

Outlook for FY14–15 corporate earnings

Quarterly Update

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Summary and major assumptions

Overview of the FY14 corporate earnings outlook

In this report, we collate earnings forecast data issued by our analysts, and then analyze that data. For FY14, our analysts forecast sales growth of 4.2% y-y and recurring profit growth of 8.1% for companies in the Russell/Nomura Large Cap Index (ex financials). Our forex assumptions for FY14 are USD/JPY of 101.3 (previously 103) and EUR/JPY of 138.5 (previously 140). Compared with our previous forecasts (published in June 2014, based on data collated on 25 May 2014), sales growth is 0.3ppt higher and recurring profit growth is 0.5ppt higher. Excluding the utilities sector, where profit levels are projected to be particularly low, our recurring profit growth forecast has increased by 0.5ppt to 7.2%, from 6.7%. This latest change to our recurring profit projection signals a return to an upward revision trend, after a slight downward revision for only one quarter, despite our assumption for a stronger yen.

In FY14 Q1, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) rose 9.6% y-y, indicating that gains are likely to exceed our previous FY14 H1 forecast for recurring profit growth of 1.3% y-y. While FY14 Q1 saw a broad pullback on a negative reaction to rush demand ahead of the consumption tax hike, actual earnings landed above our assumptions, suggesting that corporate earnings have largely overcome the negative impact on the economy from the tax increase. A major event like the consumption tax hike also led to polarization in corporate earnings in Q1, with strength in investment-related sectors and large enterprises sharply contrasted by weakness in consumer-related sectors and smaller companies.

Starting with our latest corporate earnings outlook, we now factor in the potential impact from cuts to the corporation tax rate. Specifically, we assume that the effective rate of corporation tax will be lowered by 2ppt each year over a three-year period from FY15. We have been steadily applying the above assumption to our earnings estimates for individual companies since announcing our revised assumptions on 3 July, but have yet to factor this change into our projections for all companies in our coverage universe. From this corporate earnings outlook report, however, we are now partially reflecting (1) cuts to the corporation tax rate from FY15 and (2) the impact of deferred tax asset draw-downs (generated by the lower corporation tax rate). We have revised upward our recurring profit estimate for companies in the Russell/Nomura Large Cap Index (ex financials), by ¥387.4bn, but have made only a small upward revision to our net profit forecast of ¥98.2bn, partly because our FY14 corporate earnings outlook already factors in the impact from deferred tax asset reversals.

Overview of the FY15 corporate earnings outlook

For FY15, our analysts look for growth in sales of 2.7% y-y and in recurring profits of 12.5% for companies in the Russell/Nomura Large Cap Index (ex financials). Our forex assumptions for FY15 are USD/JPY of 101 (previously 103) and EUR/JPY of 138 (previously 140). Compared to our previous forecasts, we have maintained our sales growth outlook but revised upward our recurring profit estimate by 0.5ppt. Excluding utilities, we have raised our recurring profit estimate to growth of 10.7%, from 10.4%, an upward revision of 0.3ppt. As noted earlier, our FY15 earnings estimates now partially reflect anticipated cuts to the effective rate of corporation tax. Consequently, the upward revision to our net profit forecast for companies in the Russell/Nomura Large Cap Index of ¥289.1bn is comparatively larger than the upward revision to our recurring profit forecast of ¥388.4bn.

Our analysts expect ROE for companies in the Russell/Nomura Large Cap Index to fall from 8.9% in FY13, to 8.8% in FY14, before making a limited gain to 9.2% in FY15, thus maintaining a gap to the most recent peak of 10.1% in FY05.

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	FY14E	FY15E
Sales	Russell/Nomura Large Cap (ex financials)	254	2.7	12.5	4.2	2.7	3.9	2.7
	Manufacturing	153	3.0	12.3	3.7	2.9	3.3	2.9
	Basic materials	38	-0.5	13.2	2.9	1.7	1.7	1.4
	Processing	72	4.8	13.2	3.8	3.9	3.5	4.0
	Nonmanufacturing (ex financials)	101	2.2	12.7	5.0	2.5	4.7	2.5
	Russell/Nomura Small Cap (ex financials)	983	2.5	9.3	4.3	3.4	3.0	2.4
Operating profits	Russell/Nomura Large Cap (ex financials)	254	4.5	34.3	8.3	11.6	10.0	11.1
	Manufacturing	153	7.5	37.1	11.2	10.5	10.5	10.6
	Basic materials	38	-22.6	35.6	3.4	13.7	2.5	14.1
	Processing	72	29.1	44.4	14.3	11.0	13.5	10.8
	Nonmanufacturing (ex financials)	101	-0.4	29.6	3.6	13.7	9.2	12.0
	Russell/Nomura Small Cap (ex financials)	983	-2.1	28.4	10.6	10.7	10.2	8.2
Recurring profits	Russell/Nomura Large Cap	287	12.8	37.4	4.6	10.7	4.0	10.8
	Russell/Nomura Large Cap (ex financials)	254	7.7	39.7	8.1	12.5	7.6	12.0
	Manufacturing	153	10.3	43.3	9.5	11.3	8.7	11.6
	Basic materials	38	-19.2	33.5	0.5	13.0	-0.6	13.7
	Processing	72	36.4	58.2	13.2	12.3	12.1	12.3
	Nonmanufacturing	134	15.2	31.9	-0.2	10.1	-0.7	10.0
	Nonmanufacturing (ex financials)	101	3.5	34.0	5.6	14.6	5.7	12.9
	Russell/Nomura Small Cap	1,080	3.9	29.7	1.8	9.7	2.7	7.3
	Russell/Nomura Small Cap (ex financials)	983	4.5	27.3	5.3	10.7	5.1	8.2
Net profits	Russell/Nomura Large Cap	287	36.3	62.7	7.5	10.8	6.2	10.0
	Russell/Nomura Large Cap (ex financials)	254	26.7	79.8	10.9	12.4	9.2	11.1
	Manufacturing	153	30.8	80.9	13.4	10.9	11.6	11.3
	Basic materials	38	-30.8	85.9	9.1	9.8	3.1	13.6
	Processing	72	77.5	116.1	15.8	12.6	14.6	12.1
	Nonmanufacturing	134	41.0	48.2	1.6	10.7	1.1	8.7
	Nonmanufacturing (ex financials)	101	20.4	78.1	6.6	15.1	5.4	10.8
	Russell/Nomura Small Cap	1,080	2.0	74.2	4.7	9.6	4.5	7.0
	Russell/Nomura Small Cap (ex financials)	983	-2.0	80.6	9.1	10.8	8.0	8.0

Note: Latest estimates as of 21 Aug 2014, previous estimates as of 25 May 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	FY13		3.2	0-0.10	99.0	100.2	134.4
	FY14E	New	3.7	0-0.10	104.5	101.3	138.5
		Old	3.6	0-0.10	100.0	103.0	140.0
	FY15E	New	3.5	0-0.10	105.0	101.0	138.0
		Old	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	7.0	0-0.10	98.1	101.6	138.8
	FY14E	H1	4.4	0-0.10	104.0	101.6	139.0
		Old	4.3	0-0.10	100.0	103.0	140.0
	FY14E	H2	3.0	0-0.10	105.0	101.0	138.0
		Old	2.9	0-0.10	100.0	103.0	140.0
	FY15E	H1	4.6	0-0.10	105.0	101.0	138.0
		Old	4.7	0-0.10	100.0	103.0	140.0
	FY15E	H2	2.4	0-0.10	105.0	101.0	138.0
		Old	3.6	0-0.10	100.0	103.0	140.0

Note: Macroeconomic assumptions as of 3 Jul 2014. Previous assumptions as of 8 Apr 2014. The above assumptions are not Nomura estimates but assumptions on which Nomura analysts base their earnings estimates.

