

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 look for sales growth of 4.5% y-y and recurring profit growth of 8.9% for companies in the Russell/Nomura Large Cap Index (ex financials). Our forex assumptions for FY14 are USD/JPY of 105.5 (previously 101.3) and EUR/JPY of 137.9 (previously 138.5). Compared with our previous estimates (published in September 2014, based on data collated on 21 August 2014), sales growth is 0.3ppt higher and recurring profit growth is 0.8ppt higher. This marks the second consecutive quarter of upward revisions. However, excluding the utilities sector, where profit levels are projected to be particularly low, our recurring profit growth forecast has fallen by 0.1ppt, from 7.2% to 7.1%.

In FY14 Q2, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) rose 15.8% y-y, beating growth of 9.6% in Q1. H1 recurring profits increased 11.7% y-y, much higher than our previous forecast of a 2.6% increase. Growth in investment profits at some telecommunications companies had a substantial impact. Meanwhile, many Japanese macro indicators show few signs of recovery as the timing of an economic recovery following the consumption tax hike has been delayed. Industrial production has recently also been considerably weaker than expected, prompting us to revise down our assumption for FY14 industrial production from growth of 3.7% y-y to 0.7%. Nevertheless, we think the strong recurring profit growth in H1 is an indication of strength at the company level compared to the macroeconomic level. The upward revision to the full-year projection was limited, and our analysts have revised down their projection for H2 recurring profit growth from 13.8% previously to 6.5%. However, bearing in mind the depreciation of the yen versus the dollar that has been seen up to now, we think projected recurring profit growth for H2 is at a realistic level.

Overview of the FY15 corporate earnings outlook

For FY15, our analysts look for growth in sales of 2.8% y-y and in recurring profits of 13.1% for companies in the Russell/Nomura Large Cap Index (ex financials). Our forex assumptions for FY15 are USD/JPY of 108.0 (previously 101.0) and EUR/JPY of 137.0 (previously 138.0). These figures represent upward revisions of 0.1ppt for sales and 0.6ppt for recurring profits versus our previous forecasts. Excluding utilities, we have raised our recurring profit forecast from growth of 10.7%, to 11.5%, an upward revision of 0.8ppt. The Japanese economy has been particularly weak in FY14, but we look for industrial production to get back on a recovery track in FY15 with growth of 3.7% as economic stimulus measures prove effective. We also look for a boost from the weak yen. Under our current assumptions, the yen in FY15 will be ¥2.5 weaker versus the dollar than in FY14, but even then yen depreciation started in FY14 Q2, so the boost to earnings from yen depreciation will likely be greater in FY15. We therefore think an acceleration in profit growth in FY15 looks more realistic.

Meanwhile, there is still scope for improvement from the standpoint of capital efficiency. Our analysts forecast ROE for companies in the Russell/Nomura Large Cap Index will fall from 8.9% in FY13 to 8.8% in FY14, with only a limited rebound to 9.3% in FY15. This would still be well short of the 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	FY13E	FY14E
Sales	Russell/Nomura Large Cap (ex financials)	254	2.7	12.5	4.5	2.8	4.2	2.7
	Manufacturing	153	3.0	12.3	4.2	2.9	3.7	2.9
	Basic materials	38	-0.5	13.2	2.7	1.5	2.9	1.7
	Processing	72	4.8	13.2	4.7	4.0	3.8	3.9
	Nonmanufacturing (ex financials)	101	2.2	12.7	4.9	2.7	5.0	2.5
Operating profits	Russell/Nomura Small Cap (ex financials)	981	2.5	9.3	4.1	3.3	4.3	3.4
	Russell/Nomura Large Cap (ex financials)	254	4.5	34.3	7.5	14.6	8.3	11.6
	Manufacturing	153	7.5	37.1	10.6	13.9	11.2	10.5
	Basic materials	38	-22.6	35.6	-6.8	30.0	3.4	13.7
	Processing	72	29.1	44.4	16.8	12.7	14.3	11.0
Recurring profits	Nonmanufacturing (ex financials)	101	-0.4	29.6	2.3	15.8	3.6	13.7
	Russell/Nomura Small Cap (ex financials)	981	-2.1	28.4	9.3	12.0	10.6	10.7
	Russell/Nomura Large Cap	287	12.8	37.4	5.4	11.2	4.6	10.7
	Russell/Nomura Large Cap (ex financials)	254	7.7	39.7	8.9	13.1	8.1	12.5
	Manufacturing	153	10.3	43.3	10.3	13.6	9.5	11.3
	Basic materials	38	-19.2	33.5	-6.4	25.5	0.5	13.0
	Processing	72	36.4	58.2	16.9	13.1	13.2	12.3
	Nonmanufacturing	134	15.2	31.9	0.5	8.6	-0.2	10.1
	Nonmanufacturing (ex financials)	101	3.5	34.0	6.6	12.2	5.6	14.6
	Russell/Nomura Small Cap	1,077	3.9	29.7	2.1	9.9	1.8	9.7
Net profits	Russell/Nomura Small Cap (ex financials)	981	4.5	27.3	5.0	11.2	5.3	10.7
	Russell/Nomura Large Cap	287	36.3	62.7	7.5	12.3	7.5	10.8
	Russell/Nomura Large Cap (ex financials)	254	26.7	79.8	10.7	14.2	10.9	12.4
	Manufacturing	153	30.8	80.9	13.3	13.9	13.4	10.9
	Basic materials	38	-30.8	85.9	0.9	24.7	9.1	9.8
	Processing	72	77.5	116.1	17.7	14.1	15.8	12.6
	Nonmanufacturing	134	41.0	48.2	1.8	10.5	1.6	10.7
	Nonmanufacturing (ex financials)	101	20.4	78.1	6.3	14.9	6.6	15.1
	Russell/Nomura Small Cap	1,077	2.0	74.2	3.6	11.9	4.7	9.6
	Russell/Nomura Small Cap (ex financials)	981	-2.0	80.6	6.0	14.9	9.1	10.8

Note: Latest estimates as of 25 November 2014. Previous estimates as of 21 August 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	0.7	0-0.10	95.0	105.5	137.9	
		Old	3.7	0-0.10	104.5	101.3	138.5	
	FY15E	New	3.7	0-0.10	90.0	108.0	137.0	
		Old	3.5	0-0.10	105.0	101.0	138.0	
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	Some estimates	Estimated 1.4	0-0.10	100.1	103.0	138.9
		Old	4.4	0-0.10	104.0	101.6	139.0	
	FY14E	H2	New	-0.1	0-0.10	90.0	108.0	137.0
		Old	3.0	0-0.10	105.0	101.0	138.0	
	FY15E	H1	New	5.1	0-0.10	90.0	108.0	137.0
		Old	4.6	0-0.10	105.0	101.0	138.0	
	FY15E	H2	New	2.4	0-0.10	90.0	108.0	137.0
		Old	2.4	0-0.10	105.0	101.0	138.0	

