

Outlook for FY15–16 corporate earnings

Quarterly Update

March 2, 2016

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Summary and major assumptions

Overview of the FY15 corporate earnings outlook

In this report, we collate and analyze earnings forecast data issued by our analysts. For FY15, our analysts forecast sales growth of 0.4% y-y and recurring profit growth of 7.2% for companies in the Russell/Nomura Large Cap Index (ex financials). Compared with our previous estimates (published in December 2015, based on data collated on 25 November 2015), the forecast for sales growth is 1.1ppt lower and that for recurring profit growth is 6.3ppt lower. The downward revision to our FY15 recurring profit forecast is a very substantial ¥2.0trn. Forecasts have been lowered for the second consecutive quarter. Our forex assumptions for FY15 are USD/JPY of 120.5 (previously 120.9) and EUR/JPY of 132.5 (134.6). Our WTI assumption is \$44.1/bbl (\$51.1/bbl).

In FY15 Q3, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) fell 1.6% y-y as sales decreased 2.8%. Sales growth peaked in FY15 Q1 and finally turned down in Q3. Besides diminishing benefits from yen depreciation against the US dollar, there was a major impact from declines in corporate goods prices accompanying falls in crude oil prices. Judging by the macroeconomic outlook, earnings performance is likely to deteriorate further in Q4. In Q3, the yen was ¥7 y-y weaker against the US dollar, but if exchange rates hold at recent levels, it will appreciate by around ¥7 y-y. Even if the WTI oil price settles down around \$30/bbl, this would still be nearly 40% lower than a year earlier and the impact would be similar to what it was in Q3. The recovery in real exports is good news, but temporary production halts at a leading automaker affecting at least 2016 Q1 are having an impact and we see little room for optimism on export volume. Against this backdrop, we forecast that sales in FY15 Q4 will decline more than 5% y-y and that the underlying recurring profit trend is for a decline in the high teens. Even allowing for the dropping out of factors that weighed on profits in FY14 Q4, we think—based on the macroeconomic environment—that we should be prepared for a decline of almost 10% y-y in recurring profits this Q4.

Our current Q4 bottom-up forecast for the Russell/Nomura Large Cap index (ex financials) sees recurring profits declining 1.6% y-y. These forecasts reflect prospects of weak corporate earnings in Q4 after strength through to Q3. With profits looking set to slip into a downtrend, we think investor attention will focus on efforts to improve earnings.

Overview of the FY16 corporate earnings outlook

For FY16, our analysts look for sales growth of 0.6% y-y and recurring profit growth of 7.2% for companies in the Russell/Nomura Large Cap Index (ex financials). The current forecasts represent downward revisions of 1.6ppt for sales growth and 0.6ppt for recurring profit growth. Our absolute recurring profit forecast has been lowered by ¥2.3trn, or 5.9%. That the downward revision to forecast growth is very small reflects the large downward revision to our forecast for FY15 recurring profits. Our forex assumptions for FY16 are USD/JPY of 117.0 (previously 120.0) and EUR/JPY of 127.0 (previously 134.0). Our WTI assumption is \$30.0/bbl (\$50.0/bbl).

The average ROE for Russell/Nomura Large Cap stocks was 8.5% in FY14 and we forecast 8.2% for FY15 (revised from 8.9% previously) and 8.9% (9.1%) for FY16. In our last set of forecasts we projected that net profits would rise 15.3% y-y, but with the latest downward revision we now forecast growth of 5.0% y-y. That means ROE is very likely to decline for the second straight fiscal year, near the lower limit of 8% called for by global investors highlighted in the Ito report.

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

(% y-y, except where noted)

		No. of cos	New				Old	
			FY13	FY14	FY15E	FY16E	FY15E	FY16E
Sales	Russell/Nomura Large Cap (ex financials)	300	12.5	4.6	0.4	0.6	1.5	2.2
	Manufacturing	180	12.3	4.3	1.1	0.6	2.2	2.5
	Basic materials	46	13.2	0.6	-7.8	-2.9	-6.8	0.2
	Processing	87	13.2	5.7	4.1	1.6	5.4	3.4
	Nonmanufacturing (ex financials)	120	12.7	5.0	-0.8	0.8	0.5	1.9
	Russell/Nomura Small Cap (ex financials)	1,039	9.3	3.6	3.1	3.1	3.7	3.4
Operating profits	Russell/Nomura Large Cap (ex financials)	300	34.3	5.2	10.9	6.9	16.3	8.0
	Manufacturing	180	37.1	5.8	6.7	8.8	15.2	10.5
	Basic materials	46	35.6	-14.0	7.3	7.9	18.7	16.2
	Processing	87	44.4	14.7	3.9	11.2	13.3	11.1
	Nonmanufacturing (ex financials)	120	29.6	4.2	18.0	4.0	18.2	4.0
	Russell/Nomura Small Cap (ex financials)	1,039	28.4	4.3	11.7	11.3	12.5	11.0
Recurring profits	Russell/Nomura Large Cap	335	37.4	6.9	5.5	6.3	10.4	7.1
	Russell/Nomura Large Cap (ex financials)	300	39.7	7.0	7.2	7.2	13.5	7.8
	Manufacturing	180	43.3	7.2	3.2	9.7	12.0	10.9
	Basic materials	46	33.5	-8.9	-6.1	11.9	7.4	17.4
	Processing	87	58.2	15.3	2.9	11.4	12.1	11.4
	Nonmanufacturing	155	31.9	6.5	7.9	3.1	8.8	3.3
	Nonmanufacturing (ex financials)	120	34.0	6.6	13.9	3.3	15.9	2.8
	Russell/Nomura Small Cap	1,134	29.7	3.1	6.6	10.1	7.2	9.8
Net profits	Russell/Nomura Small Cap (ex financials)	1,039	27.3	5.0	6.7	11.4	7.6	10.7
	Russell/Nomura Large Cap	335	62.7	7.4	5.0	13.1	15.3	7.2
	Russell/Nomura Large Cap (ex financials)	300	79.8	8.0	4.7	15.7	17.3	8.3
	Manufacturing	180	80.9	10.2	-1.8	20.7	14.1	12.3
	Basic materials	46	85.9	-11.0	-22.4	64.6	16.5	22.4
	Processing	87	116.1	15.7	0.5	18.9	15.3	12.6
	Nonmanufacturing	155	48.2	4.6	12.0	6.3	16.6	2.2
	Nonmanufacturing (ex financials)	120	78.1	4.2	15.9	8.4	22.9	1.9
	Russell/Nomura Small Cap	1,134	74.2	2.2	10.4	16.1	14.4	12.2
	Russell/Nomura Small Cap (ex financials)	1,039	80.6	3.9	9.0	18.9	13.9	13.9

Note: Latest estimates as of 21 February 2016. Previous estimates as of 25 November 2015.

