

Outlook for FY20-21 corporate earnings

Quarterly Update

9 June 2020

For inquiries:
Market Strategy Research Dept
Equity Research Dept

Contents

Summary and major assumptions.....	3
Contributions to recurring profit growth by sector.....	5
Revisions to recurring profit estimates (versus old estimates)	7
Revision index for the Russell/Nomura Large Cap Index.....	9
Reference	
Russell/Nomura Large Cap Index: earnings indicators	10
Recurring profits by sector.....	12
Percentage change in quarterly sales and profits	13
Valuation indicators	14
What are the Russell/Nomura Japan Equity Indexes?	15

Summary and major assumptions

Overview of FY19 results

In this report, we collate and analyze earnings forecast data issued by our analysts.

FY19 saw a sales decline of 2.5% y-y and a recurring profit decline of 22.3% for companies in the Russell/Nomura Large Cap Index (ex financials). Sale growth was 1.8ppt weaker than our previous forecasts (released in March 2020, collated 25 February 2020), while recurring profit growth was 13.6ppt weaker. COVID-19 affected a wide range of industries, manufacturers and nonmanufacturers (ex financials) alike, and brought production and consumption activity to a standstill.

Recurring profits fell in FY19, for the first time since FY11, eight years ago. The manufacturing sector in particular had already been struggling because of US/China trade friction, and COVID-19 caused earnings at major companies to deteriorate further from the start of 2020. Some companies were forced to post impairment losses on plant closures, while others were forced to post valuation losses on investment securities because of falling share prices through end-FY19. These are among the factors that have served to depress profits. ROE deteriorated substantially from 10.3% in FY18 to 6.5% in FY19.

In FY19 Q4, recurring profits at companies in the Russell/Nomura Large Cap Index (ex financials) fell 71.8% y-y on an 8.1% drop in sales. COVID-19 caused recurring profits to fall by more than two-thirds y-y at both manufacturers and nonmanufacturers.

Overview of the FY20 corporate earnings outlook

For FY20, our analysts look for a sales decline of 6.0% y-y and recurring profit growth of 0.2% for companies in the Russell/Nomura Large Cap Index (ex financials).

Our forex assumptions for FY20 are USD/JPY of 107.0 (previously 109.0) and EUR/JPY of 116.0 (previously 121.0), reflecting our expectation that the yen will strengthen. Our current forecasts represent a downward revision of 7.1ppt for sales growth and a downward revision of 9.6ppt for recurring profit growth, versus our previous forecasts. The main reason why we expect recurring profits to roughly peg level y-y in FY20 despite tough business conditions is the disappearance of major one-time losses posted by some companies in FY19. We also note that our analysts have not completed the process of revising their earnings forecasts, partly because COVID-19 delayed the FY19 results season and numerous companies have not disclosed initial guidance for FY20.

As analysts continue to factor in the deterioration in the business environment caused by COVID-19 into their forecasts, the revision index for companies in the Russell/Nomura Large Cap Index (ex financials) stands at -48.0% as of the start of June 2020, even worse than -40.9% at the start of June 2011, in the wake of the Great East Japan Earthquake. The global COVID-19 infection rate has been slowing and economic activity has been showing signs of resuming, but a fresh surge in infections could result in further downward revisions to forecasts. Fresh trade friction between the US and China also constitutes a risk, especially for the manufacturing sector.

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

(% y-y, except where noted)

		No. of cos	New					Old	
			FY17	FY18	FY19	FY20E	FY21E	FY19E	FY20E
Sales	Russell/Nomura Large Cap (ex financials)	306	8.2	6.5	-2.5	-6.0	6.0	-0.7	1.1
	Manufacturing	175	9.3	3.0	-2.7	-7.4	7.0	-1.5	1.1
	Basic materials	37	17.1	7.0	-2.0	-13.5	5.1	-0.8	-1.5
	Processing	84	7.9	1.7	-4.5	-6.7	8.4	-3.1	1.8
	Nonmanufacturing (ex financials)	131	6.7	11.5	-2.3	-4.2	4.6	0.4	1.2
	Russell/Nomura Small Cap (ex financials)	1,135	6.1	4.6	0.3	-0.8	3.3	1.3	2.6
Operating profits	Russell/Nomura Large Cap (ex financials)	306	16.3	3.6	-23.7	-0.9	25.5	-13.0	12.8
	Manufacturing	175	17.8	0.3	-23.2	-8.0	35.6	-14.6	16.0
	Basic materials	37	34.9	0.1	-48.7	17.0	31.5	-33.5	22.8
	Processing	84	15.9	0.2	-20.1	-18.7	44.4	-11.6	12.7
	Nonmanufacturing (ex financials)	131	14.3	8.0	-24.3	7.8	15.0	-11.1	9.2
	Russell/Nomura Small Cap (ex financials)	1,135	6.8	-2.4	-6.0	-1.0	15.5	-0.9	11.6
Recurring profits	Russell/Nomura Large Cap	330	15.3	1.1	-20.5	2.5	22.2	-6.3	8.0
	Russell/Nomura Large Cap (ex financials)	306	17.5	3.1	-22.3	0.2	25.7	-8.7	9.8
	Manufacturing	175	21.6	-1.5	-27.2	-2.2	35.7	-13.9	16.2
	Basic materials	37	43.6	2.1	-52.0	19.0	34.0	-36.7	26.3
	Processing	84	19.6	-2.6	-24.5	-10.3	42.6	-8.6	11.8
	Nonmanufacturing	155	9.7	3.7	-14.3	6.2	12.2	0.9	1.4
	Nonmanufacturing (ex financials)	131	12.2	9.7	-16.0	2.8	15.2	-2.2	2.7
	Russell/Nomura Small Cap	1,231	9.0	-1.8	-7.3	-0.5	14.5	-2.5	11.0
	Russell/Nomura Small Cap (ex financials)	1,135	8.4	0.3	-9.5	-0.6	15.7	-4.1	11.8
Net profits	Russell/Nomura Large Cap	330	32.2	-4.5	-31.6	11.0	26.4	-11.6	9.8
	Russell/Nomura Large Cap (ex financials)	306	38.5	-1.1	-35.6	9.3	31.0	-16.1	12.1
	Manufacturing	175	53.1	-4.3	-40.3	3.6	44.3	-23.7	20.0
	Basic materials	37	49.6	0.9	-82.6	159.8	38.1	-54.4	60.8
	Processing	84	68.5	-5.9	-37.9	-8.0	53.4	-19.3	12.4
	Nonmanufacturing	155	15.1	-4.7	-22.2	17.3	13.1	1.5	1.5
	Nonmanufacturing (ex financials)	131	20.4	3.9	-28.8	16.2	16.6	-5.3	3.0
	Russell/Nomura Small Cap	1,231	14.5	-5.9	-12.0	13.5	15.4	0.9	15.7
	Russell/Nomura Small Cap (ex financials)	1,135	10.1	-3.4	-13.9	15.4	17.1	0.5	17.5

Note: Latest estimates as of 31 May 2020, previous estimates as of 25 February 2020.

Source: Nomura

Fig. 2: Major assumptions

As of 20 April 2020						As of 20 January 2020				
	Industrial production 2015 base year % y-y	Policy rate (FY-end) %	WTI \$/bbl	Exchange rate (avg)		Industrial production 2015 base year % y-y	Policy rate (FY-end) %	WTI \$/bbl	Exchange rate (avg)	
				USD/JPY	EUR/JPY				USD/JPY	EUR/JPY
FY19	-3.9	-0.10	54.8	108.72	120.82	-3.2	-0.10	57.7	108.73	121.05
FY20E	-8.1	-0.10	29.5	107.00	116.00	1.1	-0.10	57.5	109.00	121.00
FY21E	5.4	-0.10	36.3	107.00	116.00	-	-	-	-	-
FY19 H1	-1.6	-0.10	58.1	108.61	121.41	-1.6	-0.10	58.1	108.61	121.41
FY19 H2	-6.1	-0.10	51.6	108.84	120.22	-4.7	-0.10	57.2	108.85	120.68
FY20E H1	-12.5	-0.10	25.5	107.00	116.00	-2.8	-0.10	57.5	109.00	121.00
FY20E H2	-3.6	-0.10	33.5	107.00	116.00	5.0	-0.10	57.5	109.00	121.00
FY21E H1	7.0	-0.10	35.5	107.00	116.00	-	-	-	-	-
FY21E H2	3.8	-0.10	37.0	107.00	116.00	-	-	-	-	-

Note: WTI is term-average WTI crude oil futures price. The above assumptions are not Nomura forecasts but the assumptions on which Nomura analysts base their earnings forecasts.

