

Investment in Corporate Real Estate, Company profit under the Zero interest rate policy; Evidence from Panel Data of Japanese listed companies

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Abstract

Corporate capital investment (property, plant, equipment) is mainly determined based on the expected profit rate of future.

Has Capital investment been effectively linked to the improvement of the profit ratio for a company?

Not focused on the relationship between the stock price and the capital investment that has been demonstrated in previous studies, we focused on the performance of the company, and tried to analyze whether capital investment had contributed to the creation of company profit.

In this paper we overviewed the status of the investment in corporate real estate in Japan, and confirmed that whether the changes were seen in the relationship between capital investment and profit, whether capital investment had contributed to the company profit.

Using the data of individual companies in 2002-2012 (last 11 years of the stagnation period of the Japanese economy said to be "Lost Two Decades"), we attempted to panel analysis on the relationship between corporate profits and capital investment in three Industries (manufacturing, non-manufacturing, financial services).

In the Financial Services Industry, statistically significant results cannot be obtained, but in the Manufacturing and Non-Manufacturing Industries a positive relationship between corporate profits and capital investment has been demonstrated.

Keyword

corporate real estate, company profit, capital investment, Lost Two Decades, panel analysis