

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 forecast sales growth of 11.7% y-y and recurring profit growth of 39.0% for companies in the Russell/Nomura Large Cap Index (ex financials). Compared with our previous forecasts (published in December, based on data collated on 24 November 2013), these figures represent upward revisions of 1.0ppt for sales and 1.7ppt for recurring profit growth. The latest upward revision for recurring profits follows that made last time around, and was again modest, at ¥302.2bn, compared with ¥237.4bn last time. Excluding the utilities sector, which is projected to incur recurring losses for a third consecutive year, our recurring profit growth forecast has increased by 2.2ppt from 30.7%, to 32.9%. Our latest estimates assume USD/JPY of 100.2 and EUR/JPY of 134.2 over full-year FY13 (versus our previous assumptions of 97.9 and 131.0 respectively). Our forecast for net profit growth for the Russell/Nomura Large Cap Index has been revised up from 58.2% growth last time to 64.8% growth this time.

In FY13 Q3, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) increased 47.7% y-y, below the growth recorded in FY13 Q2 but still at a high level, supported partly by yen depreciation. Recent earnings also appear to have been affected by rush demand ahead of the consumption tax hike. While FY13 Q3 operating profits were buoyant, as evident in growth in recurring profits being much higher than prior forecasts for recurring profit growth in FY13 H2, our analysts made only a small 1.4ppt upward revision to their forecast for FY13 H2 recurring profit growth, from 30.1% to 31.5%.

Overview of the FY14 corporate earnings outlook

For FY14, our analysts look for growth in sales of 3.7% y-y and in recurring profits of 11.0% for companies in the Russell/Nomura Large Cap Index (ex financials). These figures represent upward revisions of 0.6ppt for growth in sales but just 0.1ppt for growth in recurring profits versus our previous estimates. Last time, our absolute recurring profit forecast was revised down slightly, but this time it has been revised up by ¥377.2bn. For full-year FY14, we assume USD/JPY of 103 and EUR/JPY of 140 (previously 97 and 132 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. Our forecast for growth in net profits for companies in the Russell/Nomura Large Cap Index has been revised down to 6.3% y-y, from 7.4% y-y last time, reflecting partly the large upward revision for FY13.

The previous peak for recurring profits was in FY07. Based on our bottom-up forecasts, we project that recurring profits will be on a par with that peak level in FY13 and ahead of it in FY14. Meanwhile, we project that ROE will rise from 5.9% in FY12 to 9.2% in FY13, but come in at only 9.1% in FY14. Our outlook is thus for ROE in FY14 to decline marginally y-y. We think further ROE improvement hinges increasingly 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	11.7	3.7	10.7	3.1
	Manufacturing	179	0.2	3.0	11.3	3.6	10.5	3.0
	Basic materials	47	4.8	-0.5	10.8	3.1	10.3	0.7
	Processing	81	-2.0	4.8	12.6	3.6	11.7	3.9
	Nonmanufacturing (ex financials)	116	3.0	2.2	12.2	3.8	10.9	3.2
	Russell/Nomura Small Cap (ex financials)	1,029	3.4	2.5	7.9	3.9	7.6	3.5
Operating profits	Russell/Nomura Large Cap (ex financials)	295	-18.6	4.5	35.8	11.7	35.5	11.1
	Manufacturing	179	-14.2	7.5	38.8	10.2	37.5	9.7
	Basic materials	47	-9.8	-22.6	35.8	3.5	33.5	7.3
	Processing	81	-20.6	29.1	48.0	12.9	47.0	10.9
	Nonmanufacturing (ex financials)	116	-24.6	-0.4	30.9	14.4	32.2	13.4
	Russell/Nomura Small Cap (ex financials)	1,029	-2.5	-2.1	26.2	12.5	27.0	11.6
Recurring profits	Russell/Nomura Large Cap	332	-12.1	12.8	34.3	8.4	30.1	9.0
	Russell/Nomura Large Cap (ex financials)	295	-19.5	7.7	39.0	11.0	37.3	10.9
	Manufacturing	179	-17.9	10.3	44.7	9.5	41.5	9.5
	Basic materials	47	-7.1	-19.2	31.2	2.8	28.1	5.9
	Processing	81	-29.3	36.4	61.7	12.1	58.1	11.0
	Nonmanufacturing	153	-5.9	15.2	24.8	7.2	19.7	8.5
	Nonmanufacturing (ex financials)	116	-21.7	3.5	29.8	13.6	30.5	13.2
	Russell/Nomura Small Cap	1,118	6.5	3.9	23.9	7.7	21.1	9.0
Russell/Nomura Small Cap (ex financials)	1,029	0.5	4.5	21.9	9.8	21.0	10.0	
Net profits	Russell/Nomura Large Cap	332	-25.3	36.3	64.8	6.3	58.2	7.4
	Russell/Nomura Large Cap (ex financials)	295	-35.2	26.7	84.8	8.5	81.8	9.0
	Manufacturing	179	-42.9	30.8	86.5	9.7	82.8	10.2
	Basic materials	47	-34.6	-30.8	83.0	7.9	86.9	9.3
	Processing	81	-57.2	77.5	124.6	11.4	118.8	10.9
	Nonmanufacturing	153	-2.6	41.0	47.4	2.8	38.5	4.6
	Nonmanufacturing (ex financials)	116	-19.2	20.4	82.1	6.4	80.2	7.1
	Russell/Nomura Small Cap	1,118	10.4	2.0	69.0	5.9	62.2	7.4
Russell/Nomura Small Cap (ex financials)	1,029	1.2	-2.0	75.9	8.6	72.2	8.8	

Note: Latest estimates as of 23 February 2014. Previous estimates as of 24 November 2014. FY14 forecasts collated based on constituent stocks after December 2013 revisions.

Source: Nomura

Fig. 2: Major assumptions

			Industrial production	Uncollateralized overnight call rate	WTI	Forex rate		
			%, y-y	FY-end, %	CIF, \$/barrel	average, \$/¥	average, €/¥	
Annual	FY12		-2.9	0-0.10	92.1	83.1	107.1	
	FY13E	New	3.2	0-0.10	97.4	100.2	134.2	
		Old	4.1	0-0.10	101.0	97.9	131.0	
	FY14E	New	4.1	0-0.10	92.0	103.0	140.0	
		Old	4.4	0-0.10	102.0	97.0	132.0	
Semiannual	FY12	H1	1.1	0-0.10	92.9	79.3	100.6	
		H2	-6.9	0-0.10	91.3	86.8	113.6	
	FY13	H1	-0.4	0-0.10	100.0	98.8	130.0	
		H2E	6.9	0-0.10	94.7	101.7	138.4	
	FY14E	H1	New	8.0	0-0.10	102.0	97.0	132.0
			Old	5.0	0-0.10	92.0	103.0	140.0
		H2	New	5.4	0-0.10	102.0	97.0	132.0
			Old	3.3	0-0.10	92.0	103.0	140.0
			3.4	0-0.10	102.0	97.0	132.0	

Note: Macroeconomic assumptions as of 16 January 2014. Previous assumptions as of 9 October 2013. The above assumptions are not Nomura forecasts but assumptions on which Nomura analysts base their earnings forecasts.