Note: Macroeconomic assumptions as of 8 Oct 2014. Previous assumptions as of 3 July 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 12 of the 19 sectors and decrease in seven. The largest contributions to growth are from automobiles, utilities, electrical machinery & precision equipment, and machinery. We assume USD/JPY of 105.5 for FY14, versus 100.2 for FY13, and basically expect changes in forex rates to have little 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 automobiles sector, we forecast global demand will increase 2.3% y-y in 2014, to 86.6mn vehicles. While we expect demand in emerging economies to remain flat y-y, we look for US new auto sales to increase 5.1% to 16.4mn vehicles and also look for a boost from demand in Japan and Europe. In the utilities sector, although earnings remain low and the expected restart of nuclear power plants has been pushed back to FY15, we look for a contribution to profit growth from earlier price hikes and lower yen-denominated prices for crude oil. For the electrical machinery & precision equipment sector, we anticipate a large contribution to profit growth from industrial electronics. Mobile phone, semiconductors, and other technology business are performing comparatively well, partly owing to the effects of restructuring carried out up to now. Furthermore, we think business segments in which industrial electronics companies have strengthened their presence—notably, IT services, social infrastructure, factory automation systems, and automotive equipment—will make a substantial contribution to profit growth. For the machinery sector, we expect widespread benefits from firm capex both in Japan and overseas. Demand for smartphones is healthy in China and corporate appetite for capex in Japan has not declined despite the hike in the consumption tax.

In contrast, we expect a negative contribution from the financials and chemicals 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 chemicals, we expect an impact at the oil products subsector from the disappearance of gains on the sale of interests by some companies and larger inventory valuation losses as a result of lower crude oil prices.

Overview of the FY15 corporate earnings outlook

For FY15, we project that recurring profits will rise in 18 of the 19 sectors and fall in one. Sectors from which we expect substantial contributions to overall profit growth include electrical machinery & precision equipment, chemicals, automobiles, and utilities. 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. We expect consumer electronics to account for around half of overall profit growth in the electrical machinery & precision equipment sector. In the chemicals sector, we look for a substantial impact from the disappearance of inventory valuation losses in the oil products subsector, but we also expect a contribution to profit growth from restructuring at diversified chemicals producers. For the automobiles sector, we project global demand will increase 3.2% y-y in 2015, to 89.4mn vehicles. There will likely be large variations between regions, but we look for Europe, the US, and India in particular to drive growth, with an increase of 1.8% in US new car sales to 16.7mn vehicles. Sustained improvement in the labor market is increasing consumers' appetite for replacement buying of autos, and with lower gasoline prices likely to increase the weighting of high-margin light trucks, we expect an improvement in the product mix for Japanese automakers. We also look for a positive impact from pent-up demand in Europe and from strong economic recovery and lower fuel prices in India. We see positive factors for the utilities sector as the expected restart of nuclear power facilities from FY15 and further rate hikes by electric power companies.

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)
12 sectors				18 sectors			
Automobiles	16.7	52.5	40.1	Electrical machinery, precision equipment	23.6	20.5	21.5
Utilities	1394.6	26.8	20.5	Chemicals	28.2	14.8	15.6
Electrical machinery, precision equipment	15.7	25.9	19.8	Automobiles	8.9	14.8	15.6
Machinery	19.8	19.2	14.6	Utilities	101.9	13.3	13.9
Telecommunications	6.3	10.0	7.6	Trading companies	15.7	7.9	8.3
Steel, nonferrous metals	15.5	8.2	6.3	Steel, nonferrous metals	20.6	5.7	6.0
Pharmaceuticals, healthcare	8.9	6.1	4.6	Financials	3.0	4.9	-
Transportation	2.8	2.6	2.0	Machinery	9.2	4.8	5.1
Food	2.6	1.7	1.3	Retailing	13.8	3.7	3.9
Household goods	7.8	1.7	1.3	Transportation	5.5	2.4	2.5
Software	10.9	1.5	1.1	Housing, real estate	6.7	2.0	2.1
Construction	14.9	1.2	0.9	Household goods	10.4	1.1	1.2
				Construction	25.6	1.1	1.1
				Services	8.8	0.8	0.8
				Software	10.8	0.7	0.8
				Food	1.9	0.6	0.6
				Pharmaceuticals, healthcare	1.7	0.6	0.6
				Media	7.4	0.4	0.4
Decrease in profit (%)				Decrease in profit (%)			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
7 sectors				1 sectors			
Retailing	-0.9	-0.5	-0.4	Telecommunications	-0.1	-0.1	-0.1
Media	-6.6	-0.7	-0.6				
Housing, real estate	-1.3	-0.9	-0.7				
Services	-5.9	-1.3	-1.0				
Trading companies	-2.2	-2.5	-1.9				
Chemicals	-14.9	-20.4	-15.6				
Financials	-7.8	-30.9	-				

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 eight of 19 sectors and lowered them for 11.

The largest upward revisions have been to our estimates for the automobiles, utilities, telecommunications, and steel & nonferrous metals sectors. The pace of order recovery in the automobiles sector in Japan remains modest in the wake of the consumption tax hike, but in the core North American market monthly sales of new autos are solid. The steady improvement in terms of COGS continues. The utilities sector has benefited substantially from lower crude oil prices, including a decline in fuel costs, lower yen-denominated crude oil prices leading to lower costs for alternative fuels required owing to the suspension of nuclear power facilities, and an improvement in gains/losses under the fuel cost adjustment system. The machinery sector has benefited greatly from strong capex, with upward revisions again across a wide range of subsectors. Recovery continues in Japan, and overseas we think a gradual expansion is under way, although there are disparities between regions. The steel & nonferrous metals sector is more likely to be able to maintain high capacity utilization and margins thanks to reduced pressure from imports as a result of yen depreciation and improvement in supply-demand in Japan owing to improved margins on exports. Recent earnings results have also shown the steel spread (the difference between product sales prices and input prices) is being maintained, showing that Japanese steelmakers remain committed to prioritizing margins.

The largest downward revisions have been to our estimates for the chemicals, trading companies, electrical machinery & precision equipment, and retailing sectors. The downward revision for the chemicals sector largely reflects increased inventory valuation losses in the oil products subsector, lower petrochemical prices and a deterioration in refining margins. However, analysts have revised up their forecasts for diversified chemicals producers, reflecting an ongoing boost from their moves to overhaul their operations. If the value of the yen becomes entrenched at USD/JPY of 115 or weaker, Japanese companies may be able to ensure cost-competitiveness versus Asian petrochemical manufacturers. Factors behind the downward revision for the trading companies sector were falling resource prices and large impairment losses at some companies. The downward revision for the electrical machinery & precision equipment sector reflected conditions at some consumer electronics manufacturers, but there were also many positive signs such as H1 results at electronic parts companies providing confirmation of a steady ramp-up of mass production of the iPhone 6 and iPhone Plus. The downward revision for the retailing sector reflected weak recovery in consumer spending following the consumption tax hike and unfavorable weather in summer.

