

# **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 and analyze earnings forecast data issued by our analysts. For FY12, our analysts forecast sales growth of 2.1% y-y and recurring profit growth of 3.9% for companies in the Russell/Nomura Large Cap Index (ex financials). Compared with our previous estimates issued in December (based on data collated on 25 November), these figures represent a 0.1ppt upward revision for sales and a 1.5ppt downward revision for recurring profits. Excluding utilities, which we expect to incur recurring losses for the second year in a row, we forecast that recurring profits will rise 5.1% y-y in FY12 (versus our previous forecast of 6.1% growth).

We have lowered our recurring profit forecast for the Russell/Nomura Large Cap Index (ex financials) by ¥295.4bn, the third consecutive quarter in which we have cut our projection. However, our downward revision is far smaller than the large cuts of ¥1.5–2trn in each of the past two quarters. The yen has depreciated sharply of late, but we think the boost to FY12 earnings will be limited as only one quarter remains and we also expect a considerable number of companies to have taken forex hedge positions.

The latest revisions to our corporate earnings outlook reflect FY12 Q3 results. In Q3, recurring profits for the Russell/Nomura Large Cap Index (ex financials) rose 21.1% y-y, a swift turnaround from y-y declines in both Q1 and Q2. However, this y-y improvement was largely attributable to the low level of earnings in FY11 Q3. The electrical machinery & precision equipment and utilities sectors made large contributions to FY12 Q3 profit growth. However, the main factor behind the contribution from the electrical machinery & precision equipment sector was the low comparison base versus a year earlier, when earnings were hurt by the impact of Thai flooding and restructuring by some sector companies, and the main factor in the utilities sector was a narrowing in losses.

## Overview of the FY13 corporate earnings outlook

For FY13, our analysts forecast sales growth of 5.9% y-y and recurring profit growth of 31.7% for companies in the Russell/Nomura Large Cap Index (ex financials). These figures represent upward revisions of 2.9ppt for sales and 9.3ppt for recurring profits versus our previous forecasts. Our recurring profit forecast has increased by ¥1,486.7bn.

We now assume that FY13 industrial production will rise 4.0% y-y, up from 1.1% in our previous forecasts. Japan has been in a mini-recession, but we see positive signs as manufacturers' production forecasts within the industrial production data have been bullish recently, and exports have also been improving. We expect emergency economic stimulus measures to support the Japanese economy through mid-2013, and we accordingly think corporate sales growth will be the strongest for three years. We also look for a considerable boost from the weaker yen. Our FY13 estimates assume USD/JPY of 87 and EUR/JPY of 114 over the full year (versus our previous assumptions of 78 and 100, respectively). These figures assume a ¥5.3 weakening against the dollar and an ¥8.8 weakening against the euro compared with FY12, which we estimate will lift recurring profit growth by 10.2ppt.

We estimate that each ¥1 weakening against the dollar boosts recurring profits for the Russell/Nomura Large Cap Index (ex financials) by 1.2%, and each ¥1 weakening against the euro boosts them by 0.2%. If all other conditions remained constant but our forex assumptions were USD/JPY of 90 and EUR/JPY of 117, our recurring profit estimate would be for growth of 37.0%, 5.3ppt higher than our forecast, and at USD/JPY of 95 and EUR/JPY of 124, it would be for growth of 46.3%, 14.7ppt higher.

Our analysts currently forecast that recurring profits will be equivalent to 89% of their most recent FY07 peak in FY13, before recovering to 98% of that peak in FY14.

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

								(% y-y)	
		No. of cos	New FY10	FY11	FY12E	FY13E	Old FY12E	FY13E	
Sales	Russell/Nomura Large Cap (ex financials)	295	6.1	1.4	2.1	5.9	2.0	3.0	
	Manufacturing	187	7.0	0.2	2.3	6.2	2.1	3.3	
	Basic materials	54	13.2	4.8	-1.5	7.3	-1.9	2.8	
	Processing	87	6.3	-2.0	4.2	6.6	3.9	3.9	
	Nonmanufacturing (ex financials)	108	4.9	3.0	1.7	5.5	1.9	2.6	
	Russell/Nomura Small Cap (ex financials)	942	6.3	3.4	2.7	4.2	3.2	3.5	
Operating profits	Russell/Nomura Large Cap (ex financials)	295	49.8	-18.6	3.4	29.1	5.5	19.8	
	Manufacturing	187	74.3	-14.2	5.6	31.3	6.9	19.9	
	Basic materials	54	101.5	-9.8	-26.2	34.9	-31.3	22.2	
	Processing	87	110.6	-20.6	26.9	37.1	32.3	22.2	
	Nonmanufacturing (ex financials)	108	25.7	-24.6	-0.2	25.7	3.2	19.6	
	Russell/Nomura Small Cap (ex financials)	942	53.0	-2.5	1.3	19.2	5.8	15.4	
Recurring profits	Russell/Nomura Large Cap	332	43.8	-12.1	5.1	26.5	6.2	18.6	
	Russell/Nomura Large Cap (ex financials)	295	58.7	-19.5	3.9	31.7	5.4	22.4	
	Manufacturing	187	91.0	-17.9	6.6	35.3	7.6	23.5	
	Basic materials	54	133.9	-7.1	-23.0	26.3	-29.3	16.1	
	Processing	87	143.6	-29.3	31.2	48.3	37.7	30.7	
	Nonmanufacturing	145	14.7	-5.9	3.7	17.9	4.8	13.7	
	Nonmanufacturing (ex financials)	108	27.6	-21.7	-0.4	25.9	2.0	20.7	
	Russell/Nomura Small Cap	1,028	50.8	6.5	0.4	17.3	1.7	15.6	
	Russell/Nomura Small Cap (ex financials)	942	52.9	0.5	1.7	18.1	4.0	16.2	
Net profits	Russell/Nomura Large Cap	332	34.6	-25.3	31.0	44.0	35.6	28.7	
	Russell/Nomura Large Cap (ex financials)	295	63.4	-35.2	30.9	57.1	38.0	38.6	
	Manufacturing	187	158.2	-42.9	27.6	69.3	31.9	49.2	
	Basic materials	54	361.6	-34.6	-25.1	68.0	-37.2	59.5	
	Processing	87	324.4	-57.2	68.9	99.9	89.2	64.9	
	Nonmanufacturing	145	-14.6	-2.6	34.0	23.8	38.7	12.3	
	Nonmanufacturing (ex financials)	108	-4.9	-19.2	36.1	40.5	47.3	24.7	
	Russell/Nomura Small Cap	1,028	143.6	10.4	10.7	39.2	15.5	33.2	
	Russell/Nomura Small Cap (ex financials)	942	153.9	1.2	9.6	46.2	16.8	38.5	

Note: (1) Latest estimates as of 24 February 2013.