Source: Nomura

Contributions to recurring profit growth by sector

Overview of the FY13 corporate earnings outlook

For FY13, we forecast that recurring profits will increase (or losses contract) in 18 of the 19 sectors. Sectors from which we expect substantial contributions to overall profit growth are automobiles, electrical machinery & precision equipment, financials, and utilities. We assume the yen will weaken from USD/JPY of 83.1 in FY12 to 100.2 in FY13, and think the biggest contributions to profit growth will generally 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, with US new car sales rising 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, rush demand ahead of the April 2014 consumption tax hike has been strong and we 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 equipment sector, earnings improvement in the consumer electronics subsector accounts for nearly half of the projected FY13 profit growth contribution, with the next-biggest projected contribution coming from industrial electronics. 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 financials sector, we project widespread benefits from a reflationary environment across subsectors. In the utilities sector, we project a slight y-y decline in the nuclear power capacity factor but look for electricity rate hikes and cost reductions to contribute to smaller losses.

In contrast, we expect a negative contribution from the construction sector, which we think will be affected by rising costs as well as the impact of low margin building construction orders taken on in the past.

Overview of the FY14 corporate earnings outlook

For FY14, we forecast that 17 of the 19 sectors will either increase recurring profits y-y or move into the black at the recurring level. We think the biggest contributors to profit growth will be the utilities, electrical machinery & precision equipment, automobiles, and machinery sectors. We assume USD/JPY of 103 for FY14, versus 100.2 for FY13, with the change in our forex assumption having a slight positive impact on earnings, particularly at exporters.

We project that the utilities sector will move into the black at the recurring level in FY14, albeit marginally, supported by electricity rate hikes and a rise in the nuclear capacity factor compared with FY13. We expect restarts of nuclear power plants to begin around July 2014, and assume that around nine of the reactors currently undergoing inspections will restart in FY14. In the autos sector, firm momentum in global vehicle sales should provide support to earnings. We estimate that US new car sales will advance 4.2% y-y in 2014, to 16.3mn vehicles, and that new car sales in China will rise 10.4% y-y to 24.3mn vehicles. We think profit growth will slow sharply compared with FY13, however, owing to the disappearance of the boost from the weaker yen, deteriorating business conditions in some emerging markets, a reactive decline in Japanese demand following the consumption tax hike, and higher labor costs. In the electrical machinery & precision equipment sector, we 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 significant contribution to profit growth. We will be looking to see whether subsectors that have been forced to undertake further restructuring will be able to contribute.

In contrast, we expect negative contributions from the financials and chemicals sectors. In the financials sector, equity-related income in Apr-Dec 2013 was stronger than expected, raising the profit growth hurdle for FY14. With the chemicals sector, we expect a large impact from the dropping out of one-time gains on the sale of interests in the oil subsector.

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

(%)

FY13E				FY14E			
Increase in profit				Increase in profit			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
18 sectors				17 sectors			
Automobiles	59.8	26.4	30.0	Utilities	SP	25.7	24.6
Electrical machinery, precision equipment	95.7	17.6	19.9	Electrical machinery, precision equipment	20.5	22.7	21.7
Financials	18.2	11.9	-	Automobiles	7.3	15.8	15.1
Utilities	LS	10.0	11.4	Machinery	13.9	8.4	8.1
Steel, nonferrous metals	119.4	6.4	7.3	Telecommunications	6.0	6.1	5.8
Telecommunications	16.8	4.8	5.5	Food	12.2	5.2	5.0
Trading companies	24.3	4.3	4.8	Retailing	10.6	4.2	4.0
Machinery	26.3	4.0	4.6	Steel, nonferrous metals	11.5	4.0	3.8
Chemicals	13.6	3.6	4.1	Housing, real estate	8.2	3.3	3.2
Pharmaceuticals, healthcare	17.7	2.3	2.6	Transportation	3.7	2.1	2.0
Housing, real estate	19.1	2.0	2.3	Software	11.9	1.6	1.6
Software	77.9	1.8	2.1	Household goods	10.4	1.4	1.4
Transportation	8.3	1.4	1.6	Pharmaceuticals, healthcare	3.1	1.4	1.4
Food	11.1	1.4	1.6	Trading companies	1.6	1.1	1.0
Retailing	7.3	1.0	1.1	Construction	23.8	0.9	0.9
Household goods	15.9	0.7	0.8	Media	12.6	0.8	0.8
Services	8.8	0.4	0.4	Services	1.1	0.1	0.1
Media	0.1	0.0	0.0				
Decrease in profit				Decrease in profit			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
1 sector				2 sector			
Construction	-3.9	-0.1	-0.1	Chemicals	-0.6	-0.5	-0.5
				Financials	-1.9	-4.4	-

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 11 of the 19 sectors and lowered them for eight. We now assume a weaker yen versus the US dollar and the euro, changing our FY13 USD/JPY assumption from 97.9 to 100.2 and our EUR/JPY assumption from 131.0 to 134.2.

We have made large upward revisions for sectors such as financials, automobiles, chemicals, and machinery. For the financials sector, we have made upward revisions across a broad range of subsectors, as we see a positive impact on the sector as a whole from the reflationary environment, including stock price gains. We have also made an upward revision, albeit only a small one, for the housing & real estate sector, which we think is similarly well positioned to benefit from reflation. For the automobiles sector, we see benefits from the weaker yen, as well as a substantial boost from increased production, particularly in Japan, the US, and Europe, and ongoing COGS improvements. Within the chemicals sector, we have made a large upward revision for the oil subsector, but this is largely due to gains on the sale of interests. Excluding this factor, we have lowered our estimate. For the machinery sector, we expect widespread benefits from firm capex both in Japan and overseas.

We have made particularly large downward revisions to our FY13 recurring profit estimates for the utilities, electrical machinery & precision equipment, and retailing sectors. In the utilities sector, we think the weaker yen has led to an increase in the cost of replacement fuel to make up for the loss of nuclear power output, and we also expect earnings deterioration under the fuel cost adjustment scheme. With the electrical machinery & precision equipment sector, we expect a renewed impact from structural reforms. In the consumer electronics subsector, a leading company has announced impairment losses on long-term assets at its battery and PC businesses as well as additional restructuring of PC and TV businesses. In the semiconductor production equipment field, meanwhile, back-end process companies have announced asset impairment losses and cost-cutting in response to weak recovery in the tester market. The precision equipment & photographic film subsector was affected by weak digital camera sales in the Christmas season. Meanwhile, we raised our forecasts for the industrial electronics sector to reflect strong capex. For the retailing sector, a leading general merchandiser has incurred heavy losses at newly consolidated subsidiaries.

Overview of the FY14 corporate earnings outlook

We have raised our FY14 forecasts for 10 of 19 sectors and lowered them for eight. We now assume a weaker yen versus the US dollar and the euro and have changed our FY14 USD/JPY assumption from 97 to 103, and our EUR/JPY assumption from 132 to 140. The revisions to our forex assumptions have resulted in upward revisions for many exporters.

