

# **Outlook for FY23–24 corporate earnings**

## Quarterly Update

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# Contents

Summary and major assumptions.....	3
Contributions to recurring profit growth by sector.....	5
Revisions to recurring profit estimates (versus old estimates) .....	7
Revision index for the Russell/Nomura Large Cap Index.....	9
Reference	
Russell/Nomura Large Cap Index: earnings indicators .....	10
Recurring profits by sector.....	12
Percentage change in quarterly sales and profits .....	13
Valuation indicators .....	14
What are the Russell/Nomura Japan Equity Indexes? .....	15

## Summary and major assumptions

### **Our analysts forecast FY23 sales growth of 3.2% operating profit growth of 15.1%, recurring profit growth of 11.8%, net profit growth of 9.0%**

We have aggregated FY23–24 earnings forecasts by Nomura analysts for constituents of the Russell/Nomura Large Cap Index (sales and operating profits exclude financials, same basis hereafter). Our analysts forecast FY23 sales growth of 3.2% y-y, operating profit growth of 15.1%, recurring profit growth of 11.8%, and net profit growth of 9.0%. Versus the previous such exercise, conducted on 1 September 2023, our analysts have raised their sales growth forecast by 1.5ppt, their operating profit growth forecast by 2.8ppt, their recurring profit growth forecast by 1.9ppt, and their net profit growth forecast, by 0.1ppt. As was the case in September, in absolute terms the largest upward revision was for the automobiles sector, on increased output (now that semiconductor shortages have been resolved), greater-than-expected benefits from product mix improvements and price hikes, and revisions to our forex assumptions toward a weaker yen.

### **Our analysts forecast FY24 sales growth of 3.0%, operating profit growth of 8.9%, recurring profit growth of 8.3%, net profit growth of 8.0%**

Our analysts forecast FY24 sales growth of 3.0% y-y, operating profit growth of 8.9%, recurring profit growth of 8.3%, and net profit growth of 8.0%. Versus the previous such exercise, they have raised their sales growth forecast by 0.7ppt, their operating profit growth forecast by 0.1ppt, their recurring profit growth forecast by 1.5ppt, and their net profit growth forecast by 2.4ppt, for across-the-board increases. We revise our forex assumptions toward a weaker yen, and in addition to forex effects we think a number of sectors could improve their margins by means of product price hikes.

### **Upward revisions outnumber downward revisions for both manufacturing and nonmanufacturing**

The Revision Index (RI) for the Russell/Nomura Large Cap Index (ex financials) (which shows the difference between the percentage of companies for which estimates were raised and the percentage for which estimates were lowered) is +20.2% for December 2023, indicating that upward revisions to FY23 forecasts (recurring profit basis) outstripped downward revisions in the period from 2 September through 1 December 2023. This uptrend is continued from September, when upward revisions also outstripped downward revisions (period from 2 June 2023 to 1 September 2023). Moreover, upward revisions outnumbered downward revisions across a broad range of sectors, both manufacturers and nonmanufacturers.

### **Further rise in percentage of companies forecast to raise or restore their dividends in FY23**

The projected dividend payout ratio for FY23 is 36.1%, up from 35.5% in the previous such exercise and close to the 36.4% marked in FY22. Most of the increase in the projected dividend payout ratio is attributable to upward revisions to per-share dividend forecasts. Moreover, our analysts now expect 64.6% of companies to restore or raise their dividends in FY23, up from 61.2% in the previous such exercise. We will continue to keep a close eye on shareholder return trends, including share buybacks.

Fig. 1: Overview of consolidated earnings forecasts for the Russell/Nomura Large Cap Index

		No. of cos	New					Old	
			FY20	FY21	FY22	FY23E	FY24E	FY21E	FY22E
									(%)
Sales (% y-y)	Russell/Nomura Large Cap (ex financials)	265	-7.5	14.1	17.2	3.2	3.0	1.7	2.3
	Manufacturing	143	-8.0	15.2	17.4	6.7	4.0	4.3	3.2
	Basic materials	30	-12.1	28.8	24.2	-1.0	4.2	-4.6	2.0
	Processing	72	-7.7	13.3	16.4	9.9	3.9	7.6	3.5
	Nonmanufacturing (ex financials)	122	-6.8	12.8	16.9	-1.2	1.8	-1.6	1.2
	Russell/Nomura Small Cap (ex financials)	1,086	-6.1	7.3	11.0	4.4	4.4	4.8	3.8
Operating profits (% y-y)	Russell/Nomura Large Cap (ex financials)	265	-18.9	58.3	6.9	15.1	8.9	12.3	8.8
	Manufacturing	143	-3.4	58.2	3.9	12.4	12.0	9.5	11.0
	Basic materials	30	13.7	148.5	-6.4	-9.7	14.3	-14.4	17.2
	Processing	72	-8.6	52.9	6.9	24.1	9.7	18.6	9.4
	Nonmanufacturing (ex financials)	122	-36.2	58.5	13.3	20.3	3.6	17.7	4.8
	Russell/Nomura Small Cap (ex financials)	1,086	-12.5	37.8	3.5	17.1	14.0	17.1	12.7
Recurring profits (% y-y)	Russell/Nomura Large Cap	287	4.5	34.1	4.2	11.8	8.3	9.9	6.8
	Russell/Nomura Large Cap (ex financials)	265	5.6	34.5	7.7	8.7	8.0	6.9	6.7
	Manufacturing	143	7.6	56.9	2.7	14.2	9.0	9.7	9.4
	Basic materials	30	13.7	164.2	-7.2	-9.7	12.7	-15.7	16.5
	Processing	72	8.7	47.8	4.4	26.5	5.9	18.9	7.2
	Nonmanufacturing	144	2.0	14.7	5.8	9.1	7.4	10.2	4.0
	Nonmanufacturing (ex financials)	122	3.3	8.8	15.8	1.0	6.3	2.8	2.6
	Russell/Nomura Small Cap	1,173	-5.9	45.0	0.7	15.4	10.7	13.7	10.8
	Russell/Nomura Small Cap (ex financials)	1,086	-7.0	50.1	0.4	15.8	11.0	14.1	11.0
After-tax profits (% y-y)	Russell/Nomura Large Cap	287	16.3	38.9	3.1	9.0	8.0	8.9	5.6
	Russell/Nomura Large Cap (ex financials)	265	18.3	39.5	6.5	6.2	8.0	6.3	5.5
	Manufacturing	143	16.4	66.8	-3.1	16.6	7.3	12.8	7.4
	Basic materials	30	73.7	308.5	-18.8	-9.3	14.7	-13.7	17.0
	Processing	72	18.9	51.4	-1.4	27.6	4.9	20.5	5.9
	Nonmanufacturing	144	16.2	15.1	10.5	1.1	8.8	4.9	3.6
	Nonmanufacturing (ex financials)	122	20.7	7.6	23.0	-7.9	9.0	-2.5	2.4
	Russell/Nomura Small Cap	1,173	2.1	72.2	1.5	22.6	11.8	21.4	10.4
	Russell/Nomura Small Cap (ex financials)	1,086	1.2	84.9	0.3	25.2	12.9	24.3	11.0

Note: Latest estimates as of 1 December 2023; previous estimates as of 1 September 2023.

