

Outlook for FY15–16 corporate earnings

Quarterly Update

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Summary and major assumptions

Overview of the FY15 corporate earnings outlook

In this report, we collate and analyze earnings forecast data issued by our analysts. For FY15, our analysts forecast sales growth of 1.5% y-y and recurring profit growth of 13.5% for companies in the Russell/Nomura Large Cap Index (ex financials). Compared with our previous estimates (published in September 2015, based on data collated on 26 August 2015), sales growth is 1.0ppt lower and recurring profit growth is 1.6ppt lower. Our forex assumptions for FY15 are USD/JPY of 120.9 (previously 121.1) and EUR/JPY of 134.6 (134.1). Our WTI assumption is \$51.1/bbl (\$55.7/bbl).

In FY15 Q2, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) rose 1.1% y-y on a 2.2% increase in sales. Compared with FY15 Q1, when recurring profits grew 29.5% y-y on a 4.3% rise in sales, y-y sales growth in FY15 Q2 roughly halved, while y-y recurring profit growth slowed to nearly zero. While corporate earnings in H1 benefited from the weakening of the yen versus the US dollar, the fall in crude oil prices appears to have had a substantial impact too. From the summer, corporate earnings were also affected by the weakening of emerging economy currencies and concerns about a slowdown in emerging economies' growth, and earnings momentum deteriorated across the board in related industries. Nevertheless, actual data for FY15 H1 show that recurring profit growth came in at 13.5% y-y, compared with our forecast of 8.5%, meaning that business conditions did not deteriorate as much as we had projected.

We have lowered our FY15 H2 recurring profit growth forecast from 23.1% to 13.1%. We assume that the y-y weakening of the yen versus the US dollar and the y-y fall in crude oil prices will largely drop out of the picture in H2. Because of this, we expect sales growth to turn negative, from +3.3% in FY15 H1 to -0.3% in H2, on which basis we also think that substantial profit growth looks unlikely. Nevertheless, we expect a certain level of profit growth, because the resource-related losses and temporary increases in costs at some companies that were recorded in FY14 H2 should drop out of the picture in FY15 H2. Our new revised forecasts for FY15 H2 appear to be closer to levels that are possible to explain.

Overview of the FY16 corporate earnings outlook

For FY16, our analysts look for sales growth of 2.2% y-y and recurring profit growth of 8.0% for companies in the Russell/Nomura Large Cap Index (ex financials). The current forecasts represent downward revisions of 0.7ppt for sales growth and 0.8ppt for recurring profit growth. Our revised recurring profit forecast is 2.1%, or ¥820.1bn, lower than our previous forecast. Our forex assumptions for FY16 are USD/JPY of 120.0 (previously 121.0) and EUR/JPY of 134.0 (previously 134.0). Our WTI assumption is \$50.0/bbl (\$55.0/bbl).

The average ROE for Russell/Nomura Large Cap stocks was 8.5% in FY14 and we forecast expansion to 8.9% in FY15 (9.0% previously) and 9.1% (9.2%) in FY16. The equivalent ROE figure for Russell/Nomura Large Cap (ex financials) stocks was 8.7% in FY14 and we look for this figure to grow to 9.4% in FY15 (9.5% previously) and to 9.6% in FY16 (9.7%). We have revised down our ROE forecasts for FY15 and FY16 by 0.1ppt each, suggesting that the prospect of further improvement in ROE has receded. Although we have lowered our forecast for the recurring margin, we have made an upward revision for financial leverage (total assets divided by shareholders' equity). The latest outlook revisions suggest corporate action is avoiding ROE deterioration by offsetting narrowing margins with increased leverage, although there is no assurance this will be sustained.

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	1.5	2.2	2.5	2.9
	Manufacturing	180	12.3	4.3	2.2	2.4	3.4	3.0
	Basic materials	46	13.2	0.6	-6.8	-0.2	-3.9	1.2
	Processing	87	13.2	5.7	5.4	3.5	6.2	4.0
	Nonmanufacturing (ex financials)	120	12.7	5.0	0.5	1.9	1.2	2.7
	Russell/Nomura Small Cap (ex financials)	1,039	9.3	3.6	3.7	3.5	4.1	3.6
Operating profits	Russell/Nomura Large Cap (ex financials)	300	34.3	5.2	16.3	8.2	18.3	8.9
	Manufacturing	180	37.1	5.8	15.2	10.9	19.9	11.0
	Basic materials	46	35.6	-14.0	18.7	17.5	30.0	18.6
	Processing	87	44.4	14.7	13.3	11.4	17.6	11.1
	Nonmanufacturing (ex financials)	120	29.6	4.2	18.2	3.9	15.6	5.1
	Russell/Nomura Small Cap (ex financials)	1,039	28.4	4.3	12.5	10.2	13.1	9.8
Recurring profits	Russell/Nomura Large Cap	335	37.4	6.9	10.4	7.3	11.7	7.8
	Russell/Nomura Large Cap (ex financials)	300	39.7	7.0	13.5	8.0	15.1	8.8
	Manufacturing	180	43.3	7.2	12.0	11.3	16.7	10.8
	Basic materials	46	33.5	-8.9	7.4	18.8	19.4	18.1
	Processing	87	58.2	15.3	12.1	11.7	16.1	10.9
	Nonmanufacturing	155	31.9	6.5	8.8	3.3	6.8	4.6
	Nonmanufacturing (ex financials)	120	34.0	6.6	15.9	2.7	12.3	5.2
	Russell/Nomura Small Cap	1,134	29.7	3.1	7.2	9.0	6.8	9.0
	Russell/Nomura Small Cap (ex financials)	1,039	27.3	5.0	7.6	9.7	8.0	9.5
Net profits	Russell/Nomura Large Cap	335	62.7	7.4	15.3	7.8	16.4	8.2
	Russell/Nomura Large Cap (ex financials)	300	79.8	8.0	17.3	8.6	18.5	9.3
	Manufacturing	180	80.9	10.2	14.1	12.8	18.0	12.0
	Basic materials	46	85.9	-11.0	16.5	24.4	37.2	20.3
	Processing	87	116.1	15.7	15.3	12.9	17.2	11.9
	Nonmanufacturing	155	48.2	4.6	16.6	2.8	14.8	4.2
	Nonmanufacturing (ex financials)	120	78.1	4.2	22.9	2.0	19.4	4.5
	Russell/Nomura Small Cap	1,134	74.2	2.2	14.4	9.1	13.5	9.1
	Russell/Nomura Small Cap (ex financials)	1,039	80.6	3.9	13.9	12.3	16.1	10.0

