

# **Outlook for FY15–16 corporate earnings**

## Quarterly Update

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# Summary and major assumptions

## Overview of FY14 corporate earnings

In this report, we collate earnings forecast data issued by our analysts, and then analyze that data. In FY14, sales at companies in the Russell/Nomura Large Cap Index (ex financials) rose 4.6% y-y and recurring profits increased 7.0%. Excluding the utilities sector, where profit levels were exceptionally low the previous fiscal year, recurring profits rose 4.8% y-y. Compared with our previous estimates issued in March 2015 (based on data collated on 22 February 2015), these growth rates are 0.5ppt lower for sales and 0.4ppt lower for recurring profits. Over full-year FY14, USD/JPY was 110.0 and EUR/JPY 138.7 (versus our previous assumptions of 109.7 and 139.7, respectively). We estimate that yen weakness versus the US dollar gave a boost to growth in FY14 recurring profits of 6.6ppt and that yen weakness versus the euro gave a boost of 0.7ppt.

In FY14 Q4, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) rose 2.8% y-y. The marginal rise in profits in Q4 reflected the lingering impact of sharp declines in crude oil prices (though it was not as large as in Q3) and pharmaceutical company settlement-related costs. In FY14 H2, recurring profits rose 3.0% y-y, versus our previous forecast of growth of 3.9%.

## Overview of the FY15 corporate earnings outlook

For FY15, our analysts look for growth in sales of 2.4% y-y and in recurring profits of 13.7% for companies in the Russell/Nomura Large Cap Index (ex financials). These figures represent downward revisions of 0.1ppt for sales and 2.8ppt for recurring profits versus our previous forecasts. Our absolute recurring profit forecast has been lowered by ¥800.8bn, or 2.2%.

The relatively high recurring profit growth forecast reflects the impact of stabilizing crude oil prices and yen depreciation against the dollar. The steep drop in crude oil prices led to significant deterioration in earnings at oil and trading companies in FY14, but recently oil prices have been on a mild recovery track. We expect a halt to earning deterioration at these two subsectors in FY15, when we forecast they will make a 3.2ppt contribution to profit growth.

Our forex assumptions for FY15 are USD/JPY of 118.0 (previously 118.0) and EUR/JPY of 130.0 (previously 138.0). We estimate that each ¥1 depreciation against the dollar boosts recurring profits for companies in the Russell/Nomura Large Cap Index (ex financials) by 0.5% and against the euro by 0.1%. Our current earnings forecasts for FY15 factor in a 2.5ppt boost from forex effects.

If forex rates were to hold around current levels (USD/JPY of 123, EUR/JPY of 134) we estimate additional upside of 2.7ppt to FY15 recurring profit growth. The sensitivity of earnings to forex movements has come down compared with the past, and benefits from yen depreciation are also more limited.

Expectations for ROE improvement at Japanese companies have recently been growing. In FY14, however, the ROE for the Russell/Nomura Large Cap of 8.5% was lower than in FY13, when it was 8.9%, and was also 0.4ppt below our previous forecast of 8.9%. We forecast it will rise to 9.0% in FY15 and 9.5% in FY16, though that would still not be that close to 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	
			FY13	FY14	FY15E	FY16E	FY14E	FY15E
Sales	Russell/Nomura Large Cap (ex financials)	300	12.5	4.6	2.4	2.8	5.1	2.5
	Manufacturing	180	12.3	4.3	2.6	3.0	4.9	2.5
	Basic materials	46	13.2	0.6	-2.4	2.1	2.7	-2.7
	Processing	87	13.2	5.7	4.7	3.8	6.0	5.1
	Nonmanufacturing (ex financials)	120	12.7	5.0	2.0	2.5	5.4	2.5
	Russell/Nomura Small Cap (ex financials)	1,039	9.3	3.6	4.0	2.7	3.7	3.6
Operating profits	Russell/Nomura Large Cap (ex financials)	300	34.3	5.2	17.2	8.4	6.2	18.6
	Manufacturing	180	37.1	5.8	19.3	9.1	8.5	18.5
	Basic materials	46	35.6	-14.0	40.9	8.5	-18.2	48.5
	Processing	87	44.4	14.7	15.8	10.1	17.0	16.0
	Nonmanufacturing (ex financials)	120	29.6	4.2	13.7	7.3	2.3	18.7
	Russell/Nomura Small Cap (ex financials)	1,039	28.4	4.3	12.9	6.8	5.8	12.6
Recurring profits	Russell/Nomura Large Cap	335	37.4	6.9	10.1	8.6	5.9	13.4
	Russell/Nomura Large Cap (ex financials)	300	39.7	7.0	13.7	9.3	7.4	16.5
	Manufacturing	180	43.3	7.2	16.6	9.4	10.3	16.2
	Basic materials	46	33.5	-8.9	29.4	8.9	-14.7	38.0
	Processing	87	58.2	15.3	15.1	10.5	19.3	14.7
	Nonmanufacturing	155	31.9	6.5	3.7	7.6	1.6	10.4
	Nonmanufacturing (ex financials)	120	34.0	6.6	8.9	9.1	2.6	17.0
	Russell/Nomura Small Cap	1,134	29.7	3.1	6.7	6.3	1.7	9.1
	Russell/Nomura Small Cap (ex financials)	1,039	27.3	5.0	8.0	6.6	3.8	10.4
	Russell/Nomura Small Cap (ex financials)	1,039	27.3	5.0	8.0	6.6	3.8	10.4
Net profits	Russell/Nomura Large Cap	335	62.7	7.4	13.7	9.8	8.6	14.7
	Russell/Nomura Large Cap (ex financials)	300	79.8	8.0	16.6	10.7	10.6	16.9
	Manufacturing	180	80.9	10.2	17.7	10.8	14.0	17.1
	Basic materials	46	85.9	-11.0	53.1	10.4	-5.1	37.6
	Processing	87	116.1	15.7	15.7	11.3	19.8	16.7
	Nonmanufacturing	155	48.2	4.6	9.6	8.7	3.4	12.0
	Nonmanufacturing (ex financials)	120	78.1	4.2	14.5	10.6	4.9	16.7
	Russell/Nomura Small Cap	1,134	74.2	2.2	12.4	6.8	4.9	10.3
	Russell/Nomura Small Cap (ex financials)	1,039	80.6	3.9	15.5	7.3	6.9	13.5
	Russell/Nomura Small Cap (ex financials)	1,039	80.6	3.9	15.5	7.3	6.9	13.5

Note: Latest estimates as of 26 May 2015. Previous estimates as of 22 February 2015.

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
	FY14	Includes some estimates	-0.4 (est)	0-0.10	80.5	110.0	138.7
		Old	-0.6	0-0.10	80.8	109.7	139.7
	FY15E	New	3.8	0-0.10	53.0	118.0	130.0
		Old	3.2	0-0.10	55.0	118.0	138.0
	FY16E	New	2.3	0-0.10	59.8	118.0	130.0
FY14	H1		0.8	0-0.10	100.1	103.0	138.9
	H2	Includes some estimates	-1.7 (est)	0-0.10	60.9	116.8	138.6
		Old	-2.1	0-0.10	61.6	116.3	140.5
	FY15E	H1 New	4.1	0-0.10	51.0	118.0	130.0
		Old	3.3	0-0.10	53.0	118.0	138.0
	FY15E	H2 New	3.6	0-0.10	55.0	118.0	130.0
	Old	3.2	0-0.10	57.0	118.0	138.0	
FY16E	H1 New		2.4	0-0.10	59.0	118.0	130.0
	H2 New		2.2	0-0.10	60.0	118.0	130.0

Note: Macroeconomic assumptions as of 8 April 2015. Previous assumptions as of 14 January 2015. 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 FY14 corporate earnings

In FY14, recurring profits increased in 14 of the 19 sectors and declined in five. The largest contributions to growth were from automobiles, utilities, financials, machinery, and electrical machinery & precision equipment. In FY14, USD/JPY was 110.0, versus 100.2 for FY13, which contributed to profit growth at external-demand sectors with high forex sensitivity.

