

Outlook for FY25–26 corporate earnings

Quarterly Update

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Summary and major assumptions

Sales up 4.3%, recurring profits up 9.0% in FY24

We have aggregated FY24 results and FY25–26 earnings forecasts by Nomura analysts for constituents of the Russell/Nomura Large Cap Index (sales and operating profits exclude financials, same basis hereafter). On an aggregate basis, sales rose 4.3% y-y in FY24, operating profits rose 3.9%, recurring profits rose 9.0%, and after-tax profits rose 7.5%. The main drivers of profit growth were improved spreads at banks thanks to rising interest rates in Japan, higher profits from investment businesses in the telecommunications sector, improvements in demand for semiconductor materials and SPE from generative AI-related applications, and a rise in shipping rates. That said, while sales growth was 0.3ppt higher than our prior forecasts dating from 3 March, operating profit growth was 1.9ppt lower, recurring profit growth was 1.7ppt lower, and after-tax profit growth was 1.1ppt lower.

Our analysts forecast FY25 sales down 0.9%, recurring profits down 4.6% for first decline in six years

Our analysts forecast FY25 sales down 0.9% y-y, operating profits down 2.0%, recurring profits down 4.6%, and after-tax profits down 4.9%. These figures represent downward revisions versus our previous forecasts of 3.3ppt for sales, 11.5ppt for operating profits, 8.5ppt for recurring profits, and 7.9ppt for after-tax profits. If these forecasts prove correct, they would mean the first decline in operating profits in five years and the first decline in recurring and after-tax profits in six years.

We forecast a sharp decline in profits for the automobile sector owing to US tariffs and a change in our forex assumption toward a stronger yen versus the dollar. We note that, based on the figures disclosed by our analysts, we expect US tariffs to depress FY25 recurring profit growth by around 4ppt for the Russell/Nomura Large Cap Index as a whole.

We have also aggregated earnings forecasts by Nomura analysts for FY26 for the first time. Our analysts expect US tariffs and forex to have a smaller impact in FY26 than in FY25. We expect profits to turn upwards for large cap companies as a whole, with profit growth across a broad range of sectors, not least electrical machinery & precision equipment and financials.

Revision index shows far more downward revisions than upward revisions

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) stands at -32.6% in June 2025 (based on changes to recurring profit forecasts between 4 March and 2 June). Our analysts have lowered their forecasts for manufacturing companies in particular, having factored in the impact of US tariffs as well as a change to our forex assumption toward a stronger yen versus the dollar.

Dividend payout ratio of 36.2% for FY24, 81.5% of companies hike dividends

The dividend payout ratio rose from 34.0% for FY23 to 36.2% for FY24. While this was lower than our prior forecast of 36.7%, 81.5% of companies hiked their dividends, which was higher than our prior forecast of 77.2%. We also forecast dividend hikes for FY25 even though we forecast a decline in after-tax profits, and expect the dividend payout ratio to increase to 42.2%. We expect 65.7% of companies to increase their dividends, and think companies will retain their stance on strengthening shareholder returns.

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

Items	Category	No. of cos	New					Old	
			FY22	FY23E	FY24	FY25E	FY26E	FY24E	FY25E
			Actual	Actual	Actual	E	E	E	E
Sales (% y-y)	Russell/Nomura Large Cap (ex financials)	220	17.2	3.9	4.3	-0.9	3.3	4.0	2.4
	Manufacturing	124	17.4	6.9	4.0	-2.5	3.4	4.1	2.4
	Basic materials	29	24.2	-2.7	1.2	-8.8	1.7	2.3	0.9
	Processing	63	16.4	10.6	4.2	-1.1	3.9	4.1	2.6
	Nonmanufacturing (ex financials)	96	16.9	0.1	4.7	1.3	3.2	4.0	2.5
Operating profits (% y-y)	Russell/Nomura Small Cap (ex financials)	946	11.0	4.0	5.4	3.4	3.9	5.1	4.0
	Russell/Nomura Large Cap (ex financials)	220	6.9	13.1	3.9	-2.0	10.6	5.8	9.5
	Manufacturing	124	3.9	7.6	3.9	-5.1	12.0	8.1	10.4
	Basic materials	29	-6.4	-18.9	4.8	-0.4	12.9	11.8	8.3
	Processing	63	6.9	22.0	2.0	-12.4	12.5	3.9	10.6
Recurring profits (% y-y)	Nonmanufacturing (ex financials)	96	13.3	23.7	4.1	3.5	8.5	1.9	7.8
	Russell/Nomura Small Cap (ex financials)	946	3.5	17.1	16.1	7.4	9.8	14.1	12.8
	Russell/Nomura Large Cap	243	4.2	15.0	9.0	-4.6	9.8	10.7	3.9
	Russell/Nomura Large Cap (ex financials)	220	7.7	10.9	4.3	-7.4	10.2	7.1	2.7
	Manufacturing	124	2.7	12.3	0.1	-6.6	12.0	4.9	7.8
After-tax profits (% y-y)	Basic materials	29	-7.2	-14.6	-3.4	5.1	13.3	3.1	13.4
	Processing	63	4.4	26.8	-0.7	-15.1	12.1	2.6	5.2
	Nonmanufacturing	119	5.8	18.0	18.4	-2.8	7.9	16.8	0.3
	Nonmanufacturing (ex financials)	96	15.8	8.9	10.5	-8.3	7.8	10.3	-4.5
	Russell/Nomura Small Cap	1,029	0.7	18.5	11.6	6.6	9.6	10.3	11.3
	Russell/Nomura Small Cap (ex financials)	946	0.4	18.4	11.4	6.0	9.9	10.2	11.3
	Russell/Nomura Large Cap	243	3.1	14.8	7.5	-4.9	9.3	8.6	3.0
	Russell/Nomura Large Cap (ex financials)	220	6.5	10.8	2.8	-7.5	9.6	5.3	1.6
	Manufacturing	124	-3.1	15.8	-4.6	-3.9	10.9	1.5	7.4
	Basic materials	29	-18.8	-17.7	-1.5	11.3	13.2	0.3	22.3
	Processing	63	-1.4	29.3	-5.9	-12.1	10.5	0.3	3.9
	Nonmanufacturing	119	10.5	13.7	20.5	-5.8	7.8	16.2	-1.2
	Nonmanufacturing (ex financials)	96	23.0	4.1	14.2	-12.2	7.7	11.0	-6.5
	Russell/Nomura Small Cap	1,029	1.5	23.7	16.9	6.6	8.6	15.7	10.9
	Russell/Nomura Small Cap (ex financials)	946	0.3	25.5	17.7	6.0	8.7	16.8	10.9