Note: Latest estimates as of 25 November 2015. Previous estimates as of 26 August 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	-0.8	0-0.10	51.1	120.9	134.6	
		Old	1.4	0-0.10	55.7	121.1	134.1	
	FY16E	New	1.8	0-0.10	50.0	120.0	134.0	
Old		2.6	0-0.10	55.0	121.0	134.0		
Half year	FY14	H1	0.9	0-0.10	100.1	103.1	138.9	
	FY14	H2	-1.8	0-0.10	60.9	116.8	138.6	
	FY15E	H1	Est -0.3	0-0.10	52.2	121.7	135.1	
		Old	1.2	0-0.10	56.5	121.2	134.2	
	FY15E	H2	New	-1.3	0-0.10	50.0	120.0	134.0
		Old	1.6	0-0.10	55.0	121.0	134.0	
	FY15E	H1	New	0.8	0-0.10	50.0	120.0	134.0
		Old	2.2	0-0.10	55.0	121.0	134.0	
FY15E	H2	New	2.9	0-0.10	50.0	120.0	134.0	
	Old	3.0	0-0.10	55.0	121.0	134.0		

Note: Macroeconomic assumptions as of 9 October 2015. Previous assumptions as of 10 July 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 the automobile, utilities, chemical, and electrical machinery and precision equipment sectors. We assume USD/JPY of 120.9 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 auto sector, we expect global demand to increase 0.8% y-y in 2015, to 88.3mn vehicles. We expect auto demand from emerging economies to fall 2.4% y-y to 36.1mn vehicles. We have not changed our forecasts for global demand, as we look for new auto sales in the US of 17.3mn vehicles (+4.7% y-y) for 2015, which represents an upward revision, and we also expect strong growth in Europe and India. In addition, auto sales are likely to receive support from product mix improvements and further cost-cutting initiatives. For the utilities sector, we expect positive contributions from (1) an increase in gains under the fuel cost adjustment system as a result of the fall in crude oil prices and (2) a sharp decline in replacement fuel costs incurred as a result of nuclear plant stoppages. The chemical sector saw substantial inventory valuation losses in the oil subsector in FY14, but this factor is likely to drop out of the picture in FY15. We also expect substantial increases in profits at both diversified chemical companies and fine chemical producers. Up to now, the Japanese chemical industry 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 an improvement in the competitive environment for petrochemical ethylene plants as a result of current crude oil prices. Partly because of the reshoring of production to Japan, automotive-related production looks likely to pick up from H2 and, with improved competitiveness, we expect a positive impact on earnings. In the electrical machinery and precision equipment sector, we expect consumer electronics companies to drive a recovery in earnings because they have largely completed their structural reforms and started to move toward the next growth stage. The consumer electronics industry is likely to benefit from growth in demand for automotive electronics, B2B solutions, image sensors for high-end smartphones, and watches. Meanwhile, Japan's electronic part industry is globally competitive and likely to benefit substantially from wireless/automotive/cloud-related operations.

In contrast, we expect large negative contributions from the steel and nonferrous metal sector and the financial sector. The steel and nonferrous metal sector has been hit hard by falling steel prices in Asia, triggered by oversupply in China, falling demand from emerging economies, and a decline in metal prices. The financial sector looks headed for a y-y decline in profits in FY15 in reaction to strong earnings in FY14, although we note that H1 results were better than expected overall.

Overview of the FY16 corporate earnings outlook

For FY16, we project that recurring profits will increase in 16 of the 19 sectors and decline in three. Sectors from which we expect particularly large contributions to overall profit growth include electrical machinery and precision equipment, automobiles, and chemicals. Sectors that we expect to make large negative contributions to profit growth include utilities.

For the auto sector, we expect global demand to increase 2.9% y-y in 2016, to 90.9mn vehicles. We expect new auto sales in the US to grow only 1.7% y-y to 17.6mn vehicles and new auto sales in emerging economies to show a limited recovery of only 4.0% y-y to 37.6mn vehicles. In the electrical machinery and precision equipment sector, we expect contributions from a wide range of subsectors. Any contribution to profit growth from the chemical sector in FY16 is likely to be due to the sector having continued to post inventory valuation losses through FY15. We think attention is also likely to focus on the impact of improvements in competitive conditions for integrated chemical manufacturers. A key point here will be whether manufacturers can capture the benefits of a favorable operating environment as they step up operating rates further.

In the utilities sector, we expect delays in restarting nuclear power stations and electricity rate cuts triggered by the total deregulation of the electricity retail market in April 2016 to dent profits.

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				16 sectors			
Automobiles	13.1	22.8	22.2	Electrical machinery, precision equipment	17.4	23.9	26.6
Utilities	127.9	20.3	19.7	Automobiles	9.1	22.9	25.6
Chemicals	35.5	18.1	17.6	Chemicals	18.7	16.6	18.6
Electrical machinery, precision equipment	17.1	15.6	15.2	Financials	4.2	10.4	-
Pharmaceuticals, healthcare	35.7	9.7	9.5	Machinery	10.0	7.6	8.5
Transportation	13.7	6.6	6.4	Retailing	12.1	5.3	5.9
Telecommunications	6.4	5.1	4.9	Steel, nonferrous metals	19.1	4.8	5.3
Trading companies	11.0	4.6	4.5	Transportation	5.9	4.2	4.6
Retailing	15.1	4.4	4.3	Trading companies	6.8	4.1	4.6
Housing, real estate	8.6	3.0	2.9	Housing, real estate	8.1	3.9	4.4
Food	6.5	2.2	2.1	Services	18.3	3.1	3.4
Construction	34.9	2.0	2.0	Household goods	16.2	2.5	2.8
Machinery	1.4	0.8	0.8	Construction	11.7	1.2	1.3
Software	7.3	0.7	0.7	Media	11.4	1.0	1.1
Household goods	0.7	0.1	0.1	Software	6.8	0.9	1.0
				Food	1.3	0.6	0.7
Decrease in profit				Decrease in profit			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
4 sectors				3 sectors			
Media	-6.2	-0.4	-0.4	Telecommunications	-0.0	-0.0	-0.0
Services	-5.2	-0.7	-0.7	Pharmaceuticals, healthcare	-1.8	-0.9	-1.0
Financials	-1.4	-2.8	-	Utilities	-25.6	-11.9	-13.3
Steel, nonferrous metals	-38.2	-12.0	-11.7				

Source: Nomura

Revisions to recurring profit estimates (versus old estimates)

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. The upward revisions include many Japanese domestic demand-oriented sectors while the downward revisions center on external demand-oriented and commodity sectors and reflect rapidly growing concerns of deceleration in emerging economies after the announcement of Q1 results.

The largest upward revisions have been to our estimates for telecommunications, utilities, and construction. The revision for the telecom sector reflects recent profit growth in mobile communications businesses and lower operating expenses from FTTH wholesaling as well as business combination-related revaluation gains. With the utilities sector, there has been a significant impact from higher gains under the fuel cost adjustment system accompanying lower crude oil prices. With the construction sector, there has been a striking improvement in the gross margin on building construction. Although this sector faces risks of rising costs, supply-demand conditions remain tight and companies are able to select orders that match their capabilities. Reflecting this, margins at the time of order receipt appear to be favorable and we think the adverse impact of higher costs should be manageable.

The largest downward revisions were for steel & nonferrous metals and electrical machinery & precision equipment. The steel & nonferrous metal sector has been hit hard by falling steel prices in Asia triggered by oversupply in China, falling demand from emerging economies, and a decline in metal prices. We have now made downward revisions for this sector for three consecutive quarters, although we expect demand for automotive steel sheet in Japan gradually to recover as automobile output in the country increases h-h in H2 supported by new-model benefits. With the electrical machinery & precision equipment sector, we have made extensive downward revisions in light of concerns over emerging economies. The amount of the downward revisions was, however, inflated by some companies being pressured into implementing structural reforms.

