

JAPANESE CORPORATES ROAR INTO 2017!

Profit, income and sales have surged

More than half of the Topix listed companies¹ have surpassed the March 2017 quarter's consensus earnings forecasts, making it a record earnings season. Both revenues and operating income topped estimates while earnings per share (EPS) and dividends per share (DPS) have hit new all-time highs (Fig 1).

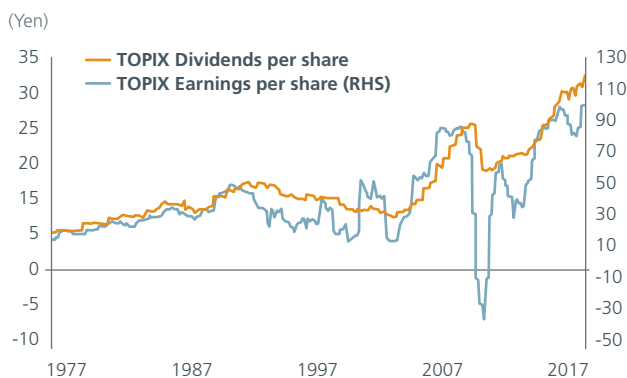
In our previous article **Good news from Corporate Japan** ([click for more](#)), we discussed at length that on-going corporate restructuring as a reason for the rising declared profits.

From a valuations perspective, Japan remains undemanding. Japan's price to book is still 7% below its 15-year average...in direct contrast with the United States which trades at a 19% premium (Fig 2).

As worldwide economic conditions firm, Japan's undemanding valuations, improving corporate health and increasingly shareholder centric management makes Japanese equities a compelling destination for the global investor.

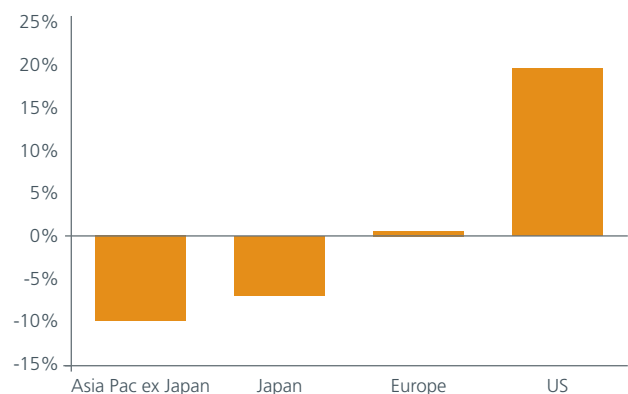


Fig.1. All Time High for TOPIX Trailing 12 Month Earnings-Per-Share and Dividend-Per-Share



Source: Bloomberg, Morgan Stanley Research, 17 May 2017.

Fig.2. Discount to 15Y Average



Source: Bloomberg, MSCI, Eastspring Investments, 30 April 2017.

¹ Record Reported Earnings and Dividends for Topix, Morgan Stanley MUFG, May 2017. At the time of writing, 91% of Topix listed companies have reported earnings



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