Source: Nomura

Fig. 2: Key earnings estimate assumptions

	As of 16 Oct 2023					As of 18 Jul 2023				
	Industrial production 2015se year	Policy rate (FY-end)	WTI	Exchange rate (avg)		Industrial production 2015 base year	Policy rate (FY-end)	WTI	Exchange rate (avg)	
	% y-y	%	\$/bbl	USD/JPY	EUR/JPY	% y-y	%	\$/bbl	USD/JPY	EUR/JPY
FY20E	-0.3	-0.10	89.7	135.50	140.93	-0.2	-0.10	89.7	135.50	140.93
FY21E	-0.9	-0.10	81.5	142.95	153.68	1.6	-0.10	73.2	135.57	151.37
FY22E	1.3	-0.10	77.5	145.00	154.00	2.5	0.00	70.0	135.00	152.00
FY20 H1	0.2	-0.10	100.0	134.07	138.68	0.3	-0.10	100.0	134.07	138.68
FY20E H2	-0.8	-0.10	79.4	136.92	143.18	-0.7	-0.10	79.4	136.92	143.18
FY21E H1	-1.4	-0.10	78.0	140.90	153.36	0.3	-0.10	73.9	136.15	150.74
FY21E H2	-0.4	-0.10	85.0	145.00	154.00	3.0	-0.10	72.5	135.00	152.00
FY22E H1	0.7	-0.10	80.0	145.00	154.00	2.8	0.00	70.0	135.00	152.00
FY22E H2	1.8	-0.10	75.0	145.00	154.00	2.3	0.00	70.0	135.00	152.00

Note: WTI is the term-average WTI crude oil futures price. The above assumptions are not Nomura forecasts but the assumptions on which Nomura analysts base their earnings forecasts.

Source: Nomura

# Contributions to recurring profit growth by sector

## Overview of the corporate earnings outlook for FY23

For FY23, our analysts expect recurring profits to increase in eight out of 19 sectors and fall in 11.

Sectors that our analysts expect to make large positive contributions to overall profits include automobiles, financials, and utilities. In the automobiles sector, our analysts think automakers will be able to increase production substantially now that the semiconductor shortage is resolved, and the product mix is also improving. We think market conditions will remain favorable, especially in North America, despite high interest rates, owing to price hikes and tailwinds from yen weakness. In the financials sector, positive factors for major banks include an increase in loans from improvement in the Japanese economy, on top of banks' own efforts to control overheads and boost margins, for example via improved spreads. Factors that hit profits in FY22—such as substantial accounting costs arising from the sale of subsidiary company shares and insurance benefit payouts for hospitalizations owing to a resurgence in COVID-19 infections in Japan—will also drop out. At utilities companies, gains/losses related to the fuel cost adjustment scheme should improve, and our analysts also expect profits to be boosted by electricity rate hikes and a fall in fuel costs as a result of the restart of nuclear reactors.

Sectors that our analysts expect to make large negative contributions to profits include transportation, trading companies, chemicals, steel & nonferrous metals, and pharmaceuticals & healthcare. The shipping subsector accounts for a large portion of the prospective profit decline in the transportation sector. Containership spot rates have been falling, and our analysts expect rates to fall at Ocean Network Express (ONE), the equity-method affiliate of the three major Japanese shipping companies. At trading companies, we expect an impact from falling resource prices and a reactive downturn from healthy energy trading transactions in FY22. In the chemicals sector, our analysts see multiple factors depressing profits, such as sluggish demand for petrochemicals stemming from the stalled economic recovery in China, and weak demand in H1 for semiconductor materials and wafers stemming from inventory adjustments at semiconductor manufacturers. In the steel & nonferrous metals sector, our analysts expect lower profits owing to the drop in nonferrous metals prices and the differential in inventory valuation gains compared with FY22. For pharmaceuticals & healthcare, they see negative impacts from pharmaceuticals for which development was stopped and on the booking of impairment losses related to consolidated subsidiaries.

## Overview of the corporate earnings outlook for FY24

For FY24, our analysts expect recurring profits to increase in 16 out of 19 sectors and fall in three.

Sectors expected to make major positive contributions to overall profit growth include telecommunications, financials, electrical machinery & precision equipment, pharmaceuticals & healthcare, chemicals, and machinery. In telecommunications, our analysts forecast improvement in gains/losses on investments at SoftBank Group [9984] (Buy). In financials, our analysts see numerous positive factors including higher profits from market-related operations and an increase in transactions with large companies, efforts to boost margins such as via improved spreads and overhead controls, and recovery in profits at subsidiaries. In electrical machinery & precision equipment, our analysts forecast a wide-ranging recovery in demand, with recovery and expansion in the market for semiconductor production equipment stemming from an increase in demand for semiconductors for generative AI applications, and a recovery in shipments of electronic parts for automotive applications. They forecast higher profits in pharmaceuticals & healthcare owing to the dropout of impairment losses booked in FY23. In chemicals, our analysts expect improved demand for electronic materials as the semiconductor industry recovers, and a pickup in petrochemicals. In the machinery sector they forecast a recovery in FA equipment for applications such as semiconductors.

Sectors expected to make major negative contributions to overall profit growth include utilities, where gains under the fuel cost adjustment scheme are set to drop out.

