

Today's Topic **Corporate Financial Statistics (Jan.–Mar. 2017)**

Profitability renewed its record high since 1985

Point 1

3 consecutive quarters of revenue growth due to weaker yen and economic recovery

- Ministry of Finance released Jan.–Mar. 2017 Corporate Financial Statistics on 1st June 2017. Sales of all industries (excluding financials and insurers, corporations with capital of 1 billion yen or over, the same shall apply hereafter) increased + 3.5% QoQ (seasonally adjusted) for 2 consecutive quarters. Both Manufacturing and Non-manufacturing increased + 2.7% QoQ and + 3.9% QoQ respectively. Sales of Manufacturing increased as volume grew due to weaker yen and economic recovery, whereas that of Non-manufacturing increased as domestic demand recovered.
- Recurring profit of all industries increased +6.7% QoQ for 4 consecutive quarters. While, Manufacturing increased + 22.9% QoQ which was a double digit growth for 2 consecutive quarters, Non-manufacturing decreased - 7.8% QoQ for 2 consecutive quarters. Non-manufacturing saw increase in sales cost exceeding that of sales. It's profit seems to have been squeezed as it could not transfer increase in cost from weaker yen and oil price hike.

Point 2

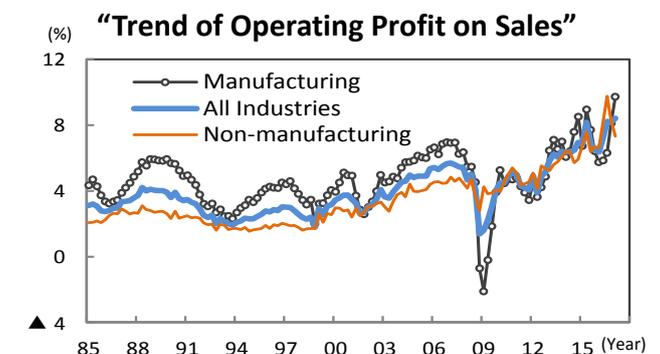
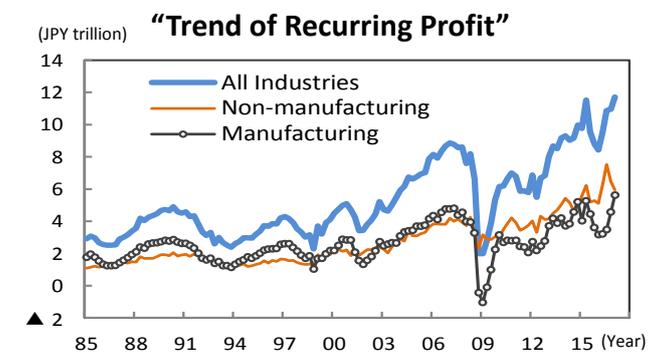
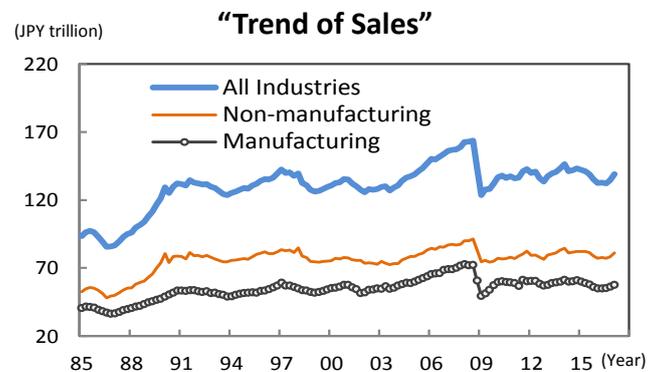
Profitability renewed its record high since 1985

- Operating profit on sales (one of ratios to measure earnings power of corporations) of all industries was 8.4%, renewing its record high since 1985. It was lead by Manufacturing with 9.7% (also record high) supported by weaker yen. Although, operating profit on sales of Non-manufacturing decreased to 7.3% it still maintained high standard.

Future Outlook

Upward revision is expected for Apr.-Jun. 2017 financial results

- The latest Corporate Financial Statistics confirmed that expansion of global economy and weaker yen pushed up corporate earnings mainly lead by Manufacturing sector. FY2017 Corporate earnings forecast of Japanese corporations was prudent with growth of around + 5% YoY based on conservative demand and currency exchange rate outlook estimated by the corporations. Majority of corporations estimate USD/JPY exchange rate ranging from 105 to 110 yen against USD. Assuming no further yen appreciation, it is expected to be positive for the Japanese equity market as Apr.-Jun. 2017 financial results will be revised upward.



(Note) Data period is from Jan.–Mar. 1985 to Jan.–Mar. 2017.
All Industries excluding financials and insurers. Corporations with capital of 1 billion yen or over.
(Source) SMAM, based on Ministry of Finance and INDB data.

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