Overview of the FY15 corporate earnings outlook

We have raised our FY15 recurring profit estimates for eight of 19 sectors and lowered them for 10. The largest upward revisions were to our projections for the automobiles, utilities, steel & nonferrous metals, and machinery sectors, while our largest downward revisions were to our estimates for the telecommunications, trading companies, and food sectors.

The size of the upward revisions to FY15 forecasts was around the same as for FY14 forecasts in many sectors. Among the changes, the upward revision to our FY15 forecast for the steel & nonferrous metals sector is much higher than the upward revision to our FY14 forecast. This reflects a brighter outlook for earnings, partly owing to the changes in the environment as noted above. Meanwhile, forecasts for the pharmaceuticals & healthcare sector have been revised up for FY14 and revised down for FY15, although the revisions are small. Government moves to promote the use of generics have resulted in a slowdown in sales of long-listed drugs, which had previously been a key source of earnings. Prospective moves to reduce healthcare costs are a cause for concern. Earnings forecasts for FY14 for the electrical machinery & precision equipment and trading companies sectors have been revised down owing to impairment losses at some companies, but the FY15 projection for the former sector has been revised up, while that for the latter has been revised down slightly. For the chemicals sector, the downward revision to the FY15 projection was smaller than that to the FY14 projection, reflecting a decline in inventory valuation losses.

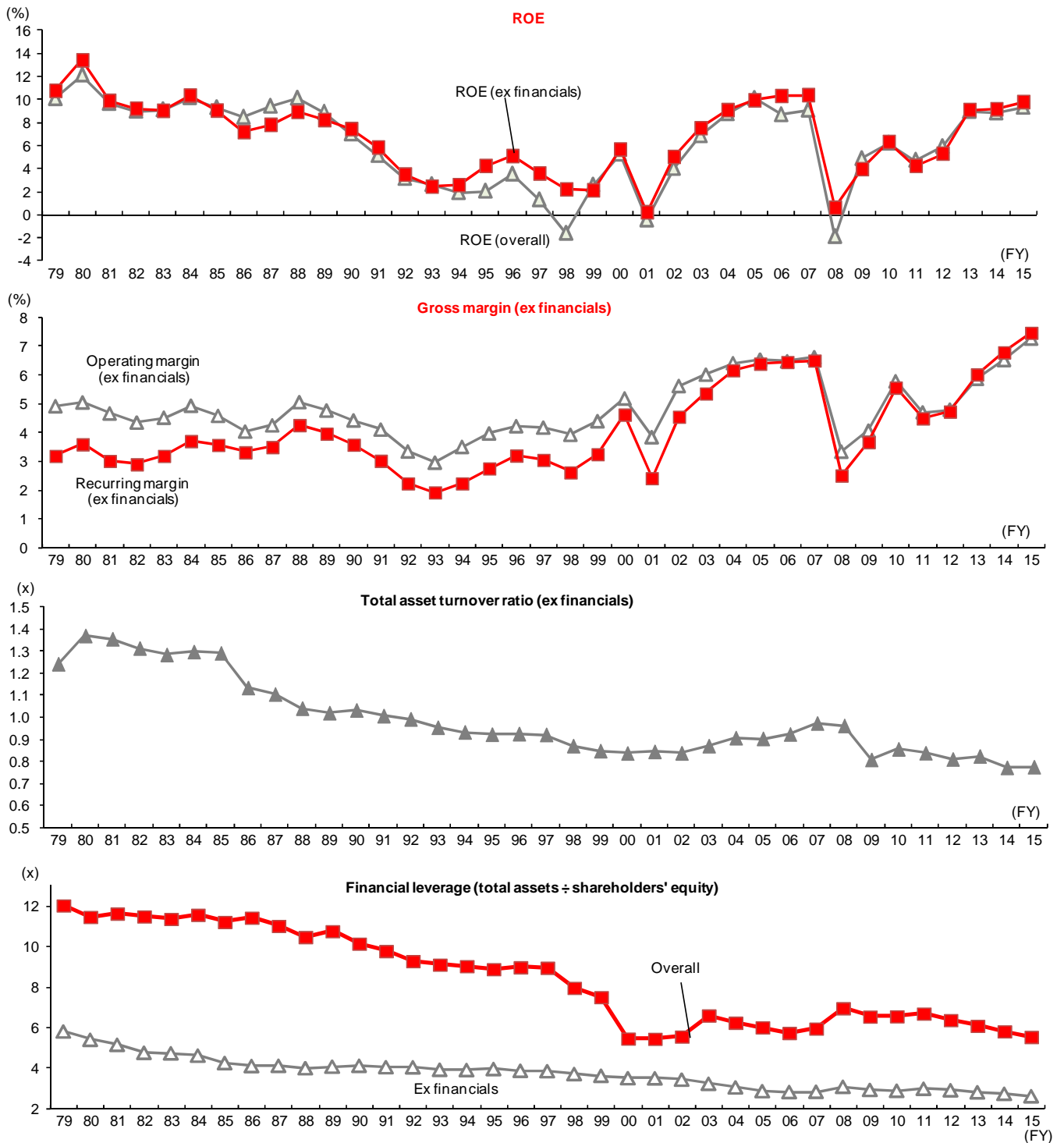
Fig. 4: Revisions to recurring profit estimates (versus old estimates) for the Russell/Nomura Large Cap Index

FY14E					FY15E				
[Upward revisions]	8 sectors				[Upward revisions]	8 sectors			
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Automobiles	7,078	6,683	396	5.9	Automobiles	7,707	7,345	363	4.9
Utilities	553	273	280	102.4	Utilities	1,117	858	259	30.1
Telecommunications	3,240	2,981	259	8.7	Steel, nonferrous metals	1,422	1,262	159	12.6
Machinery	2,233	2,113	120	5.7	Machinery	2,439	2,330	108	4.6
Steel, nonferrous metals	1,179	1,094	86	7.8	Electrical machinery, precision equipment	4,553	4,458	95	2.1
Financials	7,044	7,010	34	0.5	Financials	7,252	7,220	32	0.4
Transportation	1,829	1,801	28	1.6	Household goods	506	500	5	1.1
Pharmaceuticals, healthcare	1,428	1,406	22	1.5	Construction	221	217	4	1.8
[Downward revisions]	11 sectors				[Downward revisions]	10 sectors			
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Household goods	458	460	-3	-0.6	Services	419	420	-2	-0.4
Construction	176	182	-6	-3.3	Retailing	1,288	1,293	-5	-0.4
Media	201	212	-10	-4.9	Media	216	225	-9	-3.9
Services	385	404	-19	-4.6	Chemicals	2,866	2,881	-15	-0.5
Housing, real estate	1,286	1,306	-20	-1.6	Pharmaceuticals, healthcare	1,453	1,469	-16	-1.1
Software	293	324	-31	-9.6	Software	325	359	-34	-9.4
Food	1,312	1,351	-39	-2.9	Housing, real estate	1,372	1,421	-49	-3.4
Retailing	1,132	1,187	-55	-4.7	Food	1,338	1,417	-80	-5.6
Electrical machinery, precision equipment	3,683	3,784	-102	-2.7	Trading companies	2,480	2,617	-137	-5.2
Trading companies	2,143	2,460	-317	-12.9	Telecommunications	3,237	3,417	-179	-5.2
Chemicals	2,236	2,574	-338	-13.1					

Note: Latest estimates as of 25 November 2014. Previous estimates as of 21 August 2014. No revision to FY15 forecast for transportation.

