

Outlook for FY16–17 corporate earnings

Quarterly Update

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Summary and major assumptions

Overview of FY16 corporate earnings outlook

In this report, we collate and analyze earnings forecast data issued by our analysts. For FY16, our analysts look for a sales decline of 4.5% y-y and a recurring profits decline of 0.0% for companies in the Russell/Nomura Large Cap Index (ex financials). These forecasts represent downward revisions versus our previous forecasts issued in September 2016 (based on data collated on 23 August 2016) of 0.8ppt for sales and 0.9ppt for recurring profits. Our forex assumptions for FY16 are USD/JPY of 104.1 (previously 105.7) and EUR/JPY of 116.0 (previously 117.5). Our WTI assumption is \$47.6/bbl (\$45.1/bbl). We expect sales and profits to decline based on our assumption that the yen will be just under ¥16 stronger versus the US dollar in FY16 than in FY15. If this proves true, the uptrend in recurring profit growth would come to an end after four fiscal years. The revision index for recurring profit forecasts stands at -11.1, the fifth consecutive quarter of negative readings for the revision index.

That said, combined downward revisions to our FY16 recurring profit forecast came to just ¥320bn, around half of the previous combined downward revision to our forecast. The revision index improved for a second straight quarter, backing up our view that the worst is over for earnings.

In FY16 Q2, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) fell 9.0% y-y on a 7.8% decrease in sales. This is a milder recurring profit decline than the 16.7% y-y drop in FY16 Q1, and is mainly attributable to trends in resource-related sectors, such as oil, steel & nonferrous metals, and trading companies. As before, we think the inhospitable macroeconomic environment may have led directly to profit deterioration as the profit decline was accompanied by a sharp drop in sales, but, from Q3, we expect a bottoming in the rate of sales decline to bring about a further contraction in the rate of profit decline. A USD/JPY rate in line with the current rate would mean slower yen appreciation y-y from 2Q, which would support our outlook for a contraction in the rate of profit decline.

In FY16 H1, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) fell 13.0% y-y, which represents less of a y-y decline than we had forecast (we forecast a 15.8% decline). Stronger earnings than we assumed in H1 makes us more confident in our H2 forecast for 18.6% recurring profit growth.

Overview of the FY17 corporate earnings outlook

For FY17, our analysts look for sales growth of 3.3% y-y and recurring profit growth of 12.0% for companies in the Russell/Nomura Large Cap Index (ex financials). The current figures represent upward revisions of 0.2ppt for sales growth and 1.7ppt for recurring profit growth versus our previous forecasts. Our forex assumptions for FY17 are USD/JPY of 103.0 (previously 105.0) and EUR/JPY of 114.0 (previously 116.0). Our WTI assumption is \$50.0/bbl (\$45.0/bbl). The revision index for forecast recurring profits (ex financials) is slightly negative at -0.7%, with more or less an equal number of upward revisions and downward revisions.

The average ROE for Russell/Nomura Large Cap Index stocks was 7.7% in FY15, and we now forecast 8.3% in FY16 (breaking above the "bare minimum" of 8%) and 8.6% in FY17. This is still a long way off from the recent peak of 10.1% in FY05.

Fig. 1: Overview of consolidated earnings forecasts for the Russell/Nomura Large Cap Index

(% y-y, except where noted)

		No. of cos	New					Old	
			FY13	FY14	FY15	FY16E	FY17E	FY16E	FY17E
Sales	Russell/Nomura Large Cap (ex financials)	298	12.5	4.6	-0.4	-4.5	3.3	-3.7	3.1
	Manufacturing	174	12.3	4.3	0.2	-5.5	3.6	-4.5	3.5
	Basic materials	44	13.2	0.6	-9.0	-6.7	3.7	-6.2	2.4
	Processing	79	13.2	5.7	3.1	-5.7	3.7	-4.7	3.9
	Nonmanufacturing (ex financials)	124	12.7	5.0	-1.2	-3.1	3.0	-2.5	2.5
	Russell/Nomura Small Cap (ex financials)	950	9.3	3.6	1.8	0.2	3.3	1.2	3.1
Operating profits	Russell/Nomura Large Cap (ex financials)	298	34.3	5.2	8.7	-3.4	11.1	-2.6	9.8
	Manufacturing	174	37.1	5.8	2.9	-5.4	14.0	-2.1	11.1
	Basic materials	44	35.6	-14.0	8.6	-1.5	17.0	2.8	7.2
	Processing	79	44.4	14.7	-2.0	-7.7	15.8	-3.8	13.8
	Nonmanufacturing (ex financials)	124	29.6	4.2	18.6	-0.6	7.3	-3.3	8.0
	Russell/Nomura Small Cap (ex financials)	950	28.4	4.3	10.5	4.0	9.3	4.8	9.2
Recurring profits	Russell/Nomura Large Cap	335	37.4	6.9	-0.6	-0.3	9.8	0.3	8.5
	Russell/Nomura Large Cap (ex financials)	298	39.7	7.0	1.5	0.0	12.0	0.9	10.3
	Manufacturing	174	43.3	7.2	-1.9	-5.0	15.9	-1.8	13.0
	Basic materials	44	33.5	-8.9	-7.4	1.2	20.8	5.3	10.4
	Processing	79	58.2	15.3	-4.2	-7.5	17.1	-3.8	15.2
	Nonmanufacturing	161	31.9	6.5	0.6	4.1	4.6	2.2	4.4
	Nonmanufacturing (ex financials)	124	34.0	6.6	7.1	7.1	7.0	4.8	6.7
		Russell/Nomura Small Cap	1,037	29.7	3.1	3.7	1.3	10.7	3.6
	Russell/Nomura Small Cap (ex financials)	950	27.3	5.0	4.1	3.6	11.8	5.9	10.2
Net profits	Russell/Nomura Large Cap	335	62.7	7.4	-3.9	9.4	8.5	9.6	7.7
	Russell/Nomura Large Cap (ex financials)	298	79.8	8.0	-4.7	10.8	11.7	12.1	10.0
	Manufacturing	174	80.9	10.2	-4.8	0.1	17.9	3.3	15.7
	Basic materials	44	85.9	-11.0	-27.1	37.8	27.1	45.7	17.8
	Processing	79	116.1	15.7	-3.0	-7.0	20.1	-3.3	18.1
	Nonmanufacturing	161	48.2	4.6	-3.0	18.4	0.8	15.7	0.8
	Nonmanufacturing (ex financials)	124	78.1	4.2	-4.6	28.3	3.8	26.4	2.4
		Russell/Nomura Small Cap	1,037	74.2	2.2	1.9	14.4	11.1	16.6
	Russell/Nomura Small Cap (ex financials)	950	80.6	3.9	0.0	18.3	13.3	20.5	12.4

Note: Latest estimates as of 24 November 2016. Previous estimates as of 23 August 2016.