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

Source: Nomura

Fig. 2: Key earnings estimate assumptions

As of 17 Apr. 2025						As of 17 Jan. 2025					
		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	FY24	-1.5	0.50	74.3	152.40 163.57			-2.0	0.00	77.8	144.53 156.75
	FY25	0.8	0.75	60.0	140.00 155.00			-1.1	0.50	75.2	151.81 162.23
	FY26	1.4	0.75	60.0	140.00 155.00			3.0	1.00	70.0	150.00 155.00
Half-yearly	FY24	H1	-2.6	0.25	77.8	152.39 165.70		-1.4	-0.10	78.0	140.90 153.36
	FY24	H2	-0.3	0.50	70.8	152.42 161.45		-2.6	0.00	77.6	148.16 160.13
	FY25	H1	0.5	0.50	60.0	140.00 155.00		-2.4	0.25	77.8	152.39 165.70
	FY25	H2	1.2	0.75	60.0	140.00 155.00		0.1	0.50	72.6	151.24 158.77
	FY26	H1	1.6	0.75	60.0	140.00 155.00		2.5	0.75	70.0	150.00 155.00
	FY26	H2	1.2	0.75	60.0	140.00 155.00		3.5	1.00	70.0	150.00 155.00

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 FY24 results

In FY24, recurring profits rose in 13 of 19 sectors and fell in the other six sectors.

The largest contributions to profit growth came from financials, telecommunications, electrical machinery & precision equipment, transportation, and pharmaceuticals & healthcare. The financials sector saw a broad range of positive factors, including higher profits from market-related operations, an increase in transactions with large companies, efforts to boost margins, for example via improved spreads, overhead controls, and growth in investment income from the sale of strategic shareholdings by insurance companies. The telecommunications sector saw a substantial contribution to profit growth from SoftBank Group's investment operations and investment funds. The electrical machinery & precision equipment sector benefited from recovery and growth in the SPE market resulting from rising demand for semiconductors used in generative AI. Some companies also saw the dropout of one-time costs at overseas operations booked in FY23. The transportation sector saw a major contribution from the shipping industry owing to the rise in containership rates due to the conflict in the Middle East. The pharmaceuticals & healthcare sector benefited substantially from the disappearance of impairment losses related to consolidated subsidiaries or the halt to development of pharmaceuticals in FY23, and sales of pharmaceuticals were solid too.

Sectors that made negative contributions included automobiles and utilities. The automobiles sector was affected by increased investment in human capital and next-generation technologies at automakers as well as a decline in sales volumes and increases in incentives and costs associated with the data falsification scandal. In the utilities sector, electric power companies saw a rise in electricity procurement costs and a deterioration in earnings from power distribution, while profits declined at the overseas operations of gas companies because of lower resource prices.

Overview of our forecasts for FY25–26

In FY25, we expect real wages to turn upwards y-y in Japan, but the outlook for the global economy is highly uncertain, partly because of US tariffs. Our analysts forecast growth in recurring profits for 12 of the 19 sectors and declines for seven, but expect recurring profits to decline on an overall basis.

Sectors that our analysts expect to make substantial positive contributions to profits include financials, food, pharmaceuticals & healthcare, steel & nonferrous metals, and electrical machinery & precision equipment. 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 pharmaceuticals & healthcare sector, our analysts forecast growth in sales of pharmaceuticals and medical equipment, as in FY24. In the steel & nonferrous metals sector, they expect positive contributions to profits from structural reforms in manufacturing in Japan and increased sales of high value added products, including electrical steel sheet. For the electrical machinery & precision equipment sector, our analysts expect positive contributions from ongoing solid demand for IT services and the disappearance of one-time losses including impairment losses booked in FY24 by some companies.

Sectors that our analysts expect to make major negative contributions to profits include automobiles, telecommunications, and transportation. For automobiles, our analysts' forecasts are weighed down by our assumption that the yen will be stronger than in FY24, as well as a heavy impact from US tariffs. For telecommunications, our analysts expect a y-y decline in profits from investment operations and investment funds at SoftBank Group. For the transportation sector, our analysts assume that containership rates will return to normal in FY25 after having risen in FY24.

