

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

## Quarterly Update

**6 March 2025**

For inquiries:  
Market Strategy Research Dept  
Equity Research Dept  
Nomura Securities Co., Ltd.

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# Summary and major assumptions

## Our analysts forecast full-year sales up 4.0% and recurring profits up 10.7% 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 4.0% y-y, operating profit growth of 5.8%, recurring profit growth of 10.7%, and after-tax profit growth of 8.6%. Versus our previous aggregation as of 2 December 2024, our analysts have raised their sales growth forecast by 0.8ppt, lowered their operating profit growth forecast by 0.8ppt, raised their recurring profit growth forecast by 3.3ppt, and raised their after-tax profit growth forecast by 4.4ppt. The difference between the revisions to their aggregate operating profit and recurring profit forecasts stems from the fact that they factored in substantial forex translation gains at the nonoperating level to reflect changes in forex assumptions.

We think underlying profit growth in FY24 will not be as high as our analysts' forecasts appear to indicate at first glance, because of the disappearance of one-time gains and impairment losses posted by multiple companies in FY23. At the same time, however, we expect spreads at banks to improve as Japanese interest rates rise, and we also expect demand for semiconductor materials and SPE to improve versus FY23 thanks in part to generative AI. We expect profits to remain on an upward trajectory at major companies as a whole.

## Our analysts forecast full-year sales up 2.4% and recurring profits up 3.9% in FY25

For FY25, our analysts forecast sales growth of 2.4% y-y, operating profit growth of 9.5%, recurring profit growth of 3.9%, and after-tax profit growth of 3.0%. Versus the previous such exercise, our analysts have lowered their sales growth and operating profit growth forecasts by 0.1ppt apiece, lowered their recurring profit growth forecast by 1.9ppt, and lowered their after-tax profit growth forecast by 3.1ppt. However, as noted above, our analysts have raised their FY24 recurring profit and after-tax profit growth forecasts, which are the basis for calculating FY25 recurring profit growth and after-tax profit growth. While their new forecasts for FY25 appear to be for slower profit growth, these forecasts have in fact been revised upward on a value basis. In FY25, our analysts forecast a switch to y-y growth in real wages in Japan and think overseas economies will be solid. We expect overall profits at major companies to remain on a modest upward trajectory in FY25.

## Revision index points to slight preponderance of upward revisions

The Revision Index (RI) for the Russell/Nomura Large Cap Index (which shows the difference between the percentage of companies making upward revisions and the percentage of companies making downward revisions) is +7.0% for March 2025 (based on changes to FY25 recurring profit forecasts over 3 December to 3 March). This marks an improvement from the previous such exercise (based on changes to forecasts over 3 September–2 December), when downward revisions predominated. However, the revision index for the manufacturing sector was negative even though we revised our USD/JPY assumption in the direction of a weaker yen. By contrast, the revision index for nonmanufacturers was positive, driven by the financials and software sectors.

## Our analysts forecast dividend payout ratio of 36.7% for FY24, increase in number of companies expected to hike dividends

The aggregate projected dividend payout ratio for FY24 is 36.7%, up from 34.0% in FY23. While this is lower than the figure of 37.8% the last time around, this is because the upward revision to after-tax profit guidance outweighed the upward revision to DPS guidance, and does not mean that companies' appetite for shareholder returns has diminished. In fact, the percentage of companies forecasting a dividend hike in FY24 is 77.2%, up from 74.2% last time.

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

										(%)
Items	Category	No. of cos	New					Old		
			FY21 Actual	FY22 Actual	FY23E Actual	FY24E E	FY25E E	FY24E E	FY25E E	
Sales (% y-y)	Russell/Nomura Large Cap (ex financials)	263	14.1	17.2	3.9	4.0	2.4	3.2	2.5	
	Manufacturing	146	15.2	17.4	6.9	4.1	2.4	3.1	2.5	
	Basic materials	32	28.8	24.2	-2.7	2.3	0.9	0.6	1.7	
	Processing	75	13.3	16.4	10.6	4.1	2.6	3.2	2.5	
	Nonmanufacturing (ex financials)	117	12.8	16.9	0.1	4.0	2.5	3.5	2.5	
	Russell/Nomura Small Cap (ex financials)	981	7.3	11.0	4.0	5.1	4.0	4.9	4.1	
Operating profits (% y-y)	Russell/Nomura Large Cap (ex financials)	263	58.3	6.9	13.1	5.8	9.5	6.6	9.6	
	Manufacturing	146	58.2	3.9	7.6	8.1	10.4	8.8	11.3	
	Basic materials	32	148.5	-6.4	-18.9	11.8	8.3	7.7	18.9	
	Processing	75	52.9	6.9	22.0	3.9	10.6	5.8	8.3	
	Nonmanufacturing (ex financials)	117	58.5	13.3	23.7	1.9	7.8	2.8	6.4	
	Russell/Nomura Small Cap (ex financials)	981	37.8	3.5	17.1	14.1	12.8	14.9	10.9	
Recurring profits (% y-y)	Russell/Nomura Large Cap	288	34.1	4.2	15.0	10.7	3.9	7.4	5.8	
	Russell/Nomura Large Cap (ex financials)	263	34.5	7.7	10.9	7.1	2.7	5.5	4.3	
	Manufacturing	146	56.9	2.7	12.3	4.9	7.8	1.2	12.9	
	Basic materials	32	164.2	-7.2	-14.6	3.1	13.4	-0.9	25.0	
	Processing	75	47.8	4.4	26.8	2.6	5.2	-2.2	9.4	
	Nonmanufacturing	142	14.7	5.8	18.0	16.8	0.3	13.9	-0.8	
	Nonmanufacturing (ex financials)	117	8.8	15.8	8.9	10.3	-4.5	11.8	-7.0	
	Russell/Nomura Small Cap	1,065	45.0	0.7	18.5	10.3	11.3	9.6	10.6	
	Russell/Nomura Small Cap (ex financials)	981	50.1	0.4	18.4	10.2	11.3	9.8	10.6	
After-tax profits (% y-y)	Russell/Nomura Large Cap	288	38.9	3.1	14.8	8.6	3.0	4.2	6.1	
	Russell/Nomura Large Cap (ex financials)	263	39.5	6.5	10.8	5.3	1.6	2.1	4.7	
	Manufacturing	146	66.8	-3.1	15.8	1.5	7.4	-6.7	18.0	
	Basic materials	32	308.5	-18.8	-17.7	0.3	22.3	-6.0	39.8	
	Processing	75	51.4	-1.4	29.3	0.3	3.9	-9.9	14.0	
	Nonmanufacturing	142	15.1	10.5	13.7	16.2	-1.2	15.8	-3.9	
	Nonmanufacturing (ex financials)	117	7.6	23.0	4.1	11.0	-6.5	15.6	-11.5	
	Russell/Nomura Small Cap	1,065	72.2	1.5	23.7	15.7	10.9	15.5	8.3	
	Russell/Nomura Small Cap (ex financials)	981	84.9	0.3	25.5	16.8	10.9	17.1	7.9	

