

Outlook for FY23–24 corporate earnings

Quarterly Update

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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

Our analysts forecast FY23 sales growth of 3.3%, operating profit growth of 13.7%, recurring profit growth of 12.9%, and net profit growth of 10.2%

We have aggregated FY23–24 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 FY23 sales growth of 3.3% y-y, operating profit growth of 13.7%, recurring profit growth of 12.9%, and net profit growth of 10.2%. Versus the previous such exercise, conducted on 1 December 2023, our analysts have, on aggregate, raised their sales growth forecast by 0.1ppt, lowered their operating profit growth forecast by 1.4ppt, raised their recurring profit growth forecast by 1.1ppt, and raised their net profit growth forecast by 1.2ppt. An upward revision to our analysts' forecasts for investment business gains/losses at SoftBank Group [9984] (Buy), which does not disclose operating profits, is the main reason why the aggregate revisions to our analysts' forecasts for operating profit growth and recurring profit growth (and net profit growth) are in different directions.

For FY24, our analysts forecast sales growth of 2.2%, operating profit growth of 9.5%, recurring profit growth of 6.3%, and net profit growth of 6.2%

Our analysts forecast aggregate FY24 sales growth of 2.2%, operating profit growth of 9.5%, recurring profit growth of 6.3%, and net profit growth of 6.2%. They think that the factors that contributed to earnings growth in FY23, such as the economy returning to normal after the pandemic, corporate price hikes, and yen depreciation, will have less of an impact in FY24. They therefore expect growth in sales and profits to be slower in FY24 than in FY23, but nevertheless think that profits will remain on an upward trend. Compared with the previous such exercise, our analysts have lowered their aggregate FY24 sales growth forecast by 0.8ppt, raised their operating profit growth forecast by 0.7ppt, lowered their recurring profit growth forecast by 1.9ppt, and lowered their net profit growth forecast by 1.6ppt. However, these revisions are largely due to revisions for their forecasts for FY23, on which their y-y growth forecasts for FY24 are based, and changes to the absolute level of their latest forecasts for FY24 are limited.

Revision Index shows contrasting results for manufacturing and nonmanufacturing

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 +2.4% for March 2024 (based on changes to FY24 recurring profit estimates between 2 December 2023 and 1 March 2024). Compared to last time (based on changes made between 2 September 2023 and 1 December 2023), when upward revisions clearly outnumbered downward revisions, this time around the mix of upward and downward revisions is roughly equal. While there were more downward revisions than upward revisions for manufacturing, and basic materials in particular, in nonmanufacturing upward revisions outnumbered downward revisions.

More than 60% companies likely to raise or restore dividend in FY23 and FY24

The projected dividend payout ratio for FY23 is 36.3%, up from 36.1% in our previous report and close to the 36.4% seen in FY22. Moreover, our analysts now expect 68.0% of companies to restore or raise their dividends in FY23, up from 64.6% in the previous such exercise. Our analysts also expect more than 60% of companies to increase their dividend in FY24, versus FY23, and with share buybacks as well, it looks as if Japanese companies will continue to strengthen their shareholder returns.

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

		No. of cos	New					Old	
			FY20	FY21	FY22	FY23E	FY24E	FY21E	FY22E
Sales (% y-y)	Russell/Nomura Large Cap (ex financials)	265	-7.5	14.1	17.2	3.3	2.2	3.2	3.0
	Manufacturing	143	-8.0	15.2	17.4	6.0	2.8	6.7	4.0
	Basic materials	30	-12.1	28.8	24.2	-2.9	2.1	-1.0	4.1
	Processing	72	-7.7	13.3	16.4	9.4	2.8	9.9	3.9
	Nonmanufacturing (ex financials)	122	-6.8	12.8	16.9	0.0	1.3	-1.2	1.7
	Russell/Nomura Small Cap (ex financials)	1,084	-6.1	7.3	11.0	4.0	4.6	4.4	4.4
Operating profits (% y-y)	Russell/Nomura Large Cap (ex financials)	265	-18.9	58.3	6.9	13.7	9.5	15.1	8.8
	Manufacturing	143	-3.4	58.2	3.9	9.6	12.1	12.4	11.8
	Basic materials	30	13.7	148.5	-6.4	-13.8	16.2	-9.7	13.2
	Processing	72	-8.6	52.9	6.9	21.8	9.0	24.1	9.7
	Nonmanufacturing (ex financials)	122	-36.2	58.5	13.3	21.6	5.0	20.3	3.5
	Russell/Nomura Small Cap (ex financials)	1,084	-12.5	37.8	3.5	16.5	14.1	17.1	14.3
Recurring profits (% y-y)	Russell/Nomura Large Cap	287	4.5	34.1	4.2	12.9	6.3	11.8	8.2
	Russell/Nomura Large Cap (ex financials)	265	5.6	34.5	7.7	9.6	5.7	8.7	7.9
	Manufacturing	143	7.6	56.9	2.7	11.4	8.5	14.2	8.9
	Basic materials	30	13.7	164.2	-7.2	-12.5	11.5	-9.7	11.8
	Processing	72	8.7	47.8	4.4	23.7	5.0	26.5	5.9
	Nonmanufacturing	144	2.0	14.7	5.8	14.6	4.0	9.1	7.4
	Nonmanufacturing (ex financials)	122	3.3	8.8	15.8	7.1	1.7	1.0	6.3
	Russell/Nomura Small Cap	1,171	-5.9	45.0	0.7	15.1	10.8	15.4	11.0
	Russell/Nomura Small Cap (ex financials)	1,084	-7.0	50.1	0.4	15.3	11.3	15.8	11.4
After-tax profits (% y-y)	Russell/Nomura Large Cap	287	16.3	38.9	3.1	10.2	6.2	9.0	7.8
	Russell/Nomura Large Cap (ex financials)	265	18.3	39.5	6.5	7.0	6.0	6.2	7.8
	Manufacturing	143	16.4	66.8	-3.1	13.8	6.8	16.6	7.1
	Basic materials	30	73.7	308.5	-18.8	-14.9	18.0	-9.3	12.9
	Processing	72	18.9	51.4	-1.4	24.8	3.4	27.6	4.8
	Nonmanufacturing	144	16.2	15.1	10.5	6.4	5.5	1.1	8.7
	Nonmanufacturing (ex financials)	122	20.7	7.6	23.0	-2.2	4.7	-7.9	9.1
	Russell/Nomura Small Cap	1,171	2.1	72.2	1.5	20.8	13.3	22.6	12.3
	Russell/Nomura Small Cap (ex financials)	1,084	1.2	84.9	0.3	23.0	14.6	25.2	13.2

