



Today's Theme



Japan

Japanese Corporate Earnings

Q Will Corporate Earnings Continue to Grow Further?

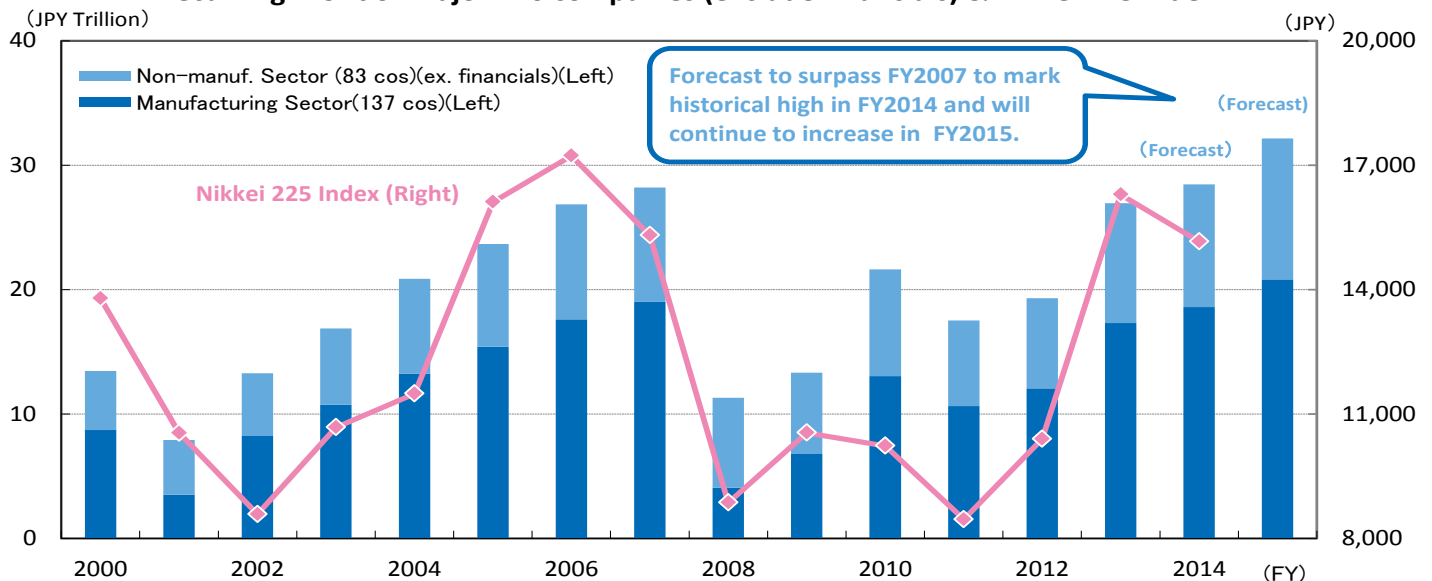
A Growth trend is expected to continue supported by the global economic recovery. In FY2014, the corporate earnings likely to surpass the highest, marked before Lehman Shock.

■ FY 2013 recurring profit of major 220 companies (exclude financials) (*) increased by 40% to approx. 27trillion yen. Reasons behind this strong earnings growth were the reduction of fixed cost through restructuring effort, JPY depreciation and the recovery of both Japanese and global economy.

■ We forecast FY2014 aggregate recurring profit will grow by 6% to approx. 28trillion yen. This forecasted figures is to mark the historical high, surpassing the present record marked in FY2007 before the Global Financial Crisis in 2008.

(*) Major companies covered under SMAM's research universe.

Recurring Profit of Major 220 companies (exclude financials) & Nikkei 225 Index



(Notes) Data from FY2000 to FY2015. Beyond FY2014 are forecasted figures by SMAM.
 Recurring profit for each FY is the aggregate of the profit of companies whose FY end fall between current June to May next year.
 Nikkei 225 Index uses the closing price of December each year. For FY2014 uses the closing price of August 6.
 (Source) SMAM, based on public information of companies and Bloomberg L.P. data.

Outlook Manufacturing sector is also set to hit a record high in FY 2015

■ Non-manufacturing sector marked the historical high profit in FY2013 due to limited impact of Lehman Shock as their business depends relatively more on domestic demands. In FY2014, the business results are expected to remain firm trend led by retail, information & software and internet related sectors and others.

■ Manufacturing sector is keeping the earnings positive trend and also expected to achieve a historical high in FY2015 led by transportation equipment and machinery sectors, partly supported by improvement in export profitability. This is the significant recovery from the nearly 80% profit decline recorded in FY2008.



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