Overview of the FY16 corporate earnings outlook

We have raised our FY16 recurring profit forecasts for nine of 19 sectors and lowered them for 10.

The largest upward revisions have been for the transportation, utilities, and construction sectors, while the largest downward revisions have been for the steel and nonferrous metal, electrical machinery and precision equipment, and trading company sectors. Essentially, similar revisions have been made to earnings forecasts for FY16 as for FY15. We see as positive the lack of expansion in the scale of downward revisions for FY16 despite rapidly growing concerns of slowing in emerging economies since Q1 results announcements.

The direction of earnings forecasts differs markedly between FY15 and FY16 for the chemical, software, and telecom sectors. With the chemical sector, however, forecasts for FY15 have been influenced significantly by inventory valuation losses. With the software sector, the near-term earnings position looks tough, but we expect benefits in FY16 from easing development costs and an enhanced pipeline. With the telecom sector, the disparity is explained largely by the one-time inclusion of accounting profits in FY15 earnings.

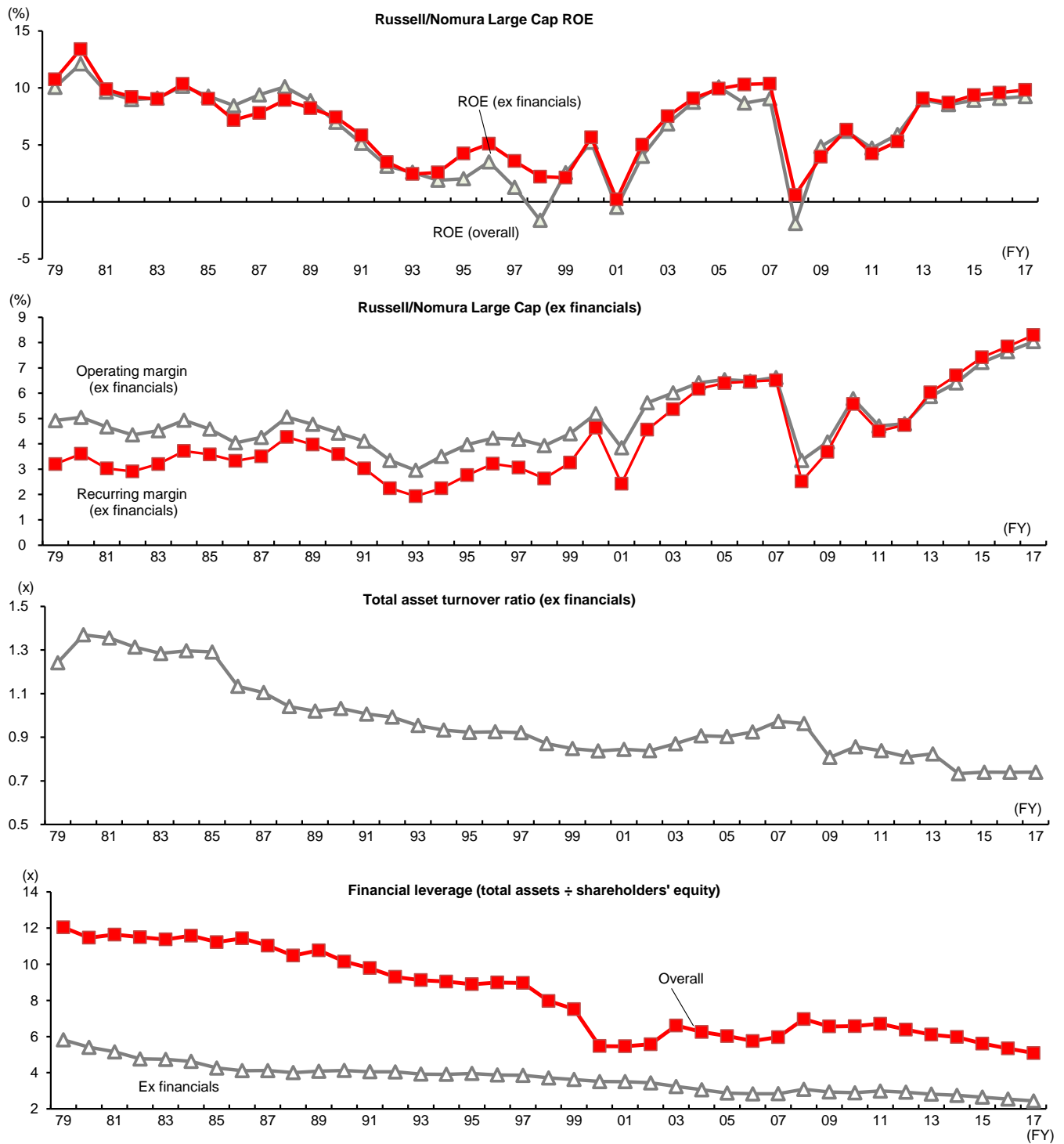
Fig. 4: Revisions to recurring profit estimates (versus old estimates) for the Russell/Nomura Large Cap Index

FY15E					FY16E				
[Upward revisions] 7 sectors					[Upward revisions] 9 sectors				
	New	Old	Revision	Change		New	Old	Revision	Change
	¥bn	¥bn	¥bn	%		¥bn	¥bn	¥bn	%
Telecommunications	3,532	3,311	221	6.7	Transportation	2,409	2,314	96	4.1
Utilities	1,503	1,334	168	12.6	Utilities	1,118	1,042	76	7.3
Transportation	2,275	2,173	102	4.7	Housing, real estate	1,690	1,619	71	4.4
Housing, real estate	1,564	1,492	72	4.9	Construction	362	316	47	14.7
Construction	324	274	50	18.2	Chemicals	3,416	3,380	36	1.1
Pharmaceuticals, healthcare	1,538	1,519	20	1.3	Financials	8,435	8,418	17	0.2
Food	1,480	1,471	9	0.6	Pharmaceuticals, healthcare	1,510	1,503	7	0.5
					Food	1,499	1,494	5	0.3
					Software	455	455	0	0.1
[Downward revisions] 12 sectors					[Downward revisions] 10 sectors				
	New	Old	Revision	Change		New	Old	Revision	Change
	¥bn	¥bn	¥bn	%		¥bn	¥bn	¥bn	%
Media	273	276	-3	-1.0	Media	304	307	-3	-1.0
Software	426	435	-9	-2.1	Household goods	574	585	-11	-1.9
Financials	8,097	8,117	-20	-0.2	Services	640	652	-13	-1.9
Household goods	494	519	-26	-4.9	Retailing	1,577	1,602	-25	-1.6
Chemicals	2,877	2,911	-34	-1.2	Telecommunications	3,531	3,558	-27	-0.8
Services	540	575	-34	-6.0	Trading companies	2,063	2,162	-99	-4.6
Retailing	1,406	1,445	-38	-2.6	Machinery	2,704	2,808	-104	-3.7
Machinery	2,458	2,531	-73	-2.9	Automobiles	8,922	9,078	-156	-1.7
Trading companies	1,931	2,026	-95	-4.7	Electrical machinery, precision equipment	5,216	5,438	-222	-4.1
Automobiles	8,180	8,316	-135	-1.6	Steel, nonferrous metals	962	1,459	-497	-34.1
Electrical machinery, precision equipment	4,444	4,774	-331	-6.9					
Steel, nonferrous metals	808	1,187	-379	-31.9					

Note: Latest estimates as of 25 November 2015, previous estimates as of 26 August 2015.