Source: Nomura

Fig. 2: Major assumptions

		Industrial production	Uncollateralized overnight call rate	WTI	Forex rate	
		% y-y	FY-end, %	CIF, \$/bbl	average, \$/¥	average, €/¥
Annual	FY14	-0.4	0–0.10	80.5	110.0	138.7
	FY15E	-0.6	0–0.10	44.1	120.5	132.5
		-0.8	0–0.10	51.1	120.9	134.6
	FY16E	2.8	0–0.10	30.0	117.0	127.0
Half year		1.8	0–0.10	50.0	120.0	134.0
	FY14 H1	0.9	0–0.10	100.1	103.1	138.9
	FY14 H2	-1.8	0–0.10	60.9	116.8	138.6
	FY15 H1	-0.4	0–0.10	52.2	121.7	135.1
	FY15E H2	-0.8	0–0.10	36.1	119.2	130.0
		-1.3	0–0.10	50.0	120.0	134.0
	FY16E H1	2.1	0–0.10	30.0	117.0	127.0
		0.8	0–0.10	50.0	120.0	134.0
	FY16E H2	3.4	0–0.10	30.0	117.0	127.0
		2.9	0–0.10	50.0	120.0	134.0

Note: Macroeconomic assumptions as of 14 January 2016. Previous assumptions as of 9 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 FY15 corporate earnings outlook

For FY15, we project that recurring profits will increase in 13 of the 19 sectors and decline in six. We expect the largest contributions to growth from the utilities, automobile, chemical, and pharmaceuticals & healthcare sectors. We assume USD/JPY of 120.5 for FY15, versus 110.0 for FY14, and anticipate contributions to earnings growth from external demand-oriented sectors with high forex sensitivity.

For the utilities sector, we expect positive contributions on (1) an increase in gains under the fuel cost adjustment system accompanying lower crude oil prices and (2) a sharp decline in replacement fuel costs incurred due to nuclear plant stoppages. In the auto sector, profits have been boosted by 1.8% y-y growth in global demand in 2015, to 89.3mn vehicles. Demand in emerging economies was weak, declining 1.8% y-y, but new auto sales in the US remained buoyant, rising 5.7% to 17.5mn vehicles. Earnings growth in the sector was also supported by improvements in the product mix and declines in raw material costs. In the chemical sector, earnings in the oil product subsector are set to deteriorate further owing to major inventory valuation losses stemming from the decline in crude oil prices. The diversified chemical and fine chemical subsectors, however, have been benefiting from lower costs, which we expect to have a major impact. Efforts made thus far to maintain competitiveness by reducing production capacity appear to be bearing fruit and the sector has also been benefiting from the reshoring of production to Japan. With the pharmaceuticals & healthcare sector, there has been a major impact from losses at some companies dropping out of the picture.

Sectors we expect to make large negative contributions to profit growth include steel & nonferrous metals, electrical machinery & precision equipment, and machinery. The steel & nonferrous metal sector has been hit hard by falling steel prices in Asia (triggered by oversupply in China), falling demand in emerging economies, and declines in metal prices. For the electrical machinery & precision equipment sector, we had forecast profit growth through to our previous (December) report, but now see profits declining. We expect a significant impact from Toshiba falling into the red in FY16 as it implements structural reforms prompted by an accounting scandal. As a result, we now forecast that profits in the industrial electronics sector will come in at roughly half their prior-year level. With the machinery sector, we expect profits to fall amid a clouded outlook for orders from smartphone manufacturers as well as ongoing weak demand for general construction equipment and mining machinery in emerging markets.

Overview of the FY16 corporate earnings outlook

For FY16, we project that recurring profits will increase in 16 of the 19 sectors and decline in three. Sectors from which we expect particularly large contributions to overall profit growth include electrical machinery & precision equipment, automobiles, and telecommunications. Sectors that we expect to make large negative contributions to profit growth include utilities. We assume USD/JPY of 117.0 for FY16 versus 120.5 for FY15, representing a headwind for external demand-oriented sectors. We forecast relatively strong profit growth in the electrical machinery & precision equipment, steel & nonferrous metal, and services sectors. With forecasts for other sectors calling for profit growth only in single-digit percentages, however, we think the number of sectors for which our analysts expect profits to fall could well increase slightly in view of the impact of recent yen appreciation against the US dollar.

For the electrical machinery & precision equipment sector, we expect contributions to profit growth from a wide range of subsectors, but also note that high projected profit growth reflects largely a reaction to weakness in FY15. Excluding the two companies we expect to incur losses in FY15, we forecast that recurring profits in the sector will rise 12.9% y-y. With the auto sector, we forecast that global demand in 2016 will expand 3.0% y-y to 92.0mn vehicles. We think a recovery in demand in emerging economies holds the key to achieving that growth because we project that new auto sales in the US will increase only 0.7% y-y to 17.6mn vehicles and we also expect weakness in Europe. While we expect the auto sector to make the second-largest contribution to the overall increase in profits, we do not anticipate that it will see particularly strong profit growth. We think it possible that forecasts for the sector's profits could turn to contraction bearing in mind its relatively high forex sensitivity and susceptibility to fluctuations in emerging market currencies. For the telecommunications sector, we look for strong earnings supported by benefits from FTTH wholesaling services on fixed-line operations and cost reductions in mobile businesses. In the utilities sector, meanwhile, we expect fallout from delays in restarting nuclear power stations and electricity rate cuts triggered by the full deregulation of the electricity retail market in April 2016.

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

FY15E				FY16E			
Increase in profits		(%)		Increase in profits		(%)	
13 sectors	Growth	Contribution	Contribution (ex financials)	16 sectors	Growth	Contribution	Contribution (ex financials)
Utilities	148.6	44.4	43.0	Electrical machinery, precision equipment	29.0	40.0	43.7
Automobiles	8.8	28.8	27.9	Automobiles	4.7	13.7	15.0
Chemicals	20.5	19.7	19.1	Telecommunications	9.8	12.4	13.6
Pharmaceuticals, healthcare	37.5	19.2	18.6	Financials	2.7	8.4	-
Transportation	9.6	8.7	8.5	Steel, nonferrous metals	30.7	7.1	7.8
Retailing	12.7	7.0	6.8	Chemicals	7.4	7.1	7.8
Housing, real estate	10.1	6.6	6.4	Retailing	9.8	5.3	5.8
Construction	51.0	5.5	5.4	Machinery	6.0	5.1	5.5
Telecommunications	3.0	4.5	4.4	Housing, real estate	8.7	5.0	5.4
Household goods	4.2	0.9	0.9	Transportation	4.7	4.0	4.3
Software	3.5	0.6	0.6	Services	14.4	3.4	3.7
Media	4.3	0.6	0.6	Household goods	8.6	1.9	2.0
Food	0.5	0.3	0.3	Construction	8.8	1.2	1.3
Decrease in profits				Trading companies	1.6	1.0	1.1
		(%)		Software	7.2	0.9	1.0
6 sectors	Growth	Contribution	Contribution (ex financials)	Food	1.0	0.6	0.6
Services	-3.4	-0.9	-0.9	Decrease in profits			
Trading companies	-2.9	-2.3	-2.2			(%)	
Financials	-0.9	-3.3	-	3 sectors	Growth	Contribution	Contribution (ex financials)
Machinery	-4.8	-5.2	-5.1	Media	-2.5	-0.3	-0.3
Electrical machinery, precision equipment	-3.6	-6.2	-6.0	Pharmaceuticals, healthcare	-1.5	-0.9	-1.0
Steel, nonferrous metals	-49.2	-29.1	-28.2	Utilities	-26.0	-15.9	-17.4

Source: Nomura

Revisions to recurring profit estimates (versus old estimates)

Overview of the FY15 corporate earnings outlook

We have raised our FY15 recurring profit forecasts for eight of 19 sectors and lowered them for 11. As with the previous quarter, our upward revisions include many domestic demand-oriented sectors, while the downward revisions center on external demand-oriented and commodity sectors. The revisions to our forex assumptions this time toward a stronger yen (we left our assumptions mostly unchanged in the previous report) also imply tougher conditions for external demand-oriented sectors.