In the automobile sector, global demand increased 2.7% y-y in 2014, to 86.9mn vehicles. Although auto sales were generally weak in emerging markets, new car sales in the US and Europe supported overall sales with gains of 5.9% y-y to 16.5mn units and 6.0% to 14.6mn units respectively. Earnings in the utilities sector received a major boost from declines in crude oil prices. The financials sector saw contributions to profit growth from investment income and insurance. The machinery sector saw widespread benefits from firm capex both in Japan and overseas. The global machinery cycle has remained on a steady if mild uptrend. Capex by smartphone manufacturers in China remained healthy and even in Japan there was solid appetite for capex at domestic companies after overcoming the effects of the consumption tax hike. The boost from manufacturing subsidies also likely had an impact here. At the electrical machinery & precision equipment sector, profit growth was driven by precision equipment & photographic films subsector, which has benefited greatly from the weak yen, and the electronic part subsector, which has benefited substantially from strong production and sales of the iPhone.

Sectors in which recurring profits declined significantly included chemicals, trading companies, and pharmaceuticals & healthcare. In the chemicals sector, inventory valuation losses in the oil subsector rose steeply owing to sharp declines in crude oil prices from autumn 2014. In the trading companies sector, more companies were forced to book asset impairment losses in response to sharp declines in resource prices, though there were solid contributions to earnings from nonresource operations. In the pharmaceuticals & healthcare sector, earnings at some companies were hurt by settlement-related expenses.

## Overview of the FY15 corporate earnings outlook

For FY15, we project that recurring profits will increase in 14 of the 19 sectors and decline in five. Sectors from which we expect particularly large contributions to overall profit growth are electrical machinery & precision equipment, chemicals, automobiles, utilities, and trading companies. Our USD/JPY assumption for FY15 is 118.0, versus 110.0 for FY14, and we expect external-demand sectors to benefit from the weak yen in FY15, as they did in FY14.

In the electrical machinery & precision equipment sector, we expect consumer electronics to drive earnings growth, in a change of role from FY14 and earlier. We do not, however, expect good earnings at all subsector companies. All the same, we look for a move to the next growth stage after an extended period of structural reforms. We expect FY15 to be a year in which the focus is on whether consumer electronics companies, where profit levels have yet to recover sufficiently, can return earnings to pre-financial crisis levels. In the chemicals and trading companies sectors, we expect earnings to be boosted significantly by the dropping out of inventory valuation losses and asset impairment losses, which weighed heavily on earnings in FY14, as crude oil prices stabilize. We look for earnings in both the chemicals and trading companies sectors to exceed FY13 levels. For the auto sector, we forecast global demand will increase 0.6% y-y in 2015, to 87.4mn vehicles. We project new auto sales will expand only 1.1% y-y to 16.7mn vehicles in the US, grow relatively strongly in Europe and India, and contract markedly in Russia, Brazil, and Japan. At the utilities sector, we expect only a very limited number of nuclear power plant restarts but look for substantial benefits from declines in fuel costs.

Sectors that we expect to make a large negative contribution to profit growth included financials and telecommunications. With telecommunications, we anticipate a large impact from the dropping out of investment gains at some sector companies.

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

FY14				FY15E			
Increase in profit				Increase in profit			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
14 sectors				14 sectors			
Automobiles	13.9	34.0	42.5	Electrical machinery, precision equipment	26.3	25.0	23.2
Utilities	1,682.0	25.2	31.5	Chemicals	45.9	24.1	22.4
Financials	6.5	20.0	-	Automobiles	11.3	19.9	18.5
Machinery	23.7	17.9	22.3	Utilities	79.2	12.9	12.0
Electrical machinery, precision equipment	13.0	16.9	21.1	Trading companies	18.6	8.0	7.4
Steel, nonferrous metals	24.0	9.9	12.4	Pharmaceuticals, healthcare	24.7	6.9	6.4
Telecommunications	6.5	8.0	10.0	Retailing	16.8	5.1	4.7
Transportation	10.4	7.5	9.3	Machinery	8.5	5.1	4.7
Food	4.9	2.5	3.1	Transportation	5.4	2.7	2.5
Housing, real estate	4.6	2.4	3.1	Housing, real estate	5.7	2.0	1.9
Software	22.6	2.4	3.0	Steel, nonferrous metals	2.6	0.8	0.8
Construction	38.4	2.4	3.0	Construction	8.1	0.5	0.4
Household goods	11.0	1.9	2.4	Household goods	2.8	0.3	0.3
Media	11.0	1.1	1.4	Services	0.1	0.0	0.0
Decrease in profit				Decrease in profit			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
5 sectors				5 sectors			
Services	-2.4	-0.4	-0.5	Media	-5.7	-0.4	-0.4
Retailing	-4.8	-2.2	-2.8	Food	-1.8	-0.6	-0.6
Pharmaceuticals, healthcare	-15.3	-8.1	-10.2	Software	-9.1	-0.9	-0.8
Trading companies	-20.6	-18.2	-22.8	Telecommunications	-4.6	-3.7	-3.5
Chemicals	-21.7	-23.0	-28.8	Financials	-3.7	-7.5	-
FY16E							
Increase in profit							
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
17 sectors							
Automobiles	10.0	21.0	23.6				
Electrical machinery, precision equipment	11.4	14.7	16.5				
Telecommunications	14.4	12.1	13.5				
Financials	5.2	10.9	-				
Machinery	10.2	7.1	8.0				
Steel, nonferrous metals	15.6	5.6	6.2				
Trading companies	9.8	5.3	6.0				
Chemicals	6.0	4.9	5.5				
Retailing	10.4	3.9	4.4				
Transportation	7.0	3.9	4.4				
Food	8.8	3.2	3.6				
Housing, real estate	7.4	3.0	3.3				
Services	13.0	2.0	2.2				
Household goods	13.2	1.8	2.0				
Construction	14.8	1.0	1.1				
Software	9.0	0.9	1.0				
Media	11.7	0.9	1.0				
Decrease in profit							
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
2 sectors							
Pharmaceuticals, healthcare	-0.6	-0.2	-0.2				
Utilities	-5.7	-1.8	-2.0				

Source: Nomura

# Revisions to recurring profit estimates (versus old estimates)

## Overview of FY14 corporate earnings

Recurring profits in FY14 came in ahead of our estimates at 14 of 19 sectors and below them for five.

Results exceeded our forecasts the most in the financials, chemicals, and transportation sectors. In the financials sector, major banks and insurance companies beat our forecasts by the most. Megabanks saw notable strength in their international operations, while in Japan, where the loan-deposit spread continued to narrow, the pace of decline in net interest income eased as domestic lending continued to increase. Banks also received a boost from the establishment of business models that aim to strengthen commission business. Insurance companies benefited from favorable investment conditions. In the chemicals sector, results exceeded our forecasts the most in the oil subsector following a rebound in oil prices in Jan-Mar 2015. The better-than-expected result for the transportation sector reflects higher-than-anticipated passenger numbers on the new Hokuriku Shinkansen line and lower maintenance expenses on cost-cutting efforts.