Note: Latest estimates as of 1 March 2024; previous estimates as of 1 December 2023.

Source: Nomura

Fig. 2: Key earnings estimate assumptions

As of 18 Jan 2024						As of 16 Oct 2023					
	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
FY20E	-0.3	-0.10	89.7	135.50	140.93		-0.3	-0.10	89.7	135.50	140.93
FY21E	-1.1	-0.10	76.6	143.60	155.20		-0.9	-0.10	81.5	142.95	153.68
FY22E	1.0	0.00	70.0	145.00	155.00		1.3	-0.10	77.5	145.00	154.00
FY20 H1	0.2	-0.10	100.0	134.07	138.68		0.2	-0.10	100.0	134.07	138.68
FY20E H2	-0.8	-0.10	79.4	136.92	143.18		-0.8	-0.10	79.4	136.92	143.18
FY21E H1	-1.3	-0.10	78.0	140.90	153.36		-1.4	-0.10	78.0	140.90	153.36
FY21E H2	-0.8	-0.10	75.2	146.40	157.00		-0.4	-0.10	85.0	145.00	154.00
FY22E H1	0.4	0.00	70.0	145.00	155.00		0.7	-0.10	80.0	145.00	154.00
FY22E H2	1.7	0.00	70.0	145.00	155.00		1.8	-0.10	75.0	145.00	154.00

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 FY23

For FY23, our analysts expect recurring profits to increase in 9 out of 19 sectors and fall in 10.

Sectors that our analysts expect to make large positive contributions to overall profits include automobiles, financials, utilities, and telecommunications. In the automobiles sector, our analysts think automakers will be able to increase production substantially now that the semiconductor shortage has been resolved, and the product mix is also improving. They think market conditions will remain favorable, especially in North America, despite high interest rates, owing to price hikes and tailwinds from yen weakness. In the financials sector, positive factors for major banks include an increase in loans as a result of an upturn in the Japanese economy, as well as banks' own efforts to control overheads and boost margins, for example via improved spreads. Factors that hit profits in FY22—such as substantial accounting costs arising from the sale of subsidiary company shares and insurance benefit payouts for hospitalizations owing to a resurgence in COVID-19 infections in Japan—should also drop out in FY23. At utilities companies, gains/losses related to the fuel cost adjustment scheme look likely to improve, and our analysts also expect profits to be boosted by electricity rate hikes and a fall in fuel costs as a result of the restart of nuclear reactors. In the telecommunications sector, our analysts expect an improvement in gains/losses at SoftBank Group's investment business to have a substantial impact.

Sectors that our analysts expect to make large negative contributions to profits include transportation, trading companies, chemicals, and pharmaceuticals & healthcare. The shipping subsector accounts for a large portion of the prospective profit decline in the transportation sector. Containership spot rates have been falling on a y-y basis, and our analysts expect rates to fall at Ocean Network Express (ONE), the equity-method affiliate of the three major Japanese shipping companies. For trading companies, our analysts expect a reactive downturn following healthy energy trading transactions in FY22. In the chemicals sector, our analysts see multiple factors depressing profits, such as sluggish demand for petrochemicals stemming from the stalled economic recovery in China and weak demand in H1 for semiconductor materials and wafers owing to inventory adjustments at semiconductor manufacturers. For pharmaceuticals & healthcare, they see negative impacts from pharmaceuticals for which development was stopped and on the booking of impairment losses related to consolidated subsidiaries.

Overview of the corporate earnings outlook for FY24

For FY24, our analysts expect recurring profits to increase in 15 of 19 sectors and fall in 4.

Sectors expected to make major positive contributions to overall profit growth include financials, electrical machinery & precision equipment, pharmaceuticals & healthcare, chemicals, and machinery. 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 a recovery in profits at subsidiaries. In electrical machinery & precision equipment, our analysts forecast a wide-ranging recovery in demand, with recovery and expansion in the market for semiconductor production equipment stemming from an increase in demand for semiconductors for generative AI applications, and a recovery in shipments of electronic parts for automotive applications. They forecast profit growth in the pharmaceuticals & healthcare sector, mainly owing to the dropout of impairment losses booked in FY23. In chemicals, our analysts expect improved demand for electronic materials as the semiconductor industry recovers, and a pickup in petrochemicals. In the machinery sector they forecast a recovery in FA equipment for applications such as semiconductors.

