



Today's Theme



Japanese Corporate Earnings



Tell us the outlook for FY2016 Japanese corporate earnings ?



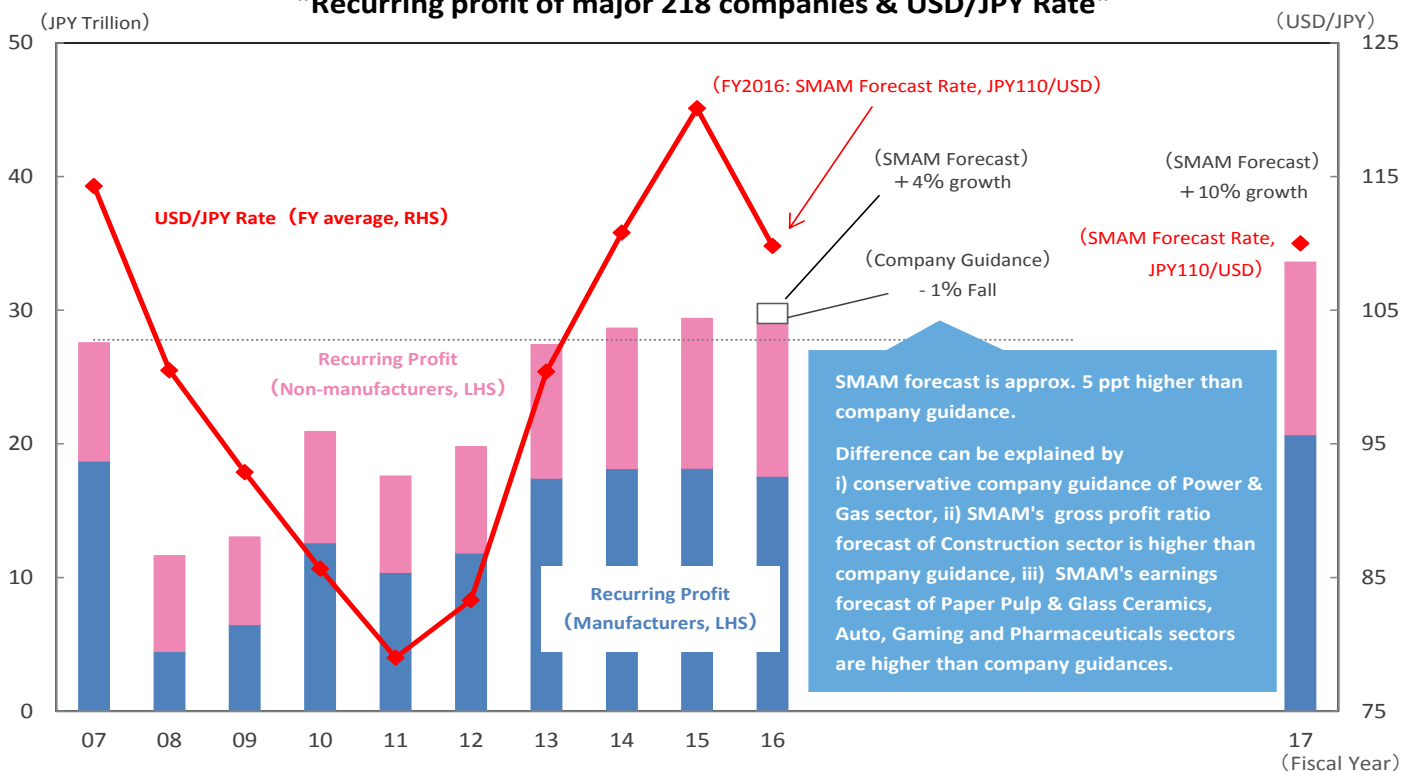
Growth pace of corporate earnings is slowing down due to strong JPY and weak commodity price, however, record high corporate earnings are expected to continue in FY2016 for three consecutive years. Expansion of shareholder return such as dividend increase and share buy-back is expected, due to robust business performance.

■ Recurring profit of major 218 companies (*) grew +2.5% YoY in FY2015, increasing for four consecutive years with record high earnings in recent two years. FY2016 is expected to see growth of +4.0% YoY. Currently, earnings guidance by companies shows -1.0% fall of recurring profit for FY2016, however, Power & Gas, Construction, Paper Pulp & Glass Ceramics, Auto, Gaming and Pharmaceutical sectors are expected to lead earnings growth expansion going forward.

■ Return on Equity (ROE) of FY2015 dropped 0.7 ppt to +8.2% from the previous fiscal year. Background is a decrease in net profit due to impairment loss of assets caused by commodity price drop. ROE is expected to improve to +9.0% in FY2016. Expansion of shareholder return (factor of ROE improvement) can also be expected supported by ample cash flows.

(*) Core research universe companies of SMAM (Financials are not included).

"Recurring profit of major 218 companies & USD/JPY Rate"



(Note) 1. Data period of recurring profit is from FY2007 to FY2017. FY2016 numbers are those of SMAM Forecast and Company Guidance. FY2017 is SMAM's forecast.

2. USD/JPY rate is the average rate in each fiscal year starting from 2007 to 2015. Beyond FY2016 are SMAM Forecast Rates.

(Source) SMAM, based on Bloomberg L.P. and publicly available company data.



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