

# **Outlook for FY12–13 corporate earnings**

## Quarterly Update

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# Summary and major assumptions

## Overview of the FY12 corporate earnings outlook

In this report, we collate earnings forecast data issued by our analysts, and then analyze that data. For FY12, our analysts forecast sales growth of 2.0% y-y and recurring profit growth of 5.4% for companies in the Russell/Nomura Large Cap Index (ex financials). Compared with our previous forecasts in September (data collated on 26 August), these figures represent a downward revision of 1.3ppt for sales and of 8.9ppt for recurring profits. Excluding utilities, which we expect to incur recurring losses for the second year in a row, we expect recurring profits to rise 6.1% in FY12 (versus our previous forecast of 15.5% growth). We have lowered our absolute recurring profit forecast for the Russell/Nomura Large Cap Index (ex financials) by ¥1,749.4bn, the second consecutive quarter we have cut our projection.

The latest revisions to our corporate earnings outlook reflect FY12 H1 results. In H1, recurring profits at the Russell/Nomura Large Cap Index (ex financials) fell 6.5% y-y, worse than the pre-release forecast of a 4.4% decline. Sales in FY12 Q1 increased 5.7%, strongly reflecting the impact of the earthquake on economic activity a year earlier, but growth slowed to 0.2% in Q2. That said, while the deterioration in the macroeconomic environment became clearer in Q2, the fall in recurring profits contracted from 9.0% in Q1 to 1.3% in Q2 owing to (1) an end to the deterioration in earnings seen in Q1 at emerging market-related sectors such as basic materials, machinery and trading companies, and (2) smaller losses for the utilities sector owing to weaker crude oil prices.

Although a further downturn in economic sentiment is a concern, the yen has recently been weakening for the first time in a while. Our latest estimates assume USD/JPY of 78.7 and EUR/JPY of 100.3 over full-year FY12 (versus our previous assumptions of 79.3 and 98.5, respectively). We estimate that each ¥1 weakening against the dollar boosts recurring profits for the Russell/Nomura Large Cap Index (ex financials) by 0.87%, and each ¥1 weakening against the euro boosts them by 0.28%. Our latest forecasts assume USD/JPY of 78 and EUR/JPY of 100 (versus our previous assumptions of 79 and 97, respectively) for FY12 H2, but assuming other conditions remain the same and H2 exchange rates of USD/JPY of 82 and EUR/JPY of 106, our recurring profit projection would be growth of 8.1%, 2.7ppt higher than our current estimate.

Based on our latest forecasts, we project ROE of 6.2% for the Russell/Nomura Large Cap Index, a 1.0ppt downward revision versus our previous forecast of 7.2%. We now expect the net margin at the Russell/Nomura Large Cap Index (ex financials) to come in at 2.4% over the full year, versus our previous forecast of 2.8%.

## Overview of the FY13 corporate earnings outlook

For FY13, our analysts forecast sales growth of 2.9% y-y and recurring profit growth of 23.2% for companies in the Russell/Nomura Large Cap Index (ex financials). This represents a 0.4ppt downward revision to sales growth but a 3.2ppt upward revision to recurring profit growth versus our previous forecasts. However, this does not mean we have changed to a bullish outlook for FY13 as we have lowered our absolute recurring profit forecast by a substantial ¥1,437.4bn.

Our analysts currently expect recurring profits to come in at 79% of their recent FY07 peak in FY13, before recovering in FY14 to 90% of their peak, and then possibly beating it at last in FY15.

Our FY13 estimates assume USD/JPY of 78 and EUR/JPY of 100 over the full year (versus our previous assumptions of 79 and 97, respectively). For FY13, if all other conditions remain the same as above but our forex assumptions were USD/JPY of 82 and EUR/JPY of 106, respectively, our recurring profit estimate would be for growth of 26.3% y-y, 3.1ppt higher than our current forecast.

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

		No. of cos	New FY10	FY11	FY12E	FY13E	Old FY12E FY13E	
							(% y-y)	
Sales	Russell/Nomura Large Cap (ex financials)	295	6.1	1.4	2.0	2.9	3.3	3.3
	Manufacturing	187	7.0	0.2	2.1	3.2	4.1	3.8
	Basic materials	54	13.2	4.8	-1.9	2.4	-0.0	2.9
	Processing	87	6.3	-2.0	3.9	3.9	6.3	4.8
	Nonmanufacturing (ex financials)	108	4.9	3.0	1.9	2.5	2.3	2.6
	Russell/Nomura Small Cap (ex financials)	943	6.3	3.4	3.2	3.7	4.5	3.6
Operating profits	Russell/Nomura Large Cap (ex financials)	295	49.8	-18.6	5.5	20.5	11.7	19.3
	Manufacturing	187	74.3	-14.2	6.9	20.7	15.5	20.3
	Basic materials	54	101.5	-9.8	-31.3	25.1	-23.5	25.9
	Processing	87	110.6	-20.6	32.3	22.5	44.4	21.7
	Nonmanufacturing (ex financials)	108	25.7	-24.6	3.2	20.0	5.5	17.5
	Russell/Nomura Small Cap (ex financials)	943	53.0	-2.5	5.8	14.7	14.5	12.2
Recurring profits	Russell/Nomura Large Cap	332	43.8	-12.1	6.2	19.2	13.3	16.9
	Russell/Nomura Large Cap (ex financials)	295	58.7	-19.5	5.4	23.2	14.3	20.0
	Manufacturing	187	91.0	-17.9	7.6	24.5	20.7	20.7
	Basic materials	54	133.9	-7.1	-29.3	19.1	-23.4	23.9
	Processing	87	143.6	-29.3	37.7	31.1	60.5	23.2
	Nonmanufacturing	145	14.7	-5.9	4.8	13.9	6.0	12.6
	Nonmanufacturing (ex financials)	108	27.6	-21.7	2.0	21.2	4.2	18.6
	Russell/Nomura Small Cap	1,029	50.8	6.5	1.7	14.6	9.5	12.1
Net profits	Russell/Nomura Small Cap (ex financials)	943	52.9	0.5	4.0	15.3	13.0	12.6
	Russell/Nomura Large Cap	332	34.6	-25.3	35.6	31.3	58.5	18.3
	Russell/Nomura Large Cap (ex financials)	295	63.4	-35.2	38.0	42.4	68.0	24.4
	Manufacturing	187	158.2	-42.9	31.9	54.5	77.4	27.8
	Basic materials	54	361.6	-34.6	-37.2	86.3	-5.3	43.4
	Processing	87	324.4	-57.2	89.2	67.0	171.3	30.2
	Nonmanufacturing	145	-14.6	-2.6	38.7	12.4	42.4	8.2
	Nonmanufacturing (ex financials)	108	-4.9	-19.2	47.3	25.7	53.6	18.3
	Russell/Nomura Small Cap	1,029	143.6	10.4	15.5	28.7	29.3	20.6
	Russell/Nomura Small Cap (ex financials)	943	153.9	1.2	16.8	33.4	33.6	23.1

Note: (1) Latest estimates as of 25 November 2012.