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	-2.5	0-0.10	92.2	81.7	105.2	
		Old	-2.6	0-0.10	91.4	78.7	100.3	
	FY13E	New	4.0	0-0.10	95.0	87.0	114.0	
		Old	1.1	0-0.10	90.0	78.0	100.0	
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	
	FY12	H1	0.1	0-0.10	92.9	79.3	100.6	
		H2E	New	-5.1	0-0.10	91.6	84.1	109.7
	Old		-5.7	0-0.10	90.0	78.0	100.0	
	FY13E	H1	New	1.5	0-0.10	95.0	87.0	114.0
			Old	-1.2	0-0.10	90.0	78.0	100.0
		H2	New	6.7	0-0.10	95.0	87.0	114.0
Old			3.6	0-0.10	90.0	78.0	100.0	

Note: Macroeconomic assumptions as of 10 January 2013. Previous assumptions as of 11 October 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 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, financials, transportation and electrical machinery & precision equipment. We think absolute profit growth in the automobiles sector will exceed combined growth in the other sectors and make by far the largest contribution.

Although business conditions for the auto sector have been severe in Europe and China, we see a large contribution from sales growth in the US and Southeast Asia. We estimate demand in the US rose 13.4% from 12.8mn vehicles in 2011 to 14.5mn in 2012, driven by the release of pent-up replacement demand after consumers had held off on auto purchases in the wake of the 2008 financial crisis. In Japan, eco-car subsidies and tax breaks have boosted demand. Among financials, nonlife insurers incurred large-scale losses related to natural disasters in FY11, but the impact has been milder in FY12. Megabanks have also seen signs of a bottoming in lending in Japan, in addition to healthy lending overseas. In the transportation sector, marine transportation companies fell into the red in FY11 because of the downturn in shipping rates but should return to profit in FY12 owing to an improvement in rates. The railway subsector has also benefited from a recovery in travel demand and tourism demand. In the electrical machinery & precision equipment sector, brisk demand for smartphones and tablets has boosted demand for related components, while profit margins on social infrastructure businesses and IT services have stabilized. Conditions have also started to settle down in the consumer electronics subsector, having deteriorated sharply from FY11 H2. Meanwhile, demand for traditional products—mainly PCs, TVs and cameras—has weakened markedly and growth in SPE and other capex-related product demand has been fragile. Recurring profits in the electrical machinery & precision equipment sector fell by 54.9% y-y in FY11, but despite the low comparison base we still think FY12 recurring profits will offer little sense of recovery with an increase of only 12.7%, partly the result of some businesses being removed from the scope of consolidation.

In contrast, we anticipate major negative contributions to overall profits from chemicals, trading companies, utilities and steel & nonferrous metals. Profits have declined in the chemicals, trading companies and steel & nonferrous metals sectors largely as a result of economic slowdown in FY12 H1, mainly in China. For the trading companies sector and the oil products subsector of the chemicals sector, our estimates are impacted by our WTI crude oil price assumption of \$92.20/bbl in FY12, versus \$97.30/bbl in FY11. For the utilities sector, we project heavier losses on higher fuel costs than in FY11 even though we assume a decline in the crude oil price.

## 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 anticipate large contributions to profit growth from the electrical machinery & precision equipment, autos and utilities sectors in particular. We assume the yen will weaken from USD/JPY of 81.7 in FY12 to 87 in FY13, and we think the biggest contributions to profit growth will come from sectors whose earnings benefit most from a weaker yen.

The autos sector has a much higher forex sensitivity than other sectors, and we also look for sales in North America and Southeast Asia to remain strong. We project that auto sales in Japan will fall 10.2% y-y in 2013 to 4.8mn vehicles owing to the withdrawal of eco-car subsidies but think US sales will rise further, by 4.2% to 15.1mn vehicles, on the back of buoyant demand. Another positive sign, in our view, is that sector companies have signaled their intent to continue lowering COGS. In the electrical machinery & precision equipment sector, earnings recovery at consumer electronics companies accounts for nearly half of the projected contribution to profit growth. IT infrastructure (related to big data and cloud computing services) and social infrastructure (energy- and environment-related) remain growth fields. We think growth in the new segment of mobile devices—smartphones and tablets—will offset the decline in traditional segments. We look for a boost to profit growth from the utilities sector largely because we expect a y-y improvement in the nuclear power capacity factor and rate hikes by electric power companies.

**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	68.3	132.7	216.5	Electrical machinery, precision equipment	112.6	26.7	27.8
Financials	10.6	38.7	-	Automobiles	32.0	19.0	19.8
Transportation	24.0	21.3	34.8	Utilities	LS	14.9	15.5
Electrical machinery, precision equipment	12.7	14.8	24.1	Steel, nonferrous metals	121.6	8.0	8.3
Telecommunications	6.3	12.8	21.0	Machinery	20.2	4.1	4.2
Housing, real estate	15.1	9.9	16.1	Financials	5.1	3.8	-
Food	4.7	4.0	6.5	Telecommunications	9.2	3.6	3.8
Services	12.9	3.3	5.4	Chemicals	8.8	3.2	3.3
Software	21.6	2.9	4.7	Software	82.5	2.8	2.9
Retailing	1.4	1.3	2.1	Pharmaceuticals, healthcare	15.2	2.7	2.9
Media	3.3	0.8	1.3	Trading companies	10.9	2.7	2.8
Construction	0.8	0.1	0.1	Transportation	8.8	2.0	2.1
				Retailing	9.6	1.8	1.9
				Food	9.6	1.6	1.7
				Housing, real estate	11.1	1.6	1.6
				Services	12.2	0.7	0.7
				Household goods	8.4	0.5	0.5
				Media	4.9	0.2	0.2
				Construction	5.5	0.1	0.1
				<b>Decrease in profit</b>			
<b>Decrease in profit</b>				<b>Decrease in profit</b>			
<b>7 sectors</b>				<b>0 sectors</b>			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
Household goods	-0.9	-0.3	-0.5	-	-	-	-
Pharmaceuticals, healthcare	-2.1	-2.2	-3.5				
Machinery	-9.7	-11.9	-19.5				
Steel, nonferrous metals	-27.8	-14.0	-22.9				
Utilities	LI	-23.6	-38.5				
Trading companies	-19.0	-31.5	-51.5				
Chemicals	-22.1	-59.0	-96.3				

Note: LS = losses shrinking, LI = losses increasing.

Source: Nomura

# Revisions to recurring profit estimates

## Overview of the FY12 corporate earnings outlook

We have raised our FY12 recurring profit forecasts for eight of the 19 sectors and lowered them for 11. We made large upward revisions to our forecasts for the chemicals, financials and steel & nonferrous metals sectors.

The upward revision for the chemicals sector is largely to factor in an improvement in petrochemical market prices in the oil products subsector. The upward revision for the steel & nonferrous metals sector reflects strong metal prices. Another major point is that despite marked deterioration in FY12 H1 earnings in both the chemicals and the steel & nonferrous metals sectors, a gradual stabilization in conditions has been confirmed as each set of quarterly results has been released. The upward revision to our forecast for the financials sector is largely because of a decline in transfers to loan-loss reserves.

