Outlook for Japan Equity Market

Sumitomo Mitsui DS Asset Management

-March 2026-

Summary

Japan Stock Market Outlook

Assuming no prolonged oil price surge, we expect Japan equities to maintain their uptrend despite Middle East uncertainties. In February, both Nikkei and TOPIX hit record highs. The LDP's historic landslide in the February 8 lower house election boosted policy expectations under PM Takaichi, drawing strong foreign buying. The key risk is oil prices. If oil exceeds $100/bbl for a year due to prolonged Hormuz Strait closure, global growth could drop around 0.6pp, implying 6–9% equity downside. However, a short-term spike of around one month would have limited impact. Toward mid-year, clearer policy details from the Takaichi administration should further support sentiment.

Economic and Monetary Policy

With accommodative financial conditions and fiscal expansion globally, economic recovery remains our base case for 2026. The BOJ, confident in achieving 2% inflation, is expected to hike rates semi-annually, reaching 1.75% by fall 2027. The Fed is likely to stay on hold in 2026 amid resilient US growth and sticky inflation. Rate differentials suggest limited risk of sharp yen appreciation, while extreme yen weakness is also unlikely given official stance.

Key Drivers for Japan’s Stock Market

Macro deflation exit and micro-level governance reform are progressing. The Takaichi administration should reinforce these trends, supporting Japan equities across all fronts.

Risks and Events

Upside risks include Takaichi administration’s growth strategy expectations and foreign inflows on governance reform hopes. Downside risks include JGB yield spikes, US credit risk, prolonged Japan-China tensions, and geopolitical concerns. Prolonged Hormuz closure would spike oil prices and threaten Japan's supply given over 90% Middle East dependency. AI risk is two-sided, with monetization progress as the key swing factor.

Outlook for the Japanese Economy

SMDAM Forecasts: Japanese Economy

Forecasts as of 17 Feb 2026		FY22 (A)	FY23 (A)	FY24 (A)	FY25 (E)	FY26 (E)	FY27 (E)
Real GDP	(yoy, %)	1.4	0.0	0.5	0.7	0.9	1.0
Private Consumption	(yoy, %)	2.5	▲ 1.0	0.2	1.3	1.3	1.2
Private Resid. Investment	(yoy, %)	0.6	1.8	▲ 0.7	▲ 3.4	1.4	▲ 0.8
Private Capex	(yoy, %)	3.9	▲ 0.1	0.9	1.6	2.0	1.8
Public Investment	(yoy, %)	▲ 4.5	▲ 0.1	0.1	▲ 1.7	▲ 0.2	0.6
Net Exports (contribution)	(%point)	▲ 0.6	1.2	▲ 0.4	▲ 0.1	▲ 0.2	0.0
Exports	(yoy, %)	4.7	2.8	1.7	2.1	1.4	2.4
Imports	(yoy, %)	7.4	▲ 2.4	3.3	3.0	2.5	2.5
Nominal GDP growth	(yoy, %)	2.6	4.7	3.7	3.8	2.9	2.5
GDP deflators	(yoy, %)	1.2	4.8	3.2	3.1	2.0	1.5
Industrial production	(yoy, %)	▲ 0.3	▲ 1.9	▲ 1.4	1.0	1.7	1.3
Core CPI	(yoy, %)	3.0	2.8	2.7	2.7	1.4	0.9
Unemployment Rate	(%)	2.6	2.6	2.5	2.5	2.4	2.4
Policy Rate	(End of Period, %)	▲ 0.1	0-0.1	0.50	0.75	1.25	1.75

Note: Forecasts by SMDAM.
Source: SMDAM

Economic and Asset Price Outlook for Key Regions

SMDAM Forecasts: Major Economies, Rates and FX

Forecasts as of 17 Feb 2026		2025			2026				2027
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP Growth Rate									
Unites States	(saar, %)	3.8	4.3	3.1	1.4	2.3	2.1	2.0	1.8
Japan	(saar, %)	2.1	▲ 2.6	0.2	1.0	1.2	1.1	0.7	2.2
Euro Area	(saar, %)	0.6	1.1	1.4	1.2	1.3	1.5	1.5	1.5
China	(yoy,%)	5.2	4.8	4.5	4.5	4.6	4.6	4.7	4.5
Inflation									
Unites States	(core PCED, yoy, %)	2.7	2.9	2.8	2.9	2.8	2.7	2.6	2.3
Japan	(core CPI, yoy, %)	3.5	2.9	2.8	1.6	1.5	1.7	1.7	0.7
Euro Area	(yoy, %)	2.0	2.1	2.1	1.7	1.9	1.8	1.8	2.0
China	(yoy, %)	▲ 0.1	▲ 0.2	0.6	0.3	0.2	0.1	▲ 0.4	0.1
Policy Rates									
Unites States	(End of Period, %)	4.25-4.5	4.0-4.25	3.5-3.75	3.5-3.75	3.5-3.75	3.5-3.75	3.5-3.75	3.25-3.5
Japan	(End of Period, %)	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25
Euro Area	(End of Period, %)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
China	(End of Period, %)	1.40	1.40	1.40	1.40	1.30	1.30	1.30	1.30
Long-term Rates									
US 10Y	(End of Period, %)	4.23	4.15	4.17	4.30	4.30	4.30	4.20	4.10
Japan 10Y	(End of Period, %)	1.42	1.65	2.06	2.35	2.40	2.50	2.55	2.60
Germany 10Y	(End of Period, %)	2.61	2.71	2.86	2.90	2.90	3.00	3.00	3.00
FX									
USD/JPY	(End of Period)	144.4	147.7	156.7	157.5	157.5	155.0	155.0	155.0
EUR/JPY	(End of Period)	169.6	173.5	184.1	187.4	189.0	187.6	189.1	190.7
Stock Prices									
TOPIX	(End of Period)	2,853	3,138	3,409	3,800	3,950	4,100	4,100	4,100
Nikkei 225	(End of Period)	40,487	44,933	50,339	57,000	59,300	61,500	61,500	61,500