Source: Nomura

Fig. 5: Breakdown of factors affecting ROE

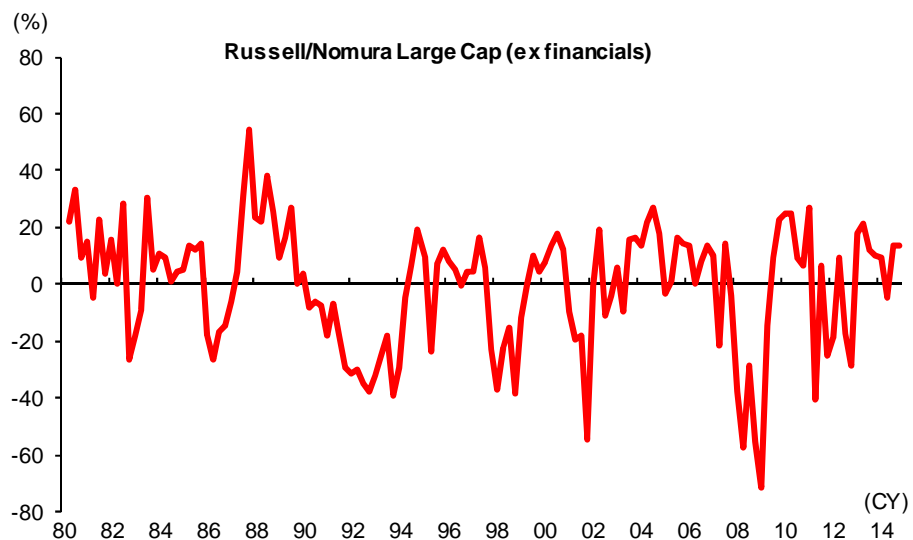


Note: Figures for FY14 onward are estimates. As of 25 November 2014.

Source: Nomura

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

	(yy/m)	13/3	13/6	13/9	13/12	14/3	14/6	14/9	14/12 (%)
Russell/Nomura Large Cap		19.2	25.3	14.5	10.5	15.0	-0.3	15.7	13.2
Russell/Nomura Large Cap (ex financials)		17.6	21.7	12.5	9.8	9.4	-4.7	13.4	13.8
Manufacturing		23.5	20.1	23.5	6.1	14.4	-2.6	15.7	18.3
Basic materials		31.9	25.5	38.3	6.4	-15.8	-15.8	-7.9	7.9
Processing		30.9	29.6	16.0	13.6	40.3	5.6	30.6	33.3
Nonmanufacturing (ex financials)		8.5	24.1	-4.3	15.5	2.0	-7.9	9.9	6.9



