

## “MOF Corporate Statistics”; Capex increased in Japan

“Financial Statements Statistics of Corporations by Industry”, so-called “MOF Corporate Statistics” is the aggregate financial statement data of approximately 23,200 Japanese corporations (approx.19,800 corporations, excluding financials and insurers). The Ministry of Finance (MOF) releases the report on quarterly basis. This report shows those companies’ sales and profits growth and latest balance sheet and capex. Since capex is a basic data to calculate Gross Domestic Product (GDP), market pays special attention to it.

### Point 1

#### Capex turned positive for the first time in 2 quarters Both manufacturers and non-manufacturers turned positive

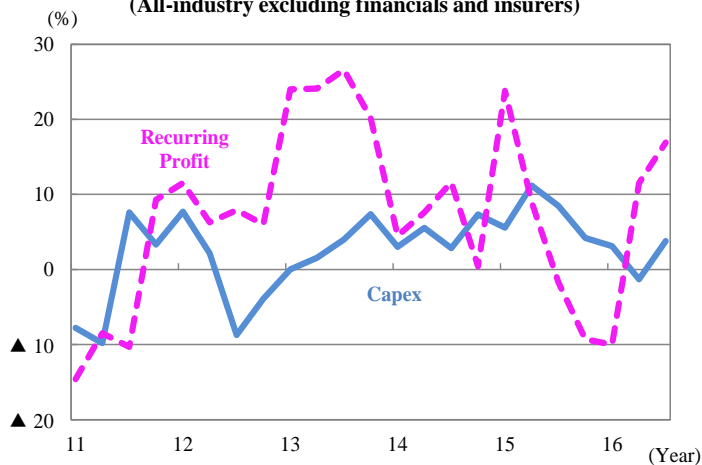
- The Ministry of Finance released “October-December 2016 MOF Corporate Statistics” on 1<sup>st</sup> March 2017. The report shows capital expenditures (capex, hereafter) of all-industry (excluding financials and insurers) increased +3.8% YoY and turned positive for the first time in 2 quarters. Both manufacturers and non-manufacturers increased +7.4% YoY and +1.9% YoY, respectively. Both of them turned positive from previous quarter’s negative.
- Capex (excluding software) of all-industry (excluding financials and insurers) which is a high-visibility data used as basis to calculate GDP was +3.3% YoY.

### Point 2

#### Sales turned positive Growth rate of recurring profit expanded

- The revenue of all-industry (excluding financials and insurers) was +2.0% YoY turned positive for the first time in 5 quarters. While, manufacturers were -0.1% YoY, non-manufacturers were +2.8% YoY due to revenue growth of Service, Whole sellers and Retailers sectors.
- Meanwhile, the recurring profit increased +16.9% YoY, positive for 2 consecutive quarters, with a wider YoY increase than in the previous quarter. This was due to profit increase of manufacturers by +25.4% from the previous quarter affected by weaker JPY .

Growth Rate of Capex and Recurring Profit (YoY)  
(All-industry excluding financials and insurers)



(Note) Data period from Apr.-Jun. 2011 to Oct.-Dec. 2016.  
(Source) SMAM, based on the Ministry of Finance data.

### Future Outlook

#### Corporate earnings continue to improve

- October-December 2016 “MOF Corporate Statistics” confirmed that Japanese economy is recovering led by external demand, same as October-December 2016 GDP growth rate (preliminary) indicated.
- Japanese economy is expected to continue its recovery trajectory entering into FY2018, supported by economic measures implemented by the Japanese government as well as overseas economic recovery. Also, corporate earnings of Japanese companies seem to continue to improve for the time being.

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