

Outlook for FY14–15 corporate earnings

Quarterly Update

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Equity Research Dept

Nomura Securities Co Ltd, Tokyo

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Summary and major assumptions

Overview of FY13 corporate earnings

In this report, we collate earnings forecast data issued by our analysts, and then analyze that data. In FY13, sales at companies in the Russell/Nomura Large Cap Index (ex financials) rose 12.5% y-y, and recurring profits increased 39.7%. Over the full year USD/JPY was 100.2 and EUR/JPY 134.4 (versus our previous assumptions of 100.2 and 134.2, respectively). Compared with our forecasts (published in March 2014, based on data collated on 23 February 2014), sales growth was 0.8ppt higher and recurring profit growth 0.7ppt higher. In absolute terms, the overshoot for recurring profits was not particularly large, at ¥217.8bn. Adjusted to exclude the utility sector, which returned to profit at the recurring profit level for the first time in three years, FY13 recurring profits were up 32.7% y-y (slightly less than our adjusted-basis forecast of 32.9%). Recurring profit growth of 39.7% is the highest since FY10 (in the wake of the collapse of Lehman Brothers), while sales growth of 12.5% is the highest since the 15.1% recorded in FY88 during the asset boom of the 1980s.

In FY13 Q4, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) rose 16.9% y-y. After bottoming at -31.0% y-y in FY11 Q3, recurring profit growth rose sharply to 50.8% in FY13 Q2. Since then, however, the rate of growth has declined (to 47.7% in Q3 and 16.9% in Q4), an indication that it may gradually be returning to a more normal level.

Overview of the FY14 corporate earnings outlook

For FY14, our analysts look for growth in sales of 3.9% y-y and in recurring profits of 7.6% for companies in the Russell/Nomura Large Cap Index (ex financials). For full-year FY14, we assume a USD/JPY rate of 103 and a EUR/JPY rate of 140, unchanged from our previous assumptions. For FY14 we do not expect any major moves in exchange rates and see both sales growth and recurring profit growth returning to a more normal level. These figures represent an upward revision of 0.2ppt for growth in sales but a 3.4ppt downward revision for growth in recurring profits versus our previous estimates. The downward revision of our absolute recurring profit forecast by ¥742.1bn is the first downward revision in two quarters. Excluding utilities, we have lowered our recurring profit forecast from growth of 8.2% to 6.7%, a downward revision of 1.5ppt.

The previous peak in recurring profits, net profits, and total dividend payments for companies in the Russell/Nomura Large Cap Index was in FY07. Each of these records was broken in FY13. Rebased to FY07 = 100, the level for FY13 was 103 for recurring profits, 113 for net profits, and 111 for total dividend payments. ROE rose to 8.9% in FY13 from 5.9% in FY12, but we expect it to remain at 8.9% in FY14. Our previous forecast for ROE in FY13 was 9.2%. However, it failed to reach 9%, mainly as a result of an increase in shareholders' equity. With investors showing more interest in Japanese companies' ROE than they have done for a long time and the prospect of another record year for profits in FY14, there is increasing interest in what measures companies will take to improve their ROE.

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

(% y-y, except where noted)

		No. of cos	New				Old	
			FY12	FY13	FY14E	FY15E	FY13E	FY14E
Sales	Russell/Nomura Large Cap (ex financials)	254	2.7	12.5	3.9	2.7	11.7	3.7
	Manufacturing	153	3.0	12.3	3.3	2.9	11.3	3.6
	Basic materials	38	-0.5	13.2	1.7	1.4	10.8	3.1
	Processing	72	4.8	13.2	3.5	4.0	12.6	3.6
	Nonmanufacturing (ex financials)	101	2.2	12.7	4.7	2.5	12.2	3.8
	Russell/Nomura Small Cap (ex financials)	985	2.5	9.3	3.0	2.4	7.9	3.9
Operating profits	Russell/Nomura Large Cap (ex financials)	254	4.5	34.3	10.0	11.1	35.8	11.7
	Manufacturing	153	7.5	37.1	10.5	10.6	38.8	10.2
	Basic materials	38	-22.6	35.6	2.5	14.1	35.8	3.5
	Processing	72	29.1	44.4	13.5	10.8	48.0	12.9
	Nonmanufacturing (ex financials)	101	-0.4	29.6	9.2	12.0	30.9	14.4
	Russell/Nomura Small Cap (ex financials)	985	-2.1	28.4	10.2	8.2	26.2	12.5
Recurring profits	Russell/Nomura Large Cap	287	12.8	37.4	4.0	10.8	34.3	8.4
	Russell/Nomura Large Cap (ex financials)	254	7.7	39.7	7.6	12.0	39.0	11.0
	Manufacturing	153	10.3	43.3	8.7	11.6	44.7	9.5
	Basic materials	38	-19.2	33.5	-0.6	13.7	31.2	2.8
	Processing	72	36.4	58.2	12.1	12.3	61.7	12.1
	Nonmanufacturing	134	15.2	31.9	-0.7	10.0	24.8	7.2
	Nonmanufacturing (ex financials)	101	3.5	34.0	5.7	12.9	29.8	13.6
	Russell/Nomura Small Cap	1,082	3.9	29.7	2.7	7.3	23.9	7.7
	Russell/Nomura Small Cap (ex financials)	985	4.5	27.3	5.1	8.2	21.9	9.8
Net profits	Russell/Nomura Large Cap	287	36.3	62.7	6.2	10.0	64.8	6.3
	Russell/Nomura Large Cap (ex financials)	254	26.7	79.8	9.2	11.1	84.8	8.5
	Manufacturing	153	30.8	80.9	11.6	11.3	86.5	9.7
	Basic materials	38	-30.8	85.9	3.1	13.6	83.0	7.9
	Processing	72	77.5	116.1	14.6	12.1	124.6	11.4
	Nonmanufacturing	134	41.0	48.2	1.1	8.7	47.4	2.8
	Nonmanufacturing (ex financials)	101	20.4	78.1	5.4	10.8	82.1	6.4
		Russell/Nomura Small Cap	1,082	2.0	74.2	4.5	7.0	69.0
	Russell/Nomura Small Cap (ex financials)	985	-2.0	80.6	8.0	8.0	75.9	8.6

Note: Latest estimates as of 25 May 2014. Previous estimates as of 23 February 2014.

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	
	FY13		3.0 (est)	0-0.10	99.0	100.2	134.4	
		Old est	3.2	0-0.10	97.4	100.2	134.2	
	FY14E	New	3.6	0-0.10	100.0	103.0	140.0	
		Old	4.1	0-0.10	92.0	103.0	140.0	
	FY15E	New	4.2	0-0.10	100.0	103.0	140.0	
Semiannual	FY13	H1	-0.4	0-0.10	100.0	98.8	130.0	
	FY13	H2	6.5 (est)	0-0.10	98.1	101.6	138.8	
		Old	6.9	0-0.10	94.7	101.7	138.4	
	FY14E	H1	New	4.3	0-0.10	100.0	103.0	140.0
		Old	5.0	0-0.10	92.0	103.0	140.0	
		H2	New	2.9	0-0.10	100.0	103.0	140.0
		Old	3.3	0-0.10	92.0	103.0	140.0	
	FY15E	H1	New	4.7	0-0.10	100.0	103.0	140.0
		H2	New	3.6	0-0.10	100.0	103.0	140.0

Note: Macroeconomic assumptions as of 8 April 2014. Previous assumptions as of 16 January 2014. 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 FY13 corporate earnings

In FY13, all 19 sectors saw either increased recurring profits or a return to profit at the recurring profit level. The largest contributions to growth were from automobiles, financials, electrical machinery & precision equipment, and utilities. The yen's depreciation from a USD/JPY rate of 83.1 in FY12 to 100.2 in FY13 greatly benefited sectors whose earnings tend to be boosted by a weaker yen. Corporate earnings across the board, whether in domestic demand-related or export-related sectors, also benefited from increased public works investment and the wealth effect created by higher share prices. This is only the second time (since FY96) that all sectors have seen an increase in recurring profits, showing just how widespread the benefits of Abenomics have been.