Source: Nomura

Fig. 2: Major assumptions

		Industrial production % y-y	Uncollateralized overnight call rate FY-end, %	WTI \$/barrel	Forex rate average, \$/¥ average, €/¥		
Annual	FY11	-1.0	0-0.10	97.3	79.0	108.8	
	FY12E	New	-2.6	0-0.10	91.4	78.7	100.3
		Old	2.6	0-0.10	87.1	79.3	98.5
	FY13E	New	1.1	0-0.10	90.0	78.0	100.0
		Old	3.8	0-0.10	85.0	79.0	97.0
Semiannual	FY11	H1	-3.3	0-0.10	96.2	79.6	113.6
		H2	1.4	0-0.10	98.5	78.3	104.1
	FY12E	H1	Estimates 0.6	0-0.10	92.8	79.3	100.6
		H1	Old 4.1	0-0.10	89.2	79.5	99.9
	H2	New	-5.7	0-0.10	90.0	78.0	100.0
		Old	1.2	0-0.10	85.0	79.0	97.0
	FY13E	H1	New -1.2	0-0.10	90.0	78.0	100.0
		H1	Old 2.8	0-0.10	85.0	79.0	97.0
	H2	New	3.6	0-0.10	90.0	78.0	100.0
		Old	4.8	0-0.10	85.0	79.0	97.0

Note: Macroeconomic assumptions as of 11 October 2012. Previous assumptions as of 13 July 2012. Some figures may differ from our economic outlook publication due to different dates when forecasts were made.

Source: Nomura

# Contributions to recurring profit growth by sector for the Russell/Nomura Large Cap Index

## Overview of the FY12 corporate earnings outlook

For FY12, we forecast that recurring profits will increase in 12 of the 19 sectors and decline in seven. Sectors we project will post substantial growth in profits and make large contributions to overall profit growth in FY12 are automobiles, electrical machinery & precision equipment, financials, transportation and telecommunications. We expect most of this contribution to come from the automobiles sector, and think profit growth in this sector will be close to the rise in profits for all sectors combined.

We expect the automobiles sector to benefit from higher sales in the US and Southeast Asia. Despite the effect of boycotts of Japanese goods in China triggered by the Senkaku Islands issue, we think growth will be driven by replacement demand in reaction to purchasers holding back in the wake of the financial crisis of 2008. We look for demand in the US to rise 12.4% from 12.8mn vehicles in 2011 to 14.4mn in 2012. In Japan, benefits are emerging from eco-car subsidies and tax breaks.

Meanwhile, we expect a comparatively large contribution to profit growth from the electrical machinery & precision equipment sector on growth in social infrastructure businesses and the smartphone market, as well as the waning impact from the flooding in Thailand. However, business conditions in the consumer electronics subsector remain harsh in FY12, as they were in FY11, and we think companies in this subsector will make a smaller contribution to profit growth than we previously assumed. Among financials, nonlife insurers incurred major losses on natural disasters in FY11, but this factor should have a smaller impact in FY12. Earnings fundamentals have also been improving for megabanks, whose profits have been driven by strong growth in overseas lending. In the transportation sector, marine transportation companies were loss-making in FY11 because of the downturn in shipping rates but should return to profit in FY12 thanks to rate hikes. Telecommunications companies stand to benefit substantially from higher profits from internet services. They have been making steady progress in monetizing internet advertising amid stronger momentum for e-commerce, and have also started to secure gradual sales growth on overseas markets.

In contrast, sectors we see pushing down overall profits include chemicals, trading companies, steel & nonferrous metals and utilities. Earnings deterioration at the first three was largely the result of economic slowdown in FY12 H1, mainly in China. In the trading companies sector and the oil products subsector of the chemicals sectors, we also assume an impact from the WTI crude oil price falling from \$97.30/bbl in FY11 to \$91.40/bbl in FY12. In the utilities sector, while we forecast a decline in the crude oil price, we assume that no nuclear reactors other than the nos. 3 & 4 reactors at the Oi plant will resume operations in FY12, and we project expanded losses on higher fuel costs than in FY11.

## Overview of the FY13 corporate earnings outlook

We forecast that recurring profits will grow (or losses will contract) in all 19 sectors in FY13. We look for electrical machinery & precision equipment and automobiles to continue contributing to profit growth, albeit on a smaller scale, and also expect smaller losses for the utilities sector.

We project automobile sales in Japan will fall 7.6% y-y in 2013 to 4.8mn vehicles owing to the withdrawal of eco-car subsidies but think US demand will remain strong, with sales rising 7.3% to 15.4mn vehicles. Earnings recovery at consumer electronics companies accounts for a little over half of the projected contribution to profit growth by the electrical machinery & precision equipment sector. Whether a strong profit growth contribution from the sector as a whole is possible hinges on progress being made in restructuring the consumer electronics subsector in FY12. The projected profit contribution from the utilities sector is largely based on an assumed improvement in the nuclear power capacity factor compared to FY12.

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

(%)

FY12E				FY13E			
Increase in profit				Increase in profit			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
<b>12 sectors</b>				<b>19 sectors</b>			
Automobiles	67.9	109.7	154.1	Electrical machinery, precision equipment	71.9	27.7	28.4
Electrical machinery, precision equipment	31.8	30.8	43.2	Utilities	LS	17.1	17.6
Financials	9.5	28.8	-	Automobiles	18.1	14.8	15.2
Transportation	25.9	19.1	26.8	Chemicals	12.6	6.1	6.2
Telecommunications	6.4	10.8	15.2	Steel, nonferrous metals	56.4	4.7	4.9
Housing, real estate	15.0	8.2	11.5	Machinery	13.9	4.1	4.2
Software	54.0	5.9	8.3	Telecommunications	7.5	4.1	4.2
Food	6.5	4.6	6.4	Pharmaceuticals, healthcare	15.2	3.8	3.9
Services	12.4	2.7	3.7	Software	60.2	3.1	3.2
Media	7.4	1.4	2.0	Financials	2.5	2.5	-
Construction	5.7	0.5	0.7	Food	10.2	2.3	2.3
Household goods	0.1	0.0	0.0	Retailing	8.9	2.1	2.1
				Transportation	7.2	2.0	2.1
				Trading companies	5.6	1.9	2.0
				Housing, real estate	9.9	1.9	1.9
				Services	10.7	0.8	0.8
				Household goods	6.2	0.5	0.5
				Media	5.8	0.4	0.4
				Construction	4.2	0.1	0.1
<b>Decrease in profit</b>				<b>Decrease in profit</b>			
<b>7 sectors</b>				<b>0 sectors</b>			
Retailing	-0.2	-0.1	-0.2				
Pharmaceuticals, healthcare	-3.1	-2.6	-3.6				
Machinery	-4.3	-4.5	-6.3				
Utilities	LI	-12.6	-17.7				
Steel, nonferrous metals	-33.8	-14.2	-19.9				
Trading companies	-18.5	-25.6	-35.9				
Chemicals	-28.4	-62.9	-88.4				

Note: SL = switch to losses, LS = losses shrinking, LI = losses increasing,

Source: Nomura

# Revisions to recurring profit estimates (versus old estimates)

## Overview of the FY12 corporate earnings outlook

We have raised our FY12 forecasts for seven of the 19 sectors and lowered them for 12. We made a large upward revision to our forecast for the utilities sector. We also made upward revisions for the financials and housing & real estate sectors, but extremely small ones.

In the utilities sector, H1 earnings exceeded projections by a comparatively large degree owing to declines in crude oil prices, leading to upward revisions to full-year forecasts. However, we still expect ongoing losses owing to the small number of nuclear reactors resuming operations in FY12.

Meanwhile, there were large downward revisions for the electrical machinery & precision equipment, automobiles, trading companies, steel & nonferrous metals, chemicals and machinery sectors, as economic deterioration resulted in downward revisions for many sectors.

