

# **Outlook for FY13–14 corporate earnings**

## Quarterly Update

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# Summary and major assumptions

## Overview of the FY13 corporate earnings outlook

In this report, we collate earnings forecast data issued by our analysts, and then analyze that data. For FY13, our analysts estimate growth in sales of 10.7% y-y and in recurring profits of 37.3% for companies in the Russell/Nomura Large Cap Index (ex financials). Compared with our previous projections released in August (data collated on 20 August), these figures represent upward revisions of 0.4ppt for sales and 1.2ppt for recurring profits. Downward revisions to recurring profit forecasts ended after one quarter, and corporate earnings have once again returned to the path of upward revisions. Excluding the utilities sector, which is projected to incur recurring losses for a third consecutive year, our recurring profit growth forecast has increased by 0.2ppt from 30.5%, to 30.7%. Our latest estimates assume USD/JPY of 97.9 and EUR/JPY of 131.0 over full-year FY13 (versus our previous assumptions of 98.9 and 128.2, respectively). Although we have raised our recurring profit forecast by only ¥237.4bn, we also assume a stronger yen versus the US dollar.

Projected sales growth of 10.7% y-y for FY13 is eclipsed only by the 15.1% growth recorded in FY89 during the bubble economy. Not only are emergency stimulus measures to support the Japanese economy beginning to have an effect, but we also see exports regaining momentum from FY13 H2 as economic recovery in the US and the weaker yen boost export volumes. Sales growth has benefited from the upturn in M&A activity as well as from yen depreciation and reflation.

In FY13 Q2, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) increased 50.8% y-y, ahead of the 44.7% growth recorded in FY13 Q1. The weaker yen provided significant benefits to Japanese companies during the quarter, and the broad-based recovery in corporate earnings was evidenced by 17 of 19 sectors contributing to Q2 profit growth. Whereas recurring profit growth of 46.1% in FY13 H1 was some 16.3ppt higher than the prior forecast of 29.8% growth. H2 recurring profit growth has now been lowered to 30.1%, versus the previous estimate of 42.2% growth.

## Overview of the FY14 corporate earnings outlook

For FY14, our analysts look for growth in sales of 3.0% y-y and in recurring profits of 10.9% for companies in the Russell/Nomura Large Cap Index (ex financials). These figures represent no change for sales but a 1.1ppt downward revision for recurring profits versus our previous estimates. Our absolute recurring profit forecast has edged down by ¥64.8bn versus our previous projection. For full-year FY14, we assume USD/JPY of 97 and EUR/JPY of 132 (previously 99 and 128, respectively). Whereas we look for the weaker yen to have a sizeable y-y impact on corporate earnings in FY13, we anticipate no marked fluctuations in forex in FY14, and accordingly see both sales and recurring profit growth returning to a more normal trajectory.

The previous peak for recurring profits was in FY07. Based on our bottom-up forecasts, we project that recurring profits will reach 97% of the peak level in FY13 and 106% of the peak in FY14. Meanwhile, we project that ROE will rise from 5.9% in FY12, to 8.9% in FY13, but remain flat in FY14, at 8.9%, versus 10.1% in FY05. We think further ROE improvement will hinge on stemming the decline in corporate leverage.

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

(% y-y, except where noted)

		No. of cos	New				Old	
			FY11	FY12	FY13E	FY14E	FY13E	FY14E
Sales	Russell/Nomura Large Cap (ex financials)	295	1.4	2.7	10.7	3.0	10.3	3.0
	Manufacturing	179	0.2	3.0	10.5	2.9	10.0	3.0
	Basic materials	47	4.8	-0.5	10.3	0.7	10.7	1.0
	Processing	81	-2.0	4.8	11.7	3.9	10.8	4.1
	Nonmanufacturing (ex financials)	116	3.0	2.2	10.9	3.0	10.8	3.1
	Russell/Nomura Small Cap (ex financials)	1,026	3.4	2.5	7.6	3.9	7.0	3.8
Operating profits	Russell/Nomura Large Cap (ex financials)	295	-18.6	4.5	35.5	11.1	35.0	12.1
	Manufacturing	179	-14.2	7.5	37.5	9.9	38.4	10.2
	Basic materials	47	-9.8	-22.6	33.5	8.1	33.2	9.0
	Processing	81	-20.6	29.1	47.0	10.9	48.3	11.2
	Nonmanufacturing (ex financials)	116	-24.6	-0.4	32.2	13.2	29.6	15.4
	Russell/Nomura Small Cap (ex financials)	1,026	-2.5	-2.1	27.0	11.4	26.0	11.0
Recurring profits	Russell/Nomura Large Cap	332	-12.1	12.8	30.1	9.1	28.7	10.1
	Russell/Nomura Large Cap (ex financials)	295	-19.5	7.7	37.3	10.9	36.1	12.0
	Manufacturing	179	-17.9	10.3	41.5	9.6	41.5	10.5
	Basic materials	47	-7.1	-19.2	28.1	6.8	26.9	7.9
	Processing	81	-29.3	36.4	58.1	11.0	58.0	12.0
	Nonmanufacturing	153	-5.9	15.2	19.7	8.5	16.9	9.6
	Nonmanufacturing (ex financials)	116	-21.7	3.5	30.5	13.0	27.4	14.6
	Russell/Nomura Small Cap	1,115	6.5	3.9	21.1	8.8	17.8	9.6
	Russell/Nomura Small Cap (ex financials)	1,026	0.5	4.5	21.0	9.8	18.4	10.4
	Russell/Nomura Large Cap	332	-25.3	36.3	58.2	7.4	55.6	8.3
Russell/Nomura Large Cap (ex financials)	295	-35.2	26.7	81.8	8.9	79.4	9.8	
Net profits	Manufacturing	179	-42.9	30.8	82.8	10.0	83.6	10.0
	Basic materials	47	-34.6	-30.8	86.9	9.1	92.6	8.3
	Processing	81	-57.2	77.5	118.8	10.8	117.5	11.3
	Nonmanufacturing	153	-2.6	41.0	38.5	4.7	33.2	6.5
	Nonmanufacturing (ex financials)	116	-19.2	20.4	80.2	7.2	72.6	9.4
	Russell/Nomura Small Cap	1,115	10.4	2.0	62.2	9.5	58.7	9.8
	Russell/Nomura Small Cap (ex financials)	1,026	1.2	-2.0	72.2	11.2	70.0	10.9

Note: (1) Latest estimates as of 24 November 2013. Previous estimates as of 20 August 2013.