The automobile sector has much higher forex sensitivity than other sectors, and earnings have been boosted significantly by the yen's depreciation since FY12. However, the sector also benefited from strong demand in Japan and the US, reflecting a 4.5% increase in global demand to 84.6mn vehicles. In the financial sector, benefits from a reflationary environment were spread widely across subsectors. In the electrical machinery & precision equipment sector, earnings improvement in the consumer electronics subsector accounted for nearly half of the contribution to profit growth, with the next-biggest contribution coming from industrial electronics. For a long time consumer electronics suffered from a decline in their former competitiveness in mainstay products, but the sector has returned to profit for the first time in three years. In industrial electronics, profits were boosted by an upturn in NAND flash memory prices and gradual improvements as a result of structural reforms in the system-on-chip (SoC), analog semiconductor, microcontroller, and TV businesses. The factory automation system business has also continued to recover. The utility sector as a whole returned to profit as a result of higher electricity charges, cost cutting, and the deferment of repair costs, and despite delays in the resumption of operation of nuclear power plants. However, the electric power subsector remained in the red for the third successive year.

Overview of the FY14 corporate earnings outlook

For FY14, we forecast that recurring profits will increase in 14 of the 19 sectors and decline in five. Sectors from which we expect substantial contributions to overall profit growth are electrical machinery & precision equipment, automobiles, utilities, and machinery. As we assume the yen will weaken from a USD/JPY rate of 100.2 in FY13 to 103.0 in FY14, we see a slightly positive impact on earnings in general and those of export-related sectors in particular.

We expect the industrial electronics subsector to contribute even more to profit growth in the electrical machinery & precision equipment sector. We think business segments in which industrial electronics companies have strengthened their presence—chiefly IT services, social infrastructure, factory automation systems, and automotive equipment—will make a significant contribution to profit growth. We also expect to see significant benefits from the restructuring of technology businesses. We think profit growth in the automobile sector will slow significantly compared with FY13, however, as a result of the disappearance of the boost from the weaker yen, declining business confidence in some emerging markets, a reactive decline in Japanese demand following the consumption tax increase, and higher labor costs. Nonetheless, we expect global demand to increase by 2.3% to 86.6mn vehicles in 2014. While we expect new auto sales in Japan to decline 1.2% to 5.3mn vehicles, global demand is likely to be bolstered by a 2.6% increase in US new auto sales to 16.0mn vehicles and a 10.4% increase in Chinese new auto sales to 24.3mn vehicles. We expect the utility sector to contribute even less than in recent years to overall profit growth. This is because, although nuclear power plants are expected to resume operation later this year, the nuclear power capacity factor is likely to remain low for the third successive year.

In contrast, we expect a negative contribution from the financial and chemical sectors. In the case of financials, the fact that equity-related income was a major positive in FY13 is likely to make it more difficult for the sector to increase its profits in FY14, while, in the case of chemicals, we expect a large impact from the dropping out of one-time factors, such as inventory valuation gains and 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

FY13				FY14E			
Increase in profit			(%)	Increase in profit			(%)
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
19 sectors				14 sectors			
Automobiles	53.0	21.5	26.0	Electrical machinery, precision equipment	17.9	40.3	26.8
Financials	29.3	17.5	-	Automobiles	9.3	39.8	26.5
Electrical machinery, precision equipment	92.9	15.6	19.0	Utilities	706.7	18.4	12.2
Utilities	SP	11.0	13.4	Machinery	11.2	14.6	9.7
Steel, nonferrous metals	119.5	5.9	7.1	Software	54.4	10.2	6.8
Telecommunications	16.8	4.5	5.5	Food	8.9	8.0	5.3
Machinery	31.9	4.5	5.4	Trading companies	4.2	6.0	4.0
Trading companies	25.9	4.2	5.1	Pharmaceuticals, healthcare	6.2	5.8	3.8
Chemicals	16.3	4.0	4.8	Telecommunications	1.7	3.7	2.5
Housing, real estate	29.5	2.9	3.5	Retailing	4.6	3.7	2.4
Transportation	15.1	2.4	2.9	Steel, nonferrous metals	4.4	3.2	2.1
Pharmaceuticals, healthcare	14.0	1.6	2.0	Household goods	7.8	2.3	1.5
Food	13.0	1.5	1.8	Transportation	0.3	0.4	0.3
Household goods	20.3	0.8	1.0	Media	0.7	0.1	0.1
Retailing	5.6	0.7	0.8				
Services	12.8	0.5	0.6				
Construction	25.3	0.4	0.4				
Software	14.9	0.3	0.4				
Media	10.8	0.2	0.3				
Decrease in profit (%)				Decrease in profit (%)			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
0 sector	-	-	-	5 sectors			
				Housing, real estate	-0.1	-0.1	-0.1
				Construction	-2.7	-0.3	-0.2
				Services	-3.2	-0.9	-0.6
				Chemicals	-2.5	-4.6	-3.1
				Financials	-9.4	-50.3	-
FY15E							
Increase in profit			(%)				
	Growth	Contribution	Contribution (ex financials)				
19 sectors							
Automobiles	10.4	17.1	18.9				
Electrical machinery, precision equipment	17.0	15.9	17.6				
Utilities	175.1	13.0	14.3				
Telecommunications	13.0	10.0	11.1				
Financials	5.6	9.6	-				
Chemicals	13.7	8.7	9.6				
Machinery	10.0	5.1	5.7				
Steel, nonferrous metals	13.8	3.6	4.0				
Transportation	7.0	3.1	3.4				
Retailing	8.5	2.5	2.8				
Pharmaceuticals, healthcare	6.6	2.3	2.5				
Housing, real estate	7.0	2.2	2.5				
Trading companies	3.9	2.0	2.2				
Food	5.7	2.0	2.2				
Construction	25.8	1.0	1.1				
Household goods	6.9	0.8	0.9				
Media	8.9	0.5	0.5				
Services	4.8	0.5	0.5				
Software	1.3	0.1	0.1				
Decrease in profit							
	Growth	Contribution	Contribution (ex financials)				
0 sector	-	-	-				

Note: SP = switch to profit.

Source: Nomura

Revisions to recurring profit estimates (versus old estimates)

Overview of FY13 corporate earnings

FY13 recurring profits exceeded our forecasts in 14 of the 19 sectors and fell short in five.

Sectors in which profits were substantially higher than our estimates included financials, utilities, transportation, and housing & real estate. In absolute terms the financial sector came further ahead of our recurring profit forecasts than any other sector. In the insurance subsector, payouts related to natural disasters as a result of heavy snowfalls in February were higher than expected. However, megabanks, trust banks, and regional banks saw a large decline in credit costs. The main reason the transportation sector did better than we forecast was that repair costs in the land transportation subsector were not as high as we expected; in the utility sector the main reason was that companies actively cut or deferred repair and other costs as the end of the fiscal year approached; and in the housing & real estate sector the main reasons were that vacancy rates continued to improve while companies also recorded gains on the sale of real estate. More generally, sectors that were well on their way to achieving their FY13 earnings targets by the end of Q3 tended to end the fiscal year ahead of where we expected.