Source: Nomura

Fig. 5: Breakdown of factors affecting ROE

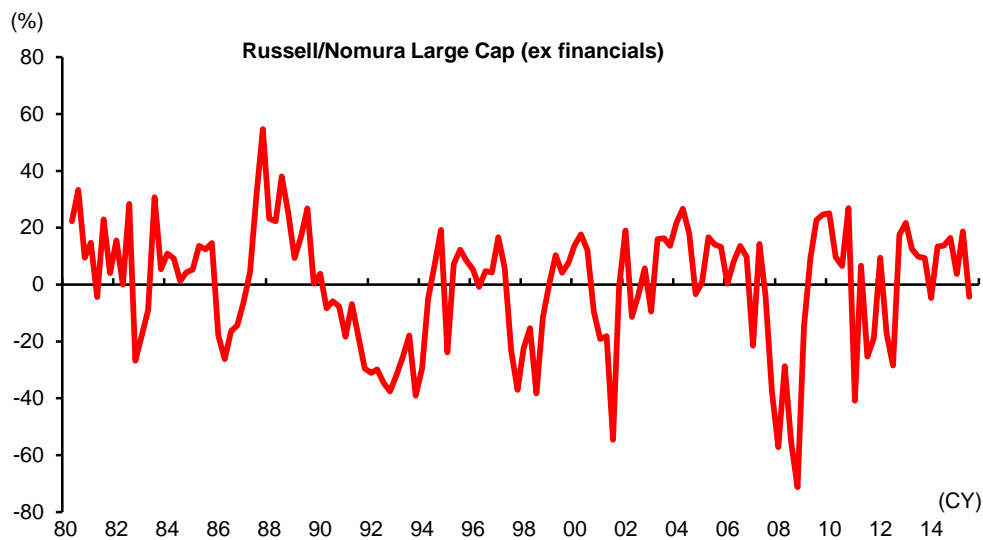


Note: Figures for FY15 onward are estimates. As of 25 November 2015.

Source: Nomura

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

	(yy/m)	14/3	14/6	14/9	14/12	15/3	15/6	15/9	15/12 (%)
Russell/Nomura Large Cap		15.0	-0.3	15.7	13.2	20.4	4.2	21.8	-3.6
Russell/Nomura Large Cap (ex financials)		9.4	-4.7	13.4	13.8	16.4	3.7	18.7	-4.3
Manufacturing		14.4	-2.6	15.7	18.3	22.2	0.0	19.4	-19.4
Basic materials		-15.8	-15.8	-7.9	7.9	28.3	28.3	19.6	-17.4
Processing		40.3	5.6	30.6	33.3	33.3	-12.6	-1.1	-35.6
Nonmanufacturing (ex financials)		2.0	-7.9	9.9	6.9	7.6	9.2	17.5	18.3