Note: Latest estimates as of 3 March 2025, previous estimates as of 2 December 2024.

Source: Nomura

Fig. 2: Key earnings estimate assumptions

As of 17 Jan 2025							As of 17 Oct 2024				
		Industrial production 2020 base year % y-y	Policy rate (FY-end) %	WTI \$/bbl	Exchange rate (avg) USD/JPY   EUR/JPY		Industrial production 2020 base year % y-y	Policy rate (FY-end) %	WTI \$/bbl	Exchange rate (avg) USD/JPY   EUR/JPY	
FY	FY23	-2.0	0.00	77.8	144.53	156.75	-2.0	0.00	77.8	144.53	156.75
	FY24	-1.1	0.50	75.2	151.81	162.23	0.3	0.50	73.9	148.69	162.85
	FY25	3.0	1.00	70.0	150.00	155.00	3.8	0.75	70.0	145.00	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	-2.6	0.00	77.6	148.16	160.13
	FY24   H1	-2.4	0.25	77.8	152.39	165.70	-2.1	0.25	77.8	152.39	165.70
	FY24   H2	0.1	0.50	72.6	151.24	158.77	2.7	0.50	70.0	145.00	160.00
	FY25   H1	2.5	0.75	70.0	150.00	155.00	4.6	0.50	70.0	145.00	160.00
	FY25   H2	3.5	1.00	70.0	150.00	155.00	3.0	0.75	70.0	145.00	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 corporate earnings outlook for FY24

For FY24, our analysts expect recurring profits to increase in 14 of 19 sectors and fall in five.

Sectors expected to make major positive contributions to overall profit growth include financials, telecommunications, electrical machinery & precision equipment, transportation, and pharmaceuticals & healthcare. In the financials sector, our analysts see numerous positive factors for profits 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 the telecommunications sector, they expect investment business and investment funds at SoftBank Group [9984] (Buy) to contribute substantially to profit growth. In the electrical machinery & precision equipment sector, our analysts expect the SPE market to recover and grow on increased demand for semiconductors used in generative AI. They also expect one-time costs related to overseas businesses posted by some companies in FY23 to drop out of the picture in FY24. In the transportation sector, they expect marine transportation to make a major contribution to profit growth as tensions in the Middle East have pushed up containership rates. For the pharmaceuticals & healthcare sector, 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.

Sectors expected to make major negative contributions to overall profit growth are utilities and automobiles. In the utilities sector, our analysts expect gains/losses under the fuel cost adjustment system for electric power companies to narrow. In the automobiles sector, they expect profits to be affected by automakers' increased investment in human capital and next-generation technologies, a downturn in sales volumes, and an increase in sales expenses and expenses related to certification issues.

## Overview of corporate earnings outlook for FY25

In FY25, our analysts forecast a shift to y-y growth in real wages in Japan and think overseas economies will be solid. They expect recurring profits to increase in 14 of 19 sectors and fall in five.

Sectors expected to make major positive contributions to overall profit growth include electrical machinery & precision equipment, financials, steel & nonferrous metals, pharmaceuticals & healthcare, and chemicals. In the electrical machinery & precision equipment sector, our analysts expect benefits from increased semiconductor demand, as in FY24, and also expect profits to be boosted by a recovery in demand from the automotive and industrial machinery sectors and consistently solid demand for IT services. In the financials sector, our analysts expect further earnings growth at banks, particularly major banks, on the back of rising interest rates in Japan. In the steel & nonferrous metals sector, they expect a contribution to profit growth from domestic production structure reforms and increased sales of products with high added value such as electrical steel sheet. In the pharmaceuticals & healthcare sector, our analysts forecast growth in sales of pharmaceuticals and medical equipment, as in FY24. 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.