Sectors for which we have made upward revisions include utilities, financials, and construction, although those upward revisions are small. With the utilities sector, we expect a significant impact from higher gains under the fuel cost adjustment system accompanying lower crude oil prices. With the financial sector, the upward revision has been driven by forecasts for the megabanks, reflecting earnings upside in quarterly results. For the construction sector, earnings remained buoyant through to Q3 supported by striking improvement in gross margins on building construction. Earnings have been receiving an additional boost recently from the downtrend in construction costs. We expect construction costs to rise again as large-scale projects particularly in the greater Tokyo area kick in from 17/3 H2 together with Olympics-related projects. However, companies have been taking orders on this assumption and in some cases have been factoring future cost increases into contract prices.

Sectors for which we have made large downward revisions include electrical machinery & precision equipment, chemicals, automobiles, trading companies, machinery, and steel & nonferrous metals. With the electrical machinery & precision equipment sector, iPhone-related weakness has had a major impact. The size of the downward revisions, however, reflects to a significant degree some companies being pressured into implementing structural reforms. With the chemical sector, more than 80% of the downward revision is accounted for by the oil product subsector, which has been hit by declines in crude oil prices. The trading company sector, meanwhile, has been affected by falling commodity prices. The auto sector has been hurt by yen appreciation against emerging market and other currencies as well as a decline in output owing to a shortage of specialty steel supplies in February. The machinery sector has also seen downward revisions across a broad spectrum of subsectors. Although machinery demand has held comparatively steady in industrialized economies, it remains unstable in emerging economies. In the steel & nonferrous metal sector, prices remain depressed, prompting downward revisions for the fourth consecutive quarter. The downward revision, however, is smaller than in the previous quarter. Some bright signs, if only glimmers, have emerged in such areas as a mild firming in Asian prices.

Overview of the FY16 corporate earnings outlook

We have raised our FY16 recurring profit forecasts for six of the 19 sectors and lowered them for 13.

The largest upward revisions have been for the transportation and utilities sectors while the largest downward revisions have been for the automobile, chemical, electrical machinery & precision equipment, trading company, and machinery sectors. The upward revision for the telecommunications sector reflects partly the contribution from earnings improvement at a US telecom company. The impact of recent changes in forex rates and commodity prices is likely to have a larger impact in FY16 than in FY15, reflecting which the margin of downward revisions for most sectors is greater for FY16 than for FY15. With the electrical machinery & precision equipment sector, however, the downward revision for FY16 is smaller than for FY15, reflecting expected support from a few sector companies.

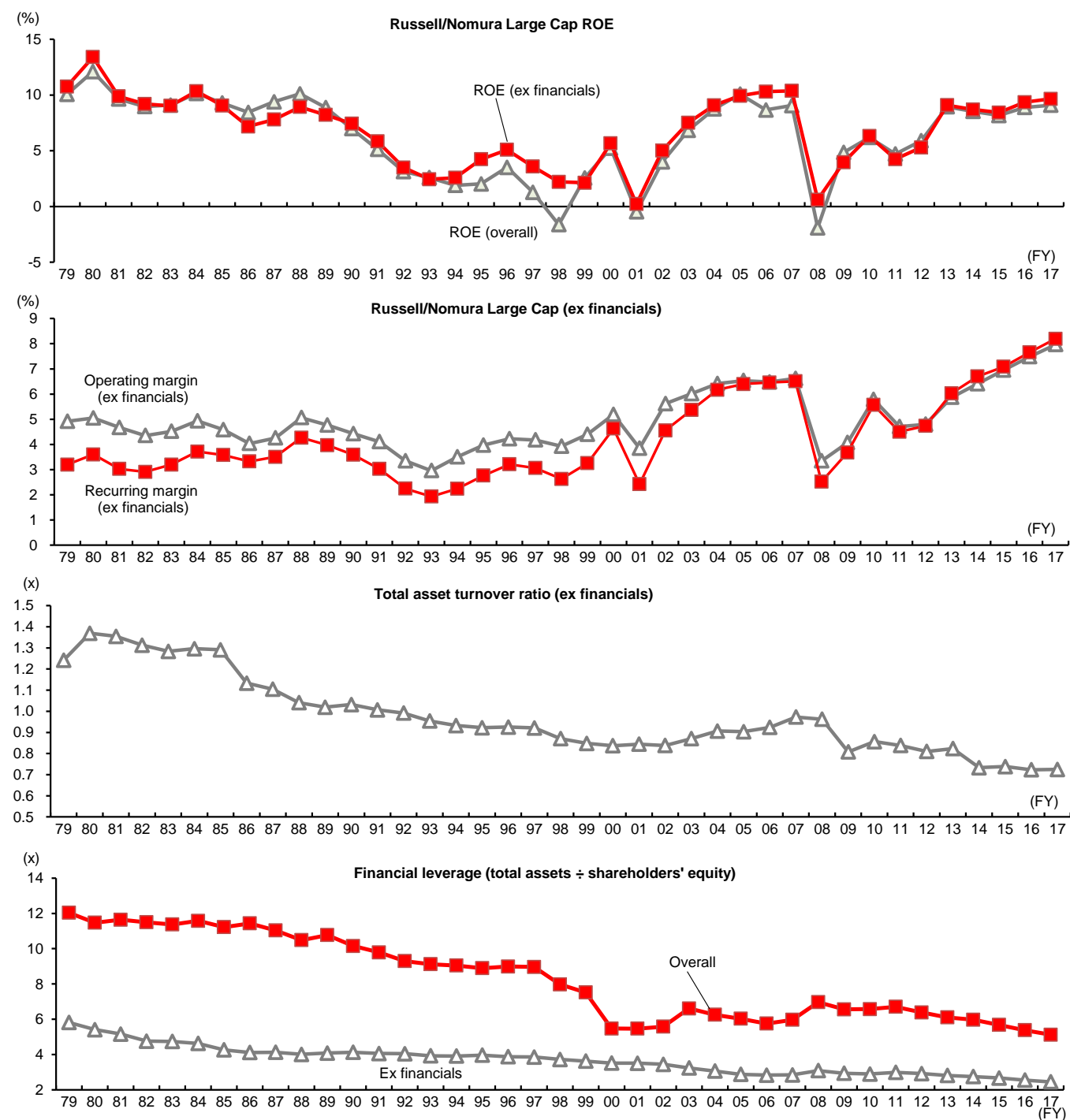
Fig. 4: Revisions to recurring profit estimates (versus old estimates) for the Russell/Nomura Large Cap Index

