

## Today's Topic Major Japanese Corporations' Earnings Outlook

### Record high earnings is expected despite slowdown in emerging countries

#### Point 1 Marginal earnings growth in Jul.-Sep. 2015 However, slowdown is within expectations

- Jul.-Sep. 2015 recurring profits of 216 major Japanese corporations (\*) rose marginally by +0.1% YoY. Manufacturers (135 companies) rose +1.5% YoY, while Non-manufacturers (81 companies) fell -1.8% YoY.
- Background of sharp slowdown from +30.1% YoY earnings growth in Apr.-Jun. 2015, was slowdown in emerging countries related businesses and fall in prices of natural resources and raw materials such as steel.

(\*) Companies included in SMAM's core research universe excluding financials. Industrial sector classification is defined by SMAM.

#### "Recurring Profits Growth Rate and Proportion of Amount Increased of Major Industrial Sectors"

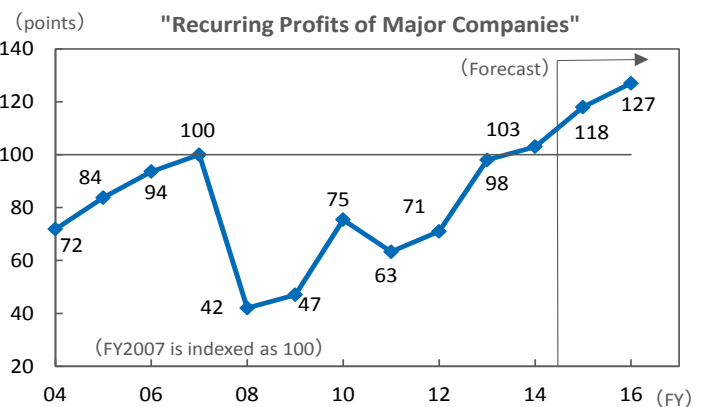
(FY2015 Forecast, 14.0% earnings growth for 216 companies as a whole)

	Sector	Growth Rate	Proportion		Sector	Growth Rate	Proportion
①	Automobile	14.1%	18.8%	⑥	Chemical & Textile	25.1%	6.6%
②	Electric & Gas	131.1%	17.7%	⑦	Trading	15.6%	5.9%
③	Pharmaceutical	76.1%	13.0%	⑧	Construction	59.1%	5.1%
④	Consumer elec. equip.	199.6%	12.8%	⑨	Land passenger trans.	18.5%	5.1%
⑤	Resources & fuels	118.4%	6.6%	⑩	Retailers	16.6%	4.7%

(Note) Earnings growth rate is YoY base. Top 10 sectors in terms of proportion of earnings amount increased YoY.  
(Source) SMAM, based on publicly available data of companies.

#### Point 2 Slight downward revision for FY2015 Renewal of record high earnings continue

- Recurring profits for FY2015 are expected to increase by +14.0% YoY supported by low crude oil price and weaker JPY, in addition to moderate expansion of the Japanese economy. Although it was revised downward from +15.7% YoY (forecast in September), recurring profits for FY2015 are expected to renew the record high earnings again as recovery is expected from Oct.-Dec. 2015 and onward.
- Downward revision was led by sectors such as Resources & fuels, Steel and Industrial electric machinery (revision of past earnings by major heavy electric machinery manufacturer). On the other hand, domestic demand related sectors such as Construction, Pharmaceutical and Telecommunication were revised upward.



(Note) 1. Data are from FY2004 to FY2016. Data of FY2015 and onward are forecasted by SMAM.  
2. Recurring profits of each FY are aggregate of companies whose fiscal year end fall in between June of current year and May in the following year.  
(Source) SMAM, based on publicly available data of companies.

#### Future Outlook Earnings growth is expected to continue in FY2016 renewing the record high earnings for three consecutive years

- Recurring profits for FY2016 are expected to grow by +7.3% YoY, renewing the record high for three consecutive years. Although the negative impact of emerging countries' slowdown will still remain, it is expected to be offset by economic expansion in the US, Europe and Japan.
- Earnings growth as a whole would be led by sectors such as Automobile driven by increase of sales, Resources & fuels on the rebound from inventory revaluation loss, and Industrial electric machinery passing through the temporary negative factors.

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