In the electrical machinery & precision equipment sector, the downward revision for the consumer electronic subsector increased again. The consumer electronics subsector accounted for ¥560.0bn (roughly two thirds) of the ¥860.4bn downward revision for the sector as a whole. Major companies have come up with various initiatives under new management teams, but the downturn in business conditions has been greater than anticipated, and companies are having to carry out further restructuring, following that in FY11, and post huge restructuring costs. There has been a striking deterioration in the business environment for fields other than consumer electronics too, and there were across-the-board downward revisions for major subsectors, with the smallest of these being for the industrial electronics subsector. This reflects the strong presence of businesses that have supported earnings, such as domestic IT services, thermal power generation, elevator, and domestic infrastructure operations.

The downward revisions for the automobiles sector largely reflect the boycott of Japanese goods in China stemming from the Senkaku Islands dispute. Those for the trading companies, steel & nonferrous metals, chemicals and machinery sectors reflect weak economic conditions in China and other parts of Asia. The Chinese government has been attempting to stimulate the economy via various fiscal and monetary initiatives announced since June 2012, and more macroeconomic indicators point to a bottoming, but partly as a result of structural excess supply remaining, we still take a cautious view from the microeconomic standpoint.

## Overview of the FY13 corporate earnings outlook

We have raised our FY13 forecasts for six of 19 sectors and lowered them for 13. Upward and downward revisions for individual sectors are largely in step with revisions to FY12 forecasts. The downward revision for the electrical machinery & precision equipment sector is smaller than for FY12 largely because the latter reflects one-time restructuring costs. The large downward revision for the chemicals sector in FY13, meanwhile, is based on a factor specific to the oil products subsector, which is likely to post comparatively large gains on the sale of assets in FY12.

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

FY12E					FY13E				
[Upward revisions]	7 sectors				[Upward revisions]	6 sectors			
	New	Old	Revision	Change		New	Old	Revision	Change
	¥bn	¥bn	¥bn	%		¥bn	¥bn	¥bn	%
Utilities	-1,082	-1,277	195	N.M.	Utilities	-257	-546	289	N.M.
Financials	4,831	4,804	28	0.6	Housing, real estate	1,001	978	24	2.4
Housing, real estate	910	898	13	1.4	Food	1,191	1,177	14	1.2
Food	1,081	1,076	5	0.5	Financials	4,953	4,949	4	0.1
Services	352	349	2	0.6	Services	389	387	2	0.6
Media	300	299	1	0.3	Construction	136	136	0	0.0
Construction	130	130	0	0.0					

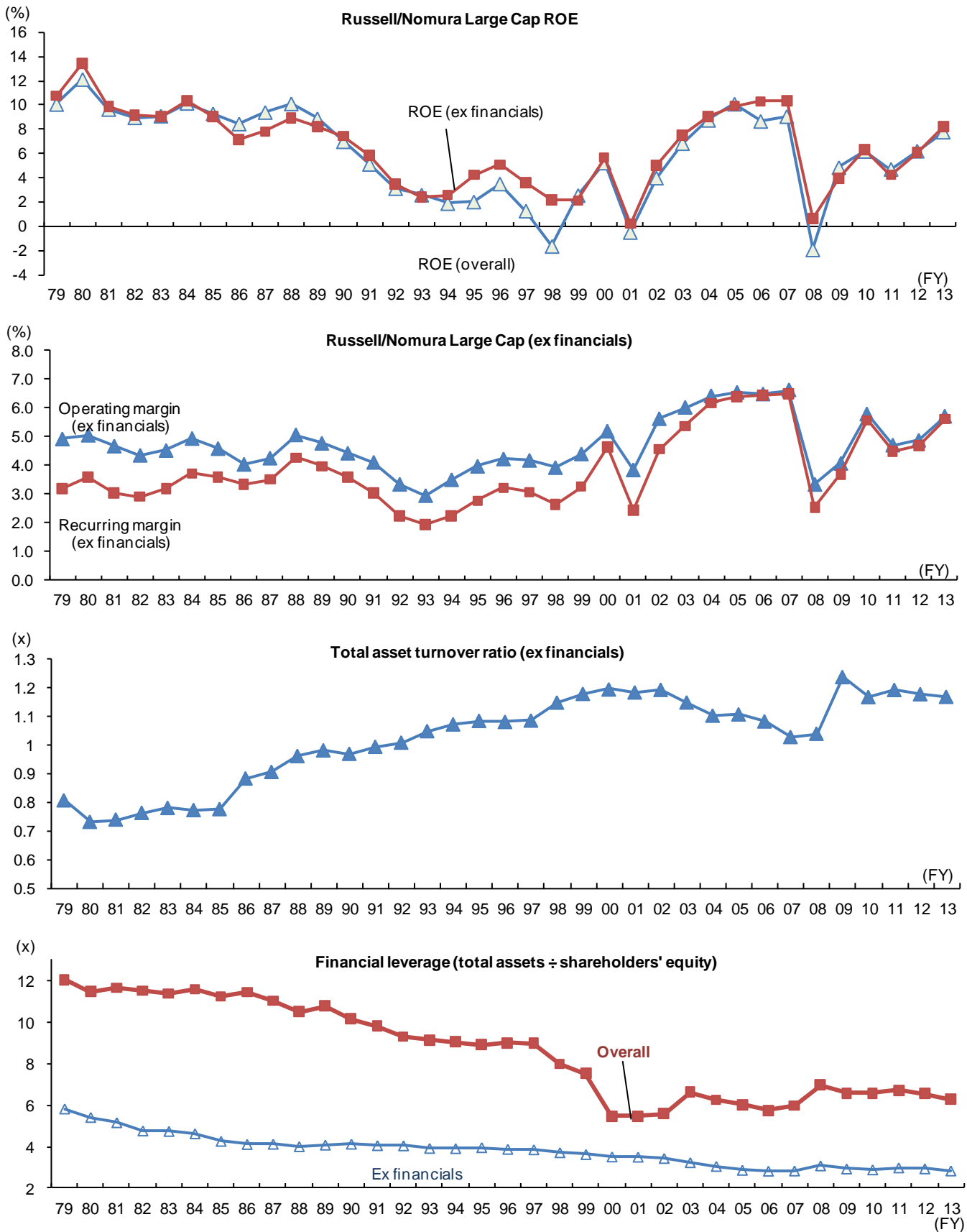
FY12E					FY13E				
[Downward revisions]	12 sectors				[Downward revisions]	13 sectors			
	New	Old	Revision	Change		New	Old	Revision	Change
	¥bn	¥bn	¥bn	%		¥bn	¥bn	¥bn	%
Software	246	251	-5	-1.9	Media	317	318	-1	-0.2
Transportation	1,353	1,388	-35	-2.5	Software	394	402	-8	-1.9
Household goods	371	430	-58	-13.6	Transportation	1,450	1,473	-23	-1.6
Pharmaceuticals, healthcare	1,193	1,266	-74	-5.8	Household goods	394	442	-47	-10.7
Retailing	1,137	1,216	-79	-6.5	Pharmaceuticals, healthcare	1,374	1,425	-50	-3.5
Telecommunications	2,622	2,708	-86	-3.2	Telecommunications	2,819	2,872	-53	-1.8
Machinery	1,427	1,534	-107	-7.0	Retailing	1,238	1,311	-73	-5.6
Chemicals	2,311	2,419	-108	-4.5	Trading companies	1,729	1,884	-156	-8.3
Steel, nonferrous metals	404	554	-150	-27.1	Machinery	1,625	1,783	-158	-8.8
Trading companies	1,637	1,808	-171	-9.5	Steel, nonferrous metals	632	803	-171	-21.3
Automobiles	3,951	4,182	-231	-5.5	Automobiles	4,666	4,927	-261	-5.3
Electrical machinery, precision equipment	1,857	2,718	-860	-31.7	Chemicals	2,603	2,881	-279	-9.7
					Electrical machinery, precision equipment	3,192	3,679	-487	-13.2

Note: (1) Latest estimates as of 25 November 2012. (2) Previous estimates as of 26 August 2012.