Fig. 3: Contributions to recurring profit growth by sector for the Russell/Nomura Large Cap Index

FY23E				FY24E			
Increase in profits (%)				Increase in profits (%)			
8 sectors	Growth	Contribution	Contribution (ex financials)	16 sectors	Growth	Contribution	Contribution (ex financials)
Automobiles	58.2	70.1	106.5	Telecommunications	66.3	28.5	33.9
Financials	38.0	34.1	-	Financials	10.0	15.9	-
Utilities	1,521.9	32.8	49.8	Electrical machinery, precision equipment	10.6	15.3	18.2
Machinery	10.2	4.5	6.8	Pharmaceuticals, healthcare	29.3	11.5	13.6
Retailing	9.8	2.8	4.3	Chemicals	12.5	10.7	12.7
Food	8.7	2.2	3.4	Machinery	10.5	6.5	7.7
Services	7.1	1.9	2.9	Automobiles	2.0	4.9	5.8
Software	8.7	1.6	2.4	Housing, real estate	9.1	4.6	5.4
				Transportation	7.3	3.9	4.6
				Services	9.9	3.7	4.3
				Household goods	26.8	3.3	4.0
				Retailing	8.2	3.3	3.9
				Steel, nonferrous metals	13.4	3.2	3.8
				Food	8.0	2.8	3.4
				Construction	23.8	1.8	2.1
				Media	15.1	0.4	0.5
Decrease in profits (%)				Decrease in profits (%)			
11 sectors	Growth	Contribution	Contribution (ex financials)	3 sectors	Growth	Contribution	Contribution (ex financials)
Construction	-6.0	-0.4	-0.6	Software	-3.5	-0.9	-1.0
Household goods	-3.7	-0.4	-0.6	Trading companies	-5.0	-5.2	-6.2
Telecommunications	-2.2	-0.7	-1.1	Utilities	-31.5	-14.1	-16.7
Media	-27.9	-0.9	-1.3				
Electrical machinery, precision equipment	-0.8	-0.9	-1.4				
Housing, real estate	-4.6	-1.9	-2.9				
Pharmaceuticals, healthcare	-10.2	-3.5	-5.3				
Steel, nonferrous metals	-19.8	-4.6	-7.0				
Chemicals	-6.5	-4.6	-7.0				
Trading companies	-11.6	-10.8	-16.4				
Transportation	-34.1	-21.3	-32.4				

Note: SP = switch to profits; SL = switch to losses; LS = losses shrinking.

Source: Nomura

# Revisions to recurring profit forecasts (versus old forecasts)

## Overview of the corporate earnings outlook for FY23

Our analysts have raised their FY23 recurring profit forecasts for 13 out of 19 sectors and lowered them for six.

They have made large upward revisions for automobiles, utilities, chemicals, trading companies, and financials, with a particularly large revision for automobiles. For automobiles, they forecast continued favorable market conditions, with a boost to shipments from US dealers building up inventory and a low likelihood of major price cuts from impractical production ramp-ups, because operating rates are already high and the labor market is tight in the US and Japan. Our revision to our forex assumptions in favor of a weaker yen is another factor here. In utilities, our analysts updated their forecasts to reflect a higher volume of electricity sold and reductions in various expenses, including electric power procurement costs. For chemicals, they raised their forecast for the petrochemical products subsector owing to new assumptions for the crude oil price and forex rates. For trading companies, they reflected good conditions in operations related to automobiles as well as better-than-expected energy trading transactions. In financials, our analysts reflected brisk recent earnings in market-related operations and an upturn in earnings in core operations, led by business with large corporations in Japan and abroad.

Conversely, our analysts have made substantial downward revisions for sectors including telecommunications and pharmaceuticals & healthcare. In telecommunications, our analysts reflected a harsh outlook for investment losses at SoftBank Group. For pharmaceuticals & healthcare they reflected the booking of impairment losses related to consolidated subsidiaries and the impact of pharmaceuticals for which development was stopped.

## Overview of the corporate earnings outlook for FY24

Our analysts have raised their FY24 recurring profit forecasts for 10 out of 19 sectors, and lowered them for nine.

They have made substantial upward revisions for sectors including automobiles, financials, trading companies, and chemicals. They have raised their forecast for automobiles for broadly the same reasons as for FY23. For financials, they forecast an upturn in earnings in core operations at major banks, led by business with large corporations in Japan and abroad. For trading companies, they expect automobile-related business to remain solid and factor in gains on the sale of coking coal mines. For chemicals, they reflected new assumptions for crude oil prices and forex rates for upstream petroleum and natural gas producers.

Conversely, our analysts have made substantial downward revisions for sectors including electrical machinery & precision equipment, media, and pharmaceuticals and healthcare. They have lowered their forecasts for electrical machinery and precision equipment for a number of reasons, including to reflect weak demand for commodity products other than automotive applications, and delays in recovery for SoC testers and FA-related business in China. For pharmaceuticals and healthcare, they have lowered their earnings forecasts owing to higher expenses stemming from yen weakness and to reflect amortization of intangible fixed assets accompanying acquisitions.

Fig. 4: Revisions to recurring profit estimates for the Russell/Nomura Large Cap Index

FY22E					FY23E				
[Upward revisions] 13 sectors					[Upward revisions] 10 sectors				
	New	Old	Revision	Change		New	Old	Revision	Change
	¥bn	¥bn	¥bn	%		¥bn	¥bn	¥bn	%
Automobiles	12,590	11,390	1,199.2	10.5	Automobiles	12,843	11,682	1,160.4	9.9
Utilities	2,311	1,924	386.5	20.1	Financials	9,012	8,717	295.0	3.4
Chemicals	4,441	4,112	329.1	8.0	Trading companies	5,186	4,954	231.9	4.7
Trading companies	5,457	5,339	117.8	2.2	Chemicals	4,996	4,771	225.6	4.7
Financials	8,190	8,080	109.9	1.4	Utilities	1,583	1,449	134.4	9.3
Retailing	2,078	1,978	99.4	5.0	Retailing	2,247	2,122	125.8	5.9
Transportation	2,724	2,638	86.0	3.3	Services	2,094	1,988	106.8	5.4
Services	1,905	1,829	76.2	4.2	Machinery	3,509	3,455	54.2	1.6
Machinery	3,175	3,122	53.0	1.7	Software	1,269	1,239	30.1	2.4
Steel, nonferrous metals	1,232	1,187	45.0	3.8	Food	1,976	1,970	5.9	0.3
Software	1,315	1,297	17.9	1.4					
Housing, real estate	2,607	2,599	8.4	0.3					
Food	1,830	1,823	6.9	0.4					
[Downward revisions] 6 sectors					[Downward revisions] 9 sectors				
	New	Old	Revision	Change		New	Old	Revision	Change
	¥bn	¥bn	¥bn	%		¥bn	¥bn	¥bn	%
Construction	384	392	-8.5	-2.2	Steel, nonferrous metals	1,398	1,402	-4.0	-0.3
Media	151	230	-79.2	-34.4	Housing, real estate	2,844	2,861	-16.5	-0.6
Electrical machinery, precision equipment	7,443	7,526	-83.6	-1.1	Transportation	2,923	2,960	-36.7	-1.2
Household goods	647	735	-88.5	-12.0	Telecommunications	3,707	3,744	-37.2	-1.0
Pharmaceuticals, healthcare	2,024	2,387	-362.4	-15.2	Construction	475	513	-38.5	-7.5
Telecommunications	2,229	3,323	-1,093.9	-32.9	Household goods	820	859	-38.9	-4.5
					Pharmaceuticals, healthcare	2,617	2,697	-79.7	-3.0
					Media	173	270	-96.5	-35.8
					Electrical machinery, precision equipment	8,234	8,487	-252.8	-3.0