Source: Nomura

Contributions to recurring profit growth by sector

Overview of the FY14 corporate earnings outlook

For FY14, we project that recurring profits will increase in 14 of the 19 sectors and decrease in five. The largest contributions to growth were from automobiles, electrical machinery & precision equipment, trading companies, machinery, and utilities. We assume USD/JPY of 101.3 for FY14, versus 100.2 for FY13, and basically expect changes in forex rates to have a virtually neutral impact on earnings, with the exception of some sectors likely to see benefits from the weaker yen in FY13 continue on through FY14.

For the automobile sector, we expect global demand to increase by 2.8% y-y in 2014, to 87mn vehicles. While we expect new auto sales in Japan to decline 1.2% in the wake of the consumption tax hike, to 5.3mn vehicles, global demand is likely to be bolstered by a 2.6% increase in US new auto sales, to 16mn vehicles, a 4.3% rise in European new auto sales, to 14.3mn vehicles, and a 10.4% increase in Chinese new auto sales, to 24.3mn vehicles. The automobile sector has seen a stream a negative news flow over the past six months or so regarding the effects of a cold snap in the US and sluggish sales in some emerging markets, but FY14 Q1 results left us with the strong impression that earnings momentum is on a recovery track. For the electrical machinery & precision equipment sector, we anticipate a large contribution to profit growth from industrial electronics. We think business segments in which industrial electronics companies have strengthened their presence—notably IT services, social infrastructure, FA systems, and automotive equipment—will make a substantial contribution to profit growth. We also assume that the full realization of benefits from the restructuring of TV, PC, mobile phone, and other troubled businesses will be key. For the trading companies sector, resources business have faced largely soft commodities prices, but we still expect earnings to be supported by benefits from higher output and dividend income from previous investment projects at resources operations, and profit contributions from solidly performing nonresource businesses. For the machinery sector, we expect widespread benefits from firm capex both in Japan and overseas. We think capex by smartphone manufacturers in China will remain healthy, and even in Japan we look for a stronger appetite for capex at domestic companies to overcome the effects of the consumption tax hike. The utilities sector has seen the restart of nuclear power plants pushed back to FY15, but the overall outlook is still for profit growth, mostly because some electric power companies can expect full-period contributions from previously implemented rate hikes.

In contrast, we expect a negative contribution from the financials and telecommunications 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 telecommunications, we expect profits to decline on the substantial impact from the discounting of handset prices in the mobile phone industry.

Overview of the FY15 corporate earnings outlook

For FY15, we project that recurring profits will rise in all 19 sectors. Sectors from which we expect particularly large contributions to overall profit growth are electrical machinery & precision equipment, automobiles, utilities, and telecommunications. We assume that earnings contributions will center on the more highly competitive processing industries. To date, the electrical machinery & precision equipment sector has seen earnings underpinned by the industrial electronics industry, but we anticipate additional support in FY15 from the consumer electronics industry on the realization of benefits from cost reductions. For the automobile sector, we look for global demand to increase 5.3% y-y in 2015, to 91.3mn vehicles. We estimate that new auto sales in Japan will fall 2.1% y-y, to 5.2mn vehicles—a decline for the second consecutive year owing to a planned second consumption tax hike in October 2015—but project that US new auto sales will increase, albeit by a somewhat weak 1.9%, to 16.3mn vehicles. Meanwhile, we think pent-up demand in Europe will push new car sales up a firm 3.9%, to 14.9mn vehicles, and look for double-digit growth in India, Thailand and Indonesia, among emerging markets. For the utilities sector, our FY14 earnings estimates assumed no nuclear plant restarts, but we expect these to begin from FY15, and we also see benefits from price hikes at some electric power companies. For the telecommunications sector, we look for earnings contributions from the start of fiber-to-the-home (FTTH) wholesaling services, and from M&As conducted to date.

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

FY14E				FY15E			
Increase in profit				Increase in profit			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
14 sectors				19 sectors			
Automobiles	10.1	37.3	27.0	Electrical machinery, precision equipment	17.8	16.7	17.6
Electrical machinery, precision equipment	18.9	36.5	26.4	Automobiles	9.9	16.4	17.3
Trading companies	12.2	16.3	11.8	Utilities	214.1	14.5	15.3
Machinery	13.4	15.1	10.9	Telecommunications	14.6	10.8	11.4
Utilities	638.4	14.3	10.4	Chemicals	11.9	7.6	8.0
Pharmaceuticals, healthcare	7.2	5.8	4.2	Machinery	10.3	5.4	5.7
Steel, nonferrous metals	7.1	4.4	3.2	Financials	3.0	5.2	-
Food	5.6	4.4	3.2	Steel, nonferrous metals	15.4	4.2	4.4
Software	22.8	3.6	2.6	Trading companies	6.4	3.9	4.1
Retailing	4.6	3.2	2.3	Transportation	7.1	3.2	3.4
Household goods	8.4	2.2	1.6	Housing, real estate	8.8	2.9	3.0
Construction	18.8	1.7	1.3	Retailing	8.9	2.6	2.8
Transportation	1.2	1.3	0.9	Food	4.9	1.7	1.7
Housing, real estate	0.3	0.2	0.1	Pharmaceuticals, healthcare	4.4	1.5	1.6
				Household goods	8.7	1.0	1.0
				Construction	19.2	0.9	0.9
				Software	10.5	0.8	0.9
				Services	4.1	0.4	0.4
				Media	6.3	0.3	0.4
Decrease in profit (%)				Decrease in profit (%)			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
5 sectors				0 sectors			
Media	-1.9	-0.2	-0.2				
Services	-1.4	-0.3	-0.2				
Chemicals	-2.1	-3.3	-2.4				
Telecommunications	-2.2	-4.0	-2.9				
Financials	-8.2	-38.2	-				

Source: Nomura

Revisions to recurring profit estimates (versus old estimates)

Overview of the FY14 corporate earnings outlook

We have raised our FY14 recurring profit forecasts for 13 of 19 sectors and lowered them for five.