We expect the impact of US tariffs and forex to be smaller in FY26 than in FY25. We expect recurring profit growth in most sectors and in electrical machinery & precision equipment and financials in particular.

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

FY24				FY25E			
Increase in profits (%)				Increase in profits (%)			
13 sectors	Growth	Contribution	Contribution (ex financials)	12 sectors	Growth	Contribution	Contribution (ex financials)
Financials	38.2	58.8	-	Financials	7.9	30.9	-
Telecommunications	55.4	28.2	68.4	Food	42.5	17.4	13.3
Electrical machinery, precision equipment	12.0	15.2	36.8	Pharmaceuticals, healthcare	17.2	12.3	9.4
Transportation	25.5	12.3	29.8	Steel, nonferrous metals	23.7	10.4	8.0
Pharmaceuticals, healthcare	34.8	10.2	24.7	Electrical machinery, precision equipment	3.4	8.9	6.8
Machinery	15.3	7.9	19.1	Services	10.2	7.2	5.5
Services	18.2	6.1	14.8	Media	SP	5.6	4.3
Housing, real estate	12.3	5.6	13.6	Software	12.9	4.6	3.5
Construction	88.3	4.5	10.9	Retailing	6.1	3.7	2.8
Trading companies	3.6	3.4	8.3	Household goods	8.6	1.9	1.4
Household goods	33.7	3.3	8.1	Housing, real estate	2.1	1.7	1.3
Chemicals	3.1	2.2	5.5	Construction	2.1	0.3	0.3
Retailing	3.7	1.3	3.2				
Decrease in profits (%)				Decrease in profits (%)			
6 sectors	Growth	Contribution	Contribution (ex financials)	7 sectors	Growth	Contribution	Contribution (ex financials)
Media	SL	-2.5	-6.0	Chemicals	-1.3	-1.6	-1.2
Software	-16.5	-3.9	-9.4	Machinery	-3.8	-3.9	-3.0
Steel, nonferrous metals	-21.3	-5.6	-13.6	Utilities	-11.3	-6.4	-4.9
Food	-22.5	-7.1	-17.2	Trading companies	-7.6	-13.5	-10.3
Utilities	-30.2	-14.3	-34.9	Transportation	-20.0	-23.5	-18.0
Automobiles	-11.6	-25.6	-62.3	Telecommunications	-29.7	-42.8	-32.7
				Automobiles	-32.5	-113.0	-86.3
FY25E							
Increase in profits (%)							
17 sectors	Growth	Contribution	Contribution (ex financials)				
Electrical machinery, precision equipment	17.1	22.9	27.6				
Financials	8.0	16.8	-				
Chemicals	16.4	10.2	12.2				
Automobiles	7.2	8.3	10.0				
Telecommunications	16.1	8.1	9.7				
Machinery	10.4	5.1	6.2				
Transportation	10.9	5.1	6.1				
Pharmaceuticals, healthcare	12.2	5.1	6.1				
Software	20.2	4.0	4.8				
Housing, real estate	8.1	3.3	4.0				
Services	7.9	3.0	3.6				
Retailing	7.9	2.5	3.0				
Household goods	15.9	1.9	2.2				
Steel, nonferrous metals	6.3	1.7	2.0				
Construction	18.4	1.5	1.8				
Food	4.3	1.2	1.5				
Media	41.4	1.0	1.2				

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

Source: Nomura

Revisions to recurring profit estimates (versus previous estimates)

Overview of FY24 results

Recurring profits outperformed our prior aggregate forecasts for FY24 in seven of the 19 sectors and underperformed them in 11 (profits were in line with forecasts in the software sector).

The biggest outperformance was in the financials and utilities sectors. Financials benefited from curbs on credit costs at banks and better-than-expected investment income at insurers. The utilities sector saw better-than-expected nuclear power capacity factors, moves to rein in repair costs and overheads, and stronger-than-expected electric power sales thanks to a cold winter.

Sectors that underperformed prior forecasts substantially included automobiles, food, chemicals, and telecommunications. The automobiles sector was affected by smaller forex translations because of yen appreciation and lower-than-expected sales volumes on overseas markets. The food segment underperformed because of Japan Tobacco booking provisions for litigation losses at an overseas subsidiary, which included revising its earnings for 24/12. Profits undershot our forecasts at the chemicals sector in large part because of ENEOS Holdings booking goodwill impairment losses and reclassifying its metals segment as a discontinued operation. Profits in the telecommunications sector were affected by lower-than-expected earnings from investment funds.

Overview of FY25 forecasts

Our analysts have raised their FY25 recurring profit forecasts for only five of the 19 sectors, with only modest revisions in value terms. By contrast, they have lowered their forecasts for 14 sectors, with particularly large downward revisions for manufacturing sectors in particular.

The biggest downward revision was for automobiles, followed by electrical machinery & precision equipment, chemicals, telecommunications, and machinery. This was a result of our analysts factoring in US tariffs and a stronger yen against the dollar into their forecasts for the automobiles, electrical machinery & precision equipment, chemicals, and machinery sectors, which have higher sales exposure to the US than other sectors. Within the chemicals sector, there were also downward revisions to reflect new crude oil price and forex assumptions for upstream oil companies. The downward revision for telecommunications was due to cuts to the outlook for investment operations at SoftBank Group.