Sectors that our analysts expect to make major negative contributions to profits include telecommunications, transportation, automobiles, and trading companies. For telecommunications, our analysts expect a contraction relative to FY24 in profits from investment business and investment funds at SoftBank Group. In the transportation sector, they expect containership rates, which rose in FY24, to normalize in FY25. In the automobiles sector, they expect forex translation gains to drop out of the picture, as they are assuming a stronger yen in FY25 than in FY24. 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. Another factor is our assumption 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			
			(%)				(%)
14 sectors	Growth	Contribution	Contribution (ex financials)	14 sectors	Growth	Contribution	Contribution (ex financials)
Financials	33.1	43.2	-	Electrical machinery, precision equipment	17.1	51.0	90.2
Telecommunications	67.7	29.1	51.3	Financials	10.0	43.5	-
Electrical machinery, precision equipment	10.5	11.3	19.8	Steel, nonferrous metals	37.2	17.1	30.2
Transportation	21.8	8.9	15.6	Pharmaceuticals, healthcare	20.1	16.7	29.6
Pharmaceuticals, healthcare	35.2	8.7	15.4	Chemicals	6.7	10.8	19.1
Chemicals	12.8	7.7	13.6	Software	23.0	9.7	17.1
Machinery	15.4	6.7	11.8	Machinery	7.2	8.7	15.4
Services	19.7	5.6	9.8	Housing, real estate	9.6	8.6	15.2
Trading companies	4.2	3.3	5.9	Services	9.9	8.2	14.5
Household goods	38.4	3.2	5.7	Media	SP	6.6	11.6
Construction	71.5	3.1	5.4	Retailing	8.1	5.7	10.0
Housing, real estate	7.5	2.9	5.1	Food	7.5	4.7	8.4
Retailing	4.9	1.4	2.5	Household goods	10.4	2.7	4.9
Food	0.7	0.2	0.3	Construction	8.8	1.5	2.7

Decrease in profits				Decrease in profits			
			(%)				(%)
5 sectors	Growth	Contribution	Contribution (ex financials)	5 sectors	Growth	Contribution	Contribution (ex financials)
Media	SL	-2.1	-3.7	Utilities	-0.3	-0.1	-0.3
Software	-16.5	-3.3	-5.8	Trading companies	-6.4	-13.2	-23.3
Steel, nonferrous metals	-23.0	-5.1	-9.0	Automobiles	-3.7	-15.8	-27.9
Automobiles	-5.1	-9.4	-16.5	Transportation	-16.1	-21.4	-37.9
Utilities	-38.5	-15.5	-27.3	Telecommunications	-24.8	-44.9	-79.5

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

Source: Nomura

# Revisions to recurring profit forecasts (versus old forecasts)

## Overview of corporate earnings outlook for FY24

Compared with the last time we aggregated their forecasts, on 2 December 2024, our analysts have raised their FY24 recurring profit forecasts for 10 of 19 sectors and lowered them for nine.

The upward revisions (in value terms) were large for sectors such as automobiles, financials, and services, with particularly large upward revisions for automobiles and financials. For automobiles, our analysts have raised their forecasts for forex translation gains, having revised their forex assumptions in the direction of a weaker yen versus the dollar. For financials, they have factored in a favorable turn in macroeconomic conditions, including rising yen interest rates, as well as strong earnings from core operations in Japan and overseas. They also take into account that insurance companies have been reducing their strategic shareholdings at a faster-than-expected pace. For the services sector, the upward revision reflects hikes to earnings forecasts for Japan Post Holdings [6178] (Neutral).

Sectors for which our analysts have made large downward revisions include telecommunications, media, and electric appliances & precision instruments. In the telecommunications sector, our analysts have lowered their forecasts for gains/losses from investment funds. In the media sector, they have revised their forecasts to reflect goodwill impairment losses at overseas businesses. They have also lowered their forecasts for the electric appliances & precision instruments sector to factor in goodwill impairment losses. Partly because they have revised their forex assumptions in the direction of a weaker yen versus the dollar, our analysts have raised their forecasts for the electric appliances & precision instruments sector as a whole, barring impairments.

## Overview of corporate earnings outlook for FY25

Our analysts have raised their FY25 recurring profit forecasts for 12 of 19 sectors and lowered them for seven.

They have made substantial upward revisions for sectors including financials, automobiles, services, and trading companies. Our analysts have raised their forecasts for financials, automobiles, and services for broadly the same reasons as for FY24. They have raised their forecasts for trading companies to reflect solid recent iron ore prices and, for some companies, improvements at businesses that had been struggling.

Conversely, our analysts have made substantial downward revisions for sectors including chemicals and telecommunications. In the chemicals sector, they have lowered their net production volume forecasts for crude oil and natural gas. In the telecommunications sector, they have factored in higher sales promotion costs at mobile phone operations.