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	2.5	1.5	2.9	2.2
	Manufacturing	180	7.0	0.2	3.0	12.3	4.3	3.4	2.2	3.0	2.4
	Basic materials	46	13.2	4.8	-0.5	13.2	0.6	-3.9	-6.8	1.2	-0.2
	Processing	87	6.3	-2.0	4.8	13.2	5.7	6.2	5.4	4.0	3.5
	Nonmanufacturing (ex financials)	120	4.9	3.0	2.2	12.7	5.0	1.2	0.5	2.7	1.9
Broad sectors	Materials	46	13.2	4.8	-0.5	13.2	0.6	-3.9	-6.8	1.2	-0.2
	Machinery, autos	49	7.4	-0.1	10.0	15.4	7.8	8.1	7.4	4.6	3.8
	Electronics	38	5.2	-4.3	-1.6	10.1	2.7	3.3	2.3	3.1	3.0
	Consumer, distribution	84	5.7	3.3	0.8	11.2	3.7	1.7	0.8	2.8	2.3
	Information	22	0.4	1.5	3.4	20.1	9.6	2.6	3.4	3.0	2.9
	Utilities, infrastructure	61	2.5	2.2	5.3	10.0	5.2	0.9	0.4	1.7	0.5
Sectors	Chemicals	36	13.0	6.5	0.8	12.5	-1.1	-4.3	-6.8	0.5	0.5
	Steel, nonferrous metals	10	13.6	0.7	-4.3	15.1	4.7	-2.7	-6.8	3.2	-1.9
	Machinery	27	8.3	5.0	2.2	15.4	11.1	6.0	5.4	4.5	3.8
	Autos	22	7.1	-1.6	12.5	15.5	6.9	8.8	7.9	4.6	3.8
	Electrical machinery, precision equipment	38	5.2	-4.3	-1.6	10.1	2.7	3.3	2.3	3.1	3.0
	Pharmaceuticals, healthcare	22	1.1	3.0	2.0	7.8	0.6	3.4	4.6	0.8	0.7
	Food products	15	0.7	-0.9	3.3	5.4	6.7	1.9	1.6	2.1	1.9
	Household goods	10	1.8	2.9	4.4	9.9	11.5	8.4	7.4	1.4	2.4
	Trading companies	7	10.2	6.1	-1.0	14.0	2.7	-2.5	-4.8	2.8	1.9
	Retailing	19	1.8	-2.5	3.7	10.0	5.7	6.9	7.2	4.9	4.2
	Services	11	0.1	-2.4	1.5	3.5	-0.4	5.4	5.2	3.5	4.0
	Software	9	-17.6	-14.9	-4.0	3.6	1.4	5.9	4.9	8.5	9.1
	Media	5	4.5	1.9	4.8	10.5	5.1	4.8	4.2	3.1	3.2
	Telecommunications	8	2.4	3.5	3.8	24.4	10.9	2.0	3.2	2.3	2.2
	Construction, engineering	5	-16.0	7.7	7.5	6.8	7.2	2.9	3.9	2.0	1.3
	Housing, real estate	19	5.4	2.7	6.1	14.5	7.9	4.8	5.8	4.0	3.6
	Transportation	24	3.4	-0.7	3.4	7.2	3.4	2.8	3.2	1.6	1.6
Utilities	13	5.9	3.4	5.9	11.0	4.7	-4.3	-7.2	-0.2	-3.6	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 25 November 2015, previous estimates as of 26 August 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	18.3	16.3	8.9	8.2
	Manufacturing	180	74.3	-14.2	7.5	37.1	5.8	19.9	15.2	11.0	10.9
	Basic materials	46	101.5	-9.8	-22.6	35.6	-14.0	30.0	18.7	18.6	17.5
	Processing	87	110.6	-20.6	29.1	44.4	14.7	17.6	13.3	11.1	11.4
	Nonmanufacturing (ex financials)	120	25.7	-24.6	-0.4	29.6	4.2	15.6	18.2	5.1	3.9
Broad sectors	Materials	46	101.5	-9.8	-22.6	35.6	-14.0	30.0	18.7	18.6	17.5
	Machinery, autos	49	106.5	-10.9	42.9	46.2	14.0	13.6	11.6	9.9	8.6
	Electronics	38	116.1	-32.7	6.7	40.3	16.3	27.0	17.4	13.7	17.4
	Consumer, distribution	84	17.5	0.8	-6.4	14.7	-9.0	16.0	13.4	6.4	6.7
	Information	22	6.3	-3.7	4.3	15.2	-2.1	10.7	13.0	8.1	6.7
	Utilities, infrastructure	61	35.2	-57.7	10.4	69.1	22.9	21.0	28.7	-0.3	-1.9
Sectors	Chemicals	36	94.5	-1.1	-21.3	16.7	-26.6	48.8	48.0	16.5	18.4
	Steel, nonferrous metals	10	125.0	-37.1	-30.2	151.9	21.4	-1.3	-30.3	23.8	14.5
	Machinery	27	124.8	6.1	-7.9	30.4	22.8	6.2	2.9	10.6	9.2
	Autos	22	98.0	-19.8	77.2	51.7	11.3	16.1	14.6	9.7	8.5
	Electrical machinery, precision equipment	38	116.1	-32.7	6.7	40.3	16.3	27.0	17.4	13.7	17.4
	Pharmaceuticals, healthcare	22	-8.7	-7.6	-6.9	20.5	-18.2	40.5	43.1	-1.7	-2.3
	Food products	15	11.5	4.1	9.0	11.6	4.1	6.0	6.8	2.0	1.8
	Household goods	10	12.1	0.5	-2.3	23.3	7.8	11.3	6.3	11.5	14.1
	Trading companies	7	69.7	6.3	-24.8	18.7	-23.6	9.1	-1.0	8.5	7.7
	Retailing	19	21.8	7.5	-3.5	6.0	-3.6	20.1	17.7	12.9	13.9
	Services	11	4.5	-15.9	15.3	14.6	-5.3	2.8	-2.8	13.9	17.9
	Software	9	-32.8	-53.3	-32.9	13.2	33.9	13.4	9.8	12.8	15.8
	Media	5	37.6	3.6	19.4	9.6	9.3	-2.7	-4.1	12.0	12.1
	Telecommunications	8	14.2	3.1	5.9	15.7	-5.3	11.6	14.9	7.3	5.4
	Construction, engineering	5	10,835 .6	18.3	-10.8	30.0	34.6	25.5	48.9	15.8	12.2
	Housing, real estate	19	29.0	0.6	12.6	26.0	3.4	8.4	14.3	6.1	5.9
	Transportation	24	51.5	-17.3	20.4	8.4	6.7	9.1	13.5	5.6	5.3
Utilities	13	17.0	SL	LI	SP	192.2	65.1	79.0	-17.6	-21.9	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 25 November 2015, previous estimates as of 26 August 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	11.7	10.4	7.8	7.3
	Russell/Nomura Large Cap (ex financials)	300	58.7	-19.5	7.7	39.7	7.0	15.1	13.5	8.8	8.0
	Manufacturing	180	91.0	-17.9	10.3	43.3	7.2	16.7	12.0	10.8	11.3
	Basic materials	46	133.9	-7.1	-19.2	33.5	-8.9	19.4	7.4	18.1	18.8
	Processing	87	143.6	-29.3	36.4	58.2	15.3	16.1	12.1	10.9	11.7
	Nonmanufacturing	155	14.7	-5.9	15.2	31.9	6.5	6.8	8.8	4.6	3.3
	Nonmanufacturing (ex financials)	120	27.6	-21.7	3.5	34.0	6.6	12.3	15.9	5.2	2.7
Broad sectors	Materials	46	133.9	-7.1	-19.2	33.5	-8.9	19.4	7.4	18.1	18.8
	Machinery, autos	49	116.1	-11.5	42.5	47.6	16.2	12.3	10.2	9.6	9.3
	Electronics	38	200.1	-54.9	19.7	92.9	13.0	25.7	17.1	13.9	17.4
	Consumer, distribution	84	16.7	5.9	-4.1	15.7	-9.0	15.4	12.9	5.9	6.4
	Information	22	3.3	0.0	7.3	16.2	8.0	0.3	5.5	7.4	1.4
	Utilities, infrastructure	61	48.7	-70.2	30.2	102.6	28.3	21.5	30.6	0.3	-1.5
	Financials	35	-8.2	33.7	34.8	29.3	6.5	-1.2	-1.4	3.7	4.2
Sectors	Chemicals	36	116.2	1.8	-19.2	16.3	-21.7	37.1	35.5	16.1	18.7
	Steel, nonferrous metals	10	201.0	-34.3	-18.9	119.5	24.0	-9.3	-38.2	22.9	19.1
	Machinery	27	125.8	7.9	-5.1	31.9	23.7	4.4	1.4	10.9	10.0
	Autos	22	111.8	-20.8	72.8	53.0	13.9	15.0	13.1	9.2	9.1
	Electrical machinery, precision equipment	38	200.1	-54.9	19.7	92.9	13.0	25.7	17.1	13.9	17.4
	Pharmaceuticals, healthcare	22	-8.6	-9.0	-4.9	14.0	-15.3	34.0	35.7	-1.0	-1.8
	Food products	15	10.2	5.2	9.1	13.0	4.9	5.9	6.5	1.6	1.3
	Household goods	10	9.2	1.9	0.1	20.3	11.0	5.9	0.7	12.6	16.2
	Trading companies	7	55.1	22.6	-15.1	25.9	-20.6	16.4	11.0	6.7	6.8
	Retailing	19	22.2	7.9	-2.5	5.6	-4.8	18.2	15.1	10.9	12.1
	Services	11	4.9	-14.7	16.6	12.8	-2.4	0.8	-5.2	13.5	18.3
	Software	9	-41.9	-53.5	8.4	14.9	22.6	9.6	7.3	4.6	6.8
	Media	5	34.9	14.5	7.6	10.8	11.0	-5.3	-6.2	11.4	11.4
	Telecommunications	8	13.4	6.2	7.2	16.8	6.5	-0.3	6.4	7.5	-0.0
	Construction, engineering	5	1,102. 5	49.0	-1.0	25.3	38.4	14.1	34.9	15.1	11.7
	Housing, real estate	19	35.3	-0.9	20.8	29.5	4.6	3.6	8.6	8.6	8.1
	Transportation	24	90.6	-18.9	30.9	15.1	10.4	8.7	13.7	6.5	5.9
	Utilities	13	20.7	SL	LI	SP	1,682. 0	102.3	127.9	-21.9	-25.6
	Financials	35	-8.2	33.7	34.8	29.3	6.5	-1.2	-1.4	3.7	4.2