	2024 (yoy,%)	2025 (yoy,%)	2026 (yoy,%)	2027 (yoy,%)
GDP Growth Rate				
Unites States	2.8	2.3	2.5	1.9
Japan	0.5	0.7	0.9	1.0
Euro Area	0.8	1.5	1.3	1.5
China	5.0	5.0	4.6	4.5
Inflation				
Unites States	2.9	2.8	2.7	2.2
Japan	2.7	2.7	1.4	0.9
Euro Area	2.4	2.1	1.8	2.2
China	0.2	0.0	0.1	0.1

Note: Japan is FY-based.

Note: Forecasts by SMDAM.
Source: SMDAM

This Month's Topic (1): Implications of the U.S. Attack on Iran #1

Current Situation (As of 3:00 PM JST, March 2)

On February 28, the U.S. and Israel launched military strikes on Iran, killing Supreme Leader Khamenei and several senior officials.
Iran's Revolutionary Guard announced retaliatory missile strikes on Israel and U.S. military bases in the region. It also declared a shipping ban on the Strait of Hormuz, effectively blockading the waterway. Major oil companies and trading houses have halted crude, fuel, and LNG shipments via the strait, while Japanese shipping firms have ordered vessels to stand by.
Larijani, Secretary of Iran's Supreme National Security Council, confirmed plans for retaliatory strikes and announced the establishment of an interim leadership body comprising the president and other officials.
On March 1, President Trump stated he would be open to talks with Iran's new leadership, while also indicating that combat operations would continue until all objectives are met, with strikes expected to last 4–5 weeks.

Outlook for Iran

The trajectory of Iran and the broader Middle East remains highly uncertain. The endgame of U.S. military operations is unclear. Multiple scenarios are possible: regime change toward moderation, continuation of the current anti-U.S. government, or a prolonged civil conflict. The risk of regional escalation cannot be ruled out.
Oil prices are a key concern. If the conflict escalates or the Hormuz blockade persists, supply disruptions could trigger a sharp price surge. Approximately 20% of global oil passes through the strait. Some analysts warn prices could exceed $100/barrel if the blockade is prolonged.

Market Implications

Given persistent uncertainty, a near-term flight to safety is likely, creating headwinds for risk assets, particularly equities. Japanese stocks may be especially vulnerable, as Japan depends on the Middle East for over 90% of its crude imports (as of 2025).
However, if oil prices spike above $100 but normalize within roughly a month, the macroeconomic impact should remain limited. Once confidence in the global recovery is restored, risk assets—including Japanese equities—are expected to rebound. Policy tailwinds, discussed later, should provide additional support toward mid-year.

Risks of Sustained $100+ Oil

If oil prices remain above $100 for an extended period, the impact on growth and inflation would intensify, creating a challenging environment for risk assets.
Historically, sustained $100+ oil has reduced global growth by approximately 0.6 percentage points annually, while adding upward pressure on inflation and complicating central bank policy.
Regarding equities, a 1-point decline in global growth has historically corresponded to a 10% drop in global stock prices and a 15-point decline in global corporate EPS. If markets price in a 0.6-point growth drag from elevated oil prices, a 6–9% decline in global equities would not be surprising (with potential for under- or overshooting). Japanese stocks would not be immune to this impact.