Source: Nomura



**Fig. 5: Breakdown of factors affecting ROE**

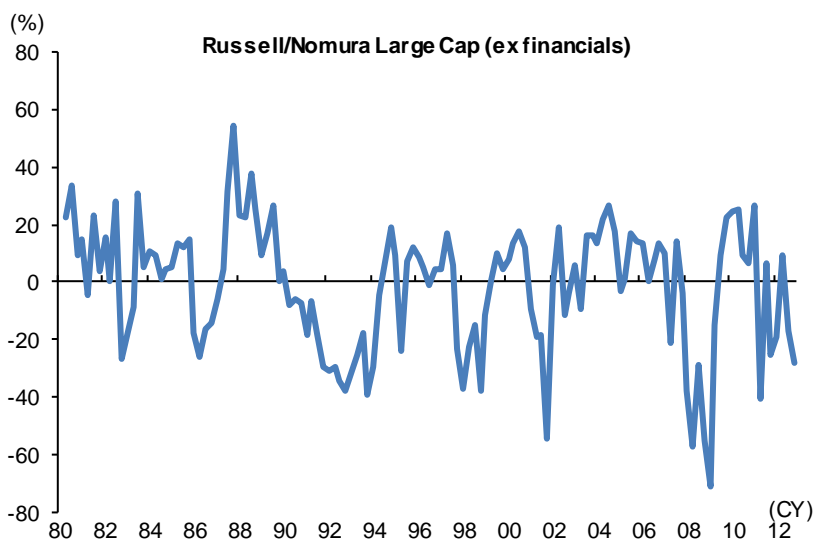


Note: Estimates for FY12 onward as of 25 November 2012.

Source: Nomura

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

	(yy/m)	11/6	11/9	11/12	12/3	12/6	12/9	12/12
Russell/Nomura Large Cap		-37.8	4.9	-22.9	-12.6	8.7	-15.0	-25.0
Russell/Nomura Large Cap (ex financials)		-40.9	6.6	-25.3	-18.9	9.5	-17.2	-28.5
Manufacturing		-34.4	-3.7	-53.4	-33.9	15.4	-31.9	-41.2
Basic materials		-14.9	-10.6	-48.9	-50.9	3.6	-40.0	-61.1
Processing		-42.9	2.6	-64.9	-34.1	24.1	-40.2	-41.4
Nonmanufacturing (ex financials)		-52.1	24.5	23.4	7.4	-0.9	8.3	-6.5



Note: (1) Excludes consolidated subsidiaries. (2) Revision index = (number of upward revisions - number of downward revisions) ÷ number of 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	FY06	FY07	FY08	FY09	FY10	FY11	FY12E Old	FY12E New	FY13E Old	FY13E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	295	9.1	7.5	-7.7	-13.0	6.1	1.4	3.3	2.0	3.3	2.9
	Manufacturing	187	9.7	7.9	-10.8	-11.8	7.0	0.2	4.1	2.1	3.8	3.2
	Basic materials	54	13.2	8.9	-5.3	-20.8	13.2	4.8	-0.0	-1.9	2.9	2.4
	Processing	87	9.2	7.2	-15.2	-10.7	6.3	-2.0	6.3	3.9	4.8	3.9
	Nonmanufacturing (ex financials)	108	8.2	7.0	-3.3	-14.4	4.9	3.0	2.3	1.9	2.6	2.5
Broad sectors	Materials	54	13.2	8.9	-5.3	-20.8	13.2	4.8	-0.0	-1.9	2.9	2.4
	Machinery, autos	48	12.3	9.3	-17.0	-13.0	7.4	-0.1	10.0	8.5	5.1	4.4
	Electronics	39	6.0	4.6	-13.0	-8.0	5.2	-4.3	1.7	-1.6	4.5	3.1
	Consumer, distribution	76	8.0	9.6	-4.2	-14.9	5.7	3.3	0.8	0.2	2.4	2.1
	Information	23	12.2	4.9	-1.9	-3.5	0.4	1.5	5.2	5.2	3.6	3.8
	Utilities, infrastructure	55	5.6	3.9	0.7	-11.0	2.5	2.2	4.8	4.7	2.3	2.3
Sectors	Chemicals	43	12.7	8.7	-5.3	-19.5	13.0	6.5	0.5	-1.2	1.7	1.5
	Steel, nonferrous metals	11	14.2	9.2	-5.3	-23.1	13.6	0.7	-1.5	-3.9	6.2	5.2
	Machinery	26	13.9	9.7	-8.4	-16.2	8.3	5.0	4.2	3.4	5.3	4.2
	Autos	22	11.8	9.2	-19.3	-12.1	7.1	-1.6	11.8	10.1	5.0	4.5
	Electrical machinery, precision equipment	39	6.0	4.6	-13.0	-8.0	5.2	-4.3	1.7	-1.6	4.5	3.1
	Pharmaceuticals, healthcare	21	6.9	5.1	2.7	3.6	1.1	3.0	2.1	1.1	2.1	2.3
	Food products	15	2.4	15.9	6.5	-6.5	0.7	-0.9	3.4	3.8	1.1	1.2
	Household goods	10	8.1	5.3	-7.8	-5.8	1.8	2.9	6.6	3.9	1.2	1.4
	Trading companies	8	9.0	10.0	-7.5	-23.4	10.2	6.1	-1.4	-2.0	2.3	1.7
	Retailing	15	9.9	6.9	0.9	-3.7	1.8	-2.5	4.6	3.7	3.9	4.3
	Services	7	3.9	8.6	-0.3	-3.5	0.1	-2.4	2.2	2.2	1.6	1.6
	Software	7	22.9	24.5	3.7	-14.0	-17.6	-14.9	14.8	13.1	20.1	20.2
	Media	7	4.6	-0.1	-3.9	-5.7	4.5	1.9	6.1	6.0	2.2	2.2
	Telecommunications	9	12.2	2.5	-2.5	-0.9	2.4	3.5	4.0	4.1	2.0	2.2
	Construction, engineering	4	7.1	-0.1	2.5	-16.1	-16.0	7.7	5.9	5.9	-0.3	-0.3
	Housing, real estate	14	9.9	2.7	0.0	-3.6	5.4	2.7	6.0	6.1	5.1	5.3
	Transportation	24	5.5	4.8	-4.0	-12.0	3.4	-0.7	3.7	3.6	1.2	1.2
Utilities	13	2.5	4.9	6.1	-11.9	5.9	3.4	4.9	4.5	2.2	2.3	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 November 2012, previous estimates as of 26 August 2012.

