

# **Outlook for FY24–25 corporate earnings**

## Quarterly Update

**5 December 2024**

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# Summary and major assumptions

## Our analysts forecast full-year sales up 3.2% and recurring profits up 7.4% in FY24

We have aggregated FY24–25 earnings forecasts by Nomura analysts for constituents of the Russell/Nomura Large Cap Index (forecast for sales and operating profits exclude financials, same basis hereafter). Our analysts forecast FY24 sales growth of 3.2% y-y, operating profit growth of 6.6%, recurring profit growth of 7.4%, and after-tax profit growth of 4.2%. Versus the previous such exercise as of 2 September, our analysts have lowered their sales growth forecast by 0.9ppt, their operating profit growth forecast by 3.3ppt, their recurring profit growth forecast by 0.4ppt, and their after-tax profit growth forecast by 1.0ppt. The difference in size between the revisions to our operating profit and recurring profit forecasts stems from an upward revision to our profit forecasts for SoftBank Group's investment business.

The main factors behind our downward revisions include lower sales volumes and higher sales incentives at automakers, and the impact on petroleum-related operations in the chemicals sector of lower assumptions for crude oil prices. We also revised our forex assumptions in the direction of a stronger yen in light of yen appreciation as of the end of FY24 Q2 (Jul–Sep). We think underlying profit growth in FY24 will not be as high as our forecasts appear at first glance, partly because of the disappearance of transitory gains and impairment losses posted by multiple companies in FY23. At the same time, we expect overall profits at major companies to remain on an upward trajectory, as we expect demand for semiconductor materials and production equipment to improve versus FY23 thanks in part to demand related to generative AI.

## Our analysts forecast full-year sales up 2.6% and recurring profits up 6.1% in FY25

Our analysts forecast FY25 sales growth of 2.6% y-y, operating profit growth of 9.9%, recurring profit growth of 6.1%, and after-tax profit growth of 6.6%. Versus the previous such exercise, our analysts have lowered their sales growth forecast by 0.7ppt, their operating profit growth forecast by 1.1ppt, their recurring profit growth forecast by 2.2ppt, and their after-tax profit growth forecast by 1.7ppt. However, in addition to solid economic conditions overseas, we expect real wages in Japan to turn positive y-y in FY25. We expect overall profits at major companies to remain on a modest upward trajectory in FY25.

## Revision index points to preponderance of downward revisions, partly because of new forex assumptions

The Revision Index (RI) for the Russell/Nomura Large Cap Index (which shows the difference between the percentage of companies for which estimates were raised and the percentage for which estimates were lowered) is -10.8% for December 2024 (based on changes to FY24 recurring profit estimates between 3 September 2024 and 2 December 2024). Unlike the previous such exercise (4 June–2 September), when upward revisions predominated substantially, the downward revisions now outnumber the upward revisions.

## Our analysts forecast dividend payout ratio of 37.8% for FY24, increase in number of companies expected to hike dividends

The projected dividend payout ratio for FY24 is 37.8% (up from 37.1% in the previous such exercise), up from 34.0% in FY23. The percentage of companies our analysts expect to hike dividends in FY24 was 74.2%, up from 69.8% in the previous such exercise. We attribute this not only to growth in net profits, the source of dividends, but also to listed companies raising payout ratio targets.

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

Items	Category	No. of cos	New					Old	
			FY21	FY22	FY23E	FY24E	FY25E	FY24E	FY25E
			Actual	Actual	Actual	E	E	E	E
Sales (% y-y)	Russell/Nomura Large Cap (ex financials)	263	14.1	17.2	3.9	3.2	2.6	4.1	3.3
	Manufacturing	146	15.2	17.4	6.9	3.1	2.5	5.2	3.4
	Basic materials	32	28.8	24.2	-2.7	0.6	1.9	4.4	4.8
	Processing	75	13.3	16.4	10.6	3.2	2.5	5.2	3.1
	Nonmanufacturing (ex financials)	117	12.8	16.9	0.1	3.5	2.7	2.6	3.1
	Russell/Nomura Small Cap (ex financials)	991	7.3	11.0	4.0	4.9	4.1	5.0	4.1
Operating profits (% y-y)	Russell/Nomura Large Cap (ex financials)	263	58.3	6.9	13.1	6.6	9.9	9.9	11.0
	Manufacturing	146	58.2	3.9	7.6	8.8	11.2	14.2	12.0
	Basic materials	32	148.5	-6.4	-18.9	7.7	18.6	18.6	15.4
	Processing	75	52.9	6.9	22.0	5.8	8.3	11.2	10.8
	Nonmanufacturing (ex financials)	117	58.5	13.3	23.7	2.8	7.6	2.5	9.0
	Russell/Nomura Small Cap (ex financials)	991	37.8	3.5	17.1	14.9	10.0	15.4	10.6
Recurring profits (% y-y)	Russell/Nomura Large Cap	288	34.1	4.2	15.0	7.4	6.1	7.8	8.3
	Russell/Nomura Large Cap (ex financials)	263	34.5	7.7	10.9	5.5	4.8	6.1	7.5
	Manufacturing	146	56.9	2.7	12.3	1.2	12.8	7.9	10.8
	Basic materials	32	164.2	-7.2	-14.6	-0.9	24.3	12.6	16.9
	Processing	75	47.8	4.4	26.8	-2.2	9.5	4.2	9.0
	Nonmanufacturing	142	14.7	5.8	18.0	13.9	0.0	7.6	5.5
	Nonmanufacturing (ex financials)	117	8.8	15.8	8.9	11.8	-5.8	3.4	2.4
	Russell/Nomura Small Cap	1,076	45.0	0.7	18.5	9.6	9.7	10.1	9.4
	Russell/Nomura Small Cap (ex financials)	991	50.1	0.4	18.4	9.8	9.5	10.8	9.3
	Russell/Nomura Large Cap	288	38.9	3.1	14.8	4.2	6.6	5.2	8.3
After-tax profits (% y-y)	Russell/Nomura Large Cap (ex financials)	263	39.5	6.5	10.8	2.1	5.3	3.6	7.5
	Manufacturing	146	66.8	-3.1	15.8	-6.7	17.5	3.7	12.0
	Basic materials	32	308.5	-18.8	-17.7	-6.0	36.9	11.0	23.8
	Processing	75	51.4	-1.4	29.3	-9.9	13.8	1.4	9.3
	Nonmanufacturing	142	15.1	10.5	13.7	15.8	-2.8	6.8	4.6
	Nonmanufacturing (ex financials)	117	7.6	23.0	4.1	15.6	-9.7	3.5	0.7
	Russell/Nomura Small Cap	1,076	72.2	1.5	23.7	15.5	6.8	16.3	6.3
	Russell/Nomura Small Cap (ex financials)	991	84.9	0.3	25.5	17.1	6.2	18.5	5.7