This Month's Topic (1): Implications of the U.S. Attack on Iran #2

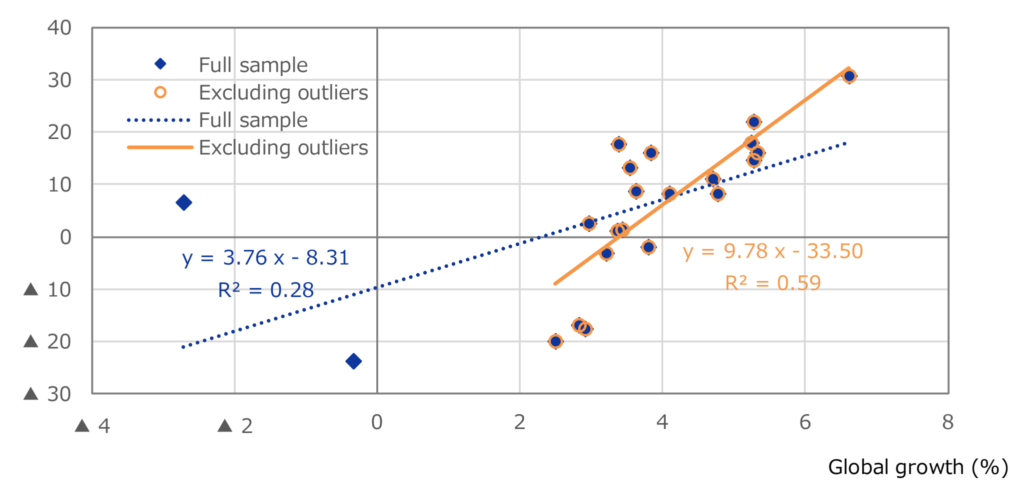
Global Growth Rates by Crude Oil Price Range

	Crude oil price range					
	Below $40	40–<60	60–<80	80–<100	$100 and above	Total / avg.
Number of observations	20	28	29	19	7	95
Global growth rate (%)	3.5	3.7	4.5	3.5	3.2	3.8
Deviation from average (%)	▲0.3	▲0.1	0.7	▲0.4	▲0.6	

Note: Data cover Q1 2000–Q3 2025 (excluding the GFC: Q3 2008–Q2 2009, and COVID-19: Q1 2020–Q1 2021). Growth rates are quarter-on-quarter, annualized.

Source: SMDAM, IMF and Bloomberg

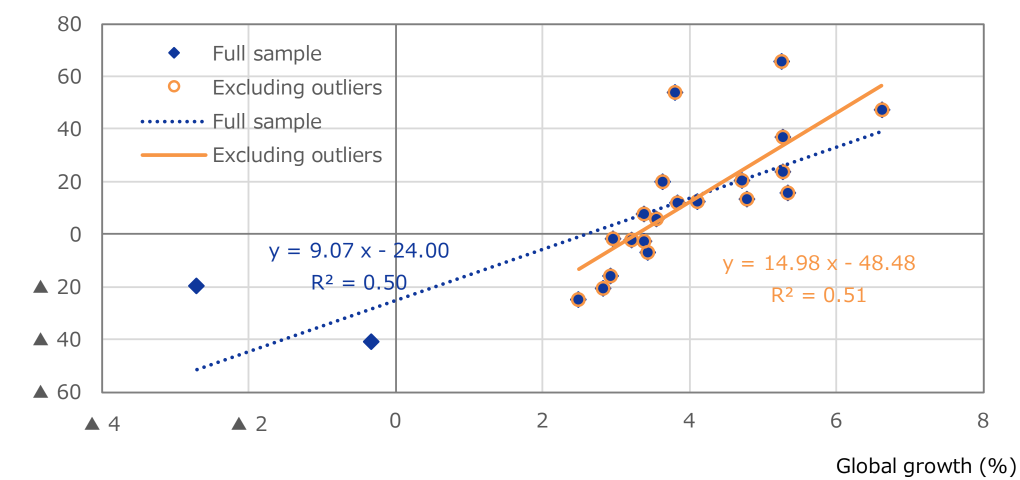
Global Growth vs. Equity Price Returns



(Note) Data are calendar-year figures from 2000 to 2025. The 2025 figure is an IMF forecast. Equity price returns are based on MSCI World.

Source: SMDAM, IMF and Bloomberg

Global Growth vs. EPS Growth



(Note) Data are calendar-year figures from 2000 to 2025. The 2025 figure is an IMF forecast. EPS growth is based on MSCI World actual results.

Source: SMDAM, IMF and Bloomberg

This Month's Topic (2): Japan Equities Poised for Further Gains on Takaichi Policy Hopes #1

Election results

In the February 8 House of Representatives election, the LDP won 316 seats, up from 198 pre-election—an increase of more than 100—and secured a single-party two-thirds-plus supermajority (465 seats total; two-thirds is 310). It is the first time in the postwar era that one party alone has won more than two-thirds, a historic landslide. Within the ruling camp, Nippon Ishin no Kai gained two seats to 36; together, the LDP and Ishin hold 352 seats (232 before the election).

Implications of the results

With this result, the LDP alone can override an Upper House rejection of a bill, meaning the Takaichi-led LDP has received a strong mandate. Unless the lower house is dissolved, there will be no national election until the summer 2028 Upper House election (an LDP leadership vote is expected by late September 2027; absent shocks, Takaichi is likely to be re-elected). In effect, the government has about two and a half years of policy room, strengthening the push for "responsible proactive fiscal policy" and "crisis-management and growth investment."