Results fell short of our forecasts the most in the pharmaceuticals & healthcare, automobiles, and electrical machinery & precision equipment sectors. With the pharmaceuticals & healthcare sector, there was a major impact from settlement-related costs at some companies. With the automobiles sector, some companies incurred product quality-related costs, and delays in port service work on the US West Coast caused some weakness in shipments to North America. In the electrical machinery & precision equipment sector, the consumer electronics subsector was affected by weak sales of LCD TVs and small LCDs, and higher restructuring costs. In the industrial electronics subsector, demand for FA systems and elevators held firm, but competition intensified amid restrained telecom capex and the move to larger TV screen sizes, sales of PCs were weak in Japan, and demand waned in related industries on lower crude oil prices.

## Overview of the FY15 corporate earnings outlook

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

Sectors for which we have made large upward revisions include financials and services, while those for which we have made large downward revisions include electrical machinery & precision equipment, trading companies, automobiles, telecommunications, utilities, and steel & nonferrous metals.

In the electrical machinery & precision equipment sector, we have made a large downward revision for industrial electronics. Widening earnings disparities emerged in FY14 amid a polarization in demand, and we think a similar situation likely to prevail in FY15. If the current strong dollar/weak euro regime remains in place, we think the impact from this will be greater in FY15 than FY14. We expect weak demand in the eurozone market to make it difficult for companies to raise prices, and business structures with dollar-denominated manufacturing and euro-denominated sales gives them little room to maneuver. In the precision field, meanwhile, recovery in the office equipment market continues to lack momentum. Estimates for trading companies have been revised down to factor in declines in resource prices. The automobiles sector has been affected by quality control-related costs and the appreciation of the yen against currencies other than the US dollar. The utilities sector has seen lower gains under the fuel cost adjustment system. With the steel & nonferrous metals sector, estimates have been revised to factor in production adjustments in Apr-Jun and expanded inventory losses owing to falling raw material prices. We expect inventories to get back to a broadly appropriate level by the end of June, however, as production cuts are helping reduce inventories. We also see prospects of benefits from reshoring of manufacturing in Japan, including growth in auto exports from H2.

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

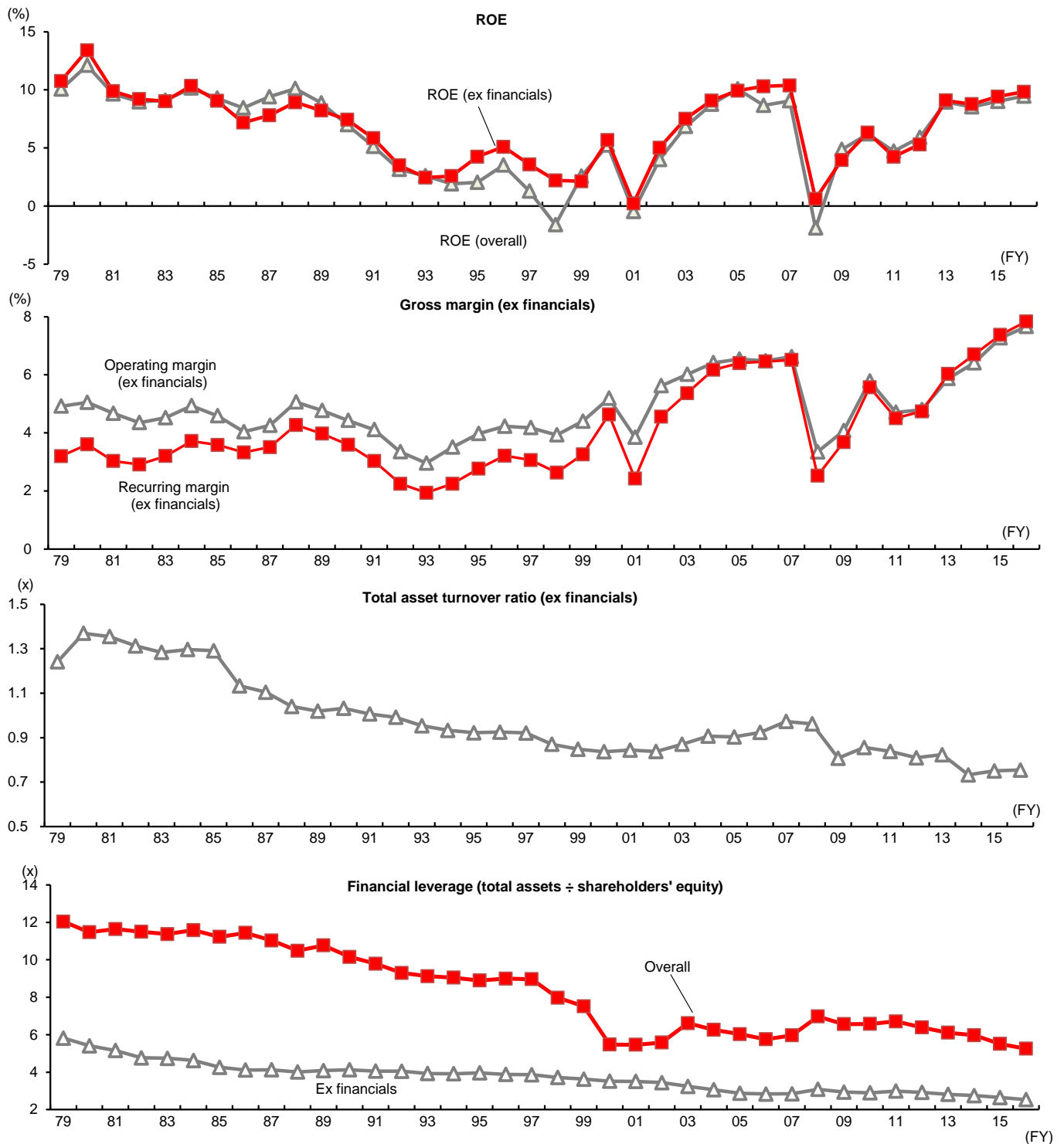
FY14					FY15E				
[Upward revisions] 14 sectors					[Upward revisions] 7 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Financials	8,138	7,666	472	6.2	Financials	7,909	7,790	118	1.5
Chemicals	2,059	1,913	146	7.7	Services	571	469	101	21.5
Transportation	1,963	1,857	106	5.7	Chemicals	3,099	3,010	89	2.9
Housing, real estate	1,363	1,274	89	7.0	Housing, real estate	1,515	1,464	51	3.5
Utilities	660	575	84	14.6	Transportation	2,107	2,058	49	2.4
Media	271	197	74	37.7	Media	275	245	30	12.2
Steel, nonferrous metals	1,266	1,200	67	5.6	Construction	260	249	11	4.4
Telecommunications	3,246	3,186	60	1.9					
Construction	212	176	36	20.4	[Downward revisions] 12 sectors				
Machinery	2,306	2,278	28	1.2		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Software	324	301	23	7.6	Software	360	368	-8	-2.2
Food	1,341	1,326	15	1.2	Household goods	504	516	-12	-2.3
Services	399	385	14	3.7	Food	1,364	1,386	-22	-1.6
Household goods	471	468	4	0.8	Machinery	2,630	2,659	-29	-1.1
[Downward revisions] 5 sectors					Retailing	1,428	1,466	-39	-2.6
	New ¥bn	Old ¥bn	Revision ¥bn	Change %	Pharmaceuticals, healthcare	1,413	1,469	-55	-3.8
Retailing	1,087	1,089	-2	-0.2	Steel, nonferrous metals	1,342	1,448	-106	-7.3
Trading companies	1,740	1,774	-34	-1.9	Utilities	1,182	1,300	-118	-9.1
Electrical machinery, precision equipment	3,621	3,826	-205	-5.4	Telecommunications	3,169	3,318	-149	-4.5
Automobiles	6,908	7,154	-246	-3.4	Automobiles	7,946	8,126	-179	-2.2
Pharmaceuticals, healthcare	1,113	1,447	-335	-23.1	Trading companies	2,064	2,264	-200	-8.8
					Electrical machinery, precision equipment	4,860	5,074	-214	-4.2

Note: Latest estimates as of 26 May 2015, previous estimates as of 22 February 2015.