Sectors expected to make major negative contributions to overall profit growth include utilities, where gains under the fuel cost adjustment scheme are set to drop out.

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

FY23E				FY24E			
Increase in profits (%)				Increase in profits (%)			
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
9 sectors				15 sectors			
Automobiles	53.9	59.2	89.2	Financials	10.1	21.4	-
Financials	41.1	33.7	-	Electrical machinery, precision equipment	10.1	18.7	23.7
Utilities	1,592.6	31.3	47.2	Pharmaceuticals, healthcare	38.3	17.7	22.5
Telecommunications	37.8	11.9	17.9	Chemicals	13.9	15.1	19.2
Food	11.3	2.6	4.0	Machinery	16.8	12.6	16.1
Retailing	9.5	2.5	3.7	Telecommunications	9.5	7.3	9.3
Services	9.6	2.4	3.5	Housing, real estate	8.0	5.2	6.7
Machinery	3.7	1.5	2.2	Retailing	9.7	4.8	6.0
Software	8.0	1.3	2.0	Construction	61.0	4.5	5.7
				Transportation	6.0	4.2	5.4
				Services	8.9	4.2	5.4
				Household goods	27.9	4.1	5.3
				Media	79.0	2.4	3.0
				Food	5.0	2.3	2.9
				Steel, nonferrous metals	4.4	1.6	2.0
Decrease in profits (%)				Decrease in profits (%)			
				4 sectors			
10 sectors				Software	-2.4	-0.8	-1.0
Electrical machinery, precision equipment	-0.7	-0.7	-1.1	Trading companies	-2.1	-2.9	-3.7
Household goods	-10.7	-1.0	-1.5	Automobiles	-1.0	-3.0	-3.8
Media	-38.8	-1.1	-1.7	Utilities	-32.8	-19.5	-24.8
Construction	-27.2	-1.5	-2.3				
Housing, real estate	-4.2	-1.6	-2.4				
Steel, nonferrous metals	-15.3	-3.2	-4.9				
Pharmaceuticals, healthcare	-15.6	-4.9	-7.3				
Chemicals	-11.6	-7.6	-11.5				
Trading companies	-10.6	-9.0	-13.6				
Transportation	-27.4	-15.6	-23.5				

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 FY23

Our analysts have raised their FY23 recurring profit forecasts for 10 of 19 sectors and lowered them for 9.

They have made large upward revisions for telecommunications, transportation, and financials. For the telecommunications sector, they have raised their forecasts for gains/losses at SoftBank Group's investment business. For transportation, in the near term they expect the marine transportation subsector to continue to see the effects of the tightening of the supply/demand balance caused by the rerouting of shipping from the Suez Canal to the Cape of Good Hope. For railway companies, they expect an improvement in passenger numbers and hotel stays, and have also reflected in their earnings estimates the impact of reductions in various categories of costs, including traction costs. Meanwhile, our analysts' upward revisions for the financials sector mainly reflect ongoing strong earnings from customer-facing operations at the major banks.

Conversely, our analysts have made substantial downward revisions for sectors including automobiles, chemicals, and machinery. In the automobiles sector, they have factored in quality-related costs at auto parts manufacturers that arose in 2023 Q4. Our analysts' downward revisions for the chemicals sector largely reflect cuts to their earnings estimates for Sumitomo Chemical [4005] (Neutral) owing to weak oil refining earnings and sluggish sales growth for its mainstay pharmaceutical products in the US. In the machinery sector, their revised earnings estimates reflect issues with aircraft engines.

Overview of the corporate earnings outlook for FY24

Our analysts have raised their FY24 recurring profit forecasts for nine out of 19 sectors, lowered them for nine, and left them unchanged for the pharmaceuticals & healthcare sector.

Their upward revisions (in value terms) are particularly large for the transportation, financials, and trading companies sectors. For transportation, in the marine transportation subsector, an increase in automobile exports from China has led to a shortage of car carrier transportation space. The supply-demand balance is also likely to remain tight as shipments to Europe go through the Cape of Good Hope. In addition, our analysts have factored in a decline in traction costs in the railways subsector. For the financials sector, as in FY23, they have revised their longer-term estimates to reflect strong earnings at the major banks' core businesses. For trading companies, they have taken into account strong auto sales operations targeting emerging economies and stronger iron ore market conditions than previously expected.

Conversely, our analysts have made substantial downward revisions for the automobiles and telecommunications sectors. They expect Toyota Motor [7203] (Neutral) to focus on optimizing the management of its businesses, including those of its group suppliers, rather than on increasing production volumes, following data falsification issues at group companies. For telecommunications, they have lowered their forecasts for SoftBank Group's investment operations.