Policy outlook

Broadly, "responsible proactive fiscal policy" should support the economy in the near term, while "crisis-management and growth investment" should lift Japan's medium- to long-term potential. Policy is likely to reinforce ongoing change: macro progress toward an exit from deflation and micro corporate reform. Details should be sharpened in the government's "Basic Policy" and "Growth Strategy" toward summer, then moved steadily into implementation.

Implications for financial markets

Since 2000, TOPIX performance around lower-house dissolutions (30 days before vs. 180 days after) shows an average return of 28.6% when the LDP wins, versus 14.5% overall. Politics does not drive stocks alone, but stability can smooth policy delivery and support equities. With this landslide, the Takaichi administration's political base has strengthened sharply; if fundamentals keep improving and political capital is focused on economic policy, domestically driven support for equities should be more durable.

TOPIX has already risen: +11.7% from 30 days before dissolution to 30 days after. Even so, relative to the average 180-day return after an LDP win, further upside may remain. From now into March, the government is expected to set a growth-strategy roadmap; toward mid-year, the "Basic Policy" should clarify "responsible proactive fiscal policy." A mid-year revision to the Corporate Governance Code is also planned. As policy details emerge and expectations rise, equities could move higher again.

By contrast, bonds and the yen are harder to read. While Prime Minister Takaichi stresses the "responsible" part, she appears to aim for a high-pressure economy via expansionary fiscal policy and accommodative monetary policy—factors that would tend to weaken the yen and steepen the JGB curve. Still, U.S. authorities are sensitive to spillovers from higher Japanese interest rates and yen weakness, and Japan is unlikely to tolerate a move beyond JPY 160 per dollar. Meanwhile, curve steepening can raise the appeal of hedged JGB buying through hedge-premium pickup, drawing foreign inflows that may cap long-end yields. The unexpected decline in yen yields after the second Takaichi administration began may have reflected this improved foreign-investor attractiveness more than belief in the "responsible" message.

This Month's Topic (2): Japan Equities Poised for Further Gains on Takaichi Policy Hopes #2

Snap Lower House Elections Since 2000

As of 27 Feb 2026

Lower House Dissolution Date	Cabinet	Total Seats in Lower House	LDP Seats			TOPIX Performance (Dissolution Date = T)				
			Pre-campaign	Election Result	Outcome Assessment	T vs T-30	T+30 vs T-30	T+90 vs T-30	T+180 vs T-30	T+360 vs T-30
2000/6/2	Mori (1st)	480	271	233	×	-8.6%	-5.8%	-11.2%	-20.8%	-20.7%
2003/10/10	Koizumi (1st)	480	233	237	△	2.9%	-1.0%	6.0%	15.4%	9.1%
2005/8/8	Koizumi (2nd)	480	212	296	〇	1.2%	9.2%	9.2%	45.4%	33.3%
2009/7/21	Aso	480	300	119	×	-1.9%	4.3%	-3.6%	4.2%	-8.5%
2012/11/16	Noda	480	118	294	〇	1.6%	9.2%	5.4%	69.4%	60.3%
2014/11/21	Abe (2nd)	475	294	290	〇	13.2%	14.3%	7.0%	32.9%	27.1%
2017/9/28	Abe (3rd)	465	290	281	〇	4.9%	10.8%	3.0%	7.5%	14.1%
2021/10/14	Kishida (1st)	465	276	261	〇	-6.2%	-3.3%	2.1%	-12.0%	-11.7%
2024/10/9	Ishiba (1st)	465	247	191	×	4.9%	6.3%	1.9%	-11.3%	25.1%
2026/1/23	Takaichi (1st)	465	198	316	〇	6.5%	11.8%			
				Average		1.3%	4.9%	2.2%	14.5%	14.2%
				Median		1.6%	6.3%	3.0%	7.5%	14.1%
				Average (〇 cases)		2.9%	8.0%	5.3%	28.6%	24.6%
				Median (〇 cases)		1.6%	9.2%	5.4%	32.9%	27.1%

Notes: The number in parentheses next to the cabinet name indicates the nth cabinet.
Notes: The outcome assessment is for the LDP and is based on various media evaluations.
Source: SMDAM, Bloomberg and media reports

Political Calendar and Key Events

Feb 18	2nd Takaichi Cabinet launched
Feb 25	**Potential successors to BOJ's Noguchi (late Mar) and Nakagawa (late Jun) are both reflationists.**
Mar 19	Japan–U.S. summit
March?	**Growth Strategy Council drafts investment roadmap**
Apr 28	BOJ meeting: possible rate hike
Mid-year	**Cabinet approves Basic Policy and Growth Strategy**
Mid-year	**Corporate Governance Code revised**
Mid-year	**Interim report on zero VAT for food**
Late Aug	FY2027 budget requests due
Autumn?	Cabinet reshuffle? Ishin to join/assist?
Autumn?	**Extraordinary Diet; FY2026 supplementary budget**
Oct 30	BOJ meeting: possible rate hike
Dec	**FY2027 budget draft and tax reform outline**
By year-end	**Three National Security Documents revised**