Source: Nomura



Fig. 5: Breakdown of factors affecting ROE

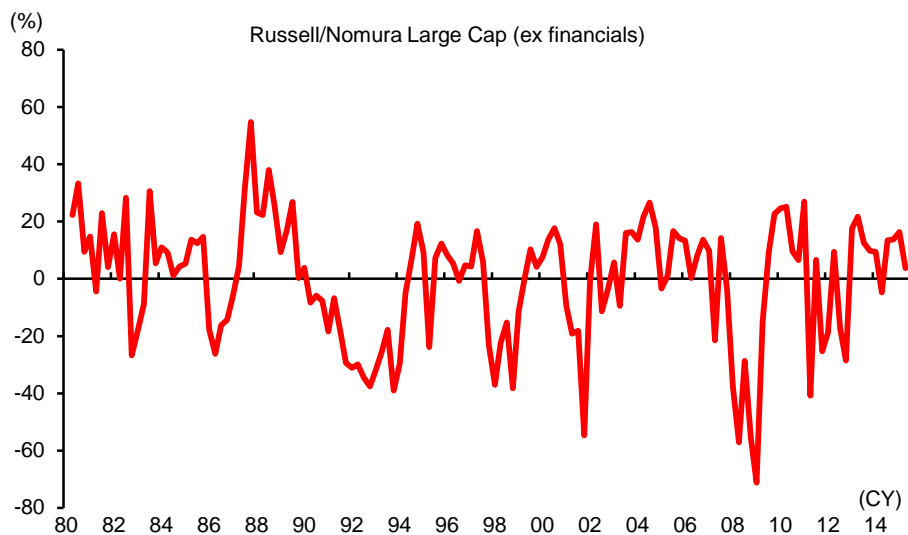


Note: Figures for FY14 onward are estimates. As of 26 May 2015.

Source: Nomura

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

	(yy/m)	13/9	13/12	14/3	14/6	14/9	14/12	15/3	15/6
Russell/Nomura Large Cap		14.5	10.5	15.0	-0.3	15.7	13.2	20.4	4.2
Russell/Nomura Large Cap (ex financials)		12.5	9.8	9.4	-4.7	13.4	13.8	16.4	3.7
Manufacturing		23.5	6.1	14.4	-2.6	15.7	18.3	22.2	0.0
Basic materials		38.3	6.4	-15.8	-15.8	-7.9	7.9	28.3	28.3
Processing		16.0	13.6	40.3	5.6	30.6	33.3	33.3	-12.6
Nonmanufacturing (ex financials)		-4.3	15.5	2.0	-7.9	9.9	6.9	7.6	9.2



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

		No. of cos	FY10	FY11	FY12	FY13	(% y-y, except where noted)				
							FY14 Old	FY14 Actual	FY15E Old	FY15E New	FY16E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	300	6.1	1.4	2.7	12.5	5.1	4.6	2.5	2.4	2.8
	Manufacturing	180	7.0	0.2	3.0	12.3	4.9	4.3	2.5	2.6	3.0
	Basic materials	46	13.2	4.8	-0.5	13.2	2.7	0.6	-2.7	-2.4	2.1
	Processing	87	6.3	-2.0	4.8	13.2	6.0	5.7	5.1	4.7	3.8
	Nonmanufacturing (ex financials)	120	4.9	3.0	2.2	12.7	5.4	5.0	2.5	2.0	2.5
Broad sectors	Materials	46	13.2	4.8	-0.5	13.2	2.7	0.6	-2.7	-2.4	2.1
	Machinery, autos	49	7.4	-0.1	10.0	15.4	8.1	7.8	5.8	5.6	4.5
	Electronics	38	5.2	-4.3	-1.6	10.1	2.9	2.7	4.1	3.4	2.9
	Consumer, distribution	84	5.7	3.3	0.8	11.2	4.1	3.7	3.1	2.5	2.4
	Information	22	0.4	1.5	3.4	20.1	11.1	9.6	3.3	2.9	2.3
	Utilities, infrastructure	61	2.5	2.2	5.3	10.0	4.7	5.2	0.0	0.9	2.1
Sectors	Chemicals	36	13.0	6.5	0.8	12.5	2.1	-1.1	-4.1	-2.2	2.0
	Steel, nonferrous metals	10	13.6	0.7	-4.3	15.1	4.1	4.7	1.0	-3.1	2.3
	Machinery	27	8.3	5.0	2.2	15.4	10.9	11.1	5.3	5.9	4.6
	Autos	22	7.1	-1.6	12.5	15.5	7.3	6.9	5.9	5.4	4.4
	Electrical machinery, precision equipment	38	5.2	-4.3	-1.6	10.1	2.9	2.7	4.1	3.4	2.9
	Pharmaceuticals, healthcare	22	1.1	3.0	2.0	7.8	0.2	0.6	-0.5	1.3	0.6
	Food products	15	0.7	-0.9	3.3	5.4	6.6	6.7	0.1	1.2	1.1
	Household goods	10	1.8	2.9	4.4	9.9	11.8	11.5	2.0	7.7	2.0
	Trading companies	7	10.2	6.1	-1.0	14.0	4.1	2.7	3.2	-0.1	2.5
	Retailing	19	1.8	-2.5	3.7	10.0	4.6	5.7	7.4	7.7	3.9
	Services	11	0.1	-2.4	1.5	3.5	-0.3	-0.4	2.4	5.2	3.7
	Software	9	-17.6	-14.9	-4.0	3.6	0.8	1.4	5.8	4.2	3.6
	Media	5	4.5	1.9	4.8	10.5	4.3	5.1	4.5	5.4	2.7
	Telecommunications	8	2.4	3.5	3.8	24.4	13.3	10.9	2.9	2.5	2.1
	Construction, engineering	5	-16.0	7.7	7.5	6.8	4.6	7.2	1.1	1.3	1.9
	Housing, real estate	19	5.4	2.7	6.1	14.5	7.6	7.9	3.5	4.6	4.4
	Transportation	24	3.4	-0.7	3.4	7.2	3.8	3.4	2.7	3.1	1.6
Utilities	13	5.9	3.4	5.9	11.0	3.7	4.7	-5.3	-3.8	0.9	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 26 May 2015, previous estimates as of 22 February 2015.