FY15E					FY16E				
[Upward revisions] 8 sectors					[Upward revisions] 6 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Utilities	1,640	1,503	137	9.1	Telecommunications	3,731	3,510	220	6.3
Financials	8,142	8,097	45	0.5	Utilities	1,214	1,118	95	8.5
Construction	363	324	39	11.9	Housing, real estate	1,657	1,625	32	2.0
Media	304	273	31	11.2	Construction	407	375	32	8.5
Housing, real estate	1,585	1,564	21	1.4	Pharmaceuticals, healthcare	1,511	1,485	26	1.7
Pharmaceuticals, healthcare	1,558	1,538	20	1.3	Services	729	715	14	1.9
Household goods	511	494	17	3.5					
Services	551	540	10	1.9					
[Downward revisions] 11 sectors					[Downward revisions] 13 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Software	411	426	-15	-3.6	Media	296	304	-8	-2.7
Retailing	1,377	1,406	-29	-2.1	Household goods	631	646	-16	-2.4
Transportation	2,193	2,275	-82	-3.6	Software	368	417	-49	-11.6
Food	1,396	1,480	-84	-5.7	Retailing	1,586	1,651	-65	-3.9
Telecommunications	3,420	3,532	-112	-3.2	Financials	8,460	8,542	-82	-1.0
Steel, nonferrous metals	665	808	-143	-17.7	Food	1,430	1,518	-88	-5.8
Machinery	2,309	2,458	-149	-6.1	Steel, nonferrous metals	812	901	-90	-9.9
Trading companies	1,690	1,931	-241	-12.5	Transportation	2,355	2,450	-95	-3.9
Automobiles	7,868	8,180	-312	-3.8	Machinery	2,388	2,622	-234	-8.9
Chemicals	2,559	2,877	-318	-11.0	Trading companies	1,717	2,063	-346	-16.8
Electrical machinery, precision equipment	3,657	4,444	-787	-17.7	Electrical machinery, precision equipment	4,764	5,200	-436	-8.4
					Chemicals	2,756	3,372	-616	-18.3
					Automobiles	8,239	8,925	-686	-7.7

Note: Latest estimates as of 21 February 2016, previous estimates as of 25 November 2015.

Source: Nomura

Fig. 5: Breakdown of factors affecting ROE

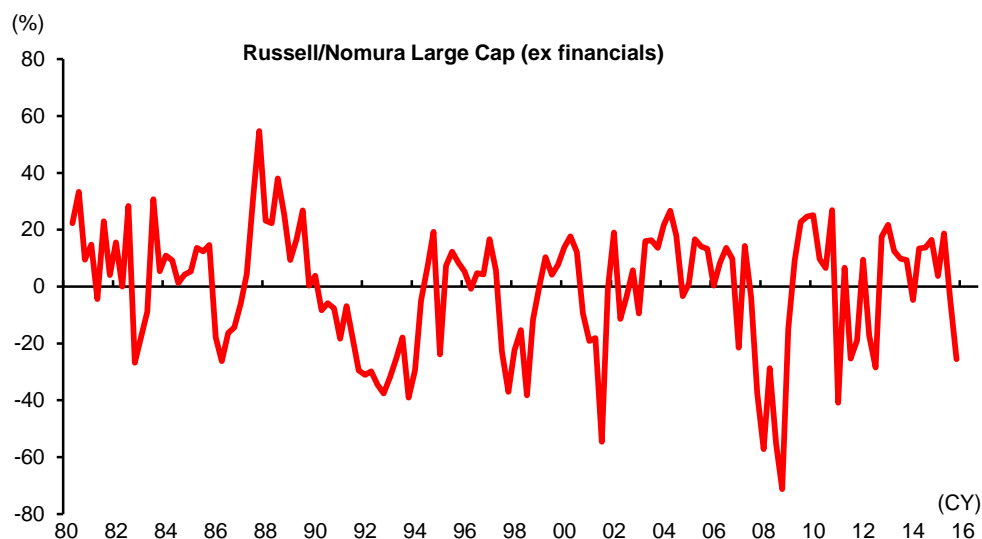


Note: Figures for FY15 onward are estimates. As of 21 February 2016.

Source: Nomura

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

	(yy/m)	14/6	14/9	14/12	15/3	15/6	15/9	15/12	16/3
Russell/Nomura Large Cap		-0.3	15.7	13.2	20.4	4.2	21.8	-3.6	-24.0
Russell/Nomura Large Cap (ex financials)		-4.7	13.4	13.8	16.4	3.7	18.7	-4.3	-25.6
Manufacturing		-2.6	15.7	18.3	22.2	0.0	19.4	-19.4	-38.5
Basic materials		-15.8	-7.9	7.9	28.3	28.3	19.6	-17.4	-27.3
Processing		5.6	30.6	33.3	33.3	-12.6	-1.1	-35.6	-75.9
Nonmanufacturing (ex financials)		-7.9	9.9	6.9	7.6	9.2	17.5	18.3	-7.3



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	FY10	FY11	FY12	FY13	FY14	FY15E Old	FY15E New	FY16E Old	FY16E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	300	6.1	1.4	2.7	12.5	4.6	1.5	0.4	2.2	0.6
	Manufacturing	180	7.0	0.2	3.0	12.3	4.3	2.2	1.1	2.5	0.6
	Basic materials	46	13.2	4.8	-0.5	13.2	0.6	-6.8	-7.8	0.2	-2.9
	Processing	87	6.3	-2.0	4.8	13.2	5.7	5.4	4.1	3.4	1.6
	Nonmanufacturing (ex financials)	120	4.9	3.0	2.2	12.7	5.0	0.5	-0.8	1.9	0.8
Broad sectors	Materials	46	13.2	4.8	-0.5	13.2	0.6	-6.8	-7.8	0.2	-2.9
	Machinery, autos	49	7.4	-0.1	10.0	15.4	7.8	7.4	6.3	3.8	1.8
	Electronics	38	5.2	-4.3	-1.6	10.1	2.7	2.3	0.7	2.7	1.4
	Consumer, distribution	84	5.7	3.3	0.8	11.2	3.7	0.8	-0.9	2.4	1.2
	Information	22	0.4	1.5	3.4	20.1	9.6	3.4	5.1	3.1	4.2
	Utilities, infrastructure	61	2.5	2.2	5.3	10.0	5.2	0.4	-0.7	0.4	-1.3
Sectors	Chemicals	36	13.0	6.5	0.8	12.5	-1.1	-6.8	-8.2	1.1	-2.4
	Steel, nonferrous metals	10	13.6	0.7	-4.3	15.1	4.7	-6.8	-6.7	-2.0	-4.2
	Machinery	27	8.3	5.0	2.2	15.4	11.1	5.4	3.9	3.9	2.3
	Autos	22	7.1	-1.6	12.5	15.5	6.9	7.9	7.1	3.8	1.7
	Electrical machinery, precision equipment	38	5.2	-4.3	-1.6	10.1	2.7	2.3	0.7	2.7	1.4
	Pharmaceuticals, healthcare	22	1.1	3.0	2.0	7.8	0.6	4.6	5.5	0.7	0.3
	Food products	15	0.7	-0.9	3.3	5.4	6.7	1.6	0.9	2.0	1.6
	Household goods	10	1.8	2.9	4.4	9.9	11.5	7.4	6.7	2.8	1.2
	Trading companies	7	10.2	6.1	-1.0	14.0	2.7	-4.8	-8.3	1.9	-1.1
	Retailing	19	1.8	-2.5	3.7	10.0	5.7	7.2	6.1	4.2	3.9
	Services	11	0.1	-2.4	1.5	3.5	-0.4	5.2	5.5	4.1	7.5
	Software	9	-17.6	-14.9	-4.0	3.6	1.4	4.9	2.7	9.6	9.3
	Media	5	4.5	1.9	4.8	10.5	5.1	4.2	10.2	3.2	-1.7
	Telecommunications	8	2.4	3.5	3.8	24.4	10.9	3.2	4.8	2.4	4.3
	Construction, engineering	5	-16.0	7.7	7.5	6.8	7.2	3.9	3.1	1.3	1.1
	Housing, real estate	19	5.4	2.7	6.1	14.5	7.9	5.8	5.6	3.6	3.5
	Transportation	24	3.4	-0.7	3.4	7.2	3.4	3.2	0.9	1.6	-0.1
	Utilities	13	5.9	3.4	5.9	11.0	4.7	-7.2	-7.8	-3.6	-7.0

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 21 February 2016, previous estimates as of 25 November 2015.