Sectors for which we have made large upward revisions include financials, automobiles, and electrical machinery & precision equipment, while those for which we have made large downward revisions include utilities, chemicals, and transportation. With electrical machinery & precision equipment, upward revisions won out in FY14 forecasts, supported by diminishing restructuring costs. In the chemicals sector, the downward revision for FY14 reflects largely the dropping out of gains on the sale of interests in the oil subsector. We expect weakness in demand from the electronics industry as a whole, including for commodity petrochemicals in Asia and semiconductor & LCD materials, and we also note that a large number of companies have made downward revisions. Japanese petrochemical companies will probably find it difficult to remain competitive over the longer term in commodity areas. In the diversified chemicals sector, however, a leading company in February announced measures to cut costs sharply at its phenol and polyurethane businesses. The year 2014 will mark the start of ethylene production capacity cutbacks in Japan, and we expect this to lead to improved margins in domestic petrochemicals businesses. The downward revision for utilities for FY13 reflects largely yen depreciation, while that for FY14 reflects largely a downward revision in our outlook for nuclear power plant restarts. The transportation sector, meanwhile, is being hit by rising costs in the airlines and trucking areas.

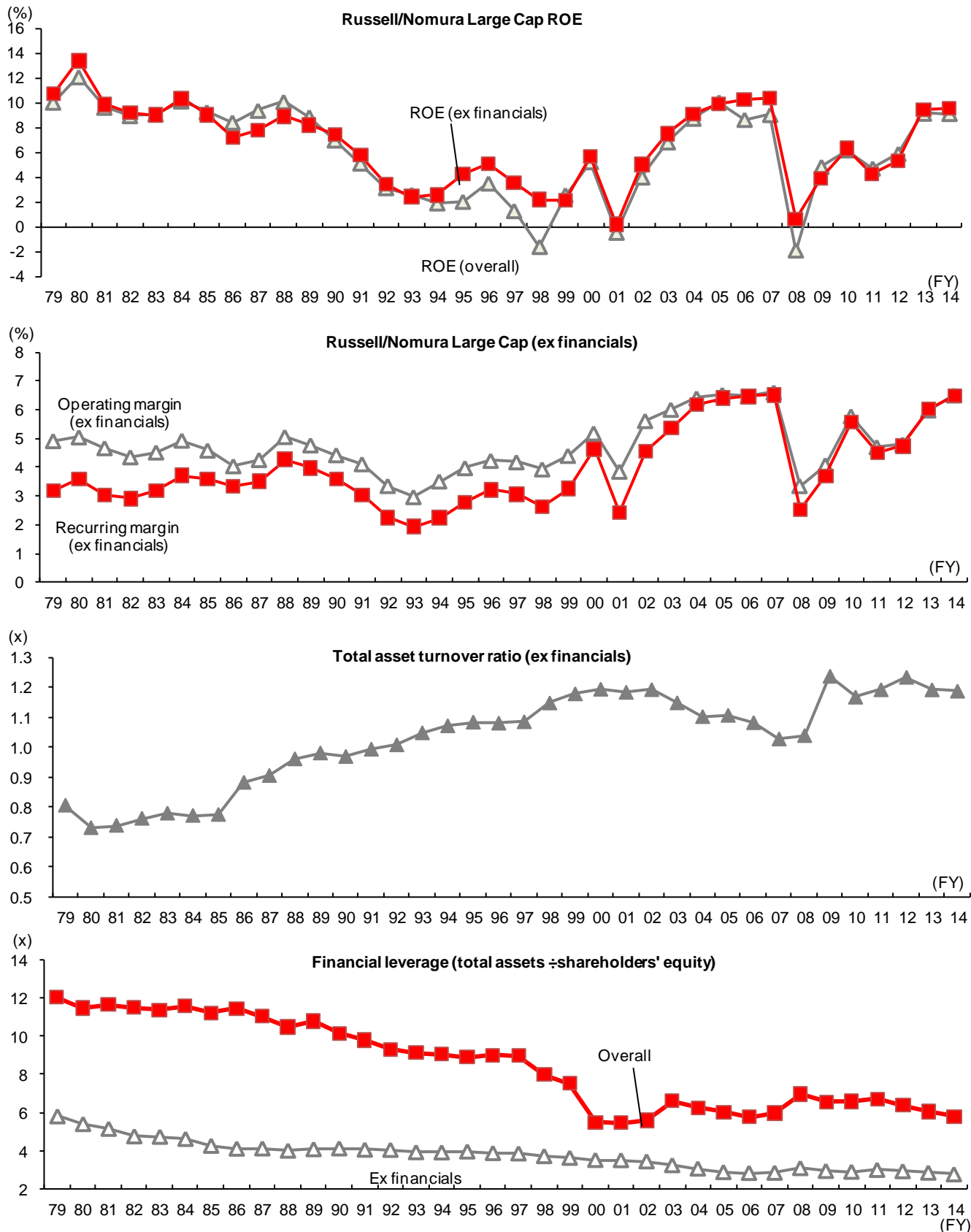
Fig. 4: Revisions to recurring profit estimates (versus old estimates) for the Russell/Nomura Large Cap Index

FY13E					FY14E				
[Upward revisions]	11 sectors				[Upward revisions]	10 sectors			
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Financials	7,056	6,287	769	12.2	Financials	6,854	6,289	565	9.0
Automobiles	6,472	6,248	223	3.6	Automobiles	6,817	6,637	180	2.7
Chemicals	2,784	2,695	89	3.3	Electrical machinery, precision equipment	3,918	3,753	165	4.4
Machinery	1,776	1,707	69	4.1	Telecommunications	3,152	3,078	75	2.4
Trading companies	2,000	1,954	46	2.4	Machinery	2,033	1,972	61	3.1
Pharmaceuticals, healthcare	1,374	1,335	39	2.9	Software	450	397	53	13.3
Telecommunications	3,076	3,042	34	1.1	Trading companies	2,014	1,963	52	2.6
Housing, real estate	1,163	1,144	19	1.7	Food	1,412	1,371	41	3.0
Household goods	460	449	11	2.4	Household goods	451	434	16	3.8
Food	1,284	1,274	10	0.8	Steel, nonferrous metals	1,130	1,117	13	1.2
Software	379	374	4	1.2					
[Downward revisions]	8 sectors				[Downward revisions]	8 sectors			
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Media	227	229	-1.6	-0.7	Construction	138	140	-2.0	-1.4
Steel, nonferrous metals	1,080	1,090	-10.5	-1.0	Pharmaceuticals, healthcare	1,416	1,419	-2.4	-0.2
Transportation	1,693	1,704	-10.8	-0.6	Housing, real estate	1,304	1,309	-5.0	-0.4
Construction	139	151	-11.5	-7.6	Services	397	407	-10.2	-2.5
Services	426	440	-14.0	-3.2	Retailing	1,279	1,290	-11.0	-0.9
Retailing	1,299	1,325	-25.8	-1.9	Transportation	1,736	1,770	-33.7	-1.9
Electrical machinery, precision equipment	3,292	3,332	-40.9	-1.2	Chemicals	2,558	2,605	-47.1	-1.8
Utilities	-145	-17	-127.6	N.M.	Utilities	610	777	-167.3	-21.5

Note: Latest estimates as of 23 February 2014, previous estimates as of 24 November 2013. FY14 forecasts collated based on constituent stocks after December 2013 revisions. No revision for media in FY14.