Source: Nomura

Contributions to recurring profit growth by sector

Overview of FY19 results

In FY19, 7 of 19 sectors achieved increases in recurring profits, with the other 12 sectors showing declines.

Sectors that made major positive contributions to profits included utilities; software; and pharmaceuticals, healthcare. Utilities benefited from y-y declines in crude oil prices and gains under the fuel cost adjustment scheme. Software benefited from strong sales of game consoles and software in the amusement field. Meanwhile, in terms of software for enterprises, sector companies tapped into strong corporate appetite to invest in IT in order to boost productivity. In pharmaceuticals, healthcare, progress was made in reducing SG&A costs, and sales were strong, both overseas and in Japan.

Sectors that made major negative contributions to profits included telecommunications; chemicals; electrical machinery, precision equipment; automobiles; and steel, nonferrous metal. In telecommunications, major losses posted by SoftBank Group [9984] at its SVF and other SBIA-managed funds segment and on proprietary investment projects accounted for around 80% of sector losses. Manufacturers (chemicals; electrical machinery, precision equipment; automobiles; steel, nonferrous metal) were hit by US/China trade friction and by COVID-19, which disrupted production and distribution and dented demand too. In addition to this, major negatives for profits at individual sectors included losses as a result of falling crude oil prices for chemicals (inventory valuation losses, time-lag losses for refining margins, impairment losses on resource exploration projects); the disappearance of one-time gains posted in FY18, impairment losses at subsidiaries, and one-time losses on overseas operations for electrical machinery, precision equipment; quality-related costs for automobiles; and impairment losses on production network reorganization at Nippon Steel [5401] and JFE Holdings [5411] for steel, nonferrous metal.

Overview of the FY20 corporate earnings outlook

For FY20, our analysts project that recurring profits will increase in 12 of 19 sectors and decrease in 7.

Sectors expected to make major positive contributions to profits include telecommunications; financials; electrical machinery, precision equipment; and steel, nonferrous metal.

We expect these sectors to make major positive contributions to profits in FY20 because of the disappearance of impairment losses and/or one-time losses posted in FY19. For telecommunications, the one-time losses posted by SoftBank Group will disappear in FY20. SoftBank Group accounts for more than 80% of projected profit growth for the telecommunications sector. Also for electrical machinery, precision equipment, the disappearance of one-time losses posted in FY19 accounts for the majority of projected profit growth. Steel, nonferrous metal is also likely to benefit substantially in FY20 from the disappearance of impairment losses on the closure of facilities at two major steelmakers, as discussed above.

Sectors expected to make major negative contributions to profits include automobiles; housing, real estate; trading companies; and services. For automobiles, we forecast a further decline in global demand. For housing, real estate, we note falling demand for hotels owing to the decline in inbound tourism, rent waivers for tenants at temporarily shuttered retail facilities, and the stagnant property market. For trading companies, we think the main negatives for profits will include a downturn in automotive-related operations and weak demand and falling prices for resources as a result of COVID-19. For services, we expect COVID-19 to have a major negative impact on the utilization of post office services at Japan Post Holdings [6178] and the operation of theme parks at Oriental Land [4661].

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

FY19				FY20E			
Increase in profits			(%)	Increase in profits			(%)
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
7 sectors				12 sectors			
Utilities	17.7	1.8	1.9	Telecommunications	47.7	136.9	2,077.8
Software	20.1	1.4	1.4	Financials	15.4	93.4	-
Pharmaceuticals, healthcare	8.0	1.2	1.3	Electrical machinery, precision equipment	18.3	81.5	1,236.5
Housing, real estate	5.4	1.1	1.2	Steel, nonferrous metals	SP	47.8	726.1
Retailing	4.1	0.6	0.7	Transportation	17.5	40.1	608.8
Services	1.7	0.3	0.3	Pharmaceuticals, healthcare	16.4	28.2	428.3
Construction	0.6	0.0	0.0	Software	16.8	15.1	229.2
Decrease in profits				Decrease in profits			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
12 sectors				7 sectors			
Household goods	-7.5	-0.6	-0.7	Household goods	-0.0	-0.0	-0.6
Media	-57.5	-2.1	-2.2	Construction	-1.4	-1.1	-16.9
Food	-15.6	-2.6	-2.7	Retailing	-17.4	-30.4	-460.6
Transportation	-17.4	-4.6	-4.9	Services	-17.0	-31.9	-483.5
Financials	-9.1	-5.8	-	Trading companies	-18.3	-44.3	-672.5
Machinery	-30.0	-7.7	-8.1	Housing, real estate	-23.7	-53.3	-809.2
Trading companies	-27.9	-8.8	-9.4	Automobiles	-40.6	-215.4	-3,268.0
Steel, nonferrous metals	SL	-12.3	-13.1				
Automobiles	-21.5	-13.7	-14.5				
Electrical machinery, precision equipment	-25.3	-14.3	-15.2				
Chemicals	-34.2	-14.4	-15.3				
Telecommunications	-41.4	-19.6	-20.8				

FY21E			
Increase in profits			(%)
	Growth	Contribution	Contribution (ex financials)
18 sectors			
Automobiles	88.3	29.9	31.1
Electrical machinery, precision equipment	21.8	12.4	12.8
Chemicals	19.6	6.1	6.4
Retailing	39.0	6.1	6.3
Pharmaceuticals, healthcare	27.3	5.9	6.1
Trading companies	27.5	5.9	6.1
Machinery	25.7	5.6	5.9
Steel, nonferrous metals	433.5	4.9	5.1
Housing, real estate	26.3	4.9	5.0
Telecommunications	8.5	3.9	4.0
Financials	5.1	3.8	-
Services	21.1	3.5	3.7
Transportation	11.2	3.2	3.4
Household goods	22.1	2.0	2.1
Software	14.5	1.6	1.7
Food	10.0	1.6	1.7
Media	15.5	0.5	0.5
Construction	0.7	0.1	0.1
Decrease in profits			
	Growth	Contribution	Contribution (ex financials)
1 sectors			
Utilities	-13.5	-1.8	-1.9

Note: SP = switch to profits. SL = switch to losses.

Source: Nomura

Revisions to recurring profit estimates (versus old estimates)

Overview of FY19 results

FY19 recurring profits overshot our forecasts in 4 of 19 sectors and undershot them in 15.

The four sectors that overshot our forecasts all did so by small degrees, and even services, which registered the largest overshoot, only did so mainly because of company-specific rather than sector-specific factors.

Sectors that undershot our forecasts substantially included telecommunications; financials; automobiles; trading companies; and electrical machinery, precision equipment. In telecommunications, SoftBank Group posted larger losses at its SVF and other SBIA-managed funds segment and on proprietary investment projects. In financials, factors that caused profits to undershoot our forecasts included declines in the value of securities holdings, impairment losses on overseas subsidiaries, and increased credit costs as a result of COVID-19. For automobiles, COVID-19 hit sales hard. The undershoot for trading companies stemmed from the global lockdown of economic activity as a result of COVID-19. Marubeni [8002] also posted impairment losses on crude oil interests and grain operations. COVID-19 hit demand for electrical machinery, precision equipment. Hitachi [6501] also posted substantial losses, including impairments at subsidiaries and one-time losses at overseas operations.

Overview of the FY20 corporate earnings outlook

We raised our FY20 recurring profit forecasts for two of the 19 sectors and lowered them for 17. We revise our USD/JPY assumption for FY20 from 109.0 to 107.0, as we expect the yen to strengthen.

We raised our forecasts for utilities and telecommunications. For utilities, we have factored in improved gains/losses under the fuel cost adjustment scheme, having lowered our crude oil price assumption. We also factor in cost improvements as a result of changes to depreciation methods.

We lowered our forecasts substantially for sectors including automobiles; trading companies; electrical machinery, precision equipment; chemicals; and housing, real estate. For automobiles, we factored in a general decline in global demand, with individual markets likely to recover at different speeds. For trading companies, we factored in a downturn in automotive-related operations and weak demand for resources as a result of COVID-19, as well as the impact of the cut in our crude oil price assumption. For electrical machinery, precision equipment, we factored in lower sales of industrial equipment, electronic products, and electronic parts for automotive and high-end smartphone applications as a result of COVID-19 as well as the risk that some investment in SPE will be pushed back into FY21. For chemicals, we factored in slower demand as a result of COVID-19 and weaker earnings at petroleum companies as a result of falling crude oil prices. For housing, real estate, we factored in lower inbound tourism and rent waivers for tenants at temporarily shuttered retail facilities, among other factors.