Source: Nomura

Fig. 2: Major assumptions

			Industrial production	Uncollateralized overnight call rate	WTI	Forex rate		
			% y-y	FY-end, %	CIF, \$/barrel	average, \$/¥	average, €/¥	
Annual	FY12E		-2.9	0-0.10	92.1	83.1	107.1	
	FY13E	New	4.1	0-0.10	101.0	97.9	131.0	
		Old	3.3	0-0.10	98.6	98.9	128.2	
	FY14E	New	4.4	0-0.10	102.0	97.0	132.0	
	Old	3.5	0-0.10	100.0	99.0	128.0		
Semiannual	FY12	H1	1.1	0-0.10	92.9	79.3	100.6	
	FY12	H2	-6.9	0-0.10	91.3	86.8	113.6	
	FY13E	H1	Est 0.3	0-0.10	100.0	98.8	130.0	
		Old	-0.4	0-0.10	97.1	98.8	128.4	
		H2	New	8.0	0-0.10	102.0	97.0	132.0
		Old	6.7	0-0.10	100.0	99.0	128.0	
	FY14E	H1	New	5.4	0-0.10	102.0	97.0	132.0
		Old	4.5	0-0.10	100.0	99.0	128.0	
		H2	New	3.4	0-0.10	102.0	97.0	132.0
		Old	2.6	0-0.10	100.0	99.0	128.0	

Note: Macroeconomic assumptions as of 9 October 2013. Previous assumptions as of 12 July 2013. 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

## Overview of the FY13 corporate earnings outlook

For FY13, we estimate that recurring profits will increase (or losses will contract) in all 19 sectors. Sectors from which we expect substantial contributions to overall profit growth are automobiles, electrical machinery & precision equipment, and utilities. We assume the yen will weaken from USD/JPY of 83.1 in FY12, to 97.9 in FY13, and think the biggest contributions to profit growth will come from sectors for which earnings benefit most from a weaker yen.

The automobile sector has much higher forex sensitivity than other sectors, and earnings have been buoyed by the weaker yen. In addition, automakers are benefiting from brisk sales in Japan and the US, two markets in which sales volumes are large. The US economy has also remained solid, and we estimate that US new car sales will rise 7.6% y-y in 2013, to 15.6mn vehicles. While auto sales in Japan have been hit by the withdrawal of eco-car subsidies, we expect a surge in demand equivalent to around 200,000 vehicles prior to the April 2014 rise in the consumption tax rate, and thus see little need for concern about sales volume. Other factors offering stability from a profit perspective include (1) stable input costs, (2) indications from sector companies that they plan to continue reducing COGS, and (3) continued prudence on the part of automakers toward investments to expand capacity. In the electrical machinery & precision instrument sector, earnings improvement in consumer electronics businesses accounts for nearly half of the projected FY13 profit growth contribution, with the next-biggest projected contribution coming from industrial electronics. Consumer electronics manufacturers are targeting a return to profit in FY13 after two years of structural reforms, and quarterly earnings have started to look more stable. In industrial electronics, we look for profits to be boosted by an upturn in NAND flash memory prices and benefits from structural reforms in system-on-chip (SoC), analog semiconductor, microcontroller, and TV businesses. In the utilities sector, we project a slight y-y decline in the nuclear power capacity factor but look for electricity rate hikes and further cost reductions to contribute to earnings.

## Overview of the FY14 corporate earnings outlook

For FY14, we project that all 19 sectors will either see increased recurring profits y-y or move into the black at the recurring level. As with FY13, we think the biggest contributors to profit growth will be the utilities, automobiles, and electrical machinery & precision equipment sectors. We anticipate a more or less neutral y-y forex effect on earnings, as we assume USD/JPY of 97 for FY14, versus 97.9 for FY13.

We project that the utilities sector will move into the black at the recurring level in FY14, albeit marginally, as electricity rate hikes have a greater impact and the nuclear capacity factor rises y-y. In the autos sector, firm momentum in global vehicle sales should provide support to earnings. We estimate that US new car sales will advance 4.3% y-y in 2014, to 16.3mn vehicles. We think profit growth will fall sharply, however, owing to the disappearance of the boost from the weaker yen, a reactive decline in Japanese demand following the hike in the consumption tax rate, and higher labor costs. In the electrical machinery & precision equipment sector, we look for earnings improvement among consumer electronics companies to ease off, but anticipate a larger contribution to profit growth from industrial electronics. We think business segments in which industrial electronics companies have strengthened their presence—chiefly IT services, social infrastructure, factory automation (FA) systems, and automotive equipment—will make a substantive contribution to profit growth.

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

(%)

Increase in profit				Increase in profit			
19 sectors	Growth	Contribution	Contribution (ex financials)	19 sectors	Growth	Contribution	Contribution (ex financials)
Automobiles	54.3	27.3	28.4	Utilities	SP	25.2	25.7
Electrical machinery, precision equipment	98.2	20.5	21.4	Automobiles	8.2	16.4	16.7
Utilities	LS	13.0	13.5	Electrical machinery, precision equipment	14.3	15.2	15.4
Steel, nonferrous metals	121.5	7.4	7.7	Machinery	14.6	7.9	8.1
Telecommunications	14.5	4.8	5.0	Chemicals	6.0	5.2	5.2
Trading companies	21.4	4.3	4.5	Telecommunications	4.4	4.2	4.3
Financials	5.4	4.0	-	Retailing	9.3	3.9	4.0
Machinery	21.4	3.7	3.9	Food	9.1	3.7	3.8
Chemicals	9.4	2.9	3.0	Steel, nonferrous metals	8.8	3.0	3.1
Housing, real estate	17.1	2.1	2.2	Housing, real estate	7.8	2.8	2.9
Pharmaceuticals, healthcare	14.1	2.1	2.1	Pharmaceuticals, healthcare	6.3	2.7	2.7
Software	75.8	2.0	2.1	Transportation	4.8	2.6	2.6
Transportation	9.0	1.7	1.8	Financials	0.9	1.9	-
Food	10.3	1.5	1.5	Software	13.2	1.6	1.6
Retailing	9.5	1.4	1.5	Household goods	9.6	1.4	1.4
Household goods	13.2	0.7	0.7	Trading companies	1.5	0.9	0.9
Services	12.3	0.6	0.6	Media	10.5	0.8	0.8
Construction	4.1	0.1	0.1	Construction	9.3	0.4	0.5
Media	0.8	0.0	0.0	Services	2.1	0.3	0.3
<b>Decrease in profit</b>				<b>Decrease in profit</b>			
0 sectors	Growth	Contribution	Contribution (ex financials)	0 sectors	Growth	Contribution	Contribution (ex financials)
-	-	-	-	-	-	-	-

Note: SP = switch to profit, LS = losses shrinking.

Source: Nomura

# Revisions to recurring profit estimates (versus old estimates)

## Overview of the FY13 corporate earnings outlook

We have raised our FY13 estimates for nine of 19 sectors and lowered them for nine. We now assume a stronger yen versus the US dollar and have changed our FY13 USD/JPY assumption from 98.9, to 97.9, but look for a weaker yen versus the euro and have changed our EUR/JPY assumption from 128.2, to 131.0.

We have made large upward revisions for sectors such as utilities, financials, electrical machinery & precision equipment, and housing & real estate. We have raised our projections for the utilities sector to reflect postponed expenditure such as outsourcing costs within the electric power subsector, plus a decline in the cost of alternative fuel to make up for the loss of nuclear power plants owing to the strong yen, and smaller losses under the fuel cost adjustment scheme. We have raised our forecasts for the financials sector to reflect increased commissions, primarily stock brokerage commissions, solid sales of investment trusts, and improved trading income within the securities subsector, as well as an upturn in the investment climate and improved income owing to revisions to auto insurance premiums within the insurance subsector. Within the electrical machinery & precision equipment sector, sales of finished products such as TVs, digital cameras, and consumer PCs have remained weak, but demand for automotive and industrial electronics has remained solid, and there has been strong demand for IT services in Japan, mainly from the public sector. We have made substantial upward revisions to our projections for the consumer electronics subsector to reflect solid performance at stable businesses such as automotive and housing-related electronics as well as the divestment of underperforming businesses. Elsewhere, the housing & real estate sector has benefited from a recovery in housing demand triggered by the impending hike in the rate of consumption tax and expectations of rises in both interest rates and house prices. Orders at major prefabricated housing companies were better than we had expected in October.