Source: Nomura

Fig. 5: Breakdown of factors affecting ROE

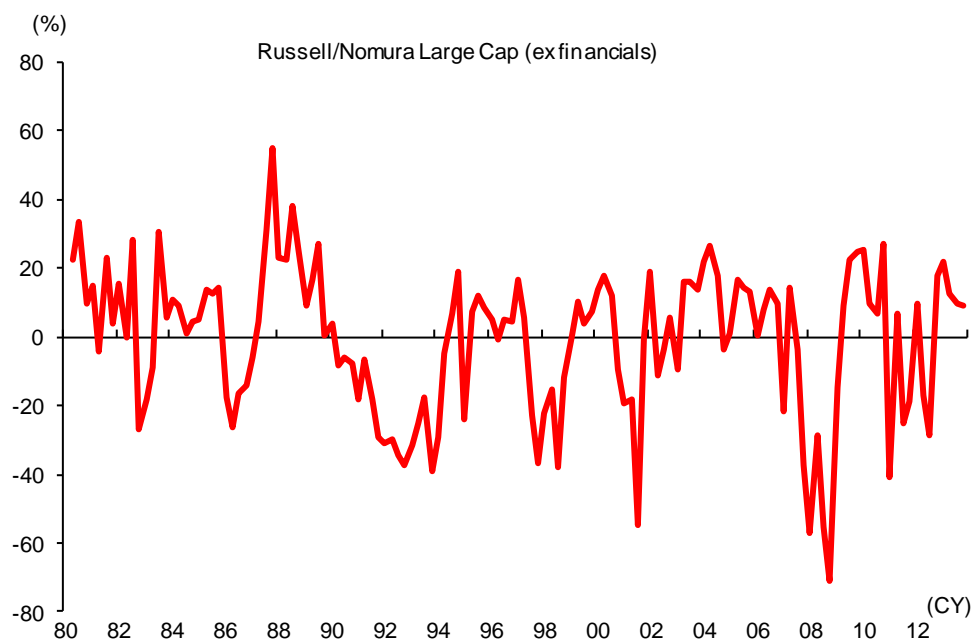


Note: Figures for FY13 onward are estimates as of 23 February 2014.

Source: Nomura

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

	(yy/m)	12/9	12/12	13/3	13/6	13/9	13/12	14/3
Russell/Nomura Large Cap		-15.0	-25.0	19.2	25.3	14.5	10.5	15.0
Russell/Nomura Large Cap (ex financials)		-17.2	-28.5	17.6	21.7	12.5	9.8	9.4
Manufacturing		-31.9	-41.2	23.5	20.1	23.5	6.1	14.4
Basic materials		-40.0	-61.1	31.9	25.5	38.3	6.4	-15.8
Processing		-40.2	-41.4	30.9	29.6	16.0	13.6	40.3
Nonmanufacturing (ex financials)		8.3	-6.5	8.5	24.1	-4.3	15.5	2.0



Note: (1) Excludes consolidated subsidiaries. (2) Revision index = (number of upward revisions - number of downward revisions) ÷ number of constituent companies.

Source: Nomura

Russell/Nomura Large Cap Index: earnings indicators

Fig. 7: Percentage change in sales by sector

(% y-y, except where noted)

		No. of cos	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	10.7	11.7	3.1	3.7
	Manufacturing	179	-10.8	-11.8	7.0	0.2	3.0	10.5	11.3	3.0	3.6
	Basic materials	47	-5.3	-20.8	13.2	4.8	-0.5	10.3	10.8	0.7	3.1
	Processing	81	-15.2	-10.7	6.3	-2.0	4.8	11.7	12.6	3.9	3.6
	Nonmanufacturing (ex financials)	116	-3.3	-14.4	4.9	3.0	2.2	10.9	12.2	3.2	3.8
Broad sectors	Materials	47	-5.3	-20.8	13.2	4.8	-0.5	10.3	10.8	0.7	3.1
	Machinery, autos	45	-17.0	-13.0	7.4	-0.1	10.0	14.7	15.5	4.8	4.6
	Electronics	36	-13.0	-8.0	5.2	-4.3	-1.6	7.6	8.6	2.5	2.2
	Consumer, distribution	88	-4.2	-14.9	5.7	3.3	0.8	9.3	10.9	2.6	3.5
	Information	22	-1.9	-3.5	0.4	1.5	3.4	21.9	22.2	6.5	7.0
	Utilities, infrastructure	57	0.7	-11.0	2.5	2.2	5.3	7.1	7.9	2.9	3.4
Sectors	Chemicals	36	-5.3	-19.5	13.0	6.5	0.8	8.6	9.2	1.2	3.4
	Steel, nonferrous metals	11	-5.3	-23.1	13.6	0.7	-4.3	15.3	15.2	-0.8	2.5
	Machinery	24	-8.4	-16.2	8.3	5.0	2.2	14.0	14.4	6.5	7.1
	Autos	21	-19.3	-12.1	7.1	-1.6	12.5	14.8	15.8	4.4	3.9
	Electrical machinery, precision equipment	36	-13.0	-8.0	5.2	-4.3	-1.6	7.6	8.6	2.5	2.2
	Pharmaceuticals, healthcare	21	2.7	3.6	1.1	3.0	2.0	5.4	6.8	3.1	2.3
	Food products	18	6.5	-6.5	0.7	-0.9	3.3	5.0	5.3	2.7	7.4
	Household goods	12	-7.8	-5.8	1.8	2.9	4.4	9.0	9.1	3.3	4.3
	Trading companies	8	-7.5	-23.4	10.2	6.1	-1.0	11.5	13.7	2.4	2.7
	Retailing	20	0.9	-3.7	1.8	-2.5	3.7	8.9	10.6	3.0	5.4
	Services	9	-0.3	-3.5	0.1	-2.4	1.5	4.1	3.2	0.6	0.7
	Software	8	3.7	-14.0	-17.6	-14.9	-4.0	22.5	23.3	1.4	4.1
	Media	6	-3.9	-5.7	4.5	1.9	4.8	10.1	10.0	4.3	4.5
	Telecommunications	8	-2.5	-0.9	2.4	3.5	3.8	24.5	24.8	7.5	7.8
	Construction, engineering	5	2.5	-16.1	-16.0	7.7	7.5	1.7	4.5	-0.7	0.7
	Housing, real estate	15	0.0	-3.6	5.4	2.7	6.1	12.0	12.1	6.4	6.5
	Transportation	24	-4.0	-12.0	3.4	-0.7	3.4	5.5	6.0	1.5	2.0
Utilities	13	6.1	-11.9	5.9	3.4	5.9	7.3	8.3	2.9	3.4	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 23 February 2014, previous estimates as of 24 November 2013. FY14 forecasts collated based on constituent stocks after December 2013 revisions.

