

Outlook for FY14–15 corporate earnings

Quarterly Update

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Summary and major assumptions

Overview of the FY14 corporate earnings outlook

In this report, we collate earnings forecast data issued by our analysts and then analyze that data. For FY14, our analysts look for sales growth of 5.1% y-y and recurring profit growth of 7.4% for companies in the Russell/Nomura Large Cap Index (ex financials). Our forex assumptions for FY14 are USD/JPY of 109.7 (previously 105.5, as of December 2014) and EUR/JPY of 139.7 (previously 137.9). Our WTI crude oil price assumption is \$80.80/bbl (previously \$95.00/bbl), reflecting sharply lower crude oil prices since 2014 H2. Compared with our previous estimates issued in December 2014 (based on data collated on 25 November 2014), these figures represent a 0.6ppt upward revision for sales and a 1.5ppt downward revision for recurring profits. Our absolute recurring profit forecast has been lowered by ¥420.9bn. Excluding the utilities sector, where profit levels are particularly low, our recurring profit growth forecast has fallen 1.6ppt, from 7.1% to 5.5%.

In FY14 Q3, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) increased 1.4% y-y, down from growth of 15.7% y-y in Q2. Reflecting the slowdown in growth in Q3, we have lowered our FY14 H2 recurring profit growth forecast to 3.9% y-y, from 6.5% previously. The slowdown in Q3 largely resulted from larger inventory valuation losses at oil companies and the emergence of asset impairment losses at trading companies as crude oil prices fell. These two alone accounted for an 8.4% drag on recurring profits in Q3. Excluding oil and trading companies, recurring profits grew 10.8% y-y in Q3 and our H2 recurring profit growth forecast rises to 12.5%, from 9.6%.

Overview of the FY15 corporate earnings outlook

For FY15, our analysts look for growth in sales of 2.5% y-y and in recurring profits of 16.5% for companies in the Russell/Nomura Large Cap Index (ex financials). Our forex assumptions for FY15 are now USD/JPY of 118.0 (previously 108.0) and EUR/JPY of 138 (previously 137) and our WTI crude oil price assumption is \$55.00/bbl (previously \$90.00/bbl). Our new estimates represent a 0.3ppt downward revision to sales growth but a 3.4ppt upward revision to recurring profit growth versus our previous forecasts. The upward revision to our profit growth forecast is partly attributable to the downward revision to our FY14 projection, but the ¥468bn increase in our recurring profit estimate exceeds the reduction in our FY14 estimate. The high profit growth projection partly reflects a reaction to earnings deterioration at oil and trading companies in FY14. If these two are excluded, our recurring profit growth projection becomes 13.4% y-y. The negative effect of lower crude oil prices has been pronounced in FY14 earnings, but we think the positive effect will emerge eventually in FY15 earnings.

Interest in improvement in ROE at Japanese companies has continued to pick up. We expect ROE to come in at 8.9% for FY14, in line with 8.9% in FY13. We look for ROE to improve to 9.5% in FY15, still short of the FY05 peak of 10.1%.

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

(% y-y, except where noted)

		No. of cos	New				Old	
			FY12	FY13	FY14E	FY15E	FY14E	FY15E
Sales	Russell/Nomura Large Cap (ex financials)	254	2.7	12.5	5.1	2.5	4.5	2.8
	Manufacturing	153	3.0	12.3	4.9	2.5	4.2	2.8
	Basic materials	38	-0.5	13.2	2.7	-2.7	2.7	1.2
	Processing	72	4.8	13.2	6.0	5.1	4.7	4.1
	Nonmanufacturing (ex financials)	101	2.2	12.7	5.4	2.5	4.9	2.8
	Russell/Nomura Small Cap (ex financials)	977	2.5	9.3	3.7	3.6	4.1	3.5
Operating profits	Russell/Nomura Large Cap (ex financials)	254	4.5	34.3	6.2	18.6	7.5	14.5
	Manufacturing	153	7.5	37.1	8.5	18.5	10.6	13.9
	Basic materials	38	-22.6	35.6	-18.2	48.5	-6.8	28.8
	Processing	72	29.1	44.4	17.0	16.0	16.8	12.6
	Nonmanufacturing (ex financials)	101	-0.4	29.6	2.3	18.7	2.3	15.7
	Russell/Nomura Small Cap (ex financials)	977	-2.1	28.4	5.8	12.6	9.3	11.3
Recurring profits	Russell/Nomura Large Cap	287	12.8	37.4	5.9	13.4	5.4	11.2
	Russell/Nomura Large Cap (ex financials)	254	7.7	39.7	7.4	16.5	8.9	13.1
	Manufacturing	153	10.3	43.3	10.3	16.2	10.3	13.6
	Basic materials	38	-19.2	33.5	-14.7	38.0	-6.4	24.8
	Processing	72	36.4	58.2	19.3	14.7	16.9	13.0
	Nonmanufacturing	134	15.2	31.9	1.6	10.4	0.5	8.6
	Nonmanufacturing (ex financials)	101	3.5	34.0	2.6	17.0	6.6	12.2
	Russell/Nomura Small Cap	1,073	3.9	29.7	1.7	9.1	2.1	9.3
	Russell/Nomura Small Cap (ex financials)	977	4.5	27.3	3.8	10.4	5.0	10.5
Net profits	Russell/Nomura Large Cap	287	36.3	62.7	8.6	14.7	7.5	12.1
	Russell/Nomura Large Cap (ex financials)	254	26.7	79.8	10.6	16.9	10.7	13.9
	Manufacturing	153	30.8	80.9	14.0	17.1	13.3	13.4
	Basic materials	38	-30.8	85.9	-5.1	37.6	0.9	21.6
	Processing	72	77.5	116.1	19.8	16.7	17.7	13.9
	Nonmanufacturing	134	41.0	48.2	3.4	12.0	1.8	10.6
	Nonmanufacturing (ex financials)	101	20.4	78.1	4.9	16.7	6.3	14.9
	Russell/Nomura Small Cap	1,073	2.0	74.2	4.9	10.3	3.6	12.6
	Russell/Nomura Small Cap (ex financials)	977	-2.0	80.6	6.9	13.5	6.0	16.0

Note: Latest estimates as of 22 February 2015. Previous estimates as of 25 November 2014.

Source: Nomura

Fig. 2: Major assumptions

				Industrial production	Uncollateralized overnight call rate	WTI	Forex rate	
				% y-y	FY-end, %	CIF, \$/barrel	average, \$/¥	average, €/¥
Annual	FY13			3.2	0-0.10	99.0	100.2	134.4
	FY14E			-0.6	0-0.10	80.8	109.7	139.7
		New	Old	0.7	0-0.10	95.0	105.5	137.9
	FY15E			3.2	0-0.10	55.0	118.0	138.0
		New	Old	3.7	0-0.10	90.0	108.0	137.0
Semiannual	FY13	H1		-0.4	0-0.10	100.0	98.8	130.0
	FY13	H2		7.0	0-0.10	98.1	101.6	138.8
	FY14	H1		0.8	0-0.10	100.1	103.0	138.9
	FY14E	H2	New	-2.1	0-0.10	61.6	116.3	140.5
			Old	-0.1	0-0.10	90.0	108.0	137.0
	FY15E	H1	New	3.3	0-0.10	53.0	118.0	138.0
			Old	5.1	0-0.10	90.0	108.0	137.0
	FY15E	H2	New	3.2	0-0.10	57.0	118.0	138.0
			Old	2.4	0-0.10	90.0	108.0	137.0

Note: Macroeconomic assumptions as of 14 January 2015. Previous assumptions as of 8 October 2015. The above assumptions are not Nomura estimates but assumptions on which Nomura analysts base their earnings estimates.

