

Outlook for FY15–16 corporate earnings

Quarterly Update

September 4, 2015

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Summary and major assumptions

Overview of the FY15 corporate earnings outlook

In this report, we collate earnings and analyze forecast data issued by our analysts. For FY15, our analysts forecast sales growth of 2.5% y-y and recurring profit growth of 15.1% for companies in the Russell/Nomura Large Cap Index (ex financials). Compared with our previous estimates (published in June 2015, based on data collated on 26 May 2015), sales growth is 0.1ppt higher and recurring profit growth is 1.4ppt higher. Our absolute recurring profit forecast is 1.3% higher, at ¥480.4bn. Last quarter our recurring profit forecast was revised downward, but downward revisions have petered out since Q1 and revisions are now concentrated on the upside. Our forex assumptions for FY15 are USD/JPY of 121.1 (previously 118.0) and EUR/JPY of 134.1 (130.0). Our WTI assumption is USD55.7/bbl (USD53.0/bbl).

In FY15 Q1, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) rose 30.2% y-y on a 4.4% increase in sales. Of 19 sectors, earnings grew at 17, and for the other two the decline was not large. Momentum was thus much stronger than the 1.3% growth in sales and 2.8% increase in recurring profits posted in FY14 Q4. The weaker yen/stronger dollar environment contributed to the sales growth. In addition, the drop in crude oil prices, which through Q4 had been a negative for trading companies and oil (a subsector of the chemicals sector), became a positive for the utilities sector and integrated chemicals manufacturers (a subsector of chemicals) and contributed to profit growth in Q1. That the reactive downturn to the consumption tax hike took place a year earlier also likely contributed somewhat to profit growth in FY15 Q1.

Following the robust Q1 performance, we have revised up our H1 forecast for recurring profits from our previous forecast for 5.4% growth. Even so, our current forecast for y-y recurring profit growth is just 8.5%, which works out to a forecast for a profit decline in Q2. Despite a slight turn to a stronger yen/weaker dollar at present, the yen is still far weaker than a year ago, and we think the outlook for continued profit growth looks solid.

Overview of the FY16 corporate earnings outlook

For FY16, our analysts look for growth in sales of 2.9% y-y and growth in recurring profits of 8.8% for companies in the Russell/Nomura Large Cap Index (ex financials). Compared with our previous forecast, this is a 0.1ppt upward revision to sales growth and a 0.5ppt downward revision for recurring profit growth. However, we raised our absolute recurring profit forecast by 0.8%, to ¥324.1bn.

Our forex assumptions for FY16 are USD/JPY of 121.0 (previously 118.0) and EUR/JPY of 134.0 (previously 130.0). Our WTI assumption is USD55.0/bbl (USD59.5/bbl).

The average ROE for Russell/Nomura Large Cap stocks in FY14 was 8.5%, and we forecast growth to 9.0% in FY15 and 9.2% in FY16. Our FY15 forecast is unchanged but we revise down our FY16 forecast from 9.5% previously.

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	FY15E	FY16E
Sales	Russell/Nomura Large Cap (ex financials)	300	12.5	4.6	2.5	2.9	2.4	2.8
	Manufacturing	180	12.3	4.3	3.4	3.0	2.6	3.0
	Basic materials	46	13.2	0.6	-3.9	1.2	-2.4	2.1
	Processing	87	13.2	5.7	6.2	4.0	4.7	3.8
	Nonmanufacturing (ex financials)	120	12.7	5.0	1.2	2.7	2.0	2.5
	Russell/Nomura Small Cap (ex financials)	1,039	9.3	3.6	4.1	3.6	4.0	2.7
Operating profits	Russell/Nomura Large Cap (ex financials)	300	34.3	5.2	18.3	8.9	17.2	8.4
	Manufacturing	180	37.1	5.8	19.9	11.0	19.3	9.1
	Basic materials	46	35.6	-14.0	30.0	18.6	40.9	8.5
	Processing	87	44.4	14.7	17.6	11.1	15.8	10.1
	Nonmanufacturing (ex financials)	120	29.6	4.2	15.6	5.1	13.7	7.3
	Russell/Nomura Small Cap (ex financials)	1,039	28.4	4.3	13.1	9.8	12.9	6.8
Recurring profits	Russell/Nomura Large Cap	335	37.4	6.9	11.7	7.8	10.1	8.6
	Russell/Nomura Large Cap (ex financials)	300	39.7	7.0	15.1	8.8	13.7	9.3
	Manufacturing	180	43.3	7.2	16.7	10.8	16.6	9.4
	Basic materials	46	33.5	-8.9	19.4	18.1	29.4	8.9
	Processing	87	58.2	15.3	16.1	10.9	15.1	10.5
	Nonmanufacturing	155	31.9	6.5	6.8	4.6	3.7	7.6
	Nonmanufacturing (ex financials)	120	34.0	6.6	12.3	5.2	8.9	9.1
	Russell/Nomura Small Cap	1,134	29.7	3.1	6.8	9.0	6.7	6.3
	Russell/Nomura Small Cap (ex financials)	1,039	27.3	5.0	8.0	9.5	8.0	6.6
	Russell/Nomura Small Cap	1,134	29.7	3.1	6.8	9.0	6.7	6.3
Net profits	Russell/Nomura Large Cap	335	62.7	7.4	16.4	8.2	13.7	9.8
	Russell/Nomura Large Cap (ex financials)	300	79.8	8.0	18.5	9.3	16.6	10.7
	Manufacturing	180	80.9	10.2	18.0	12.0	17.7	10.8
	Basic materials	46	85.9	-11.0	37.2	20.3	53.1	10.4
	Processing	87	116.1	15.7	17.2	11.9	15.7	11.3
	Nonmanufacturing	155	48.2	4.6	14.8	4.2	9.6	8.7
	Nonmanufacturing (ex financials)	120	78.1	4.2	19.4	4.5	14.5	10.6
	Russell/Nomura Small Cap	1,134	74.2	2.2	13.5	9.1	12.4	6.8
	Russell/Nomura Small Cap (ex financials)	1,039	80.6	3.9	16.1	10.0	15.5	7.3

Note: Latest estimates as of 26 August 2015. Previous estimates as of 26 May 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	FY14		-0.4	0-0.10	80.5	110.0	138.7	
	FY15E	New	1.4	0-0.10	55.7	121.1	134.1	
		Old	3.8	0-0.10	53.0	118.0	130.0	
	FY16E	New	2.6	0-0.10	55.0	121.0	134.0	
		Old	2.3	0-0.10	59.5	118.0	130.0	
	Half year	FY14E	H1	0.9	0-0.10	100.1	103.1	138.9
FY14E		H2	-1.8	0-0.10	60.9	116.8	138.6	
FY15E		H1	New	1.2	0-0.10	56.5	121.2	134.2
		H1	Old	4.1	0-0.10	51.0	118.0	130.0
FY15E		H2	New	1.6	0-0.10	55.0	121.0	134.0
		H2	Old	3.6	0-0.10	55.0	118.0	130.0
FY15E		H1	New	2.2	0-0.10	55.0	121.0	134.0
		H1	Old	2.4	0-0.10	59.0	118.0	130.0
FY15E		H2	New	3.0	0-0.10	55.0	121.0	134.0
		H2	Old	2.2	0-0.10	60.0	118.0	130.0

Note: Macroeconomic assumptions as of 10 July 2015. Previous assumptions as of 8 April 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 the FY15 corporate earnings outlook

For FY15, we project that recurring profits will increase in 15 of the 19 sectors and decline in four. We expect the largest contributions to growth to be from automobiles, electrical machinery & precision equipment, chemicals, and utilities. We assume USD/JPY of 121.1 for FY15, versus 110.0 for FY14, and view our new assumption level as conducive to earnings growth contributions from external-demand sectors with high forex sensitivity.