Meanwhile, we have made large downward revisions for sectors such as automobiles, pharmaceuticals & healthcare, and retailing. Some automakers have been hit hard by a weaker sales outlook in Europe and on emerging economies. The downward revisions for pharmaceuticals & healthcare reflect weaker-than-expected sales of pharmaceuticals and higher R&D and promotional expenses owing to the weaker yen. Downward revisions for the retailing sector reflect weaker margins. To be more precise, consumers have flocked to discounted merchandise at specialty retailers and there have been badly-managed attempts to counter online pricing at big box electronics retailers.

## Overview of the FY14 corporate earnings outlook

We have raised our FY14 projections for 10 of 19 sectors and lowered them for eight. We now assume a stronger yen versus the US dollar and have changed our FY14 USD/JPY assumption from 99, to 97, but look for a weaker yen versus the euro and have changed our EUR/JPY assumption from 128, to 132.

We have made large upward revisions for sectors such as financials, utilities, and electrical machinery & precision equipment, and large downward revisions for sectors such as automobiles, pharmaceuticals & healthcare, and machinery. Partly because of changes to forex assumptions, we have lowered our absolute recurring profit estimates for sectors such as automobiles by a greater amount in FY14 than in FY13. However, these downward revisions basically follow the FY13 pattern. Elsewhere, we have lowered our FY13 projections but raised our FY14 forecasts for the telecommunications sector. This reflects the prospect of a decline in the number of browser game players at some companies in FY13, but benefits from M&A in FY14.

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

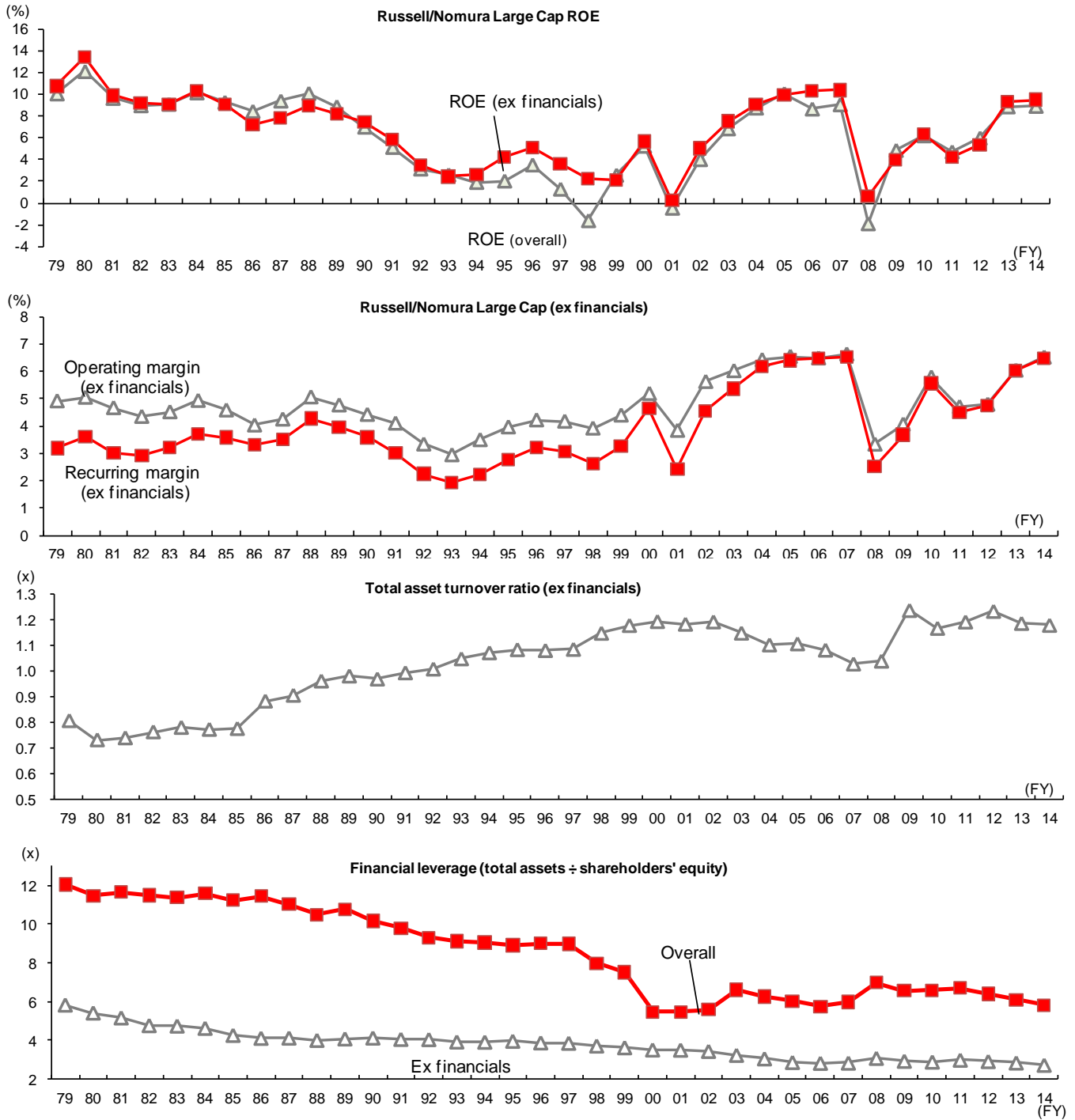
FY13E					FY14E				
[Upward revisions] 9 sectors					[Upward revisions] 10 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Utilities	-17	-210	193	N.M.	Financials	6,346	6,233	113	1.8
Financials	6,287	6,148	139	2.3	Utilities	777	682	95	14.0
Electrical machinery, precision equipment	3,332	3,260	72	2.2	Electrical machinery, precision equipment	3,810	3,745	64	1.7
Housing, real estate	1,144	1,099	45	4.1	Housing, real estate	1,233	1,193	40	3.3
Steel, nonferrous metals	1,090	1,053	37	3.5	Telecommunications	3,175	3,147	28	0.9
Services	440	416	24	5.6	Household goods	492	480	12	2.6
Transportation	1,704	1,686	18	1.1	Services	449	442	7	1.5
Household goods	449	440	10	2.2	Steel, nonferrous metals	1,186	1,184	2	0.2
Software	374	371	4	1.0	Software	424	422	2	0.5
					Transportation	1,785	1,784	1	0.1
[Downward revisions] 9 sectors					[Downward revisions] 8 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Chemicals	2,695	2,697	-2	-0.1	Media	253	256	-3	-1.1
Trading companies	1,954	1,956	-2	-0.1	Chemicals	2,857	2,862	-5	-0.2
Telecommunications	3,042	3,044	-2	-0.1	Food	1,390	1,406	-15	-1.1
Media	229	233	-4	-1.7	Trading companies	1,983	2,009	-27	-1.3
Machinery	1,707	1,722	-15	-0.9	Retailing	1,448	1,480	-33	-2.2
Food	1,274	1,292	-18	-1.4	Machinery	1,957	1,992	-36	-1.8
Retailing	1,325	1,356	-31	-2.3	Pharmaceuticals, healthcare	1,419	1,489	-70	-4.7
Pharmaceuticals, healthcare	1,335	1,377	-42	-3.0	Automobiles	6,763	6,892	-128	-1.9
Automobiles	6,248	6,297	-49	-0.8					

Note: Latest estimates as of 24 November 2013, previous estimates as of 20 August 2013. Construction not revised for either FY13 or FY14.