Source: Nomura

Fig. 2: Major assumptions

	As of 12 October 2016				As of 15 July 2016			
	Industrial production 2010 base year % y-y	Overnight call rate / Policy rate (FY-end) %	WTI \$/bbl	Exchange rate (avg) USD/JP Y EUR/JP Y	Industrial production 2010 base year % y-y	Overnight call rate / Policy rate (FY-end) %	WTI \$/bbl	Exchange rate (avg) USD/JP Y EUR/JP Y
FY15	-1.0	-0.10	45.0	120.0 132.5	-1.0	-0.10	45.0	120.0 132.5
FY16E	-0.2	-0.20	47.6	104.1 116.0	-0.2	-0.30	45.1	105.7 117.5
FY17E	1.3	-0.20	50.0	103.0 114.0	1.0	-0.70	45.0	105.0 116.0
FY15 H1	-0.4	0-0.10	52.2	121.7 135.1	-0.4	0-0.10	52.2	121.7 135.1
FY15 H2	-2.2	-0.10	37.8	118.4 129.9	-2.2	-0.10	37.8	118.4 129.9
FY16 H1	-1.1	-0.20	45.3	105.2 118.1	-0.7	-0.20	45.3	106.5 119.0
FY16E H2	0.7	-0.20	50.0	103.0 114.0	0.9	-0.30	45.0	105.0 116.0
FY17E H1	1.6	-0.20	50.0	103.0 114.0	1.2	-0.50	45.0	105.0 116.0
FY17E H2	1.1	-0.20	50.0	103.0 114.0	0.9	-0.70	45.0	105.0 116.0

Note: We use the call rate for interest rate data through FY15 H1 and the policy rate for FY15 H2 and beyond since the BOJ introduced a negative interest rate component in its policy on 29 January 2016. Call rate is the overnight uncollateralized call rate target, WTI is term-average WTI crude oil futures price (near-term delivery). The above assumptions are not Nomura estimates but the assumptions on which Nomura analysts base their earnings estimates.

Source: Nomura

Contributions to recurring profit growth by sector

Overview of the FY16 corporate earnings outlook

For FY16, we project that recurring profits will rise in nine of the 19 sectors and decline in 10.

Sectors from which we expect large contributions to overall profit growth include trading companies, electrical machinery & precision equipment, housing & real estate, and telecommunications. For many of the sectors where we expect sharp growth, the growth is largely due to a rebound from earnings deterioration in FY15. That said, we note that the trade companies sector is benefiting from the bottoming in resource prices, including the rise in coking coal prices, while the housing & real estate sector is seeing a gradual recovery in housing demand amid low interest rates. Earnings in the telecommunications sector are being supported by cost cutting and expansion of non-telecoms businesses. While telecoms companies are seeing some impact from scaled-back spending on sales promotions in response to policies by the Ministry of Internal Affairs and Communications and from the growing presence of competitors offering discounted rates, we believe that the telecoms operators will be able to cover the impact by stepping up marketing to their various types of customers.

Sectors that we expect to make large negative contributions to profit growth include automobiles, utilities, machinery, and transportation. We assume USD/JPY of 104.1 for FY16 versus 120.0 for FY15, which would pose a severe headwind for external demand-oriented sectors. In the automobiles sector, we expect global automobile demand to increase 2.5% y-y in 2016, although the US looks to be experiencing a slump (we expect demand here to fall 0.4%). We expect some degree of a profit boost from cost savings and increased selling volumes in Europe and the US, but we do not think these will be sufficient to offset the negative impact from yen appreciation. In the utilities sector, we expect fallout from delays in restarting nuclear power stations and electricity rate cuts triggered by the full deregulation of the electricity retail market. In the machinery sector, there are major disparities in machinery demand by region, while shipbuilding and heavy machinery companies are being impacted by reduced production and delays in reducing costs in commercial aircraft businesses, and ship & offshore structure businesses are being burdened by additional expenses. In the transportation sector, we expect the marine transport subsector to swing to losses as we expect containership rates to deteriorate further due to excess supply. The three major Japanese shipping companies have announced the integration of their container operations in response to the severe business environment. It is still too early to judge the extent of any potential synergies, and we cannot rule out the risk of impairment losses, but we do look favorably on the companies coming up with a strategy for dealing with the harsh business environment.

Overview of the FY17 corporate earnings outlook

For FY17, we project that recurring profits will increase in 16 of the 19 sectors and decrease in three.

Sectors from which we expect large contributions to overall profit growth include electrical machinery & precision equipment, automobiles, steel & nonferrous metals, chemicals and machinery. We expect the rapid appreciation of the yen to quiet down in FY17, and assume that macroeconomic conditions will be relatively stable. The government has already decided to put off an additional consumption tax hike, and we expect a positive boost to the economy from the government's large-scale economic stimulus package. Against this backdrop, we expect the negative effects of yen depreciation to drop off and expect a return to profit growth, particularly in the manufacturing sector.

We expect profits to decline in the utilities, financials, and media sectors. While we expect recurring profits to fall in the financials and media sectors, we believe that profits will basically remain in flat territory. We expect earnings in the utilities sector to be hobbled by a rise in fixed costs, which sector companies have been working to keep down.

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

FY16E				FY17E			
Increase in profits (%)				Increase in profits (%)			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
9 sectors				16 sectors			
Trading companies	213.7	1,328.8	20,300.0	Electrical machinery, precision equipment	25.1	23.2	23.1
Electrical machinery, precision equipment	17.9	526.2	8,038.7	Automobiles	12.5	20.2	20.2
Housing, real estate	16.4	233.5	3,567.3	Steel, nonferrous metals	70.5	8.8	8.8
Telecommunications	5.1	162.5	2,481.8	Chemicals	11.8	8.1	8.1
Chemicals	4.7	117.0	1,786.9	Machinery	17.4	8.1	8.1
Food	5.1	68.1	1,040.6	Telecommunications	7.8	7.0	7.0
Software	22.4	59.7	912.7	Retailing	15.6	5.5	5.5
Construction	12.2	54.7	835.8	Software	39.4	3.4	3.4
Household goods	2.9	15.6	238.8	Transportation	6.4	3.4	3.4
				Housing, real estate	7.4	3.3	3.3
				Household goods	16.0	2.4	2.4
				Pharmaceuticals, healthcare	6.5	2.3	2.3
Decrease in profits (%)				Decrease in profits (%)			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
10 sectors				3 sectors			
Media	-1.7	-5.2	-78.7	Media	-1.1	-0.1	-0.1
Retailing	-2.9	-39.9	-609.1	Financials	-0.1	-0.2	-
Steel, nonferrous metals	-14.8	-81.5	-1,244.9	Utilities	-3.5	-0.9	-0.9
Financials	-1.3	-93.5	-				
Services	-7.9	-118.1	-1,805.0				
Pharmaceuticals, healthcare	-8.9	-130.4	-1,992.6				
Transportation	-8.4	-185.5	-2,833.9				
Machinery	-16.6	-346.5	-5,294.1				
Utilities	-37.1	-571.7	-8,734.2				
Automobiles	-15.3	-1,093.8	-16,710.2				

Source: Nomura

Revisions to recurring profit estimates (versus old estimates)

Overview of the FY16 corporate earnings outlook

We have raised our FY16 recurring profit forecasts for 10 of the 19 sectors and lowered them for nine. The revision to our forex assumptions toward a stronger yen implies tougher conditions for external demand-oriented sectors, but the number of upward and downward revisions are more or less the same across all sectors.

The largest upward revisions were to our estimates for the trading companies, utilities, and financials sectors. Trading companies' H1 earnings were firm overall as they benefited from a bottoming in resource prices, including a rise in coking coal prices. We raise our WTI assumption from \$45.1/bbl to \$47.6, and, as per last quarter, we revise up our forecasts to factor this in. For financials, many leasing and credit card/consumer finance companies look to be experiencing lower fund procurement costs due to the BOJ's negative interest rate policy.

Sectors for which we have made large downward revisions include machinery, electrical machinery & precision equipment, automobiles, and steel & nonferrous metals. In the machinery sector, shipbuilding and heavy machinery companies have been impacted by reduced production and delays in reducing costs in commercial aircraft businesses, and ship & offshore structure businesses have been burdened by additional expenses. In the electrical machinery & precision equipment sector, fixed costs, including forward-looking investments, are up at consumer electronics companies, while precision equipment companies are experiencing weaker-than-expected demand for digital cameras and demand for office equipment has yet to undergo a major recovery. While digital camera production was impacted by earthquakes, production has already returned to normal. We believe there is a high likelihood that companies will launch sales promotions including price-related strategies heading into the Christmas shopping season. The steel & nonferrous metal sector has been impacted by higher prices for coking coal, while price hikes for steel products are affecting earnings at a lag.