We made large downward revisions to our profit forecasts for sectors such as electrical machinery & precision equipment, utilities and machinery.

We lowered our recurring profit forecast for the electrical machinery & precision equipment sector by ¥269.1bn, only around one-third the size of the ¥860.4bn downward revision last time. While some sector companies have stepped up restructuring, conditions have started to settle down in the consumer electronics subsector, which has so far been the main factor behind our downward revisions. Operations with long business cycles have been performing solidly and positives have also emerged, for example in the form of more stable NAND flash earnings. However, these have been outweighed by the deterioration in businesses that are susceptible to economic fluctuations.

In the utilities sector, efforts to cut costs are continuing amid a loss-making business environment, but we have lowered our forecast in view of the recent rise in crude oil prices and the weaker yen. Another factor is that only a very small number of nuclear power stations have been operational in FY12. We lowered our forecast for the machinery sector owing to falling demand for mining machinery and a decline in reaction to earlier iPhone-related investment.

## Overview of the FY13 corporate earnings outlook

We have raised our FY13 forecasts for 16 of 19 sectors and lowered them for three. We now assume a weaker yen for FY13, and have changed our USD/JPY assumption from 78 to 87 and our EUR/JPY assumption from 100 to 114. We think the weaker yen will boost earnings in 14 of the 19 sectors. Although we expect yen depreciation to have only a limited impact in FY12, we look for a more tangible effect in FY13 as we expect the impact to be felt throughout the full year. As a result, we have revised up our forecasts for more sectors in our FY13 forecast revisions than in our FY12 revisions.

We have made large upward revisions to our FY13 recurring profit forecasts for sectors such as automobiles, steel & nonferrous metals, electrical machinery & precision equipment, financials and chemicals, a group that includes many sectors with high forex sensitivity. The upward revision to our forecast for the steel & nonferrous metals sector is particularly large, reflecting expectations of a major improvement in export margins, as well as merger effects and cost savings.

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

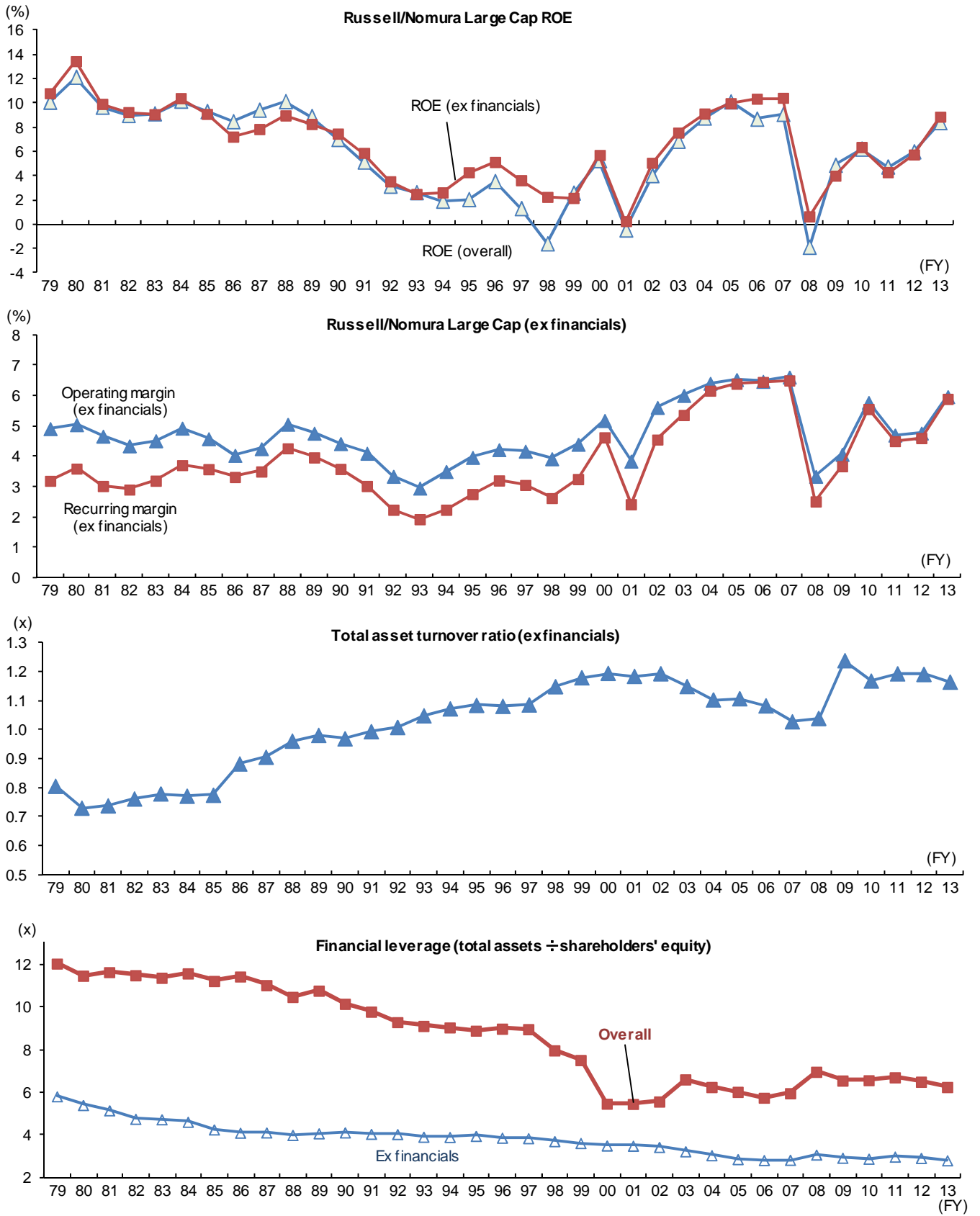
FY12E					FY13E				
[Upward revisions] 8 sectors					[Upward revisions] 16 sectors				
	New	Old	Revision	Change		New	Old	Revision	Change
	¥bn	¥bn	¥bn	%		¥bn	¥bn	¥bn	%
Chemicals	2,514	2,311	203	0.9	Automobiles	5,210	4,647	563	1.2
Financials	4,881	4,831	49	0.1	Steel, nonferrous metals	970	641	329	5.1
Steel, nonferrous metals	441	404	37	0.9	Electrical machinery, precision equipment	3,357	3,139	217	0.7
Retailing	1,155	1,137	18	0.2	Financials	5,145	4,950	196	0.4
Pharmaceuticals, healthcare	1,204	1,193	12	0.1	Chemicals	2,605	2,434	171	0.7
Automobiles	3,958	3,951	7	0.0	Trading companies	1,804	1,729	76	0.4
Services	353	352	2	0.0	Utilities	-194	-257	63	N.M.
Housing, real estate	911	910	0	0.0	Telecommunications	2,879	2,839	40	0.1
					Retailing	1,366	1,346	20	0.1
					Machinery	1,604	1,588	16	0.1
					Pharmaceuticals, healthcare	1,387	1,374	13	0.1
					Housing, real estate	1,034	1,022	13	0.1
					Transportation	162	1,624	5	0.0
					Services	427	423	4	0.1
					Household goods	428	425	3	0.1
					Construction	153	151	3	0.2
[Downward revisions] 11 sectors					[Downward revisions] 3 sectors				
	New	Old	Revision	Change		New	Old	Revision	Change
	¥bn	¥bn	¥bn	%		¥bn	¥bn	¥bn	%
Telecommunications	2,620	2,622	-2	0.0	Software	417	426	-10	-0.2
Household goods	367	371	-4	-0.1	Media	303	317	-15	-0.5
Construction	124	130	-6	-0.5	Food	1,216	1,239	-24	-0.2
Trading companies	1,627	1,637	-10	-0.1					
Media	289	300	-11	-0.4					
Food	1,063	1,081	-18	-0.2					
Transportation	1,333	1,353	-20	-0.1					
Software	194	246	-52	-2.1					
Machinery	1,348	1,427	-80	-0.6					
Utilities	-1,184	-1,082	-102	N.M.					
Electrical machinery, precision equipment	1,588	1,857	-269	-1.4					