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

FY24E					FY25E				
[Upward revisions] 10 sectors					[Upward revisions] 12 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Automobiles	12,273	11,012	1261.3	11.5	Financials	13,216	12,232	984.8	8.1
Financials	12,097	10,841	1256.4	11.6	Automobiles	11,465	11,050	414.7	3.8
Services	2,370	2,169	200.7	9.3	Services	2,510	2,286	223.4	9.8
Steel, nonferrous metals	1,201	1,070	130.6	12.2	Trading companies	5,370	5,225	145.9	2.8
Chemicals	4,747	4,647	99.4	2.1	Transportation	3,077	2,987	89.8	3.0
Utilities	1,723	1,667	56.7	3.4	Utilities	1,586	1,540	46.0	3.0
Retailing	2,144	2,091	53.3	2.5	Retailing	2,100	2,064	36.0	1.7
Housing, real estate	2,895	2,846	48.8	1.7	Housing, real estate	2,701	2,665	35.1	1.3
Construction	516	470	46.8	10.0	Software	1,429	1,415	13.9	1.0
Trading companies	5,842	5,835	7.5	0.1	Construction	513	504	9.0	1.8
[Downward revisions] 9 sectors					Machinery	3,594	3,586	8.6	0.2
	New ¥bn	Old ¥bn	Revision ¥bn	Change %	Household goods	804	798	5.8	0.7
Household goods	809	819	-9.6	-1.2	[Downward revisions] 7 sectors				
Machinery	3,501	3,516	-14.8	-0.4		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Pharmaceuticals, healthcare	2,337	2,371	-33.7	-1.4	Steel, nonferrous metals	1,737	1,746	-9.0	-0.5
Food	1,869	1,945	-76.2	-3.9	Media	161	235	-74.5	-31.6
Software	1,151	1,261	-110.2	-8.7	Electrical machinery, precision equipment	9,661	9,739	-78.2	-0.8
Transportation	3,455	3,574	-118.8	-3.3	Pharmaceuticals, healthcare	2,756	2,838	-82.0	-2.9
Electrical machinery, precision equipment	8,242	8,390	-148.9	-1.8	Food	1,869	1,966	-97.0	-4.9
Media	-21	167	-187.8	-112.5	Telecommunications	3,756	3,868	-111.6	-2.9
Telecommunications	5,032	5,374	-342.4	-6.4	Chemicals	4,757	5,096	-339.5	-6.7

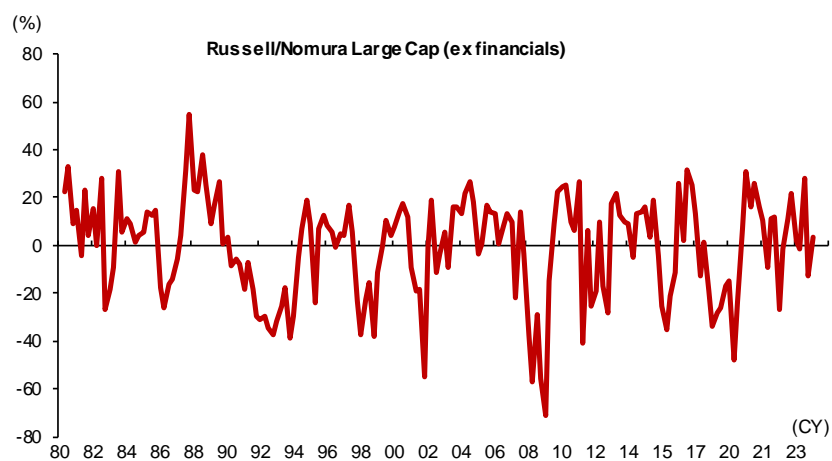
Note: Latest estimates as of 3 March 2025, previous estimates as of 2 December 2024.

Source: Nomura



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

	(yy/m)	23/6	23/9	23/12	24/3	24/6	24/9	24/12	25/3
Russell/Nomura Large Cap		-0.7	10.4	20.2	2.4	2.1	28.1	-10.8	7.0
Russell/Nomura Large Cap (ex financials)		-1.1	10.9	21.5	1.9	-1.5	28.1	-12.9	3.2
Manufacturing		-1.4	0.7	18.2	-7.5	6.1	25.3	-34.2	-2.4
Basic materials		-40.0	-46.7	16.7	-18.2	-6.1	12.5	-37.5	-28.6
Processing		12.3	23.3	23.6	-4.0	5.3	24.0	-44.0	7.9
Nonmanufacturing (ex financials)		-0.8	23.0	25.4	13.7	-11.1	31.6	13.7	10.4



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)