Source: Nomura



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

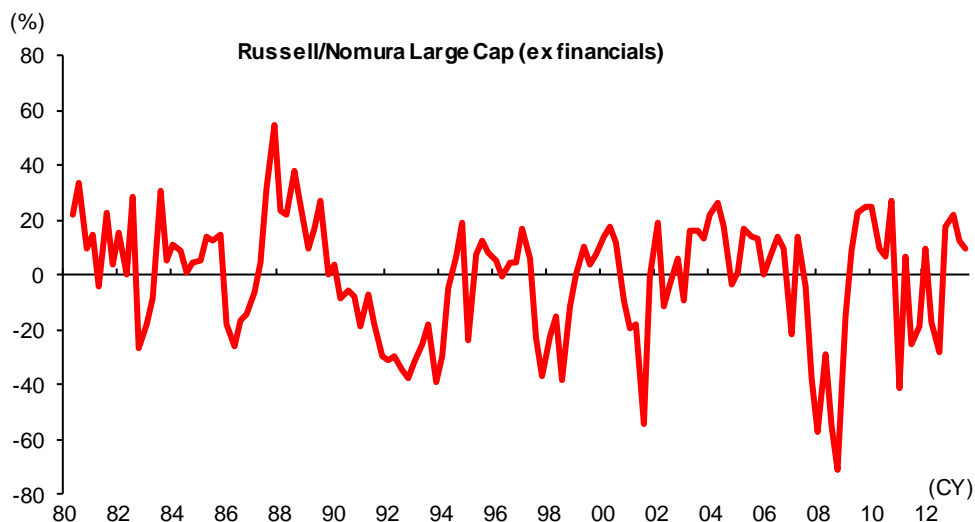


Note: (1) Figures for FY13 onward are estimates as of 24 November 2013.

Source: Nomura

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

	(yy/m)	12/6	12/9	12/12	13/3	13/6	13/9	13/12 (%)
Russell/Nomura Large Cap		8.7	-15.0	-25.0	19.2	25.3	14.5	10.5
Russell/Nomura Large Cap (ex financials)		9.5	-17.2	-28.5	17.6	21.7	12.5	9.8
Manufacturing		15.4	-31.9	-41.2	23.5	20.1	23.5	6.1
Basic materials		3.6	-40.0	-61.1	31.9	25.5	38.3	6.4
Processing		24.1	-40.2	-41.4	30.9	29.6	16.0	13.6
Nonmanufacturing (ex financials)		-0.9	8.3	-6.5	8.5	24.1	-4.3	15.5



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

		No. of cos	(% y-y, except where noted)									
			FY08	FY09	FY10	FY11	FY12	FY13E Old	FY13E New	FY14E Old	FY14E New	
Industrial groups	Russell/Nomura Large Cap (ex financials)	295	-7.7	-13.0	6.1	1.4	2.7	10.3	10.7	3.0	3.0	
	Manufacturing	179	-10.8	-11.8	7.0	0.2	3.0	10.0	10.5	3.0	2.9	
	Basic materials	47	-5.3	-20.8	13.2	4.8	-0.5	10.7	10.3	1.0	0.7	
	Processing	81	-15.2	-10.7	6.3	-2.0	4.8	10.8	11.7	4.1	3.9	
	Nonmanufacturing (ex financials)	116	-3.3	-14.4	4.9	3.0	2.2	10.8	10.9	3.1	3.0	
Broad sectors	Materials	47	-5.3	-20.8	13.2	4.8	-0.5	10.7	10.3	1.0	0.7	
	Machinery, autos	45	-17.0	-13.0	7.4	-0.1	10.0	13.8	14.7	5.2	4.8	
	Electronics	36	-13.0	-8.0	5.2	-4.3	-1.6	6.5	7.6	2.4	2.5	
	Consumer, distribution	88	-4.2	-14.9	5.7	3.3	0.8	9.5	9.3	2.7	2.6	
	Information	22	-1.9	-3.5	0.4	1.5	3.4	21.2	21.9	5.1	6.5	
	Utilities, infrastructure	57	0.7	-11.0	2.5	2.2	5.3	6.3	7.1	2.4	2.4	
Sectors	Chemicals	36	-5.3	-19.5	13.0	6.5	0.8	8.8	8.6	1.4	1.4	
	Steel, nonferrous metals	11	-5.3	-23.1	13.6	0.7	-4.3	16.2	15.3	-0.2	-1.1	
	Machinery	24	-8.4	-16.2	8.3	5.0	2.2	12.9	14.0	7.4	6.5	
	Autos	21	-19.3	-12.1	7.1	-1.6	12.5	14.1	14.8	4.6	4.3	
	Electrical machinery, precision equipment	36	-13.0	-8.0	5.2	-4.3	-1.6	6.5	7.6	2.4	2.5	
	Pharmaceuticals, healthcare	21	2.7	3.6	1.1	3.0	2.0	5.0	5.4	1.7	3.1	
	Food products	18	6.5	-6.5	0.7	-0.9	3.3	4.7	5.0	2.4	2.5	
	Household goods	12	-7.8	-5.8	1.8	2.9	4.4	7.4	9.0	2.8	3.3	
	Trading companies	8	-7.5	-23.4	10.2	6.1	-1.0	12.3	11.5	2.8	2.4	
	Retailing	20	0.9	-3.7	1.8	-2.5	3.7	8.7	8.9	3.5	3.1	
	Services	9	-0.3	-3.5	0.1	-2.4	1.5	2.9	4.1	2.1	1.1	
	Software	8	3.7	-14.0	-17.6	-14.9	-4.0	22.4	22.5	3.9	4.0	
	Media	6	-3.9	-5.7	4.5	1.9	4.8	10.2	10.1	3.6	3.5	
	Telecommunications	8	-2.5	-0.9	2.4	3.5	3.8	23.6	24.5	5.6	7.4	
	Construction, engineering	5	2.5	-16.1	-16.0	7.7	7.5	1.7	1.7	-0.8	-0.8	
	Housing, real estate	15	0.0	-3.6	5.4	2.7	6.1	9.6	12.0	3.9	4.4	
Transportation	24	-4.0	-12.0	3.4	-0.7	3.4	3.2	5.5	1.7	1.3		
Utilities	13	6.1	-11.9	5.9	3.4	5.9	8.6	7.3	3.0	2.9		

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 24 November 2013, previous estimates as of 20 August 2013.