Source: Nomura

Fig. 8: Percentage change in operating profits by sector

(% y-y, except where noted)

		No. of cos	FY10	FY11	FY12	FY13	FY14	FY15E Old	FY15E New	FY16E Old	FY16E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	300	49.8	-18.6	4.5	34.3	5.2	16.3	10.9	8.0	6.9
	Manufacturing	180	74.3	-14.2	7.5	37.1	5.8	15.2	6.7	10.5	8.8
	Basic materials	46	101.5	-9.8	-22.6	35.6	-14.0	18.7	7.3	16.2	7.9
	Processing	87	110.6	-20.6	29.1	44.4	14.7	13.3	3.9	11.1	11.2
	Nonmanufacturing (ex financials)	120	25.7	-24.6	-0.4	29.6	4.2	18.2	18.0	4.0	4.0
Broad sectors	Materials	46	101.5	-9.8	-22.6	35.6	-14.0	18.7	7.3	16.2	7.9
	Machinery, autos	49	106.5	-10.9	42.9	46.2	14.0	11.6	6.5	8.6	4.2
	Electronics	38	116.1	-32.7	6.7	40.3	16.3	17.4	-2.1	16.8	28.7
	Consumer, distribution	84	17.5	0.8	-6.4	14.7	-9.0	13.4	11.4	6.6	3.6
	Information	22	6.3	-3.7	4.3	15.2	-2.1	13.0	11.8	7.9	12.8
	Utilities, infrastructure	61	35.2	-57.7	10.4	69.1	22.9	28.7	30.6	-2.2	-3.2
Sectors	Chemicals	36	94.5	-1.1	-21.3	16.7	-26.6	48.0	31.7	16.9	7.4
	Steel, nonferrous metals	10	125.0	-37.1	-30.2	151.9	21.4	-30.3	-33.4	13.6	9.8
	Machinery	27	124.8	6.1	-7.9	30.4	22.8	2.9	-2.1	8.9	4.3
	Autos	22	98.0	-19.8	77.2	51.7	11.3	14.6	9.4	8.5	4.2
	Electrical machinery, precision equipment	38	116.1	-32.7	6.7	40.3	16.3	17.4	-2.1	16.8	28.7
	Pharmaceuticals, healthcare	22	-8.7	-7.6	-6.9	20.5	-18.2	43.1	47.8	-2.3	-4.4
	Food products	15	11.5	4.1	9.0	11.6	4.1	6.8	-0.3	2.0	2.3
	Household goods	10	12.1	0.5	-2.3	23.3	7.8	6.3	9.5	13.6	6.8
	Trading companies	7	69.7	6.3	-24.8	18.7	-23.6	-1.0	-5.8	7.7	-2.9
	Retailing	19	21.8	7.5	-3.5	6.0	-3.6	17.7	14.9	13.7	11.5
	Services	11	4.5	-15.9	15.3	14.6	-5.3	-2.8	-1.9	13.8	14.8
	Software	9	-32.8	-53.3	-32.9	13.2	33.9	9.8	5.3	26.6	18.8
	Media	5	37.6	3.6	19.4	9.6	9.3	-4.1	7.6	12.1	-2.5
	Telecommunications	8	14.2	3.1	5.9	15.7	-5.3	14.9	12.9	5.9	13.6
	Construction, engineering	5	10,835.6	18.3	-10.8	30.0	34.6	48.9	66.4	12.5	9.2
	Housing, real estate	19	29.0	0.6	12.6	26.0	3.4	14.3	15.6	5.7	6.4
	Transportation	24	51.5	-17.3	20.4	8.4	6.7	13.5	9.1	4.7	4.1
	Utilities	13	17.0	SL	LI	SP	192.2	79.0	92.2	-21.9	-23.1

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 21 February 2016, previous estimates as of 25 November 2015. (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

(% y-y, except where noted)

		No. of cos	FY10	FY11	FY12	FY13	FY14	FY15E Old	FY15E New	FY16E Old	FY16E New
Industrial groups	Russell/Nomura Large Cap	335	43.8	-12.1	12.8	37.4	6.9	10.4	5.5	7.1	6.3
	Russell/Nomura Large Cap (ex financials)	300	58.7	-19.5	7.7	39.7	7.0	13.5	7.2	7.8	7.2
	Manufacturing	180	91.0	-17.9	10.3	43.3	7.2	12.0	3.2	10.9	9.7
	Basic materials	46	133.9	-7.1	-19.2	33.5	-8.9	7.4	-6.1	17.4	11.9
	Processing	87	143.6	-29.3	36.4	58.2	15.3	12.1	2.9	11.4	11.4
	Nonmanufacturing	155	14.7	-5.9	15.2	31.9	6.5	8.8	7.9	3.3	3.1
	Nonmanufacturing (ex financials)	120	27.6	-21.7	3.5	34.0	6.6	15.9	13.9	2.8	3.3
Broad sectors	Materials	46	133.9	-7.1	-19.2	33.5	-8.9	7.4	-6.1	17.4	11.9
	Machinery, autos	49	116.1	-11.5	42.5	47.6	16.2	10.2	5.4	9.2	5.0
	Electronics	38	200.1	-54.9	19.7	92.9	13.0	17.1	-3.6	16.6	29.0
	Consumer, distribution	84	16.7	5.9	-4.1	15.7	-9.0	12.9	8.2	6.2	4.1
	Information	22	3.3	0.0	7.3	16.2	8.0	5.5	3.1	2.4	8.6
	Utilities, infrastructure	61	48.7	-70.2	30.2	102.6	28.3	30.6	33.2	-1.8	-2.7
	Financials	35	-8.2	33.7	34.8	29.3	6.5	-1.4	-0.9	4.3	2.7
Sectors	Chemicals	36	116.2	1.8	-19.2	16.3	-21.7	35.5	20.5	17.3	7.4
	Steel, nonferrous metals	10	201.0	-34.3	-18.9	119.5	24.0	-38.2	-49.2	17.9	30.7
	Machinery	27	125.8	7.9	-5.1	31.9	23.7	1.4	-4.8	9.8	6.0
	Autos	22	111.8	-20.8	72.8	53.0	13.9	13.1	8.8	9.1	4.7
	Electrical machinery, precision equipment	38	200.1	-54.9	19.7	92.9	13.0	17.1	-3.6	16.6	29.0
	Pharmaceuticals, healthcare	22	-8.6	-9.0	-4.9	14.0	-15.3	35.7	37.5	-1.9	-1.5
	Food products	15	10.2	5.2	9.1	13.0	4.9	6.5	0.5	1.4	1.0
	Household goods	10	9.2	1.9	0.1	20.3	11.0	0.7	4.2	15.4	8.6
	Trading companies	7	55.1	22.6	-15.1	25.9	-20.6	11.0	-2.9	6.8	1.6
	Retailing	19	22.2	7.9	-2.5	5.6	-4.8	15.1	12.7	12.0	9.8
	Services	11	4.9	-14.7	16.6	12.8	-2.4	-5.2	-3.4	13.5	14.4
	Software	9	-41.9	-53.5	8.4	14.9	22.6	7.3	3.5	14.6	7.2
	Media	5	34.9	14.5	7.6	10.8	11.0	-6.2	4.3	11.4	-2.5
	Telecommunications	8	13.4	6.2	7.2	16.8	6.5	6.4	3.0	0.4	9.8
	Construction, engineering	5	1,102.5	49.0	-1.0	25.3	38.4	34.9	51.0	11.9	8.8
	Housing, real estate	19	35.3	-0.9	20.8	29.5	4.6	8.6	10.1	7.9	8.7
	Transportation	24	90.6	-18.9	30.9	15.1	10.4	13.7	9.6	5.2	4.7
	Utilities	13	20.7	SL	LI	SP	1,682.0	127.9	148.6	-25.6	-26.0
	Financials	35	-8.2	33.7	34.8	29.3	6.5	-1.4	-0.9	4.3	2.7