Source: Nomura

Contributions to recurring profit growth by sector

Overview of the FY14 corporate earnings outlook

For FY14, we project that recurring profits will increase in 13 of the 19 sectors and decline in six. We look for the largest contributions to growth to come from automobiles, electrical machinery & precision equipment, utilities, and machinery. We assume USD/JPY of 109.7 for FY14, versus 100.2 for FY13, which we view as conducive to earnings contributions from external-demand sectors with high forex sensitivity.

For the automobile sector, we estimate that global demand increased 2.5% y-y in 2014, to 86.7mn vehicles. With auto sales generally weak in emerging markets, new car sales in the US and Europe supported overall sales with gains of 5.9% y-y to 16.5mn units and 6.0% to 14.6mn units respectively. In the electrical machinery & precision equipment sector, the contribution to profit growth from industrial electronics is big. We think business segments in which industrial electronics companies have strengthened their presences—notably, IT services, social infrastructure, FA systems, and automotive equipment—are making substantial contributions to profit growth. We expect earnings also to be supported by the precision equipment & photographic film subsector, which has been greatly affected by the weak yen, and the electronic part subsector, which has benefited substantially from strong production and sales of the iPhone. The utilities sector is likely to see the restart of nuclear power plants pushed back to FY15, but we expect benefits from lower crude oil prices and full-year contributions from price hikes at some companies to be substantial. For the machinery sector, we expect widespread benefits from firm capex both in Japan and overseas. We think capex by smartphone manufacturers in China will remain healthy and even in Japan we look for a solid appetite for capex at domestic companies to overcome the effects of the consumption tax hike.

In contrast, we expect a negative contribution from the trading companies, chemicals, and retailing sectors. A number of trading companies plan to book asset impairment losses in response to sharp declines in resource prices since 2014 H2, despite solid contributions to earnings from nonresource operations. In the chemicals sector, we look for sharp profit declines in the oil subsector as inventory valuation losses widen owing to sharply lower crude oil prices. We think earnings will rise in the chemicals sector if oil product companies are excluded. In the retailing sector, we think the slower-than-anticipated recovery in consumer spending following the consumption tax hike in Japan is a drag on earnings.

Overview of the FY15 corporate earnings outlook

For FY15, we project that recurring profits will increase in 18 of the 19 sectors and decline in one. Sectors from which we expect particularly large contributions to overall profit growth are electrical machinery & precision equipment, chemicals, automobiles, utilities, and trading companies. Our USD/JPY assumption for FY15 is 118.0, versus 109.7 for FY14, and we expect external-demand sectors to benefit from the weak yen in FY15, as they have in FY14.

In the electrical machinery & precision equipment sector, we expect earnings growth to be driven by the consumer electronics subsector, unlike in FY14. We think the focus in FY15 will be on whether consumer electronics companies can return earnings to pre-financial crisis levels, following sustained structural reform efforts. In the chemicals and trading companies sectors, we expect earnings to be boosted mainly by the dropping out in FY15 of the effects of inventory valuation losses and asset impairment losses, on the assumption that crude oil prices, which have weighed heavily on earnings in FY14, will stabilize. For the automobile sector, we expect global demand to increase 3.0% y-y in 2015, to 89.4mn vehicles. We expect growth in overall global demand to be more or less flat versus FY14 and think US auto sales will expand only 1.1% y-y to 16.7mn vehicles. We expect new car sales to rise 4.0% to 15.2mn vehicles in Europe, where we think there is pent-up demand, and increase more than 10% in India and Thailand. In the utilities sector, we expect only a few nuclear power plant restarts in FY15, but we think lower fuel costs will give a boost to earnings.

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

FY14E				FY15E			
Increase in profit				Increase in profit			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
13 sectors				18 sectors			
Automobiles	17.9	51.1	51.7	Electrical machinery, precision equipment	25.5	19.5	19.8
Electrical machinery, precision equipment	20.2	30.2	30.6	Chemicals	52.1	19.5	19.7
Utilities	1454.3	25.3	25.6	Automobiles	10.1	14.1	14.2
Machinery	22.2	19.5	19.7	Utilities	125.9	13.7	13.9
Steel, nonferrous metals	17.5	8.4	8.5	Trading companies	27.7	9.3	9.4
Telecommunications	4.5	6.5	6.6	Machinery	10.7	4.9	4.9
Pharmaceuticals, healthcare	10.4	6.4	6.5	Retailing	19.4	4.5	4.6
Transportation	4.4	3.7	3.7	Steel, nonferrous metals	15.7	3.7	3.8
Food	3.7	2.2	2.2	Transportation	8.8	3.2	3.2
Household goods	10.1	2.0	2.0	Housing, real estate	9.3	2.4	2.4
Software	14.0	1.7	1.8	Telecommunications	2.0	1.2	1.2
Financials	0.3	1.2	-	Financials	0.8	1.1	-
Construction	14.9	1.1	1.1	Construction	21.5	0.8	0.8
Decrease in profit (%)				Services	9.4	0.8	0.8
	Growth	Contribution	Contribution (ex financials)	Household goods	5.9	0.5	0.6
6 sectors				Media	13.0	0.5	0.5
Media	-8.9	-0.9	-0.9	Food	0.9	0.2	0.2
Services	-5.9	-1.1	-1.2	Pharmaceuticals, healthcare	0.3	0.1	0.1
Housing, real estate	-2.2	-1.3	-1.4	Decrease in profit (%)			
Retailing	-4.6	-2.5	-2.5		Growth	Contribution	Contribution (ex financials)
Trading companies	-19.1	-19.6	-19.9	1 sector			
Chemicals	-27.3	-33.7	-34.1	Software	-1.4	-0.1	-0.1

Source: Nomura

Revisions to recurring profit estimates (versus old estimates)

Overview of the FY14 corporate earnings outlook

We have raised our FY14 recurring profit forecasts for 11 of 19 sectors and lowered them for six.

The largest upward revisions have been for financials, electrical machinery & precision equipment, automobiles, and machinery. Financials have benefited mainly from upward revisions for the major banks and trust banks and insurance companies. The megabanks are seeing continued improvement in gross business profits and reversals of loan-loss reserves. While the earnings outlook on deposits and loans in Japan remains harsh, performances have been better than expected in terms of fees and commissions from the sale of investment trusts and annuities and from investment banking operations in Japan and overseas. Insurance companies have benefited from favorable investment conditions. In the electrical machinery & precision equipment sector, upward revisions in the electronic part and precision equipment & photographic films subsectors have been substantial. Both subsectors have benefitted substantially from the weak yen, but while electronic part companies have also been buoyed by strong iPhone-related demand, harsh price competition in the office equipment market has offset much of the weak-yen benefits for precision equipment & photographic film companies. Estimates for the automobile sector have been raised on yen weakness versus the dollar, but the yen has strengthened against some other currencies, giving rise to disparities in performance among companies. The upward revision for the machinery sector also has been owing to yen weakness, but falling resource prices have led to a slowdown in investment in oil-related equipment.

The largest downward revisions have been in our estimates for the trading companies and chemicals sectors. Both sectors have been affected by the drop in commodity prices, chiefly crude oil prices.

Overview of the FY15 corporate earnings outlook

We have raised our FY15 recurring profit estimates for nine of 19 sectors and lowered them for 10.

Upward revisions have been largest for financials, electrical machinery & precision equipment, automobiles, utilities, and machinery and downward revisions have been largest for trading companies, chemicals, steel & nonferrous metals, and software.