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

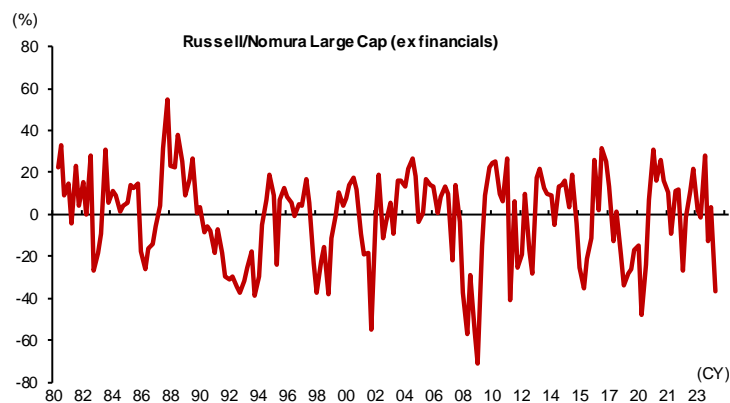
FY24					FY25E				
[Upward revisions] 7 sectors					[Upward revisions] 5 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Financials	12,564	12,097	466.7	3.9	Financials	13,472	13,216	255.5	1.9
Utilities	1,957	1,723	233.8	13.6	Utilities	1,611	1,586	24.7	1.6
Housing, real estate	3,022	2,895	127.2	4.4	Construction	531	513	18.0	3.5
Electrical machinery, precision equipment	8,351	8,242	109.3	1.3	Steel, nonferrous metals	1,746	1,737	8.5	0.5
Transportation	3,561	3,455	106.6	3.1	Food	1,870	1,869	1.0	0.1
Construction	567	516	50.5	9.8					
Steel, nonferrous metals	1,227	1,201	26.4	2.2					
[Downward revisions] 11 sectors					[Downward revisions] 14 sectors				
	New ¥bn	Old ¥bn	Revision ¥bn	Change %		New ¥bn	Old ¥bn	Revision ¥bn	Change %
Machinery	3,500	3,501	-1.0	-0.0	Media	158	161	-2.8	-1.7
Media	-22	-21	-1.0	4.8	Services	2,485	2,510	-24.8	-1.0
Pharmaceuticals, healthcare	2,330	2,337	-7.0	-0.3	Household goods	761	804	-42.8	-5.3
Retailing	2,121	2,144	-23.6	-1.1	Housing, real estate	2,642	2,701	-58.4	-2.2
Household goods	782	809	-27.2	-3.4	Transportation	3,011	3,077	-66.2	-2.2
Services	2,340	2,370	-29.3	-1.2	Retailing	2,032	2,100	-68.8	-3.3
Trading companies	5,811	5,842	-31.1	-0.5	Pharmaceuticals, healthcare	2,683	2,756	-73.3	-2.7
Telecommunications	4,663	5,032	-368.3	-7.3	Trading companies	5,280	5,370	-90.1	-1.7
Chemicals	4,343	4,747	-404.0	-8.5	Software	1,286	1,429	-142.6	-10.0
Food	1,438	1,869	-430.1	-23.0	Machinery	3,216	3,594	-377.9	-10.5
Automobiles	11,517	12,273	-756.2	-6.2	Telecommunications	3,255	3,756	-500.9	-13.3
					Chemicals	4,024	4,757	-733.0	-15.4
					Electrical machinery, precision equipment	8,650	9,661	-1010.7	-10.5
					Automobiles	7,526	11,465	-3938.4	-34.4

Note: Latest estimates as of 2 June 2025, previous estimates as of 3 March 2025. No change versus prior forecasts for FY24 for software.

Source: Nomura

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

	(yy/m)	23/9	23/12	24/3	24/6	24/9	24/12	25/3	25/6
Russell/Nomura Large Cap		10.4	20.2	2.4	2.1	28.1	-10.8	7.0	-32.6
Russell/Nomura Large Cap (ex financials)		10.9	21.5	1.9	-1.5	28.1	-12.9	3.2	-36.5
Manufacturing		0.7	18.2	-7.5	6.1	25.3	-34.2	-2.4	-51.2
Basic materials		-46.7	16.7	-18.2	-6.1	12.5	-37.5	-28.6	-35.7
Processing		23.3	23.6	-4.0	5.3	24.0	-44.0	7.9	-66.7
Nonmanufacturing (ex financials)		23.0	25.4	13.7	-11.1	31.6	13.7	10.4	-17.7



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)