For the automobiles sector, we expect global demand to increase 0.8% y-y in 2015, to 88.3mn vehicles. We forecast that new auto sales will rise only 1.1% y-y in the US, to 16.7mn vehicles, but we think growth in Europe and India will be relatively strong. While the current slowdown in emerging economy demand is a cause for concern, ongoing recovery in Europe and the US, product mix improvements, and continued efforts to reduce costs look likely to provide support. In the electrical machinery & precision equipment sector, we expect the consumer electronics subsector to drive earnings growth, a reversal of its role through FY14. With structural reforms mostly completed, the home electronics majors have entered a new growth stage and should be central to the subsector's performance. The consumer electronics industry is benefiting from growth in demand for automotive electronics, B2B solutions, image sensors for high-end smartphones, and watches. Moreover, Japan's electronic parts industry is globally competitive and likely to benefit substantially from wireless, automotive, and cloud-related operations. We also see a shift from a recovery phase to a growth phase from the perspective of the capex cycle. The chemicals sector had major inventory valuation losses in the oil subsector in FY14, but this factor will drop out in FY15. To date the Japanese chemicals sector has focused on reducing its production capacity in petrochemicals. The fall in crude oil prices has led to a decline in coal-based ethylene production projects in China. We also expect the supply of shale gas-based ethylene to fall and see steady improvement in the competitive environment for petrochemical ethylene plants accompanying current crude prices. In line with the reshoring of production to Japan, automotive-related production should pick up in H2 and, with improved competitiveness, we expect positive contributions to earnings. For the utilities sector, we expect positive contributions on (1) an increase in gains under the fuel cost adjustment system accompanying lower crude oil prices, and (2) a sharp decline in replacement fuel costs incurred due to nuclear plant stoppages.

In contrast, we expect a large negative contribution from the steel & nonferrous metals sector and the financials sector. The steel & nonferrous metals sector will likely be unable to avoid production cutbacks necessitated by inventory adjustments. However, having been at steadily high levels, domestic steel inventories started to show a clear decline from end-June, and we think major steelmakers will start to moderate their production cutbacks in Jul-Sep. The financials sector looks headed for a y-y decline in profits following strong earnings in FY14, although we note that Q1 results were mostly better than expected.

Overview of the FY16 corporate earnings outlook

For FY16, we project that recurring profits will increase in 17 of the 19 sectors and decline in two. Sectors from which we expect particularly large contributions to overall profit growth include automobiles, electrical machinery & precision equipment, and chemicals. Sectors that we expect to make a large negative contribution to profit growth include utilities.

For the automobiles sector, we expect global demand to increase 4.4% y-y in 2016, to 92.2mn vehicles. We forecast that new auto sales in the US will rise 1.8% y-y, to 17.0mn vehicles, and that new auto sales will regain strength in emerging economies, rising 7.6% to 39.6mn vehicles. In electrical machinery & precision equipment, we expect broadly equal contributions from industrial electronics, consumer electronics, and precision equipment & photographic film. Any contribution to higher profits from chemicals will depend in large part on crude oil prices. We think attention is likely to focus also on the impact of improvement in competitive conditions for integrated chemical manufacturers. A key point here will be whether manufacturers can capture the benefits of an improved operating environment as they step up operating rates.

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

(%)

FY15E				FY16E			
Increase in profit				Increase in profit			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
15 sectors				17 sectors			
Automobiles	15.0	23.1	22.6	Automobiles	9.2	21.7	23.8
Electrical machinery, precision equipment	25.7	20.8	20.4	Electrical machinery, precision equipment	13.9	18.9	20.7
Chemicals	37.1	16.8	16.4	Chemicals	16.1	13.4	14.6
Utilities	102.3	14.4	14.1	Financials	3.7	8.6	-
Pharmaceuticals, healthcare	34.0	8.2	8.0	Machinery	10.9	7.9	8.6
Trading companies	16.4	6.1	6.0	Steel, nonferrous metals	22.9	7.8	8.5
Retailing	18.2	4.7	4.6	Telecommunications	7.5	7.1	7.7
Transportation	8.7	3.7	3.6	Retailing	10.9	4.5	4.9
Machinery	4.4	2.3	2.2	Transportation	6.5	4.0	4.4
Food	5.9	1.7	1.7	Trading companies	6.7	3.9	4.2
Housing, real estate	3.6	1.1	1.1	Housing, real estate	8.6	3.6	4.0
Software	9.6	0.8	0.8	Services	13.5	2.2	2.4
Construction	14.1	0.7	0.7	Household goods	12.6	1.9	2.0
Household goods	5.9	0.6	0.6	Construction	15.1	1.2	1.3
Services	0.8	0.1	0.1	Media	11.4	0.9	1.0
				Food	1.6	0.7	0.7
				Software	4.6	0.6	0.6
Decrease in profit (%)				Decrease in profit (%)			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
4 sectors				2 sectors			
Telecommunications	-0.3	-0.2	-0.2	Pharmaceuticals, healthcare	-1.0	-0.4	-0.5
Media	-5.3	-0.3	-0.3	Utilities	-21.9	-8.3	-9.1
Financials	-1.2	-2.1	-				
Steel, nonferrous metals	-9.3	-2.6	-2.5				

Source: Nomura

Revisions to recurring profit estimates (versus old estimates)

Overview of the FY15 corporate earnings outlook

We have raised our FY15 recurring profit forecasts for 13 of 19 sectors and lowered them for six.

The largest upward revisions have been to our estimates for automobiles, financials and utilities. Each of these sectors posted strong Q1 earnings, making substantial contributions to overall earnings, and our upward revisions clearly reflect this.

For the automobile sector, our upward revisions reflected the effects of the weaker yen, and the substantial boost to profitability on overseas markets from new model rollouts and changes in the model mix. For the financials sector, our upward revisions took into account continued strength in both customer and market-related income at the Japanese megabanks, and also the establishment of business models that rely on noninterest income to drive earnings amid low interest rates. While we have seen some market disruptions in Europe and China, this appears to have had little impact on the sector to date. For the utilities sector, our upward revisions mostly reflected an increase in gains under the fuel cost adjustment system accompanying lower crude oil prices, and the sharp decline in replacement fuel costs incurred due to nuclear plant stoppages.