Estimates have been raised for both FY14 and FY15 for processing industries such as the electrical machinery & precision equipment, automobile, and machinery sectors, which tend to benefit the most from yen depreciation. Upward revisions in the electrical machinery & precision equipment sector have been marked in the consumer electronics subsector. The subsector has seen earnings remain at a low level for a long time, but with steady progress in structural reforms at an increasing number of subsector companies, we will be interested to see if earnings return to pre-financial crisis levels in FY15. Acquisitions of overseas businesses contributed to upward revisions in the financial sector. In the utilities sector, we expect the effect of delays in restarting nuclear power stations to be offset by lower alternative fuel expenses and higher gains under the fuel cost adjustment system, both stemming from lower crude oil prices.

Our estimates for the trading companies and chemicals sectors have been affected mainly by reductions in our FY15 market price assumptions. The downward revision to our estimates for the steel & nonferrous metal sector reflects the effect of slower crude oil-related investment. In the software sector, we expect the business software subsector to perform well, but have lowered our estimates to reflect higher costs in the consumer software/game subsector accompanying stepped-up investment activity.

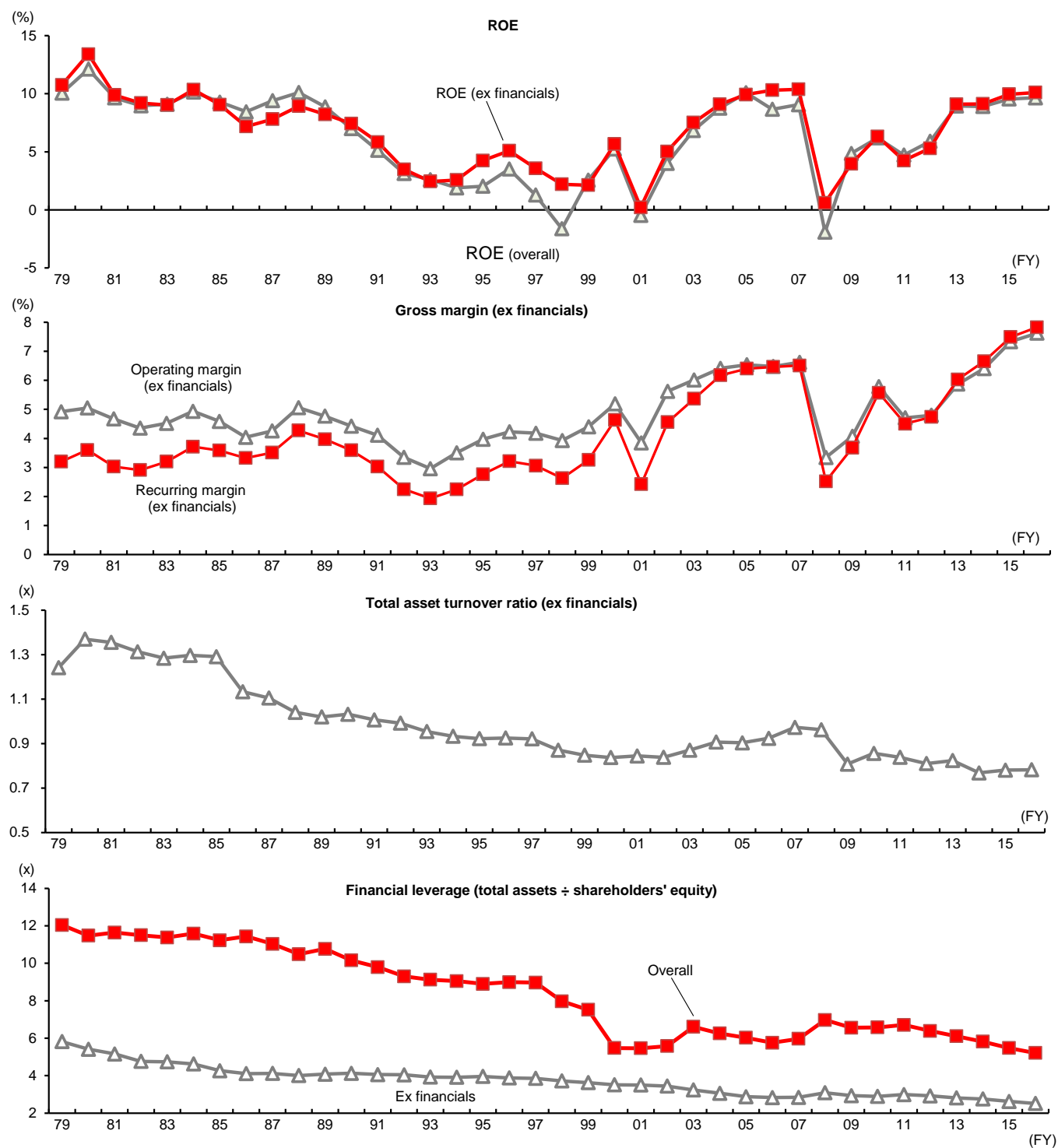
In the retailing sector, we have lowered our estimates for FY14 and raised them for FY15. The postponement of the next consumption tax hike is the main reason for hike in our FY15 estimates. The downward revision for FY14 and upward revision for FY15 are shared by other sectors, including housing & real estate and media. At a time when expectations for greater demand in Japan hinge on wage increases, we feel it is noteworthy that expectations are improving for sectors exposed to demand in Japan.

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

FY14E					FY15E				
[Upward revisions] 11 sectors					[Upward revisions] 9 sectors				
	New ¥bn	Old ¥bn	Revisio n ¥bn	Chang e %		New ¥bn	Old ¥bn	Revisio n ¥bn	Chang e %
Financials	7,666	7,044	621	8.8	Financials	7,790	7,310	480	6.6
Electrical machinery, precision equipment	3,826	3,683	143	3.9	Electrical machinery, precision equipment	5,074	4,772	302	6.3
Automobiles	7,154	7,078	75	1.1	Automobiles	8,126	7,921	204	2.6
Machinery	2,278	2,233	45	2.0	Utilities	1,300	1,117	183	16.4
Transportation	1,857	1,829	28	1.5	Machinery	2,659	2,564	94	3.7
Utilities	575	553	22	4.0	Transportation	2,058	1,964	94	4.8
Steel, nonferrous metals	1,200	1,179	21	1.7	Retailing	1,466	1,441	25	1.8
Pharmaceuticals, healthcare	1,447	1,428	19	1.4	Housing, real estate	1,464	1,440	24	1.7
Food	1,326	1,312	14	1.0	Media	245	238	6	2.6
Household goods	468	458	10	2.1					
Software	301	293	8	2.7	[Downward revisions] 10 sectors				
[Downward revisions] 6 sectors						New ¥bn	Old ¥bn	Revisio n ¥bn	Chang e %
	New ¥bn	Old ¥bn	Revisio n ¥bn	Chang e %	Pharmaceuticals, healthcare	1,469	1,470	-1	-0.1
Media	197	201	-5	-2.4	Construction	249	251	-2	-0.8
Housing, real estate	1,274	1,286	-11	-0.9	Food	1,386	1,390	-4	-0.3
Retailing	1,089	1,132	-43	-3.8	Services	469	477	-7	-1.5
Telecommunications	3,186	3,240	-54	-1.7	Household goods	516	528	-12	-2.2
Chemicals	1,913	2,236	-324	-14.5	Telecommunications	3,318	3,332	-14	-0.4
Trading companies	1,774	2,143	-369	-17.2	Software	368	400	-32	-7.9
					Steel, nonferrous metals	1,448	1,481	-33	-2.2
					Chemicals	3,010	3,155	-145	-4.6
					Trading companies	2,264	2,480	-216	-8.7

Note: Latest estimates as of 22 February 2015, previous estimates as of 25 November 2014. No revision to FY15 forecast for construction and services.