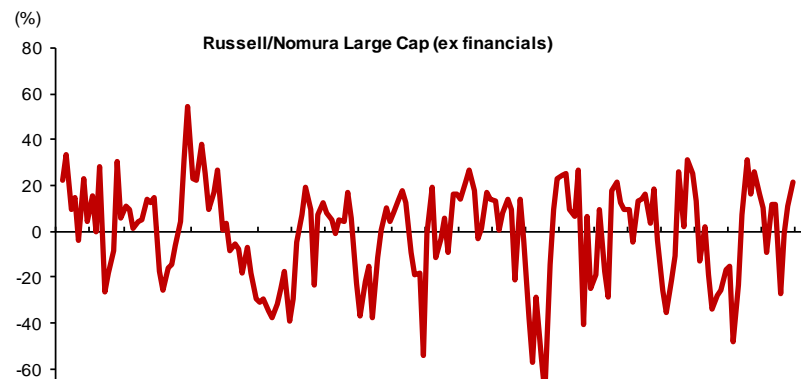
Note: Latest estimates as of 1 December 2023, previous estimates as of 1 September 2023.

Source: Nomura



**Fig. 5: Revision index for the Russell/Nomura Large Cap Index**

	(yy/m)	22/3	22/6	22/9	22/12	23/3	23/6	23/9	23/12 (%)
Russell/Nomura Large Cap		11.5	-8.7	11.5	9.1	-24.7	-0.7	10.4	20.2
Russell/Nomura Large Cap (ex financials)		10.2	-9.1	13.2	11.7	-27.1	-1.1	10.9	21.5
Manufacturing		6.2	-13.1	22.1	4.1	-43.1	-1.4	0.7	18.2
Basic materials		48.3	-17.2	44.8	0.0	-30.0	-40.0	-46.7	16.7
Processing		2.7	-10.8	10.8	2.7	-50.7	12.3	23.3	23.6
Nonmanufacturing (ex financials)		15.0	-4.2	2.5	20.8	-8.2	-0.8	23.0	25.4



Note: (1) Calculated by Nomura based on revisions to recurring profit forecasts. Excludes consolidated subsidiaries. (2) Revision index = (number of upward revisions - number of downward revisions) ÷ number of constituent companies.

Source: Nomura

# Russell/Nomura Large Cap Index: earnings indicators

Fig. 6: Percentage change in sales by sector (% y-y)

		No. of cos	FY19	FY20	FY21	FY22	FY23E		FY24E	
							Old	New	Old	New
						E	E	E	E	
Industrial groups	Russell/Nomura Large Cap (ex financials)	265	-2.5	-7.5	14.1	17.2	1.7	3.2	2.3	3.0
	Manufacturing	143	-2.7	-8.0	15.2	17.4	4.3	6.7	3.2	4.0
	Basic materials	30	-2.0	-12.1	28.8	24.2	-4.6	-1.0	2.0	4.2
	Processing	72	-4.5	-7.7	13.3	16.4	7.6	9.9	3.5	3.9
	Nonmanufacturing (ex financials)	122	-2.3	-6.8	12.8	16.9	-1.6	-1.2	1.2	1.8
Broad sectors	Materials	30	-2.0	-12.1	28.8	24.2	-4.6	-1.0	2.0	4.2
	Machinery, autos	40	-4.4	-10.4	13.9	19.7	13.1	15.8	4.1	4.9
	Electronics	32	-4.8	-3.0	12.5	11.4	-2.0	-0.9	2.2	1.9
	Consumer, distribution	84	-0.6	-4.4	15.6	14.6	-2.8	-2.0	1.3	1.7
	Information	22	-7.4	-0.6	6.0	7.2	2.4	3.2	3.5	3.6
	Utilities, infrastructure	57	0.2	-12.2	6.0	23.6	1.9	2.0	1.1	2.2
Sectors	Chemicals	25	-1.2	-12.4	27.8	26.3	-8.1	-3.6	2.9	5.0
	Steel, nonferrous metals	5	-3.9	-11.3	31.5	18.2	5.7	6.6	-0.3	1.8
	Machinery	23	-3.6	-5.5	17.8	18.0	3.6	5.3	4.1	3.6
	Autos	17	-4.6	-11.8	12.8	20.2	16.0	19.1	4.1	5.2
	Electrical machinery, precision equipment	32	-4.8	-3.0	12.5	11.4	-2.0	-0.9	2.2	1.9
	Pharmaceuticals, healthcare	16	9.7	-2.1	7.4	10.9	2.8	5.3	3.1	3.5
	Food products	14	0.7	-3.9	2.0	12.3	5.6	6.5	3.3	3.5
	Household goods	11	-0.8	-7.4	9.2	10.2	3.8	3.1	4.3	4.5
	Trading companies	8	-5.0	-5.8	30.3	19.4	-10.2	-9.4	-1.4	-1.1
	Retailing	17	2.5	-3.4	13.7	15.0	2.8	3.1	3.5	3.9
	Services	18	-2.5	-4.0	3.1	5.5	1.5	1.7	2.1	3.0
	Software	11	7.5	9.2	3.8	3.3	5.9	8.1	2.2	2.4
	Media	3	0.8	-12.9	19.7	12.2	4.2	0.8	4.8	4.6
	Telecommunications	8	-10.7	-0.6	5.4	7.5	1.6	2.5	3.7	3.8
	Construction, engineering	5	5.1	-9.8	5.8	11.8	6.2	8.0	5.2	4.6
	Housing, real estate	19	2.3	-4.3	8.4	8.7	4.4	4.3	4.3	4.9
	Transportation	25	-2.2	-28.2	15.5	25.5	4.2	4.1	2.7	3.3
Utilities	8	-0.9	-3.1	-4.1	44.1	-3.8	-3.8	-4.9	-2.4	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 1 December 2023, previous estimates as of 1 September 2023.