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 Old	FY13E New	FY14E Old	FY14E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	295	-53.2	-6.2	49.8	-18.6	4.5	35.5	35.8	11.1	11.7
	Manufacturing	179	-71.9	8.0	74.3	-14.2	7.5	37.5	38.8	9.7	10.2
	Basic materials	47	-59.1	-47.8	101.5	-9.8	-22.6	33.5	35.8	7.3	3.5
	Processing	81	-88.2	117.4	110.6	-20.6	29.1	47.0	48.0	10.9	12.9
	Nonmanufacturing (ex financials)	116	-15.0	-16.4	25.7	-24.6	-0.4	32.2	30.9	13.4	14.4
Broad sectors	Materials	47	-59.1	-47.8	101.5	-9.8	-22.6	33.5	35.8	7.3	3.5
	Machinery, autos	45	-87.5	110.6	106.5	-10.9	42.9	46.7	50.3	9.5	9.2
	Electronics	36	-89.3	126.5	116.1	-32.7	6.7	47.5	43.0	13.9	21.5
	Consumer, distribution	88	-7.5	-19.4	17.5	0.8	-6.4	14.4	15.6	7.9	8.3
	Information	22	-6.0	-2.6	6.3	-3.7	4.3	24.9	25.5	4.5	6.7
	Utilities, infrastructure	57	-30.1	-10.3	35.2	-57.7	10.4	61.8	55.2	26.7	26.6
Sectors	Chemicals	36	-66.2	-31.0	94.5	-1.1	-21.3	13.5	17.5	4.8	-2.1
	Steel, nonferrous metals	11	-47.7	-71.8	125.0	-37.1	-30.2	156.3	148.3	13.9	19.5
	Machinery	24	-44.1	-42.0	124.8	6.1	-7.9	24.3	26.6	15.4	16.0
	Autos	21	SL	SP	98.0	-19.8	77.2	54.5	58.5	7.8	7.2
	Electrical machinery, precision equipment	36	-89.3	126.5	116.1	-32.7	6.7	47.5	43.0	13.9	21.5
	Pharmaceuticals, healthcare	21	-21.0	13.3	-8.7	-7.6	-6.9	14.9	18.6	7.0	2.1
	Food products	18	-8.2	-7.8	11.5	4.1	9.0	11.1	10.4	8.8	12.4
	Household goods	12	-29.8	-0.9	12.1	0.5	-2.3	18.5	19.0	8.5	9.8
	Trading companies	8	12.8	-58.1	69.7	6.3	-24.8	19.3	25.1	7.1	9.4
	Retailing	20	-7.6	-3.9	21.8	7.5	-3.5	10.9	9.2	10.9	11.7
	Services	9	-26.6	15.2	4.5	-15.9	15.3	15.2	11.8	0.7	0.9
	Software	8	-11.5	-24.8	-32.8	-53.3	-32.9	137.3	138.9	-4.7	7.2
	Media	6	-18.9	-9.8	37.6	3.6	19.4	6.1	5.3	11.6	12.6
	Telecommunications	8	-3.5	6.4	14.2	3.1	5.9	19.8	20.4	5.2	6.3
	Construction, engineering	5	-53.5	SL	10,835 .6	18.3	-10.8	18.1	2.1	12.2	30.3
	Housing, real estate	15	-24.1	-22.3	29.0	0.6	12.6	20.2	21.4	8.1	7.0
	Transportation	24	-26.2	-42.0	51.5	-17.3	20.4	6.3	6.1	3.5	2.6
Utilities	13	-41.8	108.7	17.0	SL	LI	SP	SP	274.5	513.5	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 23 February 2014, previous estimates as of 24 November 2013. FY14 estimates are calculated based on component stocks after the December 2013 revision. (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	FY08	FY09	FY10	FY11	FY12	FY13E	FY13E	FY14E	FY14E	
							Old	New	Old	New	
Industrial groups	Russell/Nomura Large Cap	332	-79.7	97.3	43.8	-12.1	12.8	30.1	34.3	9.0	8.4
	Russell/Nomura Large Cap (ex financials)	295	-64.1	8.6	58.7	-19.5	7.7	37.3	39.0	10.9	11.0
	Manufacturing	179	-81.7	36.1	91.0	-17.9	10.3	41.5	44.7	9.5	9.5
	Basic materials	47	-64.3	-52.4	133.9	-7.1	-19.2	28.1	31.2	5.9	2.8
	Processing	81	SL	SP	143.6	-29.3	36.4	58.1	61.7	11.0	12.1
	Nonmanufacturing	153	-76.7	165.1	14.7	-5.9	15.2	19.7	24.8	8.5	7.2
	Nonmanufacturing (ex financials)	116	-26.7	-8.1	27.6	-21.7	3.5	30.5	29.8	13.2	13.6
Broad sectors	Materials	47	-64.3	-52.4	133.9	-7.1	-19.2	28.1	31.2	5.9	2.8
	Machinery, autos	45	-91.7	225.7	116.1	-11.5	42.5	45.8	51.2	9.7	8.8
	Electronics	36	SL	SP	200.1	-54.9	19.7	98.2	95.7	14.2	20.5
	Consumer, distribution	88	-23.8	-5.0	16.7	5.9	-4.1	14.2	15.4	5.9	6.1
	Information	22	-12.5	1.3	3.3	0.0	7.3	17.7	19.8	4.8	7.0
	Utilities, infrastructure	57	-39.2	-9.2	48.7	-70.2	30.2	84.0	76.0	33.9	33.1
	Financials	37	SL	SP	-8.2	33.7	34.8	5.4	18.2	1.0	-1.9
Sectors	Chemicals	36	-71.6	-32.2	116.2	1.8	-19.2	9.4	13.6	4.7	-0.6
	Steel, nonferrous metals	11	-53.3	-78.7	201.0	-34.3	-18.9	121.5	119.4	8.9	11.5
	Machinery	24	-47.3	-38.6	125.8	7.9	-5.1	21.4	26.3	15.1	13.9
	Autos	21	SL	SP	111.8	-20.8	72.8	54.3	59.8	8.2	7.3
	Electrical machinery, precision equipment	36	SL	SP	200.1	-54.9	19.7	98.2	95.7	14.2	20.5
	Pharmaceuticals, healthcare	21	-27.9	13.1	-8.6	-9.0	-4.9	14.1	17.7	6.3	3.1
	Food products	18	-15.3	7.2	10.2	5.2	9.1	10.3	11.1	9.7	12.2
	Household goods	12	-27.7	-0.4	9.2	1.9	0.1	13.2	15.9	9.6	10.4
	Trading companies	8	-27.7	-29.7	55.1	22.6	-15.1	21.4	24.3	1.4	1.6
	Retailing	20	-9.1	-4.2	22.2	7.9	-2.5	9.5	7.3	9.5	10.6
	Services	9	-29.4	17.0	4.9	-14.7	16.6	12.3	8.8	0.7	1.1
	Software	8	-23.6	-10.7	-41.9	-53.5	8.4	75.8	77.9	-0.3	11.9
	Media	6	-17.3	-11.5	34.9	14.5	7.6	0.8	0.1	11.7	12.6
	Telecommunications	8	-8.8	6.8	13.4	6.2	7.2	14.5	16.8	5.0	6.0
	Construction, engineering	5	-61.6	SL	1,102.5	49.0	-1.0	4.1	-3.9	12.0	23.8
	Housing, real estate	15	-29.9	-21.8	35.3	-0.9	20.8	17.1	19.1	10.0	8.2
	Transportation	24	-32.5	-54.2	90.6	-18.9	30.9	9.0	8.3	4.9	3.7
	Utilities	13	-65.2	291.9	20.7	SL	LI	LS	LS	SP	SP
	Financials	37	SL	SP	-8.2	33.7	34.8	5.4	18.2	1.0	-1.9