Note: (1) Latest estimates as of 24 February 2012. (2) Previous estimates as of 25 November 2012.

Source: Nomura



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

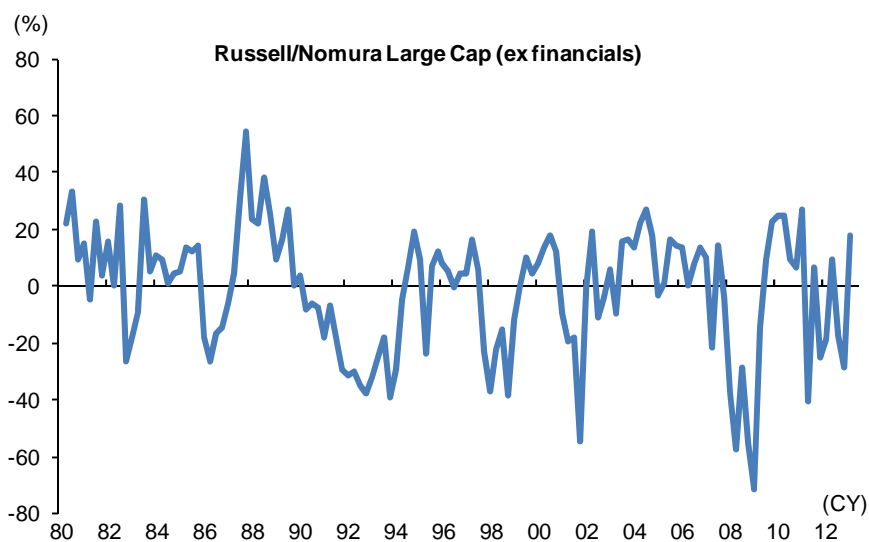


Note: Estimates for FY12 onward as of 24 February 2012.

Source: Nomura

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

	(yy/m)	11/9	11/12	12/3	12/6	12/9	12/12	13/3
Russell/Nomura Large Cap		4.9	-22.9	-12.6	8.7	-15.0	-25.0	19.2
Russell/Nomura Large Cap (ex financials)		6.6	-25.3	-18.9	9.5	-17.2	-28.5	17.6
Manufacturing		-3.7	-53.4	-33.9	15.4	-31.9	-41.2	23.5
Basic materials		-10.6	-48.9	-50.9	3.6	-40.0	-61.1	31.9
Processing		2.6	-64.9	-34.1	24.1	-40.2	-41.4	30.9
Nonmanufacturing (ex financials)		24.5	23.4	7.4	-0.9	8.3	-6.5	8.5