Note: Latest estimates as of 2 December 2024, previous estimates as of 2 September 2024.

Source: Nomura

Fig. 2: Key earnings estimate assumptions

As of 17 Oct. 2024					As of 1 Aug. 2024				
Industrial production 2015se year	Policy rate (FY-end)	WTI	Exchange rate (avg)		Industrial production 2015 base year	Policy rate (FY-end)	WTI	Exchange rate (avg)	
% y-y	%	\$/bbl	USD/JPY	EUR/JPY	% y-y	%	\$/bbl	USD/JPY	EUR/JPY
-2.0	0.00	77.8	144.53	156.75	-2.0	0.00	77.8	144.53	156.75
0.3	0.50	73.9	148.69	162.85	0.5	0.25	80.1	151.47	161.95
3.8	0.75	70.0	145.00	160.00	3.4	0.25	75.0	150.00	160.00
-1.4	-0.10	78.0	140.90	153.36	-1.4	-0.10	78.0	140.90	153.36
-2.6	0.00	77.6	148.16	160.13	-2.6	0.00	77.6	148.16	160.13
-2.1	0.25	77.8	152.39	165.70	-1.8	0.25	80.3	152.94	163.90
2.7	0.50	70.0	145.00	160.00	2.9	0.25	80.0	150.00	160.00
4.6	0.50	70.0	145.00	160.00	4.0	0.25	75.0	150.00	160.00
3.0	0.75	70.0	145.00	160.00	2.8	0.25	75.0	150.00	160.00

Note: WTI is the 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 the corporate earnings outlook for FY24

For FY24, our analysts expect recurring profits to increase in 15 out of 19 sectors and fall in four.

Sectors expected to make major positive contributions to overall profit growth include telecommunications, financials, electrical machinery & precision equipment, transportation, pharmaceuticals & healthcare, and machinery. In telecommunications, investment business and investment funds at SoftBank Group contributed substantially to profit growth. In financials, our analysts see numerous positive factors including higher profits from market-related operations and an increase in transactions with large companies, efforts to boost margins, for example via improved spreads and overhead controls, and growth in asset management earnings from the sale of strategic shareholdings by insurance companies. In electrical machinery & precision equipment, our analysts expect the SPE market to recover and grow on increased demand for semiconductors used in generative AI. They also expect the disappearance of transitory costs related to overseas businesses posted by some companies in FY23. In the transportation sector, the bulk of the profit increase comes from shipping, where containership rates are rising amid persistently high tensions in the Middle East. For pharmaceuticals & healthcare, our analysts expect a substantial impact from the dropout of impairment losses related to consolidated subsidiaries and from pharmaceuticals for which development was halted in FY23. In machinery, our analysts expect the disappearance of costs related to engines in international joint development projects in the heavy machinery field, and profit growth in the aircraft and defense fields.

Sectors expected to make large negative contributions to overall profits include automobiles and utilities. In the automobiles sector, our analysts expect an impact from automakers' increased investment in human capital and next-generation technologies, lower-than-expected sales volumes, and an increase in sales expenses and expenses related to certification issues. In the utilities sector, gains/losses under the fuel cost adjustment system for electric power companies are expected to narrow.

## Overview of the corporate earnings outlook for FY25

In FY25, our analysts forecast a switch to y-y growth in real wages as well as solid overseas economies. Our analysts expect recurring profits to increase in 15 of 19 sectors and fall in four.

Sectors expected to make large positive contributions to overall profit growth include financials, electrical machinery & precision equipment, chemicals, steel & nonferrous metals, automobiles, and pharmaceuticals & healthcare. The factors that we expect to push up profits in the financials sector in FY25 are largely the same as in FY24. The electrical machinery & precision equipment sector should benefit from increased semiconductor demand, as in FY24. We also envision a recovery in demand from the automotive and industrial machinery industries and consistently solid demand for IT services. In the chemicals sector, our analysts expect profit growth to accelerate versus FY24 on a variety of positive factors, including increased sales of semiconductor-related products, the disappearance of impairment losses booked in FY24, and higher margins on petroleum products. In the steel & nonferrous metals sector, our analysts expect a contribution to profit growth from domestic production structure reforms and expanded sales of products with high added value such as electrical steel sheet. Earnings are also likely to be affected by the disappearance of business reorganization losses on the sale of subsidiary shares, likely to be posted in FY24. In the automobiles sector, our analysts expect an upturn in domestic production volumes, which fell in FY24 in the wake of data falsification scandals, and the disappearance of the related costs. In the pharmaceuticals & healthcare sector, our analysts forecast growth in sales of pharmaceuticals and medical equipment, as in FY24.

