

Outlook for FY24–25 corporate earnings

Quarterly Update

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Summary and major assumptions

Our analysts forecast growth of 4.1% in sales and 7.8% in recurring profits in FY24

We have aggregated FY24–25 earnings forecasts by Nomura analysts for constituents of the Russell/Nomura Large Cap Index (sales and operating profits exclude financials, same basis hereafter). Our analysts forecast FY24 sales growth of 4.1% y-y, operating profit growth of 9.9%, recurring profit growth of 7.8%, and net profit growth of 5.2%. Versus the previous such exercise conducted on 3 June, they have raised their sales growth forecast by 0.8ppt, increased their operating profit growth forecast by 0.6ppt, raised their recurring profit growth forecast by 1.5ppt, and upped their net profit growth forecast by 1.0ppt. They think that yen depreciation and companies hiking their prices, factors that contributed to profit growth in FY23, will have less of an impact in FY24. Moreover, we think underlying profit growth is not as high as it appears, partly because of impairment losses posted by multiple companies in FY23 dropping out. At the same time, we expect profits at major companies to remain on an upward trajectory overall, as we expect demand for semiconductor materials and production equipment to improve versus FY23 owing in part to generative AI applications.

Our analysts forecast FY25 sales growth of 3.3% and recurring profit growth of 8.3%

Our analysts forecast FY25 sales growth of 3.3% y-y, operating profit growth of 11.0%, recurring profit growth of 8.3%, and net profit growth of 8.3%. Versus the previous such exercise, they have lowered their sales growth forecast by 0.3ppt while raising their operating profit growth forecast by 1.5ppt, lowering their recurring profit growth forecast by 0.4ppt, and lowering their net profit growth forecast by 0.4ppt. In FY25, our analysts forecast a switch to y-y growth in real wages in Japan and think overseas economies will be solid. While the gap in forecast profit growth between FY24 and FY25 is smaller than it was at the time of the previous such exercise, our analysts still expect profit growth in FY25 to remain higher than in FY24.

Revision Index shows upward revisions predominate for both manufacturing and nonmanufacturing sectors

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 +28.1% for September 2024 (based on changes to FY24 recurring profit estimates between 4 June 2024 and 2 September 2024). The number of upward revisions is much larger than downward revisions, unlike last time (based on estimate changes made between 2 March and 3 June), when the mix of upward and downward revisions was roughly equal. For both the manufacturing and nonmanufacturing sectors, upward revisions by far outweighed downward revisions.

Projected dividend payout ratio of 37.1% in FY24, rise in percentage of companies forecast to raise their dividends

The projected dividend payout ratio for FY24 is 37.1%, up from 34.0% in FY23. Moreover, our analysts now expect 69.8% of companies to raise their dividends in FY24, up from 66.7% in the previous such exercise. We attribute this not only to growth in net profits, the source of dividends, but also to the increase in listed companies that are hiking their numerical payout ratio targets.

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

			New					(%)	
		No. of cos	FY20	FY21	FY22	FY23E	FY24E	Old FY21E	FY22E
Sales (% y-y)	Russell/Nomura Large Cap (ex financials)	263	14.1	17.2	3.9	4.1	3.3	3.3	3.6
	Manufacturing	146	15.2	17.4	6.9	5.2	3.4	4.3	3.9
	Basic materials	32	28.8	24.2	-2.7	4.4	4.8	5.7	5.2
	Processing	75	13.3	16.4	10.6	5.2	3.1	3.6	3.6
	Nonmanufacturing (ex financials)	117	12.8	16.9	0.1	2.6	3.1	1.8	3.2
	Russell/Nomura Small Cap (ex financials)	996	7.3	11.0	4.0	5.0	4.1	4.5	4.3
Operating profits (% y-y)	Russell/Nomura Large Cap (ex financials)	263	58.3	6.9	13.1	9.9	11.0	9.3	9.5
	Manufacturing	146	58.2	3.9	7.6	14.2	12.0	14.2	10.0
	Basic materials	32	148.5	-6.4	-18.9	18.6	15.4	21.5	13.2
	Processing	75	52.9	6.9	22.0	11.2	10.8	10.4	8.1
	Nonmanufacturing (ex financials)	117	58.5	13.3	23.7	2.5	9.0	1.1	8.5
	Russell/Nomura Small Cap (ex financials)	996	37.8	3.5	17.1	15.4	10.6	12.8	11.4
Recurring profits (% y-y)	Russell/Nomura Large Cap	288	34.1	4.2	15.0	7.8	8.3	6.3	8.7
	Russell/Nomura Large Cap (ex financials)	263	34.5	7.7	10.9	6.1	7.5	5.0	8.3
	Manufacturing	146	56.9	2.7	12.3	7.9	10.8	8.4	9.8
	Basic materials	32	164.2	-7.2	-14.6	12.6	16.9	18.0	13.0
	Processing	75	47.8	4.4	26.8	4.2	9.0	3.7	7.9
	Nonmanufacturing	142	14.7	5.8	18.0	7.6	5.5	4.2	7.7
	Nonmanufacturing (ex financials)	117	8.8	15.8	8.9	3.4	2.4	0.0	6.0
	Russell/Nomura Small Cap	1,081	45.0	0.7	18.5	10.1	9.4	7.5	10.5
	Russell/Nomura Small Cap (ex financials)	996	50.1	0.4	18.4	10.8	9.3	7.9	10.7
After-tax profits (% y-y)	Russell/Nomura Large Cap	288	38.9	3.1	14.8	5.2	8.3	4.2	8.7
	Russell/Nomura Large Cap (ex financials)	263	39.5	6.5	10.8	3.6	7.5	3.0	8.2
	Manufacturing	146	66.8	-3.1	15.8	3.7	12.0	5.1	9.9
	Basic materials	32	308.5	-18.8	-17.7	11.0	23.8	22.1	14.4
	Processing	75	51.4	-1.4	29.3	1.4	9.3	1.1	8.0
	Nonmanufacturing	142	15.1	10.5	13.7	6.8	4.6	3.2	7.4
	Nonmanufacturing (ex financials)	117	7.6	23.0	4.1	3.5	0.7	-0.2	5.5
	Russell/Nomura Small Cap	1,081	72.2	1.5	23.7	16.3	6.3	12.5	7.6
	Russell/Nomura Small Cap (ex financials)	996	84.9	0.3	25.5	18.5	5.7	14.1	7.4