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	2.0	2.1	3.0	5.9
	Manufacturing	187	9.7	7.9	-10.8	-11.8	7.0	0.2	2.1	2.3	3.3	6.2
	Basic materials	54	13.2	8.9	-5.3	-20.8	13.2	4.8	-1.9	-1.5	2.8	7.3
	Processing	87	9.2	7.2	-15.2	-10.7	6.3	-2.0	3.9	4.2	3.9	6.6
	Nonmanufacturing (ex financials)	108	8.2	7.0	-3.3	-14.4	4.9	3.0	1.9	1.7	2.6	5.5
Broad sectors	Materials	54	13.2	8.9	-5.3	-20.8	13.2	4.8	-1.9	-1.5	2.8	7.3
	Machinery, autos	48	12.3	9.3	-17.0	-13.0	7.4	-0.1	8.5	9.3	4.4	7.5
	Electronics	39	6.0	4.6	-13.0	-8.0	5.2	-4.3	-1.6	-2.1	3.1	5.2
	Consumer, distribution	76	8.0	9.6	-4.2	-14.9	5.7	3.3	0.2	0.2	2.2	6.1
	Information	23	12.2	4.9	-1.9	-3.5	0.4	1.5	5.2	4.6	3.8	4.3
	Utilities, infrastructure	55	5.6	3.9	0.7	-11.0	2.5	2.2	4.7	4.4	2.3	3.4
Sectors	Chemicals	43	12.7	8.7	-5.3	-19.5	13.0	6.5	-1.2	-0.3	1.8	4.2
	Steel, nonferrous metals	11	14.2	9.2	-5.3	-23.1	13.6	0.7	-3.9	-5.1	5.6	16.2
	Machinery	26	13.9	9.7	-8.4	-16.2	8.3	5.0	3.4	2.5	4.2	5.8
	Autos	22	11.8	9.2	-19.3	-12.1	7.1	-1.6	10.1	11.4	4.5	8.0
	Electrical machinery, precision equipment	39	6.0	4.6	-13.0	-8.0	5.2	-4.3	-1.6	-2.1	3.1	5.2
	Pharmaceuticals, healthcare	21	6.9	5.1	2.7	3.6	1.1	3.0	1.1	1.3	2.3	1.9
	Food products	15	2.4	15.9	6.5	-6.5	0.7	-0.9	3.8	3.5	1.4	4.3
	Household goods	10	8.1	5.3	-7.8	-5.8	1.8	2.9	3.9	4.2	1.7	1.7
	Trading companies	8	9.0	10.0	-7.5	-23.4	10.2	6.1	-2.0	-2.0	1.7	8.2
	Retailing	15	9.9	6.9	0.9	-3.7	1.8	-2.5	3.7	3.5	4.5	5.3
	Services	7	3.9	8.6	-0.3	-3.5	0.1	-2.4	2.2	2.2	2.1	2.2
	Software	7	22.9	24.5	3.7	-14.0	-17.6	-14.9	13.1	5.6	17.5	21.8
	Media	7	4.6	-0.1	-3.9	-5.7	4.5	1.9	6.0	5.2	2.2	2.9
	Telecommunications	9	12.2	2.5	-2.5	-0.9	2.4	3.5	4.1	4.4	2.2	2.3
	Construction, engineering	4	7.1	-0.1	2.5	-16.1	-16.0	7.7	5.9	4.8	-0.3	0.9
	Housing, real estate	14	9.9	2.7	0.0	-3.6	5.4	2.7	6.1	6.3	5.3	5.7
	Transportation	24	5.5	4.8	-4.0	-12.0	3.4	-0.7	3.6	3.1	1.3	1.3
Utilities	13	2.5	4.9	6.1	-11.9	5.9	3.4	4.5	4.6	2.3	4.8	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 24 February 2013, previous estimates as of 25 November 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	5.5	3.4	19.8	29.1
	Manufacturing	187	8.7	10.1	-71.9	8.0	74.3	-14.2	6.9	5.6	19.9	31.3
	Basic materials	54	4.3	3.8	-59.1	-47.8	101.5	-9.8	-31.3	-26.2	22.2	34.9
	Processing	87	11.8	14.1	-88.2	117.4	110.6	-20.6	32.3	26.9	22.2	37.1
	Nonmanufacturing (ex financials)	108	8.5	0.2	-15.0	-16.4	25.7	-24.6	3.2	-0.2	19.6	25.7
Broad sectors	Materials	54	4.3	3.8	-59.1	-47.8	101.5	-9.8	-31.3	-26.2	22.2	34.9
	Machinery, autos	48	11.8	10.0	-87.5	110.6	106.5	-10.9	41.5	38.4	17.6	30.3
	Electronics	39	11.8	20.6	-89.3	126.5	116.1	-32.7	17.2	7.8	31.3	51.6
	Consumer, distribution	76	9.0	4.7	-7.5	-19.4	17.5	0.8	-3.6	-5.4	11.5	14.8
	Information	23	14.3	18.5	-6.0	-2.6	6.3	-3.7	8.1	7.2	9.1	11.4
	Utilities, infrastructure	55	4.1	-9.2	-30.1	-10.3	35.2	-57.7	13.6	5.1	43.6	56.0
Sectors	Chemicals	43	4.7	8.7	-66.2	-31.0	94.5	-1.1	-31.3	-25.1	16.4	15.6
	Steel, nonferrous metals	11	3.7	-3.2	-47.7	-71.8	125.0	-37.1	-31.2	-32.4	53.3	152.1
	Machinery	26	27.8	18.6	-44.1	-42.0	124.8	6.1	-3.1	-8.4	12.3	19.2
	Autos	22	8.0	7.5	SL	SP	98.0	-19.8	71.5	70.1	19.7	34.3
	Electrical machinery, precision equipment	39	11.8	20.6	-89.3	126.5	116.1	-32.7	17.2	7.8	31.3	51.6
	Pharmaceuticals, healthcare	21	5.3	3.6	-21.0	13.3	-8.7	-7.6	-2.9	-2.0	15.2	13.5
	Food products	15	5.4	11.4	-8.2	-7.8	11.5	4.1	8.4	6.3	8.7	10.3
	Household goods	10	4.7	5.9	-29.8	-0.9	12.1	0.5	0.6	-0.8	6.9	9.1
	Trading companies	8	20.4	8.0	12.8	-58.1	69.7	6.3	-21.2	-26.7	12.6	26.5
	Retailing	15	9.7	-5.7	-7.6	-3.9	21.8	7.5	1.5	1.1	11.3	12.5
	Services	7	-4.8	4.1	-26.6	15.2	4.5	-15.9	13.8	14.2	11.4	12.3
	Software	7	34.4	42.7	-11.5	-24.8	-32.8	-53.3	47.1	17.7	39.5	65.4
	Media	7	7.6	-13.4	-18.9	-9.8	37.6	3.6	15.2	12.8	6.2	5.2
	Telecommunications	9	10.5	15.8	-3.5	6.4	14.2	3.1	4.7	5.9	6.1	7.3
	Construction, engineering	4	-0.1	-30.1	-53.5	SL	10,835.6	18.3	13.3	6.8	4.2	5.6
	Housing, real estate	14	27.0	4.4	-24.1	-22.3	29.0	0.6	12.9	12.7	8.4	9.9
	Transportation	24	3.4	17.9	-26.2	-42.0	51.5	-17.3	21.7	19.2	5.0	6.1
Utilities	13	-5.3	-44.5	-41.8	108.7	17.0	SL	LI	LI	SP	SP	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 24 February 2013, previous estimates as of 25 November 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	6.2	5.1	18.6	26.5
	Russell/Nomura Large Cap (ex financials)	295	10.6	5.0	-64.1	8.6	58.7	-19.5	5.4	3.9	22.4	31.7
	Manufacturing	187	10.5	7.9	-81.7	36.1	91.0	-17.9	7.6	6.6	23.5	35.3
	Basic materials	54	9.6	-0.1	-64.3	-52.4	133.9	-7.1	-29.3	-23.0	16.1	26.3
	Processing	87	12.0	13.5	SL	SP	143.6	-29.3	37.7	31.2	30.7	48.3
	Nonmanufacturing	145	1.9	-8.0	-76.7	165.1	14.7	-5.9	4.8	3.7	13.7	17.9
	Nonmanufacturing (ex financials)	108	10.9	-0.4	-26.7	-8.1	27.6	-21.7	2.0	-0.4	20.7	25.9
Broad sectors	Materials	54	9.6	-0.1	-64.3	-52.4	133.9	-7.1	-29.3	-23.0	16.1	26.3
	Machinery, autos	48	9.9	10.1	-91.7	225.7	116.1	-11.5	39.9	38.0	16.8	29.0
	Electronics	39	15.7	19.1	SL	SP	200.1	-54.9	31.8	12.7	71.2	112.6
	Consumer, distribution	76	11.9	2.4	-23.8	-5.0	16.7	5.9	-5.0	-5.1	9.6	11.2
	Information	23	6.6	15.9	-12.5	1.3	3.3	0.0	9.1	6.9	11.1	14.1
	Utilities, infrastructure	55	9.3	-10.9	-39.2	-9.2	48.7	-70.2	20.2	8.5	68.9	88.8
	Financials	37	-11.6	-23.0	SL	SP	-8.2	33.7	9.5	10.6	2.3	5.1
Sectors	Chemicals	43	7.3	2.7	-71.6	-32.2	116.2	1.8	-28.4	-22.1	8.9	8.8
	Steel, nonferrous metals	11	12.3	-3.9	-53.3	-78.7	201.0	-34.3	-33.8	-27.8	54.6	121.6
	Machinery	26	25.6	15.9	-47.3	-38.6	125.8	7.9	-4.3	-9.7	13.2	20.2
	Autos	22	6.2	8.4	SL	SP	111.8	-20.8	67.9	68.3	18.1	32.0
	Electrical machinery, precision equipment	39	15.7	19.1	SL	SP	200.1	-54.9	31.8	12.7	71.2	112.6
	Pharmaceuticals, healthcare	21	8.6	2.1	-27.9	13.1	-8.6	-9.0	-3.1	-2.1	15.2	15.2
	Food products	15	4.3	3.7	-15.3	7.2	10.2	5.2	6.5	4.7	10.0	9.6
	Household goods	10	4.1	0.6	-27.7	-0.4	9.2	1.9	0.1	-0.9	6.5	8.4
	Trading companies	8	27.6	6.5	-27.7	-29.7	55.1	22.6	-18.5	-19.0	5.6	10.9