Sectors in which recurring profits were substantially lower than we had forecast included automobiles, software, and pharmaceuticals & healthcare. The main reasons in the case of the automobile sector were increased quality control costs in Japan and the US, and lower production as a result of the cold spell in the US. The software sector was hit by a slump in sales of console-style game machines in the amusement subsector. In the case of the pharmaceutical & healthcare sector, the reasons were changes in accounting methods and the payment of one-time contract fees by some companies, but results were not far short of our forecasts.

Overview of the FY14 corporate earnings outlook

We have raised our FY14 forecasts for seven of 19 sectors and lowered them for 12. Our forex assumptions for FY14 are unchanged, and forex has not been a factor in revising our forecasts.

The largest upward revisions have been to our forecasts for trading companies, financials, transportation, and machinery. In the case of trading companies, temporary gains as a result of a reshuffling of assets have been a major consideration for some companies. We have not assumed any rise in commodity prices. In the case of the financial sector, we expect credit costs to decline as in FY13. In the case of the transportation sector, we have raised our forecasts to reflect strong shinkansen revenue growth in the land transportation subsector and good passenger numbers on international flights in the air transportation subsector. In the machinery sector, we have raised our forecasts for robots & pneumatic machinery, other industrial machinery, and shipbuilding & heavy machinery. Machine tools have also been doing well, with growing signs of a recovery in Europe as well as strong demand in Japan and the US. We also see signs of a pick-up in the demand for general machinery and automobiles in China. We also think subsidies for Japanese manufacturing companies in the FY13 supplementary budget are likely to boost orders from June or July.

On the other hand, we have made large downward revisions to our FY14 recurring profit estimates for the utilities, automobiles, electrical machinery & precision equipment, and retailing sectors. We have lowered our forecast for the utility sector, even though we expect it to continue to cut or defer repair and other costs, to reflect a government cap on increases in electricity charges as well as the reduced prospects for a resumption of operation at nuclear power plants we factored into our previous forecast. In the case of the automobile sector, there were a number of factors, including tougher competition in the US sedan market, a delayed recovery in sales and the lingering impact of currency depreciation in some emerging markets. We have lowered our forecasts for all subsectors of the electrical machinery & precision equipment sector. Our downward revisions were large for the consumer electronics subsector, where restructuring is incomplete, and the semiconductor manufacturing equipment subsector, where we see growing signs of a slowdown in order receipts. However, our analysts have raised their forecasts for some companies. We have lowered our forecasts for all subsectors of the retailing sector. This reflects increased costs (eg, personnel and sales promotion costs) as well as a deterioration in gross margin as a result of the yen's depreciation. While we are concerned about the impact of a reactive decline following the consumption tax increase, it will be interesting to see whether companies can reverse declines in their margins by pursuing existing strategies.

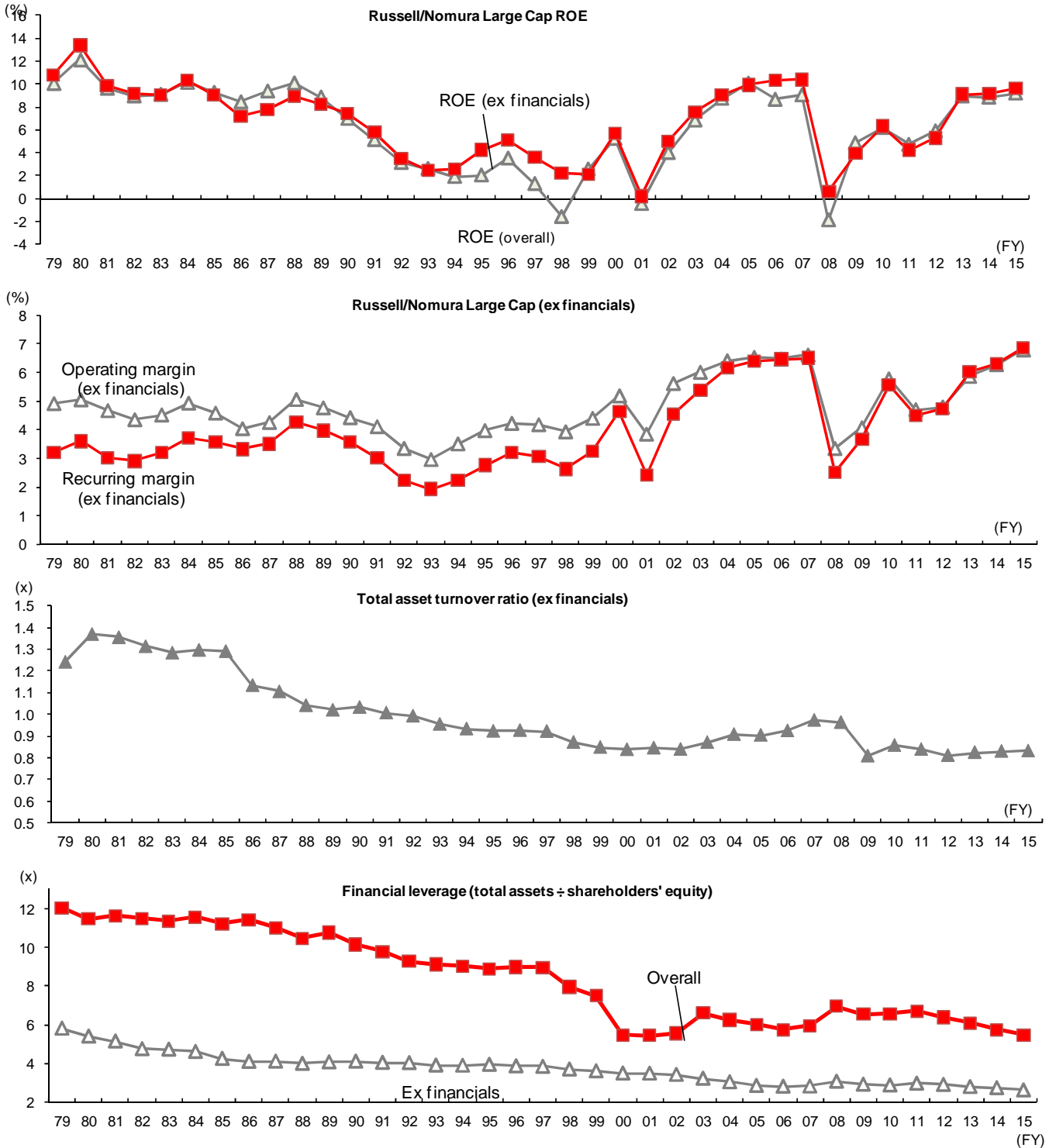
Fig. 4: Revisions to recurring profit estimates (versus old estimates) for the Russell/Nomura Large Cap Index

FY13					FY14E				
[Upward revisions] 14 sectors					[Upward revisions] 7 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Financials	7,714	7,056	658	9.3	Trading companies	2,093	2,014	79	3.9
Utilities	37	-145	182	N/M	Financials	6,923	6,854	70	1.0
Transportation	1,799	1,693	106	6.3	Transportation	1,784	1,736	48	2.8
Housing, real estate	1,264	1,163	101	8.7	Machinery	2,072	2,033	39	1.9
Machinery	1,855	1,776	79	4.4	Construction	149	138	11	8.0
Telecommunications	3,150	3,076	74	2.4	Household goods	458	451	7	1.6
Chemicals	2,851	2,784	67	2.4	Chemicals	2,563	2,558	5	0.2
Construction	181	139	42	30.4					
Trading companies	2,026	2,000	26	1.3	[Downward revisions] 12 sectors				
Media	251	227	24	10.6		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Food	1,306	1,284	22	1.7	Services	396	397	-1	-0.3
Household goods	477	460	17	3.8	Housing, real estate	1,301	1,304	-3	-0.2
Services	441	426	16	3.7	Media	217	220	-3	-1.4
Steel, nonferrous metals	1,080	1,080	0	0.0	Food	1,392	1,412	-19	-1.4
[Downward revisions] 5 sectors					Pharmaceuticals, healthcare	1,396	1,416	-20	-1.4
	New ¥bn	Old ¥bn	Revision ¥bn	Change %	Software	412	450	-38	-8.4
Retailing	1,277	1,299	-21	-1.7	Telecommunications	3,101	3,152	-51	-1.6
Electrical machinery, precision equipment	3,243	3,292	-48	-1.5	Steel, nonferrous metals	1,067	1,130	-64	-5.6
Pharmaceuticals, healthcare	1,314	1,374	-60	-4.4	Retailing	1,187	1,279	-92	-7.2
Software	245	379	-134	-35.4	Electrical machinery, precision equipment	3,772	3,918	-146	-3.7
Automobiles	6,197	6,472	-275	-4.2	Automobiles	6,634	6,817	-183	-2.7
					Utilities	299	610	-311	-51.0

Note: Latest estimates as of 25 May 2014, previous estimates as of 23 February 2014.