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

FY23E					FY24E				
[Upward revisions] 10 sectors					[Upward revisions] 9 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Telecommunications	3,140	2,229	910.2	40.8	Transportation	3,040	2,795	244.5	8.7
Transportation	3,002	2,724	278.2	10.2	Financials	9,410	9,203	206.9	2.2
Financials	8,373	8,190	183.2	2.2	Trading companies	5,514	5,312	201.4	3.8
Utilities	2,411	2,311	100.7	4.4	Media	216	158	57.1	36.0
Steel, nonferrous metals	1,301	1,232	69.0	5.6	Utilities	1,622	1,583	38.3	2.4
Trading companies	5,517	5,457	60.1	1.1	Services	2,095	2,062	33.7	1.6
Services	1,949	1,905	44.0	2.3	Retailing	2,178	2,154	23.8	1.1
Food	1,874	1,830	43.6	2.4	Construction	479	475	4.0	0.8
Electrical machinery, precision equipment	7,453	7,443	10.1	0.1	Software	1,287	1,283	3.2	0.2
Housing, real estate	2,616	2,607	9.3	0.4					

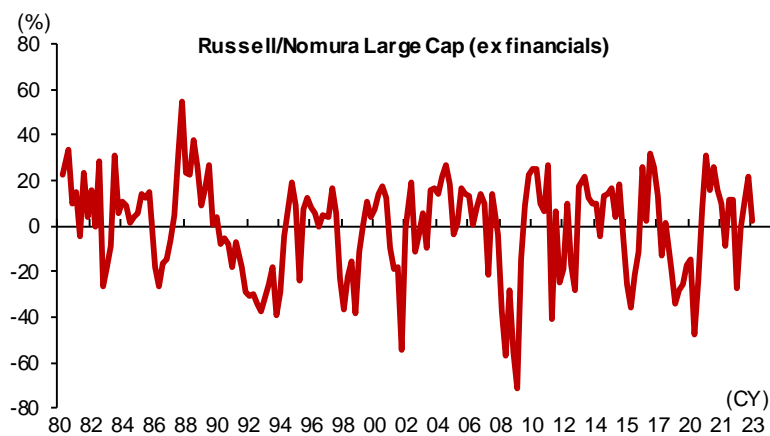
[Downward revisions] 9 sectors					[Downward revisions] 9 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Retailing	2,072	2,078	-5.6	-0.3	Food	1,953	1,960	-7.0	-0.4
Software	1,307	1,315	-8.1	-0.6	Housing, real estate	2,862	2,870	-8.0	-0.3
Media	128	151	-22.7	-15.1	Machinery	3,546	3,558	-11.9	-0.3
Household goods	600	647	-46.8	-7.2	Steel, nonferrous metals	1,550	1,574	-24.0	-1.5
Construction	297	384	-86.2	-22.5	Electrical machinery, precision equipment	8,243	8,269	-26.3	-0.3
Pharmaceuticals, healthcare	1,901	2,024	-122.9	-6.1	Household goods	767	820	-52.7	-6.4
Machinery	2,987	3,175	-187.3	-5.9	Chemicals	4,999	5,208	-208.9	-4.0
Chemicals	4,195	4,441	-246.2	-5.5	Telecommunications	3,428	3,698	-270.0	-7.3
Automobiles	12,244	12,590	-345.9	-2.7	Automobiles	12,230	12,940	-709.6	-5.5

Note: Latest estimates as of 1 March 2024; previous estimates as of 1 December 2023.

Source: Nomura

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

	(yy/m)	22/6	22/9	22/12	23/3	23/6	23/9	23/12	24/3
Russell/Nomura Large Cap		-8.7	11.5	9.1	-24.7	-0.7	10.4	20.2	2.4
Russell/Nomura Large Cap (ex financials)		-9.1	13.2	11.7	-27.1	-1.1	10.9	21.5	1.9
Manufacturing		-13.1	22.1	4.1	-43.1	-1.4	0.7	18.2	-7.5
Basic materials		-17.2	44.8	0.0	-30.0	-40.0	-46.7	16.7	-18.2
Processing		-10.8	10.8	2.7	-50.7	12.3	23.3	23.6	-4.0
Nonmanufacturing (ex financials)		-4.2	2.5	20.8	-8.2	-0.8	23.0	25.4	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	FY19	FY20	FY21	FY22	(% y-y)			
						FY23E	FY23E	FY24E	FY24E
						Old	New	Old	New
						E	E	E	E
Industrial groups									
Russell/Nomura Large Cap (ex financials)	265	-2.5	-7.5	14.1	17.2	3.2	3.3	3.0	2.2
Manufacturing	143	-2.7	-8.0	15.2	17.4	6.7	6.0	4.0	2.8
Basic materials	30	-2.0	-12.1	28.8	24.2	-1.0	-2.9	4.1	2.1
Processing	72	-4.5	-7.7	13.3	16.4	9.9	9.4	3.9	2.8
Nonmanufacturing (ex financials)	122	-2.3	-6.8	12.8	16.9	-1.2	-0.0	1.7	1.3
Broad sectors									
Materials	30	-2.0	-12.1	28.8	24.2	-1.0	-2.9	4.1	2.1
Machinery, autos	40	-4.4	-10.4	13.9	19.7	15.8	14.5	4.9	3.5
Electronics	32	-4.8	-3.0	12.5	11.4	-0.9	-0.0	1.9	1.4
Consumer, distribution	84	-0.6	-4.4	15.6	14.6	-2.0	-0.3	1.6	0.9
Information	22	-7.4	-0.6	6.0	7.2	3.2	3.0	3.6	3.6
Utilities, infrastructure	57	0.2	-12.2	6.0	23.6	2.0	2.1	2.2	2.4
Sectors									
Chemicals	25	-1.2	-12.4	27.8	26.3	-3.6	-5.8	5.0	1.9
Steel, nonferrous metals	5	-3.9	-11.3	31.5	18.2	6.6	5.9	2.0	2.4
Machinery	23	-3.6	-5.5	17.8	18.0	5.3	5.5	3.6	4.3
Autos	17	-4.6	-11.8	12.8	20.2	19.1	17.3	5.2	3.3
Electrical machinery, precision equipment	32	-4.8	-3.0	12.5	11.4	-0.9	-0.0	1.9	1.4
Pharmaceuticals, healthcare	16	9.7	-2.1	7.4	10.9	5.3	6.4	3.5	3.0
Food products	14	0.7	-3.9	2.0	12.3	6.5	7.3	3.5	4.5
Household goods	11	-0.8	-7.4	9.2	10.2	3.1	1.8	4.5	4.9
Trading companies	8	-5.0	-5.8	30.3	19.4	-9.4	-5.4	-0.9	-2.4
Retailing	17	2.5	-3.4	13.7	15.0	3.1	2.9	3.7	3.4
Services	18	-2.5	-4.0	3.1	5.5	1.7	1.0	2.8	2.7
Software	11	7.5	9.2	3.8	3.3	8.1	8.5	2.9	2.5
Media	3	0.8	-12.9	19.7	12.2	0.8	2.7	2.5	4.6
Telecommunications	8	-10.7	-0.6	5.4	7.5	2.5	2.0	3.8	3.8
Construction, engineering	5	5.1	-9.8	5.8	11.8	8.0	9.6	4.6	5.2
Housing, real estate	19	2.3	-4.3	8.4	8.7	4.3	3.8	4.9	5.8
Transportation	25	-2.2	-28.2	15.5	25.5	4.1	5.0	3.2	3.7
Utilities	8	-0.9	-3.1	-4.1	44.1	-3.8	-4.5	-2.4	-3.2