		(% y-y)							
	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 (ex financials)	263	-7.5	14.1	17.2	3.9	3.2	4.0	2.5	2.4
Manufacturing	146	-8.0	15.2	17.4	6.9	3.1	4.1	2.5	2.4
Basic materials	32	-12.1	28.8	24.2	-2.7	0.6	2.3	1.7	0.9
Processing	75	-7.7	13.3	16.4	10.6	3.2	4.1	2.5	2.6
Nonmanufacturing (ex financials)	117	-6.8	12.8	16.9	0.1	3.5	4.0	2.5	2.5
<b>Broad sectors</b>									
Materials	32	-12.1	28.8	24.2	-2.7	0.6	2.3	1.7	0.9
Machinery, autos	42	-10.4	13.9	19.7	15.5	3.7	4.6	2.7	2.5
Electronics	33	-3.0	12.5	11.4	1.7	2.1	3.2	2.2	2.7
Consumer, distribution	80	-4.4	15.6	14.6	0.6	2.7	3.8	2.5	2.1
Information	23	-0.6	6.0	7.2	3.6	4.2	3.2	4.9	6.3
Utilities, infrastructure	53	-12.2	6.0	23.6	0.7	6.4	6.3	2.2	2.1
<b>Sectors</b>									
Chemicals	26	-12.4	27.8	26.3	-5.5	0.5	3.0	-1.4	2.0
Steel, nonferrous metals	6	-11.3	31.5	18.2	5.9	0.9	0.6	8.8	-1.7
Machinery	24	-5.5	17.8	18.0	7.4	5.9	6.2	3.9	4.0
Autos	18	-11.8	12.8	20.2	18.0	3.2	4.1	2.4	2.2
Electrical machinery, precision equipment	33	-3.0	12.5	11.4	1.7	2.1	3.2	2.2	2.7
Pharmaceuticals, healthcare	15	-2.1	7.4	10.9	7.2	6.7	7.6	2.6	3.2
Food products	13	-3.9	2.0	12.3	7.4	6.7	6.7	6.3	4.6
Household goods	11	-7.4	9.2	10.2	2.2	6.8	7.7	2.2	3.0
Trading companies	10	-5.8	30.3	19.4	-5.6	0.7	1.0	1.2	0.5
Retailing	15	-3.4	13.7	15.0	3.3	5.6	5.9	3.5	3.6
Services	16	-4.0	3.1	5.5	7.2	-2.6	3.4	2.7	2.5
Software	12	9.2	3.8	3.3	9.0	4.3	-4.3	10.4	21.0
Media	3	-12.9	19.7	12.2	3.1	8.4	10.3	3.6	4.3
Telecommunications	8	-0.6	5.4	7.5	2.6	3.9	4.3	3.8	3.6
Construction, engineering	5	-9.8	5.8	11.8	9.6	6.3	7.6	3.2	0.7
Housing, real estate	19	-4.3	8.4	8.7	5.0	9.7	9.6	6.5	7.3
Transportation	21	-28.2	15.5	25.5	5.0	7.6	7.8	0.5	0.6
Utilities	8	-3.1	-4.1	44.1	-9.9	1.5	0.5	-0.4	-1.1

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 3 March 2025; previous estimates as of 2 December 2024.

Source: Nomura

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

(% y-y)									
	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	288	4.5	34.1	4.2	15.0	7.4	10.7	5.8	3.9
Russell/Nomura Large Cap (ex financials)	263	5.6	34.5	7.7	10.9	5.5	7.1	4.3	2.7
Manufacturing	146	7.6	56.9	2.7	12.3	1.2	4.9	12.9	7.8
Basic materials	32	13.7	164.2	-7.2	-14.6	-0.9	3.1	25.0	13.4
Processing	75	8.7	47.8	4.4	26.8	-2.2	2.6	9.4	5.2
Nonmanufacturing	142	2.0	14.7	5.8	18.0	13.9	16.8	-0.8	0.3
Nonmanufacturing (ex financials)	117	3.3	8.8	15.8	8.9	11.8	10.3	-7.0	-4.5
<b>Broad sectors</b>									
Materials	32	13.7	164.2	-7.2	-14.6	-0.9	3.1	25.0	13.4
Machinery, autos	42	-7.0	57.8	3.9	45.9	-9.0	-1.2	5.5	-1.3
Electronics	33	34.8	36.0	5.3	-0.8	12.5	10.5	15.9	17.1
Consumer, distribution	80	-12.0	56.6	11.5	-4.2	10.3	11.4	4.1	4.7
Information	23	157.0	-60.0	0.3	22.2	51.0	36.8	-18.6	-12.9
Utilities, infrastructure	53	-68.8	137.7	33.9	17.1	-0.9	-0.5	-4.2	-3.9
Financials	25	-1.4	31.9	-18.3	49.9	19.3	33.1	13.5	10.0
<b>Sectors</b>									
Chemicals	26	-11.6	119.1	-5.2	-16.2	10.4	12.8	16.9	6.7
Steel, nonferrous metals	6	SP	555.9	-13.0	-9.6	-31.3	-23.0	56.5	37.2
Machinery	24	-5.0	61.7	6.6	3.8	15.9	15.4	8.5	7.2
Autos	18	-7.7	56.5	2.9	61.2	-14.9	-5.1	4.5	-3.7
Electrical machinery, precision equipment	33	34.8	36.0	5.3	-0.8	12.5	10.5	15.9	17.1
Pharmaceuticals, healthcare	15	11.8	6.5	18.2	-21.8	37.1	35.2	21.9	20.1
Food products	13	0.6	10.0	17.7	11.0	4.8	0.7	8.6	7.5
Household goods	11	-23.6	30.0	-14.6	-13.0	40.0	38.4	8.9	10.4
Trading companies	10	-26.8	208.6	18.6	-11.2	4.0	4.2	-8.8	-6.4
Retailing	15	-17.7	20.0	20.5	12.2	2.3	4.9	9.1	8.1
Services	16	-14.3	36.1	-12.8	13.6	9.5	19.7	9.8	9.9
Software	12	39.6	14.4	-5.8	12.9	-8.5	-16.5	11.2	23.0
Media	3	SL	SP	-36.1	-36.8	34.2	SL	41.0	SP
Telecommunications	8	207.6	-74.9	9.9	32.6	79.1	67.7	-27.6	-24.8
Construction, engineering	5	-13.4	-22.8	2.1	-26.2	56.0	71.5	18.4	8.8
Housing, real estate	19	-10.8	24.1	10.2	-4.5	5.7	7.5	10.4	9.6
Transportation	21	SL	SP	92.2	-28.1	25.9	21.8	-17.9	-16.1
Utilities	8	-15.3	-61.2	SL	1,868.3	-40.6	-38.5	-1.0	-0.3
Financials	25	-1.4	31.9	-18.3	49.9	19.3	33.1	13.5	10.0