Source: Nomura

Fig. 5: Breakdown of factors affecting ROE

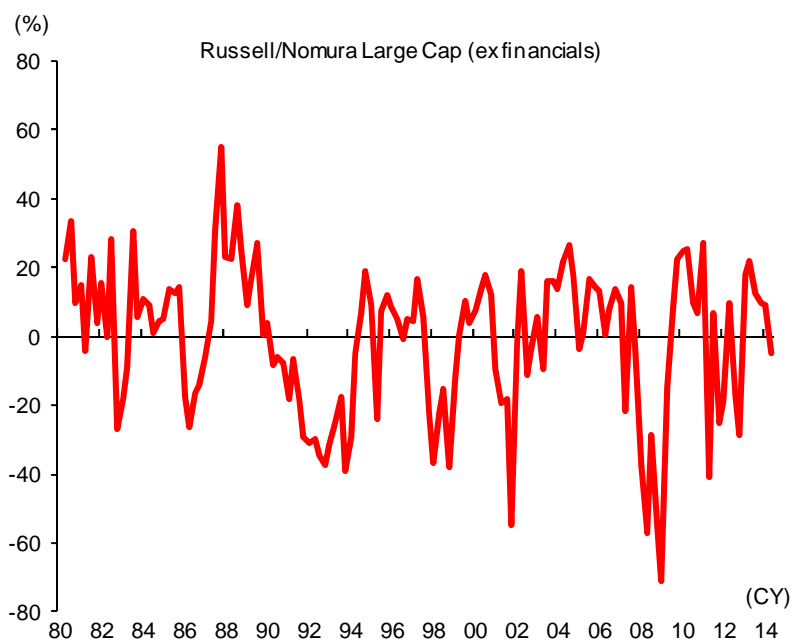


Note: Figures for FY14 onward are estimates. As of 25 May 2014.

Source: Nomura

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

(yy/m)	12/12	13/3	13/6	13/9	13/12	14/3	14/6
Russell/Nomura Large Cap	-25.0	19.2	25.3	14.5	10.5	15.0	-0.3
Russell/Nomura Large Cap (ex financials)	-28.5	17.6	21.7	12.5	9.8	9.4	-4.7
Manufacturing	-41.2	23.5	20.1	23.5	6.1	14.4	-2.6
Basic materials	-61.1	31.9	25.5	38.3	6.4	-15.8	-15.8
Processing	-41.4	30.9	29.6	16.0	13.6	40.3	5.6
Nonmanufacturing (ex financials)	-6.5	8.5	24.1	-4.3	15.5	2.0	-7.9



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	FY09	FY10	FY11	FY12	FY13 Old	FY13 New	FY14E Old	FY14E New	FY15E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	254	-13.0	6.1	1.4	2.7	11.7	12.5	3.7	3.9	2.7
	Manufacturing	153	-11.8	7.0	0.2	3.0	11.3	12.3	3.6	3.3	2.9
	Basic materials	38	-20.8	13.2	4.8	-0.5	10.8	13.2	3.1	1.7	1.4
	Processing	72	-10.7	6.3	-2.0	4.8	12.6	13.2	3.6	3.5	4.0
	Nonmanufacturing (ex financials)	101	-14.4	4.9	3.0	2.2	12.2	12.7	3.8	4.7	2.5
Broad sectors	Materials	38	-20.8	13.2	4.8	-0.5	10.8	13.2	3.1	1.7	1.4
	Machinery, autos	42	-13.0	7.4	-0.1	10.0	15.5	15.4	4.6	4.8	4.7
	Electronics	30	-8.0	5.2	-4.3	-1.6	8.6	10.1	2.2	1.7	2.9
	Consumer, distribution	71	-14.9	5.7	3.3	0.8	10.9	11.2	3.5	3.7	2.5
	Information	18	-3.5	0.4	1.5	3.4	22.2	20.1	7.0	11.2	2.2
	Utilities, infrastructure	55	-11.0	2.5	2.2	5.3	7.9	10.0	3.4	4.0	1.5
Sectors	Chemicals	30	-19.5	13.0	6.5	0.8	9.2	12.5	3.4	1.8	2.0
	Steel, nonferrous metals	8	-23.1	13.6	0.7	-4.3	15.2	15.1	2.5	1.5	-0.0
	Machinery	24	-16.2	8.3	5.0	2.2	14.4	15.4	7.1	7.6	5.2
	Autos	18	-12.1	7.1	-1.6	12.5	15.8	15.5	3.9	4.0	4.5
	Electrical machinery, precision equipment	30	-8.0	5.2	-4.3	-1.6	8.6	10.1	2.2	1.7	2.9
	Pharmaceuticals, healthcare	21	3.6	1.1	3.0	2.0	6.8	7.8	2.3	1.6	0.8
	Food products	13	-6.5	0.7	-0.9	3.3	5.3	5.4	7.4	7.3	-0.8
	Household goods	9	-5.8	1.8	2.9	4.4	9.1	9.9	4.3	8.0	2.2
	Trading companies	7	-23.4	10.2	6.1	-1.0	13.7	14.0	2.7	2.9	3.1
	Retailing	14	-3.7	1.8	-2.5	3.7	10.6	10.0	5.4	6.1	3.6
	Services	7	-3.5	0.1	-2.4	1.5	3.2	3.5	0.7	0.8	1.8
	Software	7	-14.0	-17.6	-14.9	-4.0	23.3	3.6	4.1	23.0	2.0
	Media	5	-5.7	4.5	1.9	4.8	10.0	10.5	4.5	4.1	3.7
	Telecommunications	6	-0.9	2.4	3.5	3.8	24.8	24.4	7.8	11.0	2.0
	Construction, engineering	4	-16.1	-16.0	7.7	7.5	4.5	6.8	0.7	0.8	1.6
	Housing, real estate	16	-3.6	5.4	2.7	6.1	12.1	14.5	6.5	8.0	2.2
	Transportation	22	-12.0	3.4	-0.7	3.4	6.0	7.2	2.0	1.8	1.7
Utilities	13	-11.9	5.9	3.4	5.9	8.3	11.0	3.4	4.3	0.8	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 May 2014, previous estimates as of 23 February 2014.