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

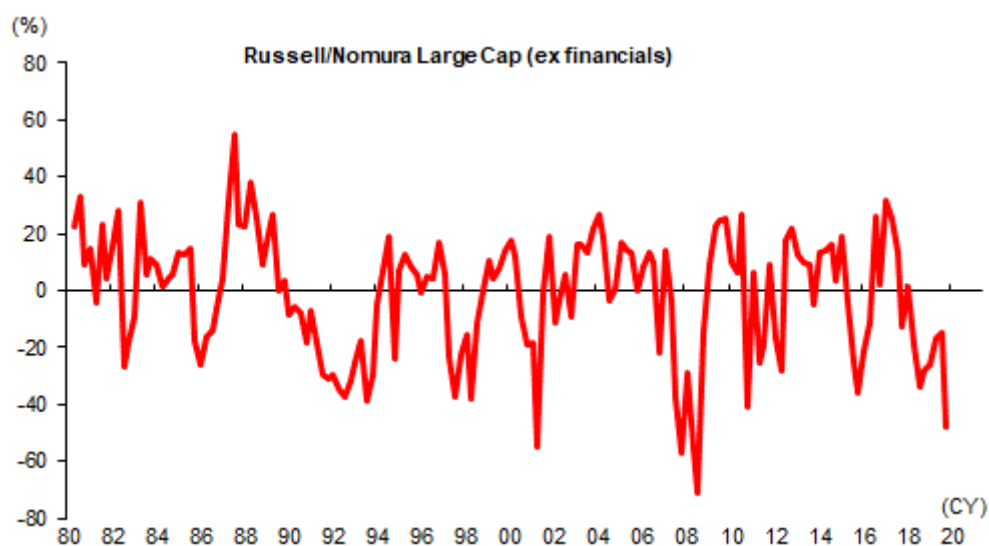
FY19					FY20E				
[Upward revisions] 4 sectors					[Upward revisions] 2 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Services	1,730	1,654	76	4.6	Utilities	1,182	1,084	98	9.1
Software	813	800	13	1.6	Telecommunications	3,968	3,909	59	1.5
Food	1,387	1,378	9	0.6					
Media	154	151	3	2.1	[Downward revisions] 17 sectors				
[Downward revisions] 15 sectors						New ¥bn	Old ¥bn	Revision ¥bn	Change %
	New ¥bn	Old ¥bn	Revision ¥bn	Change %	Construction	724	733	-9	-1.2
Construction	734	741	-7	-0.9	Software	981	1,010	-29	-2.8
Pharmaceuticals, healthcare	1,632	1,653	-21	-1.3	Media	260	297	-38	-12.6
Housing, real estate	2,165	2,191	-25	-1.2	Household goods	779	901	-121	-13.4
Household goods	765	792	-26	-3.3	Food	1,396	1,539	-143	-9.3
Retailing	1,612	1,649	-38	-2.3	Financials	6,539	6,726	-187	-2.8
Utilities	1,167	1,207	-40	-3.3	Transportation	2,521	2,740	-218	-8.0
Steel, nonferrous metals	-305	-140	-165	-	Steel, nonferrous metals	99	447	-349	-78.0
Machinery	1,781	2,146	-364	-17.0	Services	1,460	1,828	-368	-20.1
Transportation	2,170	2,579	-409	-15.9	Pharmaceuticals, healthcare	1,876	2,247	-371	-16.5
Chemicals	2,758	3,380	-622	-18.4	Retailing	1,353	1,786	-433	-24.3
Electrical machinery, precision equipment	4,190	4,935	-745	-15.1	Machinery	1,914	2,432	-517	-21.3
Trading companies	2,271	3,046	-775	-25.4	Housing, real estate	1,607	2,237	-630	-28.1
Automobiles	4,964	6,163	-1,199	-19.5	Chemicals	2,731	3,496	-766	-21.9
Financials	5,785	6,985	-1,200	-17.2	Electrical machinery, precision equipment	4,926	5,926	-1,000	-16.9
Telecommunications	2,761	4,131	-1,370	-33.2	Trading companies	1,856	2,956	-1,100	-37.2
					Automobiles	2,948	6,391	-3,443	-53.9

Note: Latest estimates as of 31 May 2020; previous estimates as of 25 February 2020.

Source: Nomura

Fig. 5: Revision index for the Russell/Nomura Large Cap Index

	(yy/m)	18/9	18/12	19/3	19/6	19/9	19/12	20/3	20/6
Russell/Nomura Large Cap		0.9	-17.4	-31.4	-27.6	-24.6	-15.6	-15.5	-45.5
Russell/Nomura Large Cap (ex financials)		1.7	-19.1	-33.8	-28.0	-26.1	-16.9	-15.0	-48.0
Manufacturing		7.2	-26.0	-47.8	-34.1	-46.4	-25.7	-21.7	-57.7
Basic materials		9.8	-36.6	-42.9	-31.7	-63.4	-56.1	-40.5	-64.9
Processing		14.3	-29.8	-57.8	-41.0	-50.6	-32.5	-23.8	-63.1
Nonmanufacturing (ex financials)		-6.6	-9.0	-14.1	-19.5	2.3	-4.7	-6.1	-35.1



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. 6: Percentage change in sales by sector

(% y-y, except where noted)

		No. of cos	FY17	FY18	FY19E Old	FY19 New	FY20E Old	FY20E New	FY21E New
Industrial groups	Russell/Nomura Large Cap (ex financials)	306	8.2	6.5	-0.7	-2.5	1.1	-6.0	6.0
	Manufacturing	175	9.3	3.0	-1.5	-2.7	1.1	-7.4	7.0
	Basic materials	37	17.1	7.0	-0.8	-2.0	-1.5	-13.5	5.1
	Processing	84	7.9	1.7	-3.1	-4.5	1.8	-6.7	8.4
	Nonmanufacturing (ex financials)	131	6.7	11.5	0.4	-2.3	1.2	-4.2	4.6
Broad sectors	Materials	37	17.1	7.0	-0.8	-2.0	-1.5	-13.5	5.1
	Machinery, autos	45	9.0	2.2	-2.8	-4.4	1.3	-9.5	10.6
	Electronics	39	6.0	0.8	-3.5	-4.8	2.6	-2.0	4.9
	Consumer, distribution	99	6.7	15.5	0.7	-0.6	1.3	-6.0	5.9
	Information	27	6.3	3.7	1.4	-7.4	2.5	1.4	3.3
	Utilities, infrastructure	59	6.0	3.8	1.6	0.2	0.5	-1.9	2.6
Sectors	Chemicals	31	18.0	8.0	0.5	-1.2	-2.1	-12.6	3.2
	Steel, nonferrous metals	6	15.0	4.7	-4.3	-3.9	0.3	-16.0	10.8
	Machinery	26	13.9	3.0	-1.5	-3.6	3.4	-2.0	5.3
	Autos	19	7.7	2.0	-3.2	-4.6	0.7	-11.7	12.4
	Electrical machinery, precision equipment	39	6.0	0.8	-3.5	-4.8	2.6	-2.0	4.9
	Pharmaceuticals, healthcare	21	3.2	3.5	10.2	9.7	1.9	0.3	3.7
	Food products	19	6.7	2.5	1.0	0.7	0.4	-3.1	2.8
	Household goods	14	7.5	3.5	-0.1	-0.8	4.0	-3.1	7.4
	Trading companies	7	13.1	45.0	-3.6	-5.0	0.1	-13.0	7.1
	Retailing	20	5.1	3.1	3.2	2.5	3.1	-5.0	9.3
	Services	18	0.7	1.9	0.2	-2.5	1.1	0.4	3.1
	Software	12	20.8	9.5	5.7	7.5	8.8	4.6	5.1
	Media	5	5.3	6.4	0.8	0.8	0.9	-0.8	3.0
	Telecommunications	10	4.7	2.7	0.9	-10.7	1.6	1.1	2.9
	Construction, engineering	7	1.9	8.0	5.0	5.1	-1.0	-1.1	0.2
	Housing, real estate	18	5.1	5.4	3.5	2.3	2.6	-5.2	6.4
	Transportation	24	5.8	-1.1	1.1	-2.2	2.0	2.4	3.0
	Utilities	10	8.5	6.6	-0.7	-0.9	-2.4	-3.8	-0.4

Note: Figures exclude listed consolidated subsidiaries. Latest estimates as of 31 May 2020; previous estimates as of 25 February 2020.