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 23 February 2014, previous estimates as of 24 November 2013. FY14 forecasts collated based on constituent stocks after December 2013 revisions. (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	FY08	FY09	FY10	FY11	FY12	FY13E	FY13E	FY14E	FY14E	
							Old	New	Old	New	
Industrial groups	Russell/Nomura Large Cap	332	SL	SP	34.6	-25.3	36.3	58.2	64.8	7.4	6.3
	Russell/Nomura Large Cap (ex financials)	295	-94.6	148.8	63.4	-35.2	26.7	81.8	84.8	9.0	8.5
	Manufacturing	179	SL	SP	158.2	-42.9	30.8	82.8	86.5	10.2	9.7
	Basic materials	47	SL	-66.4	361.6	-34.6	-30.8	86.9	83.0	9.3	7.9
	Processing	81	SL	SP	324.4	-57.2	77.5	118.8	124.6	10.9	11.4
	Nonmanufacturing	153	SL	SP	-14.6	-2.6	41.0	38.5	47.4	4.6	2.8
	Nonmanufacturing (ex financials)	116	-42.3	2.4	-4.9	-19.2	20.4	80.2	82.1	7.1	6.4
Broad sectors	Materials	47	SL	-66.4	361.6	-34.6	-30.8	86.9	83.0	9.3	7.9
	Machinery, autos	45	SL	SP	254.0	-16.9	58.6	52.2	59.6	7.7	5.7
	Electronics	36	SL	SP	603.9	SL	LS	SP	SP	20.3	29.4
	Consumer, distribution	88	-43.7	11.5	22.7	5.9	9.3	14.5	16.2	5.5	5.2
	Information	22	-33.7	13.4	-0.6	-2.0	9.9	24.0	25.7	4.8	7.7
	Utilities, infrastructure	57	-53.6	13.5	-76.7	SL	LS	SP	SP	12.9	6.4
	Financials	37	SL	SP	-26.7	24.7	66.7	-1.5	14.2	0.3	-2.6
Sectors	Chemicals	36	SL	-6.6	305.9	-21.7	-30.5	36.7	32.1	12.5	10.3
	Steel, nonferrous metals	11	-78.4	-94.0	631.7	-78.5	-33.1	572.8	578.9	3.4	3.6
	Machinery	24	-65.0	-42.6	225.1	4.9	-0.0	23.1	31.5	14.3	10.7
	Autos	21	SL	SP	268.5	-26.5	94.6	61.5	68.6	6.1	4.5
	Electrical machinery, precision equipment	36	SL	SP	603.9	SL	LS	SP	SP	20.3	29.4
	Pharmaceuticals, healthcare	21	-62.6	115.7	-14.6	-29.4	45.6	1.1	7.8	7.3	-3.0
	Food products	18	-35.2	12.1	-3.5	18.7	20.0	21.8	20.4	6.9	8.6
	Household goods	12	-46.4	-13.8	31.7	-20.8	32.9	19.4	27.1	15.6	22.6
	Trading companies	8	-32.0	-22.7	56.6	25.8	-11.9	20.4	21.0	2.2	5.2
	Retailing	20	-36.3	-20.7	82.3	24.9	2.0	9.7	10.6	8.4	7.8
	Services	9	-87.7	324.3	-0.9	-38.2	103.2	13.1	9.1	0.6	1.5
	Software	8	-45.9	-3.5	-46.5	-61.2	51.8	55.7	63.2	-0.4	7.5
	Media	6	-93.6	171.0	15.1	57.8	-7.7	-13.4	-14.1	28.9	30.0
	Telecommunications	8	-24.9	14.1	15.7	3.2	9.2	24.2	25.5	4.0	6.2
	Construction, engineering	5	SL	LI	SP	-81.6	440.1	5.5	3.5	18.8	26.8
	Housing, real estate	15	-45.5	-18.5	74.0	-16.3	54.1	29.5	31.6	12.6	17.8
	Transportation	24	-38.9	-63.5	127.9	-37.9	59.5	33.3	31.2	3.9	3.5
	Utilities	13	SL	SP	SL	LI	LS	SP	SP	35.4	-6.4
Financials	37	SL	SP	-26.7	24.7	66.7	-1.5	14.2	0.3	-2.6	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 23 February 2014, previous estimates as of 24 November 2013. FY14 forecasts collated based on constituent stocks after December 2013 revisions. (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	34,761	35,832	36,947	37,889
	Russell/Nomura Large Cap (ex financials)	295	11,144	13,464	22,701	18,302	20,556	28,474	28,776	30,659	31,036
	Manufacturing	179	3,885	6,376	13,404	11,132	12,917	18,130	18,520	19,308	19,735
	Basic materials	47	2,123	1,236	3,638	3,588	3,101	3,785	3,863	3,722	3,688
	Processing	81	-208	2,824	7,302	5,052	7,167	11,288	11,539	12,362	12,768
	Nonmanufacturing	153	3,206	11,223	13,079	12,037	13,604	16,631	17,312	17,639	18,154
	Nonmanufacturing (ex financials)	116	7,259	7,089	9,297	7,170	7,639	10,344	10,256	11,351	11,301
Broad sectors	Materials	47	2,123	1,236	3,638	3,588	3,101	3,785	3,863	3,722	3,688
	Machinery, autos	45	633	1,866	4,354	3,731	5,480	7,955	8,248	8,609	8,850
	Electronics	36	-841	958	2,948	1,321	1,687	3,332	3,292	3,753	3,918
	Consumer, distribution	88	4,405	4,504	5,556	5,869	5,829	6,776	6,842	6,884	6,969
	Information	22	2,396	2,667	2,758	2,783	3,039	3,645	3,681	3,695	3,823
	Utilities, infrastructure	57	2,428	2,234	3,447	1,010	1,419	2,980	2,850	3,996	3,788
	Financials	37	-4,053	4,134	3,781	4,867	5,965	6,287	7,056	6,289	6,854
Sectors	Chemicals	36	1,011	996	2,658	2,959	2,606	2,695	2,784	2,605	2,558
	Steel, nonferrous metals	11	1,112	240	979	629	495	1,090	1,080	1,117	1,130
	Machinery	24	967	564	1,406	1,472	1,416	1,707	1,776	1,972	2,033
	Autos	21	-334	1,302	2,948	2,260	4,064	6,248	6,472	6,637	6,817
	Electrical machinery, precision equipment	36	-841	958	2,948	1,321	1,687	3,332	3,292	3,753	3,918
	Pharmaceuticals, healthcare	21	1,048	1,278	1,209	1,215	1,170	1,335	1,374	1,419	1,416
	Food products	18	616	734	901	938	1,107	1,274	1,284	1,371	1,412
	Household goods	12	306	305	355	338	371	449	460	434	451
	Trading companies	8	1,491	1,048	1,626	1,993	1,706	1,954	2,000	1,963	2,014
	Retailing	20	702	831	1,105	1,071	1,110	1,325	1,299	1,290	1,279
	Services	9	241	309	361	313	364	440	426	407	397
	Software	8	443	562	324	148	173	374	379	397	450
	Media	6	138	166	235	239	227	229	227	220	220
	Telecommunications	8	1,816	1,939	2,199	2,396	2,639	3,042	3,076	3,078	3,152
	Construction, engineering	5	58	-5	95	123	122	151	139	140	138
	Housing, real estate	15	750	504	770	737	956	1,144	1,163	1,309	1,304
	Transportation	24	1,352	682	1,313	1,049	1,406	1,704	1,693	1,770	1,736
	Utilities	13	269	1,053	1,270	-898	-1,065	-17	-145	777	610
	Financials	37	-4,053	4,134	3,781	4,867	5,965	6,287	7,056	6,289	6,854