In contrast, the largest downward revisions have been to our estimates for the chemicals, steel & nonferrous metals and machinery sectors. For the chemicals sector, the largest impact came from the deterioration in petrochemical product margins. Reductions in surplus oil refining capacity have also yet to sufficiently feed into margin improvement. For the steel & nonferrous metals sector, we lowered our estimates mostly on a deterioration in export margins (export price minus input costs), and wider inventory valuation losses, although we also noted that steel product inventory levels in Japan, which had remained at a high level, had finally undergone a marked decline at end-June. For the machinery sector, our downward revisions reflected the larger-than-expected impact of reductions in capex related to the production of metal casings for smartphones. We expect investment related to next year's iPhone to start to pick up from Jan-Mar 2016. We think the adverse impact from a slowdown in sales of automobiles in China also warrants close monitoring. In the plant engineering & shipbuilding sector, we noted that downward revisions were warranted in some cases due to the generation of additional costs. However, we also noted substantial growth in Japanese machine tool orders from the automotive and general machinery industries on a boost from subsidies for energy-saving equipment.

Overview of the FY16 corporate earnings outlook

We have raised our FY16 recurring profit forecasts for 13 of 19 sectors and lowered them for six.

The largest upward revisions were to our projections for automobiles, and our largest downward revisions were to our estimates for the trading companies, steel & nonferrous metals, and machinery sectors. Our upward revisions for automobiles factored in the weaker yen, while our downward revisions were mostly for commodities-related sectors.

For 15 of 19 sectors, revisions to our FY16 forecasts were in step with changes to our FY15 estimates. This is because FY15 has effectively only just begun, and thus changes to our FY15 forecasts tend to be easily reflected in revisions to our FY16 estimates. In some cases, however, our projections moved in opposite directions, as with our estimates for the utilities and telecommunications sectors, which were raised for FY15 and lowered for FY16, and with our forecasts for the chemicals and electrical machinery & precision equipment sector, which were lowered for FY15 and raised for FY16.

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

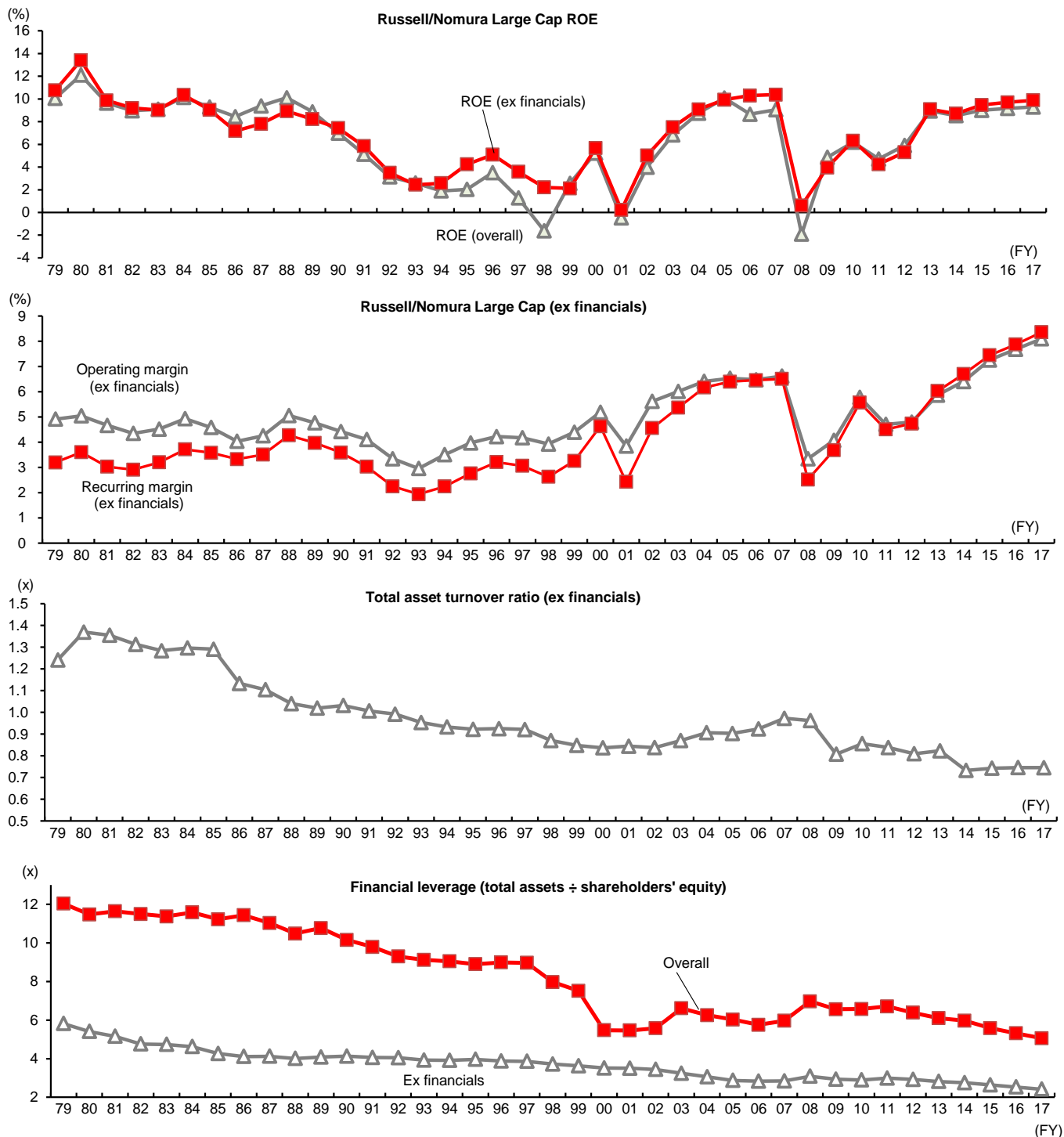
FY15E					FY16E				
[Upward revisions] 13sectors					[Upward revisions] 13 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Automobiles	8,316	7,946	369	4.6	Automobiles	9,078	8,738	340	3.9
Financials	8,117	7,909	208	2.6	Pharmaceuticals, healthcare	1,503	1,405	98	7.0
Utilities	1,334	1,182	153	12.9	Chemicals	3,380	3,283	97	3.0
Telecommunications	3,311	3,169	142	4.5	Financials	8,418	8,322	96	1.2
Food	1,471	1,364	107	7.9	Software	455	393	62	15.9
Pharmaceuticals, healthcare	1,519	1,413	105	7.4	Transportation	2,314	2,255	59	2.6
Software	435	360	75	20.8	Retailing	1,602	1,576	27	1.7
Transportation	2,173	2,107	66	3.1	Electrical machinery, precision equipment	5,438	5,414	24	0.4
Retailing	1,445	1,428	17	1.2	Construction	316	298	18	5.9
Household goods	519	504	15	3.0	Household goods	585	570	14	2.5
Construction	274	260	15	5.6	Food	1,494	1,484	10	0.7
Services	575	571	4	0.7	Services	652	645	7	1.1
Media	276	275	1	0.5	Media	307	307	1	0.2

[Downward revisions] 6 sectors					[Downward revisions] 6 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Housing, real estate	1,492	1,515	-24	-1.6	Housing, real estate	1,619	1,627	-8	-0.5
Trading companies	2,026	2,064	-39	-1.9	Telecommunications	3,558	3,624	-66	-1.8
Electrical machinery, precision equipment	4,774	4,860	-86	-1.8	Utilities	1,042	1,115	-73	-6.5
Machinery	2,531	2,630	-98	-3.7	Machinery	2,808	2,897	-89	-3.1
Steel, nonferrous metals	1,187	1,342	-155	-11.5	Steel, nonferrous metals	1,459	1,552	-93	-6.0
Chemicals	2,911	3,099	-188	-6.1	Trading companies	2,162	2,266	-104	-4.6