	Retailing	15	8.3	-5.3	-9.1	-4.2	22.2	7.9	-0.2	1.4	9.6	9.6
	Services	7	-1.6	0.6	-29.4	17.0	4.9	-14.7	12.4	12.9	11.5	12.2
	Software	7	26.3	16.2	-23.6	-10.7	-41.9	-53.5	54.0	21.6	52.9	82.5
	Media	7	14.4	-10.7	-17.3	-11.5	34.9	14.5	7.4	3.3	5.8	4.9
	Telecommunications	9	0.2	19.4	-8.8	6.8	13.4	6.2	6.4	6.3	7.3	9.2
	Construction, engineering	4	1.4	-30.6	-61.6	SL	1,102.5	49.0	5.7	0.8	4.2	5.5
	Housing, real estate	14	25.5	-0.7	-29.9	-21.8	35.3	-0.9	15.0	15.1	10.0	11.1
	Transportation	24	7.9	22.1	-32.5	-54.2	90.6	-18.9	25.9	24.0	7.4	8.8
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	9.5	10.6	2.3	5.1	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 24 February 2013, previous estimates as of 25 November 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	35.6	31.0	28.7	44.0
	Russell/Nomura Large Cap (ex financials)	295	13.0	4.1	-94.6	148.8	63.4	-35.2	38.0	30.9	38.6	57.1
	Manufacturing	187	16.3	7.0	SL	SP	158.2	-42.9	31.9	27.6	49.2	69.3
	Basic materials	54	10.1	-2.5	SL	-66.4	361.6	-34.6	-37.2	-25.1	59.5	68.0
	Processing	87	22.7	11.6	SL	SP	324.4	-57.2	89.2	68.9	64.9	99.9
	Nonmanufacturing	145	-25.9	-6.8	SL	SP	-14.6	-2.6	38.7	34.0	12.3	23.8
	Nonmanufacturing (ex financials)	108	7.1	-1.7	-42.3	2.4	-4.9	-19.2	47.3	36.1	24.7	40.5
Broad sectors	Materials	54	10.1	-2.5	SL	-66.4	361.6	-34.6	-37.2	-25.1	59.5	68.0
	Machinery, autos	48	13.1	8.7	SL	SP	254.0	-16.9	52.0	49.4	17.0	29.0
	Electronics	39	48.5	17.2	SL	SP	603.9	SL	SP	LS	1,771.8	SP
	Consumer, distribution	76	3.9	9.6	-43.7	11.5	22.7	5.9	6.6	7.6	7.4	10.6
	Information	23	-3.4	25.6	-33.7	13.4	-0.6	-2.0	15.9	9.3	18.4	26.1
	Utilities, infrastructure	55	16.3	-22.5	-53.6	13.5	-76.7	SL	SP	SP	100.5	254.6
	Financials	37	-63.6	-21.5	SL	SP	-26.7	24.7	27.8	31.2	-7.1	0.4
Sectors	Chemicals	43	10.7	4.2	SL	-6.6	305.9	-21.7	-29.1	-19.7	24.3	21.5
	Steel, nonferrous metals	11	9.4	-10.5	-78.4	-94.0	631.7	-78.5	SL	-71.1	SP	1,220.0
	Machinery	26	25.0	18.2	-65.0	-42.6	225.1	4.9	4.1	-5.7	13.9	26.3
	Autos	22	10.4	6.1	SL	SP	268.5	-26.5	81.4	83.2	18.0	29.9
	Electrical machinery, precision equipment	39	48.5	17.2	SL	SP	603.9	SL	SP	LS	1,771.8	SP
	Pharmaceuticals, healthcare	21	4.8	4.9	-62.6	115.7	-14.6	-29.4	35.2	35.5	11.5	11.8
	Food products	15	4.2	5.1	-35.2	12.1	-3.5	18.7	15.7	14.6	10.0	16.6
	Household goods	10	8.9	14.3	-46.4	-13.8	31.7	-20.8	38.0	41.3	5.3	4.8
	Trading companies	8	33.2	18.8	-32.0	-22.7	56.6	25.8	-13.0	-11.2	3.0	8.1
	Retailing	15	-35.1	-7.0	-36.3	-20.7	82.3	24.9	3.9	5.1	9.0	9.6
	Services	7	6.1	3.6	-87.7	324.3	-0.9	-38.2	90.2	90.1	13.3	14.6
	Software	7	2.9	-1.3	-45.9	-3.5	-46.5	-61.2	83.1	47.8	55.1	82.0
	Media	7	19.8	-5.4	-93.6	171.0	15.1	57.8	-11.3	-12.0	12.4	8.7
	Telecommunications	9	-9.0	42.7	-24.9	14.1	15.7	3.2	15.5	10.0	14.4	22.0
	Construction, engineering	4	8.2	-17.2	SL	LI	SP	-81.6	400.6	357.4	23.3	28.5
	Housing, real estate	14	54.7	-10.3	-45.5	-18.5	74.0	-16.3	48.2	47.1	14.1	16.4
	Transportation	24	28.4	18.6	-38.9	-63.5	127.9	-37.9	83.8	47.0	7.7	28.3
	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	27.8	31.2	-7.1	0.4	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 24 February 2013, previous estimates as of 25 November 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		FY13E	
									Old	New	Old	New
Industrial groups	Russell/Nomura Large Cap	332	35,697	35,713	7,091	17,598	26,483	23,168	25,031	24,785	30,056	31,738
	Russell/Nomura Large Cap (ex financials)	295	29,988	31,655	11,144	13,464	22,701	18,302	20,200	19,905	25,106	26,593
	Manufacturing	187	19,309	21,273	3,885	6,376	13,404	11,132	12,595	12,483	15,487	16,776
	Basic materials	54	5,402	5,939	2,123	1,236	3,638	3,588	2,715	2,954	3,075	3,574
	Processing	87	11,027	12,582	-208	2,824	7,302	5,052	7,235	6,894	9,374	10,171
	Nonmanufacturing	145	16,387	14,440	3,206	11,223	13,079	12,037	12,436	12,302	14,568	14,962
	Nonmanufacturing (ex financials)	108	10,679	10,381	7,259	7,089	9,297	7,170	7,605	7,422	9,619	9,817
Broad sectors	Materials	54	5,402	5,939	2,123	1,236	3,638	3,588	2,715	2,954	3,075	3,574
	Machinery, autos	48	6,949	7,622	633	1,866	4,354	3,731	5,378	5,306	6,235	6,814
	Electronics	39	4,078	4,960	-841	958	2,948	1,321	1,857	1,588	3,139	3,357
	Consumer, distribution	76	6,346	6,086	4,405	4,504	5,556	5,869	5,770	5,769	6,535	6,628
	Information	23	2,479	2,833	2,396	2,667	2,758	2,783	3,168	3,103	3,583	3,598
	Utilities, infrastructure	55	4,734	4,214	2,428	2,234	3,447	1,010	1,311	1,184	2,539	2,622
	Financials	37	5,708	4,059	-4,053	4,134	3,781	4,867	4,831	4,881	4,950	5,145
Sectors	Chemicals	43	2,933	3,576	1,011	996	2,658	2,959	2,311	2,514	2,434	2,605
	Steel, nonferrous metals	11	2,470	2,364	1,112	240	979	629	404	441	641	970
	Machinery	26	1,519	1,788	967	564	1,406	1,472	1,427	1,348	1,588	1,604
	Autos	22	5,430	5,834	-334	1,302	2,948	2,260	3,951	3,958	4,647	5,210
	Electrical machinery, precision equipment	39	4,078	4,960	-841	958	2,948	1,321	1,857	1,588	3,139	3,357
	Pharmaceuticals, healthcare	21	1,609	1,505	1,048	1,278	1,209	1,215	1,193	1,204	1,374	1,387
	Food products	15	798	799	616	734	901	938	1,081	1,063	1,239	1,216
	Household goods	10	474	448	306	305	355	338	371	367	425	428
	Trading companies	8	1,937	2,063	1,491	1,048	1,626	1,993	1,637	1,627	1,729	1,804
	Retailing	15	1,119	859	702	831	1,105	1,071	1,137	1,155	1,346	1,366
	Services	7	409	412	241	309	361	313	352	353	423	427
	Software	7	574	636	443	562	324	148	246	194	426	417
	Media	7	231	206	138	166	235	239	300	289	317	303
	Telecommunications	9	1,674	1,991	1,816	1,939	2,199	2,396	2,622	2,620	2,839	2,879
	Construction, engineering	4	271	150	58	-5	95	123	130	124	151	153
	Housing, real estate	14	1,180	1,218	750	504	770	737	910	911	1,022	1,034
	Transportation	24	1,698	2,072	1,352	682	1,313	1,049	1,353	1,333	1,624	1,629
	Utilities	13	1,586	773	269	1,053	1,270	-898	-1,082	-1,184	-257	-194
	Financials	37	5,708	4,059	-4,053	4,134	3,781	4,867	4,831	4,881	4,950	5,145