Note: Latest estimates as of 2 September 2024; previous estimates as of 3 June 2024.

Source: Nomura

Fig. 2: Key earnings estimate assumptions

As of 1 Aug 2024							As of 18 Apr 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	
FY	FY23	-2.0	0.00	77.8	144.53	156.75	-1.9	0.00	77.8	144.53	156.75	
	FY24	0.5	0.25	80.1	151.47	161.95	2.6	0.25	80.0	150.00	160.00	
	FY25	3.4	0.25	75.0	150.00	160.00	2.6	0.25	75.0	150.00	160.00	
Half-yearly	FY23 H1	-1.4	-0.10	78.0	140.90	153.36	-1.4	-0.10	78.0	140.90	153.36	
	FY23 H2	-2.6	0.00	77.6	148.16	160.13	-2.3	0.00	77.6	148.16	160.13	
	FY24 H1	-1.8	0.25	80.3	152.94	163.90	1.0	0.00	80.0	150.00	160.00	
	FY24 H2	2.9	0.25	80.0	150.00	160.00	4.1	0.25	80.0	150.00	160.00	
	FY25 H1	4.0	0.25	75.0	150.00	160.00	2.6	0.25	75.0	150.00	160.00	
	FY25 H2	2.8	0.25	75.0	150.00	160.00	2.6	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 of 19 sectors and fall in four.

Sectors that our analysts expect to make large positive contributions to overall profits include financials, electrical machinery & precision equipment, chemicals, transportation, 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 growth in asset management earnings from the sale of strategic shareholdings by insurance companies. 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 also expect a contribution from the disappearance of transitory costs related to overseas businesses posted by some companies in FY23. In chemicals, our analysts expect improved demand for electronic materials on recovery in the semiconductor industry and expanded margins on petroleum fuels in Japan to contribute to profit growth. They also expect a substantial increase as large impairment losses posted by several companies in FY23 drop out of the picture. In transportation, the bulk of the prospective profit boost comes from shipping, with continued tensions in the Middle East and rising containership rates. 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 major negative contributions to overall profit growth are utilities and automobiles. In utilities, gains under the fuel cost adjustment scheme look set to shrink for electric power companies. In automobiles, our analysts expect a major impact from automakers' increased investment in human capital and next-generation technologies, lower sales volumes, and higher SG&A costs.

Overview of the corporate earnings outlook for FY25

In FY25, our analysts forecast a switch to y-y growth in real wages in Japan and think overseas economies will be solid. Profit growth at major Japanese companies as a whole is likely to improve versus forecasts for FY24. For FY25, our analysts expect recurring profits to increase in 17 of 19 sectors and fall in two.

Sectors expected to make large contributions to overall profit growth include electrical machinery & precision equipment, financials, chemicals, pharmaceuticals & healthcare, and steel & nonferrous metals. The factors expected to push up profits in the electrical machinery & precision equipment, financials, and chemicals sectors are more or less the same as in FY24. In the pharmaceuticals & healthcare sector, our analysts forecast higher sales of pharmaceuticals and medical equipment, as in FY24. In the steel & nonferrous metals sector, our analysts expect contributions to profit growth from production reforms in Japan and expanded sales of high value-added products such as electrical steel sheet.