It is not, however, all bad news. In the machinery sector, construction equipment demand has already started to recover in China, and looking ahead we anticipate recoveries in construction equipment demand in emerging markets other than China, and in global mining machinery demand. In the electrical machinery & precision equipment sector, air conditioners, social infrastructure, auto parts, and IT services in Japan have been firm, and profits in semiconductor businesses have performed better than expected, particularly memory and automotive electronics, on an improvement in market conditions, and we have also seen a recovery in industrial applications such as factory automation (FA) and power semiconductors.

Overview of the FY17 corporate earnings outlook

We have raised our FY17 recurring profit forecasts for 10 of the 19 sectors and lowered them for nine.

The largest upward revisions were for our estimates for sectors such as trading companies and chemicals, while the largest downward revisions were to our forecasts for sectors such as automobiles, machinery, and pharmaceuticals & healthcare. Many of the factors behind the revisions to our FY17 forecasts are in step with changes to our FY16 estimates. The upward revision to our estimate for the chemicals sector is largely to factor in profit contributions from new projects in the oil products subsector, while the downward revision to our estimate for the pharmaceuticals & healthcare sector reflects the impact from lower drug prices at certain companies; Company-specific factors played a large role in both of these revisions. For the machinery sector, the extent of the downward revision to our FY17 estimate was less than the downward revision to our FY16 estimate as the earnings deterioration in FY16 was largely due to temporary increases in costs.

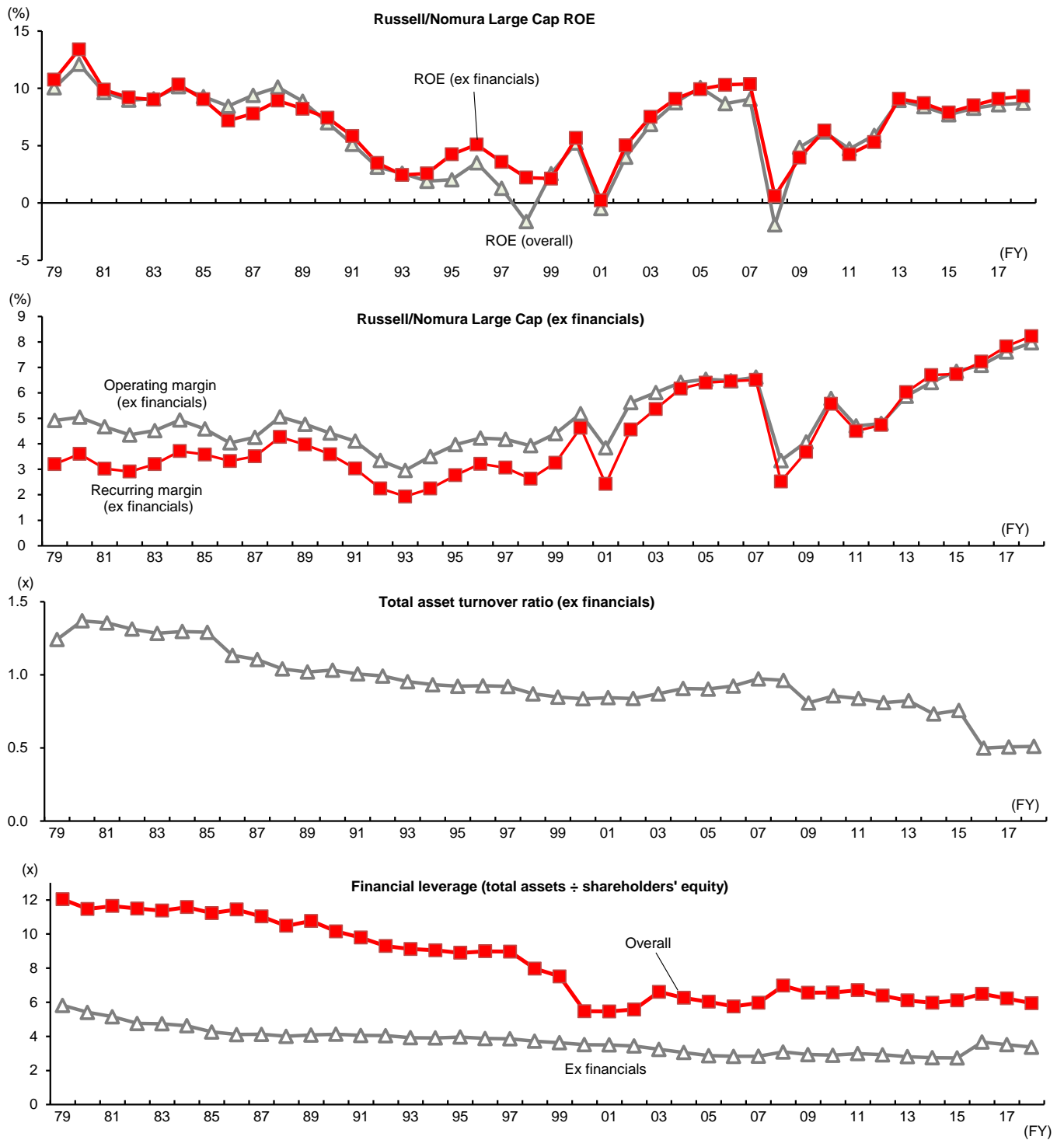
Fig. 4: Revisions to recurring profit estimates (versus old estimates) for the Russell/Nomura Large Cap Index

FY16E					FY17E				
[Upward revisions] 10 sectors					[Upward revisions] 10 sectors				
	New ¥bn	Old ¥bn	Revisio n ¥bn	Chang e %		New ¥bn	Old ¥bn	Revisio n ¥bn	Chang e %
Trading companies	2,062	1,888	175	9.2	Trading companies	2,146	1,958	189	9.6
Utilities	1,023	933	90	9.6	Chemicals	3,050	2,906	144	5.0
Financials	7,443	7,367	76	1.0	Financials	7,434	7,362	72	1.0
Housing, real estate	1,754	1,699	55	3.2	Housing, real estate	1,884	1,819	65	3.6
Construction	531	495	36	7.3	Software	481	418	63	14.9
Food	1,474	1,459	15	1.0	Steel, nonferrous metals	844	796	48	6.0
Media	316	303	13	4.4	Utilities	987	942	45	4.8
Transportation	2,129	2,123	6	0.3	Construction	555	520	35	6.7
Software	345	340	4	1.3	Household goods	686	676	10	1.5
Telecommunications	3,559	3,556	2	0.1	Telecommunications	3,836	3,835	1	0.0
[Downward revisions] 9 sectors					[Downward revisions] 9 sectors				
	New ¥bn	Old ¥bn	Revisio n ¥bn	Chang e %		New ¥bn	Old ¥bn	Revisio n ¥bn	Chang e %
Household goods	591	596	-5	-0.9	Media	313	313	-1	-0.2
Retailing	1,413	1,441	-28	-1.9	Transportation	2,265	2,269	-5	-0.2
Pharmaceuticals, healthcare	1,417	1,453	-36	-2.5	Food	1,533	1,538	-5	-0.3
Services	1,464	1,503	-39	-2.6	Services	1,515	1,523	-8	-0.5
Chemicals	2,727	2,771	-44	-1.6	Retailing	1,633	1,645	-12	-0.7
Steel, nonferrous metals	495	582	-87	-14.9	Electrical machinery, precision equipment	4,591	4,629	-39	-0.8
Automobiles	6,419	6,529	-110	-1.7	Pharmaceuticals, healthcare	1,509	1,560	-51	-3.3
Electrical machinery, precision equipment	3,670	3,822	-151	-4.0	Machinery	2,163	2,288	-118	-5.2
Machinery	1,842	2,059	-216	-10.5	Automobiles	7,221	7,388	-167	-2.3

Note: Latest estimates as of 24 November 2016, previous estimates as of 23 August 2016.