Source: SMDAM and various media reports

Outlook for the Takaichi Administration

Stronger political leverage	LDP holds 2/3 in Lower House; can override Upper House rejection
Political stability	No national elections until summer 2028 (Upper House)
Fiscal expansion risk	Pushing proactive fiscal policy will likely lead to a larger budget

Sanaenomics: Key Policy Outlook

Policy	Expected direction	Watchpoints
Proactive responsible fiscal policy	Fiscal targets loosen; drop single-year PB surplus; focus on debt/GDP	Basic Policy; FY26 supplementary budget
	Shift to main budget; **FY27 initial budget to expand sharply**	Basic Policy; FY2027 budget draft
Growth & resilience investment	Support AI/ship/space/energy/defense; **up to ¥10tn** potentially allocated	Roadmap; Growth Strategy; FY26 supp; FY27 budget
Revise security documents	Broaden defense exports; **defense/GDP target could rise 2%→3% (+¥6tn)**	Security docs revision; FY2027 budget
2-year 0% VAT on food	**~¥5tn tax cut; as early as FY26**; key issues: funding	Interim report; autumn extraordinary Diet

Note: As of 27 Feb 2026

This Month's Topic (3): Reflationist Nominees for the BOJ Board

On Feb 25, the Japanese government submitted to the Diet a personnel proposal to appoint Toichiro Asada, Professor Emeritus at Chuo University, as a successor to Asahi Noguchi (BoJ Policy Board member, term ends Mar 31), and Ayano Sato, Professor at Aoyama Gakuin University, as a successor to Junko Nakagawa (term ends Jun 29).

Asada is one of the co-authors of Studies in Economic Policymaking, edited by Noguchi; other contributors include Koichi Hamada and Masazumi Wakatabe. Sato is one of the co-authors of What Is a High-Pressure Economy?, co-edited by Yutaka Harada and Yasuyuki Iida; other contributors include Hamada and Toshihiro Nagahama. Both the editors and contributors are widely known as reflationists, and the two nominees are also prominent voices in that camp. This suggests the appointments may strongly reflect the preferences of Prime Minister Sanae Takaichi and her close advisers, and could add political pressure on the BoJ as it moves toward policy normalization.

The Mainichi Shimbun reported on Feb 24 that, in a Feb 16 meeting with BoJ Governor Kazuo Ueda, Prime Minister Takaichi was reluctant about additional rate hikes. We expect the BoJ to deliver another hike in April, but the situation implies strong pressure—directly and indirectly—on the BoJ as it seeks to move faster. At the same time, delaying hikes could risk further yen depreciation, which could in turn invite stronger external pushback. Relatedly, the "rate check" by the United States in January was reported to have been led by Treasury Secretary Bessent. Caught between the Takaichi administration and the US administration, the BoJ may face increasingly difficult policy navigation.

While the Takaichi administration has secured a two-thirds majority in the House of Representatives, Diet-consent appointments cannot be settled via an override vote in the lower house and therefore require approval in the House of Councillors. That said, if the administration can secure support from either the Democratic Party for the People or Sanseito, the nominations should pass the upper house as well—so the hurdle for approval does not appear particularly high.

The Yomiuri Shimbun on Feb 26 published a solo interview with Governor Ueda (conducted on Feb 24). He emphasized that rate hikes could be discussed at the March and April meetings and reiterated an intention to continue tightening. Given the timing, the message can be read as an attempt to reaffirm the central bank's judgment and independence even as political pressure becomes more salient. While this communication is important to maintain confidence in monetary policy, the BoJ will also need to manage the risk of excessive political friction. Beyond policy itself, Governor Ueda's task of calibrating distance from politics is becoming more challenging.

This Month's Topic (4): Business Cycle Tailwinds for Risk Assets #1

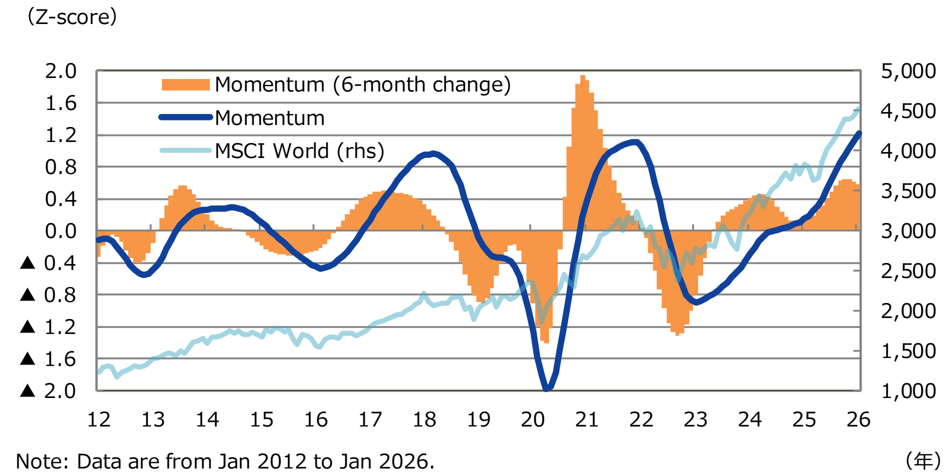
The expansion has room to run—and risk assets should continue to benefit. Our proprietary model, Trade Momentum, has turned more constructive in recent readings. Among the three key sectors that we believe drive the cycle, the IT cycle has strengthened further and the capex cycle has started to turn up. Think of IT as the accelerator and capex as the fuel tank: with both now firing, the upcycle is likely to persist for a while.