The largest upward revisions have been to our estimates for trading companies, financials, automobiles, and machinery, although in the case of trading companies, our upward revision mainly reflects changes in accounting standards. The financials sector saw downward revisions to the securities subsector, mainly on weak equities market turnover, but this was offset by upward revisions for the megabanks and trust banks. In the latter case, international operations have continued to perform steadily, and margins at wholesale operations in Japan have finally shown signs of improving owing to an upturn in noninterest income. Even in the Apr–Jun quarter, narrower spreads were offset to a large degree by growth in lending in Japan and overseas. For the automobiles and machinery sectors, our upward revisions directly reflected stronger-than-expected Apr–Jun results. The automobiles sector has seen a slight slowdown in the pace of recovery in Japan in the wake of the consumption tax hike, but in the core US market there are clear signs of an upturn in monthly new auto sales and a steady return to earnings stability. In the machinery sector, we revised upward our estimates on the emergence of substantial benefits from healthy capex across a broad range of subsectors. Capex by Chinese smartphone producers remains strong, and in Japan a greater appetite for capex at domestic companies looks to be overcoming the impact from the consumption tax hike. In addition to subsidies for smaller Japanese manufacturing companies, we look for capex to rise on benefits from government policies such as the creation of a tax system to promote productivity-improving capex (including for large enterprises).

In contrast, the largest downward revisions have been to our estimates for the telecommunications, software, and food, beverages & tobacco sectors. We cut our projections for the amusement subsector (software) and the internet services subsector (telecommunications) to reflect company-specific factors in the form of slumping sales of videogame consoles, and the lack of hit titles at some games companies. For the food, beverages & tobacco sector, the largest impact came from an increase in R&D expenditure at pharmaceutical operations in the tobacco subsector.

Overview of the FY15 corporate earnings outlook

We have raised our FY15 recurring profit estimates for 12 of 19 sectors and lowered them for seven.

The largest upward revisions were to our projections for the trading companies, machinery, and steel & nonferrous metals sectors, while our largest downward revisions were to our estimates for the financials, telecommunications, and software sectors. As FY14 has effectively only just begun, many of the revisions to our FY15 forecasts are in step with changes to our FY14 estimates. Among these changes, revisions to our FY15 forecasts exceed those for our FY14 estimates in the case of the steel & nonferrous metals, machinery, electric appliances & precision instruments, household goods, and housing & real estate sectors in particular, as our analysts assume the longer-term outlook is much brighter for these fields.

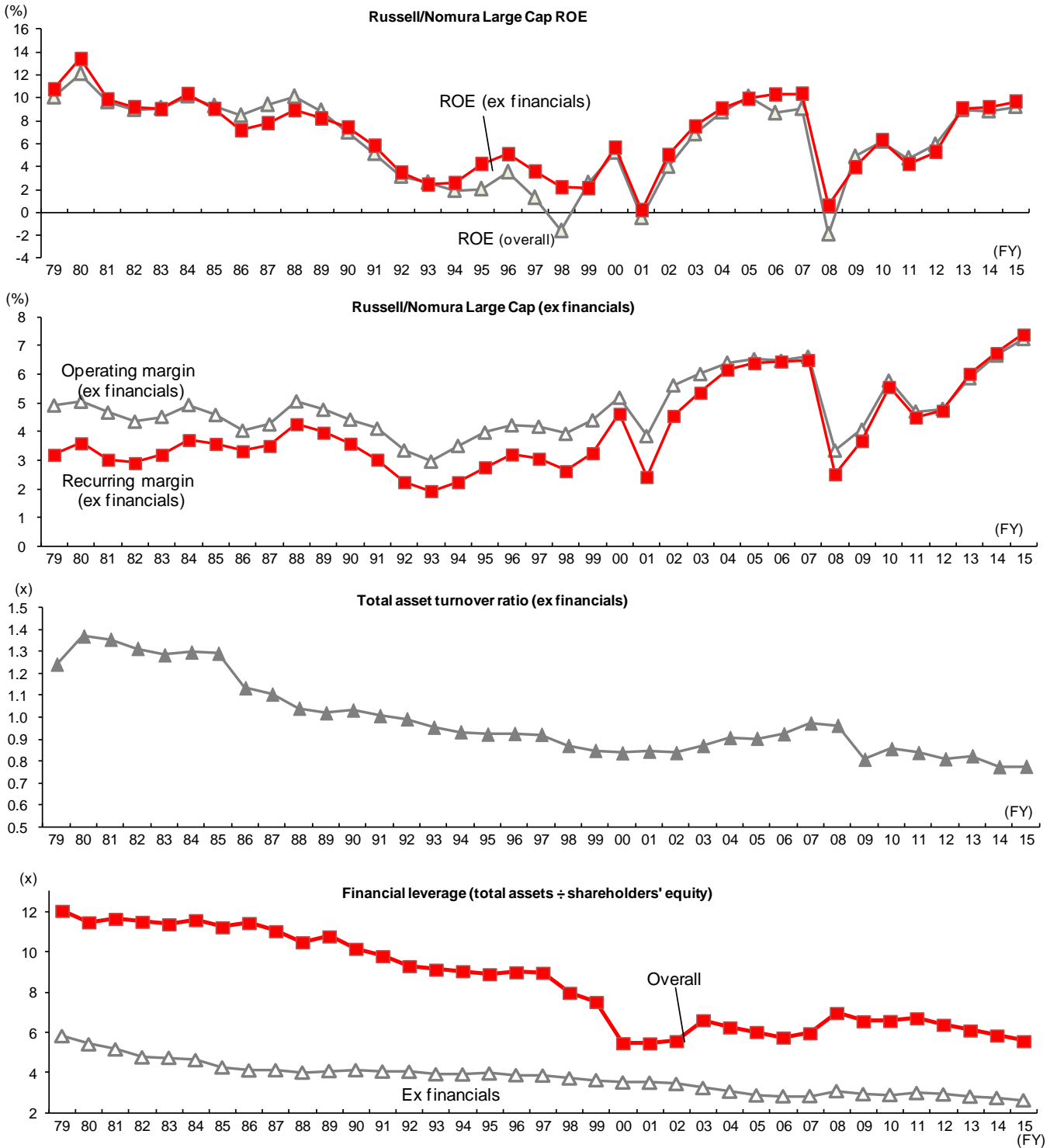
Fig. 4: Revisions to recurring profit estimates (versus old estimates) for the Russell/Nomura Large Cap Index

FY14E					FY15E				
[Upward revisions] 13 sectors					[Upward revisions] 12 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Trading companies	2,460	2,093	367	17.5	Trading companies	2,617	2,175	442	20.3
Financials	7,010	6,923	87	1.3	Machinery	2,330	2,279	51	2.2
Automobiles	6,683	6,634	49	0.7	Steel, nonferrous metals	1,262	1,213	49	4.0
Machinery	2,113	2,072	40	1.9	Electrical machinery, precision equipment	4,458	4,413	45	1.0
Construction	182	149	33	22.1	Utilities	858	822	37	4.5
Steel, nonferrous metals	1,094	1,067	27	2.5	Construction	217	188	30	15.7
Transportation	1,801	1,784	16	0.9	Housing, real estate	1,421	1,392	29	2.1
Electrical machinery, precision equipment	3,784	3,772	12	0.3	Automobiles	7,345	7,324	20	0.3
Chemicals	2,574	2,563	11	0.4	Transportation	1,929	1,910	19	1.0
Pharmaceuticals, healthcare	1,406	1,396	10	0.7	Household goods	500	489	11	2.2
Services	404	396	8	1.9	Services	420	415	5	1.3
Housing, real estate	1,306	1,301	5	0.4	Retailing	1,293	1,288	4	0.3
Household goods	460	458	3	0.6					
[Downward revisions] 5 sectors					[Downward revisions] 7 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Media	212	217	-6	-2.6	Media	225	237	-12	-4.9
Utilities	273	299	-25	-8.5	Pharmaceuticals, healthcare	1,469	1,488	-19	-1.3
Food	1,351	1,392	-42	-3.0	Chemicals	2,881	2,914	-32	-1.1
Software	324	412	-88	-21.3	Food	1,417	1,472	-55	-3.7
Telecommunications	2,981	3,101	-120	-3.9	Software	359	417	-59	-14.1
					Telecommunications	3,417	3,505	-88	-2.5
					Financials	7,220	7,309	-89	-1.2

Note: Latest estimates as of 21 Aug 2014, previous estimates as of 25 May 2014.