Note: (1) Figures exclude listed consolidated subsidiaries. (2) Latest estimates as of 3 March 2025; previous estimates as of 2 December 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	70,063	72,182	71,841	73,062
Russell/Nomura Large Cap (ex financials)	264	34,590	46,630	49,619	55,630	59,222	60,085	59,609	59,845
Manufacturing	147	18,613	29,038	29,102	32,824	33,770	34,978	36,819	36,642
Basic materials	33	2,721	7,020	6,195	5,377	5,717	5,947	6,842	6,494
Processing	75	12,114	17,723	18,300	23,232	22,918	24,016	24,375	24,720
Nonmanufacturing	142	21,560	24,920	26,464	31,698	36,293	37,204	35,022	36,419
Nonmanufacturing (ex financials)	117	15,977	17,592	20,516	22,806	25,453	25,107	22,790	23,203
<b>Broad sectors</b>									
Materials	33	2,721	7,020	6,195	5,377	5,717	5,947	6,842	6,494
Machinery, autos	42	6,492	10,244	10,594	15,813	14,528	15,774	14,636	15,059
Electronics	33	5,622	7,479	7,706	7,419	8,390	8,242	9,739	9,661
Consumer, distribution	80	8,260	13,236	14,424	13,827	15,229	15,371	15,177	15,409
Information	23	9,589	3,820	3,709	4,509	6,802	6,161	5,518	5,346
Utilities, infrastructure	53	1,906	4,831	6,990	8,686	8,556	8,590	7,697	7,877
Financials	25	5,583	7,328	5,948	8,892	10,841	12,097	12,232	13,216
<b>Sectors</b>									
Chemicals	27	2,425	5,218	4,715	3,988	4,647	4,747	5,096	4,757
Steel, nonferrous metals	6	296	1,802	1,480	1,388	1,070	1,201	1,746	1,737
Machinery	24	1,670	2,637	2,853	2,986	3,516	3,501	3,586	3,594
Autos	18	4,822	7,608	7,741	12,827	11,012	12,273	11,050	11,465
Electrical machinery, precision equipment	33	5,622	7,479	7,706	7,419	8,390	8,242	9,739	9,661
Pharmaceuticals, healthcare	15	1,810	1,983	2,253	1,762	2,371	2,337	2,838	2,756
Food products	13	1,373	1,533	1,660	1,869	1,945	1,869	1,966	1,869
Household goods	11	596	778	694	585	819	809	798	804
Trading companies	10	1,663	5,203	6,172	5,481	5,835	5,842	5,225	5,370
Retailing	15	1,310	1,651	1,824	2,124	2,091	2,144	2,064	2,100
Services	16	1,509	2,086	1,821	2,006	2,169	2,370	2,286	2,510
Software	12	1,172	1,381	1,214	1,366	1,261	1,151	1,415	1,429
Media	3	-2	327	209	132	167	-21	235	161
Telecommunications	8	8,419	2,112	2,286	3,010	5,374	5,032	3,868	3,756
Construction, engineering	5	636	501	408	301	470	516	504	513
Housing, real estate	19	1,878	2,509	2,706	2,608	2,846	2,895	2,665	2,701
Transportation	21	-1,573	1,446	4,011	2,972	3,574	3,455	2,987	3,077
Utilities	8	965	375	-135	2,804	1,667	1,723	1,540	1,586
Financials	25	5,583	7,328	5,948	8,892	10,841	12,097	12,232	13,216

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 3 March 2025; previous estimates as of 2 December 2024.