Source: Nomura

Fig. 8: Percentage change in operating profits by sector

(% y-y, except where noted)

	No. of cos	FY08	FY09	FY10	FY11	FY12	FY13E	FY13E	FY14E	FY14E	
							Old	New	Old	New	
Industrial groups	Russell/Nomura Large Cap (ex financials)	295	-53.2	-6.2	49.8	-18.6	4.5	35.0	35.5	12.1	11.1
	Manufacturing	179	-71.9	8.0	74.3	-14.2	7.5	38.4	37.5	10.2	9.9
	Basic materials	47	-59.1	-47.8	101.5	-9.8	-22.6	33.2	33.5	9.0	8.1
	Processing	81	-88.2	117.4	110.6	-20.6	29.1	48.3	47.0	11.2	10.9
	Nonmanufacturing (ex financials)	116	-15.0	-16.4	25.7	-24.6	-0.4	29.6	32.2	15.4	13.2
Broad sectors	Materials	47	-59.1	-47.8	101.5	-9.8	-22.6	33.2	33.5	9.0	8.1
	Machinery, autos	45	-87.5	110.6	106.5	-10.9	42.9	48.8	46.7	10.0	9.4
	Electronics	36	-89.3	126.5	116.1	-32.7	6.7	47.1	47.5	14.0	14.2
	Consumer, distribution	88	-7.5	-19.4	17.5	0.8	-6.4	16.4	14.4	8.4	7.9
	Information	22	-6.0	-2.6	6.3	-3.7	4.3	23.1	24.9	6.6	5.5
	Utilities, infrastructure	57	-30.1	-10.3	35.2	-57.7	10.4	51.9	61.8	30.9	25.8
Sectors	Chemicals	36	-66.2	-31.0	94.5	-1.1	-21.3	13.9	13.5	6.4	6.3
	Steel, nonferrous metals	11	-47.7	-71.8	125.0	-37.1	-30.2	151.0	156.3	16.2	13.0
	Machinery	24	-44.1	-42.0	124.8	6.1	-7.9	26.5	24.3	15.4	15.1
	Autos	21	SL	SP	98.0	-19.8	77.2	56.6	54.5	8.4	7.8
	Electrical machinery, precision equipment	36	-89.3	126.5	116.1	-32.7	6.7	47.1	47.5	14.0	14.2
	Pharmaceuticals, healthcare	21	-21.0	13.3	-8.7	-7.6	-6.9	17.0	14.9	7.6	7.0
	Food products	18	-8.2	-7.8	11.5	4.1	9.0	12.7	11.1	8.3	8.5
	Household goods	12	-29.8	-0.9	12.1	0.5	-2.3	15.7	18.5	8.6	8.6
	Trading companies	8	12.8	-58.1	69.7	6.3	-24.8	25.2	19.3	7.6	7.2
	Retailing	20	-7.6	-3.9	21.8	7.5	-3.5	13.8	10.9	10.7	10.6
	Services	9	-26.6	15.2	4.5	-15.9	15.3	9.2	15.2	6.2	2.0
	Software	8	-11.5	-24.8	-32.8	-53.3	-32.9	137.4	137.3	8.0	8.2
	Media	6	-18.9	-9.8	37.6	3.6	19.4	7.7	6.1	10.3	10.5
	Telecommunications	8	-3.5	6.4	14.2	3.1	5.9	17.6	19.8	6.2	4.8
	Construction, engineering	5	-53.5	SL	10,835.6	18.3	-10.8	18.1	18.1	9.5	9.5
	Housing, real estate	15	-24.1	-22.3	29.0	0.6	12.6	15.9	20.2	6.7	6.0
	Transportation	24	-26.2	-42.0	51.5	-17.3	20.4	5.9	6.3	4.0	3.2
Utilities	13	-41.8	108.7	17.0	SL	LI	SP	SP	767.5	274.5	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 24 November 2013, previous estimates as of 20 August 2013. (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

		No. of cos	(% y-y, except where noted)									
			FY08	FY09	FY10	FY11	FY12	FY13E Old	FY13E New	FY14E Old	FY14E New	
Industrial groups	Russell/Nomura Large Cap	332	-79.7	97.3	43.8	-12.1	12.8	28.7	30.1	10.1	9.1	
	Russell/Nomura Large Cap (ex financials)	295	-64.1	8.6	58.7	-19.5	7.7	36.1	37.3	12.0	10.9	
	Manufacturing	179	-81.7	36.1	91.0	-17.9	10.3	41.5	41.5	10.5	9.6	
	Basic materials	47	-64.3	-52.4	133.9	-7.1	-19.2	26.9	28.1	7.9	6.8	
	Processing	81	SL	SP	143.6	-29.3	36.4	58.0	58.1	12.0	11.0	
	Nonmanufacturing	153	-76.7	165.1	14.7	-5.9	15.2	16.9	19.7	9.6	8.5	
	Nonmanufacturing (ex financials)	116	-26.7	-8.1	27.6	-21.7	3.5	27.4	30.5	14.6	13.0	
Broad sectors	Materials	47	-64.3	-52.4	133.9	-7.1	-19.2	26.9	28.1	7.9	6.8	
	Machinery, autos	45	-91.7	225.7	116.1	-11.5	42.5	47.0	45.8	10.8	9.6	
	Electronics	36	SL	SP	200.1	-54.9	19.7	93.9	98.2	14.9	14.3	
	Consumer, distribution	88	-23.8	-5.0	16.7	5.9	-4.1	15.2	14.2	6.9	6.0	
	Information	22	-12.5	1.3	3.3	0.0	7.3	17.8	17.7	4.9	5.7	
	Utilities, infrastructure	57	-39.2	-9.2	48.7	-70.2	30.2	68.2	84.0	40.3	32.8	
	Financials	37	SL	SP	-8.2	33.7	34.8	3.0	5.4	1.4	0.9	
Sectors	Chemicals	36	-71.6	-32.2	116.2	1.8	-19.2	9.5	9.4	6.1	6.0	
	Steel, nonferrous metals	11	-53.3	-78.7	201.0	-34.3	-18.9	114.0	121.5	12.4	8.8	
	Machinery	24	-47.3	-38.6	125.8	7.9	-5.1	22.5	21.4	15.7	14.6	
	Autos	21	SL	SP	111.8	-20.8	72.8	55.5	54.3	9.4	8.2	
	Electrical machinery, precision equipment	36	SL	SP	200.1	-54.9	19.7	93.9	98.2	14.9	14.3	
	Pharmaceuticals, healthcare	21	-27.9	13.1	-8.6	-9.0	-4.9	17.7	14.1	8.1	6.3	
	Food products	18	-15.3	7.2	10.2	5.2	9.1	11.8	10.3	8.8	9.1	
	Household goods	12	-27.7	-0.4	9.2	1.9	0.1	10.8	13.2	9.2	9.6	
	Trading companies	8	-27.7	-29.7	55.1	22.6	-15.1	21.5	21.4	2.7	1.5	
	Retailing	20	-9.1	-4.2	22.2	7.9	-2.5	12.1	9.5	9.2	9.3	
	Services	9	-29.4	17.0	4.9	-14.7	16.6	6.3	12.3	6.3	2.1	
	Software	8	-23.6	-10.7	-41.9	-53.5	8.4	74.2	75.8	13.8	13.2	
	Media	6	-17.3	-11.5	34.9	14.5	7.6	2.6	0.8	9.8	10.5	
	Telecommunications	8	-8.8	6.8	13.4	6.2	7.2	14.5	14.5	3.4	4.4	
	Construction, engineering	5	-61.6	SL	1,102.5	49.0	-1.0	4.1	4.1	9.3	9.3	
	Housing, real estate	15	-29.9	-21.8	35.3	-0.9	20.8	12.5	17.1	8.6	7.8	
	Transportation	24	-32.5	-54.2	90.6	-18.9	30.9	7.8	9.0	5.8	4.8	
Utilities	13	-65.2	291.9	20.7	SL	LI	LS	LS	SP	SP		
Financials	37	SL	SP	-8.2	33.7	34.8	3.0	5.4	1.4	0.9		