Source: Nomura

Fig. 7: Percentage change in recurring profits by sector

(% y-y, except where noted)

		No. of cos	FY17	FY18	FY19E Old	FY19 New	FY20E Old	FY20E New	FY21E New
Industrial groups	Russell/Nomura Large Cap	330	15.3	1.1	-6.3	-20.5	8.0	2.5	22.2
	Russell/Nomura Large Cap (ex financials)	306	17.5	3.1	-8.7	-22.3	9.8	0.2	25.7
	Manufacturing	175	21.6	-1.5	-13.9	-27.2	16.2	-2.2	35.7
	Basic materials	37	43.6	2.1	-36.7	-52.0	26.3	19.0	34.0
	Processing	84	19.6	-2.6	-8.6	-24.5	11.8	-10.3	42.6
	Nonmanufacturing	155	9.7	3.7	0.9	-14.3	1.4	6.2	12.2
	Nonmanufacturing (ex financials)	131	12.2	9.7	-2.2	-16.0	2.7	2.8	15.2
Broad sectors	Materials	37	43.6	2.1	-36.7	-52.0	26.3	19.0	34.0
	Machinery, autos	45	16.5	-8.9	-6.4	-23.9	6.2	-27.9	63.6
	Electronics	39	26.1	9.3	-12.1	-25.3	21.5	18.3	21.8
	Consumer, distribution	99	14.8	2.8	-2.0	-9.5	10.3	-7.5	24.9
	Information	27	6.1	33.1	-11.6	-35.2	2.6	41.5	10.0
	Utilities, infrastructure	59	9.6	-2.5	4.9	-2.6	2.8	-1.5	9.1
	Financials	24	4.4	-10.5	9.7	-9.1	-2.0	15.4	5.1
Sectors	Chemicals	31	34.2	4.5	-19.4	-34.2	5.5	0.1	19.6
	Steel, nonferrous metals	6	93.4	-7.3	SL	SL	SP	SP	433.5
	Machinery	26	29.3	9.6	-15.6	-30.0	13.3	7.5	25.7
	Autos	19	12.9	-14.6	-2.7	-21.5	3.7	-40.6	88.3
	Electrical machinery, precision equipment	39	26.1	9.3	-12.1	-25.3	21.5	18.3	21.8
	Pharmaceuticals, healthcare	21	5.9	-3.5	9.5	8.0	37.5	16.4	27.3
	Food products	19	4.8	-3.7	-16.2	-15.6	13.2	2.0	10.0
	Household goods	14	20.8	6.9	-4.6	-7.5	11.6	-0.0	22.1
	Trading companies	7	31.2	10.4	-3.3	-27.9	-3.0	-18.3	27.5
	Retailing	20	12.4	3.3	6.5	4.1	6.9	-17.4	39.0
	Services	18	10.9	0.0	-2.8	1.7	8.4	-17.0	21.1
	Software	12	44.2	16.7	18.2	20.1	22.2	16.8	14.5
	Media	5	9.6	4.1	-58.4	-57.5	96.5	68.2	15.5
	Telecommunications	10	1.4	38.5	-12.3	-41.4	-4.8	47.7	8.5
	Construction, engineering	7	9.8	-1.1	1.5	0.6	-1.1	-1.4	0.7
	Housing, real estate	18	9.9	-2.7	6.6	5.4	5.0	-23.7	26.3
	Transportation	24	9.0	2.2	-1.8	-17.4	7.3	17.5	11.2
	Utilities	10	10.2	-12.8	21.7	17.7	-8.4	3.8	-13.5
Financials	24	4.4	-10.5	9.7	-9.1	-2.0	15.4	5.1	

Note: (1) Figures exclude listed consolidated subsidiaries. Latest estimates as of 31 May 2020; previous estimates as of 25 February 2020. (2) SP = switch to profits. SL = switch to losses.

Source: Nomura

Fig. 8: Recurring profits by sector

(¥bn, except where noted)

		No. of cos	FY17	FY18	FY19E Old	FY19 New	FY20E Old	FY20E New	FY21E New
Industrial groups	Russell/Nomura Large Cap	330	47,681	48,162	45,442	38,534	48,682	39,118	47,818
	Russell/Nomura Large Cap (ex financials)	306	40,521	41,796	38,457	32,749	41,956	32,579	40,948
	Manufacturing	175	23,855	23,510	20,307	17,173	23,378	16,668	22,622
	Basic materials	37	4,971	4,963	3,241	2,453	3,943	2,829	3,791
	Processing	84	14,790	14,552	13,244	10,935	14,748	9,788	13,955
	Nonmanufacturing	155	23,826	24,652	25,134	21,361	25,304	22,450	25,195
	Nonmanufacturing (ex financials)	131	16,666	18,286	18,149	15,577	18,578	15,911	18,326
Broad sectors	Materials	37	4,971	4,963	3,241	2,453	3,943	2,829	3,791
	Machinery, autos	45	9,755	8,911	8,309	6,745	8,822	4,862	7,955
	Electronics	39	5,035	5,641	4,935	4,190	5,926	4,926	6,001
	Consumer, distribution	99	10,162	10,312	10,172	9,397	11,256	8,720	10,890
	Information	27	4,317	5,753	5,083	3,728	5,216	5,208	5,728
	Utilities, infrastructure	59	6,280	6,216	6,717	6,236	6,793	6,034	6,584
	Financials	24	7,160	6,366	6,985	5,785	6,726	6,539	6,869
Sectors	Chemicals	31	3,911	4,036	3,380	2,758	3,496	2,731	3,265
	Steel, nonferrous metals	6	1,061	927	-140	-305	447	99	526
	Machinery	26	2,336	2,539	2,146	1,781	2,432	1,914	2,406
	Autos	19	7,419	6,372	6,163	4,964	6,391	2,948	5,549
	Electrical machinery, precision equipment	39	5,035	5,641	4,935	4,190	5,926	4,926	6,001
	Pharmaceuticals, healthcare	21	1,616	1,540	1,653	1,632	2,247	1,876	2,389
	Food products	19	1,723	1,625	1,378	1,387	1,539	1,396	1,535
	Household goods	14	755	830	792	765	901	779	952
	Trading companies	7	2,852	3,148	3,046	2,271	2,956	1,856	2,366
	Retailing	20	1,545	1,497	1,649	1,612	1,786	1,353	1,881
	Services	18	1,671	1,672	1,654	1,730	1,828	1,460	1,767
	Software	12	564	620	800	813	1,010	981	1,124
	Media	5	349	364	151	154	297	260	300
	Telecommunications	10	3,404	4,769	4,131	2,761	3,909	3,968	4,305
	Construction, engineering	7	664	696	741	734	733	724	729
	Housing, real estate	18	2,054	2,055	2,191	2,165	2,237	1,607	2,029
	Transportation	24	2,450	2,474	2,579	2,170	2,740	2,521	2,803
Utilities	10	1,112	992	1,207	1,167	1,084	1,182	1,023	
Financials	24	7,160	6,366	6,985	5,785	6,726	6,539	6,869	

Note: Figures exclude listed consolidated subsidiaries. Index composition for period through FY19 differs from index composition from FY20 onwards. Accordingly, prior-year comparison base for y-y changes has altered, thereby resulting in different y-y figures than before. Latest estimates as of 31 May 2020; previous estimates as of 25 February 2020.

Source: Nomura

Fig. 9: Percentage change in quarterly sales and profits (FY19 Q1–FY19 Q4)