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 24 February 2013, previous estimates as of 25 November 2015.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits

		% 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	-	-	-	-	-	-	-	-	29.1	-11.9	-2.5	36.6	SP	-13.9	-22.7	335.4
	Russell/Nomura Large Cap (ex financials)	5.3	5.6	0.0	2.4	-8.2	-6.7	-2.2	10.1	-5.1	-8.5	-1.4	21.1	SP	-0.3	-30.2	205.6
	Manufacturing	5.4	6.9	0.0	2.9	0.0	-3.1	-0.8	13.0	-2.0	-4.3	-2.2	23.9	11.1	-10.2	-54.5	363.5
	Basic materials	1.8	-0.3	-4.8	2.3	-43.0	-63.1	-14.3	10.1	-35.1	-61.5	-13.4	19.2	-10.9	SL	-61.1	376.9
	Processing	7.2	11.4	2.0	3.3	35.0	63.5	7.3	23.1	29.4	62.8	7.3	41.3	41.1	57.0	-80.2	SP
	Nonmanufacturing	-	-	-	-	-	-	-	-	95.1	-17.9	-2.7	48.1	SP	-16.9	5.6	319.1
	Nonmanufacturing (ex financials)	5.3	4.0	0.1	1.9	-22.4	-11.9	-4.3	6.4	-11.1	-14.7	-0.3	17.3	SP	23.6	2.8	122.1
Broad sectors	Basic materials	1.8	-0.3	-4.8	2.3	-43.0	-63.1	-14.3	10.1	-35.1	-61.5	-13.4	19.2	-10.9	SL	-61.1	376.9
	Machinery, autos	13.3	24.4	7.7	5.9	59.2	141.5	28.1	5.6	54.8	130.2	42.5	5.4	94.3	103.0	36.4	53.6
	Electronics	0.0	-3.0	-4.6	0.0	8.0	-32.7	-19.8	81.6	-9.9	-40.7	-66.3	761.5	LI	SL	SL	SP
	Consumption, distribution	4.6	2.0	-2.5	1.1	-4.3	-10.5	-16.2	-6.8	11.4	-11.7	-13.7	0.3	51.3	2.6	-5.7	13.4
	Information	0.8	3.8	3.0	2.3	5.4	5.5	-0.6	0.8	14.3	5.6	5.9	9.2	35.8	24.5	-17.8	48.4
	Utilities, infrastructure	7.8	8.5	5.5	3.9	-70.0	-31.3	16.8	53.2	SL	-45.0	26.3	122.6	LS	LS	191.4	SP
	Financials	-	-	-	-	292.0	2.9	543.9	37.6	SP	-21.5	-7.7	116.7	SP	-36.5	10.9	SP
Sectors	Chemicals	3.5	0.0	-3.6	2.4	-39.7	-64.8	-6.0	19.2	-30.1	-63.5	-1.1	24.5	-31.4	-90.4	-25.0	147.0
	Steel, nonferrous metals	-2.8	-1.4	-8.2	1.9	-62.9	-53.4	-48.7	-36.5	-62.0	-52.3	-57.2	-4.8	1,158.3	SL	SL	SP
	Machinery	8.0	6.3	0.1	-0.3	3.7	-6.7	-23.0	-18.5	8.4	-12.5	-13.9	-3.3	-14.4	-13.6	-28.0	24.4
	Automobiles	15.0	30.5	10.1	7.7	109.6	410.6	63.4	20.3	94.1	350.6	77.0	10.1	273.6	226.8	76.8	73.0
	Electrical machinery, precision equipment	0.0	-3.0	-4.6	0.0	8.0	-32.7	-19.8	81.6	-9.9	-40.7	-66.3	761.5	LI	SL	SL	SP
	Pharmaceuticals, healthcare	3.8	2.5	1.9	0.2	-15.5	-14.1	-10.0	-7.5	-23.7	-11.3	-13.6	-2.8	SL	9.8	6.4	25.6
	Food products	3.2	5.4	0.8	3.7	-6.8	13.1	0.5	10.0	-9.9	11.8	-2.8	14.4	248.7	26.7	8.9	36.2
	Household goods	7.9	2.7	0.7	7.5	30.4	-15.5	-2.1	-0.8	35.4	-17.9	0.1	3.4	157.9	19.8	4.2	44.5
	Trading companies	6.0	0.8	-5.0	-0.9	-10.5	-29.9	-38.1	-32.4	42.8	-27.4	-22.3	-12.6	60.0	-19.0	-13.6	-2.1
	Retailing	1.0	3.2	-0.5	5.9	8.5	-2.4	-16.0	1.3	11.0	-1.6	-17.0	4.6	201.3	50.8	-24.2	-1.6
	Services	1.7	4.2	0.7	-0.2	-25.1	16.6	-2.8	8.0	-17.2	11.5	-0.2	13.3	SL	33.1	18.7	53.4
	Software	-21.3	0.9	-3.9	-12.4	-76.8	SP	-34.6	-57.4	-54.2	SP	SP	-19.5	-69.2	SP	SP	-15.6
	Media	7.1	13.0	4.6	1.6	14.2	55.9	13.0	5.1	45.7	65.3	2.6	7.8	222.4	113.5	4.5	34.2
	Telecommunications	2.2	2.0	3.3	4.8	13.8	-1.6	0.1	11.7	24.7	-0.6	0.8	15.3	40.3	15.8	-26.5	76.0
	Construction, engineering	12.8	11.0	5.8	6.2	777.9	17.0	9.3	39.6	SP	27.4	20.8	54.5	-43.3	-54.0	41.5	SP
	Housing, real estate	6.2	8.0	7.5	1.7	18.0	11.8	17.2	-4.9	23.3	17.5	22.0	-0.8	17.3	-22.4	22.6	289.4
	Transportation	4.0	6.7	1.8	2.0	81.9	68.5	14.4	2.5	581.3	90.2	19.4	8.9	LS	100.0	47.7	57.9
	Utilities	10.6	10.1	7.8	6.6	SL	SL	LS	LS	SL	SL	LS	LS	LS	LS	LS	SP
Financials	-	-	-	-	-	-	-	-	SP	-21.5	-7.7	116.7	SP	-36.5	10.9	SP	