Source: Nomura

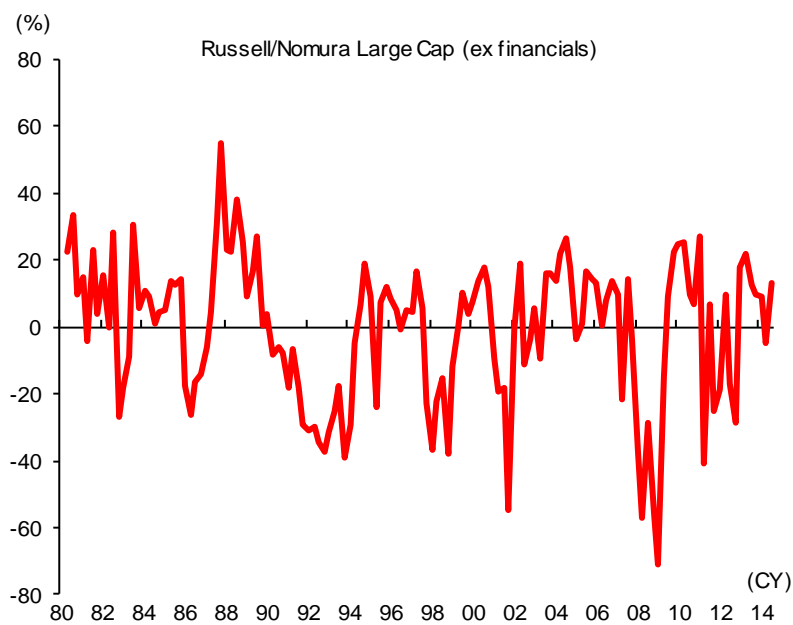
Fig. 5: Breakdown of factors affecting ROE



Note: Figures for FY14 onward are estimates. As of 21 Aug 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	14/9
Russell/Nomura Large Cap		-25.0	19.2	25.3	14.5	10.5	15.0	-0.3	15.7
Russell/Nomura Large Cap (ex financials)		-28.5	17.6	21.7	12.5	9.8	9.4	-4.7	13.4
Manufacturing		-41.2	23.5	20.1	23.5	6.1	14.4	-2.6	15.7
Basic materials		-61.1	31.9	25.5	38.3	6.4	-15.8	-15.8	-7.9
Processing		-41.4	30.9	29.6	16.0	13.6	40.3	5.6	30.6
Nonmanufacturing (ex financials)		-6.5	8.5	24.1	-4.3	15.5	2.0	-7.9	9.9



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	FY14E Old	FY14E New	FY15E Old	FY15E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	254	-13.0	6.1	1.4	2.7	12.5	3.9	4.2	2.7	2.7
	Manufacturing	153	-11.8	7.0	0.2	3.0	12.3	3.3	3.7	2.9	2.9
	Basic materials	38	-20.8	13.2	4.8	-0.5	13.2	1.7	2.9	1.4	1.7
	Processing	72	-10.7	6.3	-2.0	4.8	13.2	3.5	3.8	4.0	3.9
	Nonmanufacturing (ex financials)	101	-14.4	4.9	3.0	2.2	12.7	4.7	5.0	2.5	2.5
Broad sectors	Materials	38	-20.8	13.2	4.8	-0.5	13.2	1.7	2.9	1.4	1.7
	Machinery, autos	42	-13.0	7.4	-0.1	10.0	15.4	4.8	5.3	4.7	4.6
	Electronics	30	-8.0	5.2	-4.3	-1.6	10.1	1.7	1.8	2.9	3.0
	Consumer, distribution	71	-14.9	5.7	3.3	0.8	11.2	3.7	4.2	2.5	2.1
	Information	18	-3.5	0.4	1.5	3.4	20.1	11.2	9.0	2.2	2.6
	Utilities, infrastructure	55	-11.0	2.5	2.2	5.3	10.0	4.0	4.3	1.5	1.8
Sectors	Chemicals	30	-19.5	13.0	6.5	0.8	12.5	1.8	3.2	2.0	2.4
	Steel, nonferrous metals	8	-23.1	13.6	0.7	-4.3	15.1	1.5	2.4	-0.0	-0.2
	Machinery	24	-16.2	8.3	5.0	2.2	15.4	7.6	8.2	5.2	5.3
	Autos	18	-12.1	7.1	-1.6	12.5	15.5	4.0	4.4	4.5	4.4
	Electrical machinery, precision equipment	30	-8.0	5.2	-4.3	-1.6	10.1	1.7	1.8	2.9	3.0
	Pharmaceuticals, healthcare	21	3.6	1.1	3.0	2.0	7.8	1.6	0.8	0.8	-0.1
	Food products	13	-6.5	0.7	-0.9	3.3	5.4	7.3	7.2	-0.8	-0.8
	Household goods	9	-5.8	1.8	2.9	4.4	9.9	8.0	9.8	2.2	1.3
	Trading companies	7	-23.4	10.2	6.1	-1.0	14.0	2.9	3.8	3.1	3.0
	Retailing	14	-3.7	1.8	-2.5	3.7	10.0	6.1	6.0	3.6	3.7
	Services	7	-3.5	0.1	-2.4	1.5	3.5	0.8	-0.0	1.8	1.6
	Software	7	-14.0	-17.6	-14.9	-4.0	3.6	23.0	9.2	2.0	3.2
	Media	5	-5.7	4.5	1.9	4.8	10.5	4.1	2.7	3.7	3.0
	Telecommunications	6	-0.9	2.4	3.5	3.8	24.4	11.0	9.9	2.0	2.4
	Construction, engineering	4	-16.1	-16.0	7.7	7.5	6.8	0.8	4.2	1.6	1.4
	Housing, real estate	16	-3.6	5.4	2.7	6.1	14.5	8.0	8.2	2.2	2.8
	Transportation	22	-12.0	3.4	-0.7	3.4	7.2	1.8	1.9	1.7	1.7
Utilities	13	-11.9	5.9	3.4	5.9	11.0	4.3	4.1	0.8	1.4	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 21 Aug 2014, previous estimates as of 25 May 2014.