Source: Nomura

Fig. 8: Percentage change in operating profits by sector

		No. of cos	FY10	FY11	FY12	FY13	(% y-y, except where noted)				
							FY14 Old	FY14 Actual	FY15E Old	FY15E New	FY16E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	300	49.8	-18.6	4.5	34.3	6.2	5.2	18.6	17.2	8.4
	Manufacturing	180	74.3	-14.2	7.5	37.1	8.5	5.8	18.5	19.3	9.1
	Basic materials	46	101.5	-9.8	-22.6	35.6	-18.2	-14.0	48.5	40.9	8.5
	Processing	87	110.6	-20.6	29.1	44.4	17.0	14.7	16.0	15.8	10.1
	Nonmanufacturing (ex financials)	120	25.7	-24.6	-0.4	29.6	2.3	4.2	18.7	13.7	7.3
Broad sectors	Materials	46	101.5	-9.8	-22.6	35.6	-18.2	-14.0	48.5	40.9	8.5
	Machinery, autos	49	106.5	-10.9	42.9	46.2	15.7	14.0	12.5	12.0	10.0
	Electronics	38	116.1	-32.7	6.7	40.3	19.9	16.3	23.4	24.2	10.3
	Consumer, distribution	84	17.5	0.8	-6.4	14.7	-1.2	-9.0	9.6	13.5	7.9
	Information	22	6.3	-3.7	4.3	15.2	-3.6	-2.1	13.5	9.3	9.2
	Utilities, infrastructure	61	35.2	-57.7	10.4	69.1	16.9	22.9	23.0	16.4	3.9
Sectors	Chemicals	36	94.5	-1.1	-21.3	16.7	-31.9	-26.6	65.3	58.9	5.9
	Steel, nonferrous metals	10	125.0	-37.1	-30.2	151.9	20.4	21.4	22.0	10.9	14.7
	Machinery	27	124.8	6.1	-7.9	30.4	22.4	22.8	11.7	10.1	10.0
	Autos	22	98.0	-19.8	77.2	51.7	13.7	11.3	12.8	12.7	10.0
	Electrical machinery, precision equipment	38	116.1	-32.7	6.7	40.3	19.9	16.3	23.4	24.2	10.3
	Pharmaceuticals, healthcare	22	-8.7	-7.6	-6.9	20.5	11.1	-18.2	2.2	31.7	-1.6
	Food products	15	11.5	4.1	9.0	11.6	3.5	4.1	0.0	-1.3	8.6
	Household goods	10	12.1	0.5	-2.3	23.3	7.7	7.8	8.8	8.2	11.9
	Trading companies	7	69.7	6.3	-24.8	18.7	-17.8	-23.6	20.7	16.2	9.3
	Retailing	19	21.8	7.5	-3.5	6.0	-2.0	-3.6	19.0	19.1	11.5
	Services	11	4.5	-15.9	15.3	14.6	-5.8	-5.3	10.4	2.9	13.3
	Software	9	-32.8	-53.3	-32.9	13.2	32.5	33.9	4.0	0.5	9.5
	Media	5	37.6	3.6	19.4	9.6	-7.1	9.3	14.3	-3.2	12.3
	Telecommunications	8	14.2	3.1	5.9	15.7	-5.8	-5.3	14.5	11.4	8.9
	Construction, engineering	5	10,835.6	18.3	-10.8	30.0	23.1	34.6	22.7	19.0	15.5
	Housing, real estate	19	29.0	0.6	12.6	26.0	0.6	3.4	8.5	8.3	6.9
	Transportation	24	51.5	-17.3	20.4	8.4	2.8	6.7	8.5	6.3	5.7
Utilities	13	17.0	SL	LI	SP	162.9	192.2	80.4	49.6	-4.3	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 26 May 2015, previous estimates as of 22 February 2015. (2) LI = losses increasing; LS = losses shrinking; SL = switch to losses; SP = switch to profits.

Source: Nomura

Fig. 9: Percentage change in recurring profits by sector

		No. of cos	FY10	FY11	FY12	FY13	FY14		FY15E Old	FY15E New	FY16E New
							Old	Actual			
(% y-y, except where noted)											
Industrial groups	Russell/Nomura Large Cap	335	43.8	-12.1	12.8	37.4	5.9	6.9	13.4	10.1	8.6
	Russell/Nomura Large Cap (ex financials)	300	58.7	-19.5	7.7	39.7	7.4	7.0	16.5	13.7	9.3
	Manufacturing	180	91.0	-17.9	10.3	43.3	10.3	7.2	16.2	16.6	9.4
	Basic materials	46	133.9	-7.1	-19.2	33.5	-14.7	-8.9	38.0	29.4	8.9
	Processing	87	143.6	-29.3	36.4	58.2	19.3	15.3	14.7	15.1	10.5
	Nonmanufacturing	155	14.7	-5.9	15.2	31.9	1.6	6.5	10.4	3.7	7.6
	Nonmanufacturing (ex financials)	120	27.6	-21.7	3.5	34.0	2.6	6.6	17.0	8.9	9.1
Broad sectors	Materials	46	133.9	-7.1	-19.2	33.5	-14.7	-8.9	38.0	29.4	8.9
	Machinery, autos	49	116.1	-11.5	42.5	47.6	18.9	16.2	10.2	10.6	10.0
	Electronics	38	200.1	-54.9	19.7	92.9	20.2	13.0	25.5	26.3	11.4
	Consumer, distribution	84	16.7	5.9	-4.1	15.7	-4.0	-9.0	12.1	12.2	8.2
	Information	22	3.3	0.0	7.3	16.2	4.4	8.0	2.3	-5.1	13.7
	Utilities, infrastructure	61	48.7	-70.2	30.2	102.6	18.7	28.3	26.4	16.9	4.6
	Financials	35	-8.2	33.7	34.8	29.3	0.3	6.5	0.8	-3.7	5.2
Sectors	Chemicals	36	116.2	1.8	-19.2	16.3	-27.3	-21.7	52.1	45.9	6.0
	Steel, nonferrous metals	10	201.0	-34.3	-18.9	119.5	17.5	24.0	15.7	2.6	15.6
	Machinery	27	125.8	7.9	-5.1	31.9	22.2	23.7	10.7	8.5	10.2
	Autos	22	111.8	-20.8	72.8	53.0	17.9	13.9	10.1	11.3	10.0
	Electrical machinery, precision equipment	38	200.1	-54.9	19.7	92.9	20.2	13.0	25.5	26.3	11.4
	Pharmaceuticals, healthcare	22	-8.6	-9.0	-4.9	14.0	10.4	-15.3	0.3	24.7	-0.6
	Food products	15	10.2	5.2	9.1	13.0	3.7	4.9	0.9	-1.8	8.8
	Household goods	10	9.2	1.9	0.1	20.3	10.1	11.0	5.9	2.8	13.2
	Trading companies	7	55.1	22.6	-15.1	25.9	-19.1	-20.6	27.7	18.6	9.8
	Retailing	19	22.2	7.9	-2.5	5.6	-4.6	-4.8	19.4	16.8	10.4
	Services	11	4.9	-14.7	16.6	12.8	-5.9	-2.4	9.4	0.1	13.0
	Software	9	-41.9	-53.5	8.4	14.9	14.0	22.6	-1.4	-9.1	9.0
	Media	5	34.9	14.5	7.6	10.8	-8.9	11.0	13.0	-5.7	11.7
	Telecommunications	8	13.4	6.2	7.2	16.8	4.5	6.5	2.0	-4.6	14.4
	Construction, engineering	5	1,102.5	49.0	-1.0	25.3	14.9	38.4	21.5	8.1	14.8
	Housing, real estate	19	35.3	-0.9	20.8	29.5	-2.2	4.6	9.3	5.7	7.4
	Transportation	24	90.6	-18.9	30.9	15.1	4.4	10.4	8.8	5.4	7.0
	Utilities	13	20.7	SL	LI	SP	1,454.3	1,682.0	125.9	79.2	-5.7
Financials	35	-8.2	33.7	34.8	29.3	0.3	6.5	0.8	-3.7	5.2	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 26 May 2015, previous estimates as of 22 February 2015. (2) LI = losses increasing; LS = losses shrinking; SL = switch to losses; SP = switch to profits.