Source: Nomura

Fig. 7: Percentage change in recurring profits by sector (% y-y)

		No. of cos	(% y-y)							
			FY19	FY20	FY21	FY22	FY23E Old	FY23E New	FY24E Old	FY24E New
							E	E	E	E
Industrial groups	Russell/Nomura Large Cap	287	-20.5	4.5	34.1	4.2	9.9	11.8	6.8	8.3
	Russell/Nomura Large Cap (ex financials)	265	-22.3	5.6	34.5	7.7	6.9	8.7	6.7	8.0
	Manufacturing	143	-27.2	7.6	56.9	2.7	9.7	14.2	9.4	9.0
	Basic materials	30	-52.0	13.7	164.2	-7.2	-15.7	-9.7	16.5	12.7
	Processing	72	-24.5	8.7	47.8	4.4	18.9	26.5	7.2	5.9
	Nonmanufacturing	144	-14.3	2.0	14.7	5.8	10.2	9.1	4.0	7.4
	Nonmanufacturing (ex financials)	122	-16.0	3.3	8.8	15.8	2.8	1.0	2.6	6.3
Broad sectors	Materials	30	-52.0	13.7	164.2	-7.2	-15.7	-9.7	16.5	12.7
	Machinery, autos	40	-23.9	-7.0	57.8	3.9	33.9	45.5	4.3	3.7
	Electronics	32	-25.3	34.8	36.0	5.3	-2.2	-0.8	12.8	10.6
	Consumer, distribution	84	-9.5	-12.0	56.6	11.5	-2.5	-3.5	3.5	7.2
	Information	22	-35.2	157.0	-60.0	0.3	31.2	-0.1	8.3	39.4
	Utilities, infrastructure	57	-2.6	-68.8	137.7	33.9	1.9	8.2	3.0	-2.5
	Financials	22	-9.1	-1.4	31.9	-18.3	36.2	38.0	7.9	10.0
Sectors	Chemicals	25	-34.2	-11.6	119.1	-5.2	-13.4	-6.5	16.0	12.5
	Steel, nonferrous metals	5	SL	SP	555.9	-13.0	-22.7	-19.8	18.1	13.4
	Machinery	23	-30.0	-5.0	61.7	6.6	8.4	10.2	10.7	10.5
	Autos	17	-21.5	-7.7	56.5	2.9	43.1	58.2	2.6	2.0
	Electrical machinery, precision equipment	32	-25.3	34.8	36.0	5.3	-2.2	-0.8	12.8	10.6
	Pharmaceuticals, healthcare	16	8.0	11.8	6.5	18.2	5.9	-10.2	13.0	29.3
	Food products	14	-15.6	0.6	10.0	17.7	8.3	8.7	8.1	8.0
	Household goods	11	-7.5	-23.6	30.0	-14.6	9.4	-3.7	16.8	26.8
	Trading companies	8	-27.9	-26.8	208.6	18.6	-13.5	-11.6	-7.2	-5.0
	Retailing	17	4.1	-17.7	20.0	20.5	4.5	9.8	7.2	8.2
	Services	18	1.7	-14.3	36.1	-12.8	2.8	7.1	8.7	9.9
	Software	11	20.1	39.6	14.4	-5.8	7.2	8.7	-4.5	-3.5
	Media	3	-57.5	SL	SP	-36.1	9.9	-27.9	17.4	15.1
	Telecommunications	8	-41.4	207.6	-74.9	9.9	45.9	-2.2	12.7	66.3
	Construction, engineering	5	0.6	-13.4	-22.8	2.1	-4.0	-6.0	30.9	23.8
	Housing, real estate	19	5.4	-10.8	24.1	10.2	-4.9	-4.6	10.1	9.1
	Transportation	25	-17.4	SL	SP	92.2	-36.2	-34.1	12.2	7.3
Utilities	8	17.7	-15.3	-61.2	SL	1,250.6	1,521.9	-24.7	-31.5	
Financials	22	-9.1	-1.4	31.9	-18.3	36.2	38.0	7.9	10.0	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 1 December 2023, previous estimates as of 1 September 2023. (3) SP = switch to profits, SL = switch to losses. LS = losses shrinking. LI = losses increasing.

Source: Nomura

Fig. 8: Recurring profits by sector (absolute amount, ¥1bn)

		No. of cos	FY19	FY20	FY21	FY22	FY23E		FY24E		(¥bn)
							Old E	New E	Old E	New E	
Industrial groups	Russell/Nomura Large Cap	288	38,542	40,173	53,958	55,567	61,912	62,732	66,139	67,908	
	Russell/Nomura Large Cap (ex financials)	266	32,757	34,590	46,630	49,619	53,832	54,541	57,422	58,896	
	Manufacturing	144	17,180	18,613	29,038	29,102	32,283	33,381	35,323	36,394	
	Basic materials	30	2,453	2,721	7,020	6,195	5,299	5,673	6,172	6,394	
	Processing	73	10,942	12,114	17,723	18,300	22,039	23,207	23,624	24,586	
	Nonmanufacturing	144	21,362	21,560	24,920	26,464	29,630	29,350	30,816	31,514	
	Nonmanufacturing (ex financials)	122	15,578	15,977	17,592	20,516	21,549	21,160	22,099	22,502	
Broad sectors	Materials	30	2,453	2,721	7,020	6,195	5,299	5,673	6,172	6,394	
	Machinery, autos	40	6,745	6,492	10,244	10,594	14,512	15,764	15,137	16,352	
	Electronics	33	4,197	5,622	7,479	7,706	7,526	7,443	8,487	8,234	
	Consumer, distribution	84	9,397	8,260	13,236	14,424	14,092	13,941	14,590	14,941	
	Information	22	3,728	9,589	3,820	3,709	4,850	3,695	5,253	5,149	
	Utilities, infrastructure	57	6,236	1,906	4,831	6,990	7,552	8,025	7,783	7,825	
	Financials	22	5,785	5,583	7,328	5,948	8,080	8,190	8,717	9,012	
Sectors	Chemicals	25	2,758	2,425	5,218	4,715	4,112	4,441	4,771	4,996	
	Steel, nonferrous metals	5	-305	296	1,802	1,480	1,187	1,232	1,402	1,398	
	Machinery	23	1,781	1,670	2,637	2,853	3,122	3,175	3,455	3,509	
	Autos	17	4,964	4,822	7,608	7,741	11,390	12,590	11,682	12,843	
	Electrical machinery, precision equipment	33	4,197	5,622	7,479	7,706	7,526	7,443	8,487	8,234	
	Pharmaceuticals, healthcare	16	1,632	1,810	1,983	2,253	2,387	2,024	2,697	2,617	
	Food products	14	1,387	1,373	1,533	1,660	1,823	1,830	1,970	1,976	
	Household goods	11	765	596	778	694	735	647	859	820	
	Trading companies	8	2,271	1,663	5,203	6,172	5,339	5,457	4,954	5,186	
	Retailing	17	1,612	1,310	1,651	1,824	1,978	2,078	2,122	2,247	
	Services	18	1,731	1,509	2,086	1,821	1,829	1,905	1,988	2,094	
	Software	11	813	1,172	1,381	1,214	1,297	1,315	1,239	1,269	
	Media	3	154	-2	327	209	230	151	270	173	
	Telecommunications	8	2,761	8,419	2,112	2,286	3,323	2,229	3,744	3,707	
	Construction, engineering	5	734	636	501	408	392	384	513	475	
	Housing, real estate	19	2,165	1,878	2,509	2,706	2,599	2,607	2,861	2,844	
	Transportation	25	2,170	-1,573	1,446	4,011	2,638	2,724	2,960	2,923	
Utilities	8	1,167	965	375	-135	1,924	2,311	1,449	1,583		
Financials	22	5,785	5,583	7,328	5,948	8,080	8,190	8,717	9,012		