Source: Nomura

Fig. 8: Percentage change in operating profits by sector

(% y-y, except where noted)

		No. of cos	FY09	FY10	FY11	FY12	FY13	FY14E Old	FY14E New	FY15E Old	FY15E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	254	-6.2	49.8	-18.6	4.5	34.3	10.0	8.3	11.1	11.6
	Manufacturing	153	8.0	74.3	-14.2	7.5	37.1	10.5	11.2	10.6	10.5
	Basic materials	38	-47.8	101.5	-9.8	-22.6	35.6	2.5	3.4	14.1	13.7
	Processing	72	117.4	110.6	-20.6	29.1	44.4	13.5	14.3	10.8	11.0
	Nonmanufacturing (ex financials)	101	-16.4	25.7	-24.6	-0.4	29.6	9.2	3.6	12.0	13.7
Broad sectors	Materials	38	-47.8	101.5	-9.8	-22.6	35.6	2.5	3.4	14.1	13.7
	Machinery, autos	42	110.6	106.5	-10.9	42.9	46.2	10.0	10.5	10.2	10.3
	Electronics	30	126.5	116.1	-32.7	6.7	40.3	21.4	23.0	12.1	12.4
	Consumer, distribution	71	-19.4	17.5	0.8	-6.4	14.7	8.1	0.8	6.3	6.3
	Information	18	-2.6	6.3	-3.7	4.3	15.2	10.0	5.4	9.3	11.1
	Utilities, infrastructure	55	-10.3	35.2	-57.7	10.4	69.1	9.5	10.1	18.0	19.9
Sectors	Chemicals	30	-31.0	94.5	-1.1	-21.3	16.7	-1.4	-1.6	14.3	13.3
	Steel, nonferrous metals	8	-71.8	125.0	-37.1	-30.2	151.9	13.4	17.3	13.7	14.5
	Machinery	24	-42.0	124.8	6.1	-7.9	30.4	13.3	15.7	10.0	10.2
	Autos	18	SP	98.0	-19.8	77.2	51.7	9.0	9.0	10.3	10.4
	Electrical machinery, precision equipment	30	126.5	116.1	-32.7	6.7	40.3	21.4	23.0	12.1	12.4
	Pharmaceuticals, healthcare	21	13.3	-8.7	-7.6	-6.9	20.5	7.5	10.6	6.2	4.2
	Food products	13	-7.8	11.5	4.1	9.0	11.6	9.6	6.2	5.0	4.4
	Household goods	9	-0.9	12.1	0.5	-2.3	23.3	8.6	9.9	6.6	8.1
	Trading companies	7	-58.1	69.7	6.3	-24.8	18.7	10.7	-17.2	6.0	7.6
	Retailing	14	-3.9	21.8	7.5	-3.5	6.0	7.7	7.9	8.5	9.2
	Services	7	15.2	4.5	-15.9	15.3	14.6	-1.9	-1.3	4.8	5.1
	Software	7	-24.8	-32.8	-53.3	-32.9	13.2	90.3	60.8	1.1	4.8
	Media	5	-9.8	37.6	3.6	19.4	9.6	8.1	2.4	9.3	6.6
	Telecommunications	6	6.4	14.2	3.1	5.9	15.7	4.8	1.9	10.3	12.1
	Construction, engineering	4	SL	10,835.6	18.3	-10.8	30.0	4.6	27.6	27.3	20.3
	Housing, real estate	16	-22.3	29.0	0.6	12.6	26.0	3.5	3.6	5.5	7.3
	Transportation	22	-42.0	51.5	-17.3	20.4	8.4	1.2	1.8	5.6	5.7
	Utilities	13	108.7	17.0	SL	LI	SP	84.0	77.7	84.3	97.5