		(% y-y)							
	No. of	FY21	FY22	FY23	FY24 Old	FY24 New	FY25E New	FY25E Old	FY26E New
							E	E	E
Industrial groups									
Russell/Nomura Large Cap (ex financials)	220	14.1	17.2	3.9	4.0	4.3	2.4	-0.9	3.3
Manufacturing	124	15.2	17.4	6.9	4.1	4.0	2.4	-2.5	3.4
Basic materials	29	28.8	24.2	-2.7	2.3	1.2	0.9	-8.8	1.7
Processing	63	13.3	16.4	10.6	4.1	4.2	2.6	-1.1	3.9
Nonmanufacturing (ex financials)	96	12.8	16.9	0.1	4.0	4.7	2.5	1.3	3.2
Broad sectors									
Materials	29	28.8	24.2	-2.7	2.3	1.2	0.9	-8.8	1.7
Machinery, autos	31	13.9	19.7	15.5	4.6	4.7	2.5	-0.3	3.1
Electronics	32	12.5	11.4	1.7	3.2	3.3	2.7	-2.9	5.4
Consumer, distribution	64	15.6	14.6	0.6	3.8	4.6	2.1	0.5	2.8
Information	20	6.0	7.2	3.6	3.2	3.4	6.3	6.9	4.8
Utilities, infrastructure	44	6.0	23.6	0.7	6.3	6.8	2.1	0.8	3.3
Sectors									
Chemicals	22	27.8	26.3	-5.5	3.0	1.1	2.0	-11.4	1.8
Steel, nonferrous metals	7	31.5	18.2	5.9	0.6	1.5	-1.7	-3.1	1.6
Machinery	18	17.8	18.0	7.4	6.2	6.7	4.0	1.1	4.7
Autos	13	12.8	20.2	18.0	4.1	4.1	2.2	-0.6	2.7
Electrical machinery, precision equipment	32	12.5	11.4	1.7	3.2	3.3	2.7	-2.9	5.4
Pharmaceuticals, healthcare	14	7.4	10.9	7.2	7.6	8.3	3.2	2.4	4.0
Food products	10	2.0	12.3	7.4	6.7	6.5	4.6	2.2	2.5
Household goods	8	9.2	10.2	2.2	7.7	7.7	3.0	1.2	2.9
Trading companies	8	30.3	19.4	-5.6	1.0	3.0	0.5	-1.2	2.5
Retailing	11	13.7	15.0	3.3	5.9	6.6	3.6	-0.6	3.6
Services	13	3.1	5.5	7.2	3.4	1.4	2.5	4.7	2.1
Software	11	3.8	3.3	9.0	-4.3	-4.1	21.0	25.2	8.2
Media	3	19.7	12.2	3.1	10.3	10.7	4.3	2.9	1.8
Telecommunications	6	5.4	7.5	2.6	4.3	4.5	3.6	3.8	4.3
Construction, engineering	4	5.8	11.8	9.6	7.6	9.8	0.7	-1.4	4.8
Housing, real estate	14	8.4	8.7	5.0	9.6	9.8	7.3	7.7	4.5
Transportation	19	15.5	25.5	5.0	7.8	8.0	0.6	1.7	3.2
Utilities	7	-4.1	44.1	-9.9	0.5	1.1	-1.1	-6.3	1.2

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

Source: Nomura

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

		(% y-y)							
	No. of	FY21	FY22	FY23	FY24 Old	FY24 New	FY25E New	FY25E Old	FY26E New
							E	E	E
Industrial groups									
Russell/Nomura Large Cap	243	34.1	4.2	15.0	10.7	9.0	3.9	-4.6	9.8
Russell/Nomura Large Cap (ex financials)	220	34.5	7.7	10.9	7.1	4.3	2.7	-7.4	10.2
Manufacturing	124	56.9	2.7	12.3	4.9	0.1	7.8	-6.6	12.0
Basic materials	29	164.2	-7.2	-14.6	3.1	-3.4	13.4	5.1	13.3
Processing	63	47.8	4.4	26.8	2.6	-0.7	5.2	-15.1	12.1
Nonmanufacturing	119	14.7	5.8	18.0	16.8	18.4	0.3	-2.8	7.9
Nonmanufacturing (ex financials)	96	8.8	15.8	8.9	10.3	10.5	-4.5	-8.3	7.8
Broad sectors									
Materials	29	164.2	-7.2	-14.6	3.1	-3.4	13.4	5.1	13.3
Machinery, autos	31	57.8	3.9	45.9	-1.2	-6.5	-1.3	-25.9	8.1
Electronics	32	36.0	5.3	-0.8	10.5	12.0	17.1	3.4	17.1
Consumer, distribution	64	56.6	11.5	-4.2	11.4	7.4	4.7	6.5	5.8
Information	20	-60.0	0.3	22.2	36.8	28.6	-12.9	-18.2	18.1
Utilities, infrastructure	44	137.7	33.9	17.1	-0.5	5.5	-3.9	-10.3	6.7
Financials	23	31.9	-18.3	49.9	33.1	38.2	10.0	7.9	8.0
Sectors									
Chemicals	22	119.1	-5.2	-16.2	12.8	3.1	6.7	-1.3	16.4
Steel, nonferrous metals	7	555.9	-13.0	-9.6	-23.0	-21.3	37.2	23.7	6.3
Machinery	18	61.7	6.6	3.8	15.4	15.3	7.2	-3.8	10.4
Autos	13	56.5	2.9	61.2	-5.1	-11.6	-3.7	-32.5	7.2
Electrical machinery, precision equipment	32	36.0	5.3	-0.8	10.5	12.0	17.1	3.4	17.1
Pharmaceuticals, healthcare	14	6.5	18.2	-21.8	35.2	34.8	20.1	17.2	12.2
Food products	10	10.0	17.7	11.0	0.7	-22.5	7.5	42.5	4.3
Household goods	8	30.0	-14.6	-13.0	38.4	33.7	10.4	8.6	15.9
Trading companies	8	208.6	18.6	-11.2	4.2	3.6	-6.4	-7.6	-0.0
Retailing	11	20.0	20.5	12.2	4.9	3.7	8.1	6.1	7.9
Services	13	36.1	-12.8	13.6	19.7	18.2	9.9	10.2	7.9
Software	11	14.4	-5.8	12.9	-16.5	-16.5	23.0	12.9	20.2
Media	3	SP	-36.1	-36.8	SL	SL	SP	SP	41.4
Telecommunications	6	-74.9	9.9	32.6	67.7	55.4	-24.8	-29.7	16.1
Construction, engineering	4	-22.8	2.1	-26.2	71.5	88.3	8.8	2.1	18.4
Housing, real estate	14	24.1	10.2	-4.5	7.5	12.3	9.6	2.1	8.1
Transportation	19	SP	92.2	-28.1	21.8	25.5	-16.1	-20.0	10.9
Utilities	7	-61.2	SL	1,868.3	-38.5	-30.2	-0.3	-11.3	-7.1
Financials	23	31.9	-18.3	49.9	33.1	38.2	10.0	7.9	8.0

