

YORIMICHI RESEARCH LAB

NIGHT FLIGHT SPECIAL

JAPAN HAS ¥4,158 TRILLION.

THEN WHY...?

 **ADVANCED ROUTE**

Advanced / General Knowledge Level

What Lies Between

“A Wealthy Nation”

and

“A Wealthy Life”?



FINAL TAKEOFF

Japan Has ¥4,158 Trillion in Assets

Japan has:

¥4,158 TRILLION

IN ASSETS.

When we see a number that enormous, a natural question arises:

“If Japan has that much wealth, shouldn’t it already be a very prosperous country?”

And yet—

when we look at:

Rising prices.

Real wages.

Household expenses.

Everyday purchasing power.

there seems to be some distance between:

JAPAN’S ENORMOUS ASSET FIGURE

and:

THE PROSPERITY PEOPLE FEEL

IN DAILY LIFE.

Why?

To answer that question, we need to climb to our final altitude and bring together all the instruments we have encountered:

STOCK

FLOW

GDP

GNI

CORPORATE PROFITS

CAPITAL INVESTMENT

WAGES

CONSUMPTION.

This is our final NIGHT FLIGHT.



FIRST RULE:

BEFORE YOU TRUST A BIG NUMBER,

ASK WHAT IT MEANS

There is something very important we must establish first.

We should never see:

¥4,158 TRILLION

and automatically interpret it as:

“JAPANESE PEOPLE HAVE

¥4,158 TRILLION IN CASH

AVAILABLE TO SPEND.”

When looking at the assets of an entire economy, we may be dealing with:

Non-financial assets such as land and buildings.

Financial assets such as deposits, stocks and bonds.

And on the other side:

LIABILITIES.

We must also ask:

WHO OWNS THE ASSETS?

WHAT IS INCLUDED?

ARE WE LOOKING AT GROSS ASSETS

OR NET ASSETS?

AT WHAT DATE

WERE THE ASSETS VALUED?

Depending on the answers—

the meaning of the number changes.

So before using the ¥4,158 trillion figure, its exact definition in the original statistical source needs to be confirmed.

This gives NIGHT FLIGHT one of its most important rules:

WHEN YOU SEE A BIG NUMBER,

FIRST ASK:

“WHAT EXACTLY WAS COUNTED?”

DON’ T LOOK ONLY AT THE NUMBER.

LOOK AT THE DEFINITION.



STOCK AND FLOW

TWO DIFFERENT INSTRUMENTS

An asset figure such as ¥4,158 trillion is basically a:

STOCK.

Stock tells us:

**HOW MUCH HAS ACCUMULATED
AT A PARTICULAR POINT IN TIME.**

Flow tells us:

**HOW MUCH ECONOMIC ACTIVITY
OCCURRED DURING A PERIOD OF
TIME.**

One of the most familiar flow indicators is:

GDP.

Think about a household.

The value of its house is:

STOCK.

Its monthly salary is:

FLOW.

Its monthly consumption is also:

FLOW.

A household might own ¥100 million in assets.

But if its income is low and little cash comes in each month—

daily life may still feel financially constrained.

Another household may own fewer assets—

but receive stable and sufficient income every month.

So:

THE SIZE OF ASSETS

and:

THE LEVEL OF INCOME

are not the same thing.

Or, in economic terms:

STOCK ALONE IS NOT ENOUGH.

We also need to watch:

CASH FLOW

and:

LIQUIDITY.

JP NEXT INSTRUMENT:

GDP

GDP — Gross Domestic Product — measures, broadly speaking:

THE VALUE ADDED

PRODUCED WITHIN A COUNTRY

DURING A PERIOD OF TIME.

The important word is:

DOMESTIC.

Japanese companies may operate overseas and earn profits there.

Foreign companies may operate and produce inside Japan.

So another instrument becomes useful:

GNI

Gross National Income.

Very broadly:

GDP

looks at what is produced inside Japan.

while:

GNI

looks at income received by Japan's residents from both domestic and overseas activity.

This distinction matters because Japanese companies have invested overseas for many years.

To understand modern Japan—

we cannot look only at:

DOMESTIC PRODUCTION.

We also need to examine:

INCOME FLOWS ACROSS BORDERS.



HERE IT COMES:

PRIMARY INCOME BALANCE

Japanese companies invest in foreign companies.

They own overseas subsidiaries.

They hold foreign stocks and bonds.

As a result, income crosses national borders in forms such as:

DIVIDENDS

INTEREST

**EARNINGS FROM OVERSEAS
OPERATIONS.**

One important item used to observe these international income flows is:

PRIMARY INCOME BALANCE.