Source: Nomura

Fig. 5: Breakdown of factors affecting ROE

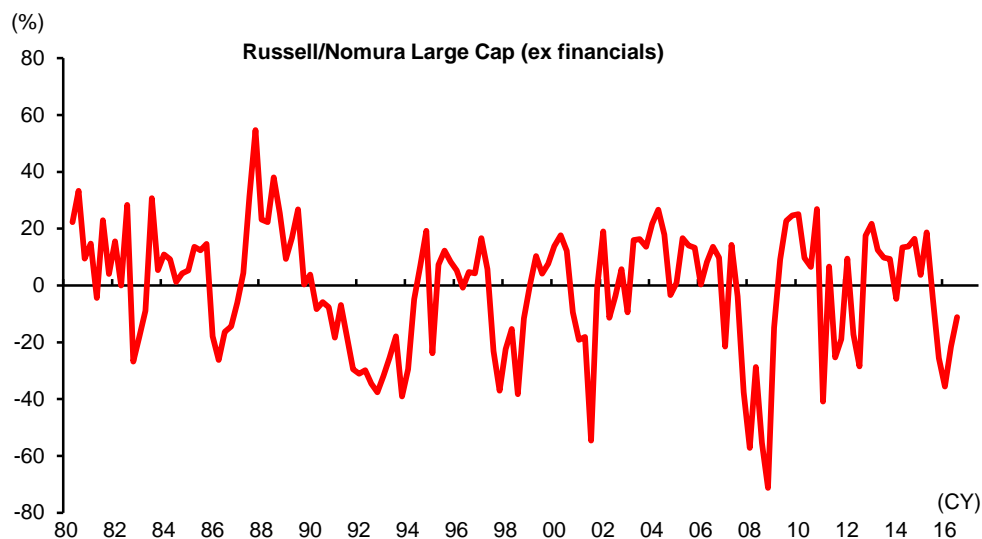


Note: Figures for FY16 onward are estimates. As of 24 November 2016.

Source: Nomura

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

	(yy/m)	15/3	15/6	15/9	15/12	16/3	16/6	16/9	16/12 (%)
Russell/Nomura Large Cap		20.4	4.2	21.8	-3.6	-24.0	-36.4	-22.1	-9.6
Russell/Nomura Large Cap (ex financials)		16.4	3.7	18.7	-4.3	-25.6	-35.6	-21.5	-11.1
Manufacturing		22.2	0.0	19.4	-19.4	-38.5	-41.4	-33.9	-18.4
Basic materials		28.3	28.3	19.6	-17.4	-27.3	-29.5	-20.5	-13.6
Processing		33.3	-12.6	-1.1	-35.6	-75.9	-73.4	-59.5	-22.8
Nonmanufacturing (ex financials)		7.6	9.2	17.5	18.3	-7.3	-27.4	-4.0	-0.8



Note: (1) Calculated by Nomura based on revisions to recurring profit forecasts. Excludes consolidated subsidiaries. (2) Revision index = (number of upward revisions – number of downward revisions) ÷ number of constituent companies.

Source: Nomura

Russell/Nomura Large Cap Index: earnings indicators

Fig. 7: Percentage change in sales by sector

(% y-y, except where noted)

		No. of cos	FY11	FY12	FY13	FY14	FY15	FY16E	FY16E	FY17E	FY17E
			Old	New	Old	New	Old	New	Old	New	
Industrial groups	Russell/Nomura Large Cap (ex financials)	298	1.4	2.7	12.5	4.6	-0.4	-3.7	-4.5	3.1	3.3
	Manufacturing	174	0.2	3.0	12.3	4.3	0.2	-4.5	-5.5	3.5	3.6
	Basic materials	44	4.8	-0.5	13.2	0.6	-9.0	-6.2	-6.7	2.4	3.7
	Processing	79	-2.0	4.8	13.2	5.7	3.1	-4.7	-5.7	3.9	3.7
	Nonmanufacturing (ex financials)	124	3.0	2.2	12.7	5.0	-1.2	-2.5	-3.1	2.5	3.0
Broad sectors	Materials	44	4.8	-0.5	13.2	0.6	-9.0	-6.2	-6.7	2.4	3.7
	Machinery, autos	46	-0.1	10.0	15.4	7.8	5.7	-4.4	-5.4	4.4	4.5
	Electronics	33	-4.3	-1.6	10.1	2.7	-0.9	-5.2	-6.2	3.0	2.5
	Consumer, distribution	93	3.3	0.8	11.2	3.7	-1.4	-3.1	-3.9	2.9	2.8
	Information	22	1.5	3.4	20.1	9.6	5.7	0.4	0.3	4.7	5.4
	Utilities, infrastructure	60	2.2	5.3	10.0	5.2	-1.3	-2.0	-2.8	1.2	2.1
Sectors	Chemicals	36	6.5	0.8	12.5	-1.1	-9.9	-5.6	-7.1	1.8	2.1
	Steel, nonferrous metals	8	0.7	-4.3	15.1	4.7	-6.8	-7.5	-6.0	3.8	8.0
	Machinery	24	5.0	2.2	15.4	11.1	3.3	-1.4	-4.3	4.8	5.0
	Autos	22	-1.6	12.5	15.5	6.9	6.5	-5.3	-5.8	4.3	4.4
	Electrical machinery, precision equipment	33	-4.3	-1.6	10.1	2.7	-0.9	-5.2	-6.2	3.0	2.5
	Pharmaceuticals, healthcare	22	3.0	2.0	7.8	0.6	5.2	-1.8	-2.9	3.1	2.9
	Food products	16	-0.9	3.3	5.4	6.7	1.6	0.1	-1.0	2.8	2.3
	Household goods	13	2.9	4.4	9.9	11.5	6.0	-3.9	-4.9	4.5	4.9
	Trading companies	7	6.1	-1.0	14.0	2.7	-9.7	-9.0	-9.6	2.6	2.9
	Retailing	22	-2.5	3.7	10.0	5.7	7.3	1.9	1.2	4.2	3.5
	Services	13	-2.4	1.5	3.5	-0.4	4.1	-0.6	-1.1	1.3	1.4
	Software	9	-14.9	-4.0	3.6	1.4	-0.1	2.4	3.8	10.1	14.2
	Media	5	1.9	4.8	10.5	5.1	12.0	-0.1	0.0	2.0	1.6
	Telecommunications	8	3.5	3.8	24.4	10.9	5.5	0.3	0.0	4.4	4.9
	Construction, engineering	5	7.7	7.5	6.8	7.2	1.7	3.6	-0.6	1.5	2.9
	Housing, real estate	17	2.7	6.1	14.5	7.9	4.3	4.7	5.0	2.8	3.4
	Transportation	25	-0.7	3.4	7.2	3.4	0.3	-2.2	-2.7	1.5	1.6
Utilities	13	3.4	5.9	11.0	4.7	-7.7	-8.6	-9.3	-0.5	1.4	

Note: Figures exclude listed consolidated subsidiaries. Latest estimates as of 24 November 2016, previous estimates as of 23 August 2016.