Source: Nomura

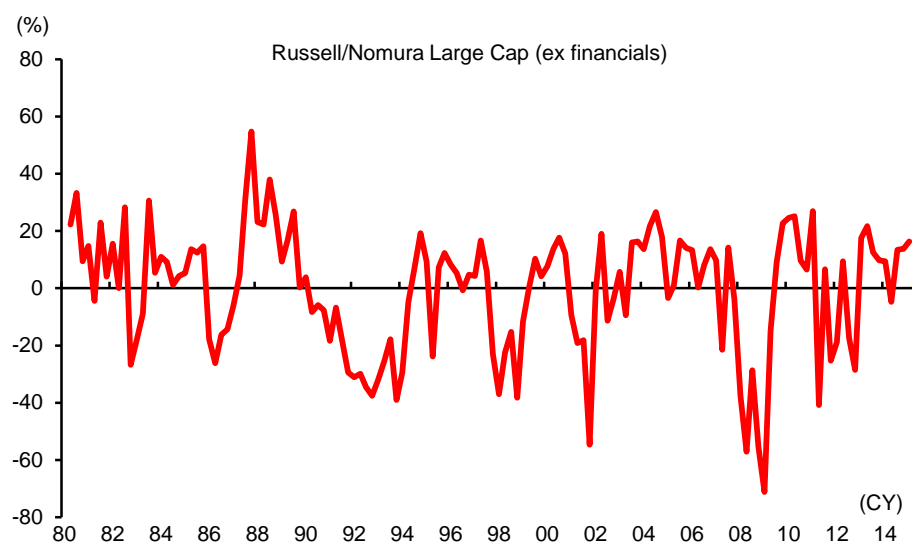
Fig. 5: Breakdown of factors affecting ROE

Note: Figures for FY14 onward are estimates. As of 22 February 2015.

Source: Nomura

Fig. 6: Revision index for the Russell/Nomura Large Cap Index

	(yy/m)	13/6	13/9	13/12	14/3	14/6	14/9	14/12	15/3
Russell/Nomura Large Cap		25.3	14.5	10.5	15.0	-0.3	15.7	13.2	20.4
Russell/Nomura Large Cap (ex financials)		21.7	12.5	9.8	9.4	-4.7	13.4	13.8	16.4
Manufacturing		20.1	23.5	6.1	14.4	-2.6	15.7	18.3	22.2
Basic materials		25.5	38.3	6.4	-15.8	-15.8	-7.9	7.9	28.3
Processing		29.6	16.0	13.6	40.3	5.6	30.6	33.3	33.3
Nonmanufacturing (ex financials)		24.1	-4.3	15.5	2.0	-7.9	9.9	6.9	7.6



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. 7: Percentage change in sales by sector

(% y-y, except where noted)

		No. of cos	FY09	FY10	FY11	FY12	FY13	FY14E Old	FY14E New	FY15E Old	FY15E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	254	-13.0	6.1	1.4	2.7	12.5	4.5	5.1	2.8	2.5
	Manufacturing	153	-11.8	7.0	0.2	3.0	12.3	4.2	4.9	2.8	2.5
	Basic materials	38	-20.8	13.2	4.8	-0.5	13.2	2.7	2.7	1.2	-2.7
	Processing	72	-10.7	6.3	-2.0	4.8	13.2	4.7	6.0	4.1	5.1
	Nonmanufacturing (ex financials)	101	-14.4	4.9	3.0	2.2	12.7	4.9	5.4	2.8	2.5
Broad sectors	Materials	38	-20.8	13.2	4.8	-0.5	13.2	2.7	2.7	1.2	-2.7
	Machinery, autos	42	-13.0	7.4	-0.1	10.0	15.4	6.4	8.1	4.8	5.8
	Electronics	30	-8.0	5.2	-4.3	-1.6	10.1	2.3	2.9	3.0	4.1
	Consumer, distribution	71	-14.9	5.7	3.3	0.8	11.2	4.2	4.1	3.0	3.1
	Information	18	-3.5	0.4	1.5	3.4	20.1	9.1	11.1	2.9	3.3
	Utilities, infrastructure	55	-11.0	2.5	2.2	5.3	10.0	3.8	4.7	1.2	0.0
Sectors	Chemicals	30	-19.5	13.0	6.5	0.8	12.5	2.4	2.1	1.1	-4.1
	Steel, nonferrous metals	8	-23.1	13.6	0.7	-4.3	15.1	3.6	4.1	1.3	1.0
	Machinery	24	-16.2	8.3	5.0	2.2	15.4	9.8	10.9	5.1	5.3
	Autos	18	-12.1	7.1	-1.6	12.5	15.5	5.4	7.3	4.7	5.9
	Electrical machinery, precision equipment	30	-8.0	5.2	-4.3	-1.6	10.1	2.3	2.9	3.0	4.1
	Pharmaceuticals, healthcare	21	3.6	1.1	3.0	2.0	7.8	-0.1	0.2	-0.3	-0.5
	Food products	13	-6.5	0.7	-0.9	3.3	5.4	6.6	6.6	0.2	0.1
	Household goods	9	-5.8	1.8	2.9	4.4	9.9	11.2	11.8	1.8	2.0
	Trading companies	7	-23.4	10.2	6.1	-1.0	14.0	4.3	4.1	4.0	3.2
	Retailing	14	-3.7	1.8	-2.5	3.7	10.0	5.4	4.6	5.0	7.4
	Services	7	-3.5	0.1	-2.4	1.5	3.5	-0.3	-0.3	2.5	2.4
	Software	7	-14.0	-17.6	-14.9	-4.0	3.6	3.6	0.8	8.5	5.8
	Media	5	-5.7	4.5	1.9	4.8	10.5	2.4	4.3	2.5	4.5
	Telecommunications	6	-0.9	2.4	3.5	3.8	24.4	10.7	13.3	2.4	2.9
	Construction, engineering	4	-16.1	-16.0	7.7	7.5	6.8	4.6	4.6	1.2	1.1
	Housing, real estate	16	-3.6	5.4	2.7	6.1	14.5	7.8	7.6	2.8	3.5
	Transportation	22	-12.0	3.4	-0.7	3.4	7.2	1.9	3.8	1.6	2.7
	Utilities	13	-11.9	5.9	3.4	5.9	11.0	3.0	3.7	-0.4	-5.3

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 22 February 2015, previous estimates as of 25 November 2014.

Source: Nomura

Fig. 8: Percentage change in operating profits by sector

(% y-y, except where noted)