Note: Figures exclude listed consolidated subsidiaries. Index composition for period through FY21 differs from index composition from FY22 onwards. Accordingly, prior-year comparison base for y-y changes has been altered, thereby resulting in different y-y figures than before. Latest estimates as of 1 December 2023, previous estimates as of 1 September 2023.

Source: Nomura

Fig. 9: Percentage change in quarterly sales and profits (FY22 Q3–FY23 Q2)

		% y-y																
		Sales				Operating profits				Recurring profits				Net profits				
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Industrial groups	Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	-11.7	26.3	34.0	-12.1	-22.2	54.8	51.2	-20.7	
	Russell/Nomura Large Cap (ex financials)	17.2	11.3	5.6	2.2	3.8	15.6	10.0	19.3	-12.0	27.0	32.5	-18.1	-23.1	47.5	48.4	-27.6	
	Manufacturing	19.1	12.6	9.1	5.2	3.3	-3.4	-2.1	5.2	-7.0	-4.6	2.7	4.9	-7.9	-5.8	13.9	8.3	
	Basic materials	21.9	8.3	-4.6	-5.9	-39.5	-39.7	-46.1	-8.5	-51.2	-41.0	-43.5	-13.1	-63.9	-47.1	-44.7	-14.1	
	Processing	19.3	15.2	15.0	9.2	15.7	10.2	25.6	13.2	3.6	8.7	30.5	14.7	3.5	8.1	41.8	18.9	
	Nonmanufacturing	-	-	-	-	-	-	-	-	-	-16.4	89.7	89.7	-26.3	-35.3	229.6	132.6	-40.8
	Nonmanufacturing (ex financials)	14.9	9.8	1.3	-1.7	4.7	63.6	34.9	52.7	-18.7	125.2	115.8	-39.6	-42.5	305.4	179.1	-54.5	
Broad sectors	Basic materials	21.9	8.3	-4.6	-5.9	-39.5	-39.7	-46.1	-8.5	-51.2	-41.0	-43.5	-13.1	-63.9	-47.1	-44.7	-14.1	
	Machinery, autos	24.0	18.8	20.5	14.8	27.6	22.6	58.0	40.9	7.6	8.3	50.6	38.9	11.7	16.5	60.9	50.4	
	Electronics	11.9	9.3	5.1	-0.9	2.5	-2.8	-14.0	-18.4	-1.8	9.1	-3.3	-16.6	-6.1	-1.5	11.3	-16.7	
	Consumption, distribution	12.9	6.0	-0.7	-2.4	16.7	5.3	2.5	3.4	13.4	-2.7	-10.3	-3.6	12.7	-6.3	-6.4	-6.1	
	Information	7.1	7.0	4.5	3.7	-6.3	21.2	4.5	6.6	-68.5	SP	SP	-91.8	SL	SP	SP	SL	
	Utilities, infrastructure	22.8	17.3	7.8	1.7	14.6	234.1	97.5	153.9	-12.0	62.2	29.0	57.6	-53.1	100.2	17.5	24.3	
	Financials	-	-	-	-	-	-	-	-	-10.2	20.5	44.1	75.9	-16.9	117.4	69.4	115.0	
Sectors	Chemicals	23.6	7.9	-9.0	-9.9	-42.5	-37.4	-49.7	-7.6	-58.1	-38.4	-45.7	-12.8	-75.2	-55.9	-47.5	-15.1	
	Steel, nonferrous metals	16.8	9.4	8.6	6.4	-32.1	-47.1	-35.3	-11.6	-33.6	-50.4	-36.5	-14.0	-40.1	-25.6	-37.1	-10.9	
	Machinery	19.6	15.9	11.1	3.7	11.9	14.2	18.5	-31.0	-2.1	5.5	11.4	-33.8	-9.0	10.5	13.4	-39.2	
	Automobiles	25.4	19.8	23.4	18.1	33.6	27.2	76.0	72.8	10.8	9.5	65.5	67.2	19.2	19.4	79.3	91.6	
	Electrical machinery, precision equipment	11.9	9.3	5.1	-0.9	2.5	-2.8	-14.0	-18.4	-1.8	9.1	-3.3	-16.6	-6.1	-1.5	11.3	-16.7	
	Pharmaceuticals, healthcare	16.7	5.3	9.7	8.7	37.1	19.8	18.5	-30.4	40.0	32.2	8.1	-33.8	48.5	23.5	60.0	-33.7	
	Food products	12.3	11.3	6.8	6.7	27.1	29.9	-6.1	21.1	21.0	19.1	-4.7	15.2	15.7	24.3	-5.0	27.1	
	Household goods	11.3	6.5	3.4	0.5	10.9	-27.0	-20.2	-0.6	-3.1	-32.6	-20.1	3.5	6.9	-35.4	-21.9	0.5	
	Trading companies	12.7	3.7	-10.1	-10.3	7.7	-3.9	-12.8	-8.1	10.7	-12.8	-23.1	-15.0	13.3	-14.1	-22.7	-17.0	
	Retailing	14.1	10.8	7.8	0.5	11.9	22.5	9.1	19.5	5.6	17.7	-0.6	15.6	-4.4	14.6	-5.3	-0.7	
	Services	9.7	3.9	6.0	3.9	2.5	-21.0	12.2	25.6	3.2	-16.8	9.0	28.3	-8.9	-32.0	-16.0	26.6	
	Software	2.2	4.9	25.0	7.1	-13.9	-4.2	46.4	4.5	-29.2	-10.9	32.9	0.9	-29.5	-4.1	32.7	-14.4	
	Media	13.7	7.3	4.9	0.6	-7.8	-29.4	-65.7	-18.8	-32.5	-36.8	-56.3	-22.2	-23.8	-55.6	-56.9	-81.7	
	Telecommunications	7.8	7.4	0.9	3.4	-2.2	47.9	-4.4	8.9	-88.4	SP	SP	-98.9	SL	SP	SP	SL	
	Construction, engineering	14.1	7.6	12.7	11.9	-12.6	3.0	-21.5	-15.0	-13.3	-4.8	-18.4	-16.4	-18.0	13.4	4.4	-12.9	
	Housing, real estate	5.1	8.1	2.9	7.4	-3.0	18.2	-8.5	11.1	-6.6	13.6	-12.4	4.3	-5.4	18.0	-1.4	5.4	
	Transportation	18.7	19.4	8.5	3.5	58.2	SP	41.1	57.8	-4.6	-9.2	-37.2	-36.8	-15.8	-31.2	-48.9	-54.3	
	Utilities	52.6	28.8	10.8	-7.8	LI	SP	SP	SP	LI	SP	69,375.9	SP	LI	SP	SP	SP	
	Financials	-	-	-	-	-	-	-	-	-10.2	20.5	44.1	75.9	-16.9	117.4	69.4	115.0	