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

Source: Nomura

Fig. 5: Breakdown of factors affecting ROE

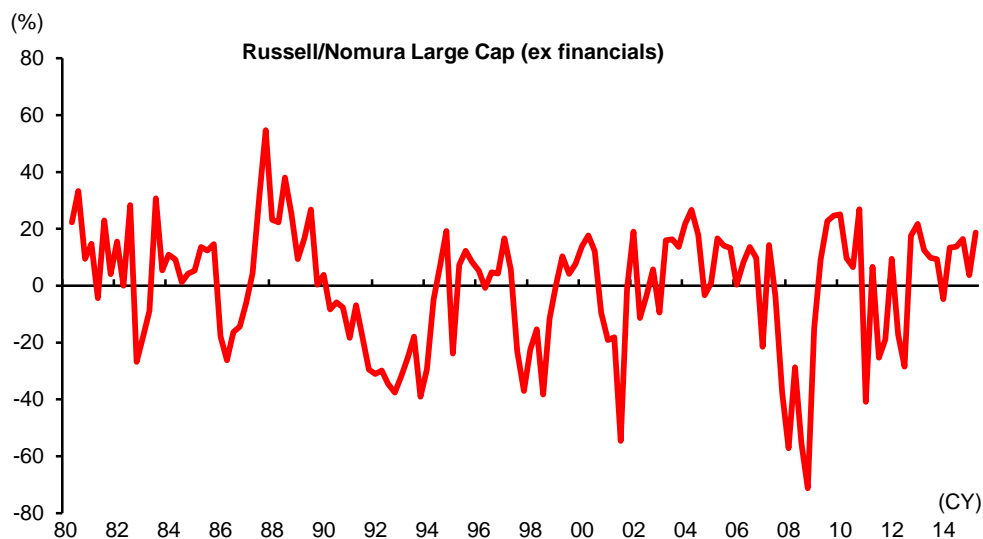


Note: Figures for FY14 onward are estimates. As of 26 August 2015.

Source: Nomura

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

	(yy/m)	13/12	14/3	14/6	14/9	14/12	15/3	15/6	15/9 (%)
Russell/Nomura Large Cap		10.5	15.0	-0.3	15.7	13.2	20.4	4.2	21.8
Russell/Nomura Large Cap (ex financials)		9.8	9.4	-4.7	13.4	13.8	16.4	3.7	18.7
Manufacturing		6.1	14.4	-2.6	15.7	18.3	22.2	0.0	19.4
Basic materials		6.4	-15.8	-15.8	-7.9	7.9	28.3	28.3	19.6
Processing		13.6	40.3	5.6	30.6	33.3	33.3	-12.6	-1.1
Nonmanufacturing (ex financials)		15.5	2.0	-7.9	9.9	6.9	7.6	9.2	17.5



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	FY14	(% y-y, except where noted)			
								FY15E Old	FY15E New	FY16E Old	FY16E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	300	6.1	1.4	2.7	12.5	4.6	2.4	2.5	2.8	2.9
	Manufacturing	180	7.0	0.2	3.0	12.3	4.3	2.6	3.4	3.0	3.0
	Basic materials	46	13.2	4.8	-0.5	13.2	0.6	-2.4	-3.9	2.1	1.2
	Processing	87	6.3	-2.0	4.8	13.2	5.7	4.7	6.2	3.8	4.0
	Nonmanufacturing (ex financials)	120	4.9	3.0	2.2	12.7	5.0	2.0	1.2	2.5	2.7
Broad sectors	Materials	46	13.2	4.8	-0.5	13.2	0.6	-2.4	-3.9	2.1	1.2
	Machinery, autos	49	7.4	-0.1	10.0	15.4	7.8	5.6	8.1	4.5	4.6
	Electronics	38	5.2	-4.3	-1.6	10.1	2.7	3.4	3.3	2.9	3.1
	Consumer, distribution	84	5.7	3.3	0.8	11.2	3.7	2.5	1.7	2.4	2.8
	Information	22	0.4	1.5	3.4	20.1	9.6	2.9	2.6	2.3	3.0
	Utilities, infrastructure	61	2.5	2.2	5.3	10.0	5.2	0.9	0.9	2.1	1.7
Sectors	Chemicals	36	13.0	6.5	0.8	12.5	-1.1	-2.2	-4.3	2.0	0.5
	Steel, nonferrous metals	10	13.6	0.7	-4.3	15.1	4.7	-3.1	-2.7	2.3	3.2
	Machinery	27	8.3	5.0	2.2	15.4	11.1	5.9	6.0	4.6	4.5
	Autos	22	7.1	-1.6	12.5	15.5	6.9	5.4	8.8	4.4	4.6
	Electrical machinery, precision equipment	38	5.2	-4.3	-1.6	10.1	2.7	3.4	3.3	2.9	3.1
	Pharmaceuticals, healthcare	22	1.1	3.0	2.0	7.8	0.6	1.3	3.4	0.6	0.8
	Food products	15	0.7	-0.9	3.3	5.4	6.7	1.2	1.9	1.1	2.1
	Household goods	10	1.8	2.9	4.4	9.9	11.5	7.7	8.4	2.0	1.4
	Trading companies	7	10.2	6.1	-1.0	14.0	2.7	-0.1	-2.5	2.5	2.8
	Retailing	19	1.8	-2.5	3.7	10.0	5.7	7.7	6.9	3.9	4.9
	Services	11	0.1	-2.4	1.5	3.5	-0.4	5.2	5.4	3.7	3.5
	Software	9	-17.6	-14.9	-4.0	3.6	1.4	4.2	5.9	3.6	8.5
	Media	5	4.5	1.9	4.8	10.5	5.1	5.4	4.8	2.7	3.1
	Telecommunications	8	2.4	3.5	3.8	24.4	10.9	2.5	2.0	2.1	2.3
	Construction, engineering	5	-16.0	7.7	7.5	6.8	7.2	1.3	2.9	1.9	2.0
	Housing, real estate	19	5.4	2.7	6.1	14.5	7.9	4.6	4.8	4.4	4.0
	Transportation	24	3.4	-0.7	3.4	7.2	3.4	3.1	2.8	1.6	1.6
Utilities	13	5.9	3.4	5.9	11.0	4.7	-3.8	-4.3	0.9	-0.2	

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

Source: Nomura

Fig. 8: Percentage change in operating profits by sector

(% y-y, except where noted)