Source: Nomura

Fig. 8: Percentage change in operating profits by sector

(% y-y, except where noted)

		No. of cos	FY09	FY10	FY11	FY12	FY13E Old	FY13 New	FY14E Old	FY14E New	FY15E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	254	-6.2	49.8	-18.6	4.5	35.8	34.3	11.7	10.0	11.1
	Manufacturing	153	8.0	74.3	-14.2	7.5	38.8	37.1	10.2	10.5	10.6
	Basic materials	38	-47.8	101.5	-9.8	-22.6	35.8	35.6	3.5	2.5	14.1
	Processing	72	117.4	110.6	-20.6	29.1	48.0	44.4	12.9	13.5	10.8
	Nonmanufacturing (ex financials)	101	-16.4	25.7	-24.6	-0.4	30.9	29.6	14.4	9.2	12.0
Broad sectors	Materials	38	-47.8	101.5	-9.8	-22.6	35.8	35.6	3.5	2.5	14.1
	Machinery, autos	42	110.6	106.5	-10.9	42.9	50.3	46.2	9.2	10.0	10.2
	Electronics	30	126.5	116.1	-32.7	6.7	43.0	40.3	21.5	21.4	12.1
	Consumer, distribution	71	-19.4	17.5	0.8	-6.4	15.6	14.7	8.3	8.1	6.3
	Information	18	-2.6	6.3	-3.7	4.3	25.5	15.2	6.7	10.0	9.3
	Utilities, infrastructure	55	-10.3	35.2	-57.7	10.4	55.2	69.1	26.6	9.5	18.0
Sectors	Chemicals	30	-31.0	94.5	-1.1	-21.3	17.5	16.7	-2.1	-1.4	14.3
	Steel, nonferrous metals	8	-71.8	125.0	-37.1	-30.2	148.3	151.9	19.5	13.4	13.7
	Machinery	24	-42.0	124.8	6.1	-7.9	26.6	30.4	16.0	13.3	10.0
	Autos	18	SP	98.0	-19.8	77.2	58.5	51.7	7.2	9.0	10.3
	Electrical machinery, precision equipment	30	126.5	116.1	-32.7	6.7	43.0	40.3	21.5	21.4	12.1
	Pharmaceuticals, healthcare	21	13.3	-8.7	-7.6	-6.9	18.6	20.5	2.1	7.5	6.2
	Food products	13	-7.8	11.5	4.1	9.0	10.4	11.6	12.4	9.6	5.0
	Household goods	9	-0.9	12.1	0.5	-2.3	19.0	23.3	9.8	8.6	6.6
	Trading companies	7	-58.1	69.7	6.3	-24.8	25.1	18.7	9.4	10.7	6.0
	Retailing	14	-3.9	21.8	7.5	-3.5	9.2	6.0	11.7	7.7	8.5
	Services	7	15.2	4.5	-15.9	15.3	11.8	14.6	0.9	-1.9	4.8
	Software	7	-24.8	-32.8	-53.3	-32.9	138.9	13.2	7.2	90.3	1.1
	Media	5	-9.8	37.6	3.6	19.4	5.3	9.6	12.6	8.1	9.3
	Telecommunications	6	6.4	14.2	3.1	5.9	20.4	15.7	6.3	4.8	10.3
	Construction, engineering	4	SL	10,835 .6	18.3	-10.8	2.1	30.0	30.3	4.6	27.3
	Housing, real estate	16	-22.3	29.0	0.6	12.6	21.4	26.0	7.0	3.5	5.5
	Transportation	22	-42.0	51.5	-17.3	20.4	6.1	8.4	2.6	1.2	5.6
Utilities	13	108.7	17.0	SL	LI	SP	SP	513.5	84.0	84.3	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 May 2014, previous estimates as of 23 February 2014. (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	FY09	FY10	FY11	FY12	FY13 Old	FY13 New	FY14E Old	FY14E New	FY15E New
Industrial groups	Russell/Nomura Large Cap	287	97.3	43.8	-12.1	12.8	34.3	37.4	8.4	4.0	10.8
	Russell/Nomura Large Cap (ex financials)	254	8.6	58.7	-19.5	7.7	39.0	39.7	11.0	7.6	12.0
	Manufacturing	153	36.1	91.0	-17.9	10.3	44.7	43.3	9.5	8.7	11.6
	Basic materials	38	-52.4	133.9	-7.1	-19.2	31.2	33.5	2.8	-0.6	13.7
	Processing	72	SP	143.6	-29.3	36.4	61.7	58.2	12.1	12.1	12.3
	Nonmanufacturing	134	165.1	14.7	-5.9	15.2	24.8	31.9	7.2	-0.7	10.0
	Nonmanufacturing (ex financials)	101	-8.1	27.6	-21.7	3.5	29.8	34.0	13.6	5.7	12.9
Broad sectors	Materials	38	-52.4	133.9	-7.1	-19.2	31.2	33.5	2.8	-0.6	13.7
	Machinery, autos	42	225.7	116.1	-11.5	42.5	51.2	47.6	8.8	9.8	10.3
	Electronics	30	SP	200.1	-54.9	19.7	95.7	92.9	20.5	17.9	17.0
	Consumer, distribution	71	-5.0	16.7	5.9	-4.1	15.4	15.7	6.1	5.4	5.9
	Information	18	1.3	3.3	0.0	7.3	19.8	16.2	7.0	5.7	11.5
	Utilities, infrastructure	55	-9.2	48.7	-70.2	30.2	76.0	102.6	33.1	8.0	22.0
	Financials	33	SP	-8.2	33.7	34.8	18.2	29.3	-1.9	-9.4	5.6
Sectors	Chemicals	30	-32.2	116.2	1.8	-19.2	13.6	16.3	-0.6	-2.5	13.7
	Steel, nonferrous metals	8	-78.7	201.0	-34.3	-18.9	119.4	119.5	11.5	4.4	13.8
	Machinery	24	-38.6	125.8	7.9	-5.1	26.3	31.9	13.9	11.2	10.0
	Autos	18	SP	111.8	-20.8	72.8	59.8	53.0	7.3	9.3	10.4
	Electrical machinery, precision equipment	30	SP	200.1	-54.9	19.7	95.7	92.9	20.5	17.9	17.0
	Pharmaceuticals, healthcare	21	13.1	-8.6	-9.0	-4.9	17.7	14.0	3.1	6.2	6.6
	Food products	13	7.2	10.2	5.2	9.1	11.1	13.0	12.2	8.9	5.7
	Household goods	9	-0.4	9.2	1.9	0.1	15.9	20.3	10.4	7.8	6.9
	Trading companies	7	-29.7	55.1	22.6	-15.1	24.3	25.9	1.6	4.2	3.9
	Retailing	14	-4.2	22.2	7.9	-2.5	7.3	5.6	10.6	4.6	8.5
	Services	7	17.0	4.9	-14.7	16.6	8.8	12.8	1.1	-3.2	4.8
	Software	7	-10.7	-41.9	-53.5	8.4	77.9	14.9	11.9	54.4	1.3
	Media	5	-11.5	34.9	14.5	7.6	0.1	10.8	12.6	0.7	8.9
	Telecommunications	6	6.8	13.4	6.2	7.2	16.8	16.8	6.0	1.7	13.0
	Construction, engineering	4	SL	1,102. 5	49.0	-1.0	-3.9	25.3	23.8	-2.7	25.8
	Housing, real estate	16	-21.8	35.3	-0.9	20.8	19.1	29.5	8.2	-0.1	7.0
	Transportation	22	-54.2	90.6	-18.9	30.9	8.3	15.1	3.7	0.3	7.0
	Utilities	13	291.9	20.7	SL	LI	LS	SP	SP	706.7	175.1
Financials	33	SP	-8.2	33.7	34.8	18.2	29.3	-1.9	-9.4	5.6	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 May 2014, previous estimates as of 23 February 2014. (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	FY09	FY10	FY11	FY12	FY13 Old	FY13 New	FY14E Old	FY14E New	FY15E New	
Industrial groups	Russell/Nomura Large Cap	287	SP	34.6	-25.3	36.3	64.8	62.7	6.3	6.2	10.0	
	Russell/Nomura Large Cap (ex financials)	254		148.8	63.4	-35.2	26.7	84.8	79.8	8.5	9.2	11.1
	Manufacturing	153	SP	158.2	-42.9	30.8	86.5	80.9	9.7	11.6	11.3	
	Basic materials	38		-66.4	361.6	-34.6	-30.8	83.0	85.9	7.9	3.1	13.6
	Processing	72	SP	324.4	-57.2	77.5	124.6	116.1	11.4	14.6	12.1	
	Nonmanufacturing	134	SP	-14.6	-2.6	41.0	47.4	48.2	2.8	1.1	8.7	
	Nonmanufacturing (ex financials)	101		2.4	-4.9	-19.2	20.4	82.1	78.1	6.4	5.4	10.8
Broad sectors	Materials	38		-66.4	361.6	-34.6	-30.8	83.0	85.9	7.9	3.1	13.6
	Machinery, autos	42	SP	254.0	-16.9	58.6	59.6	56.2	5.7	8.3	9.3	
	Electronics	30	SP	603.9	SL	LS	SP	SP	29.4	35.8	19.8	
	Consumer, distribution	71		11.5	22.7	5.9	9.3	16.2	14.3	5.2	4.2	5.2
	Information	18		13.4	-0.6	-2.0	9.9	25.7	16.5	7.7	13.4	14.5
	Utilities, infrastructure	55		13.5	-76.7	SL	LS	SP	SP	6.4	3.9	14.5
	Financials	33	SP	-26.7	24.7	66.7	14.2	18.9	-2.6	-5.1	5.3	
Sectors	Chemicals	30		-6.6	305.9	-21.7	-30.5	32.1	34.1	10.3	8.3	12.6
	Steel, nonferrous metals	8		-94.0	631.7	-78.5	-33.1	578.9	590.0	3.6	-5.9	15.6
	Machinery	24		-42.6	225.1	4.9	-0.0	31.5	38.9	10.7	12.9	10.1
	Autos	18	SP	268.5	-26.5	94.6	68.6	61.7	4.5	7.0	9.1	
	Electrical machinery, precision equipment	30	SP	603.9	SL	LS	SP	SP	29.4	35.8	19.8	
	Pharmaceuticals, healthcare	21		115.7	-14.6	-29.4	45.6	7.8	-2.7	-3.0	4.1	7.5
	Food products	13		12.1	-3.5	18.7	20.0	20.4	21.7	8.6	6.6	6.7
	Household goods	9		-13.8	31.7	-20.8	32.9	27.1	32.9	22.6	28.5	0.4
	Trading companies	7		-22.7	56.6	25.8	-11.9	21.0	22.6	5.2	-0.3	2.1
	Retailing	14		-20.7	82.3	24.9	2.0	10.6	4.9	7.8	5.7	11.8
	Services	7		324.3	-0.9	-38.2	103.2	9.1	13.9	1.5	0.4	3.1
	Software	7		-3.5	-46.5	-61.2	51.8	63.2	-14.3	7.5	80.0	2.1
	Media	5		171.0	15.1	57.8	-7.7	-14.1	-1.5	30.0	12.8	9.2
	Telecommunications	6		14.1	15.7	3.2	9.2	25.5	22.0	6.2	7.3	16.8
	Construction, engineering	4		LI	SP	-81.6	440.1	3.5	38.5	26.8	-5.3	30.4
	Housing, real estate	16		-18.5	74.0	-16.3	54.1	31.6	41.2	17.8	13.9	-3.1
	Transportation	22		-63.5	127.9	-37.9	59.5	31.2	44.4	3.5	-1.4	7.2
	Utilities	13	SP	SL	LI	LS	SP	SP	-6.4	3.1	77.8	
Financials	33	SP	-26.7	24.7	66.7	14.2	18.9	-2.6	-5.1	5.3		