		% y-y															
		Sales				Operating profits				Recurring profits				Net profits			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Industrial groups	Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	-4.3	-18.4	-4.6	-69.9	-10.6	-18.2	-16.8	SL
	Russell/Nomura Large Cap (ex financials)	1.2	0.6	-3.5	-8.1	-10.7	-16.9	-16.8	-60.8	-5.0	-20.8	-6.8	-71.8	-14.2	-22.0	-18.0	SL
	Manufacturing	-0.1	-0.2	-4.1	-6.2	-19.0	-10.4	-20.5	-52.0	-26.2	-15.4	-7.7	-68.7	-42.0	-16.1	-12.4	SL
	Basic materials	2.4	-1.1	-5.2	-4.8	-27.9	-30.7	-51.3	SL	-33.0	-35.0	-50.0	SL	-43.5	-41.4	-94.0	SL
	Processing	-2.3	-1.4	-5.5	-8.3	-19.3	-6.2	-18.5	-41.2	-27.6	-12.2	2.9	-63.1	-46.9	-13.5	6.7	SL
	Nonmanufacturing	-	-	-	-	-	-	-	-	18.1	-21.2	-2.2	-71.1	30.2	-20.3	-20.1	SL
	Nonmanufacturing (ex financials)	3.0	1.7	-2.8	-10.4	-0.1	-24.6	-12.1	-70.2	25.4	-27.3	-5.9	-76.1	38.0	-29.9	-23.5	SL
Broad sectors	Basic materials	2.4	-1.1	-5.2	-4.8	-27.9	-30.7	-51.3	SL	-33.0	-35.0	-50.0	SL	-43.5	-41.4	-94.0	SL
	Machinery, autos	-1.3	-0.8	-6.5	-8.3	-17.0	-7.5	-27.5	-53.9	-20.7	-12.2	8.5	-79.6	-20.5	-11.8	14.6	SL
	Electronics	-4.1	-2.2	-3.8	-8.2	-23.5	-4.5	-5.0	-23.8	-39.9	-12.3	-6.3	-39.6	-72.0	-16.1	-4.9	-50.7
	Consumption, distribution	2.3	1.7	-2.0	-4.6	-2.6	2.6	3.5	-19.7	-4.7	-2.3	3.0	-40.6	-5.8	6.0	-1.1	-41.9
	Information	3.5	2.5	0.3	-34.8	-8.5	-79.6	-34.3	SL	56.8	-79.9	-18.0	SL	72.7	SL	-53.0	SL
	Utilities, infrastructure	5.4	3.8	-2.2	-4.8	10.2	6.4	-2.8	-36.4	18.3	8.6	0.7	-38.8	46.5	21.4	-4.4	SL
	Financials	-	-	-	-	-	-	-	-	-0.4	-0.8	9.1	-57.1	12.7	9.3	-8.8	-89.2
Sectors	Chemicals	3.7	-1.3	-3.9	-4.3	-23.6	-25.9	2.2	-96.9	-30.1	-30.9	4.6	SL	-35.1	-35.5	-24.3	SL
	Steel, nonferrous metals	-0.8	-0.7	-8.7	-5.9	-44.4	-55.6	SL	SL	-44.7	-57.3	SL	SL	-68.2	-66.0	SL	SL
	Machinery	-3.5	-1.6	-6.0	1.5	-22.2	-18.2	-38.6	-41.7	-25.6	-20.2	-34.7	-45.5	-24.0	-22.0	-13.9	-53.7
	Automobiles	-0.7	-0.6	-6.6	-11.1	-15.3	-2.7	-23.3	-60.8	-19.0	-9.2	30.0	-95.8	-19.4	-8.4	28.8	SL
	Electrical machinery, precision equipment	-4.1	-2.2	-3.8	-8.2	-23.5	-4.5	-5.0	-23.8	-39.9	-12.3	-6.3	-39.6	-72.0	-16.1	-4.9	-50.7
	Pharmaceuticals, healthcare	12.4	15.2	9.2	3.0	8.1	21.4	15.9	14.5	-3.1	12.2	27.9	-2.5	-7.2	22.3	11.0	27.1
	Food products	0.1	0.1	1.2	0.7	-20.4	-16.8	3.7	-0.8	-21.5	-16.1	1.8	0.0	-26.1	-17.0	0.2	25.2
	Household goods	1.0	2.2	-3.8	-5.9	-3.8	10.9	-7.4	-22.7	-7.9	7.6	-15.8	-28.5	-11.3	12.4	15.3	-28.5
	Trading companies	0.6	-3.0	-7.8	-9.6	-3.7	-10.3	-7.2	-48.0	-1.5	-16.1	-9.1	SL	-4.8	-11.9	-12.1	SL
	Retailing	4.0	5.2	1.4	-1.5	4.5	23.9	-1.4	-2.8	-0.9	16.5	-1.6	-2.8	7.6	17.1	-9.8	-18.1
	Services	-1.6	-0.3	-3.3	-6.0	2.1	6.3	14.2	-23.6	3.1	5.7	12.9	-24.9	10.9	45.2	5.6	-25.9
	Software	8.5	9.9	3.3	7.7	16.1	39.9	11.8	39.1	-3.2	21.8	25.3	32.2	-1.6	38.9	27.7	21.5
	Media	2.3	5.5	0.7	-5.1	-29.4	19.6	-93.8	9.5	-17.6	-44.4	SL	40.4	32.8	-43.9	SL	54.4
	Telecommunications	3.0	1.1	-0.3	-45.1	-9.4	-93.0	-38.8	SL	65.6	-91.2	-18.9	SL	83.0	SL	-57.8	SL
	Construction, engineering	10.6	12.2	-0.5	0.9	12.2	16.9	-2.0	-8.2	10.5	12.0	-0.8	-9.4	18.7	11.7	-16.4	-13.4
	Housing, real estate	4.3	6.4	-0.7	0.7	7.0	8.8	0.2	8.6	8.4	6.6	1.0	9.5	5.2	7.5	4.2	6.1
	Transportation	1.2	2.5	-2.9	-9.4	2.2	1.8	-10.6	SL	4.5	4.5	-8.2	SL	7.3	7.6	-11.5	SL
	Utilities	9.6	0.0	-3.3	-8.0	37.3	8.5	44.7	-50.9	76.2	19.0	87.8	-53.1	246.2	85.7	69.4	SL
	Financials	-	-	-	-	-	-	-	-	-0.4	-0.8	9.1	-57.1	12.7	9.3	-8.8	-89.2

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 31 May 2020. (3) Excludes consolidated subsidiaries. (4) SP = switch to profits; SL = switch to losses; LS = losses shrinking; LI = losses increasing.

Source: Nomura

Fig. 10: Valuation indicators

		P/E			P/CF			P/B		Dividend yield			ROE			
		FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E
		x	x	x	x	x	x	x	x	%	%	%	%	%	%	%
Industrial groups	Russell/Nomura Large Cap	19.9	18.1	14.3	-	-	-	1.28	1.24	2.34	2.42	2.61	9.2	6.3	7.0	8.5
	Russell/Nomura Large Cap (ex loss-making cos)	17.1	17.1	14.0	-	-	-	1.36	1.26	2.28	2.46	2.67	9.5	7.9	7.5	8.5
	Russell/Nomura Large Cap (ex financials)	22.0	20.3	15.5	8.7	9.4	8.2	1.46	1.40	2.13	2.24	2.42	10.3	6.5	7.1	8.8
	Manufacturing	24.8	23.7	16.4	9.5	10.9	9.0	1.54	1.49	2.11	2.24	2.41	10.5	6.2	6.4	8.8
	Basic materials	51.5	16.6	12.0	7.2	5.9	5.1	0.85	0.84	2.95	2.83	3.08	9.0	1.6	5.2	6.9
	Processing	20.6	22.4	14.6	8.1	10.5	8.3	1.41	1.35	2.13	2.20	2.42	11.2	6.8	6.2	9.0
	Nonmanufacturing	15.9	13.9	12.3	-	-	-	1.04	1.03	2.62	2.65	2.87	8.2	6.5	7.5	8.1
	Nonmanufacturing (ex financials)	18.8	16.7	14.3	7.7	7.8	7.2	1.35	1.28	2.17	2.23	2.44	9.9	7.0	7.9	8.7
Broad sectors	Basic materials	51.5	16.6	12.0	7.2	5.9	5.1	0.85	0.84	2.95	2.83	3.08	9.0	1.6	5.2	6.9
	Machinery, autos	17.8	23.7	12.8	6.7	10.1	7.3	1.13	1.09	2.60	2.62	2.88	9.4	6.3	4.7	8.3
	Electronics	24.7	21.2	17.1	10.4	11.0	9.7	1.92	1.81	1.63	1.76	1.94	14.5	7.8	8.8	10.2
	Consumption, distribution	23.3	27.1	20.8	12.3	13.4	11.5	1.94	1.83	1.97	2.13	2.27	9.1	8.2	7.0	8.6
	Information	38.7	17.1	15.4	8.5	8.0	7.6	1.80	1.77	2.10	2.27	2.46	13.9	4.5	10.6	11.2
	Utilities, infrastructure	13.0	11.9	10.9	5.9	5.7	5.4	1.02	0.95	2.22	2.29	2.46	8.9	8.0	8.3	8.4
	Financials	9.1	7.6	7.2	-	-	-	0.51	0.52	4.77	4.70	5.01	5.3	5.5	6.8	7.1
Sectors	Chemicals	21.0	14.6	12.2	7.0	6.2	5.6	0.99	0.96	3.06	3.00	3.09	10.0	4.7	6.7	7.7
	Steel, nonferrous metals	-	126.4	11.1	8.7	4.2	3.1	0.48	0.48	2.29	1.76	3.07	6.7	-6.5	0.4	4.3
	Machinery	22.4	22.6	17.7	10.8	11.9	10.2	1.67	1.52	1.89	1.71	2.00	10.1	7.4	7.0	8.3
	Automobiles	15.7	24.4	11.0	5.4	9.2	6.2	0.94	0.93	3.04	3.18	3.43	9.2	5.9	3.8	8.3
	Electrical machinery, precision equipment	24.7	21.2	17.1	10.4	11.0	9.7	1.92	1.81	1.63	1.76	1.94	14.5	7.8	8.8	10.2
	Pharmaceuticals, healthcare	35.7	38.7	27.7	19.6	20.7	17.0	2.93	2.85	1.56	1.99	2.01	8.4	8.2	7.5	10.0
	Food products	21.4	21.1	19.2	11.2	11.3	10.6	1.86	1.79	2.76	2.99	3.02	10.9	8.8	8.7	9.2
	Household goods	30.3	31.1	25.2	19.1	19.4	16.7	3.85	3.64	1.40	1.47	1.58	13.3	12.9	12.1	13.9
	Trading companies	8.9	11.2	8.8	4.5	4.9	4.4	0.80	0.76	4.79	4.54	4.50	12.0	8.6	6.9	8.4
	Retailing	27.5	35.3	22.3	12.5	14.0	11.1	2.40	2.32	1.32	1.47	2.03	8.8	8.9	6.8	10.0
	Services	23.6	31.0	24.9	14.0	16.3	14.4	1.51	1.33	1.54	1.51	1.66	5.1	6.0	4.7	5.3
	Software	26.9	23.3	20.3	22.0	19.7	17.5	4.11	3.71	1.66	2.05	2.35	13.2	15.5	16.7	17.4
	Media	36.9	15.6	13.5	12.4	10.0	9.1	0.86	0.82	2.50	2.40	2.40	7.3	2.3	5.4	6.0
	Telecommunications	49.6	15.3	14.0	6.4	6.2	5.9	1.52	1.54	2.29	2.36	2.51	15.0	2.9	10.2	10.7
	Construction	7.9	8.0	8.0	6.8	6.9	6.9	0.98	0.88	3.24	3.46	3.50	14.0	12.6	11.5	10.6
	Housing, real estate	11.3	14.5	11.4	7.7	8.9	7.6	1.11	1.08	2.90	2.77	2.99	10.0	10.0	7.6	9.2
	Transportation	17.7	13.3	12.0	6.9	6.2	5.8	1.22	1.10	1.38	1.57	1.76	8.8	6.9	8.7	8.9
	Utilities	11.2	8.2	9.5	2.9	2.7	2.8	0.61	0.58	2.83	2.88	2.90	6.2	5.5	7.3	6.0
	Financials	9.1	7.6	7.2	-	-	-	0.51	0.52	4.77	4.70	5.01	5.3	5.5	6.8	7.1
	Russell/Nomura Small Cap	19.5	16.9	14.6	-	-	-	1.05	0.97	2.11	2.51	2.58	6.6	5.4	5.9	6.5
	Russell/Nomura Small Cap (ex financials)	21.4	18.0	15.4	9.5	8.4	7.8	1.21	1.11	2.00	2.04	2.11	7.0	5.7	6.3	7.0