And this reveals something important:

**JAPAN DOES NOT EARN MONEY
ONLY THROUGH EXPORTS.**

Japan's way of earning from the world has changed.

But—

that immediately creates our next question:

**IF JAPAN EARNS MORE MONEY
OVERSEAS,
WHY DON'T OUR WAGES**

IMMEDIATELY INCREASE?

Now we have arrived at the heart of the problem.



BETWEEN

“THE COMPANY EARNED MONEY”

AND

“THE HOUSEHOLD RECEIVED MONEY”

THERE IS A LONG PIPELINE

When a company earns a profit—

that profit does not automatically become employees' wages the next morning.

Companies have many possible uses for money:

LABOR COSTS

CAPITAL INVESTMENT

RESEARCH & DEVELOPMENT

DEBT REPAYMENT

TAXES

DIVIDENDS

INTERNAL FUNDS

ACQUISITIONS

OVERSEAS REINVESTMENT.

Therefore:

CORPORATE PROFITS ↑

≠

HOUSEHOLD INCOME ↑

in one simple step.

Between them lie:

ALLOCATION

and:

CIRCULATION.

NIGHT FLIGHT gives this system a name:

JAPAN' S MONEY PIPELINE MAP.



CAPITAL INVESTMENT:

A GIANT MONEY PUMP

Now imagine a semiconductor factory.

A company makes a massive investment.

That spending does not end with one company.

Orders spread into:

CONSTRUCTION

MANUFACTURING EQUIPMENT

PRECISION COMPONENTS

SEMICONDUCTOR MATERIALS

CHEMICALS

SPECIALTY GASES

ELECTRIC POWER

WATER TREATMENT

LOGISTICS

MAINTENANCE

INFORMATION SYSTEMS.

One company's capital investment becomes:

ANOTHER COMPANY'S SALES.

Then money flows onward to:

Other companies.

Employees.

Households.

This is the beginning of what economists call:

RIPPLE EFFECTS.

And that is why NIGHT FLIGHT can view a large factory as:

A GIANT MONEY PUMP.



BUT SALES ALONE

ARE NOT ENOUGH

Suppose a supplier's sales increase:

¥10 BILLION



¥12 BILLION.

Excellent!

Or is it?

Perhaps:

Raw-material costs surged.

Electricity costs increased.

Logistics costs increased.

Labor costs increased.

Then profits might actually decline.

So:

NOMINAL SALES GROWTH

is not the same as:

IMPROVED EARNING POWER.

We need to move down through the company's numbers:

SALES

↓

GROSS PROFIT

↓

OPERATING PROFIT

↓

CASH FLOW.

For our theme of Japan's revival, one question becomes especially important:

CAN COMPANIES PASS ON COSTS

AND RETAIN AN APPROPRIATE

GROSS MARGIN?

And this applies not only to major corporations.

We must also ask:

CAN THE SMEs RECEIVING THE WORK

RETAIN ADEQUATE GROSS PROFIT?

Without that—

we cannot know whether the economic ripple effect is truly reaching the surrounding economy.



NOW CONNECT

THE VIRTUOUS CYCLE

Here is the route we have been searching for.

CORPORATE INVESTMENT INCREASES



ORDERS FOR CONSTRUCTION,

EQUIPMENT & MATERIALS INCREASE



**SALES AT SURROUNDING COMPANIES
INCREASE**



ADEQUATE GROSS PROFIT

AND PROFIT REMAIN



WAGES RISE



HOUSEHOLD INCOME RISES



CONSUMPTION INCREASES



CORPORATE SALES INCREASE



**THE NEXT CAPITAL INVESTMENT
BEGINS.**

If this cycle turns again and again—

something important happens:

**ASSETS THAT EXISTED AS STOCK
BEGIN TO MOVE THE ECONOMY**

AS FLOW.

This is the circulation NIGHT FLIGHT has been searching for.



BUT THERE IS A WALL:

SUPPLY CONSTRAINTS

Even when companies have money—

WANTING TO INVEST

≠

BEING ABLE TO INVEST IMMEDIATELY.

Perhaps:

There are not enough engineers.

There are not enough construction workers.

There is not enough electricity capacity.

There is not enough industrial land.

There is not enough component-production capacity.

There is not enough logistics capacity.

These are:

SUPPLY CONSTRAINTS.

Remember our:

“CLASSROOM SHORTAGE”?

If the number of students suddenly increases—

you cannot create a new school overnight.

You need:

Teachers.

Buildings.

Desks.

Capacity.

Domestic investment can face the same problem.

Sometimes the issue may not be:

“THERE ISN’ T ENOUGH MONEY.”

It may be:

“THERE ISN’ T ENOUGH CAPACITY TO ABSORB THE MONEY.”