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 May 2014, previous estimates as of 23 February 2014. (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	FY09	FY10	FY11	FY12	FY13 Old	FY13 New	FY14E Old	FY14E New	FY15E New
Industrial groups	Russell/Nomura Large Cap	287	17,598	26,483	23,168	26,521	35,832	36,708	37,889	37,217	41,249
	Russell/Nomura Large Cap (ex financials)	254	13,464	22,701	18,302	20,556	28,776	28,994	31,036	30,294	33,940
	Manufacturing	153	6,376	13,404	11,132	12,917	18,520	18,323	19,735	19,355	21,592
	Basic materials	38	1,236	3,638	3,588	3,101	3,863	3,931	3,688	3,630	4,127
	Processing	72	2,824	7,302	5,052	7,167	11,539	11,295	12,768	12,478	14,016
	Nonmanufacturing	134	11,223	13,079	12,037	13,604	17,312	18,385	18,154	17,862	19,657
	Nonmanufacturing (ex financials)	101	7,089	9,297	7,170	7,639	10,256	10,671	11,301	10,939	12,348
Broad sectors	Materials	38	1,236	3,638	3,588	3,101	3,863	3,931	3,688	3,630	4,127
	Machinery, autos	42	1,866	4,354	3,731	5,480	8,248	8,052	8,850	8,706	9,604
	Electronics	30	958	2,948	1,321	1,687	3,292	3,243	3,918	3,772	4,413
	Consumer, distribution	71	4,504	5,556	5,869	5,829	6,842	6,841	6,969	6,922	7,327
	Information	18	2,667	2,758	2,783	3,039	3,681	3,645	3,823	3,730	4,159
	Utilities, infrastructure	55	2,234	3,447	1,010	1,419	2,850	3,281	3,788	3,533	4,311
	Financials	33	4,134	3,781	4,867	5,965	7,056	7,714	6,854	6,923	7,309
Sectors	Chemicals	30	996	2,658	2,959	2,606	2,784	2,851	2,558	2,563	2,914
	Steel, nonferrous metals	8	240	979	629	495	1,080	1,080	1,130	1,067	1,213
	Machinery	24	564	1,406	1,472	1,416	1,776	1,855	2,033	2,072	2,279
	Autos	18	1,302	2,948	2,260	4,064	6,472	6,197	6,817	6,634	7,324
	Electrical machinery, precision equipment	30	958	2,948	1,321	1,687	3,292	3,243	3,918	3,772	4,413
	Pharmaceuticals, healthcare	21	1,278	1,209	1,215	1,170	1,374	1,314	1,416	1,396	1,488
	Food products	13	734	901	938	1,107	1,284	1,306	1,412	1,392	1,472
	Household goods	9	305	355	338	371	460	477	451	458	489
	Trading companies	7	1,048	1,626	1,993	1,706	2,000	2,026	2,014	2,093	2,175
	Retailing	14	831	1,105	1,071	1,110	1,299	1,277	1,279	1,187	1,288
	Services	7	309	361	313	364	426	441	397	396	415
	Software	7	562	324	148	173	379	245	450	412	417
	Media	5	166	235	239	227	227	251	220	217	237
	Telecommunications	6	1,939	2,199	2,396	2,639	3,076	3,150	3,152	3,101	3,505
	Construction, engineering	4	-5	95	123	122	139	181	138	149	188
	Housing, real estate	16	504	770	737	956	1,163	1,264	1,304	1,301	1,392
	Transportation	22	682	1,313	1,049	1,406	1,693	1,799	1,736	1,784	1,910
	Utilities	13	1,053	1,270	-898	-1,065	-145	37	610	299	822
	Financials	33	4,134	3,781	4,867	5,965	7,056	7,714	6,854	6,923	7,309

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 May 2014, previous estimates as of 23 February 2014.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY13 Q1–Q4)