		No. of cos	FY09	FY10	FY11	FY12	FY13	FY14E	FY14E	FY15E	FY15E
								Old	New	Old	New
Industrial groups	Russell/Nomura Large Cap (ex financials)	254	-6.2	49.8	-18.6	4.5	34.3	7.5	6.2	14.5	18.6
	Manufacturing	153	8.0	74.3	-14.2	7.5	37.1	10.6	8.5	13.9	18.5
	Basic materials	38	-47.8	101.5	-9.8	-22.6	35.6	-6.8	-18.2	28.8	48.5
	Processing	72	117.4	110.6	-20.6	29.1	44.4	16.8	17.0	12.6	16.0
	Nonmanufacturing (ex financials)	101	-16.4	25.7	-24.6	-0.4	29.6	2.3	2.3	15.7	18.7
Broad sectors	Materials	38	-47.8	101.5	-9.8	-22.6	35.6	-6.8	-18.2	28.8	48.5
	Machinery, autos	42	110.6	106.5	-10.9	42.9	46.2	15.7	15.7	10.3	12.5
	Electronics	30	126.5	116.1	-32.7	6.7	40.3	19.2	19.9	17.8	23.4
	Consumer, distribution	71	-19.4	17.5	0.8	-6.4	14.7	-0.4	-1.2	9.5	9.6
	Information	18	-2.6	6.3	-3.7	4.3	15.2	-3.3	-3.6	12.6	13.5
	Utilities, infrastructure	55	-10.3	35.2	-57.7	10.4	69.1	15.2	16.9	17.3	23.0
Sectors	Chemicals	30	-31.0	94.5	-1.1	-21.3	16.7	-16.8	-31.9	31.3	65.3
	Steel, nonferrous metals	8	-71.8	125.0	-37.1	-30.2	151.9	21.4	20.4	23.7	22.0
	Machinery	24	-42.0	124.8	6.1	-7.9	30.4	21.3	22.4	9.8	11.7
	Autos	18	SP	98.0	-19.8	77.2	51.7	14.0	13.7	10.4	12.8
	Electrical machinery, precision equipment	30	126.5	116.1	-32.7	6.7	40.3	19.2	19.9	17.8	23.4
	Pharmaceuticals, healthcare	21	13.3	-8.7	-7.6	-6.9	20.5	12.0	11.1	1.6	2.2
	Food products	13	-7.8	11.5	4.1	9.0	11.6	2.3	3.5	1.5	0.0
	Household goods	9	-0.9	12.1	0.5	-2.3	23.3	8.4	7.7	10.6	8.8
	Trading companies	7	-58.1	69.7	6.3	-24.8	18.7	-17.8	-17.8	23.3	20.7
	Retailing	14	-3.9	21.8	7.5	-3.5	6.0	2.5	-2.0	13.7	19.0
	Services	7	15.2	4.5	-15.9	15.3	14.6	-6.0	-5.8	11.6	10.4
	Software	7	-24.8	-32.8	-53.3	-32.9	13.2	41.0	32.5	7.3	4.0
	Media	5	-9.8	37.6	3.6	19.4	9.6	-3.0	-7.1	8.3	14.3
	Telecommunications	6	6.4	14.2	3.1	5.9	15.7	-6.2	-5.8	13.5	14.5
	Construction, engineering	4	SL	10,835.6	18.3	-10.8	30.0	23.1	23.1	23.1	22.7
	Housing, real estate	16	-22.3	29.0	0.6	12.6	26.0	1.8	0.6	5.6	8.5
	Transportation	22	-42.0	51.5	-17.3	20.4	8.4	2.3	2.8	4.3	8.5
	Utilities	13	108.7	17.0	SL	LI	SP	141.7	162.9	69.7	80.4

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 22 February 2015, previous estimates as of 25 November 2014. (2) LI = losses increasing; LS = losses shrinking; SL = switch to losses; SP = switch to profits.

Source: Nomura

Fig. 9: Percentage change in recurring profits by sector

		No. of cos	(% y-y, except where noted)									
			FY09	FY10	FY11	FY12	FY13	FY14E	FY14E	FY15E	FY15E	
								Old	New	Old	New	
Industrial groups	Russell/Nomura Large Cap	287	97.3	43.8	-12.1	12.8	37.4	5.4	5.9	11.2	13.4	
	Russell/Nomura Large Cap (ex financials)	254	8.6	58.7	-19.5	7.7	39.7	8.9	7.4	13.1	16.5	
	Manufacturing	153	36.1	91.0	-17.9	10.3	43.3	10.3	10.3	13.6	16.2	
	Basic materials	38	-52.4	133.9	-7.1	-19.2	33.5	-6.4	-14.7	24.8	38.0	
	Processing	72	SP	143.6	-29.3	36.4	58.2	16.9	19.3	13.0	14.7	
	Nonmanufacturing	134	165.1	14.7	-5.9	15.2	31.9	0.5	1.6	8.6	10.4	
	Nonmanufacturing (ex financials)	101	-8.1	27.6	-21.7	3.5	34.0	6.6	2.6	12.2	17.0	
Broad sectors	Materials	38	-52.4	133.9	-7.1	-19.2	33.5	-6.4	-14.7	24.8	38.0	
	Machinery, autos	42	225.7	116.1	-11.5	42.5	47.6	17.4	18.9	9.1	10.2	
	Electronics	30	SP	200.1	-54.9	19.7	92.9	15.7	20.2	22.9	25.5	
	Consumer, distribution	71	-5.0	16.7	5.9	-4.1	15.7	1.5	-4.0	9.2	12.1	
	Information	18	1.3	3.3	0.0	7.3	16.2	5.9	4.4	2.0	2.3	
	Utilities, infrastructure	55	-9.2	48.7	-70.2	30.2	102.6	17.5	18.7	20.1	26.4	
	Financials	33	SP	-8.2	33.7	34.8	29.3	-7.8	0.3	2.8	0.8	
Sectors	Chemicals	30	-32.2	116.2	1.8	-19.2	16.3	-14.9	-27.3	27.0	52.1	
	Steel, nonferrous metals	8	-78.7	201.0	-34.3	-18.9	119.5	15.5	17.5	20.4	15.7	
	Machinery	24	-38.6	125.8	7.9	-5.1	31.9	19.8	22.2	9.4	10.7	
	Autos	18	SP	111.8	-20.8	72.8	53.0	16.7	17.9	9.0	10.1	
	Electrical machinery, precision equipment	30	SP	200.1	-54.9	19.7	92.9	15.7	20.2	22.9	25.5	
	Pharmaceuticals, healthcare	21	13.1	-8.6	-9.0	-4.9	14.0	8.9	10.4	1.8	0.3	
	Food products	13	7.2	10.2	5.2	9.1	13.0	2.6	3.7	2.3	0.9	
	Household goods	9	-0.4	9.2	1.9	0.1	20.3	7.8	10.1	10.6	5.9	
	Trading companies	7	-29.7	55.1	22.6	-15.1	25.9	-2.2	-19.1	15.7	27.7	
	Retailing	14	-4.2	22.2	7.9	-2.5	5.6	-0.9	-4.6	13.3	19.4	
	Services	7	17.0	4.9	-14.7	16.6	12.8	-5.9	-5.9	10.5	9.4	
	Software	7	-10.7	-41.9	-53.5	8.4	14.9	10.9	14.0	9.6	-1.4	
	Media	5	-11.5	34.9	14.5	7.6	10.8	-6.6	-8.9	7.7	13.0	
	Telecommunications	6	6.8	13.4	6.2	7.2	16.8	6.3	4.5	0.8	2.0	
	Construction, engineering	4	SL	1,102.5	49.0	-1.0	25.3	14.9	14.9	21.9	21.5	
	Housing, real estate	16	-21.8	35.3	-0.9	20.8	29.5	-1.3	-2.2	6.6	9.3	
	Transportation	22	-54.2	90.6	-18.9	30.9	15.1	2.8	4.4	5.4	8.8	
	Utilities	13	291.9	20.7	SL	LI	SP	1,394.6	1,454.3	101.9	125.9	
	Financials	33	SP	-8.2	33.7	34.8	29.3	-7.8	0.3	2.8	0.8	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 22 February 2015, previous estimates as of 25 November 2014. (2) LI = losses increasing; LS = losses shrinking; SL = switch to losses; SP = switch to profits.

