

## “Summer Bonus” will grow for 2 consecutive years

The “Summer Bonus” payment of large companies can be captured by The Institute of Labour Administration reports titled “The summer bonus settlement survey of Tokyo Stock Exchange 1st section companies” in the mid-May every year. The survey reports the “Summer Bonus” is expected to increase for two consecutive years led by upbeat corporate profits.

### Point 1

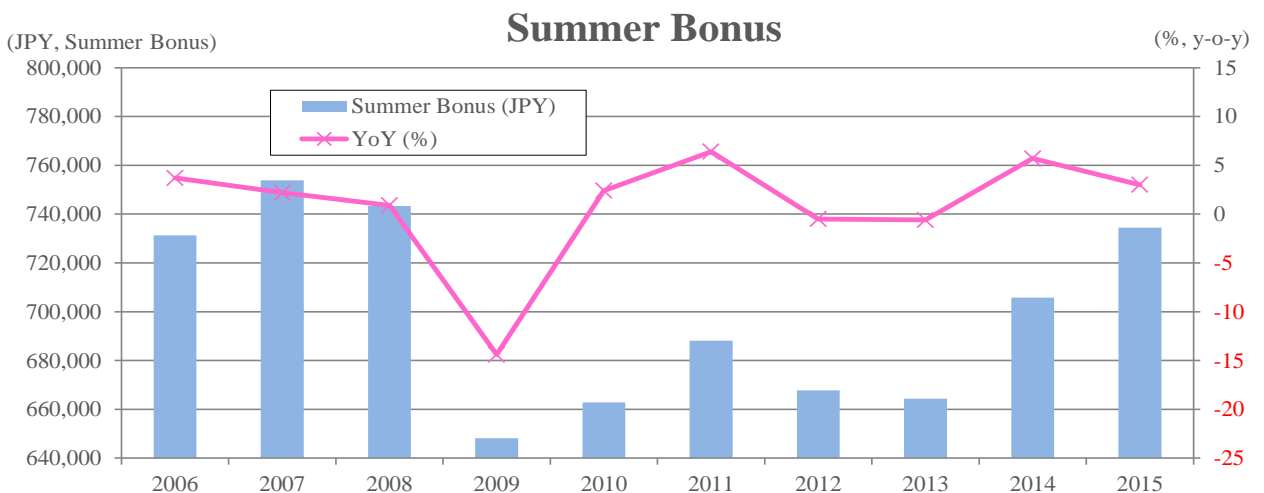
#### 3% y-o-y growth for the “Summer Bonus” Recovering to the level just before the financial crises

- The Institute of Labour Administration reported on May 7 the summer bonus payment of large 122 companies listed in Tokyo Stock Exchange. The survey shows the summer bonus grows on average 3.0% to JPY734,434 from the last summer. The bonus in summer season has risen for two consecutive years since 2013 and is approaching to JPY743,380, the level just before the financial crises in 2008. Also, this is a 13% recovery from the bottom of JPY648,149 in 2009.

### Point 2

#### Construction and Retailers are expected to raise the most Winter bonus is likely to grow

- Manufacturers are expected to pay bonus 2.6% more than last summer, whereas Non-Manufacturers pay 4.1% more. Broadly across the industries except only Miscellaneous Manufacturer and Communication industry plan to increase this summer bonus. Among the industries, Construction and Retailers are expected to raise the most.
- Corporate profits favorably grew to the record high in FY2014 due to weak JPY and low crude oil price, and are expected to maintain solid growth in FY2015. The bonus is expected to grow after the following winter season as the compensation growth would not sufficiently catch up with the increase in corporate profits.



(Source) SMAM, based on The Institute of Labour Administration data.

**■ Expectation on real wages to improve**

Unfortunately real wages have been declining since last year due to consumption tax hike although nominal wages gain has been seen. Real wages are very likely to turn to grow from this April as the pay scale increase grows nominal wage, the tax hike effect is diminishing and low crude oil price decreases inflation.

**■ Expectation on increase in bonus and wage to push up consumption**

The “Economy Watchers Survey” on May 13 showed recovery in regional economy due to spreading wage growth effect across the country. Going forward, the consumption is anticipated to improve more broadly on expectation for the growth in bonus and real wages. The virtuous cycle of consumption recovery to lead to increase corporate earnings and result in leading to further wages growth is expected.

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