Note: (1) Calculated by Nomura based on revisions to recurring profit forecasts. 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	4.2	4.5	2.7	2.8
	Manufacturing	153	-11.8	7.0	0.2	3.0	12.3	3.7	4.2	2.9	2.9
	Basic materials	38	-20.8	13.2	4.8	-0.5	13.2	2.9	2.7	1.7	1.5
	Processing	72	-10.7	6.3	-2.0	4.8	13.2	3.8	4.7	3.9	4.0
	Nonmanufacturing (ex financials)	101	-14.4	4.9	3.0	2.2	12.7	5.0	4.9	2.5	2.7
Broad sectors	Materials	38	-20.8	13.2	4.8	-0.5	13.2	2.9	2.7	1.7	1.5
	Machinery, autos	42	-13.0	7.4	-0.1	10.0	15.4	5.3	6.4	4.6	4.8
	Electronics	30	-8.0	5.2	-4.3	-1.6	10.1	1.8	2.3	3.0	2.9
	Consumer, distribution	71	-14.9	5.7	3.3	0.8	11.2	4.2	4.2	2.1	2.9
	Information	18	-3.5	0.4	1.5	3.4	20.1	9.0	9.1	2.6	2.8
	Utilities, infrastructure	55	-11.0	2.5	2.2	5.3	10.0	4.3	3.8	1.8	1.1
Sectors	Chemicals	30	-19.5	13.0	6.5	0.8	12.5	3.2	2.4	2.4	1.6
	Steel, nonferrous metals	8	-23.1	13.6	0.7	-4.3	15.1	2.4	3.6	-0.2	1.2
	Machinery	24	-16.2	8.3	5.0	2.2	15.4	8.2	9.8	5.3	5.0
	Autos	18	-12.1	7.1	-1.6	12.5	15.5	4.4	5.4	4.4	4.7
	Electrical machinery, precision equipment	30	-8.0	5.2	-4.3	-1.6	10.1	1.8	2.3	3.0	2.9
	Pharmaceuticals, healthcare	21	3.6	1.1	3.0	2.0	7.8	0.8	-0.1	-0.1	-0.4
	Food products	13	-6.5	0.7	-0.9	3.3	5.4	7.2	6.6	-0.8	0.2
	Household goods	9	-5.8	1.8	2.9	4.4	9.9	9.8	11.2	1.3	1.7
	Trading companies	7	-23.4	10.2	6.1	-1.0	14.0	3.8	4.3	3.0	4.0
	Retailing	14	-3.7	1.8	-2.5	3.7	10.0	6.0	5.4	3.7	4.5
	Services	7	-3.5	0.1	-2.4	1.5	3.5	-0.0	-0.3	1.6	1.9
	Software	7	-14.0	-17.6	-14.9	-4.0	3.6	9.2	3.6	3.2	8.9
	Media	5	-5.7	4.5	1.9	4.8	10.5	2.7	2.4	3.0	2.9
	Telecommunications	6	-0.9	2.4	3.5	3.8	24.4	9.9	10.7	2.4	2.2
	Construction, engineering	4	-16.1	-16.0	7.7	7.5	6.8	4.2	4.6	1.4	1.3
	Housing, real estate	16	-3.6	5.4	2.7	6.1	14.5	8.2	7.8	2.8	2.7
	Transportation	22	-12.0	3.4	-0.7	3.4	7.2	1.9	1.9	1.7	1.6
Utilities	13	-11.9	5.9	3.4	5.9	11.0	4.1	3.0	1.4	-0.4	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 25 November 2014, previous estimates as of 21 August 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	8.3	7.5	11.6	14.6
	Manufacturing	153	8.0	74.3	-14.2	7.5	37.1	11.2	10.6	10.5	13.9
	Basic materials	38	-47.8	101.5	-9.8	-22.6	35.6	3.4	-6.8	13.7	30.0
	Processing	72	117.4	110.6	-20.6	29.1	44.4	14.3	16.8	11.0	12.7
	Nonmanufacturing (ex financials)	101	-16.4	25.7	-24.6	-0.4	29.6	3.6	2.3	13.7	15.8
Broad sectors	Materials	38	-47.8	101.5	-9.8	-22.6	35.6	3.4	-6.8	13.7	30.0
	Machinery, autos	42	110.6	106.5	-10.9	42.9	46.2	10.5	15.7	10.3	10.2
	Electronics	30	126.5	116.1	-32.7	6.7	40.3	23.0	19.2	12.4	18.1
	Consumer, distribution	71	-19.4	17.5	0.8	-6.4	14.7	0.8	-0.4	6.3	9.3
	Information	18	-2.6	6.3	-3.7	4.3	15.2	5.4	-3.3	11.1	12.2
	Utilities, infrastructure	55	-10.3	35.2	-57.7	10.4	69.1	10.1	15.2	19.9	17.7
Sectors	Chemicals	30	-31.0	94.5	-1.1	-21.3	16.7	-1.6	-16.8	13.3	32.8
	Steel, nonferrous metals	8	-71.8	125.0	-37.1	-30.2	151.9	17.3	21.4	14.5	24.5
	Machinery	24	-42.0	124.8	6.1	-7.9	30.4	15.7	21.3	10.2	9.6
	Autos	18	SP	98.0	-19.8	77.2	51.7	9.0	14.0	10.4	10.4
	Electrical machinery, precision equipment	30	126.5	116.1	-32.7	6.7	40.3	23.0	19.2	12.4	18.1
	Pharmaceuticals, healthcare	21	13.3	-8.7	-7.6	-6.9	20.5	10.6	12.0	4.2	1.5
	Food products	13	-7.8	11.5	4.1	9.0	11.6	6.2	2.3	4.4	1.1
	Household goods	9	-0.9	12.1	0.5	-2.3	23.3	9.9	8.4	8.1	10.5
	Trading companies	7	-58.1	69.7	6.3	-24.8	18.7	-17.2	-17.8	7.6	23.3
	Retailing	14	-3.9	21.8	7.5	-3.5	6.0	7.9	2.5	9.2	14.2
	Services	7	15.2	4.5	-15.9	15.3	14.6	-1.3	-6.0	5.1	9.9
	Software	7	-24.8	-32.8	-53.3	-32.9	13.2	60.8	41.0	4.8	7.7
	Media	5	-9.8	37.6	3.6	19.4	9.6	2.4	-3.0	6.6	7.8
	Telecommunications	6	6.4	14.2	3.1	5.9	15.7	1.9	-6.2	12.1	12.9
	Construction, engineering	4	SL	10,835.6	18.3	-10.8	30.0	27.6	23.1	20.3	27.1
	Housing, real estate	16	-22.3	29.0	0.6	12.6	26.0	3.6	1.8	7.3	5.5
	Transportation	22	-42.0	51.5	-17.3	20.4	8.4	1.8	2.3	5.7	4.3
Utilities	13	108.7	17.0	SL	LI	SP	77.7	141.7	97.5	69.7	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 25 November 2014, previous estimates as of 21 August 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	FY14E	FY15E	FY15E
								Old	New	Old	New
Industrial groups	Russell/Nomura Large Cap	287	97.3	43.8	-12.1	12.8	37.4	4.6	5.4	10.7	11.2
	Russell/Nomura Large Cap (ex financials)	254	8.6	58.7	-19.5	7.7	39.7	8.1	8.9	12.5	13.1
	Manufacturing	153	36.1	91.0	-17.9	10.3	43.3	9.5	10.3	11.3	13.6
	Basic materials	38	-52.4	133.9	-7.1	-19.2	33.5	0.5	-6.4	13.0	25.5
	Processing	72	SP	143.6	-29.3	36.4	58.2	13.2	16.9	12.3	13.1
	Nonmanufacturing	134	165.1	14.7	-5.9	15.2	31.9	-0.2	0.5	10.1	8.6
	Nonmanufacturing (ex financials)	101	-8.1	27.6	-21.7	3.5	34.0	5.6	6.6	14.6	12.2
Broad sectors	Materials	38	-52.4	133.9	-7.1	-19.2	33.5	0.5	-6.4	13.0	25.5
	Machinery, autos	42	225.7	116.1	-11.5	42.5	47.6	10.9	17.4	10.0	9.0
	Electronics	30	SP	200.1	-54.9	19.7	92.9	18.9	15.7	17.8	23.6
	Consumer, distribution	71	-5.0	16.7	5.9	-4.1	15.7	7.7	1.5	6.2	9.1
	Information	18	1.3	3.3	0.0	7.3	16.2	-0.3	5.9	13.7	1.2
	Utilities, infrastructure	55	-9.2	48.7	-70.2	30.2	102.6	8.9	17.5	24.2	20.7
	Financials	33	SP	-8.2	33.7	34.8	29.3	-8.2	-7.8	3.0	3.0
Sectors	Chemicals	30	-32.2	116.2	1.8	-19.2	16.3	-2.1	-14.9	11.9	28.2
	Steel, nonferrous metals	8	-78.7	201.0	-34.3	-18.9	119.5	7.1	15.5	15.4	20.6
	Machinery	24	-38.6	125.8	7.9	-5.1	31.9	13.4	19.8	10.3	9.2
	Autos	18	SP	111.8	-20.8	72.8	53.0	10.1	16.7	9.9	8.9
	Electrical machinery, precision equipment	30	SP	200.1	-54.9	19.7	92.9	18.9	15.7	17.8	23.6
	Pharmaceuticals, healthcare	21	13.1	-8.6	-9.0	-4.9	14.0	7.2	8.9	4.4	1.7
	Food products	13	7.2	10.2	5.2	9.1	13.0	5.6	2.6	4.9	1.9
	Household goods	9	-0.4	9.2	1.9	0.1	20.3	8.4	7.8	8.7	10.4
	Trading companies	7	-29.7	55.1	22.6	-15.1	25.9	12.2	-2.2	6.4	15.7
	Retailing	14	-4.2	22.2	7.9	-2.5	5.6	4.6	-0.9	8.9	13.8
	Services	7	17.0	4.9	-14.7	16.6	12.8	-1.4	-5.9	4.1	8.8
	Software	7	-10.7	-41.9	-53.5	8.4	14.9	22.8	10.9	10.5	10.8
	Media	5	-11.5	34.9	14.5	7.6	10.8	-1.9	-6.6	6.3	7.4
	Telecommunications	6	6.8	13.4	6.2	7.2	16.8	-2.2	6.3	14.6	-0.1
	Construction, engineering	4	SL	1,102.5	49.0	-1.0	25.3	18.8	14.9	19.2	25.6
	Housing, real estate	16	-21.8	35.3	-0.9	20.8	29.5	0.3	-1.3	8.8	6.7
	Transportation	22	-54.2	90.6	-18.9	30.9	15.1	1.2	2.8	7.1	5.5
	Utilities	13	291.9	20.7	SL	LI	SP	638.4	1,394.6	214.1	101.9
	Financials	33	SP	-8.2	33.7	34.8	29.3	-8.2	-7.8	3.0	3.0