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 24 November 2013, previous estimates as of 20 August 2013. (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

		No. of cos	(% y-y, except where noted)									
			FY08	FY09	FY10	FY11	FY12	FY13E Old	FY13E New	FY14E Old	FY14E New	
Industrial groups	Russell/Nomura Large Cap	332	SL	SP	34.6	-25.3	36.3	55.6	58.2	8.3	7.4	
	Russell/Nomura Large Cap (ex financials)	295	-94.6	148.8	63.4	-35.2	26.7	79.4	81.8	9.8	8.9	
	Manufacturing	179	SL	SP	158.2	-42.9	30.8	83.6	82.8	10.0	10.0	
	Basic materials	47	SL	-66.4	361.6	-34.6	-30.8	92.6	86.9	8.3	9.1	
	Processing	81	SL	SP	324.4	-57.2	77.5	117.5	118.8	11.3	10.8	
	Nonmanufacturing	153	SL	SP	-14.6	-2.6	41.0	33.2	38.5	6.5	4.7	
	Nonmanufacturing (ex financials)	116	-42.3	2.4	-4.9	-19.2	20.4	72.6	80.2	9.4	7.2	
Broad sectors	Materials	47	SL	-66.4	361.6	-34.6	-30.8	92.6	86.9	8.3	9.1	
	Machinery, autos	45	SL	SP	254.0	-16.9	58.6	50.8	52.2	9.3	7.6	
	Electronics	36	SL	SP	603.9	SL	LS	SP	SP	17.4	20.4	
	Consumer, distribution	88	-43.7	11.5	22.7	5.9	9.3	15.5	14.5	5.6	5.4	
	Information	22	-33.7	13.4	-0.6	-2.0	9.9	18.5	24.0	9.2	6.4	
	Utilities, infrastructure	57	-53.6	13.5	-76.7	SL	LS	SP	SP	15.6	11.7	
	Financials	37	SL	SP	-26.7	24.7	66.7	-4.5	-1.5	1.4	0.2	
Sectors	Chemicals	36	SL	-6.6	305.9	-21.7	-30.5	40.1	36.7	9.5	11.4	
	Steel, nonferrous metals	11	-78.4	-94.0	631.7	-78.5	-33.1	602.1	572.8	5.8	4.7	
	Machinery	24	-65.0	-42.6	225.1	4.9	-0.0	23.8	23.1	14.6	13.5	
	Autos	21	SL	SP	268.5	-26.5	94.6	59.5	61.5	7.9	6.2	
	Electrical machinery, precision equipment	36	SL	SP	603.9	SL	LS	SP	SP	17.4	20.4	
	Pharmaceuticals, healthcare	21	-62.6	115.7	-14.6	-29.4	45.6	4.9	1.1	6.2	7.3	
	Food products	18	-35.2	12.1	-3.5	18.7	20.0	22.5	21.8	5.9	5.4	
	Household goods	12	-46.4	-13.8	31.7	-20.8	32.9	19.0	19.4	11.8	14.8	
	Trading companies	8	-32.0	-22.7	56.6	25.8	-11.9	19.6	20.4	3.1	2.2	
	Retailing	20	-36.3	-20.7	82.3	24.9	2.0	14.5	9.7	8.0	8.6	
	Services	9	-87.7	324.3	-0.9	-38.2	103.2	6.3	13.1	6.8	2.1	
	Software	8	-45.9	-3.5	-46.5	-61.2	51.8	53.7	55.7	13.6	13.0	
	Media	6	-93.6	171.0	15.1	57.8	-7.7	-9.3	-13.4	21.2	25.5	
	Telecommunications	8	-24.9	14.1	15.7	3.2	9.2	17.2	24.2	7.4	3.9	
	Construction, engineering	5	SL	LI	SP	-81.6	440.1	5.5	5.5	14.4	14.4	
	Housing, real estate	15	-45.5	-18.5	74.0	-16.3	54.1	21.1	29.5	10.1	9.2	
	Transportation	24	-38.9	-63.5	127.9	-37.9	59.5	31.2	33.3	4.7	3.8	
Utilities	13	SL	SP	SL	LI	LS	SP	SP	71.0	35.4		
Financials	37	SL	SP	-26.7	24.7	66.7	-4.5	-1.5	1.4	0.2		

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 24 November 2013, previous estimates as of 20 August 2013. (3) SP = switch to profits; SL = switch to losses, LS = losses shrinking, LI = losses increasing.

Source: Nomura

Fig. 11: Recurring profits by sector

(¥bn, except where noted)

		No. of cos	FY08	FY09	FY10	FY11	FY12	FY13E Old	FY13E New	FY14E Old	FY14E New
Industrial groups	Russell/Nomura Large Cap	332	7,091	17,598	26,483	23,168	26,521	34,385	34,761	37,862	37,910
	Russell/Nomura Large Cap (ex financials)	295	11,144	13,464	22,701	18,302	20,556	28,237	28,474	31,629	31,564
	Manufacturing	179	3,885	6,376	13,404	11,132	12,917	18,136	18,130	20,049	19,874
	Basic materials	47	2,123	1,236	3,638	3,588	3,101	3,750	3,785	4,046	4,043
	Processing	81	-208	2,824	7,302	5,052	7,167	11,279	11,288	12,629	12,530
	Nonmanufacturing	153	3,206	11,223	13,079	12,037	13,604	16,248	16,631	17,812	18,037
	Nonmanufacturing (ex financials)	116	7,259	7,089	9,297	7,170	7,639	10,100	10,344	11,579	11,690
Broad sectors	Materials	47	2,123	1,236	3,638	3,588	3,101	3,750	3,785	4,046	4,043
	Machinery, autos	45	633	1,866	4,354	3,731	5,480	8,019	7,955	8,884	8,720
	Electronics	36	-841	958	2,948	1,321	1,687	3,260	3,332	3,745	3,810
	Consumer, distribution	88	4,405	4,504	5,556	5,869	5,829	6,836	6,776	7,306	7,180
	Information	22	2,396	2,667	2,758	2,783	3,039	3,647	3,645	3,825	3,852
	Utilities, infrastructure	57	2,428	2,234	3,447	1,010	1,419	2,724	2,980	3,823	3,959
	Financials	37	-4,053	4,134	3,781	4,867	5,965	6,148	6,287	6,233	6,346
Sectors	Chemicals	36	1,011	996	2,658	2,959	2,606	2,697	2,695	2,862	2,857
	Steel, nonferrous metals	11	1,112	240	979	629	495	1,053	1,090	1,184	1,186
	Machinery	24	967	564	1,406	1,472	1,416	1,722	1,707	1,992	1,957
	Autos	21	-334	1,302	2,948	2,260	4,064	6,297	6,248	6,892	6,763
	Electrical machinery, precision equipment	36	-841	958	2,948	1,321	1,687	3,260	3,332	3,745	3,810
	Pharmaceuticals, healthcare	21	1,048	1,278	1,209	1,215	1,170	1,377	1,335	1,489	1,419
	Food products	18	616	734	901	938	1,107	1,292	1,274	1,406	1,390
	Household goods	12	306	305	355	338	371	440	449	480	492
	Trading companies	8	1,491	1,048	1,626	1,993	1,706	1,956	1,954	2,009	1,983
	Retailing	20	702	831	1,105	1,071	1,110	1,356	1,325	1,480	1,448
	Services	9	241	309	361	313	364	416	440	442	449
	Software	8	443	562	324	148	173	371	374	422	424
	Media	6	138	166	235	239	227	233	229	256	253
	Telecommunications	8	1,816	1,939	2,199	2,396	2,639	3,044	3,042	3,147	3,175
	Construction, engineering	5	58	-5	95	123	122	151	151	165	165
	Housing, real estate	15	750	504	770	737	956	1,099	1,144	1,193	1,233
	Transportation	24	1,352	682	1,313	1,049	1,406	1,686	1,704	1,784	1,785
	Utilities	13	269	1,053	1,270	-898	-1,065	-210	-17	682	777
	Financials	37	-4,053	4,134	3,781	4,867	5,965	6,148	6,287	6,233	6,346