Sectors that our analysts expect to make large negative contributions to profits include transportation and trading companies. For the transportation sector, our analysts expect containership rates, which rose in FY24, to normalize in FY25. For trading companies, our analysts have revised their forecasts to reflect lower volumes following the sale of coal mines in FY24 and the disappearance of one-time valuation gains posted in FY24. Our analysts 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)
15 sectors				17 sectors			
Financials	18.2	32.6	-	Electrical machinery, precision equipment	16.8	25.0	32.4
Electrical machinery, precision equipment	15.3	22.6	33.5	Financials	12.4	23.0	-
Chemicals	21.2	17.6	26.2	Chemicals	14.0	12.3	16.0
Transportation	26.9	15.1	22.4	Pharmaceuticals, healthcare	17.3	6.9	9.0
Machinery	20.9	12.5	18.6	Steel, nonferrous metals	27.6	6.6	8.6
Pharmaceuticals, healthcare	34.5	11.8	17.5	Machinery	10.4	6.6	8.5
Telecommunications	14.0	8.3	12.3	Automobiles	3.1	6.5	8.4
Household goods	41.8	4.8	7.2	Telecommunications	10.7	6.3	8.2
Trading companies	4.3	4.8	7.1	Housing, real estate	9.7	4.7	6.1
Services	9.6	3.8	5.6	Services	11.7	4.4	5.7
Retailing	8.2	3.3	4.9	Retailing	6.4	2.4	3.2
Construction	46.9	2.8	4.1	Household goods	13.6	1.9	2.5
Housing, real estate	4.9	2.6	3.8	Software	8.7	1.9	2.5
Food	4.9	1.8	2.7	Utilities	6.1	1.6	2.1
Media	54.3	1.3	2.0	Construction	19.8	1.5	2.0
				Food	4.3	1.4	1.9
				Media	32.3	1.1	1.4
Decrease in profits				Decrease in profits			
		(%)				(%)	
	Growth	Contribution	Contribution (ex financials)		Growth	Contribution	Contribution (ex financials)
4 sectors				2 sectors			
Software	-6.9	-1.9	-2.8	Trading companies	-6.0	-6.1	-7.9
Steel, nonferrous metals	-10.8	-3.3	-4.9	Transportation	-13.3	-8.2	-10.7
Automobiles	-6.2	-15.8	-23.4				
Utilities	-44.6	-24.7	-36.6				

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 14 of 19 sectors and lowered them for five.

Their upward revisions (in value terms) are particularly large for sectors such as transportation, electrical machinery and precision equipment, financials, pharmaceuticals & healthcare, and housing & real estate. For the transportation sector, they raised containership rate assumptions to reflect ongoing tensions in the Middle East. For electrical machinery & precision equipment, they factored in rising demand for high-end products such as those with generative AI applications as well as strong demand across a wide range of areas, including energy and smartphone applications. In the financials sector, our analysts reflected strong earnings in client-facing operations at major banks, including business with large corporations in Japan and abroad, rising yen interest rates, and upbeat capital markets. For the pharmaceuticals & healthcare sector, our analysts hiked their forecasts to reflect solid sales of pharmaceuticals. In the housing & real estate sector, our analysts assume brisk sales in US housing operations as a result of the drop in interest rates.

Our analysts have made substantial downward revisions (in value terms) for sectors such as automobiles, steel & nonferrous metals, and chemicals. For automobiles, they reflected sales volume shortfalls at automakers and higher SG&A costs. For the steel & nonferrous metals sector, they factored in a deterioration in spreads because of ongoing weak export conditions for steel, and rising costs and deteriorating market conditions for steelmaking operations in Japan. For chemicals, they reflected the impact of the booking of impairment losses related to contract development and production of pharmaceuticals at some companies. Excluding this factor, the revisions since the previous exercise were limited.

Overview of the corporate earnings outlook for FY25

Our analysts have raised their FY25 recurring profit forecasts for 11 of 19 sectors and lowered them for eight. The upward and downward revisions (in value terms) to their FY25 forecasts are both smaller than those to their FY24 forecasts.

Their upward revisions (in value terms) are particularly large for sectors such as financials, electrical machinery & precision equipment, housing & real estate, and pharmaceuticals & healthcare. The main factors behind upward revisions are broadly the same as for FY24 forecasts for all sectors. The downward revisions (in value terms) were particularly large for sectors such as food, automobiles, and trading companies.