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 25 November 2014, previous estimates as of 21 August 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		FY15E	
							Old	New	Old	New
Russell/Nomura Large Cap	287	SP	34.6	-25.3	36.3	62.7	7.5	7.5	10.8	12.3
Russell/Nomura Large Cap (ex financials)	254	148.8	63.4	-35.2	26.7	79.8	10.9	10.7	12.4	14.2
Manufacturing	153	SP	158.2	-42.9	30.8	80.9	13.4	13.3	10.9	13.9
Basic materials	38	-66.4	361.6	-34.6	-30.8	85.9	9.1	0.9	9.8	24.7
Processing	72	SP	324.4	-57.2	77.5	116.1	15.8	17.7	12.6	14.1
Nonmanufacturing	134	SP	-14.6	-2.6	41.0	48.2	1.6	1.8	10.7	10.5
Nonmanufacturing (ex financials)	101	2.4	-4.9	-19.2	20.4	78.1	6.6	6.3	15.1	14.9
Materials	38	-66.4	361.6	-34.6	-30.8	85.9	9.1	0.9	9.8	24.7
Machinery, autos	42	SP	254.0	-16.9	58.6	56.2	10.5	15.5	8.8	7.8
Electronics	30	SP	603.9	SL	LS	SP	33.3	25.0	23.0	33.0
Consumer, distribution	71	11.5	22.7	5.9	9.3	14.3	8.0	0.8	6.6	11.5
Information	18	13.4	-0.6	-2.0	9.9	16.5	10.2	15.6	17.3	5.7
Utilities, infrastructure	55	13.5	-76.7	SL	LS	SP	2.9	11.0	20.7	18.5
Financials	33	SP	-26.7	24.7	66.7	18.9	-5.3	-4.6	3.9	3.7
Chemicals	30	-6.6	305.9	-21.7	-30.5	34.1	11.4	-8.4	10.8	34.8
Steel, nonferrous metals	8	-94.0	631.7	-78.5	-33.1	590.0	5.1	17.1	8.0	10.8
Machinery	24	-42.6	225.1	4.9	-0.0	38.9	15.0	18.1	11.3	13.2
Autos	18	SP	268.5	-26.5	94.6	61.7	9.2	14.8	8.1	6.3
Electrical machinery, precision equipment	30	SP	603.9	SL	LS	SP	33.3	25.0	23.0	33.0
Pharmaceuticals, healthcare	21	115.7	-14.6	-29.4	45.6	-2.7	5.9	7.2	5.9	6.0
Food products	13	12.1	-3.5	18.7	20.0	21.7	5.5	3.9	4.7	0.2
Household goods	9	-13.8	31.7	-20.8	32.9	32.9	28.8	29.5	3.7	4.8
Trading companies	7	-22.7	56.6	25.8	-11.9	22.6	11.5	-4.4	5.5	19.1
Retailing	14	-20.7	82.3	24.9	2.0	4.9	1.7	-4.3	13.5	16.3
Services	7	324.3	-0.9	-38.2	103.2	13.9	-4.3	-16.6	11.2	27.6
Software	7	-3.5	-46.5	-61.2	51.8	-14.3	49.3	37.8	18.6	8.0
Media	5	171.0	15.1	57.8	-7.7	-1.5	-0.6	-6.3	15.2	17.1
Telecommunications	6	14.1	15.7	3.2	9.2	22.0	7.4	15.2	17.2	4.8
Construction, engineering	4	LI	SP	-81.6	440.1	38.5	19.6	15.0	21.7	31.4
Housing, real estate	16	-18.5	74.0	-16.3	54.1	41.2	14.3	12.3	1.2	-0.3
Transportation	22	-63.5	127.9	-37.9	59.5	44.4	-0.2	1.6	7.3	6.3
Utilities	13	SP	SL	LI	LS	SP	-15.6	40.7	134.1	79.9
Financials	33	SP	-26.7	24.7	66.7	18.9	-5.3	-4.6	3.9	3.7

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 25 November 2014, previous estimates as of 21 August 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	FY13E	FY13E Old	FY14E New	FY15E Old	FY15E New
Industrial groups	Russell/Nomura Large Cap	287	17,598	26,483	23,168	26,521	36,708	37,604	37,889	41,637	42,138
	Russell/Nomura Large Cap (ex financials)	254	13,464	22,701	18,302	20,556	28,994	30,594	30,844	34,417	34,886
	Manufacturing	153	6,376	13,404	11,132	12,917	18,323	19,465	19,607	21,663	22,283
	Basic materials	38	1,236	3,638	3,588	3,101	3,931	3,668	3,415	4,144	4,288
	Processing	72	2,824	7,302	5,052	7,167	11,295	12,579	12,994	14,133	14,699
	Nonmanufacturing	134	11,223	13,079	12,037	13,604	18,385	18,140	18,281	19,974	19,855
	Nonmanufacturing (ex financials)	101	7,089	9,297	7,170	7,639	10,671	11,129	11,237	12,755	12,603
Broad sectors	Materials	38	1,236	3,638	3,588	3,101	3,931	3,668	3,415	4,144	4,288
	Machinery, autos	42	1,866	4,354	3,731	5,480	8,052	8,795	9,311	9,675	10,146
	Electronics	30	958	2,948	1,321	1,687	3,243	3,784	3,683	4,458	4,553
	Consumer, distribution	71	4,504	5,556	5,869	5,829	6,841	7,268	6,857	7,716	7,482
	Information	18	2,667	2,758	2,783	3,039	3,645	3,517	3,734	4,000	3,778
	Utilities, infrastructure	55	2,234	3,447	1,010	1,419	3,281	3,562	3,844	4,425	4,639
	Financials	33	4,134	3,781	4,867	5,965	7,714	7,010	7,044	7,220	7,252
Sectors	Chemicals	30	996	2,658	2,959	2,606	2,851	2,574	2,236	2,881	2,866
	Steel, nonferrous metals	8	240	979	629	495	1,080	1,094	1,179	1,262	1,422
	Machinery	24	564	1,406	1,472	1,416	1,855	2,113	2,233	2,330	2,439
	Autos	18	1,302	2,948	2,260	4,064	6,197	6,683	7,078	7,345	7,707
	Electrical machinery, precision equipment	30	958	2,948	1,321	1,687	3,243	3,784	3,683	4,458	4,553
	Pharmaceuticals, healthcare	21	1,278	1,209	1,215	1,170	1,314	1,406	1,428	1,469	1,453
	Food products	13	734	901	938	1,107	1,306	1,351	1,312	1,417	1,338
	Household goods	9	305	355	338	371	477	460	458	500	506
	Trading companies	7	1,048	1,626	1,993	1,706	2,026	2,460	2,143	2,617	2,480
	Retailing	14	831	1,105	1,071	1,110	1,277	1,187	1,132	1,293	1,288
	Services	7	309	361	313	364	441	404	385	420	419
	Software	7	562	324	148	173	245	324	293	359	325
	Media	5	166	235	239	227	251	212	201	225	216
	Telecommunications	6	1,939	2,199	2,396	2,639	3,150	2,981	3,240	3,417	3,237
	Construction, engineering	4	-5	95	123	122	181	182	176	217	221
	Housing, real estate	16	504	770	737	956	1,264	1,306	1,286	1,421	1,372
	Transportation	22	682	1,313	1,049	1,406	1,799	1,801	1,829	1,929	1,929
	Utilities	13	1,053	1,270	-898	-1,065	37	273	553	858	1,117
	Financials	33	4,134	3,781	4,867	5,965	7,714	7,010	7,044	7,220	7,252