Note: Share prices are as of 29 May 2020 and forecasts are as of 31 May 2020.

Source: Nomura

What are the Russell/Nomura Japan Equity Indexes?

The Russell/Nomura Japan Equity Indexes are Japanese equity indexes developed jointly by FTSE Russell Indexes and the Global Research Division, Financial Engineering & Technology Research Center, Nomura Securities Co., Ltd.

Russell/Nomura Japan Equity Indexes should be useful in:

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

Russell/Nomura Japan Equity Indexes have the following characteristics:

- They are share price indexes that are weighted by free-float-adjusted market capitalization and cover the top 98% of all listed stocks in terms of float-adjusted market capitalization, thereby offering broad market coverage
- In addition to stocks listed on the First Section of the Tokyo Stock Exchange (TSE-1), they include stocks listed on other exchanges
- 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
- Stocks are selected quantitatively based on clearly defined criteria
- The composition of each index is reviewed once a year.

Complete details of rules for the Russell/Nomura Japan Equity Index can be found in the Russell/Nomura Japan Equity Index Rulebook.

The intellectual property right and any other rights, in Russell/Nomura Japan Equity Index belong to Nomura Securities Co., Ltd. ("Nomura") and Frank Russell Company ("Russell"). Nomura and Russell do not guarantee accuracy, completeness, reliability, usefulness, marketability, merchantability or fitness of the Index, and do not account for business activities or services that any index user and/or its affiliates undertakes with the use of the Index.

Analyst Certification

I, Japan Equity Research, hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

Important Disclosures

The lists of issuers that are affiliates or subsidiaries of Nomura Holdings Inc., the parent company of Nomura Securities Co., Ltd., issuers that have officers who concurrently serve as officers of Nomura Securities Co., Ltd., issuers in which the Nomura Group holds 1% or more of any class of common equity securities and issuers for which Nomura Securities Co., Ltd. has lead managed a public offering of equity or equity linked securities in the past 12 months are available at <https://www.nomuraholdings.com/report/>. Please contact the Research Production Operation Dept. of Nomura Securities Co., Ltd. for additional information.

Online availability of research and conflict-of-interest disclosures

Nomura Group research is available on www.nomuranow.com/research, Bloomberg, Capital IQ, Factset, Reuters and ThomsonOne. Important disclosures may be read at <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx> or requested from Nomura Securities International, Inc., or Instinet, LLC on 1-877-865-5752. If you have any difficulties with the website, please email grpsupport@nomura.com for help.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities. Unless otherwise noted, the non-US analysts listed at the front of this report are not registered/qualified as research analysts under FINRA rules, may not be associated persons of NSI or ILLC, and may not be subject to FINRA Rule 2241 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Nomura Global Financial Products Inc. ("NGFP") Nomura Derivative Products Inc. ("NDPI") and Nomura International plc. ("NIplc") are registered with the Commodities Futures Trading Commission and the National Futures Association (NFA) as swap dealers. NGFP, NDPI, and NIplc are generally engaged in the trading of swaps and other derivative products, any of which may be the subject of this report.

Distribution of ratings (Nomura Group)

The distribution of all ratings published by Nomura Group Global Equity Research is as follows:

53% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 43% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services** by the Nomura Group.

43% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 57% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group

4% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 15% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group.

As at 31 March 2020.

*The Nomura Group as defined in the Disclaimer section at the end of this report.

** As defined by the EU Market Abuse Regulation

Distribution of ratings (Instinet, LLC)

The distribution of all ratings published by Instinet, LLC Equity Research is as follows:

62% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

35% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

3% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

Definition of Nomura Group's equity research rating system and sectors

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS

A rating of '**Buy**', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of '**Neutral**', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of '**Reduce**', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of '**Suspended**', indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as '**Not rated**' or shown as '**No rating**' are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

SECTORS

A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'NA'** are not assigned ratings. Benchmarks are as follows: **United States:** S&P 500; **Europe:** Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia):** MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan:** Sector ratings are not assigned.

Target Price

A Target Price, if discussed, indicates the analyst's forecast for the share price with a 12-month time horizon, reflecting in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

Disclaimers

This publication contains material that has been prepared by the Nomura Group entity identified on page 1 and, if applicable, with the contributions of one or more Nomura Group entities whose employees and their respective affiliations are specified on page 1 or identified elsewhere in this publication. The term "Nomura Group" used herein refers to Nomura Holdings, Inc. and its affiliates and subsidiaries including: (a) Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan, (b) Nomura Financial Products Europe GmbH ('NFPE'), Germany, (c) Nomura International plc ('Nipic'), UK, (d) Nomura Securities International, Inc. ('NSI'), New York, US, (e) Instinet, LLC ('ILLC'), (f) Nomura International (Hong Kong) Ltd. ('NIHK'), Hong Kong, (g) Nomura Financial Investment (Korea) Co., Ltd. ('NFIK'), Korea (Information on Nomura analysts registered with the Korea Financial Investment Association ('KOFIA') can be found on the KOFIA Intranet at <http://dis.kofia.or.kr>, (h) Nomura Singapore Ltd. ('NSL'), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore) (i) Nomura Australia Ltd. ('NAL'), Australia (ABN 48 003 032 513), regulated by the Australian Securities and Investment Commission ('ASIC') and holder of an Australian financial services licence number 246412, (j) Nomura Securities Malaysia Sdn. Bhd. ('NSM'), Malaysia, (k) NIHK, Taipei Branch ('NITB'), Taiwan, (l) Nomura Financial Advisory and Securities (India) Private Limited ('NFASL'), Mumbai, India (Registered Address: Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai- 400 018, India; Tel: +91 22 4037 4037, Fax: +91 22 4037 4111; CIN No: U74140MH2007PTC169116, SEBI Registration No. for Stock Broking activities : INZ000255633; SEBI Registration No. for Merchant Banking : INM000011419; SEBI Registration No. for Research: INH000001014. 'CNS Thailand' next to an analyst's name on the front page of a research report indicates that the analyst is employed by Capital Nomura Securities Public Company Limited ('CNS') to provide research assistance services to NSL under an agreement between CNS and NSL. 'NSFSPL' next to an employee's name on the front page of a research report indicates that the individual is employed by Nomura Structured Finance Services Private Limited to provide assistance to certain Nomura entities under inter-company agreements. The "BDO-NS" (which stands for "BDO Nomura Securities, Inc.") placed next to an analyst's name on the front page of a research report indicates that the analyst is employed by BDO Unibank Inc. ("BDO Unibank") who has been seconded to BDO-NS, to provide research assistance services to NSL under an agreement between BDO Unibank, NSL and BDO-NS. BDO-NS is a Philippines securities dealer, which is a joint venture between BDO Unibank and the Nomura Group. 'Verdhana' next to an individual's name on the front page of a research report indicates that the individual is employed by PT Verdhana Sekuritas Indonesia ('Verdhana') to provide research assistance to NIHK under a research partnership agreement and neither Verdhana nor such individual is licensed outside of Indonesia.