Source: Nomura

Fig. 8: Percentage change in operating profits by sector

(% y-y, except where noted)

		No. of cos	FY06	FY07	FY08	FY09	FY10	FY11	FY12E Old	FY12E New	FY13E Old	FY13E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	295	8.6	6.5	-53.2	-6.2	49.8	-18.6	11.7	5.5	19.3	20.5
	Manufacturing	187	8.7	10.1	-71.9	8.0	74.3	-14.2	15.5	6.9	20.3	20.7
	Basic materials	54	4.3	3.8	-59.1	-47.8	101.5	-9.8	-23.5	-31.3	25.9	25.1
	Processing	87	11.8	14.1	-88.2	117.4	110.6	-20.6	44.4	32.3	21.7	22.5
	Nonmanufacturing (ex financials)	108	8.5	0.2	-15.0	-16.4	25.7	-24.6	5.5	3.2	17.5	20.0
Broad sectors	Materials	54	4.3	3.8	-59.1	-47.8	101.5	-9.8	-23.5	-31.3	25.9	25.1
	Machinery, autos	48	11.8	10.0	-87.5	110.6	106.5	-10.9	50.0	41.5	17.9	17.7
	Electronics	39	11.8	20.6	-89.3	126.5	116.1	-32.7	35.1	17.2	28.7	32.0
	Consumer, distribution	76	9.0	4.7	-7.5	-19.4	17.5	0.8	2.2	-3.6	10.1	11.4
	Information	23	14.3	18.5	-6.0	-2.6	6.3	-3.7	11.1	8.1	8.3	9.3
	Utilities, infrastructure	55	4.1	-9.2	-30.1	-10.3	35.2	-57.7	5.3	13.6	43.5	46.9
Sectors	Chemicals	43	4.7	8.7	-66.2	-31.0	94.5	-1.1	-25.6	-31.3	21.9	19.7
	Steel, nonferrous metals	11	3.7	-3.2	-47.7	-71.8	125.0	-37.1	-12.4	-31.2	43.6	55.5
	Machinery	26	27.8	18.6	-44.1	-42.0	124.8	6.1	4.0	-3.1	15.4	12.7
	Autos	22	8.0	7.5	SL	SP	98.0	-19.8	81.1	71.5	18.9	19.6
	Electrical machinery, precision equipment	39	11.8	20.6	-89.3	126.5	116.1	-32.7	35.1	17.2	28.7	32.0
	Pharmaceuticals, healthcare	21	5.3	3.6	-21.0	13.3	-8.7	-7.6	-1.0	-2.9	14.2	15.2
	Food products	15	5.4	11.4	-8.2	-7.8	11.5	4.1	7.7	8.4	8.0	8.7
	Household goods	10	4.7	5.9	-29.8	-0.9	12.1	0.5	15.7	0.6	3.1	6.6
	Trading companies	8	20.4	8.0	12.8	-58.1	69.7	6.3	-9.3	-21.2	10.1	12.6
	Retailing	15	9.7	-5.7	-7.6	-3.9	21.8	7.5	8.1	1.5	10.1	10.7
	Services	7	-4.8	4.1	-26.6	15.2	4.5	-15.9	13.0	13.8	10.6	10.5
	Software	7	34.4	42.7	-11.5	-24.8	-32.8	-53.3	49.3	47.1	44.6	44.0
	Media	7	7.6	-13.4	-18.9	-9.8	37.6	3.6	15.4	15.2	6.5	6.2
	Telecommunications	9	10.5	15.8	-3.5	6.4	14.2	3.1	8.0	4.7	5.0	6.3
	Construction, engineering	4	-0.1	-30.1	-53.5	SL	10,835.6	18.3	13.3	13.3	4.2	4.2
	Housing, real estate	14	27.0	4.4	-24.1	-22.3	29.0	0.6	12.1	12.9	7.0	8.4
Transportation	24	3.4	17.9	-26.2	-42.0	51.5	-17.3	24.0	21.7	3.9	4.6	
Utilities	13	-5.3	-44.5	-41.8	108.7	17.0	SL	LI	LI	LS	SP	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 November 2012, previous estimates as of 26 August 2012. (3) SP = switch to profits; SL = switch to losses, LS = losses shrinking, LI = losses increasing.

Source: Nomura

Fig. 9: Percentage change in recurring profits by sector

(% y-y, except where noted)

		No. of cos	FY06	FY07	FY08	FY09	FY10	FY11	FY12E Old	FY12E New	FY13E Old	FY13E New
Industrial groups	Russell/Nomura Large Cap	332	6.4	0.8	-79.7	97.3	43.8	-12.1	13.3	6.2	16.9	19.2
	Russell/Nomura Large Cap (ex financials)	295	10.6	5.0	-64.1	8.6	58.7	-19.5	14.3	5.4	20.0	23.2
	Manufacturing	187	10.5	7.9	-81.7	36.1	91.0	-17.9	20.7	7.6	20.7	24.5
	Basic materials	54	9.6	-0.1	-64.3	-52.4	133.9	-7.1	-23.4	-29.3	23.9	19.1
	Processing	87	12.0	13.5	SL	SP	143.6	-29.3	60.5	37.7	23.2	31.1
	Nonmanufacturing	145	1.9	-8.0	-76.7	165.1	14.7	-5.9	6.0	4.8	12.6	13.9
	Nonmanufacturing (ex financials)	108	10.9	-0.4	-26.7	-8.1	27.6	-21.7	4.2	2.0	18.6	21.2
Broad sectors	Materials	54	9.6	-0.1	-64.3	-52.4	133.9	-7.1	-23.4	-29.3	23.9	19.1
	Machinery, autos	48	9.9	10.1	-91.7	225.7	116.1	-11.5	48.7	39.9	17.4	17.0
	Electronics	39	15.7	19.1	SL	SP	200.1	-54.9	92.9	31.8	35.4	71.9
	Consumer, distribution	76	11.9	2.4	-23.8	-5.0	16.7	5.9	1.1	-5.0	7.8	9.4
	Information	23	6.6	15.9	-12.5	1.3	3.3	0.0	12.2	9.1	10.2	11.4
	Utilities, infrastructure	55	9.3	-10.9	-39.2	-9.2	48.7	-70.2	4.4	20.2	79.2	77.7
	Financials	37	-11.6	-23.0	SL	SP	-8.2	33.7	8.9	9.5	3.0	2.5
Sectors	Chemicals	43	7.3	2.7	-71.6	-32.2	116.2	1.8	-25.0	-28.4	19.1	12.6
	Steel, nonferrous metals	11	12.3	-3.9	-53.3	-78.7	201.0	-34.3	-15.0	-33.8	44.9	56.4
	Machinery	26	25.6	15.9	-47.3	-38.6	125.8	7.9	2.8	-4.3	16.2	13.9
	Autos	22	6.2	8.4	SL	SP	111.8	-20.8	77.8	67.9	17.8	18.1
	Electrical machinery, precision equipment	39	15.7	19.1	SL	SP	200.1	-54.9	92.9	31.8	35.4	71.9
	Pharmaceuticals, healthcare	21	8.6	2.1	-27.9	13.1	-8.6	-9.0	2.9	-3.1	12.5	15.2
	Food products	15	4.3	3.7	-15.3	7.2	10.2	5.2	6.0	6.5	9.4	10.2
	Household goods	10	4.1	0.6	-27.7	-0.4	9.2	1.9	15.9	0.1	2.8	6.2
	Trading companies	8	27.6	6.5	-27.7	-29.7	55.1	22.6	-10.0	-18.5	4.2	5.6
	Retailing	15	8.3	-5.3	-9.1	-4.2	22.2	7.9	6.8	-0.2	7.8	8.9
	Services	7	-1.6	0.6	-29.4	17.0	4.9	-14.7	11.7	12.4	10.7	10.7
	Software	7	26.3	16.2	-23.6	-10.7	-41.9	-53.5	57.0	54.0	60.2	60.2
	Media	7	14.4	-10.7	-17.3	-11.5	34.9	14.5	7.1	7.4	6.3	5.8
	Telecommunications	9	0.2	19.4	-8.8	6.8	13.4	6.2	9.9	6.4	6.0	7.5
	Construction, engineering	4	1.4	-30.6	-61.6	SL	1,102.5	49.0	5.7	5.7	4.2	4.2
	Housing, real estate	14	25.5	-0.7	-29.9	-21.8	35.3	-0.9	13.5	15.0	8.9	9.9
	Transportation	24	7.9	22.1	-32.5	-54.2	90.6	-18.9	29.1	25.9	6.1	7.2
	Utilities	13	2.2	-51.3	-65.2	291.9	20.7	SL	LI	LI	LS	LS
	Financials	37	-11.6	-23.0	SL	SP	-8.2	33.7	8.9	9.5	3.0	2.5