Sectors expected to make large negative contributions to overall profits include telecommunications, trading companies, and transportation. For telecommunications, our analysts expect a contraction relative to FY24 in profits at SoftBank Group from investment business and investment funds. In the transportation sector, we expect containership rates, which rose in FY24, to normalize in FY25. For trading companies, our analysts expect lower volumes following the sale of coal mines in FY24 and the disappearance of one-time valuation gains posted in FY24. We also assume that crude oil prices will fall through FY25.

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

FY24E				FY25E			
Increase in profits (%)				Increase in profits (%)			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
<b>15 sectors</b>				<b>15 sectors</b>			
Telecommunications	79.1	49.0	76.8	Financials	13.5	33.9	-
Financials	19.3	36.2	-	Electrical machinery, precision equipment	16.0	31.2	47.2
Electrical machinery, precision equipment	12.5	19.3	30.2	Chemicals	16.8	18.2	27.5
Transportation	25.9	15.2	23.8	Steel, nonferrous metals	56.4	14.0	21.2
Pharmaceuticals, healthcare	37.1	13.3	20.8	Automobiles	4.7	11.9	18.0
Machinery	15.9	10.0	15.6	Pharmaceuticals, healthcare	21.6	11.9	18.0
Chemicals	10.4	9.0	14.2	Machinery	9.2	7.5	11.4
Household goods	40.0	4.8	7.6	Housing, real estate	9.8	6.4	9.8
Trading companies	4.0	4.7	7.3	Services	9.9	5.0	7.5
Services	9.5	3.9	6.1	Retailing	8.5	4.1	6.2
Construction	56.0	3.5	5.5	Food	8.5	3.8	5.8
Housing, real estate	5.7	3.2	5.0	Software	11.4	3.4	5.1
Food	4.8	1.8	2.9	Construction	16.8	1.8	2.8
Retailing	2.3	1.0	1.5	Media	41.0	1.6	2.4
Media	34.2	0.9	1.4	Household goods	8.0	1.5	2.3
<b>4 sectors</b>				<b>4 sectors</b>			
Software	-8.5	-2.4	-3.8	Utilities	-0.6	-0.2	-0.3
Steel, nonferrous metals	-31.3	-10.1	-15.8	Transportation	-12.9	-10.7	-16.3
Utilities	-40.6	-23.5	-36.8	Trading companies	-8.4	-11.4	-17.2
Automobiles	-14.9	-39.7	-62.1	Telecommunications	-27.2	-33.9	-51.4

Note: SP = switch to profits; SL = switch to losses; LS = losses shrinking.

Source: Nomura

# Revisions to recurring profit forecasts (versus old forecasts)

## Overview of the corporate earnings outlook for FY24

Our analysts have raised their FY24 recurring profit forecasts for six of 19 sectors and lowered them for 13. Because we changed our forex assumptions in the direction of a stronger yen, we have lowered our forecasts for an increasing number of sectors and manufacturing in particular.

The upward revisions (in value terms) were particularly large for the telecommunications and utilities sectors. In the telecommunications sector, we sharply raised our profit forecasts for SoftBank Group's investment business and investment funds. In the utilities sector, electricity demand increased in the summer and electricity procurement costs and supply–demand adjustment costs were lower than expected.

Sectors for which our analysts have made large downward revisions include automobiles, chemicals, steel & nonferrous metals, and electrical machinery & precision equipment. For sectors with a high weighting of external demand, revisions to our forex assumptions have been factored into our forecasts. For the auto sector, our analysts have also factored in lower-than-expected sales volumes at automakers and higher SG&A costs. In the chemicals sector, the bulk of the downward revisions are for the petroleum operations, as we have lowered our crude oil price assumptions. For the steel & nonferrous metals sector, they factored in business reorganization losses on the sale of shares in subsidiaries. The electrical machinery & precision equipment sector made progress with inventory corrections for semiconductors used in automobiles and industrial machinery as end demand fell.

## Overview of the corporate earnings outlook for FY25

Our analysts have raised their FY25 recurring profit forecasts for eight of 19 sectors and lowered them for 11.

The largest upward revisions made were to forecasts for companies in the financial sector, the pharmaceuticals & healthcare sector, and the telecoms sector. The upward revisions to our forecasts are not particularly large in any of these sectors, and we see no particular factors worthy of discussion here.

Sectors for which our analysts have made large downward revisions include automobiles, chemicals, electrical machinery & precision equipment, and machinery. Unlike in FY24, in which there are few remaining months, we expect full-year earnings to be affected by the changes to our forex assumptions in the direction of a stronger yen. Our analysts have also factored higher sales incentives into earnings forecasts for the automotive segment. For chemicals, they have lowered their forecasts for US PVC prices, 300mm wafer sales volumes, and crude oil prices in the oil subsector. For electrical machinery & precision equipment, they have lowered their outlook for sales of SPE and other products in China as well as some lingering effects from inventory corrections for semiconductors used in automobiles and industrial machinery. For machinery, our analysts took into account declining volumes for construction machinery, particularly in North America, and a worsening product mix.