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 21 Aug 2014, previous estimates as of 25 May 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	FY14E Old	FY14E New	FY15E Old	FY15E New
Industrial groups	Russell/Nomura Large Cap	287	97.3	43.8	-12.1	12.8	37.4	4.0	4.6	10.8	10.7
	Russell/Nomura Large Cap (ex financials)	254	8.6	58.7	-19.5	7.7	39.7	7.6	8.1	12.0	12.5
	Manufacturing	153	36.1	91.0	-17.9	10.3	43.3	8.7	9.5	11.6	11.3
	Basic materials	38	-52.4	133.9	-7.1	-19.2	33.5	-0.6	0.5	13.7	13.0
	Processing	72	SP	143.6	-29.3	36.4	58.2	12.1	13.2	12.3	12.3
	Nonmanufacturing	134	165.1	14.7	-5.9	15.2	31.9	-0.7	-0.2	10.0	10.1
	Nonmanufacturing (ex financials)	101	-8.1	27.6	-21.7	3.5	34.0	5.7	5.6	12.9	14.6
Broad sectors	Materials	38	-52.4	133.9	-7.1	-19.2	33.5	-0.6	0.5	13.7	13.0
	Machinery, autos	42	225.7	116.1	-11.5	42.5	47.6	9.8	10.9	10.3	10.0
	Electronics	30	SP	200.1	-54.9	19.7	92.9	17.9	18.9	17.0	17.8
	Consumer, distribution	71	-5.0	16.7	5.9	-4.1	15.7	5.4	7.7	5.9	6.2
	Information	18	1.3	3.3	0.0	7.3	16.2	5.7	-0.3	11.5	13.7
	Utilities, infrastructure	55	-9.2	48.7	-70.2	30.2	102.6	8.0	8.9	22.0	24.2
	Financials	33	SP	-8.2	33.7	34.8	29.3	-9.4	-8.2	5.6	3.0
Sectors	Chemicals	30	-32.2	116.2	1.8	-19.2	16.3	-2.5	-2.1	13.7	11.9
	Steel, nonferrous metals	8	-78.7	201.0	-34.3	-18.9	119.5	4.4	7.1	13.8	15.4
	Machinery	24	-38.6	125.8	7.9	-5.1	31.9	11.2	13.4	10.0	10.3
	Autos	18	SP	111.8	-20.8	72.8	53.0	9.3	10.1	10.4	9.9
	Electrical machinery, precision equipment	30	SP	200.1	-54.9	19.7	92.9	17.9	18.9	17.0	17.8
	Pharmaceuticals, healthcare	21	13.1	-8.6	-9.0	-4.9	14.0	6.2	7.2	6.6	4.4
	Food products	13	7.2	10.2	5.2	9.1	13.0	8.9	5.6	5.7	4.9
	Household goods	9	-0.4	9.2	1.9	0.1	20.3	7.8	8.4	6.9	8.7
	Trading companies	7	-29.7	55.1	22.6	-15.1	25.9	4.2	12.2	3.9	6.4
	Retailing	14	-4.2	22.2	7.9	-2.5	5.6	4.6	4.6	8.5	8.9
	Services	7	17.0	4.9	-14.7	16.6	12.8	-3.2	-1.4	4.8	4.1
	Software	7	-10.7	-41.9	-53.5	8.4	14.9	54.4	22.8	1.3	10.5
	Media	5	-11.5	34.9	14.5	7.6	10.8	0.7	-1.9	8.9	6.3
	Telecommunications	6	6.8	13.4	6.2	7.2	16.8	1.7	-2.2	13.0	14.6
	Construction, engineering	4	SL	1,102.5	49.0	-1.0	25.3	-2.7	18.8	25.8	19.2
	Housing, real estate	16	-21.8	35.3	-0.9	20.8	29.5	-0.1	0.3	7.0	8.8
	Transportation	22	-54.2	90.6	-18.9	30.9	15.1	0.3	1.2	7.0	7.1
	Utilities	13	291.9	20.7	SL	LI	SP	706.7	638.4	175.1	214.1
Financials	33	SP	-8.2	33.7	34.8	29.3	-9.4	-8.2	5.6	3.0	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 21 Aug 2014, previous estimates as of 25 May 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	FY14E Old	FY14E New	FY15E Old	FY15E New
Industrial groups	Russell/Nomura Large Cap	287	SP	34.6	-25.3	36.3	62.7	6.2	7.5	10.0	10.8
	Russell/Nomura Large Cap (ex financials)	254		148.8	63.4	-35.2	26.7	79.8	9.2	10.9	11.1
	Manufacturing	153	SP	158.2	-42.9	30.8	80.9	11.6	13.4	11.3	10.9
	Basic materials	38		-66.4	361.6	-34.6	-30.8	85.9	3.1	9.1	13.6
	Processing	72	SP	324.4	-57.2	77.5	116.1	14.6	15.8	12.1	12.6
	Nonmanufacturing	134	SP	-14.6	-2.6	41.0	48.2	1.1	1.6	8.7	10.7
	Nonmanufacturing (ex financials)	101		2.4	-4.9	-19.2	20.4	78.1	5.4	6.6	10.8
Broad sectors	Materials	38		-66.4	361.6	-34.6	-30.8	85.9	3.1	9.1	13.6
	Machinery, autos	42	SP	254.0	-16.9	58.6	56.2	8.3	10.5	9.3	8.8
	Electronics	30	SP	603.9	SL	LS	SP	35.8	33.3	19.8	23.0
	Consumer, distribution	71		11.5	22.7	5.9	9.3	14.3	4.2	8.0	5.2
	Information	18		13.4	-0.6	-2.0	9.9	16.5	13.4	10.2	14.5
	Utilities, infrastructure	55		13.5	-76.7	SL	LS	SP	3.9	2.9	14.5
	Financials	33	SP	-26.7	24.7	66.7	18.9	-5.1	-5.3	5.3	3.9
Sectors	Chemicals	30		-6.6	305.9	-21.7	-30.5	34.1	8.3	11.4	12.6
	Steel, nonferrous metals	8		-94.0	631.7	-78.5	-33.1	590.0	-5.9	5.1	15.6
	Machinery	24		-42.6	225.1	4.9	-0.0	38.9	12.9	15.0	10.1
	Autos	18	SP	268.5	-26.5	94.6	61.7	7.0	9.2	9.1	8.1
	Electrical machinery, precision equipment	30	SP	603.9	SL	LS	SP	35.8	33.3	19.8	23.0
	Pharmaceuticals, healthcare	21		115.7	-14.6	-29.4	45.6	-2.7	4.1	5.9	7.5
	Food products	13		12.1	-3.5	18.7	20.0	21.7	6.6	5.5	6.7
	Household goods	9		-13.8	31.7	-20.8	32.9	32.9	28.5	28.8	0.4
	Trading companies	7		-22.7	56.6	25.8	-11.9	22.6	-0.3	11.5	2.1
	Retailing	14		-20.7	82.3	24.9	2.0	4.9	5.7	1.7	11.8
	Services	7		324.3	-0.9	-38.2	103.2	13.9	0.4	-4.3	3.1
	Software	7		-3.5	-46.5	-61.2	51.8	-14.3	80.0	49.3	2.1
	Media	5		171.0	15.1	57.8	-7.7	-1.5	12.8	-0.6	9.2
	Telecommunications	6		14.1	15.7	3.2	9.2	22.0	7.3	7.4	16.8
	Construction, engineering	4	LI	SP	-81.6	440.1	38.5	-5.3	19.6	30.4	21.7
	Housing, real estate	16		-18.5	74.0	-16.3	54.1	41.2	13.9	14.3	-3.1
	Transportation	22		-63.5	127.9	-37.9	59.5	44.4	-1.4	-0.2	7.2
Utilities	13	SP	SL	LI	LS	SP	3.1	-15.6	77.8	134.1	
Financials	33	SP	-26.7	24.7	66.7	18.9	-5.1	-5.3	5.3	3.9	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 21 Aug 2014, previous estimates as of 25 May 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	FY14E Old	FY14E New	FY15E Old	FY15E New
Industrial groups	Russell/Nomura Large Cap	287	17,598	26,483	23,168	26,521	36,708	37,217	37,604	41,249	41,637
	Russell/Nomura Large Cap (ex financials)	254	13,464	22,701	18,302	20,556	28,994	30,294	30,594	33,940	34,417
	Manufacturing	153	6,376	13,404	11,132	12,917	18,323	19,355	19,465	21,592	21,663
	Basic materials	38	1,236	3,638	3,588	3,101	3,931	3,630	3,668	4,127	4,144
	Processing	72	2,824	7,302	5,052	7,167	11,295	12,478	12,579	14,016	14,133
	Nonmanufacturing	134	11,223	13,079	12,037	13,604	18,385	17,862	18,140	19,657	19,974
	Nonmanufacturing (ex financials)	101	7,089	9,297	7,170	7,639	10,671	10,939	11,129	12,348	12,755
Broad sectors	Materials	38	1,236	3,638	3,588	3,101	3,931	3,630	3,668	4,127	4,144
	Machinery, autos	42	1,866	4,354	3,731	5,480	8,052	8,706	8,795	9,604	9,675
	Electronics	30	958	2,948	1,321	1,687	3,243	3,772	3,784	4,413	4,458
	Consumer, distribution	71	4,504	5,556	5,869	5,829	6,841	6,922	7,268	7,327	7,716
	Information	18	2,667	2,758	2,783	3,039	3,645	3,730	3,517	4,159	4,000
	Utilities, infrastructure	55	2,234	3,447	1,010	1,419	3,281	3,533	3,562	4,311	4,425
	Financials	33	4,134	3,781	4,867	5,965	7,714	6,923	7,010	7,309	7,220
Sectors	Chemicals	30	996	2,658	2,959	2,606	2,851	2,563	2,574	2,914	2,881
	Steel, nonferrous metals	8	240	979	629	495	1,080	1,067	1,094	1,213	1,262
	Machinery	24	564	1,406	1,472	1,416	1,855	2,072	2,113	2,279	2,330
	Autos	18	1,302	2,948	2,260	4,064	6,197	6,634	6,683	7,324	7,345
	Electrical machinery, precision equipment	30	958	2,948	1,321	1,687	3,243	3,772	3,784	4,413	4,458
	Pharmaceuticals, healthcare	21	1,278	1,209	1,215	1,170	1,314	1,396	1,406	1,488	1,469
	Food products	13	734	901	938	1,107	1,306	1,392	1,351	1,472	1,417
	Household goods	9	305	355	338	371	477	458	460	489	500
	Trading companies	7	1,048	1,626	1,993	1,706	2,026	2,093	2,460	2,175	2,617
	Retailing	14	831	1,105	1,071	1,110	1,277	1,187	1,187	1,288	1,293
	Services	7	309	361	313	364	441	396	404	415	420
	Software	7	562	324	148	173	245	412	324	417	359
	Media	5	166	235	239	227	251	217	212	237	225
	Telecommunications	6	1,939	2,199	2,396	2,639	3,150	3,101	2,981	3,505	3,417
	Construction, engineering	4	-5	95	123	122	181	149	182	188	217
	Housing, real estate	16	504	770	737	956	1,264	1,301	1,306	1,392	1,421
	Transportation	22	682	1,313	1,049	1,406	1,799	1,784	1,801	1,910	1,929
	Utilities	13	1,053	1,270	-898	-1,065	37	299	273	822	858
	Financials	33	4,134	3,781	4,867	5,965	7,714	6,923	7,010	7,309	7,220

