

May 2025

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While cautious for full-year FY2025 forecasts, companies are actively engaging in share buybacks

As of May 9, 2025, 74.2% of TOPIX constituents (1,237 companies with fiscal years ending in February or March) had announced their fiscal year 2024 results. On a recurring profit basis, the year-on-year growth rate for the 2024 fiscal year was +6.5% overall, +1.1% for the manufacturing sector, and +10.4% for the non-manufacturing sector, with many companies slightly exceeding prior forecasts.

On the other hand, the 2025 fiscal year full-year company performance forecasts, which are the focus of this earnings season, were characterised by cautious outlooks.

The number of companies whose full-year FY2025 corporate earnings forecasts (based on recurring profit) exceeded their consensus estimates was 257, while 571 companies fell short, and 90 companies did not announce their earnings forecasts (disclosure rate: 90%). During the COVID pandemic, only c40% of TSE1 companies announced their FY2020 earnings forecasts in their April-May 2020 earnings announcements however very few companies are foregoing earnings forecasts due to uncertainty associated with the Trump administration's tariff policies.

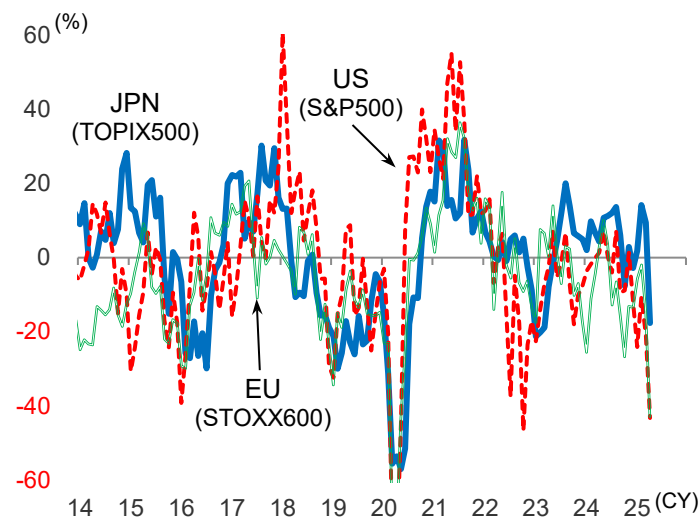
The forecasted profit growth rate for FY2025 is ▲5.3% YoY for the entire market, ▲7.3% YoY in the manufacturing sector, and ▲5.3% YoY in the non-manufacturing sector, indicating a series of cautious views. Since many companies have barely factored the impact of tariffs into their earnings forecasts, there remains a reasonable risk of further downside revisions on future earnings. For the time being, the deterioration in the revision index should be kept in mind (Figure 1). Since most companies have set their dollar-yen assumptions in the low-to-mid ¥140 range, the currency market is unlikely to exert significant downward pressure on future earnings unless the yen appreciates significantly.

In addition, an increasing number of companies are announcing share buybacks in their FY2024 financial results. The number of TOPIX-adopted companies that announced share buybacks in April 2025 was 59, up from 53 in April 2024. They announced 3.8 trillion yen in share buybacks in April 2025, up sharply from 1.2 trillion yen in April 2024 (Figure 2), and reaching a record high as of April.

Although uncertainty surrounding the business environment has increased due to Trump's tariffs, Japanese companies are becoming more proactive in strengthening shareholder returns and pursuing efficient capital policies against the backdrop of corporate governance reforms. With abundant cash reserves, the decline in stock prices in April has likely strengthened the perception among companies that their stock prices are undervalued. In addition, the increase in hostile takeover bids in Japan and the growing risk of management being replaced through acquisitions may also be providing Japanese executives with an incentive to raise ROE and share prices through share buybacks.

We are entering the endgame of the fiscal year 2024 earnings announcements. So far, the stock market has been resilient despite cautious corporate guidance, supported by easing U.S. tariff policy and aggressive corporate share buybacks. At present, the market has entered a phase where it will assess the outcome of negotiations surrounding U.S. tariffs and the actual impact of U.S. tariff policies on the real economy. As a result, we expect the stock market to remain range-bound in the near term.

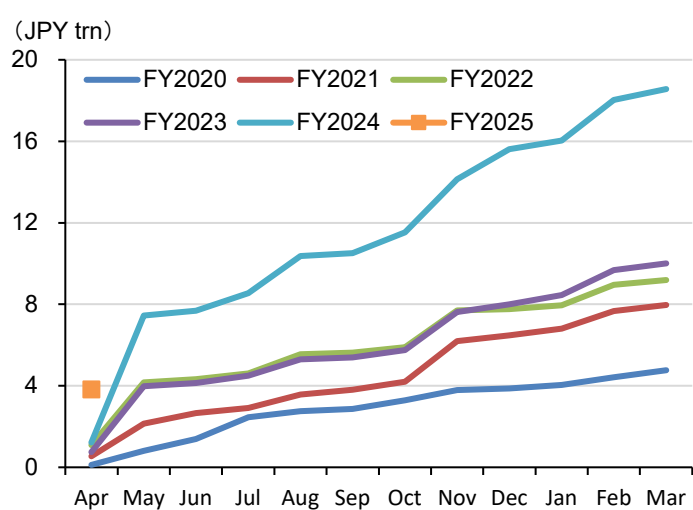
Exhibit 1: Revision Index for the U.S., EU, and Japan



Note: The S&P 500 in the U.S., the STOXX 600 in Europe, and the TOPIX 500 in Japan; earnings forecasts are FactSet consensus estimates, as of April 2025.

Source: FactSet, MUFG: Trust Bank

Exhibit 2: Quotas of Share Buybacks



Note: Quotas of share buybacks are based on companies listed on the first section of the Tokyo Stock Exchange.

Source: I-N Information Systems data, MUFG: Trust Bank

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