Source: Nomura

Fig. 10: Percentage change in net profits by sector

(% y-y, except where noted)

	No. of cos	FY09	FY10	FY11	FY12	FY13	FY14E Old	FY14E New	FY15E Old	FY15E New
Russell/Nomura Large Cap	287	SP	34.6	-25.3	36.3	62.7	7.5	8.6	12.1	14.7
Russell/Nomura Large Cap (ex financials)	254	148.8	63.4	-35.2	26.7	79.8	10.7	10.6	13.9	16.9
Manufacturing	153	SP	158.2	-42.9	30.8	80.9	13.3	14.0	13.4	17.1
Basic materials	38	-66.4	361.6	-34.6	-30.8	85.9	0.9	-5.1	21.6	37.6
Processing	72	SP	324.4	-57.2	77.5	116.1	17.7	19.8	13.9	16.7
Nonmanufacturing	134	SP	-14.6	-2.6	41.0	48.2	1.8	3.4	10.6	12.0
Nonmanufacturing (ex financials)	101	2.4	-4.9	-19.2	20.4	78.1	6.3	4.9	14.9	16.7
Materials	38	-66.4	361.6	-34.6	-30.8	85.9	0.9	-5.1	21.6	37.6
Machinery, autos	42	SP	254.0	-16.9	58.6	56.2	15.5	16.2	7.8	9.9
Electronics	30	SP	603.9	SL	LS	SP	25.0	31.8	31.6	35.5
Consumer, distribution	71	11.5	22.7	5.9	9.3	14.3	0.8	-4.5	11.7	13.6
Information	18	13.4	-0.6	-2.0	9.9	16.5	15.6	12.9	6.6	7.9
Utilities, infrastructure	55	13.5	-76.7	SL	LS	SP	11.0	20.0	18.1	16.5
Financials	33	SP	-26.7	24.7	66.7	18.9	-4.6	1.4	3.6	5.0
Chemicals	30	-6.6	305.9	-21.7	-30.5	34.1	-8.4	-13.3	28.2	51.5
Steel, nonferrous metals	8	-94.0	631.7	-78.5	-33.1	590.0	17.1	9.2	11.3	18.0
Machinery	24	-42.6	225.1	4.9	-0.0	38.9	18.1	20.5	12.6	15.5
Autos	18	SP	268.5	-26.5	94.6	61.7	14.8	15.0	6.4	8.3
Electrical machinery, precision equipment	30	SP	603.9	SL	LS	SP	25.0	31.8	31.6	35.5
Pharmaceuticals, healthcare	21	115.7	-14.6	-29.4	45.6	-2.7	7.2	9.5	5.9	3.6
Food products	13	12.1	-3.5	18.7	20.0	21.7	3.9	4.7	0.6	-1.0
Household goods	9	-13.8	31.7	-20.8	32.9	32.9	29.5	29.9	5.2	3.1
Trading companies	7	-22.7	56.6	25.8	-11.9	22.6	-4.4	-20.4	19.1	29.0
Retailing	14	-20.7	82.3	24.9	2.0	4.9	-4.3	-4.9	16.1	18.9
Services	7	324.3	-0.9	-38.2	103.2	13.9	-16.6	-18.9	27.1	29.4
Software	7	-3.5	-46.5	-61.2	51.8	-14.3	37.8	30.9	7.9	3.3
Media	5	171.0	15.1	57.8	-7.7	-1.5	-6.3	1.6	16.3	10.7
Telecommunications	6	14.1	15.7	3.2	9.2	22.0	15.2	12.1	5.8	8.3
Construction, engineering	4	LI	SP	-81.6	440.1	38.5	15.0	15.0	26.6	26.3
Housing, real estate	16	-18.5	74.0	-16.3	54.1	41.2	12.3	10.4	-0.0	2.8
Transportation	22	-63.5	127.9	-37.9	59.5	44.4	1.6	1.9	6.3	11.7
Utilities	13	SP	SL	LI	LS	SP	40.7	106.0	79.9	40.2
Financials	33	SP	-26.7	24.7	66.7	18.9	-4.6	1.4	3.6	5.0

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 22 February 2015, previous estimates as of 25 November 2014. (2) LI = losses increasing; LS = losses shrinking; SL = switch to losses; SP = switch to profits.

Source: Nomura

Fig. 11: Recurring profits by sector

(¥bn, except where noted)

		No. of cos	FY09	FY10	FY11	FY12	FY13	FY14E Old	FY14E New	FY15E Old	FY15E New
Industrial groups	Russell/Nomura Large Cap	287	17,598	26,483	23,168	26,521	36,708	37,889	38,089	43,730	44,678
	Russell/Nomura Large Cap (ex financials)	254	13,464	22,701	18,302	20,556	28,994	30,844	30,423	36,420	36,888
	Manufacturing	153	6,376	13,404	11,132	12,917	18,323	19,607	19,610	23,281	23,687
	Basic materials	38	1,236	3,638	3,588	3,101	3,931	3,415	3,112	4,636	4,458
	Processing	72	2,824	7,302	5,052	7,167	11,295	12,994	13,257	15,257	15,858
	Nonmanufacturing	134	11,223	13,079	12,037	13,604	18,385	18,281	18,479	20,449	20,991
	Nonmanufacturing (ex financials)	101	7,089	9,297	7,170	7,639	10,671	11,237	10,813	13,139	13,201
Broad sectors	Materials	38	1,236	3,638	3,588	3,101	3,931	3,415	3,112	4,636	4,458
	Machinery, autos	42	1,866	4,354	3,731	5,480	8,052	9,311	9,432	10,485	10,784
	Electronics	30	958	2,948	1,321	1,687	3,243	3,683	3,826	4,772	5,074
	Consumer, distribution	71	4,504	5,556	5,869	5,829	6,841	6,857	6,488	7,785	7,571
	Information	18	2,667	2,758	2,783	3,039	3,645	3,734	3,683	3,971	3,931
	Utilities, infrastructure	55	2,234	3,447	1,010	1,419	3,281	3,844	3,882	4,771	5,070
	Financials	33	4,134	3,781	4,867	5,965	7,714	7,044	7,666	7,310	7,790
Sectors	Chemicals	30	996	2,658	2,959	2,606	2,851	2,236	1,913	3,155	3,010
	Steel, nonferrous metals	8	240	979	629	495	1,080	1,179	1,200	1,481	1,448
	Machinery	24	564	1,406	1,472	1,416	1,855	2,233	2,278	2,564	2,659
	Autos	18	1,302	2,948	2,260	4,064	6,197	7,078	7,154	7,921	8,126
	Electrical machinery, precision equipment	30	958	2,948	1,321	1,687	3,243	3,683	3,826	4,772	5,074
	Pharmaceuticals, healthcare	21	1,278	1,209	1,215	1,170	1,314	1,428	1,447	1,470	1,469
	Food products	13	734	901	938	1,107	1,306	1,312	1,326	1,390	1,386
	Household goods	9	305	355	338	371	477	458	468	528	516
	Trading companies	7	1,048	1,626	1,993	1,706	2,026	2,143	1,774	2,480	2,264
	Retailing	14	831	1,105	1,071	1,110	1,277	1,132	1,089	1,441	1,466
	Services	7	309	361	313	364	441	385	385	477	469
	Software	7	562	324	148	173	245	293	301	400	368
	Media	5	166	235	239	227	251	201	197	238	245
	Telecommunications	6	1,939	2,199	2,396	2,639	3,150	3,240	3,186	3,332	3,318
	Construction, engineering	4	-5	95	123	122	181	176	176	251	249
	Housing, real estate	16	504	770	737	956	1,264	1,286	1,274	1,440	1,464
	Transportation	22	682	1,313	1,049	1,406	1,799	1,829	1,857	1,964	2,058
	Utilities	13	1,053	1,270	-898	-1,065	37	553	575	1,117	1,300
	Financials	33	4,134	3,781	4,867	5,965	7,714	7,044	7,666	7,310	7,790

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 22 February 2015, previous estimates as of 25 November 2014.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY13 Q4–FY14 Q3)