		No. of cos	FY10	FY11	FY12	FY13	FY14	FY15E Old	FY15E New	FY16E Old	FY16E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	300	49.8	-18.6	4.5	34.3	5.2	17.2	18.3	8.4	8.9
	Manufacturing	180	74.3	-14.2	7.5	37.1	5.8	19.3	19.9	9.1	11.0
	Basic materials	46	101.5	-9.8	-22.6	35.6	-14.0	40.9	30.0	8.5	18.6
	Processing	87	110.6	-20.6	29.1	44.4	14.7	15.8	17.6	10.1	11.1
	Nonmanufacturing (ex financials)	120	25.7	-24.6	-0.4	29.6	4.2	13.7	15.6	7.3	5.1
Broad sectors	Materials	46	101.5	-9.8	-22.6	35.6	-14.0	40.9	30.0	8.5	18.6
	Machinery, autos	49	106.5	-10.9	42.9	46.2	14.0	12.0	13.6	10.0	9.9
	Electronics	38	116.1	-32.7	6.7	40.3	16.3	24.2	27.0	10.3	13.7
	Consumer, distribution	84	17.5	0.8	-6.4	14.7	-9.0	13.5	16.0	7.9	6.4
	Information	22	6.3	-3.7	4.3	15.2	-2.1	9.3	10.7	9.2	8.1
	Utilities, infrastructure	61	35.2	-57.7	10.4	69.1	22.9	16.4	21.0	3.9	-0.3
Sectors	Chemicals	36	94.5	-1.1	-21.3	16.7	-26.6	58.9	48.8	5.9	16.5
	Steel, nonferrous metals	10	125.0	-37.1	-30.2	151.9	21.4	10.9	-1.3	14.7	23.8
	Machinery	27	124.8	6.1	-7.9	30.4	22.8	10.1	6.2	10.0	10.6
	Autos	22	98.0	-19.8	77.2	51.7	11.3	12.7	16.1	10.0	9.7
	Electrical machinery, precision equipment	38	116.1	-32.7	6.7	40.3	16.3	24.2	27.0	10.3	13.7
	Pharmaceuticals, healthcare	22	-8.7	-7.6	-6.9	20.5	-18.2	31.7	40.5	-1.6	-1.7
	Food products	15	11.5	4.1	9.0	11.6	4.1	-1.3	6.0	8.6	2.0
	Household goods	10	12.1	0.5	-2.3	23.3	7.8	8.2	11.3	11.9	11.5
	Trading companies	7	69.7	6.3	-24.8	18.7	-23.6	16.2	9.1	9.3	8.5
	Retailing	19	21.8	7.5	-3.5	6.0	-3.6	19.1	20.1	11.5	12.9
	Services	11	4.5	-15.9	15.3	14.6	-5.3	2.9	2.8	13.3	13.9
	Software	9	-32.8	-53.3	-32.9	13.2	33.9	0.5	13.4	9.5	12.8
	Media	5	37.6	3.6	19.4	9.6	9.3	-3.2	-2.7	12.3	12.0
	Telecommunications	8	14.2	3.1	5.9	15.7	-5.3	11.4	11.6	8.9	7.3
	Construction, engineering	5	10,835 .6	18.3	-10.8	30.0	34.6	19.0	25.5	15.5	15.8
	Housing, real estate	19	29.0	0.6	12.6	26.0	3.4	8.3	8.4	6.9	6.1
	Transportation	24	51.5	-17.3	20.4	8.4	6.7	6.3	9.1	5.7	5.6
	Utilities	13	17.0	SL	LI	SP	192.2	49.6	65.1	-4.3	-17.6

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

(% y-y, except where noted)

		No. of cos	FY10	FY11	FY12	FY13	FY14	FY15E		FY16E	
								Old	New	Old	New
Industrial groups	Russell/Nomura Large Cap	335	43.8	-12.1	12.8	37.4	6.9	10.1	11.7	8.6	7.8
	Russell/Nomura Large Cap (ex financials)	300	58.7	-19.5	7.7	39.7	7.0	13.7	15.1	9.3	8.8
	Manufacturing	180	91.0	-17.9	10.3	43.3	7.2	16.6	16.7	9.4	10.8
	Basic materials	46	133.9	-7.1	-19.2	33.5	-8.9	29.4	19.4	8.9	18.1
	Processing	87	143.6	-29.3	36.4	58.2	15.3	15.1	16.1	10.5	10.9
	Nonmanufacturing	155	14.7	-5.9	15.2	31.9	6.5	3.7	6.8	7.6	4.6
	Nonmanufacturing (ex financials)	120	27.6	-21.7	3.5	34.0	6.6	8.9	12.3	9.1	5.2
Broad sectors	Materials	46	133.9	-7.1	-19.2	33.5	-8.9	29.4	19.4	8.9	18.1
	Machinery, autos	49	116.1	-11.5	42.5	47.6	16.2	10.6	12.3	10.0	9.6
	Electronics	38	200.1	-54.9	19.7	92.9	13.0	26.3	25.7	11.4	13.9
	Consumer, distribution	84	16.7	5.9	-4.1	15.7	-9.0	12.2	15.4	8.2	5.9
	Information	22	3.3	0.0	7.3	16.2	8.0	-5.1	0.3	13.7	7.4
	Utilities, infrastructure	61	48.7	-70.2	30.2	102.6	28.3	16.9	21.5	4.6	0.3
	Financials	35	-8.2	33.7	34.8	29.3	6.5	-3.7	-1.2	5.2	3.7
Sectors	Chemicals	36	116.2	1.8	-19.2	16.3	-21.7	45.9	37.1	6.0	16.1
	Steel, nonferrous metals	10	201.0	-34.3	-18.9	119.5	24.0	2.6	-9.3	15.6	22.9
	Machinery	27	125.8	7.9	-5.1	31.9	23.7	8.5	4.4	10.2	10.9
	Autos	22	111.8	-20.8	72.8	53.0	13.9	11.3	15.0	10.0	9.2
	Electrical machinery, precision equipment	38	200.1	-54.9	19.7	92.9	13.0	26.3	25.7	11.4	13.9
	Pharmaceuticals, healthcare	22	-8.6	-9.0	-4.9	14.0	-15.3	24.7	34.0	-0.6	-1.0
	Food products	15	10.2	5.2	9.1	13.0	4.9	-1.8	5.9	8.8	1.6
	Household goods	10	9.2	1.9	0.1	20.3	11.0	2.8	5.9	13.2	12.6
	Trading companies	7	55.1	22.6	-15.1	25.9	-20.6	18.6	16.4	9.8	6.7
	Retailing	19	22.2	7.9	-2.5	5.6	-4.8	16.8	18.2	10.4	10.9
	Services	11	4.9	-14.7	16.6	12.8	-2.4	0.1	0.8	13.0	13.5
	Software	9	-41.9	-53.5	8.4	14.9	22.6	-9.1	9.6	9.0	4.6
	Media	5	34.9	14.5	7.6	10.8	11.0	-5.7	-5.3	11.7	11.4
	Telecommunications	8	13.4	6.2	7.2	16.8	6.5	-4.6	-0.3	14.4	7.5
	Construction, engineering	5	1,102.5	49.0	-1.0	25.3	38.4	8.1	14.1	14.8	15.1
	Housing, real estate	19	35.3	-0.9	20.8	29.5	4.6	5.7	3.6	7.4	8.6
	Transportation	24	90.6	-18.9	30.9	15.1	10.4	5.4	8.7	7.0	6.5
	Utilities	13	20.7	SL	LI	SP	1,682.0	79.2	102.3	-5.7	-21.9
	Financials	35	-8.2	33.7	34.8	29.3	6.5	-3.7	-1.2	5.2	3.7

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

(% y-y, except where noted)