Source: Nomura

Fig. 10: Percentage change in net profits by sector

	No. of cos	(% y-y, except where noted)								
		FY10	FY11	FY12	FY13	FY14 Old	FY14 Actual	FY15E Old	FY15E New	FY16E New
Russell/Nomura Large Cap	335	34.6	-25.3	36.3	62.7	8.6	7.4	14.7	13.7	9.8
Russell/Nomura Large Cap (ex financials)	300	63.4	-35.2	26.7	79.8	10.6	8.0	16.9	16.6	10.7
Manufacturing	180	158.2	-42.9	30.8	80.9	14.0	10.2	17.1	17.7	10.8
Basic materials	46	361.6	-34.6	-30.8	85.9	-5.1	-11.0	37.6	53.1	10.4
Processing	87	324.4	-57.2	77.5	116.1	19.8	15.7	16.7	15.7	11.3
Nonmanufacturing	155	-14.6	-2.6	41.0	48.2	3.4	4.6	12.0	9.6	8.7
Nonmanufacturing (ex financials)	120	-4.9	-19.2	20.4	78.1	4.9	4.2	16.7	14.5	10.6
Materials	46	361.6	-34.6	-30.8	85.9	-5.1	-11.0	37.6	53.1	10.4
Machinery, autos	49	254.0	-16.9	58.6	56.2	16.2	14.8	9.9	9.3	9.7
Electronics	38	603.9	SL	LS	SP	31.8	18.4	35.5	34.2	15.3
Consumer, distribution	84	22.7	5.9	9.3	14.3	-4.5	-6.2	13.6	11.5	9.8
Information	22	-0.6	-2.0	9.9	16.5	12.9	14.8	7.9	0.3	19.2
Utilities, infrastructure	61	-76.7	SL	LS	SP	20.0	19.2	16.5	18.0	4.8
Financials	35	-26.7	24.7	66.7	18.9	1.4	5.2	5.0	2.4	5.6
Chemicals	36	305.9	-21.7	-30.5	34.1	-13.3	-24.6	51.5	92.0	7.7
Steel, nonferrous metals	10	631.7	-78.5	-33.1	590.0	9.2	13.1	18.0	8.9	15.7
Machinery	27	225.1	4.9	-0.0	38.9	20.5	17.9	15.5	15.0	10.4
Autos	22	268.5	-26.5	94.6	61.7	15.0	14.0	8.3	7.7	9.4
Electrical machinery, precision equipment	38	603.9	SL	LS	SP	31.8	18.4	35.5	34.2	15.3
Pharmaceuticals, healthcare	22	-14.6	-29.4	45.6	-2.7	9.5	7.8	3.6	2.0	1.6
Food products	15	-3.5	18.7	20.0	21.7	4.7	4.9	-1.0	-1.7	11.7
Household goods	10	31.7	-20.8	32.9	32.9	29.9	32.5	3.1	-9.2	20.4
Trading companies	7	56.6	25.8	-11.9	22.6	-20.4	-23.5	29.0	27.9	8.4
Retailing	19	82.3	24.9	2.0	4.9	-4.9	-7.8	18.9	20.9	13.0
Services	11	-0.9	-38.2	103.2	13.9	-18.9	-19.6	29.4	19.9	16.3
Software	9	-46.5	-61.2	51.8	-14.3	30.9	35.8	3.3	0.7	11.2
Media	5	15.1	57.8	-7.7	-1.5	1.6	16.5	10.7	-2.3	12.8
Telecommunications	8	15.7	3.2	9.2	22.0	12.1	12.7	8.3	0.5	20.9
Construction, engineering	5	SP	-81.6	440.1	38.5	15.0	30.2	26.3	19.5	15.5
Housing, real estate	19	74.0	-16.3	54.1	41.2	10.4	18.4	2.8	2.3	9.7
Transportation	24	127.9	-37.9	59.5	44.4	1.9	1.8	11.7	15.3	7.1
Utilities	13	SL	LI	LS	SP	106.0	79.6	40.2	47.3	-6.0
Financials	35	-26.7	24.7	66.7	18.9	1.4	5.2	5.0	2.4	5.6

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 26 May 2015, previous estimates as of 22 February 2015. (2) LI = losses increasing; LS = losses shrinking; SL = switch to losses; SP = switch to profits.

Source: Nomura

Fig. 11: Recurring profits by sector

(¥bn, except where noted)