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 25 November 2015, previous estimates as of 26 August 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
Industrial groups	Russell/Nomura Large Cap	335	34.6	-25.3	36.3	62.7	7.4	16.4	15.3	8.2	7.8
	Russell/Nomura Large Cap (ex financials)	300	63.4	-35.2	26.7	79.8	8.0	18.5	17.3	9.3	8.6
	Manufacturing	180	158.2	-42.9	30.8	80.9	10.2	18.0	14.1	12.0	12.8
	Basic materials	46	361.6	-34.6	-30.8	85.9	-11.0	37.2	16.5	20.3	24.4
	Processing	87	324.4	-57.2	77.5	116.1	15.7	17.2	15.3	11.9	12.9
	Nonmanufacturing	155	-14.6	-2.6	41.0	48.2	4.6	14.8	16.6	4.2	2.8
	Nonmanufacturing (ex financials)	120	-4.9	-19.2	20.4	78.1	4.2	19.4	22.9	4.5	2.0
Broad sectors	Materials	46	361.6	-34.6	-30.8	85.9	-11.0	37.2	16.5	20.3	24.4
	Machinery, autos	49	254.0	-16.9	58.6	56.2	14.8	11.9	10.5	9.3	9.5
	Electronics	38	603.9	SL	LS	SP	18.4	32.9	30.3	18.5	21.7
	Consumer, distribution	84	22.7	5.9	9.3	14.3	-6.2	15.4	12.0	6.5	6.6
	Information	22	-0.6	-2.0	9.9	16.5	14.8	9.0	16.1	7.9	0.8
	Utilities, infrastructure	61	-76.7	SL	LS	SP	19.2	23.7	32.5	-0.7	-2.8
	Financials	35	-26.7	24.7	66.7	18.9	5.2	7.9	7.4	3.6	4.3
Sectors	Chemicals	36	305.9	-21.7	-30.5	34.1	-24.6	73.8	60.3	18.6	28.9
	Steel, nonferrous metals	10	631.7	-78.5	-33.1	590.0	13.1	-4.4	-33.3	23.9	12.3
	Machinery	27	225.1	4.9	-0.0	38.9	17.9	10.4	7.0	11.5	10.5
	Autos	22	268.5	-26.5	94.6	61.7	14.0	12.4	11.6	8.7	9.2
	Electrical machinery, precision equipment	38	603.9	SL	LS	SP	18.4	32.9	30.3	18.5	21.7
	Pharmaceuticals, healthcare	22	-14.6	-29.4	45.6	-2.7	7.8	8.7	10.1	2.0	0.3
	Food products	15	-3.5	18.7	20.0	21.7	4.9	9.0	11.9	1.1	-1.6
	Household goods	10	31.7	-20.8	32.9	32.9	32.5	-6.4	-11.7	20.0	22.2
	Trading companies	7	56.6	25.8	-11.9	22.6	-23.5	25.5	19.0	5.1	5.2
	Retailing	19	82.3	24.9	2.0	4.9	-7.8	24.6	17.5	11.3	13.6
	Services	11	-0.9	-38.2	103.2	13.9	-19.6	20.5	6.1	16.9	28.8
	Software	9	-46.5	-61.2	51.8	-14.3	35.8	22.2	22.4	6.4	7.8
	Media	5	15.1	57.8	-7.7	-1.5	16.5	-1.0	-1.5	12.6	12.0
	Telecommunications	8	15.7	3.2	9.2	22.0	12.7	8.3	16.9	7.7	-1.1
	Construction, engineering	5	SP	-81.6	440.1	38.5	30.2	24.8	52.8	16.4	11.4
	Housing, real estate	19	74.0	-16.3	54.1	41.2	18.4	2.0	8.2	9.9	8.8
	Transportation	24	127.9	-37.9	59.5	44.4	1.8	18.7	24.5	6.7	6.0
	Utilities	13	SL	LI	LS	SP	79.6	66.4	81.4	-24.0	-28.4
	Financials	35	-26.7	24.7	66.7	18.9	5.2	7.9	7.4	3.6	4.3

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 25 November 2015, previous estimates as of 26 August 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		FY16E	
								Old	New	Old	New
Industrial groups	Russell/Nomura Large Cap	335	26,48 3	23,16 8	26,52 1	36,70 8	38,48 8	44,68 4	44,15 0	48,19 0	47,38 7
	Russell/Nomura Large Cap (ex financials)	300	22,70 1	18,30 2	20,55 6	28,99 4	30,35 0	36,56 7	36,05 3	39,77 2	38,95 2
	Manufacturing	180	13,40 4	11,13 2	12,91 7	18,32 3	19,08 5	23,22 8	22,27 9	25,74 5	24,80 3
	Basic materials	46	3,638	3,588	3,101	3,931	3,325	4,098	3,685	4,839	4,378
	Processing	87	7,302	5,052	7,167	11,29 5	12,83 4	15,62 1	15,08 2	17,32 4	16,84 2
	Nonmanufacturing	155	13,07 9	12,03 7	13,60 4	18,38 5	19,40 3	21,45 6	21,87 1	22,44 5	22,58 4
	Nonmanufacturing (ex financials)	120	9,297	7,170	7,639	10,67 1	11,26 5	13,34 0	13,77 4	14,02 7	14,14 9
Broad sectors	Materials	46	3,638	3,588	3,101	3,931	3,325	4,098	3,685	4,839	4,378
	Machinery, autos	49	4,354	3,731	5,480	8,052	9,213	10,84 7	10,63 9	11,88 6	11,62 6
	Electronics	38	2,948	1,321	1,687	3,243	3,621	4,774	4,444	5,438	5,216
	Consumer, distribution	84	5,556	5,869	5,829	6,841	6,151	7,553	7,389	7,998	7,862
	Information	22	2,758	2,783	3,039	3,645	3,841	4,022	4,231	4,321	4,291
	Utilities, infrastructure	61	3,447	1,010	1,419	3,281	4,198	5,273	5,665	5,291	5,580
	Financials	35	3,781	4,867	5,965	7,714	8,138	8,117	8,097	8,418	8,435
Sectors	Chemicals	36	2,658	2,959	2,606	2,851	2,059	2,911	2,877	3,380	3,416
	Steel, nonferrous metals	10	979	629	495	1,080	1,266	1,187	808	1,459	962
	Machinery	27	1,406	1,472	1,416	1,855	2,306	2,531	2,458	2,808	2,704
	Autos	22	2,948	2,260	4,064	6,197	6,908	8,316	8,180	9,078	8,922
	Electrical machinery, precision equipment	38	2,948	1,321	1,687	3,243	3,621	4,774	4,444	5,438	5,216
	Pharmaceuticals, healthcare	22	1,209	1,215	1,170	1,314	1,113	1,519	1,538	1,503	1,510
	Food products	15	901	938	1,107	1,306	1,341	1,471	1,480	1,494	1,499
	Household goods	10	355	338	371	477	471	519	494	585	574
	Trading companies	7	1,626	1,993	1,706	2,026	1,740	2,026	1,931	2,162	2,063
	Retailing	19	1,105	1,071	1,110	1,277	1,087	1,445	1,406	1,602	1,577
	Services	11	361	313	364	441	399	575	540	652	640
	Software	9	324	148	173	245	324	435	426	455	455
	Media	5	235	239	227	251	271	276	273	307	304
	Telecommunications	8	2,199	2,396	2,639	3,150	3,246	3,311	3,532	3,558	3,531
	Construction, engineering	5	95	123	122	181	212	274	324	316	362
	Housing, real estate	19	770	737	956	1,264	1,363	1,492	1,564	1,619	1,690
	Transportation	24	1,313	1,049	1,406	1,799	1,963	2,173	2,275	2,314	2,409
Utilities	13	1,270	-898	-1,065	37	660	1,334	1,503	1,042	1,118	
Financials	35	3,781	4,867	5,965	7,714	8,138	8,117	8,097	8,418	8,435	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 25 November 2015, previous estimates as of 26 August 2015.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY14 Q3–FY15 Q2)