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

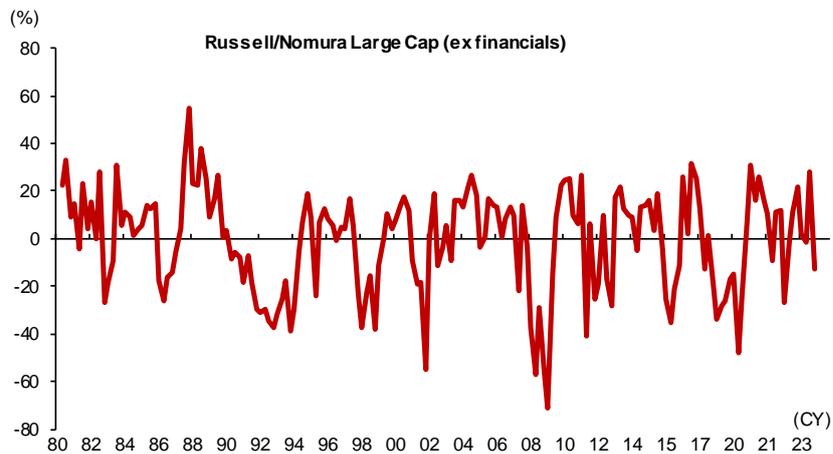
FY24E					FY25E				
6 sectors					8 sectors				
[Upward revisions]	New ¥bn	Old ¥bn	Revision ¥bn	Change %	[Upward revisions]	New ¥bn	Old ¥bn	Revision ¥bn	Change %
Telecommunications	5,374	3,422	1,952.1	57.0	Financials	12,303	12,075	227.5	1.9
Utilities	1,667	1,553	113.4	7.3	Pharmaceuticals, healthcare	2,882	2,728	154.7	5.7
Financials	10,841	10,740	100.4	0.9	Telecommunications	3,913	3,789	123.7	3.3
Pharmaceuticals, healthcare	2,371	2,325	45.7	2.0	Food	2,109	2,031	78.0	3.8
Construction	470	442	27.3	6.2	Housing, real estate	3,124	3,098	25.9	0.8
Housing, real estate	2,846	2,824	22.8	0.8	Construction	548	530	18.6	3.5
					Software	1,405	1,394	11.2	0.8
					Utilities	1,657	1,648	9.2	0.6
[Downward revisions]	New ¥bn	Old ¥bn	Revision ¥bn	Change %	[Downward revisions]	New ¥bn	Old ¥bn	Revision ¥bn	Change %
13 sectors					11 sectors				
Services	2,169	2,171	-1.9	-0.1	Transportation	3,111	3,123	-12.4	-0.4
Food	1,945	1,948	-2.7	-0.1	Media	235	254	-18.4	-7.2
Household goods	819	829	-10.3	-1.2	Services	2,383	2,424	-41.3	-1.7
Trading companies	5,835	5,850	-15.6	-0.3	Household goods	884	942	-57.6	-6.1
Software	1,261	1,283	-22.0	-1.7	Retailing	2,268	2,354	-85.8	-3.6
Media	167	192	-25.0	-13.0	Steel, nonferrous metals	1,674	1,774	-100.0	-5.6
Transportation	3,574	3,602	-28.0	-0.8	Trading companies	5,344	5,498	-154.2	-2.8
Retailing	2,091	2,213	-121.6	-5.5	Machinery	3,840	4,050	-209.9	-5.2
Machinery	3,516	3,669	-152.8	-4.2	Electrical machinery, precision equipment	9,733	10,048	-315.6	-3.1
Electrical machinery, precision equipment	8,390	8,600	-209.8	-2.4	Chemicals	5,430	5,817	-386.3	-6.6
Steel, nonferrous metals	1,070	1,390	-320.0	-23.0	Automobiles	11,525	12,509	-984.3	-7.9
Chemicals	4,647	5,103	-455.3	-8.9					
Automobiles	11,012	12,132	-1,120.4	-9.2					

Note: Latest estimates as of 2 December 2024, previous estimates as of 2 September 2024.

Source: Nomura

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

	(yy/m)	23/3	23/6	23/9	23/12	24/3	24/6	24/9	24/12 (%)
Russell/Nomura Large Cap		-24.7	-0.7	10.4	20.2	2.4	2.1	28.1	-10.8
Russell/Nomura Large Cap (ex financials)		-27.1	-1.1	10.9	21.5	1.9	-1.5	28.1	-12.9
Manufacturing		-43.1	-1.4	0.7	18.2	-7.5	6.1	25.3	-34.2
Basic materials		-30.0	-40.0	-46.7	16.7	-18.2	-6.1	12.5	-37.5
Processing		-50.7	12.3	23.3	23.6	-4.0	5.3	24.0	-44.0
Nonmanufacturing (ex financials)		-8.2	-0.8	23.0	25.4	13.7	-11.1	31.6	13.7



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)