		% y-y															
		Sales				Operating profits				Recurring profits				Net profits			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Industrial groups	Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	50.0	57.7	35.0	12.0	99.1	127.1	31.9	21.7
	Russell/Nomura Large Cap (ex financials)	9.4	12.9	15.0	12.7	36.7	37.3	46.4	18.5	44.7	50.8	47.7	16.9	105.7	143.7	44.6	52.0
	Manufacturing	9.3	13.1	15.3	11.8	36.3	42.5	65.9	11.1	44.3	63.6	69.3	8.6	78.6	282.4	80.3	10.7
	Basic materials	9.6	16.8	14.0	11.6	77.3	43.5	33.9	-1.9	79.2	51.2	31.5	-11.1	639.7	321.3	11.4	-11.1
	Processing	10.0	13.1	18.0	12.3	40.1	48.2	110.1	14.7	52.2	85.4	120.7	14.8	85.7	833.7	147.5	27.5
	Nonmanufacturing (ex financials)	-	-	-	-	-	-	-	-	55.1	52.6	9.9	16.2	117.6	67.8	1.7	40.3
		9.5	12.6	14.7	14.0	37.3	30.1	20.9	36.9	45.2	34.8	19.3	37.0	154.8	63.2	6.5	2,666.1
Broad sectors	Basic materials	9.6	16.8	14.0	11.6	77.3	43.5	33.9	-1.9	79.2	51.2	31.5	-11.1	639.7	321.3	11.4	-11.1
	Machinery, autos	12.3	16.1	21.2	12.9	38.1	51.0	112.1	15.8	40.2	48.9	111.0	16.0	51.8	57.4	129.5	19.3
	Electronics	6.7	8.9	13.7	11.4	48.3	42.4	106.0	12.6	118.0	407.4	145.5	12.3	9,412.8	SP	216.5	71.9
	Consumption, distribution	10.0	11.2	13.1	11.3	9.0	18.7	20.4	6.1	12.7	19.1	13.7	11.8	6.5	20.6	16.0	-1.1
	Information	7.2	20.1	21.5	26.3	34.8	18.4	5.7	6.2	40.6	19.5	5.9	5.4	47.0	53.9	11.6	-18.7
	Utilities, infrastructure	7.0	9.7	10.8	12.6	72.5	53.6	37.2	238.8	132.3	78.8	52.3	632.3	SP	150.4	3.6	SP
	Financials	-	-	-	-	-	-	-	-	68.2	92.1	-1.9	-3.9	80.5	76.7	-5.0	-31.8
Sectors	Chemicals	7.7	14.8	14.6	11.6	61.3	22.1	11.8	-19.4	56.9	27.7	9.5	-20.8	152.6	81.7	-7.0	-22.4
	Steel, nonferrous metals	15.0	22.3	12.5	11.6	150.2	202.9	235.6	83.3	167.6	234.5	154.7	29.3	SP	SP	56.0	23.4
	Machinery	12.2	14.0	18.6	16.4	7.6	38.5	56.2	25.8	22.9	44.0	49.3	16.8	25.9	52.2	47.2	33.6
	Automobiles	12.4	16.7	21.8	11.9	48.1	55.0	135.1	12.3	45.3	50.3	140.3	15.7	59.0	58.7	168.6	14.6
	Electrical machinery, precision equipment	6.7	8.9	13.7	11.4	48.3	42.4	106.0	12.6	118.0	407.4	145.5	12.3	9,412.8	SP	216.5	71.9
	Pharmaceuticals, healthcare	4.7	7.6	8.7	10.2	-11.0	25.2	33.2	-9.9	-9.4	27.2	27.6	13.8	-21.6	30.8	44.0	-53.2
	Food products	4.0	5.3	5.0	7.1	8.9	26.8	2.1	17.9	8.4	31.6	3.4	14.8	5.7	40.9	6.0	-29.2
	Household goods	13.7	11.8	8.3	15.5	36.3	27.7	24.5	63.7	41.2	27.3	22.3	39.4	14.5	18.3	61.4	175.7
	Trading companies	12.5	13.8	18.0	12.7	25.6	13.9	52.0	-9.7	27.1	14.1	20.0	13.9	18.6	12.4	10.1	25.4
	Retailing	9.9	10.8	9.7	10.5	2.9	4.0	7.4	8.0	6.5	2.9	3.6	3.1	8.5	6.2	-3.0	4.3
	Services	3.7	3.2	3.3	4.6	33.2	16.6	5.3	13.1	42.0	14.9	2.3	3.2	55.6	11.1	5.1	0.1
	Software	7.6	3.4	9.2	-3.2	46.4	-26.2	62.9	-93.2	305.5	-10.1	23.6	SL	315.5	1.7	10.3	SL
	Media	5.6	11.5	8.8	15.5	-34.6	35.8	-6.1	50.1	-38.4	51.1	-2.1	54.3	-60.2	72.4	-4.5	20.7
	Telecommunications	7.5	23.9	26.3	32.4	39.3	19.2	1.8	7.4	40.1	19.1	3.8	10.2	48.8	56.0	13.8	-0.8
	Construction, engineering	7.2	7.9	4.3	7.6	-13.4	2.2	15.8	111.3	27.0	-1.2	13.4	69.4	87.6	44.4	-2.9	90.7
	Housing, real estate	12.1	12.4	17.7	17.6	38.7	21.1	34.7	23.9	57.4	24.5	39.8	20.0	89.5	54.5	31.9	61.7
	Transportation	4.9	6.9	8.5	8.3	7.0	6.2	9.7	14.5	12.1	12.5	15.3	30.6	32.4	16.7	31.2	SP
	Utilities	6.4	11.2	10.7	14.8	LS	SP	SP	SP	LS	SP	LS	LS	SP	SP	-74.4	LS
	Financials	-	-	-	-	-	-	-	-	68.2	92.1	-1.9	-3.9	80.5	76.7	-5.0	-31.8