THIS MATERIAL IS: (I) FOR YOUR PRIVATE INFORMATION, AND WE ARE NOT SOLICITING ANY ACTION BASED UPON IT; (II) NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE ILLEGAL; AND (III) OTHER THAN DISCLOSURES RELATING TO THE NOMURA GROUP, BASED UPON INFORMATION FROM SOURCES THAT WE CONSIDER RELIABLE, BUT HAS NOT BEEN INDEPENDENTLY VERIFIED BY NOMURA GROUP.

Other than disclosures relating to the Nomura Group, the Nomura Group does not warrant, represent or undertake, express or implied, that the document is fair, accurate, complete, correct, reliable or fit for any particular purpose or merchantable, and to the maximum extent permissible by law and/or regulation, does not accept liability (in negligence or otherwise, and in whole or in part) for any act (or decision not to act) resulting from use of this document and related data. To the maximum extent permissible by law and/or regulation, all warranties and other assurances by the Nomura Group are hereby excluded and the Nomura Group shall have no liability (in negligence or otherwise, and in whole or in part) for any loss howsoever arising from the use, misuse, or distribution of this material or the information contained in this material or otherwise arising in connection therewith.

Opinions or estimates expressed are current opinions as of the original publication date appearing on this material and the information, including the opinions and estimates contained herein, are subject to change without notice. The Nomura Group, however, expressly disclaims any obligation, and therefore is under no duty, to update or revise this document. Any comments or statements made herein are those of the author(s) and may differ from views held by other parties within Nomura Group. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The Nomura Group does not provide tax advice.

The Nomura Group, and/or its officers, directors, employees and affiliates, may, to the extent permitted by applicable law and/or regulation, deal as principal, agent, or otherwise, or have long or short positions in, or buy or sell, the securities, commodities or instruments, or options or other derivative instruments based thereon, of issuers or securities mentioned herein. The Nomura Group companies may also act as market maker or liquidity provider (within the meaning of applicable regulations in the UK) in the financial instruments of the issuer. Where the activity of market maker is carried out in accordance with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will be separately disclosed within the specific issuer disclosures.

This document may contain information obtained from third parties, including, but not limited to, ratings from credit ratings agencies such as Standard & Poor's. The Nomura Group hereby expressly disclaims all representations, warranties or undertakings of originality, fairness, accuracy, completeness, correctness, merchantability or fitness for a particular purpose with respect to any of the information obtained from third parties contained in this material or otherwise arising in connection therewith, and shall not be liable (in negligence or otherwise, and in whole or in part) for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use or misuse of any of the information obtained from third parties contained in this material or otherwise arising in connection therewith. Reproduction and distribution of third-party content in any form is prohibited except with the prior written permission of the related third-party. Third-party content providers do not, express or implied, guarantee the fairness, accuracy, completeness, correctness, timeliness or availability of any information, including ratings, and are not in any way responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use or misuse of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third-party content providers shall not be liable (in negligence or otherwise, and in whole or in part) for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use or misuse of their content, including

ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice. Any MSCI sourced information in this document is the exclusive property of MSCI Inc. ('MSCI'). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be duplicated, reproduced, re-disseminated, redistributed or used, in whole or in part, for any purpose whatsoever, including creating any financial products and any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all representations, warranties or undertakings of originality, fairness, accuracy, completeness, correctness, merchantability or fitness for a particular purpose with respect to any of this material or the information contained in this material or otherwise arising in connection therewith. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability (in negligence or otherwise, and in whole or in part) for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

The intellectual property rights and any other rights, in Russell/Nomura Japan Equity Index belong to Nomura Securities Co., Ltd. ("Nomura") and Frank Russell Company ("Russell"). Nomura and Russell do not guarantee fairness, accuracy, completeness, correctness, reliability, usefulness, marketability, merchantability or fitness of the Index, and do not account for business activities or services that any index user and/or its affiliates undertakes with the use of the Index.

Investors should consider this document as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Nomura Group produces a number of different types of research product including, among others, fundamental analysis and quantitative analysis; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as a result of differing time horizons, methodologies or otherwise. The Nomura Group publishes research product in a number of different ways including the posting of product on the Nomura Group portals and/or distribution directly to clients. Different groups of clients may receive different products and services from the research department depending on their individual requirements.

Figures presented herein may refer to past performance or simulations based on past performance which are not reliable indicators of future or likely performance. Where the information contains an expectation, projection or indication of future performance and business prospects, such forecasts may not be a reliable indicator of future or likely performance. Moreover, simulations are based on models and simplifying assumptions which may oversimplify and not reflect the future distribution of returns. Any figure, strategy or index created and published for illustrative purposes within this document is not intended for "use" as a "benchmark" as defined by the European Benchmark Regulation. Certain securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment.

With respect to Fixed Income Research: Recommendations fall into two categories: tactical, which typically last up to three months; or strategic, which typically last from 6-12 months. However, trade recommendations may be reviewed at any time as circumstances change. 'Stop loss' levels for trades are also provided; which, if hit, closes the trade recommendation automatically. Prices and yields shown in recommendations are taken at the time of submission for publication and are based on either indicative Bloomberg, Reuters or Nomura prices and yields at that time. The prices and yields shown are not necessarily those at which the trade recommendation can be implemented.

The securities described herein may not have been registered under the US Securities Act of 1933 (the '1933 Act'), and, in such case, may not be offered or sold in the US or to US persons unless they have been registered under the 1933 Act, or except in compliance with an exemption from the registration requirements of the 1933 Act. Unless governing law permits otherwise, any transaction should be executed via a Nomura entity in your home jurisdiction.

This document has been approved for distribution in the UK as investment research by NIplc. NIplc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. NIplc is a member of the London Stock Exchange. This document does not constitute a personal recommendation within the meaning of applicable regulations in the UK, or take into account the particular investment objectives, financial situations, or needs of individual investors. This document is intended only for investors who are 'eligible counterparties' or 'professional clients' for the purposes of applicable regulations in the UK, and may not, therefore, be redistributed to persons who are 'retail clients' for such purposes.

This document has been approved for distribution in the European Economic Area as investment research by Nomura Financial Products Europe GmbH ("NFPE"). NFPE is a company organized as a limited liability company under German law registered in the Commercial Register of the Court of Frankfurt/Main under HRB 110223. NFPE is authorized and regulated by the German Federal Financial Supervisory Authority (BaFin).

This document has been approved by NIIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIIHK. This document is intended only for investors who are 'professional investors' for the purposes of applicable regulations in Hong Kong and may not, therefore, be redistributed to persons who are not 'professional investors' for such purposes.

This document has been approved for distribution in Australia by NAL, which is authorized and regulated in Australia by the ASIC.

This document has also been approved for distribution in Malaysia by NSM.

In Singapore, this document has been distributed by NSL, an exempt financial adviser as defined under the Financial Advisers Act (Chapter 110), among other things, and regulated by the Monetary Authority of Singapore. NSL may distribute this document produced by its foreign affiliates pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the recipient of this document is not an accredited, expert or institutional investor as defined by the Securities and Futures Act (Chapter 289), NSL accepts legal responsibility for the contents of this document in respect of such recipient only to the extent required by law. Recipients of this document in Singapore should contact NSL in respect of matters arising from, or in connection with, this document. **THIS DOCUMENT IS INTENDED FOR GENERAL CIRCULATION. IT DOES NOT TAKE INTO ACCOUNT THE SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATION OR PARTICULAR NEEDS OF ANY PARTICULAR PERSON. RECIPIENTS SHOULD TAKE INTO ACCOUNT THEIR SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL SITUATION OR PARTICULAR NEEDS BEFORE MAKING A COMMITMENT TO PURCHASE ANY SECURITIES, INCLUDING SEEKING ADVICE FROM AN INDEPENDENT FINANCIAL ADVISER REGARDING THE SUITABILITY OF THE INVESTMENT, UNDER A SEPARATE ENGAGEMENT, AS THE RECIPIENT DEEMS FIT.**

Unless prohibited by the provisions of Regulation S of the 1933 Act, this material is distributed in the US, by NSI, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934.