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 21 February 2016, previous estimates as of 25 November 2015. (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	FY10	FY11	FY12	FY13	FY14	FY15E Old	FY15E New	FY16E Old	FY16E New
Industrial groups	Russell/Nomura Large Cap	335	34.6	-25.3	36.3	62.7	7.4	15.3	5.0	7.2	13.1
	Russell/Nomura Large Cap (ex financials)	300	63.4	-35.2	26.7	79.8	8.0	17.3	4.7	8.3	15.7
	Manufacturing	180	158.2	-42.9	30.8	80.9	10.2	14.1	-1.8	12.3	20.7
	Basic materials	46	361.6	-34.6	-30.8	85.9	-11.0	16.5	-22.4	22.4	64.6
	Processing	87	324.4	-57.2	77.5	116.1	15.7	15.3	0.5	12.6	18.9
	Nonmanufacturing	155	-14.6	-2.6	41.0	48.2	4.6	16.6	12.0	2.2	6.3
	Nonmanufacturing (ex financials)	120	-4.9	-19.2	20.4	78.1	4.2	22.9	15.9	1.9	8.4
Broad sectors	Materials	46	361.6	-34.6	-30.8	85.9	-11.0	16.5	-22.4	22.4	64.6
	Machinery, autos	49	254.0	-16.9	58.6	56.2	14.8	10.5	5.9	9.5	5.9
	Electronics	38	603.9	SL	LS	SP	18.4	30.3	-16.2	20.6	68.7
	Consumer, distribution	84	22.7	5.9	9.3	14.3	-6.2	12.0	5.1	6.2	7.4
	Information	22	-0.6	-2.0	9.9	16.5	14.8	16.1	9.3	2.0	11.0
	Utilities, infrastructure	61	-76.7	SL	LS	SP	19.2	32.5	28.5	-3.1	4.6
	Financials	35	-26.7	24.7	66.7	18.9	5.2	7.4	6.4	2.6	2.9
Sectors	Chemicals	36	305.9	-21.7	-30.5	34.1	-24.6	60.3	2.0	26.7	75.8
	Steel, nonferrous metals	10	631.7	-78.5	-33.1	590.0	13.1	-33.3	-50.0	10.0	36.0
	Machinery	27	225.1	4.9	-0.0	38.9	17.9	7.0	-4.7	10.4	12.7
	Autos	22	268.5	-26.5	94.6	61.7	14.0	11.6	9.1	9.3	4.1
	Electrical machinery, precision equipment	38	603.9	SL	LS	SP	18.4	30.3	-16.2	20.6	68.7
	Pharmaceuticals, healthcare	22	-14.6	-29.4	45.6	-2.7	7.8	10.1	11.3	0.4	-0.3
	Food products	15	-3.5	18.7	20.0	21.7	4.9	11.9	1.6	-1.6	2.2
	Household goods	10	31.7	-20.8	32.9	32.9	32.5	-11.7	-4.4	21.2	11.9
	Trading companies	7	56.6	25.8	-11.9	22.6	-23.5	19.0	2.7	5.2	7.2
	Retailing	19	82.3	24.9	2.0	4.9	-7.8	17.5	8.3	13.4	16.6
	Services	11	-0.9	-38.2	103.2	13.9	-19.6	6.1	8.6	17.0	18.6
	Software	9	-46.5	-61.2	51.8	-14.3	35.8	22.4	14.3	16.0	8.8
	Media	5	15.1	57.8	-7.7	-1.5	16.5	-1.5	13.4	12.0	-6.5
	Telecommunications	8	15.7	3.2	9.2	22.0	12.7	16.9	8.3	-0.5	13.1
	Construction, engineering	5	SP	-81.6	440.1	38.5	30.2	52.8	73.6	11.7	9.5
	Housing, real estate	19	74.0	-16.3	54.1	41.2	18.4	8.2	9.2	8.8	10.4
	Transportation	24	127.9	-37.9	59.5	44.4	1.8	24.5	2.6	5.3	22.2
	Utilities	13	SL	LI	LS	SP	79.6	81.4	100.3	-28.4	-20.2
	Financials	35	-26.7	24.7	66.7	18.9	5.2	7.4	6.4	2.6	2.9

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 21 February 2016, previous estimates as of 25 November 2015. (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	FY10	FY11	FY12	FY13	FY14	FY15E Old	FY15E New	FY16E Old	FY16E New
Industrial groups	Russell/Nomura Large Cap	335	26,483	23,168	26,521	36,708	38,488	44,150	42,198	47,439	45,049
	Russell/Nomura Large Cap (ex financials)	300	22,701	18,302	20,556	28,994	30,350	36,053	34,056	38,897	36,589
	Manufacturing	180	13,404	11,132	12,917	18,323	19,085	22,279	20,523	24,669	22,530
	Basic materials	46	3,638	3,588	3,101	3,931	3,325	3,685	3,224	4,273	3,568
	Processing	87	7,302	5,052	7,167	11,295	12,834	15,082	13,834	16,747	15,391
	Nonmanufacturing	155	13,079	12,037	13,604	18,385	19,403	21,871	21,674	22,770	22,519
	Nonmanufacturing (ex financials)	120	9,297	7,170	7,639	10,671	11,265	13,774	13,533	14,228	14,059
Broad sectors	Materials	46	3,638	3,588	3,101	3,931	3,325	3,685	3,224	4,273	3,568
	Machinery, autos	49	4,354	3,731	5,480	8,052	9,213	10,639	10,177	11,547	10,627
	Electronics	38	2,948	1,321	1,687	3,243	3,621	4,444	3,657	5,200	4,764
	Consumer, distribution	84	5,556	5,869	5,829	6,841	6,151	7,389	7,083	8,078	7,602
	Information	22	2,758	2,783	3,039	3,645	3,841	4,231	4,135	4,232	4,395
	Utilities, infrastructure	61	3,447	1,010	1,419	3,281	4,198	5,665	5,780	5,568	5,633
	Financials	35	3,781	4,867	5,965	7,714	8,138	8,097	8,142	8,542	8,460
Sectors	Chemicals	36	2,658	2,959	2,606	2,851	2,059	2,877	2,559	3,372	2,756
	Steel, nonferrous metals	10	979	629	495	1,080	1,266	808	665	901	812
	Machinery	27	1,406	1,472	1,416	1,855	2,306	2,458	2,309	2,622	2,388
	Autos	22	2,948	2,260	4,064	6,197	6,908	8,180	7,868	8,925	8,239
	Electrical machinery, precision equipment	38	2,948	1,321	1,687	3,243	3,621	4,444	3,657	5,200	4,764
	Pharmaceuticals, healthcare	22	1,209	1,215	1,170	1,314	1,113	1,538	1,558	1,485	1,511
	Food products	15	901	938	1,107	1,306	1,341	1,480	1,396	1,518	1,430
	Household goods	10	355	338	371	477	471	494	511	646	631
	Trading companies	7	1,626	1,993	1,706	2,026	1,740	1,931	1,690	2,063	1,717
	Retailing	19	1,105	1,071	1,110	1,277	1,087	1,406	1,377	1,651	1,586
	Services	11	361	313	364	441	399	540	551	715	729
	Software	9	324	148	173	245	324	426	411	417	368
	Media	5	235	239	227	251	271	273	304	304	296
	Telecommunications	8	2,199	2,396	2,639	3,150	3,246	3,532	3,420	3,510	3,731
	Construction, engineering	5	95	123	122	181	212	324	363	375	407
	Housing, real estate	19	770	737	956	1,264	1,363	1,564	1,585	1,625	1,657
	Transportation	24	1,313	1,049	1,406	1,799	1,963	2,275	2,193	2,450	2,355
	Utilities	13	1,270	-898	-1,065	37	660	1,503	1,640	1,118	1,214
	Financials	35	3,781	4,867	5,965	7,714	8,138	8,097	8,142	8,542	8,460