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 24 February 2013. (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	Russell/Nomura Large Cap	20.7	14.1	-	-	1.26	1.20	1.93	2.14	4.9	5.9	8.3
	Russell/Nomura Large Cap (ex financials)	23.2	14.4	7.8	6.5	1.36	1.30	1.90	2.13	4.5	5.7	8.8
	Manufacturing	25.5	14.8	9.4	7.4	1.43	1.37	1.84	2.10	4.4	5.5	9.0
	Basic materials	23.5	13.0	6.4	5.2	1.01	0.97	1.88	2.16	5.8	4.2	7.4
	Processing	28.3	14.0	9.7	7.1	1.45	1.38	1.67	1.95	3.0	5.0	9.6
	Nonmanufacturing	16.7	13.3	-	-	1.09	1.04	2.04	2.19	5.4	6.4	7.7
	Nonmanufacturing (ex financials)	19.8	13.7	6.0	5.3	1.25	1.19	2.02	2.19	4.6	6.1	8.5
Broad sectors	Basic materials	23.5	13.0	6.4	5.2	1.01	0.97	1.88	2.16	5.8	4.2	7.4
	Machinery, autos	17.6	13.6	9.1	7.7	1.60	1.46	1.58	1.92	6.2	8.7	10.4
	Electronics	N.M.	15.0	11.2	6.3	1.23	1.24	1.84	2.01	-1.6	-0.9	8.1
	Consumption, distribution	15.5	14.1	9.2	8.6	1.56	1.44	2.34	2.49	9.6	9.7	9.9
	Information	14.5	11.6	4.8	4.5	1.35	1.27	2.24	2.57	8.6	9.0	10.7
	Utilities, infrastructure	125.5	21.6	6.5	5.2	1.21	1.21	1.52	1.62	-2.7	1.0	5.6
	Financials	12.5	12.3	-	-	0.87	0.83	2.08	2.18	6.6	6.8	6.5
Sectors	Chemicals	17.7	13.4	6.1	5.5	1.02	0.98	2.20	2.30	7.3	5.6	7.3
	Steel, nonferrous metals	158.8	12.3	7.2	4.5	1.00	0.94	1.04	1.81	2.2	0.6	7.4
	Machinery	21.9	17.1	11.1	9.9	1.72	1.62	1.50	1.56	8.6	7.6	9.3
	Automobiles	16.3	12.5	8.4	7.0	1.55	1.41	1.61	2.07	5.3	9.1	10.8
	Electrical machinery, precision equipment	N.M.	15.0	11.2	6.3	1.23	1.24	1.84	2.01	-1.6	-0.9	8.1
	Pharmaceuticals, healthcare	22.5	20.1	14.9	13.7	1.89	1.82	2.55	2.66	6.2	8.2	8.8
	Food products	19.7	16.9	10.5	9.7	1.98	1.86	1.81	2.22	8.9	9.8	10.8
	Household goods	23.1	21.6	11.8	11.3	2.05	1.95	2.18	2.06	6.3	8.7	8.5
	Trading companies	7.4	6.8	5.0	4.7	0.98	0.85	3.26	3.53	15.7	12.4	11.9
	Retailing	17.3	15.9	8.9	8.5	1.59	1.45	1.80	1.89	9.0	8.8	8.9
	Services	22.4	20.2	9.3	9.3	1.41	1.35	2.10	2.04	3.3	6.1	7.1
	Software	28.6	15.0	16.7	11.1	1.55	1.53	1.84	2.84	3.6	5.4	10.1
	Media	19.7	18.2	10.7	10.3	1.33	1.29	1.75	1.83	8.0	6.6	7.1
	Telecommunications	12.4	10.2	3.7	3.5	1.31	1.21	2.43	2.66	9.7	10.2	11.5
	Construction	21.6	15.9	11.2	9.7	0.96	0.94	1.94	1.98	1.0	4.4	5.9
	Housing, real estate	24.2	20.9	12.9	12.0	1.70	1.64	1.35	1.43	4.9	6.9	7.7
	Transportation	23.3	15.0	5.9	5.1	1.37	1.29	1.43	1.61	4.0	5.7	8.4
	Utilities	N.M.	N.M.	3.8	2.6	0.71	0.80	1.93	1.93	-14.9	-10.1	-0.5
	Financials	12.5	12.3	-	-	0.87	0.83	2.08	2.18	6.6	6.8	6.5
	R/N Small Cap	19.0	13.6	-	-	0.95	0.91	2.10	2.66	4.7	4.9	6.4
R/N Small Cap (ex financials)	20.4	13.7	8.0	6.3	1.01	0.96	2.15	2.77	4.7	4.8	6.6	

Note: (1) Estimates as of 24 February 2013. (2) Share prices are as of 22 February 2013 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.
- 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.
- 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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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.

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