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

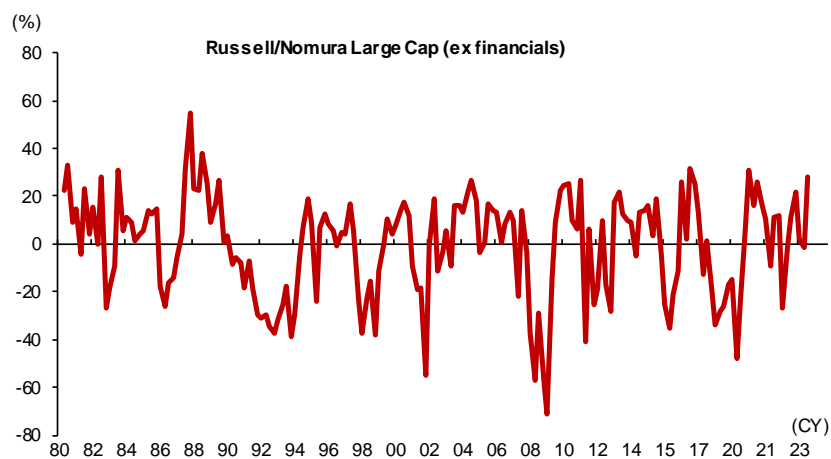
FY22E					FY23E				
[Upward revisions] 14 sectors					[Upward revisions] 11 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Transportation	3,602	3,053	549.0	18.0	Financials	12,075	11,620	455.0	3.9
Electrical machinery, precision equipment	8,600	8,231	368.8	4.5	Electrical machinery, precision equipment	10,048	9,595	453.1	4.7
Financials	10,740	10,442	298.7	2.9	Housing, real estate	3,098	2,987	111.5	3.7
Pharmaceuticals, healthcare	2,325	2,215	110.2	5.0	Pharmaceuticals, healthcare	2,728	2,637	90.5	3.4
Housing, real estate	2,824	2,720	103.5	3.8	Transportation	3,123	3,086	37.0	1.2
Machinery	3,669	3,602	66.4	1.8	Services	2,424	2,389	35.7	1.5
Services	2,171	2,126	45.1	2.1	Machinery	4,050	4,017	32.8	0.8
Trading companies	5,850	5,819	31.6	0.5	Household goods	942	925	17.1	1.8
Household goods	829	802	26.6	3.3	Media	254	240	13.9	5.8
Retailing	2,213	2,192	20.4	0.9	Construction	530	521	8.5	1.6
Software	1,283	1,265	18.0	1.4	Utilities	1,648	1,641	7.0	0.4
Utilities	1,553	1,538	15.4	1.0					
Construction	442	428	14.5	3.4					
Telecommunications	3,422	3,420	2.0	0.1					
[Downward revisions] 5 sectors					[Downward revisions] 8 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Media	192	204	-11.6	-5.7	Chemicals	5,817	5,824	-7.7	-0.1
Food	1,948	2,033	-85.1	-4.2	Software	1,394	1,403	-8.8	-0.6
Chemicals	5,103	5,254	-150.9	-2.9	Retailing	2,354	2,388	-34.2	-1.4
Steel, nonferrous metals	1,390	1,550	-160.0	-10.3	Telecommunications	3,789	3,878	-88.8	-2.3
Automobiles	12,132	12,466	-333.9	-2.7	Steel, nonferrous metals	1,774	1,864	-90.0	-4.8
					Trading companies	5,498	5,595	-96.4	-1.7
					Automobiles	12,509	12,611	-102.2	-0.8
					Food	2,031	2,204	-172.8	-7.8

Note: Latest estimates as of 2 September 2024; previous estimates as of 3 June 2024.

Source: Nomura

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

	(yy/m)	22/12	23/3	23/6	23/9	23/12	24/3	24/6	24/9
Russell/Nomura Large Cap		9.1	-24.7	-0.7	10.4	20.2	2.4	2.1	28.1
Russell/Nomura Large Cap (ex financials)		11.7	-27.1	-1.1	10.9	21.5	1.9	-1.5	28.1
Manufacturing		4.1	-43.1	-1.4	0.7	18.2	-7.5	6.1	25.3
Basic materials		0.0	-30.0	-40.0	-46.7	16.7	-18.2	-6.1	12.5
Processing		2.7	-50.7	12.3	23.3	23.6	-4.0	5.3	24.0
Nonmanufacturing (ex financials)		20.8	-8.2	-0.8	23.0	25.4	13.7	-11.1	31.6



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	(% y-y)							
		FY20	FY21	FY22	FY23	FY24E Old	FY24E New	FY25E Old	FY25E New
						E	E	E	E
Industrial groups									
Russell/Nomura Large Cap (ex financials)	263	-7.5	14.1	17.2	3.9	3.3	4.1	3.6	3.3
Manufacturing	146	-8.0	15.2	17.4	6.9	4.3	5.2	3.9	3.4
Basic materials	32	-12.1	28.8	24.2	-2.7	5.7	4.4	5.2	4.8
Processing	75	-7.7	13.3	16.4	10.6	3.6	5.2	3.6	3.1
Nonmanufacturing (ex financials)	117	-6.8	12.8	16.9	0.1	1.8	2.6	3.2	3.1
Broad sectors									
Materials	32	-12.1	28.8	24.2	-2.7	5.7	4.4	5.2	4.8
Machinery, autos	42	-10.4	13.9	19.7	15.5	4.6	6.2	3.8	3.1
Electronics	33	-3.0	12.5	11.4	1.7	1.4	3.1	3.1	2.9
Consumer, distribution	80	-4.4	15.6	14.6	0.6	1.4	2.0	3.0	2.8
Information	23	-0.6	6.0	7.2	3.6	2.8	3.9	4.6	4.6
Utilities, infrastructure	53	-12.2	6.0	23.6	0.7	4.2	5.5	2.8	3.0
Sectors									
Chemicals	26	-12.4	27.8	26.3	-5.5	6.8	5.1	2.3	1.9
Steel, nonferrous metals	6	-11.3	31.5	18.2	5.9	3.0	2.7	12.3	12.1
Machinery	24	-5.5	17.8	18.0	7.4	6.0	7.4	4.5	4.3
Autos	18	-11.8	12.8	20.2	18.0	4.2	5.9	3.6	2.8
Electrical machinery, precision equipment	33	-3.0	12.5	11.4	1.7	1.4	3.1	3.1	2.9
Pharmaceuticals, healthcare	15	-2.1	7.4	10.9	7.2	4.7	6.9	2.2	1.1
Food products	13	-3.9	2.0	12.3	7.4	6.0	6.4	3.2	4.8
Household goods	11	-7.4	9.2	10.2	2.2	6.6	7.5	4.2	3.7
Trading companies	10	-5.8	30.3	19.4	-5.6	-0.9	-0.8	2.8	2.5
Retailing	15	-3.4	13.7	15.0	3.3	4.5	5.1	3.8	3.4
Services	16	-4.0	3.1	5.5	7.2	-3.0	-2.5	3.0	2.9
Software	12	9.2	3.8	3.3	9.0	1.2	2.2	8.8	8.1
Media	3	-12.9	19.7	12.2	3.1	6.0	9.1	2.5	3.6
Telecommunications	8	-0.6	5.4	7.5	2.6	2.9	3.9	3.8	3.9
Construction, engineering	5	-9.8	5.8	11.8	9.6	5.0	5.5	3.6	2.9
Housing, real estate	19	-4.3	8.4	8.7	5.0	6.6	9.1	4.1	5.9
Transportation	21	-28.2	15.5	25.5	5.0	4.3	6.8	2.5	1.8
Utilities	8	-3.1	-4.1	44.1	-9.9	1.2	0.4	1.4	1.2