	No. of cos	FY20	FY21	FY22	FY23	FY24E FY25E (% y-y)			
						FY24E		FY25E	
						Old	New	Old	New
						E	E	E	E
<b>Industrial groups</b>									
Russell/Nomura Large Cap (ex financials)	263	-7.5	14.1	17.2	3.9	4.1	3.2	3.3	2.6
Manufacturing	146	-8.0	15.2	17.4	6.9	5.2	3.1	3.4	2.5
Basic materials	32	-12.1	28.8	24.2	-2.7	4.4	0.6	4.8	1.9
Processing	75	-7.7	13.3	16.4	10.6	5.2	3.2	3.1	2.5
Nonmanufacturing (ex financials)	117	-6.8	12.8	16.9	0.1	2.6	3.5	3.1	2.7
<b>Broad sectors</b>									
Materials	32	-12.1	28.8	24.2	-2.7	4.4	0.6	4.8	1.9
Machinery, autos	42	-10.4	13.9	19.7	15.5	6.2	3.7	3.1	2.7
Electronics	33	-3.0	12.5	11.4	1.7	3.1	2.1	2.9	2.2
Consumer, distribution	80	-4.4	15.6	14.6	0.6	2.0	2.7	2.8	2.5
Information	23	-0.6	6.0	7.2	3.6	3.9	4.2	4.6	4.9
Utilities, infrastructure	53	-12.2	6.0	23.6	0.7	5.5	6.4	3.0	2.6
<b>Sectors</b>									
Chemicals	26	-12.4	27.8	26.3	-5.5	5.1	0.5	1.9	-0.9
Steel, nonferrous metals	6	-11.3	31.5	18.2	5.9	2.7	0.9	12.1	8.8
Machinery	24	-5.5	17.8	18.0	7.4	7.4	5.9	4.3	3.5
Autos	18	-11.8	12.8	20.2	18.0	5.9	3.2	2.8	2.4
Electrical machinery, precision equipment	33	-3.0	12.5	11.4	1.7	3.1	2.1	2.9	2.2
Pharmaceuticals, healthcare	15	-2.1	7.4	10.9	7.2	6.9	6.7	1.1	2.4
Food products	13	-3.9	2.0	12.3	7.4	6.4	6.7	4.8	5.6
Household goods	11	-7.4	9.2	10.2	2.2	7.5	6.8	3.7	2.3
Trading companies	10	-5.8	30.3	19.4	-5.6	-0.8	0.7	2.5	1.3
Retailing	15	-3.4	13.7	15.0	3.3	5.1	5.6	3.4	3.6
Services	16	-4.0	3.1	5.5	7.2	-2.5	-2.6	2.9	2.9
Software	12	9.2	3.8	3.3	9.0	2.2	4.3	8.1	10.7
Media	3	-12.9	19.7	12.2	3.1	9.1	8.4	3.6	3.6
Telecommunications	8	-0.6	5.4	7.5	2.6	3.9	3.9	3.9	3.8
Construction, engineering	5	-9.8	5.8	11.8	9.6	5.5	6.3	2.9	3.2
Housing, real estate	19	-4.3	8.4	8.7	5.0	9.1	9.7	5.9	5.8
Transportation	21	-28.2	15.5	25.5	5.0	6.8	7.6	1.8	1.8
Utilities	8	-3.1	-4.1	44.1	-9.9	0.4	1.5	1.2	-0.4

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 2 December 2024; previous estimates as of 2 September 2024.

Source: Nomura

Fig. 7: Percentage change in recurring profits by sector (% y-y)

	No. of cos	(% y-y)							
		FY20	FY21	FY22	FY23	FY24E	FY24E	FY25E	FY25E
						Old	New	Old	New
						E	E	E	E
<b>Industrial groups</b>									
Russell/Nomura Large Cap	288	4.5	34.1	4.2	15.0	7.8	7.4	8.3	6.1
Russell/Nomura Large Cap (ex financials)	263	5.6	34.5	7.7	10.9	6.1	5.5	7.5	4.8
Manufacturing	146	7.6	56.9	2.7	12.3	7.9	1.2	10.8	12.8
Basic materials	32	13.7	164.2	-7.2	-14.6	12.6	-0.9	16.9	24.3
Processing	75	8.7	47.8	4.4	26.8	4.2	-2.2	9.0	9.5
Nonmanufacturing	142	2.0	14.7	5.8	18.0	7.6	13.9	5.5	-0.0
Nonmanufacturing (ex financials)	117	3.3	8.8	15.8	8.9	3.4	11.8	2.4	-5.8
<b>Broad sectors</b>									
Materials	32	13.7	164.2	-7.2	-14.6	12.6	-0.9	16.9	24.3
Machinery, autos	42	-7.0	57.8	3.9	45.9	-1.0	-9.0	4.8	5.8
Electronics	33	34.8	36.0	5.3	-0.8	15.3	12.5	16.8	16.0
Consumer, distribution	80	-12.0	56.6	11.5	-4.2	11.1	10.3	4.2	4.2
Information	23	157.0	-60.0	0.3	22.2	8.7	51.0	11.0	-18.4
Utilities, infrastructure	53	-68.8	137.7	33.9	17.1	-2.5	-0.9	-0.3	-1.4
Financials	25	-1.4	31.9	-18.3	49.9	18.2	19.3	12.4	13.5
<b>Sectors</b>									
Chemicals	26	-11.6	119.1	-5.2	-16.2	21.2	10.4	14.0	16.8
Steel, nonferrous metals	6	SP	555.9	-13.0	-9.6	-10.8	-31.3	27.6	56.4
Machinery	24	-5.0	61.7	6.6	3.8	20.9	15.9	10.4	9.2
Autos	18	-7.7	56.5	2.9	61.2	-6.2	-14.9	3.1	4.7
Electrical machinery, precision equipment	33	34.8	36.0	5.3	-0.8	15.3	12.5	16.8	16.0
Pharmaceuticals, healthcare	15	11.8	6.5	18.2	-21.8	34.5	37.1	17.3	21.6
Food products	13	0.6	10.0	17.7	11.0	4.9	4.8	4.3	8.5
Household goods	11	-23.6	30.0	-14.6	-13.0	41.8	40.0	13.6	8.0
Trading companies	10	-26.8	208.6	18.6	-11.2	4.3	4.0	-6.0	-8.4
Retailing	15	-17.7	20.0	20.5	12.2	8.2	2.3	6.4	8.5
Services	16	-14.3	36.1	-12.8	13.6	9.6	9.5	11.7	9.9
Software	12	39.6	14.4	-5.8	12.9	-6.9	-8.5	8.7	11.4
Media	3	SL	SP	-36.1	-36.8	54.3	34.2	32.3	41.0
Telecommunications	8	207.6	-74.9	9.9	32.6	14.0	79.1	10.7	-27.2
Construction, engineering	5	-13.4	-22.8	2.1	-26.2	46.9	56.0	19.8	16.8
Housing, real estate	19	-10.8	24.1	10.2	-4.5	4.9	5.7	9.7	9.8
Transportation	21	SL	SP	92.2	-28.1	26.9	25.9	-13.3	-12.9
Utilities	8	-15.3	-61.2	SL	1,868.3	-44.6	-40.6	6.1	-0.6
Financials	25	-1.4	31.9	-18.3	49.9	18.2	19.3	12.4	13.5

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 2 December 2024; previous estimates as of 2 September 2024. (3) SP = switch to profits, SL = switch to losses. LS = losses shrinking. LI = losses increasing.