Note: (1) Q1 = Feb–Apr, Mar–May, or Apr–Jun; Q2 = May–Jul, Jun–Aug, or Jul–Sep; Q3 = Aug–Oct, Sep–Nov, or Oct–Dec; Q4 = Nov–Jan, Dec–Feb, or Jan–Mar. (2) Figures are for companies that had announced results (either full-year, Q1, Q2, or Q3) by 1 December 2023. (3) Excludes listed consolidated subsidiaries. (4) SP = switch to profits; SL = switch to losses; LS = losses shrinking; LI = losses increasing.

Source: Nomura

Fig. 10: Valuation indicators

		P/E			P/CF			P/B		Dividend yield			ROE			
		FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	
		x	x	x	x	x	x	x	x	%	%	%	%	%	%	
Industrial groups	Russell/Nomura Large Cap	15.9	14.7	13.7	-	-	-	1.57	1.47	2.23	2.40	2.58	9.5	9.7	9.8	
	Russell/Nomura Large Cap (ex loss-making cos)	15.0	14.4	13.5	-	-	-	1.62	1.49	2.25	2.43	2.62	10.2	10.0	10.1	
	Russell/Nomura Large Cap (ex financials)	16.6	15.4	14.3	9.4	8.9	8.5	1.71	1.57	2.10	2.25	2.40	9.8	9.9	10.0	
	Manufacturing	16.2	15.1	14.0	9.7	9.1	8.6	1.77	1.62	2.08	2.28	2.46	10.4	10.4	10.5	
	Basic materials	13.1	11.5	10.5	6.3	5.8	5.4	1.11	1.03	2.74	2.88	3.06	8.1	8.7	9.0	
	Processing	15.0	14.3	13.5	9.6	9.1	8.6	1.80	1.63	1.92	2.14	2.33	11.4	11.0	10.9	
	Nonmanufacturing	15.6	14.3	13.4	-	-	-	1.39	1.32	2.40	2.55	2.74	8.6	9.0	9.1	
	Nonmanufacturing (ex financials)	17.2	15.8	14.9	9.1	8.6	8.2	1.62	1.48	2.11	2.19	2.31	8.9	9.1	9.2	
Broad sectors	Basic materials	13.1	11.5	10.5	6.3	5.8	5.4	1.11	1.03	2.74	2.88	3.06	8.1	8.7	9.0	
	Machinery, autos	11.4	11.1	10.8	7.7	7.5	7.2	1.42	1.29	2.53	2.82	3.05	11.8	11.2	10.8	
	Electronics	22.0	20.2	17.9	12.5	11.7	10.7	2.44	2.24	1.30	1.46	1.60	10.6	10.7	11.2	
	Consumption, distribution	19.6	18.8	17.6	11.9	11.5	11.0	2.05	1.91	2.04	2.14	2.25	10.1	9.9	10.0	
	Information	47.6	22.4	19.9	12.7	9.7	9.1	2.07	1.90	2.19	2.19	2.29	4.1	8.4	9.1	
	Utilities, infrastructure	10.6	11.2	10.6	5.9	6.0	5.8	1.09	1.02	2.40	2.59	2.77	9.9	8.8	8.8	
	Financials	11.7	10.8	9.9	-	-	-	0.93	0.96	3.42	3.80	4.25	8.0	8.6	9.0	
Sectors	Chemicals	14.5	12.6	11.7	6.9	6.3	5.9	1.23	1.17	2.55	2.66	2.79	8.2	9.0	9.2	
	Steel, nonferrous metals	9.2	8.1	7.1	4.4	4.1	3.7	0.75	0.66	3.60	3.91	4.30	7.7	8.0	8.6	
	Machinery	18.0	16.3	15.1	11.1	10.2	9.6	1.78	1.60	1.92	2.13	2.32	9.3	9.5	9.7	
	Automobiles	9.8	9.7	9.5	6.8	6.6	6.4	1.30	1.18	2.82	3.15	3.40	12.7	11.8	11.1	
	Electrical machinery, precision equipment	22.0	20.2	17.9	12.5	11.7	10.7	2.44	2.24	1.30	1.46	1.60	10.6	10.7	11.2	
	Pharmaceuticals, healthcare	26.6	23.8	21.2	14.7	14.0	13.2	2.39	2.32	2.05	2.15	2.22	8.8	9.6	10.3	
	Food products	19.4	18.2	16.8	12.1	11.5	10.8	2.07	2.00	2.83	3.03	3.32	10.5	10.7	11.0	
	Household goods	31.3	24.4	21.5	17.2	14.8	13.6	2.75	2.63	1.74	1.88	1.99	8.6	10.5	11.2	
	Trading companies	9.8	10.4	10.2	6.8	7.0	6.8	1.40	1.21	3.09	3.15	3.25	13.3	11.2	10.6	
	Retailing	27.4	24.3	22.3	13.5	12.4	11.6	3.00	2.59	1.30	1.40	1.50	9.9	10.3	10.5	
	Services	32.4	29.2	27.5	19.1	17.7	17.0	1.98	2.01	1.10	1.15	1.20	6.3	6.8	7.0	
	Software	23.9	24.3	22.6	20.3	20.6	19.3	4.32	3.90	2.13	1.99	2.16	17.0	15.4	15.2	
	Media	28.2	23.2	22.7	13.4	12.1	11.9	1.48	1.46	2.56	2.61	2.65	5.2	6.2	6.2	
	Telecommunications	113.9	21.4	18.5	10.5	7.4	7.0	1.64	1.51	2.20	2.27	2.35	1.4	7.0	7.9	
	Construction	15.0	12.1	10.5	11.4	9.7	8.6	1.05	1.03	2.94	3.29	3.61	6.9	8.3	9.3	
	Housing, real estate	12.0	11.3	10.7	8.4	8.0	7.7	1.20	1.13	2.88	3.08	3.27	9.7	9.7	9.6	
	Transportation	13.0	12.8	12.1	6.5	6.4	6.2	1.21	1.16	2.01	2.14	2.28	9.1	8.8	8.8	
	Utilities	5.1	7.7	7.6	2.5	3.0	2.9	0.73	0.62	2.18	2.45	2.67	12.7	7.8	7.5	
		Financials	11.7	10.8	9.9	-	-	-	0.93	0.96	3.42	3.80	4.25	8.0	8.6	9.0
		Russell/Nomura Small Cap	15.1	13.5	13.2	-	-	-	1.12	1.08	2.47	2.49	2.54	7.3	7.8	7.6
	Russell/Nomura Small Cap (ex financials)	15.7	13.9	13.6	8.3	7.7	7.6	1.22	1.18	2.38	2.43	2.47	7.7	8.2	8.1	