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

	No. of	FY21	FY22	FY23	FY24 Old	FY24 New	FY25E New E	FY25E Old E	FY26E New E
(¥bn)									
Industrial groups									
Russell/Nomura Large Cap	243	40,173	53,958	55,567	72,182	71,223	73,062	66,239	72,703
Russell/Nomura Large Cap (ex financials)	220	34,590	46,630	49,619	60,085	58,660	59,845	52,767	58,147
Manufacturing	124	18,613	29,038	29,102	34,978	33,488	36,642	30,476	34,127
Basic materials	29	2,721	7,020	6,195	5,947	5,570	6,494	5,769	6,537
Processing	63	12,114	17,723	18,300	24,016	23,368	24,720	19,393	21,747
Nonmanufacturing	119	21,560	24,920	26,464	37,204	37,735	36,419	35,763	38,577
Nonmanufacturing (ex financials)	96	15,977	17,592	20,516	25,107	25,172	23,203	22,291	24,021
Broad sectors									
Materials	29	2,721	7,020	6,195	5,947	5,570	6,494	5,769	6,537
Machinery, autos	31	6,492	10,244	10,594	15,774	15,017	15,059	10,743	11,614
Electronics	32	5,622	7,479	7,706	8,242	8,351	9,661	8,650	10,133
Consumer, distribution	64	8,260	13,236	14,424	15,371	14,822	15,409	15,110	15,994
Information	20	9,589	3,820	3,709	6,161	5,792	5,346	4,699	5,549
Utilities, infrastructure	44	1,906	4,831	6,990	8,590	9,108	7,877	7,795	8,321
Financials	23	5,583	7,328	5,948	12,097	12,564	13,216	13,472	14,556
Sectors									
Chemicals	22	2,425	5,218	4,715	4,747	4,343	4,757	4,024	4,683
Steel, nonferrous metals	7	296	1,802	1,480	1,201	1,227	1,737	1,746	1,855
Machinery	18	1,670	2,637	2,853	3,501	3,500	3,594	3,216	3,549
Autos	13	4,822	7,608	7,741	12,273	11,517	11,465	7,526	8,065
Electrical machinery, precision equipment	32	5,622	7,479	7,706	8,242	8,351	9,661	8,650	10,133
Pharmaceuticals, healthcare	14	1,810	1,983	2,253	2,337	2,330	2,756	2,683	3,010
Food products	10	1,373	1,533	1,660	1,869	1,438	1,869	1,870	1,950
Household goods	8	596	778	694	809	782	804	761	882
Trading companies	8	1,663	5,203	6,172	5,842	5,811	5,370	5,280	5,279
Retailing	11	1,310	1,651	1,824	2,144	2,121	2,100	2,032	2,192
Services	13	1,509	2,086	1,821	2,370	2,340	2,510	2,485	2,680
Software	11	1,172	1,381	1,214	1,151	1,150	1,429	1,286	1,546
Media	3	-2	327	209	-21	-22	161	158	224
Telecommunications	6	8,419	2,112	2,286	5,032	4,663	3,756	3,255	3,779
Construction, engineering	4	636	501	408	516	567	513	531	629
Housing, real estate	14	1,878	2,509	2,706	2,895	3,022	2,701	2,642	2,856
Transportation	19	-1,573	1,446	4,011	3,455	3,561	3,077	3,011	3,339
Utilities	7	965	375	-135	1,723	1,957	1,586	1,611	1,497
Financials	23	5,583	7,328	5,948	12,097	12,564	13,216	13,472	14,556

Note: Figures exclude listed consolidated subsidiaries. Index composition for period through FY24 differs from index composition from FY25 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 June 2025; previous estimates as of 3 March 2025.

Source: Nomura

Fig. 9: Percentage change in quarterly sales and profits (FY24 Q1–FY24 Q4)