Source: Nomura

Fig. 8: Percentage change in operating profits by sector

(% y-y, except where noted)

		No. of cos	FY11	FY12	FY13	FY14	FY15	FY16E Old	FY16E New	FY17E Old	FY17E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	298	-18.6	4.5	34.3	5.2	8.7	-2.6	-3.4	9.8	11.1
	Manufacturing	174	-14.2	7.5	37.1	5.8	2.9	-2.1	-5.4	11.1	14.0
	Basic materials	44	-9.8	-22.6	35.6	-14.0	8.6	2.8	-1.5	7.2	17.0
	Processing	79	-20.6	29.1	44.4	14.7	-2.0	-3.8	-7.7	13.8	15.8
	Nonmanufacturing (ex financials)	124	-24.6	-0.4	29.6	4.2	18.6	-3.3	-0.6	8.0	7.3
Broad sectors	Materials	44	-9.8	-22.6	35.6	-14.0	8.6	2.8	-1.5	7.2	17.0
	Machinery, autos	46	-10.9	42.9	46.2	14.0	4.2	-13.5	-16.8	11.6	12.8
	Electronics	33	-32.7	6.7	40.3	16.3	-16.4	23.6	18.0	18.0	21.8
	Consumer, distribution	93	0.8	-6.4	14.7	-9.0	9.3	0.1	1.4	6.7	6.7
	Information	22	-3.7	4.3	15.2	-2.1	14.8	6.4	9.1	12.3	10.9
	Utilities, infrastructure	60	-57.7	10.4	69.1	22.9	32.3	-11.4	-8.9	5.0	3.9
Sectors	Chemicals	36	-1.1	-21.3	16.7	-26.6	36.1	7.2	5.5	2.7	9.2
	Steel, nonferrous metals	8	-37.1	-30.2	151.9	21.4	-37.3	-14.3	-28.7	28.8	61.8
	Machinery	24	6.1	-7.9	30.4	22.8	-1.6	-9.1	-17.6	9.4	14.6
	Autos	22	-19.8	77.2	51.7	11.3	6.2	-14.9	-16.6	12.4	12.3
	Electrical machinery, precision equipment	33	-32.7	6.7	40.3	16.3	-16.4	23.6	18.0	18.0	21.8
	Pharmaceuticals, healthcare	22	-7.6	-6.9	20.5	-18.2	48.7	-5.9	-8.3	3.8	2.9
	Food products	16	4.1	9.0	11.6	4.1	-0.3	4.0	5.8	5.4	3.4
	Household goods	13	0.5	-2.3	23.3	7.8	8.5	5.2	3.5	10.4	13.6
	Trading companies	7	6.3	-24.8	18.7	-23.6	-16.3	6.0	26.9	12.2	9.5
	Retailing	22	7.5	-3.5	6.0	-3.6	15.1	3.1	1.2	11.7	12.6
	Services	13	-15.9	15.3	14.6	-5.3	-5.4	-5.4	-7.6	1.0	3.1
	Software	9	-53.3	-32.9	13.2	33.9	1.3	16.8	23.0	23.2	28.2
	Media	5	3.6	19.4	9.6	9.3	13.9	-4.6	-0.6	3.6	-0.8
	Telecommunications	8	3.1	5.9	15.7	-5.3	16.5	6.5	8.8	12.1	10.3
	Construction, engineering	5	18.3	-10.8	30.0	34.6	116.8	3.4	12.5	5.2	3.8
	Housing, real estate	17	0.6	12.6	26.0	3.4	14.4	8.9	12.4	6.5	6.0
	Transportation	25	-17.3	20.4	8.4	6.7	11.0	-7.0	-7.4	6.2	6.0
Utilities	13	SL	LI	SP	192.2	87.6	-38.8	-35.3	-0.1	-3.2	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 24 November 2016, previous estimates as of 23 August 2016. (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	FY11	FY12	FY13	FY14	FY15	FY16E	FY16E	FY17E	FY17E
			Old	New	Old	New	Old	New	Old	New	
Industrial groups	Russell/Nomura Large Cap	335	-12.1	12.8	37.4	6.9	-0.6	0.3	-0.3	8.5	9.8
	Russell/Nomura Large Cap (ex financials)	298	-19.5	7.7	39.7	7.0	1.5	0.9	0.0	10.3	12.0
	Manufacturing	174	-17.9	10.3	43.3	7.2	-1.9	-1.8	-5.0	13.0	15.9
	Basic materials	44	-7.1	-19.2	33.5	-8.9	-7.4	5.3	1.2	10.4	20.8
	Processing	79	-29.3	36.4	58.2	15.3	-4.2	-3.8	-7.5	15.2	17.1
	Nonmanufacturing	161	-5.9	15.2	31.9	6.5	0.6	2.2	4.1	4.4	4.6
	Nonmanufacturing (ex financials)	124	-21.7	3.5	34.0	6.6	7.1	4.8	7.1	6.7	7.0
Broad sectors	Materials	44	-7.1	-19.2	33.5	-8.9	-7.4	5.3	1.2	10.4	20.8
	Machinery, autos	46	-11.5	42.5	47.6	16.2	1.9	-12.2	-15.6	12.6	13.6
	Electronics	33	-54.9	19.7	92.9	13.0	-19.7	22.7	17.9	21.1	25.1
	Consumer, distribution	93	5.9	-4.1	15.7	-9.0	-7.6	15.3	16.4	6.7	7.1
	Information	22	0.0	7.3	16.2	8.0	4.3	5.2	5.8	8.7	9.7
	Utilities, infrastructure	60	-70.2	30.2	102.6	28.3	37.3	-11.5	-8.4	5.7	4.7
	Financials	37	33.7	34.8	29.3	6.5	-8.6	-2.5	-1.3	-0.1	-0.1
Sectors	Chemicals	36	1.8	-19.2	16.3	-21.7	21.6	6.4	4.7	4.9	11.8
	Steel, nonferrous metals	8	-34.3	-18.9	119.5	24.0	-54.6	0.1	-14.8	36.8	70.5
	Machinery	24	7.9	-5.1	31.9	23.7	-6.6	-6.8	-16.6	10.8	17.4
	Autos	22	-20.8	72.8	53.0	13.9	4.7	-13.8	-15.3	13.2	12.5
	Electrical machinery, precision equipment	33	-54.9	19.7	92.9	13.0	-19.7	22.7	17.9	21.1	25.1
	Pharmaceuticals, healthcare	22	-9.0	-4.9	14.0	-15.3	39.2	-6.5	-8.9	7.4	6.5
	Food products	16	5.2	9.1	13.0	4.9	-0.5	4.1	5.1	5.4	4.0
	Household goods	13	1.9	0.1	20.3	11.0	3.3	3.8	2.9	13.3	16.0
	Trading companies	7	22.6	-15.1	25.9	-20.6	-62.2	187.2	213.7	3.7	4.1
	Retailing	22	7.9	-2.5	5.6	-4.8	13.4	-1.0	-2.9	14.2	15.6
	Services	13	-14.7	16.6	12.8	-2.4	-5.6	-5.4	-7.9	1.3	3.5
	Software	9	-53.5	8.4	14.9	22.6	-11.4	20.9	22.4	22.9	39.4
	Media	5	14.5	7.6	10.8	11.0	10.4	-5.9	-1.7	3.5	-1.1
	Telecommunications	8	6.2	7.2	16.8	6.5	5.6	5.0	5.1	7.8	7.8
	Construction, engineering	5	49.0	-1.0	25.3	38.4	92.4	4.6	12.2	5.1	4.5
	Housing, real estate	17	-0.9	20.8	29.5	4.6	11.3	12.7	16.4	7.1	7.4
	Transportation	25	-18.9	30.9	15.1	10.4	13.3	-8.7	-8.4	6.9	6.4
	Utilities	13	SL	LI	SP	1,682.0	146.7	-42.7	-37.1	1.0	-3.5
Financials	37	33.7	34.8	29.3	6.5	-8.6	-2.5	-1.3	-0.1	-0.1	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as 24 November 2016, previous estimates as of 23 August 2016. (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	FY11	FY12	FY13	FY14	FY15	FY16E		FY17E	
								Old	New	Old	New
Industrial groups	Russell/Nomura Large Cap	335	-25.3	36.3	62.7	7.4	-3.9	9.6	9.4	7.7	8.5
	Russell/Nomura Large Cap (ex financials)	298	-35.2	26.7	79.8	8.0	-4.7	12.1	10.8	10.0	11.7
	Manufacturing	174	-42.9	30.8	80.9	10.2	-4.8	3.3	0.1	15.7	17.9
	Basic materials	44	-34.6	-30.8	85.9	-11.0	-27.1	45.7	37.8	17.8	27.1
	Processing	79	-57.2	77.5	116.1	15.7	-3.0	-3.3	-7.0	18.1	20.1
	Nonmanufacturing	161	-2.6	41.0	48.2	4.6	-3.0	15.7	18.4	0.8	0.8
	Nonmanufacturing (ex financials)	124	-19.2	20.4	78.1	4.2	-4.6	26.4	28.3	2.4	3.8
Broad sectors	Materials	44	-34.6	-30.8	85.9	-11.0	-27.1	45.7	37.8	17.8	27.1
	Machinery, autos	46	-16.9	58.6	56.2	14.8	1.5	-13.0	-15.9	15.4	16.0
	Electronics	33	SL	LS	SP	18.4	-17.1	32.1	25.0	24.4	30.1
	Consumer, distribution	93	5.9	9.3	14.3	-6.2	-20.2	29.7	31.3	8.8	9.7
	Information	22	-2.0	9.9	16.5	14.8	7.2	29.3	29.8	-7.9	-4.8
	Utilities, infrastructure	60	SL	LS	SP	19.2	16.9	5.5	8.4	4.1	2.6
	Financials	37	24.7	66.7	18.9	5.2	-0.9	-0.1	3.8	-2.1	-4.7
Sectors	Chemicals	36	-21.7	-30.5	34.1	-24.6	-1.1	65.1	60.5	10.6	14.6
	Steel, nonferrous metals	8	-78.5	-33.1	590.0	13.1	-56.7	-5.7	-22.1	51.2	95.5
	Machinery	24	4.9	-0.0	38.9	17.9	-2.8	-6.7	-14.2	11.9	16.3
	Autos	22	-26.5	94.6	61.7	14.0	2.8	-14.7	-16.3	16.4	15.9
	Electrical machinery, precision equipment	33	SL	LS	SP	18.4	-17.1	32.1	25.0	24.4	30.1
	Pharmaceuticals, healthcare	22	-29.4	45.6	-2.7	7.8	14.6	-3.5	-2.8	7.1	4.7
	Food products	16	18.7	20.0	21.7	4.9	0.0	7.0	10.4	4.4	1.7
	Household goods	13	-20.8	32.9	32.9	32.5	-5.9	17.1	16.1	7.4	9.8
	Trading companies	7	25.8	-11.9	22.6	-23.5	-88.0	825.0	933.2	6.4	5.4
	Retailing	22	24.9	2.0	4.9	-7.8	5.7	-1.9	-16.4	25.4	43.9
	Services	13	-38.2	103.2	13.9	-19.6	4.9	-5.8	-8.1	5.8	8.0
	Software	9	-61.2	51.8	-14.3	35.8	-6.9	27.8	65.6	25.6	11.4
	Media	5	57.8	-7.7	-1.5	16.5	22.2	-8.5	-4.3	3.6	-1.1
	Telecommunications	8	3.2	9.2	22.0	12.7	7.5	33.8	30.2	-11.9	-7.0
	Construction, engineering	5	-81.6	440.1	38.5	30.2	117.6	11.9	22.6	5.0	3.3
	Housing, real estate	17	-16.3	54.1	41.2	18.4	0.6	22.8	26.4	7.1	8.0
	Transportation	25	-37.9	59.5	44.4	1.8	-4.9	19.2	21.2	5.4	4.0
	Utilities	13	LI	LS	SP	79.6	63.7	-29.2	-28.1	-3.6	-9.2
	Financials	37	24.7	66.7	18.9	5.2	-0.9	-0.1	3.8	-2.1	-4.7