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 1 March 2024; previous estimates as of 1 December 2023.

Source: Nomura

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

	No. of cos	FY19	FY20	FY21	FY22	FY23E		FY24E		(% y-y)
						Old	New	Old	New	
						E	E	E	E	
Industrial groups										
Russell/Nomura Large Cap	287	-20.5	4.5	34.1	4.2	11.8	12.9	8.2	6.3	
Russell/Nomura Large Cap (ex financials)	265	-22.3	5.6	34.5	7.7	8.7	9.6	7.9	5.7	
Manufacturing	143	-27.2	7.6	56.9	2.7	14.2	11.4	8.9	8.5	
Basic materials	30	-52.0	13.7	164.2	-7.2	-9.7	-12.5	11.8	11.5	
Processing	72	-24.5	8.7	47.8	4.4	26.5	23.7	5.9	5.0	
Nonmanufacturing	144	-14.3	2.0	14.7	5.8	9.1	14.6	7.4	4.0	
Nonmanufacturing (ex financials)	122	-16.0	3.3	8.8	15.8	1.0	7.1	6.3	1.7	
Broad sectors										
Materials	30	-52.0	13.7	164.2	-7.2	-9.7	-12.5	11.8	11.5	
Machinery, autos	40	-23.9	-7.0	57.8	3.9	45.5	40.5	3.7	2.5	
Electronics	32	-25.3	34.8	36.0	5.3	-0.8	-0.7	10.6	10.1	
Consumer, distribution	84	-9.5	-12.0	56.6	11.5	-3.5	-3.7	7.1	8.8	
Information	22	-35.2	157.0	-60.0	0.3	-0.1	23.7	39.5	7.9	
Utilities, infrastructure	57	-2.6	-68.8	137.7	33.9	8.2	12.3	-2.7	-2.7	
Financials	22	-9.1	-1.4	31.9	-18.3	38.0	41.1	10.1	10.1	
Sectors										
Chemicals	25	-34.2	-11.6	119.1	-5.2	-6.5	-11.6	11.5	13.9	
Steel, nonferrous metals	5	SL	SP	555.9	-13.0	-19.8	-15.3	12.8	4.4	
Machinery	23	-30.0	-5.0	61.7	6.6	10.2	3.7	10.4	16.8	
Autos	17	-21.5	-7.7	56.5	2.9	58.2	53.9	2.0	-1.0	
Electrical machinery, precision equipment	32	-25.3	34.8	36.0	5.3	-0.8	-0.7	10.6	10.1	
Pharmaceuticals, healthcare	16	8.0	11.8	6.5	18.2	-10.2	-15.6	29.8	38.3	
Food products	14	-15.6	0.6	10.0	17.7	8.7	11.3	7.9	5.0	
Household goods	11	-7.5	-23.6	30.0	-14.6	-3.7	-10.7	26.8	27.9	
Trading companies	8	-27.9	-26.8	208.6	18.6	-11.6	-10.6	-4.7	-2.1	
Retailing	17	4.1	-17.7	20.0	20.5	9.8	9.5	8.2	9.7	
Services	18	1.7	-14.3	36.1	-12.8	7.1	9.6	9.6	8.9	
Software	11	20.1	39.6	14.4	-5.8	8.7	8.0	-3.3	-2.4	
Media	3	-57.5	SL	SP	-36.1	-27.9	-38.8	16.4	79.0	
Telecommunications	8	-41.4	207.6	-74.9	9.9	-2.2	37.8	66.5	9.5	
Construction, engineering	5	0.6	-13.4	-22.8	2.1	-6.0	-27.2	23.8	61.0	
Housing, real estate	19	5.4	-10.8	24.1	10.2	-4.6	-4.2	8.7	8.0	
Transportation	25	-17.4	SL	SP	92.2	-34.1	-27.4	7.5	6.0	
Utilities	8	17.7	-15.3	-61.2	SL	1,521.9	1,592.6	-31.5	-32.8	
Financials	22	-9.1	-1.4	31.9	-18.3	38.0	41.1	10.1	10.1	