		No. of cos	FY10	FY11	FY12	FY13	FY14 Old	FY14 Actual	FY15E Old	FY15E New	FY16E New
Industrial groups	Russell/Nomura Large Cap	287	26,483	23,168	26,521	36,708	38,089	38,488	44,678	43,996	47,770
	Russell/Nomura Large Cap (ex financials)	254	22,701	18,302	20,556	28,994	30,423	30,350	36,888	36,087	39,448
	Manufacturing	153	13,404	11,132	12,917	18,323	19,610	19,085	23,687	23,157	25,343
	Basic materials	38	3,638	3,588	3,101	3,931	3,112	3,325	4,458	4,441	4,835
	Processing	72	7,302	5,052	7,167	11,295	13,257	12,834	15,858	15,436	17,049
	Nonmanufacturing (ex financials)	134	13,079	12,037	13,604	18,385	18,479	19,403	20,991	20,838	22,426
Broad sectors	Materials	38	3,638	3,588	3,101	3,931	3,112	3,325	4,458	4,441	4,835
	Machinery, autos	42	4,354	3,731	5,480	8,052	9,432	9,213	10,784	10,576	11,635
	Electronics	30	2,948	1,321	1,687	3,243	3,826	3,621	5,074	4,860	5,414
	Consumer, distribution	71	5,556	5,869	5,829	6,841	6,488	6,151	7,571	7,343	7,946
	Information	18	2,758	2,783	3,039	3,645	3,683	3,841	3,931	3,804	4,323
	Utilities, infrastructure	55	3,447	1,010	1,419	3,281	3,882	4,198	5,070	5,064	5,295
	Financials	33	3,781	4,867	5,965	7,714	7,666	8,138	7,790	7,909	8,322
Sectors	Chemicals	30	2,658	2,959	2,606	2,851	1,913	2,059	3,010	3,099	3,283
	Steel, nonferrous metals	8	979	629	495	1,080	1,200	1,266	1,448	1,342	1,552
	Machinery	24	1,406	1,472	1,416	1,855	2,278	2,306	2,659	2,630	2,897
	Autos	18	2,948	2,260	4,064	6,197	7,154	6,908	8,126	7,946	8,738
	Electrical machinery, precision equipment	30	2,948	1,321	1,687	3,243	3,826	3,621	5,074	4,860	5,414
	Pharmaceuticals, healthcare	21	1,209	1,215	1,170	1,314	1,447	1,113	1,469	1,413	1,405
	Food products	13	901	938	1,107	1,306	1,326	1,341	1,386	1,364	1,484
	Household goods	9	355	338	371	477	468	471	516	504	570
	Trading companies	7	1,626	1,993	1,706	2,026	1,774	1,740	2,264	2,064	2,266
	Retailing	14	1,105	1,071	1,110	1,277	1,089	1,087	1,466	1,428	1,576
	Services	7	361	313	364	441	385	399	469	571	645
	Software	7	324	148	173	245	301	324	368	360	393
	Media	5	235	239	227	251	197	271	245	275	307
	Telecommunications	6	2,199	2,396	2,639	3,150	3,186	3,246	3,318	3,169	3,624
	Construction, engineering	4	95	123	122	181	176	212	249	260	298
	Housing, real estate	16	770	737	956	1,264	1,274	1,363	1,464	1,515	1,627
	Transportation	22	1,313	1,049	1,406	1,799	1,857	1,963	2,058	2,107	2,255
Utilities	13	1,270	-898	-1,065	37	575	660	1,300	1,182	1,115	
Financials	33	3,781	4,867	5,965	7,714	7,666	8,138	7,790	7,909	8,322	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 26 May 2015, previous estimates as of 22 February 2015.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY14 Q1–FY14 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	-	-	-	-	-	-	-	-	5.0	16.8	4.9	1.2	-6.9	21.7	6.0	2.2
	Russell/Nomura Large Cap (ex financials)	5.9	4.2	5.5	1.3	13.6	-0.5	1.3	9.3	9.6	15.7	1.5	2.8	-5.4	20.6	1.7	8.2
	Manufacturing	4.0	3.9	6.4	1.6	13.4	1.0	5.0	1.5	10.3	11.2	8.3	-3.5	12.6	14.1	16.6	-4.1
	Basic materials	4.4	1.9	1.1	-7.4	1.3	-8.4	-38.6	1.4	-2.5	0.8	-24.0	-2.0	-6.3	8.4	12.2	-70.3
	Processing	4.5	5.0	7.7	5.6	20.7	6.4	18.2	10.9	17.5	18.9	18.5	5.5	18.6	19.4	20.3	5.4
	Nonmanufacturing	-	-	-	-	-	-	-	-	0.6	21.9	1.0	6.4	-21.3	28.2	-5.6	10.8
	Nonmanufacturing (ex financials)	8.6	4.7	4.2	0.9	13.9	-2.8	-5.2	25.0	8.4	22.5	-11.3	15.1	-28.0	29.3	-24.9	40.8
Broad sectors	Basic materials	4.4	1.9	1.1	-7.4	1.3	-8.4	-38.6	1.4	-2.5	0.8	-24.0	-2.0	-6.3	8.4	12.2	-70.3
	Machinery, autos	5.8	7.1	10.2	7.6	11.6	11.1	18.0	12.3	14.0	21.3	16.9	9.9	15.1	20.5	15.1	6.4
	Electronics	2.4	2.0	4.1	2.5	54.9	-3.6	18.6	7.9	29.6	12.6	22.0	-5.3	32.8	15.7	33.0	1.6
	Consumption, distribution	5.0	4.0	5.4	-2.1	8.1	-11.8	-2.5	-21.5	6.0	-2.0	-7.1	-29.9	0.6	-10.7	-12.2	-21.9
	Information	20.2	7.8	6.2	3.9	-10.7	-4.5	-1.8	8.6	-22.3	65.5	-8.1	0.5	-28.5	77.3	-4.2	20.5
	Utilities, infrastructure	7.2	3.5	4.0	4.1	48.9	5.7	-3.2	60.9	57.9	9.5	-4.3	88.3	-46.4	38.2	-34.4	SP
	Financials	-	-	-	-	-	-	-	-	-8.2	21.1	19.4	-4.9	-11.7	26.3	24.5	-21.0
Sectors	Chemicals	3.6	1.0	-0.9	-11.1	-1.5	-13.8	-65.2	-9.8	-1.2	-8.2	-53.3	-13.3	-1.1	-13.5	15.9	SL
	Steel, nonferrous metals	6.2	4.3	6.6	2.0	9.4	7.4	40.1	25.8	-5.6	26.9	44.6	25.2	-13.8	58.1	6.9	7.6
	Machinery	9.2	12.1	13.8	9.6	34.1	26.8	23.5	11.8	26.6	40.8	20.6	10.4	29.0	35.8	37.2	-17.7
	Automobiles	4.9	5.7	9.2	7.0	6.1	6.4	16.5	12.5	10.7	15.6	15.8	9.7	12.0	16.8	9.7	15.7
	Electrical machinery, precision equipment	2.4	2.0	4.1	2.5	54.9	-3.6	18.6	7.9	29.6	12.6	22.0	-5.3	32.8	15.7	33.0	1.6
	Pharmaceuticals, healthcare	-0.3	1.3	4.0	-4.3	11.0	-1.6	-4.6	SL	5.8	7.6	-1.2	SL	8.9	4.2	-1.0	26.8
	Food products	0.2	1.7	15.4	0.2	-3.0	-12.1	13.4	4.5	-1.0	-10.5	12.8	9.6	3.9	-10.4	21.5	42.9
	Household goods	11.5	6.0	15.5	6.5	-15.6	-3.1	15.1	-1.3	-18.2	4.1	17.9	-5.8	19.1	53.4	3.5	-0.6
	Trading companies	6.1	5.0	3.8	-5.3	33.2	-29.2	-25.2	2.4	21.8	-0.8	-43.9	-32.1	-0.7	-26.8	-57.2	-54.0
	Retailing	8.8	5.5	3.8	5.6	1.1	-11.7	3.1	6.1	-3.1	-9.2	7.5	4.9	-9.0	-15.5	32.1	-8.6
	Services	-0.9	-2.1	-0.2	0.0	-6.7	-5.7	-6.1	-15.1	-6.3	0.8	-3.5	-15.3	-25.8	-11.8	-20.5	-59.9
	Software	2.9	-3.7	-8.0	4.7	-19.1	79.6	-9.0	389.0	-39.6	116.1	-2.7	562.3	-46.0	166.4	11.6	SP
	Media	5.0	3.4	2.5	4.6	-0.7	-16.3	0.1	6.9	5.5	0.4	-2.3	24.7	59.8	-14.7	44.4	-3.2
	Telecommunications	24.7	9.6	8.7	3.7	-10.4	-6.8	-0.9	1.2	-21.6	67.2	-9.6	-8.7	-28.9	79.0	-11.6	16.6
	Construction, engineering	6.8	8.6	14.9	0.7	79.7	5.9	81.7	7.2	20.5	38.0	74.9	11.7	37.3	54.5	90.2	-47.8
	Housing, real estate	6.9	4.6	1.4	8.7	9.2	-4.0	-9.3	9.0	6.7	-1.5	-8.3	12.8	9.9	2.4	7.4	-22.1
	Transportation	3.8	2.6	3.8	3.4	-5.2	3.1	9.6	32.3	-5.5	9.9	13.3	41.7	-2.2	11.9	10.2	-44.5
	Utilities	11.1	2.6	3.2	2.9	SP	19.1	SL	2,550.6	SP	17.5	LI	SP	SL	88.5	SL	SP
	Financials	-	-	-	-	-	-	-	-	-8.2	21.1	19.4	-4.9	-11.7	26.3	24.5	-21.0

Note: (1) Q1 = Feb–Apr, Mar–May, or Apr–Jun; Q2 = May–Jul, Jun–Aug, or Jul–Sep; Q3 = Aug–Oct, Sep–Nov, or Oct–Dec; Q4 = Nov–Jan, Dec–Feb, or Jan–Mar. (2) Figures are for companies that had announced results (either full-year, Q1, Q2, or Q3) by 26 May 2015. (3) Excludes consolidated subsidiaries. (4) LI = losses increasing; LS = losses shrinking; SL = switch to losses; SP = switch to profits.