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 2 September 2024; previous estimates as of 3 June 2024.

Source: Nomura

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

	No. of cos	(% y-y)							
		FY20	FY21	FY22	FY23	FY24E Old	FY24E New	FY25E Old	FY25E New
						E	E	E	E
Industrial groups									
Russell/Nomura Large Cap	288	4.5	34.1	4.2	15.0	6.3	7.8	8.7	8.3
Russell/Nomura Large Cap (ex financials)	263	5.6	34.5	7.7	10.9	5.0	6.1	8.3	7.5
Manufacturing	146	7.6	56.9	2.7	12.3	8.4	7.9	9.8	10.8
Basic materials	32	13.7	164.2	-7.2	-14.6	18.0	12.6	13.0	16.9
Processing	75	8.7	47.8	4.4	26.8	3.7	4.2	7.9	9.0
Nonmanufacturing	142	2.0	14.7	5.8	18.0	4.2	7.6	7.7	5.5
Nonmanufacturing (ex financials)	117	3.3	8.8	15.8	8.9	-0.0	3.4	6.0	2.4
Broad sectors									
Materials	32	13.7	164.2	-7.2	-14.6	18.0	12.6	13.0	16.9
Machinery, autos	42	-7.0	57.8	3.9	45.9	0.6	-1.0	3.5	4.8
Electronics	33	34.8	36.0	5.3	-0.8	10.4	15.3	16.6	16.8
Consumer, distribution	80	-12.0	56.6	11.5	-4.2	10.0	11.1	6.3	4.2
Information	23	157.0	-60.0	0.3	22.2	8.5	8.7	12.9	11.0
Utilities, infrastructure	53	-68.8	137.7	33.9	17.1	-10.4	-2.5	6.4	-0.3
Financials	25	-1.4	31.9	-18.3	49.9	14.9	18.2	11.3	12.4
Sectors									
Chemicals	26	-11.6	119.1	-5.2	-16.2	24.8	21.2	10.9	14.0
Steel, nonferrous metals	6	SP	555.9	-13.0	-9.6	-0.5	-10.8	20.3	27.6
Machinery	24	-5.0	61.7	6.6	3.8	18.7	20.9	11.5	10.4
Autos	18	-7.7	56.5	2.9	61.2	-3.6	-6.2	1.2	3.1
Electrical machinery, precision equipment	33	34.8	36.0	5.3	-0.8	10.4	15.3	16.6	16.8
Pharmaceuticals, healthcare	15	11.8	6.5	18.2	-21.8	28.1	34.5	19.1	17.3
Food products	13	0.6	10.0	17.7	11.0	9.5	4.9	8.4	4.3
Household goods	11	-23.6	30.0	-14.6	-13.0	37.2	41.8	15.2	13.6
Trading companies	10	-26.8	208.6	18.6	-11.2	3.7	4.3	-3.8	-6.0
Retailing	15	-17.7	20.0	20.5	12.2	7.2	8.2	8.9	6.4
Services	16	-14.3	36.1	-12.8	13.6	7.4	9.6	12.4	11.7
Software	12	39.6	14.4	-5.8	12.9	-8.2	-6.9	10.9	8.7
Media	3	SL	SP	-36.1	-36.8	63.6	54.3	17.9	32.3
Telecommunications	8	207.6	-74.9	9.9	32.6	13.9	14.0	13.4	10.7
Construction, engineering	5	-13.4	-22.8	2.1	-26.2	42.1	46.9	21.9	19.8
Housing, real estate	19	-10.8	24.1	10.2	-4.5	1.0	4.9	9.8	9.7
Transportation	21	SL	SP	92.2	-28.1	7.6	26.9	1.1	-13.3
Utilities	8	-15.3	-61.2	SL	1,868.3	-45.2	-44.6	6.7	6.1
Financials	25	-1.4	31.9	-18.3	49.9	14.9	18.2	11.3	12.4