Source: Nomura

Fig. 8: Recurring profits by sector (absolute amount, ¥1bn)

		(¥bn)							
	No. of cos	FY20	FY21	FY22	FY23	FY24E Old	FY24E New	FY25E Old	FY25E New
						E	E	E	E
<b>Industrial groups</b>									
Russell/Nomura Large Cap	289	40,173	53,958	55,567	64,522	70,286	70,063	76,086	74,369
Russell/Nomura Large Cap (ex financials)	264	34,590	46,630	49,619	55,630	59,546	59,222	64,011	62,066
Manufacturing	147	18,613	29,038	29,102	32,824	35,995	33,770	39,899	38,078
Basic materials	33	2,721	7,020	6,195	5,377	6,493	5,717	7,591	7,104
Processing	75	12,114	17,723	18,300	23,232	24,401	22,918	26,608	25,098
Nonmanufacturing	142	21,560	24,920	26,464	31,698	34,291	36,293	36,187	36,291
Nonmanufacturing (ex financials)	117	15,977	17,592	20,516	22,806	23,551	25,453	24,112	23,989
<b>Broad sectors</b>									
Materials	33	2,721	7,020	6,195	5,377	6,493	5,717	7,591	7,104
Machinery, autos	42	6,492	10,244	10,594	15,813	15,801	14,528	16,559	15,365
Electronics	33	5,622	7,479	7,706	7,419	8,600	8,390	10,048	9,733
Consumer, distribution	80	8,260	13,236	14,424	13,827	15,335	15,229	15,977	15,871
Information	23	9,589	3,820	3,709	4,509	4,896	6,802	5,437	5,553
Utilities, infrastructure	53	1,906	4,831	6,990	8,686	8,421	8,556	8,399	8,440
Financials	25	5,583	7,328	5,948	8,892	10,740	10,841	12,075	12,303
<b>Sectors</b>									
Chemicals	27	2,425	5,218	4,715	3,988	5,103	4,647	5,817	5,430
Steel, nonferrous metals	6	296	1,802	1,480	1,388	1,390	1,070	1,774	1,674
Machinery	24	1,670	2,637	2,853	2,986	3,669	3,516	4,050	3,840
Autos	18	4,822	7,608	7,741	12,827	12,132	11,012	12,509	11,525
Electrical machinery, precision equipment	33	5,622	7,479	7,706	7,419	8,600	8,390	10,048	9,733
Pharmaceuticals, healthcare	15	1,810	1,983	2,253	1,762	2,325	2,371	2,728	2,882
Food products	13	1,373	1,533	1,660	1,869	1,948	1,945	2,031	2,109
Household goods	11	596	778	694	585	829	819	942	884
Trading companies	10	1,663	5,203	6,172	5,481	5,850	5,835	5,498	5,344
Retailing	15	1,310	1,651	1,824	2,124	2,213	2,091	2,354	2,268
Services	16	1,509	2,086	1,821	2,006	2,171	2,169	2,424	2,383
Software	12	1,172	1,381	1,214	1,366	1,283	1,261	1,394	1,405
Media	3	-2	327	209	132	192	167	254	235
Telecommunications	8	8,419	2,112	2,286	3,010	3,422	5,374	3,789	3,913
Construction, engineering	5	636	501	408	301	442	470	530	548
Housing, real estate	19	1,878	2,509	2,706	2,608	2,824	2,846	3,098	3,124
Transportation	21	-1,573	1,446	4,011	2,972	3,602	3,574	3,123	3,111
Utilities	8	965	375	-135	2,804	1,553	1,667	1,648	1,657
Financials	25	5,583	7,328	5,948	8,892	10,740	10,841	12,075	12,303

Note: Figures exclude listed consolidated subsidiaries. Index composition for period through FY23 differs from index composition from FY24 onwards. Accordingly, prior-year comparison base for y-y changes has been altered, thereby resulting in different y-y figures than before. Latest estimates as of 2 December 2024; previous estimates as of 2 September 2024.