		% y-y															
		Sales				Operating profits				Recurring profits				Net profits			
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Industrial groups	Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	11.8	5.0	16.8	4.8	21.4	-6.9	21.7	6.0
	Russell/Nomura Large Cap (ex financials)	12.7	6.0	4.4	5.3	17.8	13.6	-0.4	1.4	16.5	9.6	15.7	1.4	51.6	-5.4	20.6	1.7
	Manufacturing	11.7	4.0	3.9	6.4	10.3	13.4	1.2	5.0	8.1	10.3	11.2	8.3	10.3	12.7	14.1	16.6
	Basic materials	11.6	4.4	1.9	1.1	-1.9	1.3	-8.4	-38.6	-11.1	-2.5	0.8	-24.0	-11.1	-6.3	8.4	12.2
	Processing	12.1	4.5	5.0	7.7	13.4	20.7	6.7	18.3	14.1	17.5	18.9	18.4	27.0	18.6	19.4	20.2
	Nonmanufacturing	-	-	-	-	-	-	-	-	16.1	0.6	21.9	0.9	40.1	-21.3	28.2	-5.6
	Nonmanufacturing (ex financials)	14.0	8.6	5.2	3.7	36.8	13.9	-2.8	-5.2	36.8	8.4	22.5	-11.3	2,658.8	-28.0	29.3	-24.9
Broad sectors	Basic materials	11.6	4.4	1.9	1.1	-1.9	1.3	-8.4	-38.6	-11.1	-2.5	0.8	-24.0	-11.1	-6.3	8.4	12.2
	Machinery, autos	12.9	5.8	7.1	10.2	15.8	11.6	11.1	18.0	16.0	14.0	21.3	16.9	19.3	15.1	20.5	15.1
	Electronics	11.0	2.4	2.0	4.1	9.3	55.0	-2.8	18.9	10.2	29.6	12.6	21.7	69.8	32.8	15.7	32.8
	Consumption, distribution	11.3	5.1	4.7	4.7	6.1	8.1	-11.8	-2.5	11.8	6.0	-2.0	-7.1	-1.1	0.6	-10.7	-12.2
	Information	26.3	20.2	7.8	6.2	5.8	-10.7	-4.5	-1.8	5.0	-22.3	65.5	-8.1	-19.4	-28.5	77.3	-4.2
	Utilities, infrastructure	12.6	7.2	3.5	4.0	238.8	48.9	5.7	-3.3	632.3	57.9	9.5	-4.4	SP	-46.4	38.2	-34.3
	Financials	-	-	-	-	-	-	-	-	-3.9	-8.2	21.1	19.4	-31.8	-11.7	26.3	24.5
Sectors	Chemicals	11.6	3.6	1.0	-0.9	-19.4	-1.5	-13.8	-65.2	-20.8	-1.2	-8.2	-53.2	-22.4	-1.1	-13.5	15.9
	Steel, nonferrous metals	11.6	6.2	4.3	6.6	83.3	9.4	7.4	40.1	29.3	-5.6	26.9	44.6	23.4	-13.8	58.1	6.9
	Machinery	16.4	9.2	12.1	13.8	25.8	34.1	26.8	23.5	16.8	26.6	40.8	20.6	33.6	29.0	35.8	37.2
	Automobiles	11.9	4.9	5.7	9.2	12.3	6.1	6.4	16.5	15.7	10.7	15.6	15.8	14.6	12.0	16.8	9.7
	Electrical machinery, precision equipment	11.0	2.4	2.0	4.1	9.3	55.0	-2.8	18.9	10.2	29.6	12.6	21.7	69.8	32.8	15.7	32.8
	Pharmaceuticals, healthcare	10.2	-0.3	1.3	4.0	-9.9	11.0	-1.6	-4.6	13.8	5.8	7.6	-1.2	-53.2	8.9	4.2	-1.0
	Food products	7.1	0.2	1.7	15.4	17.9	-3.0	-12.1	13.4	14.8	-1.0	-10.5	12.8	-29.2	3.9	-10.4	21.5
	Household goods	15.5	11.5	6.0	15.5	63.7	-15.6	-3.1	15.1	39.4	-18.2	4.1	17.9	175.7	19.1	53.4	3.5
	Trading companies	12.7	6.2	6.4	2.6	-9.7	33.2	-29.2	-25.2	13.9	21.8	-0.8	-43.9	25.4	-0.7	-26.8	-57.2
	Retailing	10.5	8.8	5.5	3.8	8.0	1.1	-11.7	3.1	3.1	-3.1	-9.2	7.5	4.3	-9.0	-15.5	32.1
	Services	4.6	-0.9	-2.1	-0.2	13.1	-6.7	-5.7	-6.1	3.2	-6.3	0.8	-3.5	0.1	-25.8	-11.8	-20.5
	Software	-3.2	2.9	-3.7	-8.0	SL	-19.1	79.6	-9.0	SL	-39.6	116.1	-2.7	SL	-46.0	166.4	11.6
	Media	15.5	5.0	3.4	2.5	50.1	-0.7	-16.3	0.1	54.3	5.5	0.4	-2.3	20.7	59.8	-14.7	44.4
	Telecommunications	32.4	24.7	9.6	8.7	7.4	-10.4	-6.8	-0.9	10.2	-21.6	67.2	-9.6	-0.8	-28.9	79.0	-11.6
	Construction, engineering	7.6	6.8	8.6	14.9	111.3	79.7	5.9	81.7	69.4	20.5	38.0	74.9	90.7	37.3	54.5	90.2
	Housing, real estate	17.6	6.9	4.6	1.3	23.9	9.2	-4.0	-9.6	20.0	6.7	-1.5	-8.6	61.7	9.9	2.4	7.9
	Transportation	8.3	3.8	2.6	3.8	14.5	-5.2	3.1	9.6	30.6	-5.5	9.9	13.3	SP	-2.2	11.9	10.2
	Utilities	14.8	11.1	2.6	3.2	SP	SP	19.1	SL	LS	SP	17.5	LI	LS	SL	88.5	SL
	Financials	-	-	-	-	-	-	-	-	-3.9	-8.2	21.1	19.4	-31.8	-11.7	26.3	24.5

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 22 February 2015. (3) Excludes consolidated subsidiaries. (4) LI = losses increasing; LS = losses shrinking; SL = switch to losses; SP = switch to profits.