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 2 September 2024; previous estimates as of 6 June 024. (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
Industrial groups									
Russell/Nomura Large Cap	289	40,173	53,958	55,567	64,522	69,358	70,286	75,425	76,086
Russell/Nomura Large Cap (ex financials)	264	34,590	46,630	49,619	55,630	58,916	59,546	63,805	64,011
Manufacturing	147	18,613	29,038	29,102	32,824	36,153	35,995	39,678	39,899
Basic materials	33	2,721	7,020	6,195	5,377	6,804	6,493	7,688	7,591
Processing	75	12,114	17,723	18,300	23,232	24,300	24,401	26,224	26,608
Nonmanufacturing	142	21,560	24,920	26,464	31,698	33,204	34,291	35,747	36,187
Nonmanufacturing (ex financials)	117	15,977	17,592	20,516	22,806	22,763	23,551	24,127	24,112
Broad sectors									
Materials	33	2,721	7,020	6,195	5,377	6,804	6,493	7,688	7,591
Machinery, autos	42	6,492	10,244	10,594	15,813	16,069	15,801	16,629	16,559
Electronics	33	5,622	7,479	7,706	7,419	8,231	8,600	9,595	10,048
Consumer, distribution	80	8,260	13,236	14,424	13,827	15,186	15,335	16,137	15,977
Information	23	9,589	3,820	3,709	4,509	4,888	4,896	5,520	5,437
Utilities, infrastructure	53	1,906	4,831	6,990	8,686	7,738	8,421	8,235	8,399
Financials	25	5,583	7,328	5,948	8,892	10,442	10,740	11,620	12,075
Sectors									
Chemicals	27	2,425	5,218	4,715	3,988	5,254	5,103	5,824	5,817
Steel, nonferrous metals	6	296	1,802	1,480	1,388	1,550	1,390	1,864	1,774
Machinery	24	1,670	2,637	2,853	2,986	3,602	3,669	4,017	4,050
Autos	18	4,822	7,608	7,741	12,827	12,466	12,132	12,611	12,509
Electrical machinery, precision equipment	33	5,622	7,479	7,706	7,419	8,231	8,600	9,595	10,048
Pharmaceuticals, healthcare	15	1,810	1,983	2,253	1,762	2,215	2,325	2,637	2,728
Food products	13	1,373	1,533	1,660	1,869	2,033	1,948	2,204	2,031
Household goods	11	596	778	694	585	802	829	925	942
Trading companies	10	1,663	5,203	6,172	5,481	5,819	5,850	5,595	5,498
Retailing	15	1,310	1,651	1,824	2,124	2,192	2,213	2,388	2,354
Services	16	1,509	2,086	1,821	2,006	2,126	2,171	2,389	2,424
Software	12	1,172	1,381	1,214	1,366	1,265	1,283	1,403	1,394
Media	3	-2	327	209	132	204	192	240	254
Telecommunications	8	8,419	2,112	2,286	3,010	3,420	3,422	3,878	3,789
Construction, engineering	5	636	501	408	301	428	442	521	530
Housing, real estate	19	1,878	2,509	2,706	2,608	2,720	2,824	2,987	3,098
Transportation	21	-1,573	1,446	4,011	2,972	3,053	3,602	3,086	3,123
Utilities	8	965	375	-135	2,804	1,538	1,553	1,641	1,648
Financials	25	5,583	7,328	5,948	8,892	10,442	10,740	11,620	12,075

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 September 2024; previous estimates as of 3 June 2024.

Source: Nomura

Fig. 9: Percentage change in quarterly sales and profits (FY23 Q2–FY24 Q1)

