrease of energy cost due to falling oil price.
- Recurring profit of SMEs (Small and Mid sized Enterprises with capital of 10 to 100 million yen) accelerated to grow by 19.0% y-o-y from +5.8% y-o-y in the previous quarter. For those small businesses, as a whole the advantage from the yen depreciation and oil price plunge seems to have exceeded the negative effect from the weak yen to increase the imported raw materials costs.

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Recurring Profit (2014)		(Y-o-Y)		
		Apr.-Jun.	Jul.-Sep.	Oct.-Dec.
All Industries		4.5%	7.6%	11.6%
	Manufacturing	-7.6%	19.2%	16.4%
	Non-Manufacturing	12.1%	1.4%	8.3%
Corporations with capital of;				
	1 billion yen or over	5.5%	8.5%	9.4%
	100 million to 1 billion yen	-0.3%	7.2%	6.3%
	10 to 100 million yen (SMEs)	3.9%	5.8%	19.0%

(Note) 1. Data is from Apr.-Jun. 2014 to Oct.-Dec. 2014.

2. All Industries and Non-Manufacturing do not include Financials and Insurers.

(Source) SMAM, based on the Ministry of Finance, Japan data.

Expansion of corporate earnings bolsters recovery in personal consumption and capex

■ Corporate earnings are expected to continue growing

Exports have been expanding at a rapid pace since last September supported by robust growth in US economy and yen depreciation. Industrial production is also recovering as exports increase. The positive effect of the weak yen and low oil price is likely to continue to push the earnings higher for the time being, unless we see a big reversal movement in those prices.

■ Progress in virtuous cycle is likely to recover consumption

Although personal consumption still seems to improve at a slower speed, the progress in such a virtuous cycle is expected, as robust corporate earnings raise wages and then wage gain picks up consumption expenditures. Upbeat capex is also anticipated to continue increasing, underpinned by possible reinforcement of domestic production due to yen depreciation, and by the improvement in corporate business sentiment on the ongoing economic recovery in Japan.

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