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 November 2012, previous estimates as of 26 August 2012. (3) SP = switch to profits; SL = switch to losses, LS = losses shrinking, LI = losses increasing.

Source: Nomura

Fig. 10: Percentage change in net profits by sector

(% y-y, except where noted)

		No. of cos	FY06	FY07	FY08	FY09	FY10	FY11	FY12E Old	FY12E New	FY13E Old	FY13E New
Industrial groups	Russell/Nomura Large Cap	332	-5.4	1.4	SL	SP	34.6	-25.3	58.5	35.6	18.3	31.3
	Russell/Nomura Large Cap (ex financials)	295	13.0	4.1	-94.6	148.8	63.4	-35.2	68.0	38.0	24.4	42.4
	Manufacturing	187	16.3	7.0	SL	SP	158.2	-42.9	77.4	31.9	27.8	54.5
	Basic materials	54	10.1	-2.5	SL	-66.4	361.6	-34.6	-5.3	-37.2	43.4	86.3
	Processing	87	22.7	11.6	SL	SP	324.4	-57.2	171.3	89.2	30.2	67.0
	Nonmanufacturing	145	-25.9	-6.8	SL	SP	-14.6	-2.6	42.4	38.7	8.2	12.4
	Nonmanufacturing (ex financials)	108	7.1	-1.7	-42.3	2.4	-4.9	-19.2	53.6	47.3	18.3	25.7
Broad sectors	Materials	54	10.1	-2.5	SL	-66.4	361.6	-34.6	-5.3	-37.2	43.4	86.3
	Machinery, autos	48	13.1	8.7	SL	SP	254.0	-16.9	64.4	52.0	17.8	17.2
	Electronics	39	48.5	17.2	SL	SP	603.9	SL	SP	SP	65.6	2,653.1
	Consumer, distribution	76	3.9	9.6	-43.7	11.5	22.7	5.9	13.6	6.6	6.4	7.2
	Information	23	-3.4	25.6	-33.7	13.4	-0.6	-2.0	19.8	15.9	15.6	19.0
	Utilities, infrastructure	55	16.3	-22.5	-53.6	13.5	-76.7	SL	SP	SP	91.8	130.3
	Financials	37	-63.6	-21.5	SL	SP	-26.7	24.7	28.1	27.8	-7.1	-6.9
Sectors	Chemicals	43	10.7	4.2	SL	-6.6	305.9	-21.7	-10.2	-29.1	26.3	46.9
	Steel, nonferrous metals	11	9.4	-10.5	-78.4	-94.0	631.7	-78.5	48.4	SL	155.1	SP
	Machinery	26	25.0	18.2	-65.0	-42.6	225.1	4.9	12.4	4.1	16.6	14.6
	Autos	22	10.4	6.1	SL	SP	268.5	-26.5	96.3	81.4	18.2	18.1
	Electrical machinery, precision equipment	39	48.5	17.2	SL	SP	603.9	SL	SP	SP	65.6	2,653.1
	Pharmaceuticals, healthcare	21	4.8	4.9	-62.6	115.7	-14.6	-29.4	41.9	35.2	9.8	11.5
	Food products	15	4.2	5.1	-35.2	12.1	-3.5	18.7	15.2	15.7	9.9	10.2
	Household goods	10	8.9	14.3	-46.4	-13.8	31.7	-20.8	63.8	38.0	1.3	4.9
	Trading companies	8	33.2	18.8	-32.0	-22.7	56.6	25.8	-5.7	-13.0	3.5	3.0
	Retailing	15	-35.1	-7.0	-36.3	-20.7	82.3	24.9	13.9	3.9	6.6	8.0
	Services	7	6.1	3.6	-87.7	324.3	-0.9	-38.2	88.9	90.2	11.3	12.5
	Software	7	2.9	-1.3	-45.9	-3.5	-46.5	-61.2	84.3	83.1	63.1	62.0
	Media	7	19.8	-5.4	-93.6	171.0	15.1	57.8	-11.5	-11.3	13.3	12.4
	Telecommunications	9	-9.0	42.7	-24.9	14.1	15.7	3.2	20.3	15.5	10.6	14.8
	Construction, engineering	4	8.2	-17.2	SL	LI	SP	-81.6	400.6	400.6	25.9	25.9
	Housing, real estate	14	54.7	-10.3	-45.5	-18.5	74.0	-16.3	49.9	48.2	11.4	14.2
	Transportation	24	28.4	18.6	-38.9	-63.5	127.9	-37.9	91.2	83.8	4.1	7.6
	Utilities	13	-6.7	-72.8	SL	SP	SL	LI	LS	LS	LS	LS
	Financials	37	-63.6	-21.5	SL	SP	-26.7	24.7	28.1	27.8	-7.1	-6.9

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 November 2012, previous estimates as of 26 August 2012. (3) SP = switch to profits; SL = switch to losses, LS = losses shrinking, LI = losses increasing.