Source: Nomura

Fig. 13: Valuation indicators

		P/E			P/CF			P/B		Dividend yield			ROE			
		FY14	EFY15	EFY16E	FY14	EFY15	EFY16E	FY13	FY14E	FY14	EFY15	EFY16E	FY13	FY14	EFY15	EFY16E
		x	x	x	x	x	x	x	x	%	%	%	%	%	%	%
Industrial groups	Russell/Nomura Large Cap	17.3	15.2	14.0	-	-	-	1.58	1.49	1.78	1.94	2.14	8.9	8.9	9.5	9.6
	Russell/Nomura Large Cap (ex loss-making cos)	16.2	14.8	13.6	-	-	-	1.58	1.50	1.79	1.99	2.21	9.5	9.6	9.5	9.6
	Russell/Nomura Large Cap (ex financials)	18.6	16.0	14.7	9.0	8.3	7.9	1.76	1.64	1.74	1.91	2.12	9.1	9.1	10.0	10.1
	Manufacturing	18.6	15.9	14.6	10.3	9.3	8.7	1.82	1.72	1.74	1.95	2.18	9.1	9.6	10.4	10.5
	Basic materials	19.3	14.4	13.0	7.8	6.6	6.3	1.23	1.18	1.68	1.81	1.91	7.1	6.3	7.9	8.2
	Processing	16.6	14.2	13.0	9.7	8.6	8.1	1.88	1.72	1.72	2.00	2.30	9.9	10.8	11.7	11.7
	Nonmanufacturing	15.8	14.3	13.4	-	-	-	1.35	1.27	1.82	1.93	2.10	8.8	8.3	8.7	8.8
		18.6	16.2	15.0	7.4	7.0	6.7	1.65	1.51	1.74	1.83	2.02	9.0	8.4	9.3	9.4
Broad sectors	Basic materials	19.3	14.4	13.0	7.8	6.6	6.3	1.23	1.18	1.68	1.81	1.91	7.1	6.3	7.9	8.2
	Machinery, autos	14.6	13.3	12.2	9.3	8.6	8.0	1.87	1.72	1.90	2.18	2.57	12.0	12.3	12.4	12.4
	Electronics	22.5	16.4	14.8	10.3	8.8	8.2	1.88	1.72	1.39	1.66	1.80	6.3	8.0	10.2	10.5
	Consumption, distribution	22.5	20.1	18.5	13.0	12.1	11.3	1.84	1.74	1.92	1.93	2.08	9.5	7.9	8.6	8.9
	Information	17.7	16.6	13.9	6.1	6.0	5.6	1.94	1.81	2.29	2.57	2.85	10.0	10.6	10.9	12.0
	Utilities, infrastructure	19.3	16.6	16.8	7.2	6.8	6.8	1.70	1.56	1.15	1.23	1.37	7.6	8.4	9.1	8.4
	Financials	11.7	11.2	10.6	-	-	-	0.95	0.92	2.03	2.16	2.28	8.4	8.1	8.0	7.9
Sectors	Chemicals	24.0	16.5	15.2	9.1	7.4	7.0	1.30	1.28	1.60	1.66	1.69	6.7	5.4	7.4	7.6
	Steel, nonferrous metals	12.6	10.6	9.3	5.7	5.2	4.8	1.06	0.98	1.87	2.21	2.52	7.9	8.1	8.8	9.4
	Machinery	19.8	17.0	15.8	12.4	11.1	10.4	2.14	1.99	1.43	1.54	1.66	9.8	10.4	11.2	11.1
	Automobiles	13.1	12.1	11.1	8.4	7.8	7.2	1.78	1.63	2.11	2.46	2.97	12.8	13.0	12.9	12.9
	Electrical machinery, precision equipment	22.5	16.4	14.8	10.3	8.8	8.2	1.88	1.72	1.39	1.66	1.80	6.3	8.0	10.2	10.5
	Pharmaceuticals, healthcare	29.0	28.0	27.5	19.9	19.6	19.3	2.27	2.20	1.87	1.98	2.05	7.5	7.7	7.8	7.7
	Food products	22.9	23.5	21.6	13.7	14.0	13.2	2.42	2.40	1.97	2.05	2.28	11.1	10.7	9.9	10.3
	Household goods	26.3	25.5	23.0	15.5	15.4	14.3	2.69	2.71	1.25	1.36	1.49	8.7	10.8	10.4	11.0
	Trading companies	11.0	8.5	7.9	6.2	5.2	4.9	0.81	0.75	3.40	3.20	3.47	11.6	7.0	8.4	8.5
	Retailing	28.1	23.1	19.9	13.7	12.2	11.0	2.15	2.10	1.28	1.41	1.54	8.2	7.7	8.9	9.7
	Services	38.2	31.7	27.7	16.5	15.7	14.6	2.35	1.94	1.42	1.27	1.30	7.3	5.3	7.0	7.6
	Software	27.2	25.7	25.2	18.8	18.9	18.6	2.20	1.99	1.48	1.59	1.65	5.2	7.4	8.4	8.1
	Media	27.5	24.8	23.3	16.8	16.0	15.5	1.46	1.35	1.25	1.14	1.14	5.7	5.0	5.3	5.4
	Telecommunications	16.0	14.8	12.2	5.1	4.9	4.5	1.98	1.86	2.56	2.95	3.32	11.7	12.0	12.3	13.8
	Construction	25.4	18.5	16.2	17.0	13.5	12.3	1.64	1.60	0.91	0.99	0.99	6.4	6.5	8.1	8.7
	Housing, real estate	22.8	21.9	20.2	14.9	14.2	13.4	2.13	1.91	1.25	1.31	1.38	9.0	8.8	8.4	8.6
	Transportation	19.6	17.7	16.7	7.8	7.5	7.3	1.88	1.73	1.11	1.18	1.21	9.7	9.1	9.4	9.3
	Utilities	13.9	9.9	12.7	3.1	2.8	3.0	1.05	0.98	1.10	1.28	1.86	3.7	7.3	9.5	6.9
	Financials	11.7	11.2	10.6	-	-	-	0.95	0.92	2.03	2.16	2.28	8.4	8.1	8.0	7.9
Russell/Nomura Small Cap		18.3	15.9	15.3	-	-	-	1.29	1.26	1.42	1.49	1.52	7.0	7.1	7.3	7.2
Russell/Nomura Small Cap (ex financials)		19.4	16.4	15.8	9.9	8.9	8.7	1.37	1.35	1.41	1.48	1.51	7.0	7.2	7.6	7.5

Note: (1) Estimates as of 22 February 2015. (2) Share prices as of 20 February 2015 close.

Source: Nomura

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- There are sub-indexes for different sizes of company based on market capitalization.
- There are sub-indexes for growth and value stocks.
- Sub-indexes for growth and value stocks are based on P/B ratios adjusted for unrealized gains/losses on marketable securities and unrecognized retirement benefit obligations.
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Transactions involving foreign equities are subject to a domestic sales commission of up to 1.026% of the transaction amount (which equals the local transaction amount plus local fees and taxes in the case of a purchase or the local transaction amount minus local fees and taxes in the case of a sale) (for transaction amounts of ¥750,000 and below, maximum domestic sales commission is ¥7,668). Local fees and taxes in foreign financial instruments markets vary by country/territory. When foreign equities are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Foreign equities carry the risk of losses owing to factors such as price fluctuations and foreign exchange rate fluctuations.

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Margin transactions therefore carry the risk of losses in excess of the margin owing to share price fluctuations. For details, please thoroughly read the written materials provided, such as listed securities documents or documents delivered before making a contract.

Transactions involving convertible bonds are subject to a sales commission of up to 1.08% of the transaction amount (or a commission of ¥4,320 if this would be less than ¥4,320). When convertible bonds are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Convertible bonds carry the risk of losses owing to factors such as interest rate fluctuations and price fluctuations in the underlying stock. In addition, convertible bonds denominated in foreign currencies also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

When bonds are purchased via public offerings, secondary distributions, or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Bonds carry the risk of losses, as prices fluctuate in line with changes in market interest rates. Bond prices may also fall below the invested principal as a result of such factors as changes in the management and financial circumstances of the issuer, or changes in third-party valuations of the bond in question. In addition, foreign currency-denominated bonds also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

When Japanese government bonds (JGBs) for individual investors are purchased via public offerings, only the purchase price shall be paid, with no sales commission charged. As a rule, JGBs for individual investors may not be sold in the first 12 months after issuance. When JGBs for individual investors are sold before maturity, an amount calculated via the following formula will be subtracted from the par value of the bond plus accrued interest: (1) for 10-year variable rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used, (2) for 5-year and 3-year fixed rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used.

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 J117 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 5.4% 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 5.4% (annualized basis) of the net assets in trust, as well as fees based on investment performance. Other indirect costs may also be incurred. For foreign investment trusts, indirect fees may be incurred during the course of holding such as investment company compensation.

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.

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