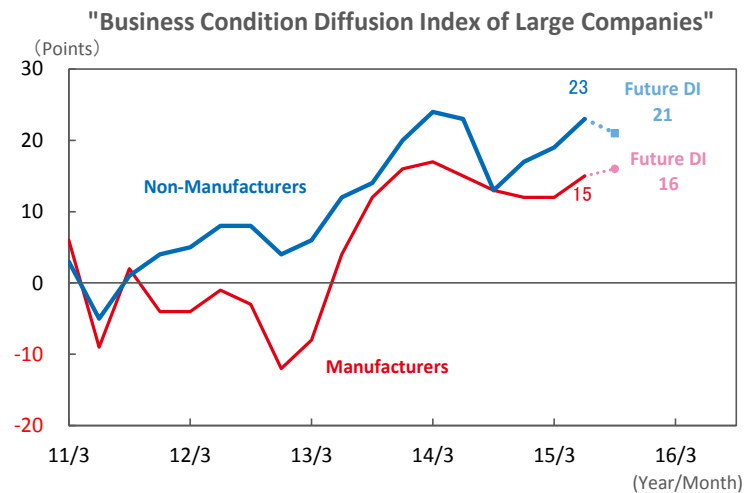


Today's Topic

## June "Tankan" survey showed business confidence improving

### Point 1 Current confidence increased Weak JPY and improving "retailers" raised confidence

- The Bank of Japan released "Tankan as of June 2015" on July 1<sup>st</sup>. The latest "Business Condition Diffusion Index" for large manufacturers gained by 3 points to +15 from the previous time in March, while the Index for large non-manufacturers rose by 4 points to +23. Upbeat corporate earnings buoyed by weak JPY and improving "retailers" pushed the business confidence higher.
- The "Future Business Condition Diffusion Index (Future DI)" added 1 point to +16 points for large manufacturers, but lost 2 points to +21 points for non-manufacturers. The future business sentiment seems to take a respite, mainly in Communication, Transportation & Postal Services, and Real Estate industries.



(Note) Data period is from March 2011 to September 2015 (quarterly basis). Data upto June 2015 is based on Current DIs and those of September 2015 are based on Future DIs as of June 2015.  
(Source) SMAM, based on Bloomberg L.P. data.

### Point 2 Further earnings revision is expected Capex will be also revised upward

- The recurring profits for large manufacturers for both FY2014 and FY2015 (forecast) were revised upward to +11.5% and +0.8% y-o-y, respectively from the previous survey. The profits are expected to move higher if the exchange rates remain at current levels as large manufacturers assume lower USD/JPY rate of 115.62 (average) for the forecast.
- The Capex (including land investment but excluding software investment) for FY2015 is expected to increase by +18.7% y-o-y for large manufacturers from +11.8% at the previous time. Corporate earnings expansion seems to support upbeat Capex.

"Sales, Recurring Profits and Capex of Large Companies" (Y-o-Y,%)

		FY2014		FY2015	
		(Actual)	chg, %	(Forecast)	chg, %
Sales	Manufacturers	1.3	0.1	0.9	0.4
	Non-Manufacturers	0.5	-3.1	0.3	-3.6
	All Industry	0.8	-1.8	0.6	-2.0
Recurring Profits	Manufacturers	11.5	6.1	0.8	5.5
	Non-Manufacturers	3.7	0.3	1.5	1.8
	All Industry	7.6	3.2	1.1	3.7
Capex	Manufacturers	5.6	-1.1	18.7	11.8
	Non-Manufacturers	6.0	-2.6	4.7	6.3
	All Industry	5.9	-2.1	9.3	8.2

(Note) "chg, %" is changes between this time and previous survey.  
(Source) SMAM, based on Bank of Japan data.

### Future Outlook Expectation on additional monetary easing will recede at this moment

- Exports show slowing on increasing external uncertainties of China's slowdown and Greek crises. Consumption shows improving on higher wages growth, whereas Capex is likely to grow on solid corporate earnings.
- The "Tankan" survey should encourage the Bank of Japan to have confidence about economy outlook. Expectation on additional easing is likely to recede at this moment.

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