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 21 Aug 2014, previous estimates as of 25 May 2014.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY13 Q2–FY14 Q1)

		% y-y															
		Sales				Operating profits				Recurring profits				Net profits			
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Industrial groups	Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	57.6	34.7	11.8	5.0	126.9	32.5	21.4	-6.9
	Russell/Nomura Large Cap (ex financials)	12.9	15.0	12.7	6.0	37.2	46.1	18.1	12.0	50.8	47.4	16.5	9.6	143.5	45.4	51.6	-5.4
	Manufacturing	13.1	15.2	11.7	4.0	42.4	65.3	10.7	13.4	63.5	68.6	8.1	10.3	281.8	81.8	10.3	12.7
	Basic materials	16.8	14.0	11.6	4.4	43.5	33.9	-1.9	1.3	51.2	31.5	-11.1	-2.5	321.3	11.4	-11.1	-6.3
	Processing	13.0	17.9	12.1	4.5	48.0	108.4	14.0	20.7	85.2	119.2	14.1	17.5	832.6	149.9	27.0	18.6
	Nonmanufacturing	-	-	-	-	-	-	-	-	52.6	9.9	16.1	0.6	67.8	1.7	40.1	-21.3
	Nonmanufacturing (ex financials)	12.6	14.7	14.0	8.6	30.1	20.9	36.8	9.9	34.8	19.3	36.8	8.4	63.2	6.5	2,658.8	-28.0
Broad sectors	Basic materials	16.8	14.0	11.6	4.4	43.5	33.9	-1.9	1.3	51.2	31.5	-11.1	-2.5	321.3	11.4	-11.1	-6.3
	Machinery, autos	16.1	21.2	12.9	5.8	51.0	112.1	15.8	11.6	48.9	111.0	16.0	14.0	57.4	129.5	19.3	15.1
	Electronics	8.8	13.5	11.0	2.4	41.8	101.2	10.9	55.0	415.0	139.7	10.2	29.6	SP	225.3	69.8	32.8
	Consumption, distribution	11.2	13.1	11.3	5.1	18.7	20.4	6.1	0.9	19.1	13.7	11.8	6.0	20.6	16.0	-1.1	0.6
	Information	20.1	21.5	26.3	20.2	18.4	5.7	5.8	-10.7	19.5	5.9	5.0	-22.3	53.9	11.6	-19.4	-28.5
	Utilities, infrastructure	9.7	10.8	12.6	7.2	53.6	37.2	238.8	48.9	78.8	52.3	632.3	57.9	150.4	3.6	SP	-46.4
	Financials	-	-	-	-	-	-	-	-	92.1	-1.9	-3.9	-8.2	76.7	-5.0	-31.8	-11.7
Sectors	Chemicals	14.8	14.6	11.6	3.6	22.1	11.8	-19.4	-1.5	27.7	9.5	-20.8	-1.2	81.7	-7.0	-22.4	-1.1
	Steel, nonferrous metals	22.3	12.5	11.6	6.2	202.9	235.6	83.3	9.4	234.5	154.7	29.3	-5.6	SP	56.0	23.4	-13.8
	Machinery	14.0	18.6	16.4	9.2	38.5	56.2	25.8	34.1	44.0	49.3	16.8	26.6	52.2	47.2	33.6	29.0
	Automobiles	16.7	21.8	11.9	4.9	55.0	135.1	12.3	6.1	50.3	140.3	15.7	10.7	58.7	168.6	14.6	12.0
	Electrical machinery, precision equipment	8.8	13.5	11.0	2.4	41.8	101.2	10.9	55.0	415.0	139.7	10.2	29.6	SP	225.3	69.8	32.8
	Pharmaceuticals, healthcare	7.6	8.7	10.2	-0.3	25.2	33.2	-9.9	11.0	27.2	27.6	13.8	5.8	30.8	44.0	-53.2	8.9
	Food products	5.3	5.0	7.1	0.2	26.8	2.1	17.9	-3.0	31.6	3.4	14.8	-1.0	40.9	6.0	-29.2	3.9
	Household goods	11.8	8.3	15.5	11.5	27.7	24.5	63.7	-15.6	27.3	22.3	39.4	-18.2	18.3	61.4	175.7	19.1
	Trading companies	13.8	18.0	12.7	6.2	13.9	52.0	-9.7	2.4	14.1	20.0	13.9	21.8	12.4	10.1	25.4	-0.7
	Retailing	10.8	9.7	10.5	8.8	4.0	7.4	8.0	1.1	2.9	3.6	3.1	-3.1	6.2	-3.0	4.3	-9.0
	Services	3.2	3.3	4.6	-0.9	16.6	5.3	13.1	-6.7	14.9	2.3	3.2	-6.3	11.1	5.1	0.1	-25.8
	Software	3.4	9.2	-3.2	2.9	-26.2	62.9	SL	-19.1	-10.1	23.6	SL	-39.6	1.7	10.3	SL	-46.0
	Media	11.5	8.8	15.5	5.0	35.8	-6.1	50.1	-0.7	51.1	-2.1	54.3	5.5	72.4	-4.5	20.7	59.8
	Telecommunications	23.9	26.3	32.4	24.7	19.2	1.8	7.4	-10.4	19.1	3.8	10.2	-21.6	56.0	13.8	-0.8	-28.9
	Construction, engineering	7.9	4.3	7.6	6.8	2.2	15.8	111.3	79.7	-1.2	13.4	69.4	20.5	44.4	-2.9	90.7	37.3
	Housing, real estate	12.4	17.7	17.6	6.9	21.1	34.7	23.9	9.2	24.5	39.8	20.0	6.7	54.5	31.9	61.7	9.9
	Transportation	6.9	8.5	8.3	3.8	6.2	9.7	14.5	-5.2	12.5	15.3	30.6	-5.5	16.7	31.2	SP	-2.2
	Utilities	11.2	10.7	14.8	11.1	SP	SP	SP	SP	SP	LS	LS	SP	SP	-74.4	LS	SL
	Financials	-	-	-	-	-	-	-	-	92.1	-1.9	-3.9	-8.2	76.7	-5.0	-31.8	-11.7