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 23 February 2014, previous estimates as of 24 November 2013. FY14 forecasts collated based on constituent stocks after December 2013 revisions.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY12 Q4–FY13 Q3)

		% y-y															
		Sales				Operating profits				Recurring profits				Net profits			
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Industrial groups	Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	25.4	50.0	57.7	35.0	32.9	99.1	127.1	31.9
	Russell/Nomura Large Cap (ex financials)	3.6	9.4	12.9	15.0	21.5	36.7	37.3	46.4	24.8	44.7	50.8	47.7	32.6	105.7	143.7	44.6
	Manufacturing	4.1	9.3	13.1	15.3	29.2	36.3	42.5	65.9	32.4	44.3	63.6	69.3	103.1	78.6	282.4	80.3
	Basic materials	6.0	9.6	16.8	14.0	25.7	77.3	43.5	33.9	25.7	79.2	51.2	31.5	8.7	639.7	321.3	11.4
	Processing	3.4	10.0	13.1	18.0	32.3	40.1	48.2	110.1	36.9	52.2	85.4	120.7	146.0	85.7	833.7	147.5
	Nonmanufacturing (ex financials)	-	-	-	-	-	-	-	-	17.6	55.1	52.6	9.9	-17.9	117.6	67.8	1.7
Broad sectors	Nonmanufacturing (ex financials)	2.9	9.5	12.6	14.7	4.4	37.3	30.1	20.9	8.3	45.2	34.8	19.3	SL	154.8	63.2	6.5
	Basic materials	6.0	9.6	16.8	14.0	25.7	77.3	43.5	33.9	25.7	79.2	51.2	31.5	8.7	639.7	321.3	11.4
	Machinery, autos	5.2	12.3	16.1	21.2	36.9	38.1	51.0	112.1	28.8	40.2	48.9	111.0	46.6	51.8	57.4	129.5
	Electronics	1.0	6.7	8.9	13.7	25.0	48.3	42.4	106.0	56.8	118.0	407.4	145.5	SP	9,412.8	SP	216.5
	Consumption, distribution	2.5	10.0	11.2	13.1	13.7	9.0	18.7	20.4	14.6	12.7	19.1	13.7	42.3	6.5	20.6	16.0
	Information	3.3	7.2	20.1	21.5	2.0	34.8	18.4	5.7	-3.1	40.6	19.5	5.9	-12.5	47.0	53.9	11.6
	Utilities, infrastructure	3.7	7.0	9.7	10.8	-10.4	72.5	53.6	37.2	SP	132.3	78.8	52.3	LI	SP	150.4	3.6
Sectors	Financials	-	-	-	-	-	-	-	-	27.4	68.2	92.1	-1.9	33.5	80.5	76.7	-5.0
	Chemicals	5.1	7.7	14.8	14.6	16.2	61.3	22.1	11.8	13.3	56.9	27.7	9.5	2.7	152.6	81.7	-7.0
	Steel, nonferrous metals	8.9	15.0	22.3	12.5	126.3	150.2	202.9	235.6	152.3	167.6	234.5	154.7	33.4	SP	SP	56.0
	Machinery	2.9	12.2	14.0	18.6	16.2	7.6	38.5	56.2	7.6	22.9	44.0	49.3	26.8	25.9	52.2	47.2
	Automobiles	5.9	12.4	16.7	21.8	45.9	48.1	55.0	135.1	38.6	45.3	50.3	140.3	54.0	59.0	58.7	168.6
	Electrical machinery, precision equipment	1.0	6.7	8.9	13.7	25.0	48.3	42.4	106.0	56.8	118.0	407.4	145.5	SP	9,412.8	SP	216.5
	Pharmaceuticals, healthcare	3.5	4.7	7.6	8.7	25.4	-11.0	25.2	33.2	32.8	-9.4	27.2	27.6	SP	-21.6	30.8	44.0
	Food products	3.5	4.0	5.3	5.0	20.7	8.9	26.8	2.1	28.2	8.4	31.6	3.4	58.2	5.7	40.9	6.0
	Household goods	2.6	13.7	11.8	8.3	-1.6	36.3	27.7	24.5	7.0	41.2	27.3	22.3	105.5	14.5	18.3	61.4
	Trading companies	1.1	12.5	13.8	18.0	12.9	25.6	13.9	52.0	9.5	27.1	14.1	20.0	-10.8	18.6	12.4	10.1
	Retailing	6.8	9.9	10.8	9.7	2.3	2.9	4.0	7.4	3.5	6.5	2.9	3.6	-5.6	8.5	6.2	-3.0
	Services	0.5	3.7	3.2	3.3	56.1	33.2	16.6	5.3	49.9	42.0	14.9	2.3	SP	55.6	11.1	5.1
	Software	7.5	7.6	3.4	9.2	9.9	46.4	-26.2	62.9	-12.7	305.5	-10.1	23.6	117.8	315.5	1.7	10.3
	Media	0.7	5.6	11.5	8.8	2.3	-34.6	35.8	-6.1	-25.8	-38.4	51.1	-2.1	-54.9	-60.2	72.4	-4.5
	Telecommunications	3.5	7.5	23.9	26.3	1.7	39.3	19.2	1.8	1.1	40.1	19.1	3.8	-8.9	48.8	56.0	13.8
	Construction, engineering	7.7	7.2	7.9	4.3	-58.1	-13.4	2.2	15.8	-50.6	27.0	-1.2	13.4	113.6	87.6	44.4	-2.9
	Housing, real estate	7.2	12.1	12.4	17.7	12.9	38.7	21.1	34.7	26.7	57.4	24.5	39.8	55.1	89.5	54.5	31.9
	Transportation	3.5	4.9	6.9	8.5	11.2	7.0	6.2	9.7	35.7	12.1	12.5	15.3	LI	32.4	16.7	31.2
	Utilities	0.5	6.4	11.2	10.7	LI	LS	SP	SP	LI	LS	SP	LS	LI	SP	SP	-74.4
	Financials	-	-	-	-	-	-	-	-	27.4	68.2	92.1	-1.9	33.5	80.5	76.7	-5.0

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 23 February 2014. (3) Excludes consolidated subsidiaries. (4) SP = switch to profits; SL = switch to losses; LS = losses shrinking; LI = losses increasing.