AND HERE COMES

THE NEXT INVESTMENT OPPORTUNITY

A bottleneck is a problem.

But economically—

it can also create:

THE NEXT INVESTMENT DEMAND.

Not enough electricity?

INVEST IN POWER INFRASTRUCTURE.

Not enough workers?

INVEST IN AUTOMATION & ROBOTICS.

Not enough logistics capacity?

INVEST IN LOGISTICS FACILITIES.

So:

FINDING THE BOTTLENECK

can also mean:

FINDING WHERE

THE NEXT INVESTMENT IS NEEDED.

The “classroom shortage” has now become an investment map.



WHAT DOES

“GOOD INFLATION”

LOOK LIKE?

Prices rise:

+2%.

Can we immediately say:

“GOOD INFLATION!”

No.

We need to look at several instruments together:

PRICES

WAGES

CORPORATE PROFITS

CAPITAL INVESTMENT

PRODUCTIVITY

HOUSEHOLD CONSUMPTION.

Suppose prices rise:

+5%

but wages rise only:

+1%.

Household purchasing power is squeezed.

But suppose:

Companies can charge appropriate prices.

Gross profit is retained.

Wages rise.

Capital investment increases.

Productivity improves.

Household consumption is maintained or expands.

Then we may be moving from:

“HIGHER PRICES”

toward:

**“A CYCLE OF HIGHER INCOME
AND INVESTMENT.”**

That is a much more meaningful definition of economic improvement.



**AND WHAT CAN
THE STOCK MARKET TELL US?**

Now the market data we have been collecting begins to matter.

We do not look only at:

THE NIKKEI 225.

We also watch:

TOPIX

TRADING VALUE

TRADING VOLUME

and sector movements such as:

SEMICONDUCTORS

HEAVY INDUSTRY

BANKS

TRADING COMPANIES

STEEL

ELECTRIC CABLES

CONSTRUCTION

REAL ESTATE.

Why?

Because this may help us observe:

WHICH INDUSTRIES

THE MARKET IS BEGINNING TO VALUE.

But—

once again:

STOCK PRICES RISING

≠

PROOF THAT JAPAN IS REVIVING.

The stock market can price in expectations before the real economy changes.

And expectations can be wrong.

So NIGHT FLIGHT uses the stock market as:

A RECONNAISSANCE AIRCRAFT

FLYING AHEAD

TO SEARCH FOR POSSIBLE SIGNS

OF JAPAN' S REVIVAL.

Then we verify what the reconnaissance aircraft found using:

ORDERS

SALES

GROSS PROFIT

PROFIT

CAPITAL INVESTMENT

WAGES.

Now we are not telling a story based on stock prices alone.

We are:

TESTING A HYPOTHESIS.



NOW WE CAN BUILD

THE JAPAN REVIVAL DASHBOARD

We began with one enormous number:

¥4,158 TRILLION.

Now our cockpit contains eight instrument groups.

① STOCK

Japan's assets, liabilities and net worth.

② INCOME FROM THE WORLD

GNI and Primary Income Balance.

③ CORPORATE ACTIVITY

Corporate profits, operating cash flow and capital investment.

④ RIPPLE EFFECTS

Sales, profits and cost pass-through at SMEs.

⑤ HOUSEHOLDS

Nominal wages, real wages and disposable income.

⑥ CONSUMPTION

Household consumption.

⑦ THE NEXT INVESTMENT

Capital-expenditure plans, orders and R&D.

⑧ MARKET RECONNAISSANCE

Stock prices, trading volume, trading value and sector-to-sector capital movement.

We do not say:

**“ONE NUMBER ROSE,
THEREFORE JAPAN IS BACK.”**

Instead we ask:

**“ARE MULTIPLE INSTRUMENTS
BEGINNING TO POINT
IN THE SAME DIRECTION?”**

That is our:

JAPAN REVIVAL DASHBOARD.

 AND NOW...

BACK TO ¥4,158 TRILLION

We have finally returned to our departure point.

“JAPAN HAS ¥4,158 TRILLION.

THEN WHY...?”

At Advanced altitude, our answer has changed.

A large stock of assets matters.

But that number alone cannot tell us:

Did income increase?

Are companies investing?

Did profits reach SMEs?

Did wages increase?

Did consumption increase?

So we can finally say:

ASSETS SHOW THE SIZE

OF THE BODY. FLOW SHOWS THE BLOOD CIRCULATION.

A large body does not necessarily mean a healthy body—

if the blood is not circulating properly.

The economy is similar.

We do not deny the importance of ¥4,158 trillion.

Instead—

we ask one more question:

“ARE THOSE ASSETS MOVING TO CREATE THE NEXT VALUE?”

That is the question this entire flight has been leading toward.