Source: Nomura

Fig. 11: Recurring profits by sector

		No. of cos	FY06	FY07	FY08	FY09	FY10	FY11	FY12E Old	FY12E New	FY13E Old	FY13E New
Industrial groups	Russell/Nomura Large Cap	332	35,801	35,828	7,229	17,897	26,599	23,168	26,753	25,031	31,279	29,846
	Russell/Nomura Large Cap (ex financials)	295	30,011	31,573	11,196	13,646	22,716	18,302	21,949	20,200	26,330	24,892
	Manufacturing	187	19,312	21,154	3,941	6,559	13,406	11,132	14,179	12,595	17,116	15,677
	Basic materials	54	5,402	5,939	2,123	1,423	3,638	3,588	2,973	2,715	3,684	3,235
	Processing	87	11,032	12,470	-145	2,821	7,306	5,052	8,434	7,235	10,388	9,483
	Nonmanufacturing	145	16,489	14,673	3,288	11,337	13,193	12,037	12,574	12,436	14,163	14,169
	Nonmanufacturing (ex financials)	108	10,699	10,419	7,255	7,087	9,310	7,170	7,770	7,605	9,214	9,215
Broad sectors	Materials	54	5,402	5,939	2,123	1,423	3,638	3,588	2,973	2,715	3,684	3,235
	Machinery, autos	48	6,949	7,622	633	1,866	4,354	3,731	5,716	5,378	6,710	6,291
	Electronics	39	4,083	4,848	-778	955	2,952	1,321	2,718	1,857	3,679	3,192
	Consumer, distribution	76	6,358	6,117	4,393	4,501	5,568	5,869	6,146	5,770	6,626	6,315
	Information	23	2,483	2,833	2,396	2,667	2,758	2,783	3,258	3,168	3,591	3,531
	Utilities, infrastructure	55	4,735	4,214	2,428	2,234	3,447	1,010	1,139	1,311	2,040	2,330
	Financials	37	5,790	4,254	-3,967	4,251	3,882	4,867	4,804	4,831	4,949	4,953
Sectors	Chemicals	43	2,933	3,576	1,011	1,183	2,658	2,959	2,419	2,311	2,881	2,603
	Steel, nonferrous metals	11	2,470	2,364	1,112	240	979	629	554	404	803	632
	Machinery	26	1,519	1,788	967	564	1,406	1,472	1,534	1,427	1,783	1,625
	Autos	22	5,430	5,834	-334	1,302	2,948	2,260	4,182	3,951	4,927	4,666
	Electrical machinery, precision equipment	39	4,083	4,848	-778	955	2,952	1,321	2,718	1,857	3,679	3,192
	Pharmaceuticals, healthcare	21	1,607	1,501	1,041	1,277	1,207	1,215	1,266	1,193	1,425	1,374
	Food products	15	798	796	616	734	901	938	1,076	1,081	1,177	1,191
	Household goods	10	474	448	306	305	355	338	430	371	442	394
	Trading companies	8	1,952	2,055	1,496	1,046	1,639	1,993	1,808	1,637	1,884	1,729
	Retailing	15	1,119	905	693	831	1,105	1,071	1,216	1,137	1,311	1,238
	Services	7	409	412	241	309	361	313	349	352	387	389
	Software	7	574	636	443	562	324	148	251	246	402	394
	Media	7	230	206	138	166	235	239	299	300	318	317
	Telecommunications	9	1,679	1,991	1,816	1,939	2,199	2,396	2,708	2,622	2,872	2,819
	Construction, engineering	4	271	150	58	-5	95	123	130	130	136	136
	Housing, real estate	14	1,180	1,218	750	504	770	737	898	910	978	1,001
	Transportation	24	1,698	2,072	1,352	682	1,313	1,049	1,388	1,353	1,473	1,450
	Utilities	13	1,586	773	269	1,053	1,270	-898	-1,277	-1,082	-546	-257
	Financials	37	5,790	4,254	-3,967	4,251	3,882	4,867	4,804	4,831	4,949	4,953

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 November 2012.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits

		% y-y															
		Sales				Operating profits				Recurring profits				Net profits			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Industrial groups	R/N Large Cap	-	-	-	-	-	-	-	-	-29.2	29.4	-12.2	-2.4	-78.2	SP	-14.4	-22.6
	R/N Large Cap (ex financials)	-0.1	4.2	5.7	0.2	-29.2	-8.5	-7.3	-2.3	-30.6	-4.9	-9.0	-1.3	-72.0	SP	-1.0	-30.0
	Manufacturing	-0.5	5.5	6.8	0.0	-30.3	-0.3	-4.2	-0.8	-33.4	-1.6	-5.1	-2.1	-85.0	12.5	-11.2	-54.2
	Basic materials	4.5	1.8	-0.3	-4.8	-32.7	-43.0	-63.1	-14.3	-34.2	-35.1	-61.5	-13.4	-82.6	-10.9	SL	-61.1
	Processing	-3.7	7.2	11.3	2.0	-40.6	34.0	61.6	7.3	-45.6	29.4	60.3	7.4	SL	41.1	54.2	-80.0
	Nonmanufacturing	-	-	-	-	-	-	-	-	-25.0	95.1	-17.9	-2.7	-71.9	SP	-16.9	5.6
	Nonmanufacturing (ex financials)	0.4	2.5	4.3	0.5	-27.7	-22.4	-11.9	-4.3	-26.7	-11.1	-14.7	-0.3	-55.1	SP	23.6	2.8
Broad sectors	Basic materials	4.5	1.8	-0.3	-4.8	-32.7	-43.0	-63.1	-14.3	-34.2	-35.1	-61.5	-13.4	-82.6	-10.9	SL	-61.1
	Machinery, autos	1.6	13.3	24.4	7.7	-11.8	59.2	141.5	28.1	-7.2	54.8	130.2	42.5	-32.7	94.3	103.0	36.4
	Electronics	-9.6	0.0	-3.3	-4.6	-71.7	5.9	-41.0	-20.2	-94.9	-9.9	-47.1	-65.9	SL	LI	SL	SL
	Consumption, distribution	-0.6	0.8	2.4	-2.1	0.5	-3.9	-10.5	-16.2	2.9	12.6	-11.7	-13.7	-4.4	55.0	2.6	-5.3
	Information	3.8	0.8	3.8	3.0	-6.6	5.4	5.5	-0.6	-2.5	14.3	5.6	5.9	-32.8	35.8	24.5	-17.8
	Utilities, infrastructure	3.9	7.8	8.5	5.5	-63.2	-70.0	-31.3	16.8	-76.5	SL	-45.0	26.3	SL	LS	LS	191.4
	Financials	-	-	-	-	-	-	-	-	-20.9	SP	-21.5	-7.7	SL	SP	-36.5	10.9
Sectors	Chemicals	5.6	3.5	0.0	-3.6	-29.8	-39.7	-64.8	-6.0	-30.9	-30.1	-63.5	-1.1	-61.9	-31.4	-90.4	-25.0
	Steel, nonferrous metals	1.6	-2.8	-1.4	-8.2	-44.2	-62.9	-53.4	-48.7	-45.8	-62.0	-52.3	-57.2	SL	1,158.3	SL	SL
	Machinery	3.1	8.0	6.3	0.1	-8.1	3.7	-6.7	-23.0	-3.5	8.4	-12.5	-13.9	-17.8	-14.4	-13.6	-28.0
	Automobiles	1.1	15.0	30.5	10.1	-14.0	109.6	410.6	63.4	-9.2	94.1	350.6	77.0	-40.3	273.6	226.8	76.8
	Electrical machinery, precision equipment	-9.6	0.0	-3.3	-4.6	-71.7	5.9	-41.0	-20.2	-94.9	-9.9	-47.1	-65.9	SL	LI	SL	SL
	Pharmaceuticals, healthcare	6.9	5.6	2.5	1.9	-6.1	-13.2	-14.1	-10.0	-7.4	-18.1	-11.3	-13.6	-29.2	SL	9.8	6.4
	Food products	3.1	3.2	5.4	0.8	10.6	-6.8	13.1	0.5	12.0	-9.9	11.8	-2.8	4.9	248.7	26.7	11.3
	Household goods	2.9	7.9	2.7	0.7	-5.2	30.4	-15.5	-2.1	-4.2	35.4	-17.9	0.1	-42.5	157.9	19.8	4.2
	Trading companies	-1.9	-1.1	1.4	-4.4	8.0	-10.5	-29.9	-38.1	16.0	42.8	-27.4	-22.3	13.8	60.0	-19.0	-13.6
	Retailing	-4.8	1.0	3.2	-0.5	-3.4	8.5	-2.4	-16.0	-1.9	11.0	-1.6	-17.0	13.7	201.3	50.8	-24.2
	Services	-1.6	1.7	4.2	0.7	-5.8	-25.1	16.6	-2.8	-7.9	-17.2	11.5	-0.2	-28.8	SL	33.1	18.7
	Software	-4.6	-21.3	0.9	-3.9	-18.6	-76.8	SP	-34.6	-5.4	-54.2	SP	SP	-15.0	-69.2	SP	SP
	Media	2.8	7.1	13.0	4.6	-6.2	14.2	55.9	13.0	-2.6	45.7	65.3	2.6	-11.0	222.4	113.5	4.5
	Telecommunications	5.4	2.2	2.0	3.3	-3.9	13.8	-1.6	0.1	-1.8	24.7	-0.6	0.8	-40.4	40.3	15.8	-26.5
	Construction	13.1	12.8	11.0	5.8	-17.7	777.9	17.0	9.3	0.1	SP	27.4	20.8	SL	-43.3	-54.0	41.5
	Housing, real estate	5.2	6.2	8.0	7.5	14.3	18.0	11.8	17.2	13.2	23.3	17.5	22.0	-76.2	17.3	-22.4	22.6
	Transportation	0.0	4.0	6.7	1.8	-6.9	81.9	68.5	14.4	-3.2	581.3	90.2	19.4	-39.9	LS	100.0	47.7
	Utilities	4.9	10.6	10.1	7.8	SL	SL	SL	LS	SL	SL	SL	LS	SL	LS	LS	LS
	Financials	-	-	-	-	-	-	-	-	-20.9	SP	-21.5	-7.7	SL	SP	-36.5	10.9