		% y-y															
		Sales				Operating profits				Recurring profits				Net profits			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Industrial groups	Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	4.8	-1.2	27.3	-4.5	5.7	-1.9	35.9	-7.9
	Russell/Nomura Large Cap (ex financials)	5.3	1.2	4.3	2.2	1.3	5.8	22.4	14.8	1.5	-0.2	29.5	1.1	1.4	3.1	39.7	-4.2
	Manufacturing	6.4	1.5	6.0	3.2	4.9	-3.4	15.9	8.8	8.3	-8.1	22.8	0.7	16.3	-12.3	24.6	3.3
	Basic materials	1.1	-7.4	-3.6	-8.0	-38.6	1.4	33.5	-18.8	-24.0	-2.0	41.6	-31.4	12.2	-70.3	72.8	-41.0
	Processing	7.7	5.3	9.6	7.4	18.1	3.6	10.8	13.6	18.4	-1.6	18.2	7.0	19.7	-5.9	14.6	9.1
	Nonmanufacturing	-	-	-	-	-	-	-	-	1.0	6.5	31.6	-9.0	-5.9	12.6	47.8	-16.7
	Nonmanufacturing (ex financials)	3.7	0.9	1.8	0.8	-5.2	24.7	32.5	24.3	-11.3	15.2	40.4	1.5	-25.4	44.9	68.6	-13.2
Broad sectors	Basic materials	1.1	-7.4	-3.6	-8.0	-38.6	1.4	33.5	-18.8	-24.0	-2.0	41.6	-31.4	12.2	-70.3	72.8	-41.0
	Machinery, autos	10.2	7.6	12.7	10.2	18.0	10.0	14.2	15.5	16.9	7.6	18.4	4.7	15.1	4.1	14.0	4.9
	Electronics	4.2	2.0	4.6	3.2	18.3	-8.5	1.4	8.9	21.6	-21.7	17.7	12.9	30.8	-44.0	17.0	22.7
	Consumption, distribution	4.7	-2.2	2.2	-0.0	-2.5	-21.5	10.7	20.1	-7.1	-29.9	9.2	4.7	-12.2	-21.9	12.1	14.1
	Information	6.2	3.9	4.9	7.1	-1.8	8.6	12.9	25.3	-8.1	0.5	39.4	-19.4	-4.2	20.5	56.5	-24.6
	Utilities, infrastructure	4.0	3.9	3.1	1.8	-3.2	59.4	72.1	25.6	-4.3	86.3	84.1	28.0	-35.7	SP	177.6	-10.1
	Financials	-	-	-	-	-	-	-	-	19.4	-4.9	19.5	-26.2	24.5	-21.0	22.9	-23.2
Sectors	Chemicals	-0.9	-11.1	-4.8	-9.1	-65.2	-9.8	46.0	-15.8	-53.3	-13.3	54.7	-26.2	15.9	SL	103.0	-39.2
	Steel, nonferrous metals	6.6	2.0	-0.4	-5.1	40.1	25.8	-0.8	-26.2	44.6	25.2	8.2	-42.9	6.9	7.6	20.4	-43.4
	Machinery	13.8	9.6	10.3	6.2	23.5	11.8	6.3	-1.6	20.6	10.4	15.1	-17.5	37.2	-17.7	14.8	-9.6
	Automobiles	9.2	7.0	13.4	11.4	16.5	9.3	16.7	21.7	15.8	6.5	19.3	12.7	9.7	12.5	13.7	9.4
	Electrical machinery, precision equipment	4.2	2.0	4.6	3.2	18.3	-8.5	1.4	8.9	21.6	-21.7	17.7	12.9	30.8	-44.0	17.0	22.7
	Pharmaceuticals, healthcare	4.0	-4.3	7.5	5.1	-4.6	SL	14.0	29.0	-1.2	SL	16.8	20.4	-1.0	26.8	18.9	30.8
	Food products	15.4	0.2	9.5	3.4	13.4	4.5	17.0	14.6	12.8	9.6	18.0	13.5	21.5	42.9	38.2	43.7
	Household goods	15.5	6.5	4.8	9.5	15.1	-1.3	35.7	14.2	17.9	-5.8	42.2	1.6	3.5	-0.6	2.8	-23.1
	Trading companies	2.6	-5.4	-3.7	-7.5	-25.2	2.4	0.6	42.3	-43.9	-32.1	-3.4	-10.5	-57.2	-54.0	-0.1	-1.7
	Retailing	3.8	5.6	8.1	9.0	3.1	6.1	15.7	11.5	7.5	4.9	17.9	5.9	32.1	-8.6	12.8	-5.8
	Services	-0.2	0.0	2.9	5.9	-6.1	-15.1	-9.9	-5.0	-3.5	-15.3	-10.2	-9.1	-20.5	-59.9	7.7	10.9
	Software	-8.0	4.7	-2.2	13.7	-9.0	389.0	-5.9	33.6	-2.7	562.3	14.7	-5.7	11.6	SP	18.4	-12.9
	Media	2.5	4.6	6.0	9.2	0.1	6.9	11.3	14.7	-2.3	24.7	17.4	0.6	44.4	-3.2	10.3	-0.9
	Telecommunications	8.7	3.7	5.5	6.2	-0.9	1.2	14.5	25.4	-9.6	-8.7	43.2	-21.4	-11.6	16.6	64.6	-27.1
	Construction, engineering	14.9	0.7	9.5	4.4	81.7	7.2	137.6	154.7	74.9	11.7	138.5	94.9	90.2	-47.8	153.8	87.5
	Housing, real estate	1.4	7.6	5.4	11.1	-9.3	8.5	19.9	34.8	-8.3	13.5	25.6	35.2	3.6	-12.0	5.4	41.5
	Transportation	3.8	3.4	3.1	3.5	9.6	32.3	22.5	18.1	13.3	41.7	30.0	17.1	10.2	-44.5	36.2	11.9
	Utilities	3.2	2.9	0.0	-7.0	SL	2,550.6	216.2	17.6	LI	SP	260.7	30.2	SL	SP	SP	-48.8
	Financials	-	-	-	-	-	-	-	-	19.4	-4.9	19.5	-26.2	24.5	-21.0	22.9	-23.2