	% 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	-	-	-	-	-	-	-	-	-12.1	35.5	12.5	13.0	-20.7	47.6	2.4	8.0
Russell/Nomura Large Cap (ex financials)	2.2	3.2	4.4	6.9	19.4	17.5	5.8	11.3	-18.0	33.1	10.0	9.6	-27.5	46.2	4.3	4.1
Manufacturing	5.2	6.3	6.4	8.2	5.3	16.2	13.7	19.9	5.1	23.2	21.5	13.5	8.5	24.1	15.7	3.0
Basic materials	-5.9	-2.3	1.8	7.0	-8.2	37.2	-11.9	37.2	-12.6	65.2	-12.7	20.8	-13.4	79.0	-25.7	10.8
Processing	9.2	10.3	7.6	8.2	13.2	20.0	24.9	16.4	14.7	24.5	33.9	11.0	18.9	26.9	25.0	4.6
Nonmanufacturing	-	-	-	-	-	-	-	-	-26.3	48.7	3.4	12.5	-40.8	77.1	-8.9	13.3
Nonmanufacturing (ex financials)	-1.7	-0.8	1.9	5.2	52.7	19.9	-6.0	-1.6	-39.6	47.8	-4.9	4.2	-54.5	88.4	-8.9	5.9
Broad sectors																
Basic materials	-5.9	-2.3	1.8	7.0	-8.2	37.2	-11.9	37.2	-12.6	65.2	-12.7	20.8	-13.4	79.0	-25.7	10.8
Machinery, autos	14.8	14.5	11.5	9.7	40.9	32.8	38.5	14.3	38.9	33.6	57.8	7.1	50.4	36.0	43.0	3.4
Electronics	-0.9	2.3	0.5	5.1	-18.3	1.4	6.5	20.9	-16.5	10.8	2.0	21.2	-16.7	13.9	3.6	7.5
Consumption, distribution	-2.4	0.7	5.0	6.5	3.4	-3.1	11.8	12.4	-3.6	-3.3	12.6	12.0	-6.1	-3.2	14.8	3.0
Information	3.7	3.1	3.0	3.7	6.6	2.7	-0.4	-5.7	-91.8	398.3	6.4	17.4	SL	SP	71.1	42.5
Utilities, infrastructure	1.7	-3.6	-1.3	5.9	153.9	44.8	-24.3	-6.3	57.6	20.5	-28.3	-7.0	24.3	58.1	-43.6	-6.1
Financials	-	-	-	-	-	-	-	-	75.9	51.1	33.3	33.6	115.0	55.0	-9.1	29.3
Sectors																
Chemicals	-9.9	-4.5	0.8	8.1	-7.1	50.7	-23.5	55.7	-12.2	99.0	-25.2	28.6	-14.2	134.1	-32.9	17.0
Steel, nonferrous metals	6.4	4.2	4.8	4.3	-11.6	10.0	34.2	-1.9	-14.0	11.6	40.8	0.6	-10.9	22.8	-15.0	-2.0
Machinery	3.7	6.7	5.6	10.1	-31.0	17.4	6.5	15.9	-33.8	24.9	10.8	13.0	-39.2	34.6	8.0	12.3
Automobiles	18.1	16.9	13.4	9.5	72.8	37.6	54.1	13.8	67.2	36.1	78.0	5.6	91.6	36.4	58.4	1.2
Electrical machinery, precision equipment	-0.9	2.3	0.5	5.1	-18.3	1.4	6.5	20.9	-16.5	10.8	2.0	21.2	-16.7	13.9	3.6	7.5
Pharmaceuticals, healthcare	8.7	2.0	8.5	11.2	-30.4	-28.9	-24.1	9.8	-33.8	-31.8	-19.4	12.4	-33.7	-27.9	0.5	-26.6
Food products	6.7	6.8	9.0	9.5	21.1	16.9	14.3	13.2	15.2	30.3	21.1	14.1	27.1	29.1	7.5	11.5
Household goods	0.5	-2.5	7.5	9.5	-0.6	-29.1	10.6	43.1	3.5	-24.1	20.2	40.5	0.5	-23.3	55.0	37.7
Trading companies	-10.3	-1.5	-0.0	5.8	-8.1	5.9	24.1	4.7	-15.0	-5.0	7.8	5.7	-17.0	-4.8	11.8	4.5
Retailing	0.5	2.4	2.5	6.0	19.5	20.0	15.6	10.8	15.6	23.2	30.2	17.2	-0.7	30.5	29.6	11.5
Services	3.9	0.8	18.7	2.2	25.6	1.8	36.8	14.0	28.3	2.5	28.6	15.3	26.6	1.7	25.7	39.1
Software	7.1	2.0	4.2	-11.2	4.5	0.9	-12.8	-32.4	0.9	16.3	0.2	-28.4	-14.4	13.7	-15.6	-25.9
Media	0.6	4.1	4.0	18.1	-18.8	-57.2	-4.8	133.2	-22.2	-68.7	11.6	43.0	-81.7	SL	78.2	28.1
Telecommunications	3.4	3.2	2.7	6.2	8.9	7.7	5.3	3.8	-98.9	1,683.0	10.3	46.1	SL	SP	143.6	435.9
Construction, engineering	11.9	10.7	4.7	11.2	-15.0	-80.8	0.6	116.1	-16.4	-74.6	5.8	75.9	-12.9	-73.3	34.0	61.5
Housing, real estate	7.4	5.4	4.6	11.0	11.1	6.4	-6.3	22.5	4.3	6.5	-13.8	21.6	5.4	10.4	-11.8	12.8
Transportation	3.5	2.5	7.4	10.0	57.8	20.4	1.6	19.1	-36.8	-14.5	-12.3	22.7	-54.3	-21.2	8.7	27.9
Utilities	-7.8	-20.7	-15.9	-5.3	SP	SP	-68.1	-45.9	SP	SP	-63.5	-45.3	SP	SP	-86.5	-44.2
Financials	-	-	-	-	-	-	-	-	75.9	51.1	33.3	33.6	115.0	55.0	-9.1	29.3