	No. of cos	FY10	FY11	FY12	FY13	FY14	FY15E	FY15E	FY16E	FY16E
							Old	New	Old	New
Russell/Nomura Large Cap	335	34.6	-25.3	36.3	62.7	7.4	13.7	16.4	9.8	8.2
Russell/Nomura Large Cap (ex financials)	300	63.4	-35.2	26.7	79.8	8.0	16.6	18.5	10.7	9.3
Manufacturing	180	158.2	-42.9	30.8	80.9	10.2	17.7	18.0	10.8	12.0
Basic materials	46	361.6	-34.6	-30.8	85.9	-11.0	53.1	37.2	10.4	20.3
Processing	87	324.4	-57.2	77.5	116.1	15.7	15.7	17.2	11.3	11.9
Nonmanufacturing	155	-14.6	-2.6	41.0	48.2	4.6	9.6	14.8	8.7	4.2
Nonmanufacturing (ex financials)	120	-4.9	-19.2	20.4	78.1	4.2	14.5	19.4	10.6	4.5
Materials	46	361.6	-34.6	-30.8	85.9	-11.0	53.1	37.2	10.4	20.3
Machinery, autos	49	254.0	-16.9	58.6	56.2	14.8	9.3	11.9	9.7	9.3
Electronics	38	603.9	SL	LS	SP	18.4	34.2	32.9	15.3	18.5
Consumer, distribution	84	22.7	5.9	9.3	14.3	-6.2	11.5	15.4	9.8	6.5
Information	22	-0.6	-2.0	9.9	16.5	14.8	0.3	9.0	19.2	7.9
Utilities, infrastructure	61	-76.7	SL	LS	SP	19.2	18.0	23.7	4.8	-0.7
Financials	35	-26.7	24.7	66.7	18.9	5.2	2.4	7.9	5.6	3.6
Chemicals	36	305.9	-21.7	-30.5	34.1	-24.6	92.0	73.8	7.7	18.6
Steel, nonferrous metals	10	631.7	-78.5	-33.1	590.0	13.1	8.9	-4.4	15.7	23.9
Machinery	27	225.1	4.9	-0.0	38.9	17.9	15.0	10.4	10.4	11.5
Autos	22	268.5	-26.5	94.6	61.7	14.0	7.7	12.4	9.4	8.7
Electrical machinery, precision equipment	38	603.9	SL	LS	SP	18.4	34.2	32.9	15.3	18.5
Pharmaceuticals, healthcare	22	-14.6	-29.4	45.6	-2.7	7.8	2.0	8.7	1.6	2.0
Food products	15	-3.5	18.7	20.0	21.7	4.9	-1.7	9.0	11.7	1.1
Household goods	10	31.7	-20.8	32.9	32.9	32.5	-9.2	-6.4	20.4	20.0
Trading companies	7	56.6	25.8	-11.9	22.6	-23.5	27.9	25.5	8.4	5.1
Retailing	19	82.3	24.9	2.0	4.9	-7.8	20.9	24.6	13.0	11.3
Services	11	-0.9	-38.2	103.2	13.9	-19.6	19.9	20.5	16.3	16.9
Software	9	-46.5	-61.2	51.8	-14.3	35.8	0.7	22.2	11.2	6.4
Media	5	15.1	57.8	-7.7	-1.5	16.5	-2.3	-1.0	12.8	12.6
Telecommunications	8	15.7	3.2	9.2	22.0	12.7	0.5	8.3	20.9	7.7
Construction, engineering	5	SP	-81.6	440.1	38.5	30.2	19.5	24.8	15.5	16.4
Housing, real estate	19	74.0	-16.3	54.1	41.2	18.4	2.3	2.0	9.7	9.9
Transportation	24	127.9	-37.9	59.5	44.4	1.8	15.3	18.7	7.1	6.7
Utilities	13	SL	LI	LS	SP	79.6	47.3	66.4	-6.0	-24.0
Financials	35	-26.7	24.7	66.7	18.9	5.2	2.4	7.9	5.6	3.6

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 26 August 2015, previous estimates as of 26 May 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	FY15E	FY15E	FY16E	FY16E	
							Old	New	Old	New	
Industrial groups	Russell/Nomura Large Cap	335	26,483	23,168	26,521	36,708	38,488	43,996	44,684	47,770	48,190
	Russell/Nomura Large Cap (ex financials)	300	22,701	18,302	20,556	28,994	30,350	36,087	36,567	39,448	39,772
	Manufacturing	180	13,404	11,132	12,917	18,323	19,085	23,157	23,228	25,343	25,745
	Basic materials	46	3,638	3,588	3,101	3,931	3,325	4,441	4,098	4,835	4,839
	Processing	87	7,302	5,052	7,167	11,295	12,834	15,436	15,621	17,049	17,324
	Nonmanufacturing	155	13,079	12,037	13,604	18,385	19,403	20,838	21,456	22,426	22,445
	Nonmanufacturing (ex financials)	120	9,297	7,170	7,639	10,671	11,265	12,930	13,340	14,105	14,027
Broad sectors	Materials	46	3,638	3,588	3,101	3,931	3,325	4,441	4,098	4,835	4,839
	Machinery, autos	49	4,354	3,731	5,480	8,052	9,213	10,576	10,847	11,635	11,886
	Electronics	38	2,948	1,321	1,687	3,243	3,621	4,860	4,774	5,414	5,438
	Consumer, distribution	84	5,556	5,869	5,829	6,841	6,151	7,343	7,553	7,946	7,998
	Information	22	2,758	2,783	3,039	3,645	3,841	3,804	4,022	4,323	4,321
	Utilities, infrastructure	61	3,447	1,010	1,419	3,281	4,198	5,064	5,273	5,295	5,291
	Financials	35	3,781	4,867	5,965	7,714	8,138	7,909	8,117	8,322	8,418
Sectors	Chemicals	36	2,658	2,959	2,606	2,851	2,059	3,099	2,911	3,283	3,380
	Steel, nonferrous metals	10	979	629	495	1,080	1,266	1,342	1,187	1,552	1,459
	Machinery	27	1,406	1,472	1,416	1,855	2,306	2,630	2,531	2,897	2,808
	Autos	22	2,948	2,260	4,064	6,197	6,908	7,946	8,316	8,738	9,078
	Electrical machinery, precision equipment	38	2,948	1,321	1,687	3,243	3,621	4,860	4,774	5,414	5,438
	Pharmaceuticals, healthcare	22	1,209	1,215	1,170	1,314	1,113	1,413	1,519	1,405	1,503
	Food products	15	901	938	1,107	1,306	1,341	1,364	1,471	1,484	1,494
	Household goods	10	355	338	371	477	471	504	519	570	585
	Trading companies	7	1,626	1,993	1,706	2,026	1,740	2,064	2,026	2,266	2,162
	Retailing	19	1,105	1,071	1,110	1,277	1,087	1,428	1,445	1,576	1,602
	Services	11	361	313	364	441	399	571	575	645	652
	Software	9	324	148	173	245	324	360	435	393	455
	Media	5	235	239	227	251	271	275	276	307	307
	Telecommunications	8	2,199	2,396	2,639	3,150	3,246	3,169	3,311	3,624	3,558
	Construction, engineering	5	95	123	122	181	212	260	274	298	316
	Housing, real estate	19	770	737	956	1,264	1,363	1,515	1,492	1,627	1,619
Transportation	24	1,313	1,049	1,406	1,799	1,963	2,107	2,173	2,255	2,314	
Utilities	13	1,270	-898	-1,065	37	660	1,182	1,334	1,115	1,042	
Financials	35	3,781	4,867	5,965	7,714	8,138	7,909	8,117	8,322	8,418	