We briefly introduce Trade Momentum below. Inspired by the OECD Composite Leading Indicator, it differs in two key ways: (1) it emphasizes sectors (IT, autos, capital goods) over countries, and (2) it excludes financial variables to focus purely on the business cycle–risk asset link. We apply OECD-like filtering (a combination of double HP and band-pass filters) to 16 global indicators (e.g., global manufacturing PMI, global semiconductor sales, auto sales in the US/Japan/Europe/China, Japan machine-tool orders—exports), extract their cycle components, convert them to z-scores, and average them. We also construct sector sub-indices for IT, autos, and capital goods (capex).

In using Trade Momentum, the sign (positive/negative) and direction (rising/falling) matter, but—similar to the "OECD clock"—we classify regimes using "level" and "change" (the 6-month difference). We define four broad regimes (Troughing, Expansion, Slowdown, Contraction) and split each into early/late (eight regimes total), then examine average risk-asset returns by regime.

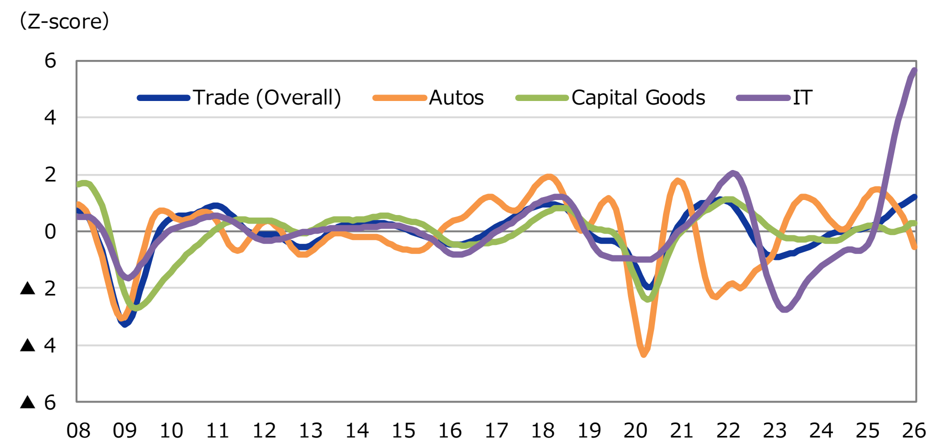
Regime transitions are defined as follows: When the level is negative but the 6-month change is positive, the cycle is in Troughing. When the level turns positive, it moves into Expansion. From there, when the

Trade Momentum and Equity Prices (MSCI World)



Note: Data are from Jan 2012 to Jan 2026.
Source: SMDAM and Bloomberg

Momentum by Sector



Note: Data are from Jan 2008 to Jan 2026.
Source: SMDAM

change turns negative, it shifts to Slowdown. When both the level and the change are negative, it enters Contraction.

Regime mapping: 1 = Early Troughing; 2 = Late Troughing; 3 = Early Expansion; 4 = Late Expansion; 5 = Early Slowdown; 6 = Late Slowdown; 7 = Early Contraction; 8 = Late Contraction.

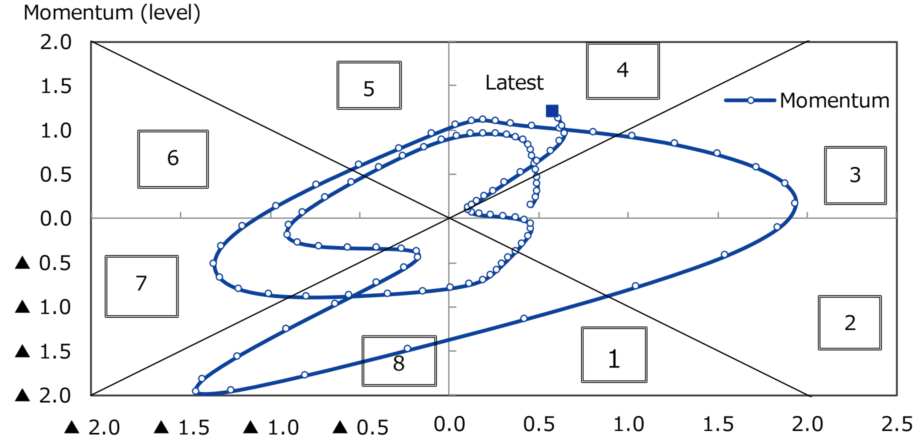
Looking back to 1995, average returns for risk assets (e.g., equities, REITs, commodities) tend to be stronger in Troughing/Expansion and weaker in Slowdown/Contraction.