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 24 November 2013, previous estimates as of 20 August 2013.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY12 Q3–FY13 Q2)

		% y-y															
		Sales				Operating profits				Recurring profits				Net profits			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Industrial groups	Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	36.6	25.4	50.0	57.7	337.3	32.9	99.1	127.1
	Russell/Nomura Large Cap (ex financials)	2.4	3.6	9.4	12.9	10.1	21.5	36.7	37.3	21.0	24.8	44.7	50.8	206.6	32.6	105.7	143.7
	Manufacturing	2.9	4.1	9.3	13.1	13.0	29.2	36.3	42.5	23.9	32.4	44.3	63.6	363.5	103.1	78.6	282.4
	Basic materials	2.3	6.0	9.6	16.8	10.1	25.7	77.3	43.5	19.2	25.7	79.2	51.2	376.9	8.7	639.7	321.3
	Processing	3.3	3.4	10.0	13.1	23.1	32.3	40.1	48.2	41.3	36.9	52.2	85.4	SP	146.0	85.7	833.7
	Nonmanufacturing	-	-	-	-	-	-	-	-	48.2	17.6	55.1	52.6	322.0	-17.9	117.6	67.8
	Nonmanufacturing (ex financials)	1.9	2.9	9.5	12.6	6.3	4.4	37.3	30.1	17.2	8.3	45.2	34.8	122.7	SL	154.8	63.2
Broad sectors	Basic materials	2.3	6.0	9.6	16.8	10.1	25.7	77.3	43.5	19.2	25.7	79.2	51.2	376.9	8.7	639.7	321.3
	Machinery, autos	5.9	5.2	12.3	16.1	5.6	36.9	38.1	51.0	5.4	28.8	40.2	48.9	53.6	46.6	51.8	57.4
	Electronics	0.0	1.0	6.7	8.9	81.6	25.0	48.3	42.4	761.5	56.8	118.0	407.4	SP	SP	9,412.8	SP
	Consumption, distribution	1.1	2.5	10.0	11.2	-6.8	13.7	9.0	18.7	0.3	14.6	12.7	19.1	13.4	42.3	6.5	20.6
	Information	2.3	3.3	7.2	20.1	0.4	2.0	34.8	18.4	8.8	-3.1	40.6	19.5	48.0	-12.5	47.0	53.9
	Utilities, infrastructure	3.9	3.7	7.0	9.7	53.2	-10.4	72.5	53.6	122.6	SP	132.3	78.8	SP	LI	SP	150.4
	Financials	-	-	-	-	-	-	-	-	116.7	27.4	68.2	92.1	SP	33.5	80.5	76.7
Sectors	Chemicals	2.4	5.1	7.7	14.8	19.2	16.2	61.3	22.1	24.5	13.3	56.9	27.7	147.0	2.7	152.6	81.7
	Steel, nonferrous metals	1.9	8.9	15.0	22.3	-36.5	126.3	150.2	202.9	-4.8	152.3	167.6	234.5	SP	33.4	SP	SP
	Machinery	-0.3	2.9	12.2	14.0	-18.5	16.2	7.6	38.5	-3.3	7.6	22.9	44.0	24.4	26.8	25.9	52.2
	Automobiles	7.7	5.9	12.4	16.7	20.3	45.9	48.1	55.0	10.1	38.6	45.3	50.3	73.0	54.0	59.0	58.7
	Electrical machinery, precision equipment	0.0	1.0	6.7	8.9	81.6	25.0	48.3	42.4	761.5	56.8	118.0	407.4	SP	SP	9,412.8	SP
	Pharmaceuticals, healthcare	0.2	3.5	4.7	7.6	-7.5	25.4	-11.0	25.2	-2.8	32.8	-9.4	27.2	25.6	SP	-21.6	30.8
	Food products	3.7	3.5	4.0	5.3	10.0	20.7	8.9	26.8	14.4	28.2	8.4	31.6	36.2	58.2	5.7	40.9
	Household goods	7.5	2.6	13.7	11.8	-0.8	-1.6	36.3	27.7	3.4	7.0	41.2	27.3	44.5	105.5	14.5	18.3
	Trading companies	-0.9	1.1	12.5	13.8	-32.4	12.9	25.6	13.9	-12.6	9.5	27.1	14.1	-2.1	-10.8	18.6	12.4
	Retailing	5.9	6.8	9.9	10.8	1.3	2.3	2.9	4.0	4.6	3.5	6.5	2.9	-1.6	-5.6	8.5	6.2
	Services	-0.2	0.5	3.7	3.2	8.0	56.1	33.2	16.6	13.3	49.9	42.0	14.9	53.4	SP	55.6	11.1
	Software	-12.4	7.5	7.6	3.4	-57.4	9.9	46.4	-26.2	-19.5	-12.7	305.5	-10.1	-15.6	117.8	315.5	1.7
	Media	1.6	0.7	5.6	11.5	-0.4	2.3	-34.6	35.8	2.9	-25.8	-38.4	51.1	28.6	-54.9	-60.2	72.4
	Telecommunications	4.8	3.5	7.5	23.9	11.7	1.7	39.3	19.2	15.3	1.1	40.1	19.1	75.7	-8.9	48.8	56.0
	Construction, engineering	6.2	7.7	7.2	7.9	39.6	-58.1	-13.4	2.2	54.5	-50.6	27.0	-1.2	SP	113.6	87.6	44.4
	Housing, real estate	1.7	7.2	12.1	12.4	-4.9	12.9	38.7	21.1	-0.8	26.7	57.4	24.5	289.4	55.1	89.5	54.5
	Transportation	2.0	3.5	4.9	6.9	2.5	11.2	7.0	6.2	8.9	35.7	12.1	12.5	57.9	LI	32.4	16.7
	Utilities	6.6	0.5	6.4	11.2	LS	LI	LS	SP	LS	LI	LS	SP	SP	LI	SP	SP
	Financials	-	-	-	-	-	-	-	-	116.7	27.4	68.2	92.1	SP	33.5	80.5	76.7