	% y-y											
	Sales				Operating profits				Recurring profits			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Industrial groups												
Russell/Nomura Large Cap	-	-	-	-	-	-	-	-	13.0	15.9	8.7	-5.5
Russell/Nomura Large Cap (ex financials)	6.9	3.5	3.6	3.0	11.3	3.9	-3.3	4.0	9.6	2.9	6.0	-5.2
Manufacturing	8.2	2.4	3.7	1.5	19.9	5.9	-10.4	0.1	13.5	-15.8	13.3	-15.3
Basic materials	7.0	1.9	-0.4	-3.6	37.2	-6.4	-1.4	-17.1	20.8	-25.7	8.1	-22.2
Processing	8.2	1.7	4.3	2.7	16.4	1.8	-8.9	-0.2	11.0	-22.1	22.0	-18.6
Nonmanufacturing	-	-	-	-	-	-	-	-	12.5	53.7	4.5	6.4
Nonmanufacturing (ex financials)	5.2	4.9	3.5	4.9	-1.6	0.6	9.4	11.2	4.2	34.0	-3.4	11.8
Broad sectors												
Basic materials	7.0	1.9	-0.4	-3.6	37.2	-6.4	-1.4	-17.1	20.8	-25.7	8.1	-22.2
Machinery, autos	9.7	1.9	2.4	4.7	14.3	-8.2	-17.3	-10.3	7.1	-35.5	27.9	-31.6
Electronics	5.1	1.4	8.4	-1.4	20.9	21.6	7.3	17.8	21.2	6.9	11.1	8.5
Consumption, distribution	6.5	5.3	3.1	3.5	12.4	25.2	-8.6	11.2	12.0	13.2	-1.0	1.5
Information	3.7	3.8	2.5	3.6	-5.7	3.5	-7.7	2.0	17.4	456.2	-55.2	69.9
Utilities, infrastructure	5.9	5.7	7.2	8.0	-6.3	-7.3	21.2	24.1	-7.0	-6.5	38.0	8.4
Financials	-	-	-	-	-	-	-	-	33.6	104.1	23.7	-7.4
Sectors												
Chemicals	8.1	1.9	-1.1	-4.5	55.7	-3.3	1.8	4.4	28.6	-26.9	14.1	-2.6
Steel, nonferrous metals	4.3	2.0	1.5	-1.4	-1.9	-15.7	-9.9	-64.0	0.6	-21.8	-7.2	-68.3
Machinery	10.1	8.1	4.2	4.0	15.9	54.8	-4.4	8.0	13.0	36.2	13.4	-1.8
Automobiles	9.5	0.2	2.0	4.9	13.8	-19.6	-20.7	-16.4	5.6	-46.7	31.6	-39.5
Electrical machinery, precision equipment	5.1	1.4	8.4	-1.4	20.9	21.6	7.3	17.8	21.2	6.9	11.1	8.5
Pharmaceuticals, healthcare	11.2	9.6	8.2	6.4	9.8	126.5	-12.3	68.9	12.4	117.9	-1.2	50.4
Food products	9.5	4.4	6.2	3.8	13.2	-6.7	SL	-4.6	14.1	-10.5	SL	-7.7
Household goods	9.5	5.3	10.4	2.4	43.1	18.7	91.2	25.9	40.5	-2.6	99.8	13.2
Trading companies	5.8	2.6	-0.8	4.7	4.7	-2.1	-1.6	0.3	5.7	5.5	6.8	-4.5
Retailing	6.0	10.5	4.9	5.3	10.3	9.6	-1.1	5.5	16.8	-14.6	11.8	-5.4
Services	2.2	3.4	3.7	-4.0	14.0	25.7	23.5	0.1	15.3	24.9	22.6	0.2
Software	-11.2	0.2	-4.8	1.6	-32.4	-6.6	-10.1	10.7	-28.4	-33.6	9.8	-11.6
Media	18.1	8.6	7.7	5.3	133.2	-30.7	SL	27.4	43.0	-40.6	SL	5.1
Telecommunications	6.2	4.2	3.7	3.9	3.9	9.1	10.6	-2.8	46.1	4,303.0	-60.8	131.5
Construction, engineering	11.2	3.8	8.3	15.3	116.1	7.4	811.1	72.6	75.9	-3.0	560.8	58.3
Housing, real estate	11.0	8.3	11.4	9.0	22.5	5.8	21.1	16.1	21.6	-3.2	25.8	10.5
Transportation	10.0	8.8	7.6	5.5	19.1	6.6	12.1	5.8	22.7	30.7	45.2	-10.5
Utilities	-5.3	0.8	1.7	6.7	-45.9	-32.6	5.0	61.2	-45.3	-41.3	9.6	9.6
Financials	-	-	-	-	-	-	-	-	33.6	104.1	23.7	-7.4