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 1 March 2024; previous estimates as of 1 December 2023. (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	FY19	FY20	FY21	FY22	FY23E	FY23E	FY24E	FY24E
						Old E	New E	Old E	New E
Industrial groups									
Russell/Nomura Large Cap	288	38,542	40,173	53,958	55,567	62,732	63,368	68,506	68,001
Russell/Nomura Large Cap (ex financials)	266	32,757	34,590	46,630	49,619	54,541	54,995	59,303	58,591
Manufacturing	144	17,180	18,613	29,038	29,102	33,381	32,555	36,912	35,872
Basic materials	30	2,453	2,721	7,020	6,195	5,673	5,496	6,782	6,549
Processing	73	10,942	12,114	17,723	18,300	23,207	22,684	24,767	24,020
Nonmanufacturing	144	21,362	21,560	24,920	26,464	29,350	30,813	31,595	32,129
Nonmanufacturing (ex financials)	122	15,578	15,977	17,592	20,516	21,160	22,440	22,391	22,719
Broad sectors									
Materials	30	2,453	2,721	7,020	6,195	5,673	5,496	6,782	6,549
Machinery, autos	40	6,745	6,492	10,244	10,594	15,764	15,231	16,498	15,777
Electronics	33	4,197	5,622	7,479	7,706	7,443	7,453	8,269	8,243
Consumer, distribution	84	9,397	8,260	13,236	14,424	13,941	13,914	14,890	15,090
Information	22	3,728	9,589	3,820	3,709	3,695	4,575	5,140	4,930
Utilities, infrastructure	57	6,236	1,906	4,831	6,990	8,025	8,327	7,723	8,002
Financials	22	5,785	5,583	7,328	5,948	8,190	8,373	9,203	9,410
Sectors									
Chemicals	25	2,758	2,425	5,218	4,715	4,441	4,195	5,208	4,999
Steel, nonferrous metals	5	-305	296	1,802	1,480	1,232	1,301	1,574	1,550
Machinery	23	1,781	1,670	2,637	2,853	3,175	2,987	3,558	3,546
Autos	17	4,964	4,822	7,608	7,741	12,590	12,244	12,940	12,230
Electrical machinery, precision equipment	33	4,197	5,622	7,479	7,706	7,443	7,453	8,269	8,243
Pharmaceuticals, healthcare	16	1,632	1,810	1,983	2,253	2,024	1,901	2,583	2,583
Food products	14	1,387	1,373	1,533	1,660	1,830	1,874	1,960	1,953
Household goods	11	765	596	778	694	647	600	820	767
Trading companies	8	2,271	1,663	5,203	6,172	5,457	5,517	5,312	5,514
Retailing	17	1,612	1,310	1,651	1,824	2,078	2,072	2,154	2,178
Services	18	1,731	1,509	2,086	1,821	1,905	1,949	2,062	2,095
Software	11	813	1,172	1,381	1,214	1,315	1,307	1,283	1,287
Media	3	154	-2	327	209	151	128	158	216
Telecommunications	8	2,761	8,419	2,112	2,286	2,229	3,140	3,698	3,428
Construction, engineering	5	734	636	501	408	384	297	475	479
Housing, real estate	19	2,165	1,878	2,509	2,706	2,607	2,616	2,870	2,862
Transportation	25	2,170	-1,573	1,446	4,011	2,724	3,002	2,795	3,040
Utilities	8	1,167	965	375	-135	2,311	2,411	1,583	1,622
Financials	22	5,785	5,583	7,328	5,948	8,190	8,373	9,203	9,410

Note: Figures exclude listed consolidated subsidiaries. Index composition for period through FY22 differs from index composition from FY23 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 1 March 2024; previous estimates as of 1 December 2023.

Source: Nomura

Fig. 9: Percentage change in quarterly sales and profits (FY22 Q4–FY23 Q3)