THE FINAL MONEY PIPELINE

So what should we actually watch?

Not only:

ASSETS.

But:

INCOME EARNED FROM THE WORLD

↓

DOMESTIC INVESTMENT

↓

**ORDERS TO SURROUNDING
COMPANIES**

↓

GROSS PROFIT & PROFIT

↓

WAGES

↓

CONSUMPTION

↓

THE NEXT CAPITAL INVESTMENT.

And now we ask:

**IS THIS BLOOD FLOW
BECOMING STRONGER?
IS IT BLOCKED SOMEWHERE?
WHERE WILL THE NEXT BOTTLENECK
APPEAR?**

Only after following the numbers this far can we begin to test the claim:

“JAPAN IS REVIVING.”

 **FINAL RE-FLIGHT**

Same ¥4,158 Trillion.

Three Altitudes.

 **BEGINNER**

Assets Are Not Spending Money

Japan owns a lot.

But—

is the money moving?

→ Return to  Beginner

INTERMEDIATE

Stock and Flow

Stock tells us:

WHAT HAS ACCUMULATED.

Flow tells us:

WHAT IS MOVING.

Then we follow:

Investment → Profit → Wages → Consumption → Reinvestment.

→ Return to  Intermediate

ADVANCED

The Entire Economic Cockpit

Stock.

Flow.

GDP.

GNI.

Primary Income Balance.

Corporate profits.

Gross profit.

Capital investment.

Wages.

Consumption.

Productivity.

Supply constraints.

Market expectations.

This is the altitude we flew today.

 **THREE ALTITUDES.**

ONE QUESTION.

 **Beginner**

“WHAT DOES JAPAN HAVE?”

 **Intermediate**

“WHERE IS THE MONEY FLOWING?”

● Advanced

“IS THAT FLOW CREATING THE NEXT VALUE?”

Same ¥4,158 trillion.

Three altitudes.

One journey.

And now—

the three routes meet.



FINAL APPROACH

Look Beyond the Number

Our journey began with:

ONE NUMBER.

¥4,158 trillion.

At first, the number looked like an answer.

Then—

it became a question.

We followed that question through:

Assets.

Income from overseas.

Factories.

SMEs.

Gross profit.

Wages.

Consumption.

Inflation.

Supply constraints.

Capital investment.

And finally:

The stock market.

And after travelling all this way—

we discovered something very simple.

THE ANSWER
WAS NEVER INSIDE
ONE NUMBER.

The important thing was:

THE CONNECTIONS BETWEEN THE NUMBERS.



FINAL LANDING

YORIMICHI RESEARCH LAB

NIGHT FLIGHT SPECIAL

Advanced / General Knowledge Route

¥4,158 TRILLION

WAS NOT THE ANSWER.

IT WAS THE FIRST “?”

And that question led us to:

STOCK



FLOW

↓

INCOME

↓

INVESTMENT

↓

PROFIT

↓

WAGES

↓

CONSUMPTION

↓

THE NEXT INVESTMENT.

ASSETS SHOW THE BODY.

FLOW SHOWS THE BLOODSTREAM.

And the final question is:

“ARE JAPAN’ S ASSETS MOVING TO CREATE THE NEXT VALUE?”



ONE QUESTION ENDS.

ANOTHER BEGINS.

The Japanese source ends at exactly the right place.

Our next NIGHT FLIGHT does not ask us to:

BELIEVE

“JAPAN IS BACK.”

Nor does it ask us to:

DENY IT.

Instead, it asks:

“SO...

WHAT DO THE ACTUAL NUMBERS SAY?”

The World Route will examine:

GDP

GNI

PRIMARY INCOME BALANCE

OVERSEAS INVESTMENT.

The Domestic Route will examine:

CAPITAL INVESTMENT

CORPORATE PROFITS

WAGES

CONSUMPTION

STOCK–MARKET CAPITAL FLOWS.

And from here—

we do not begin with the conclusion.

**WE PUT THE NUMBERS
SIDE BY SIDE.
AND CHECK FOR OURSELVES.**

That is exactly where the Japanese final manuscript leaves us.

NIGHT FLIGHT SPECIAL

Numbers Take Flight.

You are the Captain.

I am your Co-Pilot.

AI is in the Control Tower.

FINAL FLIGHT COMPLETE.

From one enormous number...

¥4,158 TRILLION

...to one very simple question:

“WHERE IS THE MONEY GOING?”

And finally:

**“WHAT VALUE
WILL IT CREATE NEXT?”**



NORMAL LANDING

Thank you, Captain.

All three altitudes are home.



Beginner



Intermediate



Advanced

NIGHT FLIGHT SPECIAL

FLIGHT COMPLETE.

Until our next flight. 