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 21 February 2016, previous estimates as of 25 November 2015.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY14 Q4–FY15 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	-	-	-	-	-	-	-	-	1.1	26.3	-4.7	-4.4	3.2	35.5	-7.7	-12.8
	Russell/Nomura Large Cap (ex financials)	1.7	4.1	2.1	-2.8	5.8	21.4	15.3	4.9	2.7	28.2	0.9	-1.6	9.9	39.1	-3.8	-14.2
	Manufacturing	1.8	5.6	3.0	-2.2	-3.3	14.2	9.4	-0.3	-7.6	20.7	0.5	-9.5	-12.5	23.8	3.7	-28.2
	Basic materials	-7.4	-3.6	-8.0	-12.5	1.4	33.5	-18.8	57.3	-2.0	41.6	-31.4	2.1	-70.4	72.8	-41.0	-60.7
	Processing	5.3	8.9	7.0	1.5	4.5	8.4	14.6	-7.3	-1.1	15.2	6.5	-12.3	-6.9	13.5	9.8	-23.5
	Nonmanufacturing	-	-	-	-	-	-	-	-	11.1	31.7	-9.0	1.6	28.1	47.8	-16.6	7.8
	Nonmanufacturing (ex financials)	1.5	1.9	0.9	-3.7	24.5	32.6	24.4	14.6	24.2	40.6	1.5	15.1	89.9	68.8	-13.0	22.4
Broad sectors	Basic materials	-7.4	-3.6	-8.0	-12.5	1.4	33.5	-18.8	57.3	-2.0	41.6	-31.4	2.1	-70.4	72.8	-41.0	-60.7
	Machinery, autos	7.6	11.7	9.7	3.6	10.0	14.0	15.8	-1.1	7.6	16.3	4.7	-4.8	4.1	13.7	6.7	1.1
	Electronics	2.1	4.4	3.0	-1.7	-6.2	-6.1	12.0	-19.3	-20.5	12.1	11.3	-27.8	-46.7	12.9	19.4	-76.6
	Consumption, distribution	-0.8	2.2	-0.0	-4.3	-23.1	10.7	20.4	-4.2	-21.0	9.3	4.8	-3.0	4.3	12.1	14.3	-19.6
	Information	3.9	5.5	7.9	1.5	8.6	13.0	25.4	1.5	0.5	40.0	-19.4	-3.5	20.5	57.2	-24.2	-1.2
	Utilities, infrastructure	3.9	3.1	1.8	-2.9	59.4	72.1	25.6	42.2	86.3	84.1	28.0	48.5	SP	177.6	-10.1	97.7
	Financials	-	-	-	-	-	-	-	-	-4.9	19.4	-26.2	-15.0	-21.0	22.8	-23.3	-7.2
Sectors	Chemicals	-11.1	-4.8	-9.1	-13.6	-9.8	46.0	-15.8	234.9	-13.3	54.7	-26.2	130.3	SL	103.0	-39.2	-33.5
	Steel, nonferrous metals	2.0	-0.4	-5.1	-9.4	25.8	-0.8	-26.2	-46.7	25.2	8.2	-42.9	-81.8	7.6	20.4	-43.4	-98.5
	Machinery	9.6	10.3	6.2	3.1	11.8	6.3	-1.6	-3.6	10.4	15.1	-17.5	-11.6	-17.7	14.8	-9.6	-13.5
	Automobiles	7.0	12.1	10.7	3.7	9.3	16.4	22.1	-0.4	6.5	16.6	12.7	-2.7	12.5	13.4	11.8	5.6
	Electrical machinery, precision equipment	2.1	4.4	3.0	-1.7	-6.2	-6.1	12.0	-19.3	-20.5	12.1	11.3	-27.8	-46.7	12.9	19.4	-76.6
	Pharmaceuticals, healthcare	0.3	7.5	5.1	2.4	SL	13.8	28.8	4.5	SL	16.6	20.3	0.1	55.7	18.8	30.7	-5.2
	Food products	0.2	9.5	3.4	-6.6	4.5	17.0	14.6	-18.5	9.6	18.0	13.5	-17.5	42.9	38.2	43.7	-57.8
	Household goods	6.5	4.8	9.5	10.0	-1.3	35.7	14.2	4.8	-5.8	42.2	1.6	1.6	-0.6	2.8	-23.1	27.8
	Trading companies	-4.7	-3.7	-7.5	-12.8	1.8	0.6	42.3	-13.9	-1.3	-3.4	-10.5	8.6	-7.0	-0.1	-1.7	-26.7
	Retailing	5.6	8.1	9.0	6.9	5.2	15.9	13.1	5.9	4.2	18.4	6.6	-0.7	-9.9	12.8	-3.7	-18.0
	Services	0.0	2.9	5.9	4.4	-15.1	-9.9	-5.0	-2.6	-15.3	-10.2	-9.1	-2.6	-59.9	7.7	10.9	9.8
	Software	4.7	-2.2	13.7	-10.4	389.0	-6.2	32.9	-16.7	562.3	14.3	-6.1	-33.9	SP	17.7	-13.3	-29.1
	Media	4.6	6.0	9.2	-0.6	6.9	11.3	14.7	-14.1	24.7	17.4	0.6	-15.3	-3.2	10.8	4.8	-4.0
	Telecommunications	3.7	6.3	7.2	3.2	1.2	14.7	25.6	6.8	-8.7	44.0	-21.4	5.5	16.6	65.6	-26.8	7.0
	Construction, engineering	0.7	9.5	4.4	0.4	7.2	137.6	154.7	64.6	11.7	138.5	94.9	46.4	-47.8	153.8	87.5	59.9
	Housing, real estate	7.6	5.4	11.1	4.2	8.5	19.9	34.8	19.3	13.5	25.6	35.2	16.4	-12.0	5.4	41.5	12.0
	Transportation	3.4	3.1	3.5	-1.4	32.3	22.5	18.1	2.9	41.7	30.0	17.1	2.5	-44.5	36.2	11.9	1.1
	Utilities	2.9	0.0	-7.0	-10.5	2,550.6	216.2	17.6	SP	SP	260.7	30.2	SP	SP	SP	-48.8	SP
	Financials	-	-	-	-	-	-	-	-	-4.9	19.4	-26.2	-15.0	-21.0	22.8	-23.3	-7.2