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

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY13 Q3–FY14 Q2)

		% y-y																	
		Sales				Operating profits				Recurring profits				Net profits					
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
Industrial groups	Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	34.7	11.8	5.0	16.9	32.5	21.4	-6.9	21.9		
	Russell/Nomura Large Cap (ex financials)	15.0	12.7	6.0	4.2	46.1	18.1	12.4	-0.9	47.4	16.5	9.6	15.8	45.4	51.6	-5.4	20.8		
	Manufacturing	15.2	11.7	4.0	3.9	65.3	10.7	14.1	1.5	68.6	8.1	10.3	11.2	81.8	10.3	12.7	14.1		
	Basic materials	14.0	11.6	4.4	1.9	33.9	-1.9	1.3	-8.4	31.5	-11.1	-2.5	0.8	11.4	-11.1	-6.3	8.4		
	Processing	17.9	12.1	4.5	5.0	108.	4	14.0	21.7	7.3	119.	2	14.1	17.5	18.9	149.9	27.0	18.6	19.4
	Nonmanufacturing	-	-	-	-	-	-	-	-	9.9	16.1	0.6	22.1	1.7	40.1	21.3	28.5		
Nonmanufacturing (ex financials)	14.7	14.0	8.6	4.6	20.9	36.8	9.7	-4.6	19.3	36.8	8.4	22.7	2,658.	8	28.0	29.8			
Broad sectors	Basic materials	14.0	11.6	4.4	1.9	33.9	-1.9	1.3	-8.4	31.5	-11.1	-2.5	0.8	11.4	-11.1	-6.3	8.4		
	Machinery, autos	21.2	12.9	5.8	7.1	112.	1	15.8	11.6	11.1	111.	0	16.0	14.0	21.3	129.5	19.3	15.1	20.5
	Electronics	13.5	11.0	2.4	2.0	101.	2	10.9	59.8	-0.8	139.	7	10.2	29.6	12.6	225.3	69.8	32.8	15.7
	Consumption, distribution	13.1	11.3	5.1	3.8	20.4	6.1	0.5	-15.4	13.7	11.8	6.0	-1.7	16.0	-1.1	0.6	-9.8		
	Information	21.5	26.3	20.2	7.8	5.7	5.8	-10.7	-4.5	5.9	5.0	-22.3	65.5	11.6	-19.4	28.5	77.3		
	Utilities, infrastructure	10.8	12.6	7.2	3.5	238.	37.2	8	48.9	5.7	632.	52.3	3	57.9	9.5	3.6	SP	46.4	38.2
	Financials	-	-	-	-	-	-	-	-	-1.9	-3.9	-8.2	21.1	-5.0	-31.8	11.7	26.3		
Sectors	Chemicals	14.6	11.6	3.6	1.0	11.8	-19.4	-1.5	-13.8	9.5	-20.8	-1.2	-8.2	-7.0	-22.4	-1.1	-13.5		
	Steel, nonferrous metals	12.5	11.6	6.2	4.3	235.	6	83.3	9.4	7.4	154.	7	29.3	-5.6	26.9	56.0	23.4	13.8	58.1
	Machinery	18.6	16.4	9.2	12.1	56.2	25.8	34.1	26.8	49.3	16.8	26.6	40.8	47.2	33.6	29.0	35.8		
	Automobiles	21.8	11.9	4.9	5.7	135.	1	12.3	6.1	6.4	140.	3	15.7	10.7	15.6	168.6	14.6	12.0	16.8
	Electrical machinery, precision equipment	13.5	11.0	2.4	2.0	101.	2	10.9	59.8	-0.8	139.	7	10.2	29.6	12.6	225.3	69.8	32.8	15.7
	Pharmaceuticals, healthcare	8.7	10.2	-0.3	1.3	33.2	-9.9	11.0	-1.6	27.6	13.8	5.8	7.6	44.0	-53.2	8.9	4.2		
	Food products	5.0	7.1	0.2	1.7	2.1	17.9	-3.0	-12.1	3.4	14.8	-1.0	-10.5	6.0	-29.2	3.9	-10.4		
	Household goods	8.3	15.5	11.5	6.0	24.5	63.7	-15.6	-3.1	22.3	39.4	-18.2	4.1	61.4	175.7	19.1	53.4		
	Trading companies	18.0	12.7	6.2	6.4	52.0	-9.7	0.7	-49.3	20.0	13.9	21.8	-0.8	10.1	25.4	-0.7	-26.8		
	Retailing	9.7	10.5	8.8	-0.1	7.4	8.0	1.1	-9.2	3.6	3.1	-3.1	-6.8	-3.0	4.3	-9.0	-6.5		
	Services	3.3	4.6	-0.9	-2.1	5.3	13.1	-6.7	-5.7	2.3	3.2	-6.3	0.8	5.1	0.1	25.8	-11.8		
	Software	9.2	-3.2	2.9	-3.7	62.9	SL	-19.1	79.6	23.6	SL	-39.6	1	10.3	SL	46.0	4		
	Media	8.8	15.5	5.0	3.4	-6.1	50.1	-0.7	-16.3	-2.1	54.3	5.5	0.4	-4.5	20.7	59.8	-14.7		
	Telecommunications	26.3	32.4	24.7	9.6	1.8	7.4	-10.4	-6.8	3.8	10.2	-21.6	67.2	13.8	-0.8	28.9	79.0		
	Construction, engineering	4.3	7.6	6.8	8.6	111.	15.8	3	79.7	5.9	111.	13.4	69.4	20.5	38.0	-2.9	90.7	37.3	54.5
	Housing, real estate	17.7	17.6	6.9	4.6	34.7	23.9	9.2	-4.0	39.8	20.0	6.7	-1.5	31.9	61.7	9.9	2.4		
	Transportation	8.5	8.3	3.8	2.6	9.7	14.5	-5.2	3.1	15.3	30.6	-5.5	9.9	31.2	SP	-2.2	11.9		
Utilities	10.7	14.8	11.1	2.6	SP	SP	SP	19.1	LS	LS	SP	17.5	-74.4	LS	SL	88.5			
Financials	-	-	-	-	-	-	-	-	-1.9	-3.9	-8.2	21.1	-5.0	-31.8	11.7	26.3			