	% y-y															
	Sales				Operating profits				Recurring profits				Net profits			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Industrial groups																
Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	26.3	34.0	-12.1	35.4	54.8	51.2	-20.7	47.9
Russell/Nomura Large Cap (ex financials)	11.3	5.6	2.2	3.2	15.6	10.0	19.3	17.4	27.0	32.5	-18.1	33.0	47.5	48.4	-27.6	46.6
Manufacturing	12.6	9.1	5.2	6.3	-3.4	-2.1	5.2	16.1	-4.6	2.7	4.9	23.2	-5.8	13.9	8.3	24.7
Basic materials	8.3	-4.6	-5.9	-2.3	-39.7	-46.1	-8.5	37.1	-41.0	-43.5	-13.1	65.6	-47.1	-44.7	-14.1	88.8
Processing	15.2	15.0	9.2	10.3	10.2	25.6	13.2	19.8	8.7	30.5	14.7	24.4	8.1	41.8	18.9	26.8
Nonmanufacturing	-	-	-	-	-	-	-	-	89.7	89.7	-26.3	48.6	229.6	132.6	-40.8	76.9
Nonmanufacturing (ex financials)	9.8	1.3	-1.7	-0.9	63.6	34.9	52.7	19.7	125.2	115.8	-39.6	47.6	305.4	179.1	-54.5	88.1
Broad sectors																
Basic materials	8.3	-4.6	-5.9	-2.3	-39.7	-46.1	-8.5	37.1	-41.0	-43.5	-13.1	65.6	-47.1	-44.7	-14.1	88.8
Machinery, autos	18.8	20.5	14.8	14.5	22.6	58.0	40.9	32.6	8.3	50.6	38.9	33.5	16.5	60.9	50.4	36.0
Electronics	9.3	5.1	-0.9	2.4	-2.8	-14.0	-18.4	1.4	9.1	-3.3	-16.6	10.7	-1.5	11.3	-16.7	13.8
Consumption, distribution	6.0	-0.7	-2.4	0.7	5.3	2.5	3.4	-3.1	-2.7	-10.3	-3.6	-3.3	-6.3	-6.4	-6.1	-3.2
Information	7.0	4.5	3.7	3.0	21.2	4.5	6.6	2.1	SP	SP	-91.8	390.1	SP	SP	SL	SP
Utilities, infrastructure	17.3	7.8	1.7	-3.6	234.1	97.5	153.9	44.8	62.2	29.0	57.6	20.5	100.2	17.5	24.3	58.1
Financials	-	-	-	-	-	-	-	-	20.5	44.1	75.9	51.1	117.4	69.4	115.0	55.0
Sectors																
Chemicals	7.9	-9.0	-9.9	-4.4	-37.4	-49.7	-7.6	50.3	-38.4	-45.7	-12.8	99.4	-55.9	-47.5	-15.1	159.6
Steel, nonferrous metals	9.4	8.6	6.4	4.2	-47.1	-35.3	-11.6	10.0	-50.4	-36.5	-14.0	11.6	-25.6	-37.1	-10.9	22.8
Machinery	15.9	11.1	3.7	6.6	14.2	18.5	-31.0	16.5	5.5	11.4	-33.8	24.2	10.5	13.4	-39.2	34.6
Automobiles	19.8	23.4	18.1	16.9	27.2	76.0	72.8	37.6	9.5	65.5	67.2	36.1	19.4	79.3	91.6	36.4
Electrical machinery, precision equipment	9.3	5.1	-0.9	2.4	-2.8	-14.0	-18.4	1.4	9.1	-3.3	-16.6	10.7	-1.5	11.3	-16.7	13.8
Pharmaceuticals, healthcare	5.3	9.7	8.7	2.0	19.8	18.5	-30.4	-28.9	32.2	8.1	-33.8	-31.8	23.5	60.0	-33.7	-27.9
Food products	11.3	6.8	6.7	6.8	29.9	-6.1	21.1	16.9	19.1	-4.7	15.2	30.3	24.3	-5.0	27.1	29.1
Household goods	6.5	3.4	0.5	-2.5	-27.0	-20.2	-0.6	-29.1	-32.6	-20.1	3.5	-24.1	-35.4	-21.9	0.5	-23.3
Trading companies	3.7	-10.1	-10.3	-1.5	-3.9	-12.8	-8.1	5.9	-12.8	-23.1	-15.0	-5.0	-14.1	-22.7	-17.0	-4.8
Retailing	10.8	7.8	0.5	2.4	22.5	9.1	19.5	20.0	17.7	-0.6	15.6	23.2	14.6	-5.3	-0.7	30.5
Services	3.9	6.0	3.9	0.8	-21.0	12.2	25.6	1.8	-16.8	9.0	28.3	2.5	-32.0	-16.0	26.6	1.7
Software	4.9	25.0	7.1	2.0	-4.2	46.4	4.5	0.9	-10.9	32.9	0.9	16.3	-4.1	32.7	-14.4	13.7
Media	7.3	4.9	0.6	4.5	-29.4	-65.7	-18.8	-57.2	-36.8	-56.3	-22.2	-68.7	-55.6	-56.9	-81.7	SL
Telecommunications	7.4	0.9	3.4	3.1	47.9	-4.4	8.9	6.6	SP	SP	-98.9	1,563.4	SP	SP	SL	SP
Construction, engineering	7.6	12.7	11.9	10.7	3.0	-21.5	-15.0	-80.8	-4.8	-18.4	-16.4	-74.6	13.4	4.4	-12.9	-73.3
Housing, real estate	8.1	2.9	7.4	5.4	18.2	-8.5	11.1	6.4	13.6	-12.4	4.3	6.5	18.0	-1.4	5.4	10.4
Transportation	19.4	8.5	3.5	2.5	SP	41.1	57.8	20.4	-9.2	-37.2	-36.8	-14.5	-31.2	-48.9	-54.3	-21.2
Utilities	28.8	10.8	-7.8	-20.7	SP	SP	SP	SP	SP	69,375.9	SP	SP	SP	SP	SP	SP
Financials	-	-	-	-	-	-	-	-	20.5	44.1	75.9	51.1	117.4	69.4	115.0	55.0