Note: (1) Q1 = Feb–Apr, Mar–May, or Apr–Jun; Q2 = May–Jul, Jun–Aug, or Jul–Sep; Q3 = Aug–Oct, Sep–Nov, or Oct–Dec; Q4 = Nov–Jan, Dec–Feb, or Jan–Mar. (2) Figures are for companies that had announced results (either full-year, Q1, Q2, or Q3) by 2 June 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 (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Russell/Nomura Large Cap	15.7	16.5	15.1	-	-	-	1.49	1.48	2.27	2.54	2.72	9.6	9.1	9.6
Russell/Nomura Large Cap (ex loss-making cos)	15.1	16.1	14.8	-	-	-	1.49	1.50	2.30	2.58	2.76	10.0	9.4	9.9
Russell/Nomura Large Cap (ex financials)	16.7	18.0	16.4	9.2	9.8	9.2	1.56	1.55	2.11	2.35	2.49	9.5	8.7	9.2
Manufacturing	17.7	18.4	16.6	9.4	10.0	9.3	1.55	1.54	2.16	2.43	2.56	8.9	8.5	9.1
Basic materials	12.7	11.8	10.4	5.7	5.6	5.1	0.87	0.90	3.24	3.37	3.63	7.0	7.7	8.4
Processing	16.9	19.2	17.4	9.3	10.6	9.8	1.60	1.59	1.95	2.16	2.34	9.6	8.4	9.0
Nonmanufacturing	14.0	14.8	13.7	-	-	-	1.43	1.42	2.39	2.66	2.90	10.3	9.6	10.0
Nonmanufacturing (ex financials)	15.4	17.4	16.2	8.9	9.4	9.0	1.59	1.55	2.05	2.22	2.38	10.5	9.1	9.4
Broad sectors														
Basic materials	12.7	11.8	10.4	5.7	5.6	5.1	0.87	0.90	3.24	3.37	3.63	7.0	7.7	8.4
Machinery, autos	12.9	16.6	15.6	7.0	8.5	8.0	1.18	1.18	2.59	2.90	3.08	9.2	7.2	7.5
Electronics	23.2	22.1	19.3	13.3	13.4	12.2	2.36	2.27	1.38	1.53	1.71	10.4	10.5	11.4
Consumption, distribution	20.3	19.5	18.5	12.3	12.2	11.7	1.98	1.93	2.05	2.40	2.39	9.9	10.1	10.2
Information	22.2	29.7	24.6	10.6	11.8	10.9	2.16	2.12	1.65	1.83	1.97	9.9	7.2	8.5
Utilities, infrastructure	9.6	11.0	10.2	5.6	5.9	5.6	0.97	0.96	2.83	2.95	3.27	10.5	8.9	9.1
Financials	11.4	10.7	9.9	-	-	-	1.13	1.16	3.30	3.80	4.24	9.9	10.7	11.3
Sectors														
Chemicals	13.5	13.4	11.5	6.1	6.0	5.4	0.97	0.97	2.89	3.12	3.38	7.4	7.3	8.3
Steel, nonferrous metals	10.5	8.9	8.3	4.5	4.6	4.3	0.61	0.74	4.60	4.07	4.34	6.0	8.5	8.7
Machinery	19.9	20.4	18.8	11.9	12.4	11.6	1.77	1.79	1.93	1.88	2.07	8.9	9.0	9.3
Automobiles	10.5	14.9	14.1	5.5	7.1	6.7	0.97	0.97	3.02	3.55	3.73	9.3	6.5	6.8
Electrical machinery, precision equipment	23.2	22.1	19.3	13.3	13.4	12.2	2.36	2.27	1.38	1.53	1.71	10.4	10.5	11.4
Pharmaceuticals, healthcare	25.3	23.2	20.6	14.0	13.6	12.7	2.16	2.10	2.21	2.94	2.59	8.6	9.2	10.0
Food products	26.5	18.3	17.6	14.0	11.7	11.2	1.85	1.88	2.79	3.12	3.27	7.1	10.4	10.6
Household goods	28.5	25.2	21.8	16.1	15.1	13.6	2.56	2.65	1.66	1.84	1.97	9.2	10.6	11.8
Trading companies	11.0	12.0	12.1	7.6	8.2	8.2	1.35	1.33	3.06	3.39	3.52	12.6	11.2	10.7
Retailing	33.1	30.8	28.7	16.3	15.7	15.0	3.19	3.18	1.20	1.32	1.38	10.0	10.6	10.7
Services	24.0	23.8	22.2	15.4	15.4	14.6	2.09	1.92	1.11	1.20	1.26	8.3	8.3	8.5
Software	41.7	36.9	31.6	34.3	31.1	27.1	5.68	5.34	1.24	1.31	1.54	14.0	14.9	16.2
Media	-	39.1	26.9	-434.1	20.2	16.7	3.01	2.93	1.64	1.73	1.78	-8.1	7.6	10.6
Telecommunications	14.4	25.0	20.5	6.3	7.6	7.0	1.39	1.38	2.00	2.28	2.36	9.9	5.5	6.6
Construction	13.4	14.3	11.9	10.7	11.2	9.6	1.46	1.48	2.79	3.11	3.63	10.9	10.4	12.2
Housing, real estate	12.8	12.5	11.4	9.0	8.6	8.0	1.23	1.20	2.75	3.00	3.26	9.9	9.8	10.2
Transportation	8.4	11.4	10.1	4.8	5.7	5.4	0.96	0.97	2.96	2.87	3.20	11.8	8.7	9.3
Utilities	6.1	6.7	7.4	2.6	2.8	2.8	0.52	0.51	2.73	2.90	3.24	9.0	7.8	6.7
Financials	11.4	10.7	9.9	-	-	-	1.13	1.16	3.30	3.80	4.24	9.9	10.7	11.3
Russell/Nomura Small Cap	14.7	13.8	12.7	-	-	-	1.14	1.07	2.58	2.84	2.96	7.9	7.9	8.2
Russell/Nomura Small Cap (ex financials)	15.2	14.3	13.1	8.4	7.9	7.5	1.23	1.14	2.51	2.79	2.91	8.2	8.1	8.5

Note: As of 2 June 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 FTSE Russell.

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
- Stocks are chosen from the whole Japanese stock market
- Because the indexes take into consideration the stable shareholding ratio, they reflect the stocks that are actually available for investment
- There are style indexes for large and small companies and for value and growth stocks
- The Prime Index consists of the top 1,000 stocks in the Total Market Index by market cap excluding stable shareholdings
- Stocks are selected quantitatively based on clearly defined criteria
- The composition of each index is reviewed once a year

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

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As at 31 March 2025.

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