Trade Momentum is currently in Expansion (Level > 0 and Change > 0). More specifically, it sits in Late Expansion, but the Change remains clearly positive—suggesting the shift to Slowdown is not imminent. Historically, this points to continued resilience in risk-asset returns.

By sector, autos have plateaued, while IT remains very strong and capital goods are recovering. IT strength is consistent with robust readings in indicators within our model, such as global semiconductor sales, reflecting expanding AI-related demand. Capital goods have also improved—not only Japan's machine-tool export orders but also US and German capital-goods orders—potentially driven by a rebound in AI capex alongside infrastructure and defense spending. While AI may reshape profit structures, from a cycle perspective the expansion phase still looks set to continue.

Over the past year, Trade Momentum has stayed in Expansion, and risk-asset returns have been solid throughout. With IT momentum intact and capex now joining the party, the expansion has legs. We stay constructive on risk.

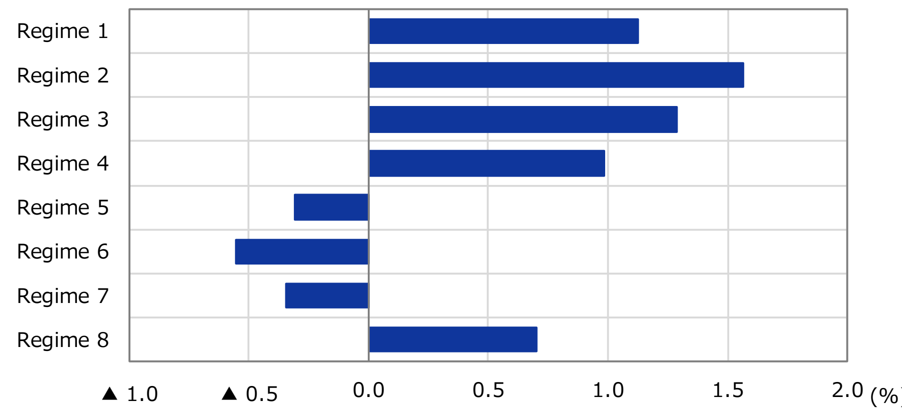
Trade Momentum Regime Analysis



Note: Data are from Jan 2017 to Jan 2026.

Source: SMDAM

Average Historical Returns of Equities (MSCI World) by Regime



Note: Returns are calculated as the average return in each regime over Jan 1995 to Jan 2026.

Source: SMDAM and Bloomberg

Trends in Major Asset Prices

TOPIX (Daily)

Note: Latest data are for 27 Feb 2026 (Y/M)

Source: SMDAM and Bloomberg

S&P500 (Daily)

Note: Latest data are for 27 Feb 2026 (Y/M)

Source: SMDAM and Bloomberg

Japan 10-Year Government Bond Yield (Daily)

Note: Latest data are for 27 Feb 2026 (Y/M)

Source: SMDAM and Bloomberg

USD/JPY (Daily)

Note: Latest data are for 27 Feb 2026 (Y/M)

Source: SMDAM and Bloomberg

Trends in Value/Growth and Foreign/Domestic Demand for Japanese Stocks

Japanese Stocks: Value/Growth (Daily)

Note: Latest data are for 27 Feb 2026. Value/Growth represents Russell Nomura Total Market Value Index vs Growth with Dividend.

Source: SMDAM and Bloomberg

Japanese Stocks: Foreign Demand/Domestic Demand (Daily)

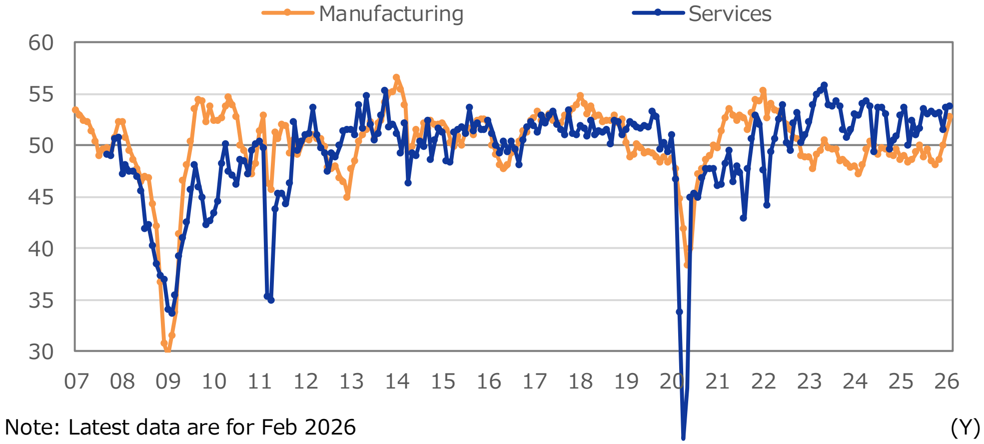
Note: Latest data are for 27 Feb 2026. Foreign/Domestic Demand represents Nikkei Global Exposure 50 vs Domestic.