Source: Nomura



Fig. 13: Valuation indicators

		P/E			P/CF			P/B		Dividend yield			ROE			
		FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY14E	FY15E	FY16E	FY13	FY14	FY15E	FY16E
		x	x	x	x	x	x	x	x	%	%	%	%	%	%	%
Industrial groups	Russell/Nomura Large Cap	19.3	17.2	15.6	-	-	-	1.75	1.55	1.58	1.74	1.92	8.9	8.5	9.0	9.5
	Russell/Nomura Large Cap (ex loss-making cos)	18.3	17.1	15.6	-	-	-	1.81	1.61	1.52	1.74	1.93	9.5	9.4	9.0	9.5
	Russell/Nomura Large Cap (ex financials)	21.0	18.2	16.4	9.5	9.2	8.7	1.94	1.74	1.50	1.70	1.90	9.1	8.8	9.4	9.8
	Manufacturing	20.9	17.9	16.2	10.3	10.1	9.4	1.99	1.80	1.59	1.84	2.08	9.2	9.1	9.8	10.2
	Basic materials	22.2	15.3	13.9	8.7	7.0	6.6	1.32	1.22	1.55	1.75	1.88	7.1	5.8	7.7	8.1
	Processing	18.7	16.2	14.5	9.3	9.6	8.8	2.06	1.80	1.57	1.90	2.19	10.2	10.2	10.8	11.2
	Nonmanufacturing	17.6	16.4	15.0	-	-	-	1.53	1.32	1.57	1.61	1.74	8.7	8.0	8.3	8.7
	Nonmanufacturing (ex financials)	21.0	18.6	16.9	8.4	8.0	7.6	1.85	1.64	1.34	1.45	1.58	8.8	8.2	8.9	9.2
Broad sectors	Basic materials	22.2	15.3	13.9	8.7	7.0	6.6	1.32	1.22	1.55	1.75	1.88	7.1	5.8	7.7	8.1
	Machinery, autos	16.0	14.7	13.4	8.8	9.3	8.6	2.02	1.75	1.76	2.13	2.50	12.0	11.7	11.6	11.9
	Electronics	27.2	19.9	17.2	10.4	10.2	9.3	2.13	1.90	1.22	1.49	1.63	6.8	7.4	9.3	10.0
	Consumption, distribution	25.7	23.5	21.4	14.3	13.7	12.9	2.06	1.91	1.69	1.73	1.88	9.0	7.7	8.2	8.7
	Information	19.6	19.7	16.6	7.1	6.9	6.5	2.23	1.99	1.28	1.47	1.57	10.2	10.7	10.1	11.4
	Utilities, infrastructure	21.1	17.8	17.0	7.8	7.4	7.2	1.83	1.62	1.09	1.23	1.38	7.6	8.1	8.8	8.6
	Financials	12.9	12.6	11.9	-	-	-	1.08	0.91	2.11	2.00	2.12	8.5	7.7	7.5	8.0
Sectors	Chemicals	29.6	16.8	15.6	10.3	7.6	7.3	1.39	1.30	1.48	1.61	1.65	6.7	4.6	7.5	7.8
	Steel, nonferrous metals	13.4	12.4	10.7	6.2	5.8	5.3	1.17	1.03	1.71	2.13	2.49	7.9	8.2	8.1	8.8
	Machinery	22.6	19.5	17.7	13.8	12.2	11.3	2.38	2.04	1.48	1.72	1.89	9.8	9.8	10.2	10.5
	Automobiles	14.1	13.1	12.0	7.5	8.3	7.7	1.90	1.64	1.89	2.32	2.78	12.8	12.5	12.2	12.4
	Electrical machinery, precision equipment	27.2	19.9	17.2	10.4	10.2	9.3	2.13	1.90	1.22	1.49	1.63	6.8	7.4	9.3	10.0
	Pharmaceuticals, healthcare	31.8	31.2	30.7	19.1	20.5	20.3	2.46	2.31	1.71	1.85	1.92	7.5	7.5	7.4	7.4
	Food products	26.0	26.8	24.0	15.6	15.9	14.8	2.74	2.67	1.74	1.77	2.10	11.1	10.6	9.7	10.6
	Household goods	27.1	29.8	24.8	16.1	16.7	15.2	2.82	2.81	1.22	1.29	1.42	8.7	10.9	9.2	10.4
	Trading companies	13.4	10.5	9.7	7.4	6.4	6.0	0.95	0.86	2.85	2.87	3.10	9.8	6.7	8.0	8.3
	Retailing	33.9	27.3	24.1	16.3	14.2	12.9	2.51	2.42	1.06	1.17	1.29	8.4	7.4	8.7	9.3
	Services	43.7	35.6	30.6	18.9	18.0	16.5	2.61	2.11	1.15	1.19	1.23	7.3	5.1	7.0	7.9
	Software	35.6	33.5	30.2	24.7	24.2	22.3	2.92	2.60	1.14	1.28	1.33	5.1	7.6	8.2	8.7
	Media	22.7	23.5	20.9	15.4	15.9	14.7	1.68	1.43	1.18	1.22	1.22	6.9	6.7	5.9	6.4
	Telecommunications	17.6	17.5	14.5	5.8	5.5	5.2	2.20	1.99	1.32	1.55	1.67	11.7	11.9	11.3	12.7
	Construction	23.3	18.6	16.1	16.1	13.8	12.4	1.72	1.41	1.04	1.22	1.26	6.4	6.7	7.6	8.5
	Housing, real estate	23.8	23.0	20.9	15.9	15.1	14.0	2.38	2.01	1.17	1.29	1.34	9.0	9.1	8.4	8.7
	Transportation	20.2	17.6	16.4	8.0	7.6	7.4	1.93	1.73	1.09	1.20	1.28	9.7	9.0	9.5	9.4
	Utilities	18.5	12.6	13.4	3.7	3.4	3.4	1.21	1.10	0.99	1.22	1.70	3.7	6.2	8.5	7.5
	Financials	12.9	12.6	11.9	-	-	-	1.08	0.91	2.11	2.00	2.12	8.5	7.7	7.5	8.0
	Russell/Nomura Small Cap	20.5	17.3	16.2	-	-	-	1.41	1.31	1.36	1.46	1.51	7.1	6.7	7.0	7.1
	Russell/Nomura Small Cap (ex financials)	21.9	18.0	16.8	10.8	9.6	9.2	1.51	1.43	1.33	1.44	1.49	7.1	6.9	7.4	7.5

Note: (1) Estimates as of 26 May 2015. (2) Share prices as of 26 May 2015 close.

Source: Nomura

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- They reflect the stocks that are actually available for investment, as stable shareholdings are excluded from market capitalization figures.
- There are sub-indexes for different sizes of company based on market capitalization.
- There are sub-indexes for growth and value stocks.
- Sub-indexes for growth and value stocks are based on P/B ratios adjusted for unrealized gains/losses on marketable securities and unrecognized retirement benefit obligations.
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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. The notional principal of inflation-indexed JGBs changes in line with the rate of change in nationwide CPI inflation from the time of its issuance. The amount of the coupon payment is calculated by multiplying the coupon rate by the notional principal at the time of payment. The maturity value is the amount of the notional principal when the issue becomes due. For JI17 and subsequent issues, the maturity value shall not undercut the face amount. 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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