Source: Nomura

Fig. 9: Percentage change in quarterly sales and profits (FY23 Q4–FY24 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	-	-	-	-	-	-	-	-	12.5	13.0	15.9	10.7	2.4	8.0	23.8	11.2
Russell/Nomura Large Cap (ex financials)	4.4	6.9	3.5	3.6	5.8	11.3	3.9	-0.5	10.0	9.6	2.9	8.4	4.3	4.1	10.0	8.8
Manufacturing	6.4	8.2	2.4	3.7	13.7	19.9	5.9	-5.9	21.5	13.5	-15.8	17.6	15.7	3.0	-17.2	21.8
Basic materials	1.8	7.0	1.9	-0.4	-11.9	37.2	-6.4	-1.4	-12.7	20.8	-25.7	8.1	-25.7	10.8	-32.7	27.1
Processing	7.6	8.2	1.7	4.3	24.9	16.4	1.8	-8.9	33.9	11.0	-22.1	22.0	25.0	4.6	-23.3	23.4
Nonmanufacturing	-	-	-	-	-	-	-	-	3.4	12.5	53.7	4.5	-8.9	13.3	76.7	1.8
Nonmanufacturing (ex financials)	1.9	5.2	4.9	3.5	-6.0	-1.6	0.6	9.4	-4.9	4.2	34.0	-3.4	-8.9	5.9	60.0	-7.6
Broad sectors																
Basic materials	1.8	7.0	1.9	-0.4	-11.9	37.2	-6.4	-1.4	-12.7	20.8	-25.7	8.1	-25.7	10.8	-32.7	27.1
Machinery, autos	11.5	9.7	1.9	2.4	38.5	14.3	-8.2	-17.3	57.8	7.1	-35.5	27.9	43.0	3.4	-40.1	35.2
Electronics	0.5	5.1	1.4	8.4	6.5	20.9	21.6	7.3	2.0	21.2	6.9	11.1	3.6	7.5	11.5	3.1
Consumption, distribution	5.0	6.5	5.3	3.1	11.8	12.4	25.2	6.3	12.6	12.0	13.2	9.6	14.8	3.0	9.0	7.9
Information	3.0	3.7	3.8	2.4	-0.4	-5.7	3.5	-7.8	6.4	17.4	455.5	-55.2	71.1	42.5	SP	-83.2
Utilities, infrastructure	-1.3	5.9	5.7	7.2	-24.3	-6.3	-7.3	21.2	-28.3	-7.0	-6.5	38.0	-43.6	-6.1	-4.7	60.6
Financials	-	-	-	-	-	-	-	-	33.3	33.6	104.1	23.7	-9.1	29.3	115.4	23.6
Sectors																
Chemicals	0.8	8.1	1.9	-1.1	-23.5	55.7	-3.3	1.8	-25.2	28.6	-26.9	14.1	-32.9	17.0	-35.4	51.0
Steel, nonferrous metals	4.8	4.3	2.0	1.5	34.2	-1.9	-15.7	-9.9	40.8	0.6	-21.8	-7.2	-15.0	-2.0	-25.7	-12.8
Machinery	5.6	10.1	8.1	4.2	6.5	15.9	54.8	-4.2	10.8	13.0	36.2	13.6	8.0	12.3	49.8	9.7
Automobiles	13.4	9.5	0.2	2.0	54.1	13.8	-19.6	-20.7	78.0	5.6	-46.7	31.6	58.4	1.2	-53.4	41.8
Electrical machinery, precision equipment	0.5	5.1	1.4	8.4	6.5	20.9	21.6	7.3	2.0	21.2	6.9	11.1	3.6	7.5	11.5	3.1
Pharmaceuticals, healthcare	8.5	11.2	9.6	8.2	-24.1	9.8	126.5	-12.3	-19.4	12.4	117.9	-1.2	0.5	-26.6	114.2	7.7
Food products	9.0	9.5	4.4	6.2	14.3	13.2	-6.7	-0.2	21.1	14.1	-10.5	-16.2	7.5	11.5	-11.7	-19.3
Household goods	7.5	9.5	5.3	10.4	10.6	43.1	18.7	91.2	20.2	40.5	-2.6	99.8	55.0	37.7	-5.5	79.3
Trading companies	-0.0	5.8	2.6	-0.8	24.1	4.7	-2.1	-1.6	7.8	5.7	5.5	6.8	11.8	4.5	2.4	9.9
Retailing	2.5	6.0	10.5	4.9	15.6	10.8	9.5	-0.9	30.2	17.2	-14.6	12.0	29.6	11.5	-8.0	-4.6
Services	18.7	2.2	3.4	3.7	36.8	14.0	25.7	23.5	28.6	15.3	24.9	22.6	25.7	39.1	-9.5	16.9
Software	4.2	-11.2	0.2	-4.8	-12.8	-32.4	-6.6	-10.1	0.2	-28.4	-33.6	9.8	-15.6	-25.9	-27.5	8.0
Media	4.0	18.1	8.6	7.7	-4.8	133.2	-30.7	SL	11.6	43.0	-40.6	SL	78.2	28.1	-30.7	LI
Telecommunications	2.7	6.2	4.2	3.7	5.3	3.8	9.1	10.5	10.3	46.1	4,243.7	-60.8	143.6	435.9	SP	-88.8
Construction, engineering	4.7	11.2	3.8	8.3	0.6	116.1	7.4	811.1	5.8	75.9	-3.0	560.8	34.0	61.5	10.9	682.8
Housing, real estate	4.6	11.0	8.3	11.4	-6.3	22.5	5.8	21.0	-13.8	21.6	-3.2	25.7	-11.8	12.8	-8.2	24.2
Transportation	7.4	10.0	8.8	7.6	1.6	19.1	6.6	12.1	-12.3	22.7	30.7	45.2	8.7	27.9	47.6	56.8
Utilities	-15.9	-5.3	0.8	1.7	-68.1	-45.9	-32.6	5.0	-63.5	-45.3	-41.3	9.6	-86.5	-44.2	-45.4	95.4
Financials	-	-	-	-	-	-	-	-	33.3	33.6	104.1	23.7	-9.1	29.3	115.4	23.6