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as 24 November 2016, previous estimates as of 23 August 2016. (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	FY11	FY12	FY13	FY14	FY15	FY16E		FY17E	FY17E
								Old	New		
Industrial groups	Russell/Nomura Large Cap	335	23,168	26,521	36,708	38,488	39,670	40,919	40,675	44,378	44,645
	Russell/Nomura Large Cap (ex financials)	298	18,302	20,556	28,994	30,350	32,151	33,552	33,232	37,016	37,211
	Manufacturing	174	11,132	12,917	18,323	19,085	19,524	19,271	18,637	21,775	21,597
	Basic materials	44	3,588	3,101	3,931	3,325	3,177	3,353	3,222	3,702	3,894
	Processing	79	5,052	7,167	11,295	12,834	12,880	12,409	11,932	14,299	13,975
	Nonmanufacturing	161	12,037	13,604	18,385	19,403	20,146	21,648	22,038	22,603	23,047
	Nonmanufacturing (ex financials)	124	7,170	7,639	10,671	11,265	12,627	14,281	14,595	15,241	15,613
Broad sectors	Materials	44	3,588	3,101	3,931	3,325	3,177	3,353	3,222	3,702	3,894
	Machinery, autos	46	3,731	5,480	8,052	9,213	9,835	8,588	8,262	9,670	9,385
	Electronics	33	1,321	1,687	3,243	3,621	3,045	3,822	3,670	4,629	4,591
	Consumer, distribution	93	5,869	5,829	6,841	6,151	6,048	8,340	8,421	8,899	9,022
	Information	22	2,783	3,039	3,645	3,841	4,087	4,200	4,220	4,566	4,629
	Utilities, infrastructure	60	1,010	1,419	3,281	4,198	5,959	5,250	5,436	5,550	5,691
	Financials	37	4,867	5,965	7,714	8,138	7,519	7,367	7,443	7,362	7,434
Sectors	Chemicals	36	2,959	2,606	2,851	2,059	2,583	2,771	2,727	2,906	3,050
	Steel, nonferrous metals	8	629	495	1,080	1,266	594	582	495	796	844
	Machinery	24	1,472	1,416	1,855	2,306	2,264	2,059	1,842	2,282	2,163
	Autos	22	2,260	4,064	6,197	6,908	7,571	6,529	6,419	7,388	7,221
	Electrical machinery, precision equipment	33	1,321	1,687	3,243	3,621	3,045	3,822	3,670	4,629	4,591
	Pharmaceuticals, healthcare	22	1,215	1,170	1,314	1,113	1,578	1,453	1,417	1,560	1,509
	Food products	16	938	1,107	1,306	1,341	1,383	1,459	1,474	1,538	1,533
	Household goods	13	338	371	477	471	507	596	591	676	686
	Trading companies	7	1,993	1,706	2,026	1,740	657	1,888	2,062	1,958	2,146
	Retailing	22	1,071	1,110	1,277	1,087	1,386	1,441	1,413	1,645	1,633
	Services	13	313	364	441	399	538	1,503	1,464	1,523	1,515
	Software	9	148	173	245	324	352	340	345	418	481
	Media	5	239	227	251	271	322	303	316	313	313
	Telecommunications	8	2,396	2,639	3,150	3,246	3,414	3,556	3,559	3,835	3,836
	Construction, engineering	5	123	122	181	212	462	495	531	520	555
	Housing, real estate	17	737	956	1,264	1,363	1,604	1,699	1,754	1,819	1,884
	Transportation	25	1,049	1,406	1,799	1,963	2,267	2,123	2,129	2,269	2,265
	Utilities	13	-898	-1,065	37	660	1,627	933	1,023	942	987
	Financials	37	4,867	5,965	7,714	8,138	7,519	7,367	7,443	7,362	7,434

Note: Figures exclude listed consolidated subsidiaries. Latest estimates as 24 November 2016, previous estimates as of 23 August 2016.