Source: Nomura

Fig. 9: Percentage change in quarterly sales and profits (FY23 Q3–FY24 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
<b>Industrial groups</b>																
Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	35.5	12.5	13.0	15.9	47.6	2.4	8.0	23.8
Russell/Nomura Large Cap (ex financials)	3.2	4.4	6.9	3.5	17.5	5.8	11.3	3.9	33.1	10.0	9.6	2.9	46.2	4.3	4.1	10.0
Manufacturing	6.3	6.4	8.2	2.4	16.2	13.7	19.9	5.9	23.2	21.5	13.5	-15.8	24.1	15.7	3.0	-17.2
Basic materials	-2.3	1.8	7.0	1.9	37.2	-11.9	37.2	-6.4	65.2	-12.7	20.8	-25.7	79.0	-25.7	10.8	-32.7
Processing	10.3	7.6	8.2	1.7	20.0	24.9	16.4	1.8	24.5	33.9	11.0	-22.1	26.9	25.0	4.6	-23.3
Nonmanufacturing	-	-	-	-	-	-	-	-	48.7	3.4	12.5	53.7	77.1	-8.9	13.3	76.7
Nonmanufacturing (ex financials)	-0.8	1.9	5.2	4.9	19.9	-6.0	-1.6	0.6	47.8	-4.9	4.2	34.0	88.4	-8.9	5.9	60.0
<b>Broad sectors</b>																
Basic materials	-2.3	1.8	7.0	1.9	37.2	-11.9	37.2	-6.4	65.2	-12.7	20.8	-25.7	79.0	-25.7	10.8	-32.7
Machinery, autos	14.5	11.5	9.7	1.9	32.8	38.5	14.3	-8.2	33.6	57.8	7.1	-35.5	36.0	43.0	3.4	-40.1
Electronics	2.3	0.5	5.1	1.4	1.4	6.5	20.9	21.6	10.8	2.0	21.2	6.9	13.9	3.6	7.5	11.5
Consumption, distribution	0.7	5.0	6.5	5.3	-3.1	11.8	12.4	25.2	-3.3	12.6	12.0	13.2	-3.2	14.8	3.0	9.0
Information	3.1	3.0	3.7	3.8	2.7	-0.4	-5.7	3.5	398.3	6.4	17.4	455.5	SP	71.1	42.5	SP
Utilities, infrastructure	-3.6	-1.3	5.9	5.7	44.8	-24.3	-6.3	-7.3	20.5	-28.3	-7.0	-6.5	58.1	-43.6	-6.1	-4.7
Financials	-	-	-	-	-	-	-	-	51.1	33.3	33.6	104.1	55.0	-9.1	29.3	115.4
<b>Sectors</b>																
Chemicals	-4.5	0.8	8.1	1.9	50.7	-23.5	55.7	-3.3	99.0	-25.2	28.6	-26.9	134.1	-32.9	17.0	-35.4
Steel, nonferrous metals	4.2	4.8	4.3	2.0	10.0	34.2	-1.9	-15.7	11.6	40.8	0.6	-21.8	22.8	-15.0	-2.0	-25.7
Machinery	6.7	5.6	10.1	8.1	17.4	6.5	15.9	54.8	24.9	10.8	13.0	36.2	34.6	8.0	12.3	49.8
Automobiles	16.9	13.4	9.5	0.2	37.6	54.1	13.8	-19.6	36.1	78.0	5.6	-46.7	36.4	58.4	1.2	-53.4
Electrical machinery, precision equipment	2.3	0.5	5.1	1.4	1.4	6.5	20.9	21.6	10.8	2.0	21.2	6.9	13.9	3.6	7.5	11.5
Pharmaceuticals, healthcare	2.0	8.5	11.2	9.6	-28.9	-24.1	9.8	126.5	-31.8	-19.4	12.4	117.9	-27.9	0.5	-26.6	114.2
Food products	6.8	9.0	9.5	4.4	16.9	14.3	13.2	-6.7	30.3	21.1	14.1	-10.5	29.1	7.5	11.5	-11.7
Household goods	-2.5	7.5	9.5	5.3	-29.1	10.6	43.1	18.7	-24.1	20.2	40.5	-2.6	-23.3	55.0	37.7	-5.5
Trading companies	-1.5	-0.0	5.8	2.6	5.9	24.1	4.7	-2.1	-5.0	7.8	5.7	5.5	-4.8	11.8	4.5	2.4
Retailing	2.4	2.5	6.0	10.5	20.0	15.6	10.8	9.5	23.2	30.2	17.2	-14.6	30.5	29.6	11.5	-8.0
Services	0.8	18.7	2.2	3.4	1.8	36.8	14.0	25.7	2.5	28.6	15.3	24.9	1.7	25.7	39.1	-9.5
Software	2.0	4.2	-11.2	0.2	0.9	-12.8	-32.4	-6.6	16.3	0.2	-28.4	-33.6	13.7	-15.6	-25.9	-27.5
Media	4.1	4.0	18.1	8.6	-57.2	-4.8	133.2	-30.7	-68.7	11.6	43.0	-40.6	SL	78.2	28.1	-30.7
Telecommunications	3.2	2.7	6.2	4.2	7.7	5.3	3.8	9.1	1,683.0	10.3	46.1	4,243.7	SP	143.6	435.9	SP
Construction, engineering	10.7	4.7	11.2	3.8	-80.8	0.6	116.1	7.4	-74.6	5.8	75.9	-3.0	-73.3	34.0	61.5	10.9
Housing, real estate	5.4	4.6	11.0	8.3	6.4	-6.3	22.5	5.8	6.5	-13.8	21.6	-3.2	10.4	-11.8	12.8	-8.2
Transportation	2.5	7.4	10.0	8.8	20.4	1.6	19.1	6.6	-14.5	-12.3	22.7	30.7	-21.2	8.7	27.9	47.6
Utilities	-20.7	-15.9	-5.3	0.8	SP	-68.1	-45.9	-32.6	SP	-63.5	-45.3	-41.3	SP	-86.5	-44.2	-45.4
Financials	-	-	-	-	-	-	-	-	51.1	33.3	33.6	104.1	55.0	-9.1	29.3	115.4