The entity that prepared this document permits its separately operated affiliates within the Nomura Group to make copies of such documents available to their clients.

This document has not been approved for distribution to persons other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' (as defined by the Capital Markets Authority) in the Kingdom of Saudi Arabia ('Saudi Arabia') or a 'Market Counterparty' or a 'Professional Client' (as defined by the Dubai Financial Services Authority) in the United Arab Emirates ('UAE') or a 'Market Counterparty' or a 'Business Customer' (as defined by the Qatar Financial Centre Regulatory Authority) in the State of Qatar ('Qatar') by Nomura Saudi Arabia, NIplc or any other member of the Nomura Group, as the case may be. Neither this document nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into Saudi Arabia or in the UAE or in Qatar or to any person other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' located in Saudi Arabia or a 'Market Counterparty' or a 'Professional Client' in the UAE or a 'Market

Counterparty' or a 'Business Customer' in Qatar. Any failure to comply with these restrictions may constitute a violation of the laws of the UAE or Saudi Arabia or Qatar.

For Canadian Investors: This research report was approved for distribution to Canadian investors by Instinet Canada Limited ("ICL"), member of the Investment Industry Regulatory Organization of Canada ("IIROC") and member of the Canadian Investor Protection Fund. An affiliate of ICL prepared the research report (an "Affiliate Research Report") in accordance with the regulatory requirements applicable to research in the affiliate's local jurisdiction, which include conflict of interest disclosure. ICL reviewed this Affiliate Research Report for the purpose of ensuring Canadian disclosures required by IIROC are included. ICL does not receive compensation in respect of the distribution of Affiliate Research Reports. Pursuant to ICL's policies and procedures regarding the dissemination of research, ICL makes available Affiliate Research Reports to ICL clients and prospective clients only, in electronic and/or in printed form. ICL endeavours to make available and/or distribute Affiliate Research Reports to all intended recipients at the same time. This Affiliate Research Report is not a recommendation and does not take into account the investment objectives, financial situation or particular needs of any particular account.

For report with reference of TAIWAN public companies or authored by Taiwan based research analyst:

THIS DOCUMENT IS SOLELY FOR REFERENCE ONLY. You should independently evaluate the investment risks and are solely responsible for your investment decisions. NO PORTION OF THE REPORT MAY BE REPRODUCED OR QUOTED BY THE PRESS OR ANY OTHER PERSON WITHOUT WRITTEN AUTHORIZATION FROM NOMURA GROUP. Pursuant to Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers and/or other applicable laws or regulations in Taiwan, you are prohibited to provide the reports to others (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities in connection with the reports which may involve conflicts of interests. INFORMATION ON SECURITIES / INSTRUMENTS NOT EXECUTABLE BY NOMURA INTERNATIONAL (HONG KONG) LTD., TAIPEI BRANCH IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT BE CONSTRUED AS A RECOMMENDATION OR A SOLICITATION TO TRADE IN SUCH SECURITIES / INSTRUMENTS.

This material may not be distributed in Indonesia or passed on within the territory of the Republic of Indonesia or to persons who are Indonesian citizens (wherever they are domiciled or located) or entities of or residents in Indonesia in a manner which constitutes a public offering under the laws of the Republic of Indonesia. The securities mentioned in this document may not be offered or sold in Indonesia or to persons who are citizens of Indonesia (wherever they are domiciled or located) or entities of or residents in Indonesia in a manner which constitutes a public offering under the laws of the Republic of Indonesia.

This document is prepared by Nomura group or its subsidiary or affiliate (collectively, "Offshore Issuers") incorporated outside the People's Republic of China ("PRC", excluding Hong Kong, Macau and Taiwan, for the purpose of this document) and it is not approved or intended to be circulated in the PRC. The Offshore Issuers are not licensed, supervised or regulated in the PRC to carry out financial services including securities investment consultancy services. The recipient should not use this document or otherwise rely on any of the information contained in this report in making investment decisions and Offshore Issuers take no responsibility in this regard.

NO PART OF THIS MATERIAL MAY BE (I) COPIED, PHOTOCOPIED, REPRODUCED OR DUPLICATED IN ANY FORM, BY ANY MEANS; OR (II) REDISSEMINATED, REPUBLISHED OR REDISTRIBUTED WITHOUT THE PRIOR WRITTEN CONSENT OF A MEMBER OF THE NOMURA GROUP. If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability (in negligence or otherwise, and in whole or in part) for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

The Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese Walls and employee training.

Additional information regarding the methodologies or models used in the production of any investment recommendations contained within this document is available upon request by contacting the Research Analysts of Nomura listed on the front page. Disclosures information is available upon request and disclosure information is available at the Nomura Disclosure web page:

<http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>

Disclaimers required in Japan

Credit ratings in the text that are marked with an asterisk (*) are issued by a rating agency not registered under Japan's Financial Instruments and Exchange Act ("Unregistered Ratings"). For details on Unregistered Ratings, please contact the Research Production Operation Dept. of Nomura Securities Co., Ltd.

Investors in the financial products offered by Nomura Securities may incur fees and commissions specific to those products (for example, transactions involving Japanese equities are subject to a sales commission (all figures on a tax-inclusive basis) of up to 1.43% of the transaction amount or a commission of ¥2,860 for transactions of ¥200,000 or less, while transactions involving investment trusts are subject to various fees, such as commissions at the time of purchase and asset management fees, such as commissions at the time of purchase and asset management fees (trust fees), specific to each investment trust).

In addition, all products carry the risk of losses owing to price fluctuations or other factors. Fees and risks vary by product. Please thoroughly read the written materials provided, such as documents delivered before making a contract, listed securities documents, or prospectuses.

Transactions involving Japanese equities (including Japanese REITs, Japanese ETFs, and Japanese ETNs, Japanese Infrastructure Funds) are subject to a sales commission of up to 1.43% (tax included) of the transaction amount (or a commission of ¥2,860 (tax included) for transactions of ¥200,000 or less). When Japanese 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. Japanese equities carry the risk of losses owing to price fluctuations. Japanese REITs carry the risk of losses owing to fluctuations in price and/or earnings of underlying real estate. Japanese ETFs and ETNs carry the risk of losses owing to fluctuations in the underlying indexes or other benchmarks. Japanese Infrastructure Funds carry out the risk of losses owing to fluctuations in price and/or earnings of underlying infrastructures.

Transactions involving foreign equities are subject to a domestic sales commission of up to 1.045% (tax included) 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 ¥7,810 (tax included)). 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.

Margin transactions are subject to a sales commission of up to 1.43% (tax included) of the transaction amount (or a commission of ¥2,860 (tax included) for transactions of ¥200,000 or less), as well as management fees and rights handling fees. In addition, long margin transactions are subject to interest on the purchase amount, while short margin transactions are subject to fees for the lending of the shares borrowed. A margin equal to at least 30% of the transaction amount (at least 33% for online transactions) and at least ¥300,000 is required. With margin

transactions, an amount up to roughly 3.3x the margin (roughly 3x for online transactions) may be traded. Margin transactions therefore carry the risk of losses in excess of the margin owing to share price fluctuations. For details, please thoroughly read the written materials provided, such as listed securities documents or documents delivered before making a contract.

Transactions involving convertible bonds are subject to a sales commission of up to 1.10% (tax included) of the transaction amount (or a commission of ¥4,400 (tax included) if this would be less than ¥4,400). 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 5.5% (tax included) 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 5.5% (tax included/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. Transfers of equities to another securities company via the Japan Securities Depository Center are subject to a transfer fee of up to ¥11,000 (tax included) per issue transferred depending on volume. No account fee will be charged for marketable securities or monies deposited.

Nomura Securities Co., Ltd.

Financial instruments firm registered with the Kanto Local Finance Bureau (registration No. 142)

Member associations: Japan Securities Dealers Association; Japan Investment Advisers Association; The Financial Futures Association of Japan; and Type II Financial Instruments Firms Association.

The Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese Walls and employee training.

Additional information regarding the methodologies or models used in the production of any investment recommendations contained within this document is available upon request by contacting the Research Analysts of Nomura listed on the front page. Disclosures information is available upon request and disclosure information is available at the Nomura Disclosure web page:

<http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>

Copyright © 2020 Nomura Securities Co., Ltd. All rights reserved.