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 21 February 2016. (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			
		FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY14	FY15E	FY15E	FY16E	FY17E	FY14	FY15E	FY16E	FY17E
		x	x	x	x	x	x	x	x	%	%	%	%	%	%	%
Industrial groups	Russell/Nomura Large Cap	14.4	12.7	11.7	-	-	-	1.18	1.15	2.23	2.37	2.57	8.5	8.2	8.9	9.1
	Russell/Nomura Large Cap (ex loss-making cos)	13.4	12.5	11.5	-	-	-	1.22	1.16	2.23	2.40	2.60	9.4	8.9	8.9	9.1
	Russell/Nomura Large Cap (ex financials)	16.2	14.0	12.7	7.7	7.2	6.7	1.37	1.34	2.10	2.25	2.44	8.7	8.4	9.4	9.7
	Manufacturing	16.5	13.6	12.3	8.5	7.6	7.1	1.36	1.31	2.32	2.49	2.74	8.9	8.1	9.5	9.9
	Basic materials	20.8	12.3	10.7	6.2	5.1	4.8	0.83	0.82	2.36	2.45	2.63	5.8	4.0	6.6	7.2
	Processing	13.3	11.1	10.1	7.4	6.5	6.1	1.25	1.20	2.58	2.83	3.14	10.0	9.3	10.5	10.8
	Nonmanufacturing	12.5	11.8	11.0	-	-	-	1.02	1.01	2.13	2.23	2.36	8.0	8.2	8.4	8.4
	Nonmanufacturing (ex financials)	15.7	14.5	13.4	6.8	6.5	6.3	1.39	1.37	1.76	1.86	1.98	8.2	9.0	9.2	9.3
Broad sectors	Basic materials	20.8	12.3	10.7	6.2	5.1	4.8	0.83	0.82	2.36	2.45	2.63	5.8	4.0	6.6	7.2
	Machinery, autos	10.6	10.0	9.3	6.6	6.2	5.8	1.21	1.15	2.94	3.14	3.47	11.5	11.1	11.1	11.2
	Electronics	23.6	13.7	12.1	9.2	7.2	6.6	1.34	1.31	1.95	2.30	2.55	7.0	5.6	9.4	9.9
	Consumption, distribution	22.2	20.7	18.5	12.4	12.0	11.2	1.70	1.74	1.90	2.00	2.15	7.7	7.9	8.3	8.8
	Information	15.6	14.3	12.3	5.7	5.5	5.2	1.71	1.65	1.82	1.94	2.12	10.7	11.0	11.0	11.8
	Utilities, infrastructure	14.3	13.8	13.5	6.2	6.1	6.0	1.42	1.32	1.47	1.58	1.64	8.1	9.5	9.3	8.8
	Financials	7.5	7.3	7.0	-	-	-	0.56	0.54	3.39	3.43	3.61	7.7	7.3	7.3	7.2
Sectors	Chemicals	23.0	12.4	11.2	7.0	5.6	5.3	0.95	0.92	2.31	2.44	2.56	4.6	4.0	7.2	7.6
	Steel, nonferrous metals	15.6	11.7	9.2	4.5	4.0	3.6	0.60	0.61	2.53	2.47	2.88	8.2	3.9	5.1	6.2
	Machinery	15.5	13.6	12.7	9.1	8.3	7.8	1.34	1.28	2.34	2.41	2.59	9.8	8.5	9.2	9.3
	Automobiles	9.4	9.0	8.3	6.0	5.7	5.3	1.16	1.10	3.19	3.44	3.83	12.2	12.0	11.7	11.8
	Electrical machinery, precision equipment	23.6	13.7	12.1	9.2	7.2	6.6	1.34	1.31	1.95	2.30	2.55	7.0	5.6	9.4	9.9
	Pharmaceuticals, healthcare	27.6	28.3	25.4	16.9	17.6	16.6	2.24	2.19	1.90	1.93	2.05	7.5	8.0	7.8	8.4
	Food products	24.9	24.4	21.5	14.7	14.6	13.5	2.57	2.64	1.74	1.97	2.20	10.6	10.4	10.4	11.1
	Household goods	25.9	23.4	21.1	14.9	14.7	13.5	2.54	2.53	1.45	1.50	1.68	10.9	9.8	10.6	11.0
	Trading companies	9.5	8.9	8.1	5.3	5.1	4.8	0.63	0.64	3.67	3.82	3.94	6.7	6.7	7.1	7.4
	Retailing	25.0	21.2	18.9	12.3	11.2	10.3	1.94	1.88	1.51	1.65	1.80	7.4	7.8	8.6	9.1
	Services	35.1	25.5	22.8	17.0	14.4	13.4	1.89	2.16	1.34	1.38	1.47	5.1	6.3	8.3	8.7
	Software	24.0	24.6	21.0	17.4	16.5	14.8	2.06	2.24	1.83	2.00	2.46	7.6	9.4	7.9	8.8
	Media	17.5	18.7	18.1	11.7	13.0	12.8	1.19	1.19	1.71	1.53	1.55	6.7	6.9	6.2	6.2
	Telecommunications	14.2	12.8	10.9	4.7	4.5	4.3	1.74	1.63	1.84	1.97	2.12	11.9	12.0	12.3	13.3
	Construction	13.5	12.2	11.4	10.8	10.0	9.4	1.50	1.35	1.34	1.52	1.65	6.7	10.5	10.0	9.9
	Housing, real estate	17.4	16.0	15.3	11.7	11.0	10.6	1.63	1.51	1.70	1.77	1.86	9.1	9.0	9.3	9.1
	Transportation	18.4	14.9	14.4	7.4	6.8	6.6	1.61	1.51	1.28	1.33	1.39	9.0	8.5	9.8	9.4
	Utilities	7.8	9.7	10.4	2.6	2.7	2.8	0.93	0.84	1.54	1.89	1.89	6.2	11.4	8.4	7.4
	Financials	7.5	7.3	7.0	-	-	-	0.56	0.54	3.39	3.43	3.61	7.7	7.3	7.3	7.2
Russell/Nomura Small Cap		15.0	13.1	12.5	-	-	-	1.12	1.01	1.86	1.95	1.99	6.9	6.9	7.4	7.4
Russell/Nomura Small Cap (ex financials)		16.3	13.7	13.1	8.5	7.5	7.4	1.22	1.11	1.81	1.89	1.93	7.0	7.0	7.8	7.8

Note: (1) Estimates as of 21 February 2016. (2) Share prices as of 19 February 2016 close.

Source: Nomura

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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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