Note: (1) Q1 = Feb–Apr, Mar–May, or Apr–Jun; Q2 = May–Jul, Jun–Aug, or Jul–Sep; Q3 = Aug–Oct, Sep–Nov, or Oct–Dec; Q4 = Nov–Jan, Dec–Feb, or Jan–Mar. (2) Figures are for companies that had announced results (either full-year, Q1, Q2, or Q3) by 25 November 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			
		FY15 E	FY16 E	FY17 E	FY15 E	FY16 E	FY17 E	FY14 E	FY15 E	FY15 E	FY16 E	FY17 E	FY14 E	FY15 E	FY16 E	FY17 E
		x	x	x	x	x	x	x	x	%	%	%	%	%	%	%
Industrial groups	Russell/Nomura Large Cap	16.3	15.1	13.9	-	-	-	1.47	1.41	1.83	1.98	2.15	8.5	8.9	9.1	9.2
	Russell/Nomura Large Cap (ex loss-making cos)	16.1	15.0	13.9	-	-	-	1.54	1.41	1.83	1.98	2.16	9.4	9.0	9.1	9.2
	Russell/Nomura Large Cap (ex financials)	17.5	16.1	14.7	8.8	8.4	7.9	1.66	1.59	1.76	1.92	2.10	8.7	9.4	9.6	9.8
	Manufacturing	17.7	15.7	14.3	9.8	9.0	8.4	1.69	1.60	1.92	2.10	2.34	8.9	9.3	9.9	10.2
	Basic materials	18.2	14.6	13.1	7.0	6.3	5.9	1.09	1.05	1.82	1.91	2.06	5.8	5.9	7.0	7.4
	Processing	15.0	13.3	12.2	8.8	8.0	7.5	1.62	1.53	2.06	2.30	2.57	10.0	10.5	11.1	11.2
	Nonmanufacturing	14.8	14.4	13.4	-	-	-	1.27	1.24	1.72	1.83	1.93	8.0	8.6	8.3	8.4
	Nonmanufacturing (ex financials)	17.1	16.8	15.4	7.6	7.5	7.1	1.61	1.57	1.50	1.60	1.70	8.2	9.5	9.1	9.3
Broad sectors	Basic materials	18.2	14.6	13.1	7.0	6.3	5.9	1.09	1.05	1.82	1.91	2.06	5.8	5.9	7.0	7.4
	Machinery, autos	13.2	12.1	11.2	8.4	7.8	7.3	1.57	1.47	2.31	2.58	2.91	11.5	11.5	11.7	11.7
	Electronics	19.8	16.2	14.6	9.7	8.6	8.1	1.74	1.64	1.61	1.80	1.96	7.0	8.6	9.7	10.1
	Consumption, distribution	23.8	22.4	20.4	14.0	13.3	12.5	1.94	1.95	1.69	1.79	1.95	7.7	8.3	8.5	8.9
	Information	16.9	16.7	14.8	6.4	6.3	6.0	1.96	1.91	1.55	1.67	1.85	10.7	11.7	11.0	11.5
	Utilities, infrastructure	15.9	16.3	15.4	7.0	7.1	6.8	1.62	1.50	1.28	1.38	1.43	8.1	9.8	8.9	8.8
	Financials	11.0	10.6	10.1	-	-	-	0.83	0.79	2.29	2.41	2.53	7.7	7.4	7.3	7.2
Sectors	Chemicals	19.1	14.8	13.8	7.7	6.8	6.5	1.23	1.17	1.81	1.89	1.97	4.6	6.2	7.7	7.7
	Steel, nonferrous metals	15.7	14.0	11.2	5.5	5.1	4.5	0.80	0.80	1.85	1.98	2.36	8.2	5.1	5.6	6.7
	Machinery	17.7	16.0	15.0	10.8	10.0	9.5	1.72	1.62	1.87	2.00	2.13	9.8	9.5	9.8	9.8
	Automobiles	12.0	11.0	10.1	7.7	7.1	6.6	1.51	1.42	2.50	2.83	3.23	12.2	12.3	12.4	12.4
	Electrical machinery, precision equipment	19.8	16.2	14.6	9.7	8.6	8.1	1.74	1.64	1.61	1.80	1.96	7.0	8.6	9.7	10.1
	Pharmaceuticals, healthcare	31.9	31.8	28.7	21.3	21.4	20.1	2.55	2.48	1.67	1.73	1.84	7.5	7.9	7.7	8.2
	Food products	24.1	24.5	22.0	15.0	15.0	13.9	2.73	2.65	1.81	1.99	2.35	10.6	11.1	10.6	11.4
	Household goods	32.6	26.7	24.4	18.5	16.7	15.4	2.97	2.88	1.22	1.32	1.44	10.9	9.0	10.5	10.8
	Trading companies	9.6	9.1	8.5	5.6	5.4	5.1	0.73	0.72	3.16	3.28	3.40	6.7	7.6	7.7	7.8
	Retailing	29.4	25.9	23.4	15.1	13.8	12.8	2.52	2.41	1.14	1.24	1.34	7.4	8.4	9.0	9.4
	Services	38.2	29.7	27.6	18.2	15.8	15.1	1.95	2.31	1.25	1.30	1.37	5.1	6.1	7.6	7.7
	Software	27.5	25.5	21.4	20.4	18.8	16.5	2.54	2.64	1.47	1.64	2.06	7.6	9.9	10.0	11.1
	Media	24.4	21.8	19.9	16.6	15.4	14.5	1.48	1.41	1.19	1.17	1.19	6.7	5.9	6.3	6.6
	Telecommunications	14.8	14.9	13.2	5.1	5.1	4.8	1.95	1.86	1.62	1.75	1.88	11.9	13.0	12.0	12.4
	Construction	17.6	15.8	14.6	13.8	12.6	11.8	1.74	1.57	1.14	1.26	1.33	6.7	9.3	9.6	9.6
	Housing, real estate	20.8	19.1	18.4	13.9	13.0	12.5	1.92	1.78	1.42	1.45	1.52	9.1	8.9	9.0	8.8
	Transportation	16.8	15.9	15.4	7.6	7.4	7.2	1.78	1.65	1.18	1.27	1.31	9.0	10.2	10.0	9.5
	Utilities	9.8	13.6	12.1	3.0	3.3	3.2	1.06	0.97	1.27	1.56	1.56	6.2	10.3	6.9	7.4
Financials	11.0	10.6	10.1	-	-	-	0.83	0.79	2.29	2.41	2.53	7.7	7.4	7.3	7.2	
Russell/Nomura Small Cap		17.5	16.0	15.5	-	-	-	1.35	1.21	1.53	1.56	1.59	6.9	7.1	7.4	7.2
Russell/Nomura Small Cap (ex financials)		18.6	16.6	16.1	9.9	9.2	9.1	1.46	1.31	1.51	1.54	1.57	7.0	7.2	7.7	7.6

Note: (1) Estimates as of 25 November 2015. (2) Share prices as of 25 November 2015 close.

Source: Nomura

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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. 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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