

Today's Topic

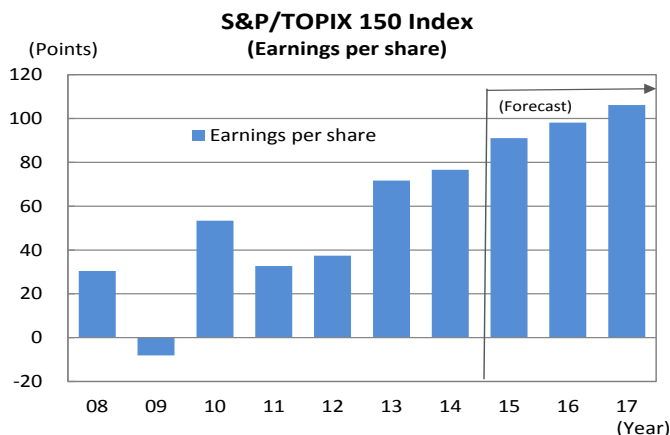
## Japanese Corporations' Earnings Outlook

### Point 1

#### Slight profit decrease YoY expected for Jul. - Sep. 2015

+ 18.9% YoY EPS increase for full year

- The release of Japanese corporations' Jul.-Sep. 2015 business results reached its peak around October 30<sup>th</sup>. Recurring profits of Jul.-Sep. 2015 is expected to decrease slightly as exports slowed down due to the slowing of US and emerging market economies (including China).
- Earnings per share (EPS) for year 2015 is expected to increase + 18.9% YoY (S&P/TOPIX150 Stock Index basis).



(Note) Data period is from 2008 to 2017.  
Data beyond 2015 is Bloomberg L.P. estimate.

(Source) SMAM, based on Bloomberg L.P. data.

### Point 2

#### Significant earnings expansion of Consumption and Health Care expected

Slight decrease in Materials' earnings

- Looking into the earnings growth rate forecasts by sectors, Materials is expected to decrease slightly by 3.9% YoY. Except for Energy and Utilities, other sectors are expecting increase in earnings. In terms of earnings growth rate, Consumer Discretionary and Health Care are expected to show significant earnings expansion supported by demand expansion due to consumption by the elderly and increase of foreign visitors to Japan.

#### Earnings Growth Rate Forecast (S&P/TOPIX 150 Index)

Sector	Year	2015 (%)	2016 (%)	2017 (%)
Total		18.9	7.7	8.2
Energy		-	27.0	27.1
Materials		-3.9	14.0	9.2
Industrials		17.8	8.4	6.7
Consumer Discretionary		34.7	10.3	8.3
Consumer Staples		14.6	7.6	9.9
Health Care		32.7	6.2	13.4
Financials		3.7	5.6	4.6
Information Technology		4.8	11.5	9.5
Telecom. Services		8.4	3.8	15.5
Utilities		-	-27.8	0.9

(Note) Data period is from 2015 to 2017. (Bloomberg L.P. estimate)  
" - " indicate that the previous year was earnings deficit.

(Source) SMAM, based on Bloomberg L.P. data.

### Future Outlook

#### Expecting to maintain earnings growth trend and will likely to renew historical high of earnings in 2017

- Due to uncertainty surrounding the Chinese economy and the US economy and its monetary policy, the global economic uncertainty is likely to continue through 2015. Even under such situations, earnings growth is expected to be maintained, as relatively solid Japanese macro economic environment and low and stable commodity prices (raw materials) will contribute to profit margin improvement.
- Earnings growth rate of 2016 as a whole, is expected to slow to + 7.7% YoY as a reaction to the strong growth in 2015. However, all the sectors except Utilities (likely to result in significant negative earnings), are expected to maintain positive earnings growth. Although the earnings growth rate of Consumer Discretionary and Health Care are predicted to slow down, Materials and Energy are expected to regain solid growth. Earnings growth is expected to continue in 2017 and will likely reach a new record high.

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