Note: As of 1 December 2023.

Source: Nomura

# What are the Russell/Nomura Japan Equity Indexes?

The Russell/Nomura Japan Equity Indexes are Japanese equity indexes developed jointly by Nomura Fiduciary Research & Consulting Co., Ltd. and Frank Russell Company.

Russell/Nomura Japan Equity Indexes should be useful in:

- Determining investment strategies (strategic asset allocation)
- Determining manager structures
- Devising asset management benchmarks
- Supporting portfolio management activities
- Evaluating the performance of various investment styles
- Managing risk

Russell/Nomura Japan Equity Indexes have the following characteristics:

- They are share price indexes that are weighted by free-float-adjusted market capitalization and cover the top 98% of all listed stocks in terms of float-adjusted market capitalization, thereby offering broad market coverage
- Stocks are chosen from the whole Japanese stock market
- Because the indexes take into consideration the stable shareholding ratio, they reflect the stocks that are actually available for investment
- There are style indexes for large and small companies and for value and growth stocks
- The Prime Index consists of the top 1,000 stocks in the Total Market Index by market cap excluding stable shareholdings
- Stocks are selected quantitatively based on clearly defined criteria
- The composition of each index is reviewed once a year.

Complete details of rules for the Russell/Nomura Japan Equity Index can be found in the Russell/Nomura Japan Equity Index Rulebook.

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As at 30 June 2023.

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When inflation-indexed JGBs are purchased via public offerings, secondary distributions (uridashi deals), or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Inflation-indexed JGBs carry the risk of losses, as prices fluctuate in line with changes in market interest rates and fluctuations in the nationwide consumer price index. The notional principal of inflation-indexed JGBs changes in line with the rate of change in nationwide CPI inflation from the time of its issuance. The amount of the coupon payment is calculated by multiplying the coupon rate by the notional principal at the time of payment. The maturity value is the amount of the notional principal when the issue becomes due. For JI17 and subsequent issues, the maturity value shall not undercut the face amount. Purchases of investment trusts (and sales of some investment trusts) are subject to a purchase or sales fee of up to 5.5% (tax included) of the transaction amount. Also, a direct cost that may be incurred when selling investment trusts is a fee of up to 2.0% of the unit price at the time of redemption. Indirect costs that may be incurred during the course of holding investment trusts include, for domestic investment trusts, an asset management fee (trust fee) of up to 5.5% (tax included/annualized basis) of the net assets in trust, as well as fees based on investment

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Investment trusts invest mainly in securities such as Japanese and foreign equities and bonds, whose prices fluctuate. Investment trust unit prices fluctuate owing to price fluctuations in the underlying assets and to foreign exchange rate fluctuations. As such, investment trusts carry the risk of losses. Fees and risks vary by investment trust. Maximum applicable fees are subject to change; please thoroughly read the written materials provided, such as prospectuses or documents delivered before making a contract.

In interest rate swap transactions and USD/JPY basis swap transactions ("interest rate swap transactions, etc."), only the agreed transaction payments shall be made on the settlement dates. Some interest rate swap transactions, etc. may require pledging of margin collateral. In some of these cases, transaction payments may exceed the amount of collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the transaction. Interest rate swap transactions, etc. carry the risk of losses owing to fluctuations in market prices in the interest rate, currency and other markets, as well as reference indices. Losses incurred as such may exceed the value of margin collateral, in which case margin calls may be triggered. In the event that both parties agree to enter a replacement (or termination) transaction, the interest rates received (paid) under the new arrangement may differ from those in the original arrangement, even if terms other than the interest rates are identical to those in the original transaction. Risks vary by transaction. Please thoroughly read the written materials provided, such as documents delivered before making a contract and disclosure statements.

In OTC transactions of credit default swaps (CDS), no sales commission will be charged. When entering into CDS transactions, the protection buyer will be required to pledge or entrust an agreed amount of margin collateral. In some of these cases, the transaction payments may exceed the amount of margin collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the financial position of the protection buyer. CDS transactions carry the risk of losses owing to changes in the credit position of some or all of the referenced entities, and/or fluctuations of the interest rate market. The amount the protection buyer receives in the event that the CDS is triggered by a credit event may undercut the total amount of premiums that he/she has paid in the course of the transaction. Similarly, the amount the protection seller pays in the event of a credit event may exceed the total amount of premiums that he/she has received in the transaction. All other conditions being equal, the amount of premiums that the protection buyer pays and that received by the protection seller shall differ. In principle, CDS transactions will be limited to financial instruments business operators and qualified institutional investors. Transfers of equities to another securities company via the Japan Securities Depository Center are subject to a transfer fee of up to ¥11,000 (tax included) per issue transferred depending on volume. No account fee will be charged for marketable securities or monies deposited.

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