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

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY14 Q2–FY15 Q1)

		% y-y															
		Sales				Operating profits				Recurring profits				Net profits			
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Industrial groups	Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	16.8	4.9	1.2	27.9	21.7	6.0	2.2	36.5
	Russell/Nomura Large Cap (ex financials)	4.2	5.5	1.3	4.4	-0.5	1.3	9.3	23.3	15.7	1.5	2.8	30.2	20.6	1.7	8.2	40.4
	Manufacturing	3.9	6.4	1.6	6.2	1.0	5.0	1.5	17.4	11.2	8.3	-3.5	23.9	14.1	16.6	-4.1	25.7
	Basic materials	1.9	1.1	-7.4	-3.6	-8.4	-38.6	1.4	33.5	0.8	-24.0	-2.0	41.6	8.4	12.2	-70.3	72.8
	Processing	5.0	7.7	5.6	10.1	6.4	18.2	10.9	13.0	18.9	18.5	5.5	19.9	19.4	20.3	5.4	16.1
	Nonmanufacturing	-	-	-	-	-	-	-	-	21.9	1.0	6.4	31.6	28.2	-5.6	10.8	47.8
	Nonmanufacturing (ex financials)	4.7	4.2	0.9	1.8	-2.8	-5.2	25.0	32.5	22.5	-11.3	15.1	40.4	29.3	-24.9	40.8	68.6
Broad sectors	Basic materials	1.9	1.1	-7.4	-3.6	-8.4	-38.6	1.4	33.5	0.8	-24.0	-2.0	41.6	8.4	12.2	-70.3	72.8
	Machinery, autos	7.1	10.2	7.6	12.7	11.1	18.0	12.3	14.2	21.3	16.9	9.9	18.4	20.5	15.1	6.4	14.0
	Electronics	2.0	4.1	2.5	5.5	-3.6	18.6	7.9	9.3	12.6	22.0	-5.3	24.9	15.7	33.0	1.6	24.1
	Consumption, distribution	4.0	5.4	-2.1	2.2	-11.8	-2.5	-21.5	10.7	-2.0	-7.1	-29.9	9.2	-10.7	-12.2	-21.9	12.1
	Information	7.8	6.2	3.9	4.9	-4.5	-1.8	8.6	12.9	65.5	-8.1	0.5	39.4	77.3	-4.2	20.5	56.5
	Utilities, infrastructure	3.5	4.0	4.1	3.1	5.7	-3.2	60.9	72.1	9.5	-4.3	88.3	84.1	38.2	-34.4	SP	177.6
	Financials	-	-	-	-	-	-	-	-	21.1	19.4	-4.9	19.5	26.3	24.5	-21.0	22.9
Sectors	Chemicals	1.0	-0.9	-11.1	-4.8	-13.8	-65.2	-9.8	46.0	-8.2	-53.3	-13.3	54.7	-13.5	15.9	SL	103.0
	Steel, nonferrous metals	4.3	6.6	2.0	-0.4	7.4	40.1	25.8	-0.8	26.9	44.6	25.2	8.2	58.1	6.9	7.6	20.4
	Machinery	12.1	13.8	9.6	10.3	26.8	23.5	11.8	6.3	40.8	20.6	10.4	15.1	35.8	37.2	-17.7	14.8
	Automobiles	5.7	9.2	7.0	13.4	6.4	16.5	12.5	16.7	15.6	15.8	9.7	19.3	16.8	9.7	15.7	13.7
	Electrical machinery, precision equipment	2.0	4.1	2.5	5.5	-3.6	18.6	7.9	9.3	12.6	22.0	-5.3	24.9	15.7	33.0	1.6	24.1
	Pharmaceuticals, healthcare	1.3	4.0	-4.3	7.5	-1.6	-4.6	SL	14.0	7.6	-1.2	SL	16.8	4.2	-1.0	26.8	18.9
	Food products	1.7	15.4	0.2	9.5	-12.1	13.4	4.5	17.0	-10.5	12.8	9.6	18.0	-10.4	21.5	42.9	38.2
	Household goods	6.0	15.5	6.5	4.8	-3.1	15.1	-1.3	35.7	4.1	17.9	-5.8	42.2	53.4	3.5	-0.6	2.8
	Trading companies	5.0	3.8	-5.3	-3.7	-29.2	-25.2	2.4	0.6	-0.8	-43.9	-32.1	-3.4	-26.8	-57.2	-54.0	-0.1
	Retailing	5.5	3.8	5.6	8.1	-11.7	3.1	6.1	15.7	-9.2	7.5	4.9	17.9	-15.5	32.1	-8.6	12.8
	Services	-2.1	-0.2	0.0	2.9	-5.7	-6.1	-15.1	-9.9	0.8	-3.5	-15.3	-10.2	-11.8	-20.5	-59.9	7.7
	Software	-3.7	-8.0	4.7	-2.2	79.6	-9.0	389.0	-5.9	116.1	-2.7	562.3	14.7	166.4	11.6	SP	18.4
	Media	3.4	2.5	4.6	6.0	-16.3	0.1	6.9	11.3	0.4	-2.3	24.7	17.4	-14.7	44.4	-3.2	10.3
	Telecommunications	9.6	8.7	3.7	5.5	-6.8	-0.9	1.2	14.5	67.2	-9.6	-8.7	43.2	79.0	-11.6	16.6	64.6
	Construction, engineering	8.6	14.9	0.7	9.5	5.9	81.7	7.2	137.6	38.0	74.9	11.7	138.5	54.5	90.2	-47.8	153.8
	Housing, real estate	4.6	1.4	8.7	5.4	-4.0	-9.3	9.0	19.9	-1.5	-8.3	12.8	25.6	2.4	7.4	-22.1	5.4
	Transportation	2.6	3.8	3.4	3.1	3.1	9.6	32.3	22.5	9.9	13.3	41.7	30.0	11.9	10.2	-44.5	36.2
	Utilities	2.6	3.2	2.9	0.0	19.1	SL	2,550.6	216.2	17.5	LI	SP	260.7	88.5	SL	SP	SP
	Financials	-	-	-	-	-	-	-	-	21.1	19.4	-4.9	19.5	26.3	24.5	-21.0	22.9