Source: Nomura

Fig. 13: Valuation indicators

		P/E		P/CF		P/B		Dividend yield		ROE		
		FY13E	FY14E	FY13E	FY14E	FY12	FY13E	FY13E	FY14E	FY12	FY13E	FY14E
		x	x	x	x	x	x	%	%	%	%	%
Industrial groups	R/N Large Cap	15.1	14.2	-	-	1.44	1.33	1.86	2.04	5.9	9.2	9.1
	R/N Large Cap (ex loss-making cos)	14.5	13.9	-	-	1.51	1.34	1.88	2.09	8.2	9.6	9.1
	R/N Large Cap (ex financials)	16.2	14.9	7.7	7.3	1.59	1.46	1.82	2.02	5.3	9.4	9.6
	Manufacturing	16.3	14.9	8.7	8.2	1.64	1.50	1.89	2.14	5.4	9.6	9.8
	Basic materials	14.7	13.7	6.1	5.8	1.09	1.01	1.87	2.03	3.8	7.2	7.3
	Processing	15.5	13.8	8.5	7.8	1.73	1.55	1.83	2.09	5.1	10.5	10.8
	Nonmanufacturing	13.8	13.4	-	-	1.25	1.17	1.82	1.93	6.4	8.8	8.5
	Nonmanufacturing (ex financials)	16.1	15.0	6.5	6.1	1.51	1.41	1.70	1.82	5.1	9.1	9.1
Broad sectors	Basic materials	14.7	13.7	6.1	5.8	1.09	1.01	1.87	2.03	3.8	7.2	7.3
	Machinery, autos	13.1	12.4	8.3	7.8	1.76	1.55	2.02	2.32	8.9	12.6	12.0
	Electronics	23.0	17.6	9.0	7.9	1.68	1.54	1.48	1.65	-1.2	7.0	8.5
	Consumption, distribution	16.2	15.4	10.0	9.7	1.65	1.54	2.19	2.39	9.4	9.9	9.8
	Information	17.5	16.2	6.0	5.6	1.88	1.74	1.62	1.74	8.9	10.3	10.5
	Utilities, infrastructure	19.0	17.8	6.1	6.0	1.47	1.39	1.28	1.42	-0.8	7.6	7.6
	Financials	10.4	10.8	-	-	0.90	0.83	2.10	2.19	8.2	8.2	7.6
Sectors	Chemicals	15.8	14.6	6.6	6.2	1.10	1.04	1.97	2.05	4.8	6.8	7.1
	Steel, nonferrous metals	12.7	12.0	5.2	5.0	1.06	0.96	1.65	1.98	1.4	7.9	7.8
	Machinery	20.1	18.1	12.4	11.2	2.00	1.83	1.36	1.49	7.8	9.5	9.7
	Automobiles	11.4	10.9	7.2	6.9	1.67	1.45	2.31	2.70	9.3	13.6	12.8
	Electrical machinery, precision equipment	23.0	17.6	9.0	7.9	1.68	1.54	1.48	1.65	-1.2	7.0	8.5
	Pharmaceuticals, healthcare	22.7	23.4	15.6	16.0	1.99	1.89	2.27	2.42	8.5	8.5	8.0
	Food products	18.5	17.5	10.9	10.8	2.15	2.02	2.06	2.52	10.1	11.3	11.7
	Household goods	24.6	20.8	13.4	12.1	2.28	2.04	1.47	1.56	7.5	8.6	10.2
	Trading companies	7.3	6.9	5.0	4.8	0.91	0.80	3.30	3.61	11.3	11.7	11.1
	Retailing	21.0	20.0	11.1	10.6	1.92	1.76	1.49	1.59	8.5	8.7	9.0
	Services	25.1	23.2	12.1	11.1	1.61	1.73	2.46	1.89	6.5	7.1	6.5
	Software	21.8	18.7	16.0	14.3	2.06	1.99	2.02	1.99	5.5	9.5	10.5
	Media	26.5	21.1	17.8	15.3	1.44	1.40	1.39	1.41	6.6	5.4	6.5
	Telecommunications	16.1	15.3	4.9	4.6	1.92	1.75	1.56	1.73	9.9	11.3	11.1
	Construction	25.6	22.6	15.2	13.9	1.26	1.24	1.29	1.26	4.8	4.9	5.3
	Housing, real estate	24.6	20.5	15.2	13.5	2.23	1.99	1.18	1.24	7.0	8.5	9.3
	Transportation	15.7	15.0	5.8	5.5	1.42	1.35	1.44	1.45	6.1	8.9	8.6
	Utilities	17.6	18.8	2.8	2.9	0.96	0.92	1.15	1.76	-15.9	5.3	4.8
	Financials	10.4	10.8	-	-	0.90	0.83	2.10	2.19	8.2	8.2	7.6
	R/N Small Cap	15.9	15.2	-	-	1.16	1.07	1.84	2.12	4.4	6.9	7.1
R/N Small Cap (ex financials)	17.0	15.9	8.2	8.1	1.26	1.14	1.80	2.12	4.2	6.9	7.3	

Note: (1) Estimates as of 23 February 2014. Share prices are as of 21 February 2014 close.

Source: Nomura

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*1,*2 As of 1 April 2014, a consumption tax rate of 8% will be applied, making the above-mentioned rates and fees as follows: *1: 1.404%, *2: ¥2,808.

Transactions involving Japanese equities (including Japanese REITs, Japanese ETFs, and Japanese ETNs) are subject to a sales commission of up to 1.365%*1 (1.3%) of the transaction amount (or a commission of ¥2,730*2 (¥2,600) for transactions of ¥200,000 or less). When Japanese 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. Japanese equities carry

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Transactions involving foreign equities are subject to a domestic sales commission of up to 0.9975%^{*3} (0.95%) 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^{*4} (¥7,100)). Local fees and taxes in foreign financial instruments markets vary by country/territory. When foreign equities are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Foreign equities carry the risk of losses owing to factors such as price fluctuations and foreign exchange rate fluctuations.

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Transactions involving convertible bonds are subject to a sales commission of up to 1.05%^{*5} (1%) of the transaction amount (or a commission of ¥4,200^{*6} (¥4,000) if this would be less than ¥4,200^{*6}). When convertible bonds are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Convertible bonds carry the risk of losses owing to factors such as interest rate fluctuations and price fluctuations in the underlying stock. In addition, convertible bonds denominated in foreign currencies also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

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

When Japanese government bonds (JGBs) for individual investors are purchased via public offerings, only the purchase price shall be paid, with no sales commission charged. As a rule, JGBs for individual investors may not be sold in the first 12 months after issuance. When JGBs for individual investors are sold before maturity, an amount calculated via the following formula will be subtracted from the par value of the bond plus accrued interest: (1) for 10-year variable rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used, (2) for 5-year and 3-year fixed rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used. When inflation-indexed JGBs are purchased via public offerings, secondary distributions (uridashi deals), or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Inflation-indexed JGBs carry the risk of losses, as prices fluctuate in line with changes in market interest rates and fluctuations in the nationwide consumer price index.

Purchases of investment trusts (and sales of some investment trusts) are subject to a purchase or sales fee of up to 5.25%^{*7} (5%) 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%^{*7} (5%, 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.

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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^{*8} (¥10,000) per issue transferred depending on volume.

^{*1,*2,*3,*4,*5,*6,*7,*8} As of 1 April 2014, a consumption tax rate of 8% will be applied, making the above-mentioned rates and fees as follows: ^{*1}: 1.404%, ^{*2}: ¥2,808, ^{*3}: 1.026%, ^{*4}: ¥7,668, ^{*5}: 1.08%, ^{*6}: ¥4,320, ^{*7}: 5.4%, ^{*8}: ¥10,800.

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