Source: Nomura

Fig. 12: Percentage change in quarterly sales and profits (FY15 Q3–FY16 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	-	-	-	-	-	-	-	-	-4.3	-23.6	-18.9	-5.6	-12.7	-40.0	-20.5	1.4
	Russell/Nomura Large Cap (ex financials)	-2.7	-5.3	-6.6	-7.8	5.0	-16.3	-8.8	-9.9	-1.5	-26.5	-16.7	-9.0	-14.2	-51.0	-19.8	-2.9
	Manufacturing	-2.2	-5.3	-7.9	-8.9	-0.3	-12.3	-10.6	-17.7	-9.5	-18.4	-21.5	-16.3	-28.2	-11.8	-22.5	-15.5
	Basic materials	-12.5	-12.2	-14.4	-12.3	57.3	-11.1	-28.1	-2.0	2.1	-30.2	-43.4	0.1	-60.7	SL	-47.5	12.2
	Processing	1.5	-4.2	-7.1	-9.1	-7.3	-26.0	-13.4	-22.7	-12.3	-29.0	-23.3	-21.1	-23.5	-10.9	-24.8	-19.7
	Nonmanufacturing (ex financials)	-	-	-	-	-	-	-	-	1.8	-28.6	-16.7	4.2	7.9	-69.7	-18.8	17.7
Broad sectors	Basic materials	-12.5	-12.2	-14.4	-12.3	57.3	-11.1	-28.1	-2.0	2.1	-30.2	-43.4	0.1	-60.7	SL	-47.5	12.2
	Machinery, autos	3.6	-1.4	-6.0	-8.4	-1.1	-11.7	-12.0	-29.0	-4.8	-11.5	-20.5	-24.7	1.1	-21.6	-26.0	-26.4
	Electronics	-1.7	-8.4	-8.9	-10.1	-19.3	-58.4	-17.7	-7.6	-27.8	-82.1	-31.3	-12.6	-76.6	55.0	-20.9	-1.8
	Consumption, distribution	-4.3	-5.2	-5.1	-7.4	-4.1	-27.1	-1.0	-6.5	-2.9	-63.3	-5.7	-2.8	-19.6	SL	-8.1	-3.9
	Information	1.8	5.3	2.1	-1.8	2.2	17.3	17.3	6.3	-2.8	18.7	4.6	1.1	-0.4	39.5	17.0	65.8
	Utilities, infrastructure	-2.9	-6.1	-5.6	-4.7	42.2	-2.0	-14.2	-2.9	48.5	-2.7	-13.9	-2.9	97.7	-95.9	-26.9	-12.3
	Financials	-	-	-	-	-	-	-	-	-15.1	-11.0	-27.5	12.9	-7.2	15.6	-23.4	23.4
Sectors	Chemicals	-13.6	-12.4	-14.5	-12.9	234.9	22.3	-19.3	8.3	130.3	-2.0	-32.7	9.2	-33.5	LS	-31.3	36.7
	Steel, nonferrous metals	-9.4	-11.6	-14.2	-10.5	-46.7	-59.1	-65.8	-34.1	-81.8	-75.2	-84.2	-28.9	-98.5	SL	-95.9	-30.1
	Machinery	3.1	-4.5	-6.3	-6.6	-3.6	-5.6	-19.6	-35.0	-11.6	-9.3	-39.7	-30.0	-13.5	0.0	-34.6	-38.9
	Automobiles	3.7	-0.4	-5.9	-8.9	-0.4	-14.2	-9.8	-27.3	-2.7	-12.4	-15.1	-23.4	5.6	-28.0	-23.7	-23.3
	Electrical machinery, precision equipment	-1.7	-8.4	-8.9	-10.1	-19.3	-58.4	-17.7	-7.6	-27.8	-82.1	-31.3	-12.6	-76.6	55.0	-20.9	-1.8
	Pharmaceuticals, healthcare	2.4	4.7	0.4	-4.3	4.5	SP	42.0	-29.3	0.1	SP	31.2	-28.6	-5.2	34.3	38.4	-19.3
	Food products	-6.6	1.1	-2.8	-1.7	-18.5	24.8	2.2	-0.7	-17.5	11.6	0.6	-2.4	-57.8	7.1	-8.3	-25.6
	Household goods	10.0	-1.8	-2.7	-3.8	4.8	16.9	4.5	10.5	1.6	12.1	-5.9	18.0	27.8	45.3	19.3	29.1
	Trading companies	-12.8	-14.9	-14.3	-15.2	-13.9	SL	-23.4	10.4	8.6	SL	-23.3	26.3	-26.7	SL	-28.5	22.6
	Retailing	6.9	3.3	1.4	-0.6	5.9	-3.6	5.8	10.0	-0.7	-10.3	-0.4	6.3	-18.0	-21.4	-7.8	-22.4
	Services	4.4	5.1	0.3	-7.0	-1.5	13.3	-25.9	-18.9	-1.5	20.3	-26.3	-18.4	9.5	57.0	-31.0	17.0
	Software	-6.4	0.4	1.4	-4.4	-11.0	-0.7	21.0	-19.4	-29.6	-7.7	-64.5	-0.1	-24.8	49.0	-48.3	154.9
	Media	-0.6	7.0	5.2	1.3	-14.1	51.0	44.2	-4.8	-15.3	51.1	46.5	-2.3	-4.0	90.9	63.5	-1.6
	Telecommunications	3.2	5.5	1.8	-1.9	6.8	16.4	15.8	9.0	5.5	18.5	7.1	1.4	7.0	33.1	19.2	63.3
	Construction, engineering	0.4	-4.6	-2.0	-3.9	64.6	144.3	44.6	47.8	46.4	130.9	23.7	53.9	59.9	287.2	25.9	67.8
	Housing, real estate	4.2	-1.1	4.1	1.7	19.3	-9.1	11.1	7.6	16.4	-18.9	25.3	7.3	12.0	-30.7	25.3	6.7
	Transportation	-1.4	-3.7	-4.8	-6.2	2.9	-3.4	-11.6	-10.8	2.5	2.9	-14.5	-11.5	1.1	SL	-19.0	-49.4
Utilities	-10.5	-12.4	-13.8	-8.3	SP	-19.1	-31.5	-10.6	SP	-14.7	-31.9	-11.2	SP	SL	-53.4	7.9	
Financials	-	-	-	-	-	-	-	-	-15.1	-11.0	-27.5	12.9	-7.2	15.6	-23.4	23.4	