Note: (1) Q1 = Feb–Apr, Mar–May, or Apr–Jun; Q2 = May–Jul, Jun–Aug, or Jul–Sep; Q3 = Aug–Oct, Sep–Nov, or Oct–Dec; Q4 = Nov–Jan, Dec–Feb, or Jan–Mar. (2) Figures are for companies that had announced results (either full-year, Q1, Q2, or Q3) by 21 Aug 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			
		FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	FY13	FY14E	FY14E	FY15E	FY16E	FY13	FY14E	FY15E	FY16E
		x	x	x	x	x	x	x	x	%	%	%	%	%	%	%
Industrial groups	Russell/Nomura Large Cap	14.9	13.5	12.5	-	-	-	1.35	1.29	1.96	2.12	2.30	8.9	8.8	9.2	9.3
	Russell/Nomura Large Cap (ex loss-making cos)	14.6	13.3	12.4	-	-	-	1.38	1.29	1.97	2.14	2.33	9.5	9.1	9.2	9.3
	Russell/Nomura Large Cap (ex financials)	15.9	14.2	13.1	7.8	7.2	6.9	1.50	1.42	1.90	2.07	2.28	9.1	9.2	9.7	9.8
	Manufacturing	15.7	14.2	13.0	8.7	8.1	7.6	1.53	1.47	2.01	2.21	2.45	9.1	9.6	10.0	10.1
	Basic materials	14.3	13.0	12.0	6.2	5.9	5.7	1.04	1.01	1.92	2.03	2.12	7.1	7.3	7.6	7.7
	Processing	14.3	12.7	11.6	8.2	7.5	7.0	1.56	1.46	1.98	2.23	2.53	9.9	10.5	11.0	11.2
	Nonmanufacturing (ex financials)	14.0	12.7	11.9	-	-	-	1.18	1.12	1.89	2.02	2.13	8.8	8.1	8.5	8.5
Broad sectors	Basic materials	14.3	13.0	12.0	6.2	5.9	5.7	1.04	1.01	1.92	2.03	2.12	7.1	7.3	7.6	7.7
	Machinery, autos	12.6	11.6	10.6	8.0	7.4	6.8	1.54	1.43	2.19	2.52	2.92	12.0	11.7	11.8	11.9
	Electronics	18.9	15.4	13.9	8.6	7.8	7.3	1.59	1.51	1.61	1.70	1.82	6.3	8.2	9.5	9.8
	Consumption, distribution	17.4	16.3	15.3	10.6	10.1	9.6	1.60	1.54	2.21	2.35	2.50	9.5	9.0	9.1	9.2
	Information	16.6	14.1	13.3	5.7	5.3	5.2	1.76	1.66	1.59	1.74	1.87	10.0	10.3	11.3	11.3
	Utilities, infrastructure	19.5	16.1	14.9	6.5	6.1	5.9	1.47	1.36	1.35	1.45	1.63	7.6	7.2	8.2	8.3
	Financials	10.5	10.1	9.7	-	-	-	0.80	0.78	2.36	2.48	2.50	8.4	7.6	7.5	7.4
Sectors	Chemicals	15.5	14.0	13.1	6.8	6.4	6.1	1.07	1.06	1.95	2.01	2.04	6.7	7.0	7.3	7.4
	Steel, nonferrous metals	11.9	11.1	10.0	5.3	5.0	4.8	0.98	0.91	1.85	2.09	2.32	7.9	7.9	8.0	8.3
	Machinery	17.9	16.0	14.7	11.1	10.2	9.6	1.85	1.70	1.54	1.65	1.73	9.8	9.9	10.2	10.3
	Automobiles	11.1	10.3	9.4	7.0	6.5	6.0	1.43	1.33	2.49	2.93	3.47	12.8	12.4	12.4	12.5
	Electrical machinery, precision equipment	18.9	15.4	13.9	8.6	7.8	7.3	1.59	1.51	1.61	1.70	1.82	6.3	8.2	9.5	9.8
	Pharmaceuticals, healthcare	25.2	23.8	24.2	17.1	16.5	16.7	1.91	1.92	2.21	2.28	2.31	7.5	7.6	7.9	7.4
	Food products	20.2	19.3	17.6	12.2	12.1	11.4	2.13	2.12	2.37	2.57	2.98	11.1	10.7	10.7	11.2
	Household goods	23.0	22.2	20.2	14.0	13.5	12.6	2.34	2.46	1.34	1.43	1.55	8.7	10.9	10.8	11.1
	Trading companies	7.8	7.4	7.1	5.1	4.8	4.5	0.80	0.75	3.39	3.61	3.78	11.6	9.9	9.7	9.5
	Retailing	22.5	19.8	17.1	11.2	10.2	9.2	1.79	1.75	1.51	1.70	1.79	8.2	8.0	8.6	9.4
	Services	26.6	23.9	21.8	12.5	11.9	11.2	1.91	1.64	1.70	1.72	1.78	7.3	6.3	6.7	7.0
	Software	23.7	20.0	19.1	17.0	15.0	14.5	2.03	1.93	1.41	1.52	1.59	5.2	8.4	9.3	9.1
	Media	25.2	21.9	20.6	15.4	14.1	13.7	1.31	1.22	1.33	1.36	1.36	5.7	4.9	5.4	5.6
	Telecommunications	15.1	12.8	12.1	4.7	4.4	4.3	1.79	1.68	1.66	1.82	1.98	11.7	11.5	12.6	12.6
	Construction	23.6	19.4	17.0	15.9	13.9	12.6	1.62	1.54	0.94	0.94	0.94	6.4	6.7	7.7	8.2
	Housing, real estate	20.6	20.4	18.9	13.6	13.4	12.7	2.00	1.78	1.32	1.38	1.45	9.0	9.1	8.5	8.6
	Transportation	15.9	14.8	14.1	6.2	6.0	5.9	1.50	1.37	1.48	1.53	1.59	9.7	8.9	8.9	8.7
	Utilities	29.6	12.6	11.1	3.1	2.7	2.6	0.91	0.89	1.24	1.56	2.29	3.7	3.0	6.8	7.4
	Financials	10.5	10.1	9.7	-	-	-	0.80	0.78	2.36	2.48	2.50	8.4	7.6	7.5	7.4
	Russell/Nomura Small Cap		16.4	14.9	14.4	-	-	-	1.15	1.11	1.55	1.58	1.62	7.0	7.0	7.3
Russell/Nomura Small Cap (ex financials)		16.9	15.3	14.7	8.7	8.2	8.0	1.23	1.20	1.54	1.57	1.60	7.0	7.3	7.6	7.5

Note: (1) Estimates as of 21 Aug 2014. (2) Share prices are as of 21 Aug 2014 close.

Source: Nomura

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When Japanese government bonds (JGBs) for individual investors are purchased via public offerings, only the purchase price shall be paid, with no sales commission charged. As a rule, JGBs for individual investors may not be sold in the first 12 months after issuance. When JGBs for individual investors are sold before maturity, an amount calculated via the following formula will be subtracted from the par value of the bond plus accrued interest: (1) for 10-year variable rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 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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