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 September 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
Industrial groups														
Russell/Nomura Large Cap	16.1	14.8	13.8	-	-	-	1.54	1.48	2.28	2.43	2.59	9.4	9.7	9.9
Russell/Nomura Large Cap (ex loss-making cos)	15.6	14.4	13.5	-	-	-	1.56	1.49	2.32	2.48	2.64	9.7	10.0	10.1
Russell/Nomura Large Cap (ex financials)	16.9	15.7	14.6	9.8	9.2	8.8	1.65	1.57	2.14	2.25	2.39	9.5	9.7	9.9
Manufacturing	17.0	15.2	14.2	10.1	9.3	8.8	1.67	1.58	2.13	2.28	2.43	9.5	10.1	10.2
Basic materials	12.9	10.4	9.7	6.1	5.3	5.0	1.05	0.99	2.88	3.16	3.32	7.8	9.2	9.4
Processing	16.0	14.6	13.7	10.0	9.4	8.9	1.67	1.58	1.99	2.15	2.32	10.2	10.5	10.5
Nonmanufacturing	15.1	14.4	13.4	-	-	-	1.40	1.38	2.46	2.61	2.79	9.2	9.4	9.6
Nonmanufacturing (ex financials)	16.6	16.5	15.2	9.3	9.2	8.7	1.61	1.55	2.16	2.20	2.33	9.5	9.2	9.4
Broad sectors														
Basic materials	12.9	10.4	9.7	6.1	5.3	5.0	1.05	0.99	2.88	3.16	3.32	7.8	9.2	9.4
Machinery, autos	11.7	11.1	10.8	7.6	7.2	7.0	1.19	1.13	2.77	2.92	3.04	9.9	9.9	9.6
Electronics	23.4	19.9	17.8	13.9	12.5	11.5	2.56	2.40	1.32	1.48	1.70	10.6	11.6	12.0
Consumption, distribution	20.6	19.9	18.8	12.8	12.5	12.0	2.09	2.03	2.03	2.09	2.16	10.0	9.9	10.0
Information	27.6	24.1	21.1	11.1	10.5	9.8	2.01	1.97	1.97	1.97	2.10	7.3	8.1	8.9
Utilities, infrastructure	10.6	11.0	10.2	6.0	6.1	5.8	1.05	0.99	2.82	2.87	3.09	9.6	8.8	8.9
Financials	11.9	10.5	9.8	-	-	-	1.01	1.06	3.34	3.81	4.12	8.7	9.8	10.1
Sectors														
Chemicals	14.1	11.7	10.8	6.8	6.1	5.7	1.19	1.14	2.58	2.84	2.99	8.2	9.4	9.7
Steel, nonferrous metals	9.4	7.0	6.6	4.3	3.4	3.3	0.69	0.63	4.18	4.58	4.80	6.9	8.7	8.7
Machinery	16.9	15.3	14.4	10.5	9.7	9.2	1.57	1.56	2.18	2.40	2.53	9.3	9.9	10.0
Automobiles	10.0	9.7	9.5	6.6	6.4	6.2	1.05	0.99	3.08	3.20	3.32	10.2	9.8	9.5
Electrical machinery, precision equipment	23.4	19.9	17.8	13.9	12.5	11.5	2.56	2.40	1.32	1.48	1.70	10.6	11.6	12.0
Pharmaceuticals, healthcare	31.4	26.7	24.3	17.0	15.9	15.1	2.51	2.46	1.90	1.97	2.04	7.9	9.0	9.6
Food products	18.8	17.9	17.9	11.8	11.4	11.4	1.88	1.79	2.99	3.03	3.03	9.8	9.8	9.4
Household goods	27.1	23.6	21.6	16.1	14.6	13.8	2.83	2.72	1.74	1.83	1.95	10.2	11.2	11.5
Trading companies	11.0	11.9	11.3	7.8	8.2	7.8	1.43	1.36	3.13	3.23	3.32	12.6	11.0	10.8
Retailing	28.8	26.7	24.6	14.7	13.8	13.1	3.04	3.00	1.29	1.32	1.41	10.7	10.9	11.0
Services	29.7	26.9	25.3	18.5	17.3	16.6	2.10	2.13	1.04	1.08	1.14	7.1	7.9	8.2
Software	28.3	26.3	23.6	23.9	22.3	20.3	4.47	4.26	1.90	1.79	2.03	15.4	15.6	16.0
Media	26.0	19.4	18.3	15.6	13.2	12.9	1.64	2.32	1.89	2.01	2.12	9.0	11.5	11.4
Telecommunications	27.3	23.3	20.0	8.3	7.9	7.4	1.53	1.48	2.02	2.07	2.14	5.5	6.3	7.2
Construction	14.0	11.7	10.4	10.9	9.4	8.5	1.13	1.12	3.26	3.84	4.37	8.1	9.6	10.6
Housing, real estate	13.3	12.2	11.6	9.3	8.7	8.4	1.30	1.24	2.75	2.96	3.14	9.6	9.8	9.7
Transportation	9.0	11.1	10.0	5.1	5.8	5.4	1.06	0.97	2.99	2.70	2.92	11.2	8.5	9.0
Utilities	8.7	8.1	7.8	3.4	3.2	3.1	0.67	0.63	2.32	2.53	2.71	7.5	7.5	7.4
Financials	11.9	10.5	9.8	-	-	-	1.01	1.06	3.34	3.81	4.12	8.7	9.8	10.1
Russell/Nomura Small Cap	14.2	13.4	13.0	-	-	-	1.12	1.09	2.57	2.64	2.70	7.8	7.9	7.7
Russell/Nomura Small Cap (ex financials)	14.6	13.8	13.4	8.3	8.0	7.8	1.23	1.18	2.51	2.59	2.65	8.3	8.3	8.1

Note: As of 2 September 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

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

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As at 30 June 2024.

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