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 24 November 2016. (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			
		FY16 E	FY17E	FY18E	FY16E	FY17E	FY18E	FY15	FY16E	FY16E	FY17E	FY18E	FY15	FY16E	FY17E	FY18E
		x	x	x	x	x	x	x	x	%	%	%	%	%	%	%
Industrial groups	Russell/Nomura Large Cap	16.0	14.7	13.7	-	-	-	1.37	1.30	2.06	2.21	2.35	7.7	8.3	8.6	8.7
	Russell/Nomura Large Cap (ex loss-making cos)	15.6	14.6	13.6	-	-	-	1.44	1.30	2.07	2.23	2.37	8.8	8.5	8.6	8.7
	Russell/Nomura Large Cap (ex financials)	17.4	15.6	14.4	8.5	8.0	7.6	1.56	1.46	1.99	2.15	2.29	7.9	8.5	9.1	9.3
	Manufacturing	19.0	16.1	14.7	9.7	8.8	8.3	1.58	1.55	2.08	2.25	2.42	8.1	8.3	9.3	9.6
	Basic materials	18.6	14.6	13.5	7.0	6.2	5.9	1.07	1.05	1.84	2.07	2.16	3.8	5.7	7.0	7.2
	Processing	17.4	14.5	13.1	9.1	8.1	7.5	1.53	1.49	2.20	2.38	2.60	9.3	8.7	10.0	10.4
	Nonmanufacturing	13.5	13.4	12.7	-	-	-	1.19	1.10	2.04	2.17	2.26	7.3	8.3	8.0	7.9
	Nonmanufacturing (ex financials)	15.5	14.9	13.9	7.2	7.0	6.7	1.53	1.34	1.86	2.00	2.10	7.6	8.8	8.8	8.9
Broad sectors	Basic materials	18.6	14.6	13.5	7.0	6.2	5.9	1.07	1.05	1.84	2.07	2.16	3.8	5.7	7.0	7.2
	Machinery, autos	15.1	13.0	11.9	8.5	7.7	7.1	1.42	1.37	2.50	2.67	2.92	11.0	9.3	10.2	10.5
	Electronics	22.9	17.6	15.6	10.3	8.9	8.3	1.75	1.73	1.70	1.91	2.08	5.8	7.7	9.5	10.0
	Consumption, distribution	21.5	19.6	18.4	12.6	11.8	11.3	1.91	1.61	2.05	2.14	2.24	6.2	7.6	8.0	8.2
	Information	13.7	14.4	13.0	6.0	6.1	5.7	1.86	1.77	1.77	2.02	2.17	10.8	13.1	11.8	12.2
	Utilities, infrastructure	14.3	14.0	13.2	6.2	6.1	5.9	1.36	1.28	1.63	1.74	1.80	8.9	9.2	8.9	8.8
	Financials	9.9	10.4	10.3	-	-	-	0.74	0.72	2.53	2.63	2.72	7.0	7.4	6.7	6.5
Sectors	Chemicals	16.9	14.8	13.6	7.2	6.7	6.4	1.18	1.15	2.07	2.12	2.20	4.0	6.9	7.6	7.8
	Steel, nonferrous metals	27.5	14.1	13.2	6.2	4.9	4.7	0.82	0.83	1.08	1.90	2.00	3.4	3.0	5.8	5.9
	Machinery	21.7	18.7	17.3	11.9	10.7	10.1	1.72	1.69	1.71	1.84	1.95	9.0	7.9	8.8	8.9
	Automobiles	13.2	11.4	10.4	7.6	6.8	6.3	1.31	1.27	2.87	3.05	3.37	11.7	9.7	10.7	11.1
	Electrical machinery, precision equipment	22.9	17.6	15.6	10.3	8.9	8.3	1.75	1.73	1.70	1.91	2.08	5.8	7.7	9.5	10.0
	Pharmaceuticals, healthcare	27.7	26.4	25.4	16.9	16.9	16.6	2.23	2.23	2.00	2.07	2.11	8.4	8.2	8.3	8.3
	Food products	21.6	21.2	19.7	13.4	13.3	12.6	2.52	2.37	2.10	2.28	2.46	10.3	11.3	10.9	11.2
	Household goods	24.7	22.5	20.9	15.9	14.8	14.0	2.79	2.73	1.38	1.49	1.54	9.8	11.3	11.7	11.6
	Trading companies	9.5	9.0	8.6	5.8	5.6	5.4	0.88	0.90	3.27	3.43	3.58	0.8	9.4	9.7	9.5
	Retailing	34.2	23.8	21.0	15.0	12.3	11.2	2.17	2.18	1.49	1.52	1.66	7.7	6.4	8.9	9.6
	Services	24.6	22.8	21.9	14.0	13.2	12.8	2.28	0.93	2.14	2.20	2.24	6.1	3.8	4.1	4.1
	Software	27.3	24.5	21.3	19.9	18.3	16.4	3.02	2.53	1.47	1.98	2.28	7.8	9.6	10.0	10.8
	Media	17.2	17.4	16.9	12.1	12.1	11.8	1.22	1.16	1.60	1.60	1.60	7.4	6.9	6.5	6.4
	Telecommunications	11.8	12.7	11.4	4.8	4.9	4.6	1.77	1.74	1.87	2.08	2.21	11.9	14.8	13.1	13.4
	Construction	10.0	9.7	9.3	8.7	8.4	8.1	1.65	1.38	2.01	2.19	2.28	13.4	14.5	13.5	12.7
	Housing, real estate	16.1	14.9	14.3	11.3	10.6	10.2	1.67	1.59	1.79	1.94	2.04	8.4	10.1	10.3	10.0
	Transportation	15.3	14.7	14.2	6.7	6.6	6.4	1.50	1.41	1.35	1.42	1.44	8.0	9.5	9.2	8.9
	Utilities	11.5	12.7	11.3	2.6	2.7	2.6	0.77	0.73	1.85	1.99	2.05	9.5	6.5	5.7	6.1
	Financials	9.9	10.4	10.3	-	-	-	0.74	0.72	2.53	2.63	2.72	7.0	7.4	6.7	6.5
	Russell/Nomura Small Cap		16.7	15.0	14.5	-	-	-	1.21	1.15	1.82	1.85	1.90	6.5	7.0	7.4
Russell/Nomura Small Cap (ex financials)		17.4	15.4	14.8	9.1	8.5	8.2	1.32	1.26	1.79	1.82	1.86	6.5	7.4	8.0	7.8

Note: Estimates and share prices as of 24 November 2016 close.

Source: Nomura

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- Determining manager structures
- Devising asset management benchmarks
- Supporting portfolio management activities
- Evaluating the performance of various investment styles
- Managing risk

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- Because the indexes take into consideration the stable shareholding ratio, they reflect the stocks that are actually available for investment
- There are style indexes for large and small companies and for value and growth stocks
- The Prime Index consists of the top 1,000 stocks in the Total Market Index by market cap excluding stable shareholdings
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When bonds are purchased via public offerings, secondary distributions, or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Bonds carry the risk of losses, as prices fluctuate in line with changes in market interest rates. Bond prices may also fall below the invested principal as a result of such factors as changes in the management and financial circumstances of the issuer, or changes in third-party valuations of the bond in question. In addition, foreign currency-denominated bonds also carry the risk of losses owing to factors such as foreign exchange rate fluctuations.

When Japanese government bonds (JGBs) for individual investors are purchased via public offerings, only the purchase price shall be paid, with no sales commission charged. As a rule, JGBs for individual investors may not be sold in the first 12 months after issuance. When JGBs for individual investors are sold before maturity, an amount calculated via the following formula will be subtracted from the par value of the bond plus accrued interest: (1) for 10-year variable rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used, (2) for 5-year and 3-year fixed rate bonds, an amount equal to the two preceding coupon payments (before tax) x 0.79685 will be used.

When inflation-indexed JGBs are purchased via public offerings, secondary distributions (uridashi deals), or other OTC transactions with Nomura Securities, only the purchase price shall be paid, with no sales commission charged. Inflation-indexed JGBs carry the risk of losses, as prices fluctuate in line with changes in market interest rates and fluctuations in the nationwide consumer price index. 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 J17 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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