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 November 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				
	FY14 E	FY15 E	FY16 E	FY14 E	FY15 E	FY16 E	FY13 E	FY14 E	FY14 E	FY15 E	FY16 E	FY13 %	FY14 %	FY15 %	FY16 %	
	x	x	x	x	x	x	x	x	%	%	%	%	%	%	%	
Industrial groups	Russell/Nomura Large Cap	16.4	14.6	13.4	-	-	-	1.49	1.41	1.79	1.94	2.14	8.9	8.8	9.3	9.5
	Russell/Nomura Large Cap (ex loss-making cos)	15.8	14.4	13.1	-	-	-	1.50	1.42	1.81	1.98	2.19	9.5	9.3	9.3	9.5
	Russell/Nomura Large Cap (ex financials)	17.6	15.4	13.9	8.6	7.9	7.5	1.65	1.56	1.74	1.90	2.13	9.1	9.2	9.8	10.1
	Manufacturing	17.7	15.5	14.1	9.8	9.0	8.4	1.71	1.64	1.83	2.03	2.29	9.1	9.5	10.2	10.4
	Basic materials	16.7	13.4	12.1	7.0	6.2	5.9	1.13	1.09	1.82	1.95	2.05	7.1	6.7	7.9	8.2
	Processing	16.2	14.2	13.0	9.4	8.5	7.9	1.79	1.67	1.76	2.02	2.34	9.9	10.7	11.3	11.4
	Nonmanufacturing	15.1	13.7	12.6	-	-	-	1.27	1.20	1.75	1.84	1.96	8.8	8.2	8.5	8.7
Nonmanufacturing (ex financials)	17.4	15.2	13.6	7.0	6.5	6.2	1.56	1.43	1.58	1.67	1.83	9.0	8.5	9.2	9.5	
Broad sectors	Basic materials	16.7	13.4	12.1	7.0	6.2	5.9	1.13	1.09	1.82	1.95	2.05	7.1	6.7	7.9	8.2
	Machinery, autos	13.9	12.9	11.7	8.9	8.3	7.7	1.76	1.63	1.98	2.31	2.74	12.0	12.2	12.1	12.2
	Electronics	23.4	17.6	15.9	10.4	9.0	8.4	1.84	1.74	1.37	1.49	1.61	6.3	7.7	9.6	9.8
	Consumption, distribution	19.9	17.8	16.4	11.8	10.9	10.2	1.70	1.62	2.09	2.16	2.35	9.5	8.4	8.8	9.1
	Information	16.6	15.7	13.0	5.9	5.8	5.4	1.86	1.75	1.51	1.65	1.80	10.0	10.8	10.7	12.0
	Utilities, infrastructure	19.5	16.5	15.5	6.9	6.5	6.3	1.59	1.47	1.21	1.29	1.46	7.6	7.8	8.6	8.6
	Financials	11.5	11.1	10.7	-	-	-	0.88	0.86	2.14	2.23	2.25	8.4	7.6	7.6	7.4
Sectors	Chemicals	20.7	15.3	14.0	8.1	7.0	6.6	1.19	1.17	1.81	1.83	1.86	6.7	5.8	7.4	7.7
	Steel, nonferrous metals	11.2	10.1	9.0	5.2	4.9	4.7	1.01	0.93	1.86	2.24	2.53	7.9	8.7	9.0	9.3
	Machinery	19.5	17.3	15.9	12.2	11.2	10.5	2.07	1.91	1.41	1.51	1.61	9.8	10.2	10.6	10.6
	Automobiles	12.3	11.6	10.5	7.9	7.4	6.9	1.66	1.53	2.23	2.67	3.24	12.8	13.0	12.7	12.8
	Electrical machinery, precision equipment	23.4	17.6	15.9	10.4	9.0	8.4	1.84	1.74	1.37	1.49	1.61	6.3	7.7	9.6	9.8
	Pharmaceuticals, healthcare	26.2	24.8	24.1	18.1	17.4	17.1	2.01	1.96	2.12	2.23	2.32	7.5	7.6	7.8	7.7
	Food products	22.8	22.7	19.7	13.8	13.9	12.7	2.36	2.36	2.14	2.13	2.56	11.1	10.6	10.1	11.3
	Household goods	23.8	22.7	20.4	14.6	13.9	12.9	2.43	2.55	1.39	1.52	1.66	8.7	11.0	10.9	11.4
	Trading companies	9.1	7.6	7.2	5.6	4.9	4.6	0.80	0.73	3.42	3.46	3.65	11.6	8.4	9.2	9.1
	Retailing	26.1	22.5	19.3	12.8	11.5	10.4	1.99	1.98	1.36	1.50	1.65	8.2	7.8	8.6	9.5
	Services	33.0	25.8	23.3	14.3	12.8	12.0	2.06	1.72	1.60	1.61	1.66	7.3	5.4	6.5	7.0
	Software	25.8	23.9	22.8	18.1	17.0	16.4	2.11	1.95	1.41	1.53	1.57	5.2	7.8	8.0	7.9
	Media	26.5	22.7	21.4	15.9	14.4	14.0	1.30	1.21	1.34	1.37	1.37	5.7	4.6	5.2	5.3
	Telecommunications	15.0	14.4	11.6	5.0	4.9	4.5	1.92	1.80	1.55	1.70	1.89	11.7	12.4	12.1	13.7
	Construction	23.3	17.8	15.3	15.6	12.9	11.5	1.54	1.47	0.98	0.98	0.98	6.4	6.5	8.0	8.7
	Housing, real estate	22.4	22.5	20.4	14.7	14.5	13.6	2.15	1.90	1.24	1.30	1.39	9.0	8.9	8.2	8.6
	Transportation	17.2	16.2	15.4	6.8	6.6	6.5	1.65	1.51	1.25	1.31	1.33	9.7	9.1	9.0	8.8
	Utilities	19.7	10.9	10.5	3.2	2.8	2.8	1.01	0.96	1.12	1.32	1.98	3.7	5.0	8.5	8.3
Financials	11.5	11.1	10.7	-	-	-	0.88	0.86	2.14	2.23	2.25	8.4	7.6	7.6	7.4	
Russell/Nomura Small Cap	17.2	15.4	14.7	-	-	-	1.20	1.16	1.51	1.54	1.58	7.0	6.9	7.3	7.2	
Russell/Nomura Small Cap (ex financials)	18.1	15.8	15.0	9.2	8.5	8.3	1.27	1.25	1.50	1.53	1.57	7.0	7.1	7.7	7.6	

Note: (1) Estimates as of 25 November 2014. (2) Share prices are as of 25 November 2014 close.

Source: Nomura

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purchase amount, while short margin transactions are subject to fees for the lending of the shares borrowed. A margin equal to at least 30% of the transaction amount and at least ¥300,000 is required. With margin transactions, an amount up to roughly 3.3x the margin may be traded. Margin transactions therefore carry the risk of losses in excess of the margin owing to share price fluctuations. For details, please thoroughly read the written materials provided, such as listed securities documents or documents delivered before making a contract.

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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. 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 ¥10,800 per issue transferred depending on volume.

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