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 1 March 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 (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Russell/Nomura Large Cap	18.0	16.9	15.6	-	-	-	1.80	1.68	2.01	2.18	2.36	9.6	9.7	9.9
Russell/Nomura Large Cap (ex loss-making cos)	17.0	16.3	15.2	-	-	-	1.84	1.69	2.04	2.23	2.41	10.3	10.0	10.1
Russell/Nomura Large Cap (ex financials)	18.7	17.6	16.3	10.7	10.2	9.6	1.94	1.78	1.88	2.03	2.18	9.9	9.8	10.0
Manufacturing	19.0	17.7	16.1	11.3	10.6	9.8	2.02	1.85	1.85	2.05	2.22	10.1	10.1	10.4
Basic materials	15.4	12.6	11.0	7.2	6.3	5.6	1.22	1.12	2.50	2.72	2.94	7.6	8.6	9.3
Processing	18.3	17.6	16.3	11.5	11.1	10.4	2.14	1.94	1.67	1.87	2.04	11.1	10.6	10.7
Nonmanufacturing	16.9	16.0	15.0	-	-	-	1.58	1.51	2.21	2.35	2.53	9.1	9.2	9.3
Nonmanufacturing (ex financials)	18.2	17.4	16.6	9.9	9.6	9.3	1.81	1.67	1.92	2.00	2.10	9.5	9.4	9.3
Broad sectors														
Basic materials	15.4	12.6	11.0	7.2	6.3	5.6	1.22	1.12	2.50	2.72	2.94	7.6	8.6	9.3
Machinery, autos	14.0	13.9	13.4	9.4	9.1	8.7	1.69	1.52	2.22	2.45	2.67	11.4	10.5	10.3
Electronics	26.3	24.2	21.0	15.0	14.2	12.9	2.89	2.70	1.11	1.27	1.41	10.6	10.8	11.5
Consumption, distribution	21.2	20.0	18.9	12.9	12.6	12.0	2.26	2.09	1.85	1.99	2.09	10.2	10.2	10.3
Information	36.3	27.4	24.0	12.7	11.4	10.7	2.33	2.18	2.04	1.94	2.05	6.2	8.0	8.8
Utilities, infrastructure	11.3	11.7	11.4	6.3	6.4	6.3	1.18	1.10	2.25	2.47	2.60	10.0	9.1	8.8
Financials	13.6	12.6	11.5	-	-	-	1.11	1.14	3.14	3.49	3.92	8.2	8.7	9.1
Sectors														
Chemicals	17.8	14.1	12.5	8.1	7.0	6.5	1.35	1.28	2.26	2.48	2.63	7.4	8.8	9.3
Steel, nonferrous metals	9.5	8.6	7.1	4.6	4.3	3.6	0.83	0.72	3.58	3.74	4.29	8.1	8.0	9.1
Machinery	22.2	18.6	16.8	13.2	11.5	10.6	2.04	1.76	1.70	1.85	2.07	8.5	9.2	9.5
Automobiles	12.0	12.5	12.3	8.3	8.3	8.1	1.57	1.43	2.46	2.73	2.94	12.4	11.0	10.6
Electrical machinery, precision equipment	26.3	24.2	21.0	15.0	14.2	12.9	2.89	2.70	1.11	1.27	1.41	10.6	10.8	11.5
Pharmaceuticals, healthcare	29.2	25.7	22.8	15.9	15.1	14.1	2.59	2.50	1.93	2.03	2.10	8.7	9.6	10.4
Food products	19.3	18.2	16.8	11.9	11.5	10.8	2.08	1.91	2.67	3.10	3.37	10.3	10.3	10.7
Household goods	30.9	26.4	22.9	17.0	15.5	14.1	2.78	2.61	1.68	1.80	1.92	8.7	9.7	10.7
Trading companies	11.7	11.7	11.9	8.1	8.3	8.3	1.68	1.49	2.55	2.71	2.80	13.4	12.2	11.2
Retailing	31.1	27.9	25.6	15.3	14.2	13.3	3.42	2.91	1.15	1.23	1.32	9.8	10.6	10.8
Services	31.0	30.2	27.3	19.1	18.6	17.5	2.13	2.15	1.04	1.07	1.11	7.0	7.0	7.5
Software	27.5	28.0	25.7	23.3	23.8	22.0	4.91	4.48	2.22	1.87	2.04	16.9	15.6	15.8
Media	48.7	22.2	20.7	16.8	12.8	12.2	1.56	1.55	2.43	2.02	2.07	3.2	9.0	9.2
Telecommunications	43.4	27.4	23.4	10.1	8.8	8.3	1.85	1.73	1.93	1.97	2.06	4.1	6.3	7.2
Construction	18.1	12.3	10.7	13.4	9.9	8.8	1.11	1.08	2.72	3.18	3.56	6.1	8.6	9.6
Housing, real estate	13.1	12.5	11.8	9.2	8.8	8.4	1.32	1.23	2.65	2.83	3.01	9.7	9.6	9.6
Transportation	13.3	12.8	12.8	6.8	6.7	6.6	1.32	1.25	1.89	2.07	2.10	9.7	9.4	8.9
Utilities	5.5	7.8	8.0	2.7	3.1	3.1	0.75	0.64	2.12	2.36	2.57	12.4	7.9	7.3
Financials	13.6	12.6	11.5	-	-	-	1.11	1.14	3.14	3.49	3.92	8.2	8.7	9.1
Russell/Nomura Small Cap	16.5	14.8	14.4	-	-	-	1.21	1.16	2.36	2.33	2.38	7.2	7.8	7.7
Russell/Nomura Small Cap (ex financials)	17.3	15.2	14.7	9.0	8.6	8.4	1.32	1.27	2.29	2.28	2.33	7.5	8.2	8.1

Note: As of 1 March 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 31 December 2023.

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STOCKS

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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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