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 25 November 2012. (3) Excludes consolidated subsidiaries. (4) SP = switch to profits; SL = switch to losses; LS = losses shrinking; LI = losses increasing.

Source: Nomura



Fig. 13: Share-price indicators

		Cons P/E		Cons P/CF		Cons P/B		Dividend yield		Cons ROE		
		FY12E	FY13E	FY12E	FY13E	FY11	FY12E	FY12E	FY13E	FY11	FY12E	FY13E
		x	x	x	x	x	x	%	%	%	%	%
Industrial groups	R/N Large Cap	16.1	12.2	-	-	1.02	0.98	2.43	2.65	4.5	6.2	7.8
	R/N Large Cap (ex financials)	18.0	12.6	6.2	5.4	1.10	1.07	2.35	2.58	4.2	6.1	8.2
	Manufacturing	20.0	12.9	7.4	6.1	1.14	1.11	2.32	2.53	4.1	5.7	8.4
	Basic materials	23.0	12.3	5.4	4.4	0.81	0.80	2.30	2.42	5.0	3.5	6.3
	Processing	20.3	12.1	7.4	5.9	1.15	1.13	2.16	2.40	2.8	5.6	9.0
	Nonmanufacturing	12.9	11.5	-	-	0.89	0.85	2.57	2.81	5.0	6.7	7.2
	Nonmanufacturing (ex financials)	15.3	12.2	4.9	4.4	1.03	1.01	2.40	2.68	4.5	6.7	8.0
Broad sectors	Basic materials	23.0	12.3	5.4	4.4	0.81	0.80	2.30	2.42	5.0	3.5	6.3
	Machinery, autos	13.6	11.6	7.0	6.3	1.25	1.20	2.04	2.37	6.1	9.0	10.0
	Electronics	366.4	13.3	8.1	5.2	0.99	1.01	2.41	2.48	-2.0	0.3	7.4
	Consumption, distribution	12.8	11.9	7.5	7.2	1.28	1.20	2.83	3.00	9.7	9.7	9.8
	Information	12.0	10.1	4.1	3.8	1.14	1.13	2.53	3.29	8.4	9.6	10.8
	Utilities, infrastructure	50.2	21.8	5.1	4.4	1.00	0.99	1.85	1.91	-2.9	2.0	4.5
	Financials	9.4	10.1	-	-	0.66	0.62	2.96	3.13	5.8	6.8	6.0
Sectors	Chemicals	16.9	11.5	5.4	4.6	0.86	0.82	2.64	2.67	6.8	5.0	7.0
	Steel, nonferrous metals	N.M.	15.5	5.6	3.9	0.69	0.72	1.31	1.71	1.2	-0.1	4.6
	Machinery	16.7	14.6	8.9	8.1	1.43	1.44	1.87	2.00	8.6	8.7	9.6
	Automobiles	12.5	10.6	6.4	5.6	1.18	1.11	2.11	2.54	5.2	9.1	10.1
	Electrical machinery, precision equipment	366.4	13.3	8.1	5.2	0.99	1.01	2.41	2.48	-2.0	0.3	7.4
	Pharmaceuticals, healthcare	18.2	16.3	11.9	11.0	1.52	1.43	3.11	3.24	6.1	8.1	8.6
	Food products	16.5	15.0	8.9	8.4	1.77	1.61	2.13	2.58	9.5	10.0	10.4
	Household goods	18.8	18.0	9.4	9.1	1.65	1.53	2.75	2.57	6.1	8.4	8.3
	Trading companies	6.2	6.0	4.2	4.1	0.81	0.76	3.87	3.97	15.9	12.7	12.1
	Retailing	13.8	12.8	7.1	6.6	1.25	1.15	2.25	2.43	8.8	8.7	8.7
	Services	18.9	16.8	7.8	7.5	1.18	1.13	2.50	2.56	3.3	6.1	6.6
	Software	22.5	13.9	14.3	10.2	1.50	1.46	1.89	2.98	3.4	6.6	10.1
	Media	15.9	14.1	8.6	8.2	0.99	1.09	2.12	4.90	7.8	6.8	7.6
	Telecommunications	10.3	8.9	3.2	3.0	1.10	1.07	2.78	3.05	9.5	10.8	11.5
	Construction	16.7	13.3	9.0	7.9	0.81	0.79	2.30	2.41	1.0	4.8	5.8
	Housing, real estate	19.3	16.9	10.4	9.6	1.41	1.32	1.69	1.81	4.8	7.0	7.6
	Transportation	14.9	13.9	4.4	4.2	1.09	1.02	1.81	1.85	4.0	7.1	7.2
	Utilities	N.M.	N.M.	3.2	2.4	0.64	0.71	2.12	2.12	-14.9	-8.6	-2.2
	Financials	9.4	10.1	-	-	0.66	0.62	2.96	3.13	5.8	6.8	6.0
R/N Small Cap		14.9	11.6	-	-	0.81	0.75	2.19	2.23	5.0	5.1	6.3
R/N Small Cap (ex financials)		15.7	11.7	6.4	5.6	0.86	0.79	2.19	2.23	5.1	5.2	6.6

Note: (1) Estimates as of 25 November 2012. (2) Share prices are as of 22 November 2012 close.

Source: Nomura

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- They reflect the stocks that are actually available for investment, as stable shareholdings are excluded from market capitalization figures.
- There are sub-indexes for different sizes of company based on market capitalization.
- There are sub-indexes for growth and value stocks.
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- The Prime Index consists of the top 1,000 stocks in the Total Market Index by market cap excluding stable shareholdings.
- Clear definitions mean that there is no arbitrariness in stock-selection methods.
- The composition of each index is reviewed once a year.

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#### Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan

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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 0.8 will be used through 9 January 2013, and an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used starting on 10 January 2013, (2) for 5-year and 3-year fixed rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.8 will be used through 9 January 2013, and an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used starting on 10 January 2013.

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