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 November 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		
		FY13E	FY14E	FY13E	FY14E	FY12	FY13E	FY13E	FY14E	FY12	FY13E	FY14E
		x	x	x	x	x	x	%	%	%	%	%
Industrial groups	R/N Large Cap	16.1	15.0	-	-	1.47	1.38	1.82	1.96	5.9	8.9	8.9
	R/N Large Cap (ex loss-making cos)	15.8	14.8	-	-	1.56	1.38	1.83	1.98	8.2	9.1	8.9
	R/N Large Cap (ex financials)	16.8	15.4	7.9	7.5	1.61	1.51	1.80	1.96	5.3	9.3	9.5
	Manufacturing	16.7	15.2	8.9	8.3	1.64	1.54	1.90	2.09	5.4	9.5	9.8
	Basic materials	15.0	13.7	6.3	5.9	1.12	1.06	1.95	2.00	3.8	7.3	7.5
	Processing	15.8	14.3	8.6	8.0	1.72	1.59	1.81	2.06	5.1	10.4	10.7
	Nonmanufacturing	15.4	14.8	-	-	1.31	1.23	1.73	1.81	6.4	8.3	8.1
	Nonmanufacturing (ex financials)	16.9	15.7	6.8	6.5	1.57	1.47	1.65	1.75	5.1	9.1	9.1
Broad sectors	Basic materials	15.0	13.7	6.3	5.9	1.12	1.06	1.95	2.00	3.8	7.3	7.5
	Machinery, autos	14.1	13.1	8.8	8.2	1.80	1.63	1.92	2.24	8.9	12.1	11.9
	Electronics	20.9	17.4	8.4	7.7	1.58	1.51	1.62	1.71	-1.2	7.4	8.4
	Consumption, distribution	16.5	15.7	10.3	9.8	1.67	1.56	2.19	2.25	9.4	9.8	9.7
	Information	18.7	17.6	6.4	6.0	1.97	1.84	1.57	1.73	8.9	10.2	10.2
	Utilities, infrastructure	20.4	18.3	6.5	6.2	1.54	1.47	1.22	1.38	-0.8	7.4	7.8
	Financials	12.9	12.9	-	-	0.96	0.90	1.93	1.94	8.2	7.1	6.8
Sectors	Chemicals	15.5	13.9	6.6	6.1	1.11	1.06	2.11	2.15	4.7	7.0	7.4
	Steel, nonferrous metals	13.9	13.2	5.7	5.5	1.14	1.05	1.60	1.69	1.4	7.9	7.7
	Machinery	21.4	18.9	12.9	11.8	2.00	1.84	1.32	1.44	7.8	8.9	9.4
	Automobiles	12.3	11.6	7.7	7.2	1.73	1.55	2.17	2.58	9.3	13.3	12.8
	Electrical machinery, precision equipment	20.9	17.4	8.4	7.7	1.58	1.51	1.62	1.71	-1.2	7.4	8.4
	Pharmaceuticals, healthcare	23.8	22.2	16.1	15.2	1.97	1.88	2.30	2.35	8.6	8.1	8.3
	Food products	19.1	18.2	11.4	11.0	2.25	2.16	2.03	2.38	10.1	11.6	11.6
	Household goods	24.9	21.7	13.3	12.2	2.30	2.09	1.48	1.48	8.0	8.6	9.3
	Trading companies	7.2	7.1	5.1	4.9	0.89	0.80	3.33	3.41	11.3	11.7	10.8
	Retailing	21.6	19.9	11.4	10.5	1.95	1.78	1.45	1.57	8.5	8.6	8.7
	Services	24.3	23.8	11.9	11.9	1.66	1.74	2.44	1.73	6.5	7.4	7.2
	Software	23.9	21.1	17.4	16.0	2.18	2.10	1.81	2.04	5.5	9.1	9.6
	Media	28.2	22.5	19.0	16.6	1.55	1.50	1.27	1.30	6.6	5.4	6.5
	Telecommunications	17.2	16.6	5.2	5.0	2.01	1.85	1.56	1.72	9.9	11.2	10.8
	Construction	24.6	21.5	14.7	13.6	1.25	1.21	1.28	1.28	4.8	5.0	5.5
	Housing, real estate	27.1	24.8	16.6	15.6	2.39	2.17	1.08	1.14	7.0	8.4	8.5
	Transportation	16.1	15.5	5.9	5.6	1.48	1.41	1.41	1.44	6.1	9.1	8.8
	Utilities	20.5	15.1	3.0	2.9	1.00	0.97	1.09	1.76	-15.9	4.8	6.3
	Financials	12.9	12.9	-	-	0.96	0.90	1.93	1.94	8.2	7.1	6.8
	RN Small Cap	17.0	15.4	-	-	1.17	1.09	2.16	2.16	4.4	6.6	6.9
RN Small Cap (ex financials)	17.7	15.8	8.4	7.9	1.26	1.16	2.19	2.20	4.2	6.7	7.2	

Note: (1) Estimates as of 24 November 2013. Share prices are as of 22 November 2013 close.

Source: Nomura

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- There are sub-indexes for different sizes of company based on market capitalization.
- There are sub-indexes for growth and value stocks.
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Transactions involving foreign equities are subject to a domestic sales commission of up to 0.9975% (tax included) of the transaction amount (which equals the local transaction amount plus local fees and taxes in the case of a purchase or the local transaction amount minus local fees and taxes in the case of a sale) (for transaction amounts of ¥750,000 and below, maximum domestic sales commission is ¥7,455 tax included). Local fees and taxes in foreign financial instruments markets vary by country/territory. When foreign equities are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Foreign equities carry the risk of losses owing to factors such as price fluctuations and foreign exchange rate fluctuations.

Margin transactions are subject to a sales commission of up to 1.365% (tax included) of the transaction amount (or a commission of ¥2,730 (tax included) for transactions of ¥200,000 or less), as well as management fees and rights handling fees. In addition, long margin transactions are subject to interest on the purchase amount, while short margin transactions are subject to fees for the lending of the shares borrowed. A margin equal to at least 30% of the transaction amount and at least ¥300,000 is required. With margin transactions, an amount up to roughly 3.3x the margin may be traded. Margin transactions therefore carry the risk of losses in excess of the margin owing to share price fluctuations. For details, please thoroughly read the written materials provided, such as listed securities documents or documents delivered before making a contract.

Transactions involving convertible bonds are subject to a sales commission of up to 1.05% (tax included) of the transaction amount (or a commission of ¥4,200 (tax included) if this would be less than ¥4,200). 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.

Purchases of investment trusts (and sales of some investment trusts) are subject to a purchase or sales fee of up to 5.25% (tax included) of the transaction amount. Also, a direct cost that may be incurred when selling investment trusts is a fee of up to 2.0% of the unit price at the time of redemption. Indirect costs that may be incurred during the course of holding investment trusts include, for domestic investment trusts, an asset management fee (trust fee) of up to 5.25% (tax included, 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.

No account fee will be charged for marketable securities or monies deposited. Transfers of equities to another securities company via the Japan Securities Depository Center are subject to a transfer fee of up to ¥10,500 (tax included) per issue transferred depending on volume.

#### **Nomura Securities Co., Ltd.**

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