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 August 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			
		FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY14	FY15E	FY15E	FY16E	FY17E	FY14	FY15E	FY16E	FY17E
		x	x	x	x	x	x	x	x	%	%	%	%	%	%	%
Industrial groups	Russell/Nomura Large Cap	14.9	13.8	12.8	-	-	-	1.36	1.30	1.98	2.13	2.32	8.5	9.0	9.2	9.3
	Russell/Nomura Large Cap (ex loss-making cos)	14.9	13.7	12.8	-	-	-	1.42	1.30	1.98	2.14	2.32	9.4	9.0	9.2	9.3
	Russell/Nomura Large Cap (ex financials)	15.9	14.5	13.4	8.1	7.6	7.3	1.53	1.46	1.92	2.08	2.27	8.7	9.5	9.7	9.9
	Manufacturing	15.4	13.7	12.7	8.7	8.0	7.6	1.53	1.44	2.15	2.32	2.55	9.0	9.6	10.1	10.3
	Basic materials	14.1	11.7	10.9	6.0	5.5	5.2	1.00	0.94	2.15	2.08	2.20	5.8	6.9	7.8	8.0
	Processing	13.2	11.8	11.0	7.8	7.2	6.8	1.47	1.37	2.30	2.55	2.82	10.1	10.7	11.1	11.2
	Nonmanufacturing	14.4	13.8	12.9	-	-	-	1.21	1.18	1.79	1.92	2.05	8.0	8.4	8.3	8.4
	Nonmanufacturing (ex financials)	16.7	16.0	14.7	7.3	7.1	6.8	1.54	1.49	1.57	1.71	1.84	8.2	9.2	9.0	9.2
Broad sectors	Basic materials	14.1	11.7	10.9	6.0	5.5	5.2	1.00	0.94	2.15	2.08	2.20	5.8	6.9	7.8	8.0
	Machinery, autos	11.7	10.7	9.9	7.4	6.9	6.4	1.40	1.30	2.61	2.90	3.24	11.5	11.6	11.7	11.7
	Electronics	17.1	14.4	13.6	8.7	7.8	7.7	1.60	1.50	1.77	1.95	2.09	7.3	9.1	10.0	10.3
	Consumption, distribution	21.3	20.0	18.3	12.7	12.1	11.3	1.79	1.77	1.83	1.97	2.17	7.7	8.5	8.6	9.0
	Information	17.6	16.3	14.4	6.4	6.2	5.9	1.94	1.88	1.59	1.70	1.87	10.7	11.0	11.1	11.6
	Utilities, infrastructure	16.0	16.1	15.3	6.8	6.8	6.6	1.53	1.42	1.32	1.48	1.52	8.1	9.2	8.5	8.5
	Financials	10.6	10.2	9.8	-	-	-	0.80	0.77	2.36	2.47	2.59	7.7	7.4	7.3	7.2
Sectors	Chemicals	15.9	13.4	12.4	6.7	6.2	5.9	1.11	1.04	1.98	2.08	2.16	4.6	6.7	7.6	7.7
	Steel, nonferrous metals	10.5	8.5	7.8	4.5	4.0	3.8	0.77	0.73	2.68	2.08	2.32	8.2	7.1	8.3	8.5
	Machinery	15.4	13.8	12.9	9.5	8.8	8.3	1.54	1.45	2.04	2.26	2.41	9.8	9.7	10.1	10.1
	Automobiles	10.6	9.7	9.0	6.8	6.3	5.9	1.35	1.25	2.85	3.17	3.59	12.2	12.3	12.3	12.2
	Electrical machinery, precision equipment	17.1	14.4	13.6	8.7	7.8	7.7	1.60	1.50	1.77	1.95	2.09	7.3	9.1	10.0	10.3
	Pharmaceuticals, healthcare	29.4	28.8	26.1	19.6	19.4	18.3	2.31	2.26	1.82	1.88	1.98	7.5	7.8	7.7	8.3
	Food products	22.6	22.4	20.1	14.0	13.8	12.8	2.51	2.43	1.96	2.18	2.57	10.6	10.8	10.7	11.4
	Household goods	27.8	23.1	21.4	16.2	14.8	13.7	2.68	2.55	1.37	1.50	1.63	10.9	9.4	10.7	10.9
	Trading companies	8.6	8.2	7.7	5.2	5.0	4.7	0.69	0.66	3.44	3.75	4.08	6.7	7.8	7.8	7.9
	Retailing	25.9	23.3	20.9	13.7	12.6	11.6	2.37	2.24	1.22	1.32	1.48	7.4	8.9	9.3	9.8
	Services	31.3	26.8	24.6	15.9	14.5	13.7	1.80	2.13	1.34	1.38	1.46	5.1	6.9	7.8	8.0
	Software	27.6	25.9	21.9	20.9	19.9	17.4	2.65	2.62	1.47	1.61	1.99	7.6	9.9	9.8	10.8
	Media	20.6	18.3	16.7	14.0	13.0	12.3	1.30	1.21	1.40	1.37	1.40	6.7	6.0	6.5	6.7
	Telecommunications	15.8	14.6	13.0	5.2	5.0	4.8	1.93	1.86	1.64	1.77	1.90	11.9	12.1	12.2	12.6
	Construction	20.4	17.5	16.4	15.2	13.5	12.8	1.65	1.51	1.14	1.24	1.32	6.7	7.6	8.3	8.3
	Housing, real estate	20.5	18.6	17.7	13.4	12.5	11.9	1.79	1.66	1.44	1.48	1.54	9.1	8.4	8.6	8.6
	Transportation	16.1	15.1	14.7	7.1	6.9	6.8	1.63	1.51	1.30	1.41	1.45	9.0	9.7	9.6	9.3
	Utilities	11.0	14.5	13.0	3.2	3.5	3.3	1.09	1.01	1.22	1.71	1.71	6.2	9.5	6.8	7.2
	Financials	10.6	10.2	9.8	-	-	-	0.80	0.77	2.36	2.47	2.59	7.7	7.4	7.3	7.2
	Russell/Nomura Small Cap	15.9	14.6	14.2	-	-	-	1.21	1.10	1.66	1.70	1.73	6.7	7.1	7.3	7.2
Russell/Nomura Small Cap (ex financials)	16.6	15.1	14.6	8.8	8.4	8.2	1.31	1.19	1.64	1.69	1.72	6.9	7.4	7.7	7.5	

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

Source: Nomura

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- There are sub-indexes for growth and value stocks.
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Transactions involving foreign equities are subject to a domestic sales commission of up to 1.026% of the transaction amount (which equals the local transaction amount plus local fees and taxes in the case of a purchase or the local transaction amount minus local fees and taxes in the case of a sale) (for transaction amounts of ¥750,000 and below, maximum domestic sales commission is ¥7,668). Local fees and taxes in foreign financial instruments markets vary by country/territory. When foreign equities are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Foreign equities carry the risk of losses owing to factors such as price fluctuations and foreign exchange rate fluctuations.

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Transactions involving convertible bonds are subject to a sales commission of up to 1.08% of the transaction amount (or a commission of ¥4,320 if this would be less than ¥4,320). When convertible bonds are purchased via OTC transactions (including offerings), only the purchase price shall be paid, with no sales commission charged. However, Nomura Securities may charge a separate fee for OTC transactions, as agreed with the customer. Convertible bonds carry the risk of losses owing to factors such as interest rate fluctuations and price fluctuations in the underlying stock. In addition, convertible bonds denominated in foreign currencies also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

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

When Japanese government bonds (JGBs) for individual investors are purchased via public offerings, only the purchase price shall be paid, with no sales commission charged. As a rule, JGBs for individual investors may not be sold in the first 12 months after issuance. When JGBs for individual investors are sold before maturity, an amount calculated via the following formula will be subtracted from the par value of the bond

plus accrued interest: (1) for 10-year variable rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used, (2) for 5-year and 3-year fixed rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used. When inflation-indexed JGBs are purchased via public offerings, secondary distributions (uridashi deals), or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Inflation-indexed JGBs carry the risk of losses, as prices fluctuate in line with changes in market interest rates and fluctuations in the nationwide consumer price index. 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.

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Nomura Securities Co., Ltd.

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