Note: (1) Q1 = Feb–Apr, Mar–May, or Apr–Jun; Q2 = May–Jul, Jun–Aug, or Jul–Sep; Q3 = Aug–Oct, Sep–Nov, or Oct–Dec; Q4 = Nov–Jan, Dec–Feb, or Jan–Mar. (2) Figures are for companies that had announced results (either full-year, Q1, Q2, or Q3) by 25 May 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				
		FY15		E	FY15		E	FY13	FY14	FY15			FY12	FY13	FY14E	FY15	
		FY13	FY14E		FY13	FY14E				FY13	FY14E	E					%
		x	x	x	x	x	x	x	x	%	%	%	%	%	%	%	%
Industrial groups	Russell/Nomura Large Cap	14.7	13.8	12.5	-	-	-	1.39	1.24	1.93	2.13	2.29	5.9	8.9	8.9	9.2	
	Russell/Nomura LargeCap (ex loss-making cos)	14.2	13.5	12.4	-	-	-	1.47	1.27	1.93	2.14	2.31	8.2	9.5	9.1	9.2	
	Russell/Nomura Large Cap (ex financials)	16.1	14.7	13.2	7.2	7.1	6.7	1.54	1.38	1.82	2.09	2.25	5.3	9.1	9.2	9.6	
	Manufacturing	16.2	14.6	13.1	7.8	7.9	7.4	1.58	1.39	1.92	2.20	2.39	5.4	9.1	9.4	9.9	
	Basic materials	14.2	13.7	12.1	6.0	5.8	5.4	1.06	0.95	1.93	2.06	2.16	3.8	7.1	7.0	7.6	
	Processing	15.3	13.3	11.9	7.3	7.5	6.9	1.65	1.42	1.87	2.18	2.42	5.1	9.9	10.3	10.8	
	Nonmanufacturing	13.1	12.9	11.9	-	-	-	1.20	1.10	1.96	2.03	2.16	6.4	8.8	8.3	8.6	
Nonmanufacturing (ex financials)	15.8	14.8	13.3	6.4	6.0	5.7	1.48	1.36	1.65	1.88	2.01	5.1	9.0	8.8	9.2		
Broad sectors	Basic materials	14.2	13.7	12.1	6.0	5.8	5.4	1.06	0.95	1.93	2.06	2.16	3.8	7.1	7.0	7.6	
	Machinery, autos	12.8	11.9	10.9	7.0	7.4	6.9	1.68	1.42	2.02	2.37	2.66	8.9	12.0	11.5	11.7	
	Electronics	23.9	17.2	14.4	7.9	7.5	6.9	1.59	1.42	1.60	1.83	1.97	-1.2	6.3	8.1	9.1	
	Consumption, distribution	16.4	15.7	14.9	9.8	9.7	9.3	1.64	1.47	2.11	2.39	2.50	9.4	9.5	9.3	9.4	
	Information	17.0	14.9	13.0	5.9	5.2	5.0	1.77	1.63	1.57	1.90	2.06	8.9	10.0	10.7	11.5	
	Utilities, infrastructure	18.5	17.7	15.5	6.1	6.0	5.7	1.46	1.35	1.27	1.46	1.58	-0.8	7.6	7.3	7.9	
	Financials	9.3	9.9	9.4	-	-	-	0.83	0.75	2.72	2.39	2.53	8.2	8.4	7.6	7.6	
Sectors	Chemicals	15.6	14.6	13.0	6.6	6.3	5.8	1.10	0.99	1.96	2.08	2.13	4.8	6.7	6.9	7.5	
	Steel, nonferrous metals	11.6	11.9	10.3	4.9	4.9	4.6	0.99	0.87	1.83	2.03	2.22	1.4	7.9	7.1	7.8	
	Machinery	18.4	16.6	15.1	11.2	10.2	9.5	1.94	1.69	1.40	1.68	1.78	7.8	9.8	9.8	10.0	
	Automobiles	11.2	10.5	9.6	6.0	6.6	6.1	1.59	1.32	2.29	2.69	3.06	9.3	12.8	12.2	12.2	
	Electrical machinery, precision equipment	23.9	17.2	14.4	7.9	7.5	6.9	1.59	1.42	1.60	1.83	1.97	-1.2	6.3	8.1	9.1	
	Pharmaceuticals, healthcare	24.0	23.0	21.4	14.1	15.5	14.9	1.89	1.70	2.29	2.48	2.48	8.5	7.5	7.5	8.0	
	Food products	18.7	18.1	17.0	11.0	11.1	10.8	2.19	1.92	1.96	2.48	2.76	10.1	11.1	11.2	11.7	
	Household goods	24.9	19.9	19.8	13.5	12.0	11.7	2.43	2.06	1.45	1.56	1.63	7.5	8.7	10.8	10.2	
	Trading companies	7.1	7.0	6.9	4.8	4.7	4.6	0.89	0.76	3.45	3.73	3.79	11.3	11.6	10.5	10.0	
	Retailing	22.2	21.1	18.9	11.4	10.7	9.8	1.90	1.74	1.46	1.55	1.73	8.5	8.2	8.3	8.7	
	Services	24.7	23.4	22.7	12.0	11.2	11.0	1.68	1.75	1.57	1.84	1.86	6.5	7.3	6.6	6.5	
	Software	38.8	18.9	18.5	23.0	14.3	14.0	1.91	1.98	1.55	2.52	2.64	5.5	5.2	9.9	9.2	
	Media	22.4	20.2	18.5	14.4	14.6	13.7	1.40	1.18	1.44	1.46	1.50	6.6	5.7	5.9	6.7	
	Telecommunications	14.7	13.8	11.8	4.7	4.3	4.1	1.81	1.64	1.59	1.82	2.00	9.9	11.7	11.5	12.5	
	Construction	21.0	23.1	17.7	14.0	14.6	12.3	1.39	1.29	1.19	1.15	1.15	4.8	6.4	5.5	7.0	
	Housing, real estate	22.8	19.7	20.4	14.4	13.1	13.2	2.21	1.91	1.21	1.36	1.41	7.0	9.0	9.2	8.4	
	Transportation	14.4	14.5	13.5	5.7	5.6	5.4	1.44	1.35	1.38	1.64	1.67	6.1	9.7	8.8	8.8	
	Utilities	23.2	22.5	12.7	2.8	2.8	2.5	0.89	0.85	1.18	1.35	1.84	-15.9	3.7	3.7	6.3	
Financials	9.3	9.9	9.4	-	-	-	0.83	0.75	2.72	2.39	2.53	8.2	8.4	7.6	7.6		
Russell/Nomura Small Cap	15.1	14.7	13.7	-	-	-	1.15	1.02	1.66	1.70	1.76	4.4	7.0	7.0	7.1		
Russell/Nomura Small Cap (ex financials)	16.2	15.3	14.1	7.9	7.8	7.4	1.24	1.08	1.61	1.66	1.72	4.2	7.0	7.2	7.4		

Note: (1) Estimates as of 25 May 2014. Share prices are as of 23 May 2014 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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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 5.4% of the transaction amount. Also, a direct cost that may be incurred when selling investment trusts is a fee of up to 2.0% of the unit price at the time of redemption. Indirect costs that may be incurred during the course of holding investment trusts include, for domestic investment trusts, an asset management fee (trust fee) of up to 5.4% (annualized basis) of the net assets in trust, as well as fees based on investment performance. Other indirect costs may also be incurred. For foreign investment trusts, indirect fees may be incurred during the course of holding such as investment company compensation.

Investment trusts invest mainly in securities such as Japanese and foreign equities and bonds, whose prices fluctuate. Investment trust unit prices fluctuate owing to price fluctuations in the underlying assets and to foreign exchange rate fluctuations. As such, investment trusts carry the risk of losses. Fees and risks vary by investment trust. Maximum applicable fees are subject to change; please thoroughly read the written materials provided, such as prospectuses or documents delivered before making a contract.

In interest rate swap transactions and USD/JPY basis swap transactions (“interest rate swap transactions, etc.”), only the agreed transaction payments shall be made on the settlement dates. Some interest rate swap transactions, etc. may require pledging of margin collateral. In some of these cases, transaction payments may exceed the amount of collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the transaction. Interest rate swap transactions, etc. carry the risk of losses owing to fluctuations in market prices in the interest rate, currency and other markets, as well as reference indices. Losses incurred as such may exceed the value of margin collateral, in which case margin calls may be triggered. In the event that both parties agree to enter a replacement (or termination) transaction, the interest rates received (paid) under the new arrangement may differ from those in the original arrangement, even if terms other than the interest rates are identical to those in the original transaction. Risks vary by transaction. Please thoroughly read the written materials provided, such as documents delivered before making a contract and disclosure statements.

In OTC transactions of credit default swaps (CDS), no sales commission will be charged. When entering into CDS transactions, the protection buyer will be required to pledge or entrust an agreed amount of margin collateral. In some of these cases, the transaction payments may exceed the amount of margin collateral. There shall be no advance notification of required collateral value or collateral ratios as they vary depending on the financial position of the protection buyer. CDS transactions carry the risk of losses owing to changes in the credit position of some or all of the referenced entities, and/or fluctuations of the interest rate market. The amount the protection buyer receives in the event that the CDS is triggered by a credit event may undercut the total amount of premiums that he/she has paid in the course of the transaction. Similarly, the amount the protection seller pays in the event of a credit event may exceed the total amount of premiums that he/she has received in the transaction. All other conditions being equal, the amount of premiums that the protection buyer pays and that received by the protection seller shall differ. In principle, CDS transactions will be limited to financial instruments business operators and qualified institutional investors.

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