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 3 March 2025. (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	15.4	15.0	13.9	-	-	-	1.52	1.48	2.35	2.55	2.70	9.7	9.8	10.0
Russell/Nomura Large Cap (ex loss-making cos)	15.1	14.8	13.7	-	-	-	1.56	1.50	2.35	2.57	2.73	10.0	9.9	10.1
Russell/Nomura Large Cap (ex financials)	16.2	15.9	14.8	9.4	9.3	8.8	1.60	1.53	2.20	2.36	2.47	9.7	9.6	9.8
Manufacturing	16.7	15.6	14.5	9.8	9.4	8.9	1.61	1.52	2.23	2.44	2.54	9.3	9.8	10.0
Basic materials	13.1	11.2	10.4	5.9	5.5	5.2	0.96	0.90	3.14	3.18	3.29	7.1	8.2	8.4
Processing	15.9	15.3	14.2	10.0	9.7	9.2	1.64	1.57	2.06	2.21	2.40	10.1	10.2	10.4
Nonmanufacturing	14.3	14.4	13.3	-	-	-	1.44	1.43	2.48	2.66	2.88	10.1	9.8	10.1
Nonmanufacturing (ex financials)	15.4	16.4	15.2	8.8	9.1	8.6	1.60	1.53	2.15	2.23	2.36	10.2	9.3	9.5
<b>Broad sectors</b>														
Basic materials	13.1	11.2	10.4	5.9	5.5	5.2	0.96	0.90	3.14	3.18	3.29	7.1	8.2	8.4
Machinery, autos	11.4	11.7	11.2	7.5	7.6	7.2	1.17	1.12	2.89	3.08	3.26	10.0	9.6	9.5
Electronics	23.8	20.4	18.2	14.1	12.8	11.8	2.52	2.38	1.34	1.50	1.68	10.3	11.3	11.9
Consumption, distribution	19.2	18.9	17.6	11.9	11.8	11.3	1.97	1.90	2.13	2.38	2.35	10.0	10.0	10.2
Information	21.9	24.8	21.7	10.4	10.9	10.1	2.11	2.06	1.80	1.89	2.02	9.7	8.1	9.0
Utilities, infrastructure	10.2	10.8	10.1	5.8	5.9	5.6	1.04	0.98	2.82	2.95	3.18	9.8	9.0	9.1
Financials	12.0	11.0	10.1	-	-	-	1.15	1.22	3.32	3.74	4.17	9.8	11.0	11.2
<b>Sectors</b>														
Chemicals	13.6	12.3	11.5	6.3	5.9	5.6	1.06	1.00	2.85	2.93	3.01	7.5	8.1	8.3
Steel, nonferrous metals	11.5	8.7	8.1	4.8	4.5	4.2	0.70	0.65	4.28	3.93	4.16	5.8	8.6	8.8
Machinery	18.4	16.6	15.3	11.1	10.5	9.8	1.60	1.59	2.14	2.24	2.40	8.7	9.8	10.1
Automobiles	9.5	10.0	9.8	6.3	6.6	6.3	1.02	0.97	3.31	3.54	3.73	10.5	9.5	9.3
Electrical machinery, precision equipment	23.8	20.4	18.2	14.1	12.8	11.8	2.52	2.38	1.34	1.50	1.68	10.3	11.3	11.9
Pharmaceuticals, healthcare	25.8	23.0	20.7	14.2	13.7	12.9	2.21	2.15	2.20	2.88	2.52	8.5	9.4	10.1
Food products	18.5	17.6	17.1	11.2	11.0	10.8	1.77	1.66	2.99	3.26	3.26	9.2	9.6	9.5
Household goods	29.0	25.3	22.5	16.6	15.4	14.2	2.84	2.66	1.60	1.82	1.91	9.5	10.9	11.7
Trading companies	9.8	10.6	10.0	6.9	7.3	7.0	1.26	1.20	3.53	3.65	3.76	12.6	11.0	11.0
Retailing	30.3	29.0	26.9	15.3	14.7	13.9	3.12	3.07	1.27	1.30	1.38	10.4	10.9	11.0
Services	26.9	25.5	24.2	17.2	16.6	16.0	2.09	2.10	1.04	1.05	1.09	7.8	8.1	8.4
Software	39.4	31.6	28.4	32.4	26.9	24.5	5.51	5.34	1.39	1.48	1.68	13.8	16.1	16.4
Media	-	36.5	25.2	-	19.9	16.2	1.54	3.04	1.67	1.75	1.79	-8.2	8.2	11.3
Telecommunications	14.7	20.7	18.0	6.4	7.2	6.7	1.46	1.37	2.13	2.24	2.32	9.6	6.5	7.3
Construction	13.4	12.5	10.4	10.6	9.9	8.4	1.29	1.30	3.13	3.55	4.20	9.7	10.5	12.4
Housing, real estate	12.6	11.7	11.0	8.9	8.1	7.8	1.24	1.20	2.90	3.10	3.34	9.7	10.2	10.1
Transportation	9.5	11.6	10.7	5.3	5.9	5.7	1.09	1.00	2.71	2.72	2.85	10.8	8.6	8.8
Utilities	6.8	7.0	7.2	2.9	2.9	2.8	0.60	0.55	2.72	2.91	3.11	8.5	7.8	7.2
Financials	12.0	11.0	10.1	-	-	-	1.15	1.22	3.32	3.74	4.17	9.8	11.0	11.2
Russell/Nomura Small Cap	14.4	13.1	12.6	-	-	-	1.13	1.09	2.65	2.79	2.88	7.7	8.0	7.9
Russell/Nomura Small Cap (ex financials)	14.9	13.5	12.9	8.3	7.7	7.5	1.24	1.18	2.59	2.74	2.84	8.2	8.3	8.3

Note: As of 3 March 2025.

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 31 December 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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