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 2 December 2024. (3) Excludes listed 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 (x)			P/CF (x)			P/B (x)		Dividend yield (%)			ROE (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY23	FY24E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
<b>Industrial groups</b>														
Russell/Nomura Large Cap	16.1	15.1	13.9	-	-	-	1.52	1.50	2.32	2.51	2.68	9.4	9.7	10.0
Russell/Nomura Large Cap (ex loss-making cos)	15.6	14.9	13.8	-	-	-	1.56	1.51	2.33	2.52	2.70	9.7	9.9	10.0
Russell/Nomura Large Cap (ex financials)	16.7	15.8	14.6	9.6	9.2	8.7	1.61	1.55	2.21	2.34	2.49	9.5	9.6	9.9
Manufacturing	18.1	15.5	14.2	10.3	9.2	8.7	1.61	1.55	2.24	2.43	2.59	8.7	9.8	10.1
Basic materials	14.6	10.7	9.8	6.4	5.3	4.9	1.01	0.95	3.05	3.22	3.42	6.7	8.7	9.1
Processing	17.3	15.2	14.0	10.5	9.5	8.9	1.61	1.56	2.09	2.31	2.49	9.2	10.0	10.3
Nonmanufacturing	14.3	14.7	13.6	-	-	-	1.44	1.44	2.41	2.59	2.78	10.1	9.6	9.8
Nonmanufacturing (ex financials)	14.9	16.5	15.2	8.7	9.1	8.7	1.61	1.55	2.16	2.21	2.34	10.7	9.2	9.5
<b>Broad sectors</b>														
Basic materials	14.6	10.7	9.8	6.4	5.3	4.9	1.01	0.95	3.05	3.22	3.42	6.7	8.7	9.1
Machinery, autos	13.2	11.7	11.0	8.1	7.4	6.9	1.12	1.11	2.93	3.23	3.41	8.4	9.2	9.5
Electronics	23.2	20.1	18.1	13.8	12.5	11.6	2.50	2.37	1.39	1.53	1.73	10.5	11.4	11.8
Consumption, distribution	20.4	19.7	18.4	12.7	12.3	11.7	2.06	2.00	2.06	2.15	2.23	9.9	9.9	10.1
Information	16.7	23.0	20.3	8.9	10.4	9.8	2.05	2.06	1.92	1.92	2.05	12.5	8.8	9.6
Utilities, infrastructure	10.0	10.5	9.7	5.7	5.8	5.5	1.01	0.95	2.92	2.99	3.23	9.8	8.8	9.0
Financials	13.0	11.5	10.7	-	-	-	1.13	1.22	3.09	3.59	3.95	8.9	10.3	10.5
<b>Sectors</b>														
Chemicals	14.9	11.8	10.8	6.8	5.9	5.5	1.13	1.08	2.73	2.94	3.12	7.4	8.9	9.4
Steel, nonferrous metals	13.7	7.6	7.1	5.0	3.6	3.4	0.70	0.64	4.37	4.40	4.63	4.8	8.2	8.3
Machinery	17.8	16.2	14.9	10.8	10.1	9.4	1.59	1.59	2.12	2.34	2.50	8.9	9.5	9.9
Automobiles	11.5	10.1	9.5	7.1	6.4	6.0	0.96	0.94	3.40	3.76	3.94	8.2	9.1	9.3
Electrical machinery, precision equipment	23.2	20.1	18.1	13.8	12.5	11.6	2.50	2.37	1.39	1.53	1.73	10.5	11.4	11.8
Pharmaceuticals, healthcare	28.4	23.3	20.7	15.6	14.2	13.3	2.34	2.32	2.03	2.21	2.33	8.2	9.8	10.5
Food products	19.2	17.3	17.3	12.0	11.2	11.2	1.89	1.80	2.98	3.02	3.02	9.6	10.2	9.8
Household goods	26.1	23.8	21.5	15.3	14.4	13.5	2.67	2.57	1.86	1.92	2.04	10.0	10.5	11.0
Trading companies	10.3	11.3	10.7	7.3	7.7	7.3	1.32	1.25	3.35	3.45	3.55	12.5	10.7	10.6
Retailing	32.3	30.1	27.7	16.1	15.2	14.2	3.24	3.21	1.21	1.32	1.39	10.2	10.3	10.5
Services	31.0	28.8	27.1	19.4	18.4	17.7	2.21	2.24	1.00	1.02	1.06	7.1	7.7	8.0
Software	31.1	28.0	25.1	26.1	23.8	21.6	4.80	4.58	1.73	1.67	1.90	15.1	15.7	16.2
Media	36.1	23.3	21.6	19.6	15.4	14.9	1.60	2.59	1.73	1.69	1.81	7.2	10.8	10.8
Telecommunications	12.4	20.5	18.0	6.1	7.5	7.1	1.52	1.50	2.05	2.10	2.18	12.2	7.2	8.0
Construction	13.5	12.0	10.1	10.5	9.5	8.2	1.21	1.22	3.16	3.68	4.33	9.0	10.2	11.8
Housing, real estate	12.5	11.4	10.9	8.8	8.1	7.8	1.22	1.16	2.92	3.18	3.38	9.6	9.9	9.8
Transportation	8.9	11.1	9.9	5.1	5.7	5.4	1.05	0.96	3.01	2.73	2.94	11.1	8.4	8.9
Utilities	7.3	7.3	7.0	3.0	2.9	2.8	0.61	0.57	2.53	2.75	2.95	8.1	7.6	7.4
Financials	13.0	11.5	10.7	-	-	-	1.13	1.22	3.09	3.59	3.95	8.9	10.3	10.5
Russell/Nomura Small Cap	14.4	13.5	13.1	-	-	-	1.13	1.09	2.57	2.65	2.72	7.8	7.9	7.8
Russell/Nomura Small Cap (ex financials)	14.8	13.9	13.5	8.3	8.0	7.8	1.24	1.19	2.50	2.58	2.65	8.2	8.3	8.2

Note: As of 2 December 2024.

Source: Nomura

# What are the Russell/Nomura Japan Equity Indexes?

The Russell/Nomura Japan Equity Indexes are Japanese equity indexes developed jointly by Nomura Fiduciary Research & Consulting Co., Ltd. and Frank Russell Company.

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

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As at 30 September 2024.

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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.

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