Source: SMDAM and Bloomberg

Japanese Economic Indicators (1)

PMI

(sa, >50=improvement since previous month)

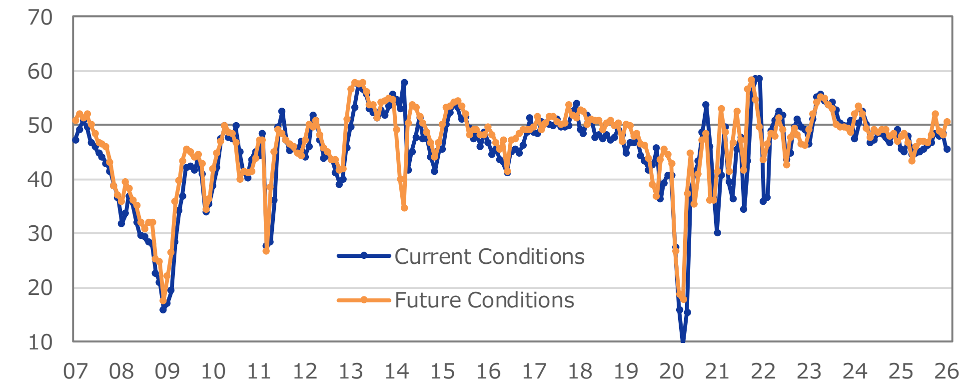


Note: Latest data are for Feb 2026

Source: SMDAM and S&P Global

Economy Watchers Survey

(sa, DI)

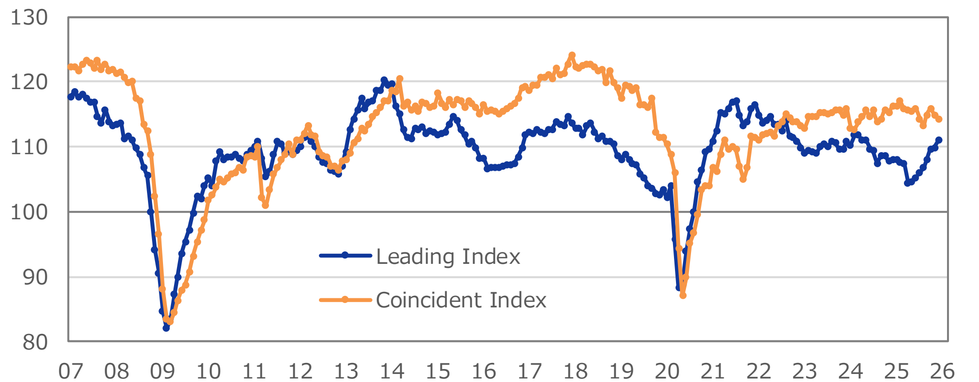


Note: Latest data are for Jan 2026

Source: SMDAM and Cabinet Office

Index of Business Conditions

(sa, 2020=100)

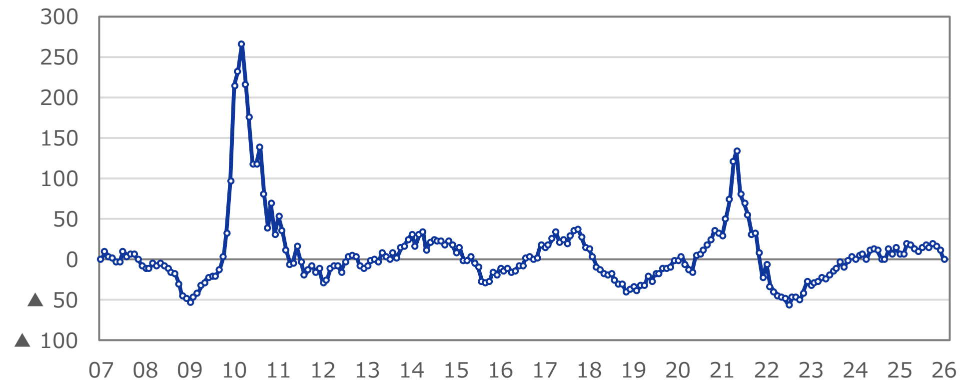


Note: Latest data are for Dec 2025

Source: SMDAM and Cabinet Office

Machine Tools (Orders YoY - Order Backlogs YoY)

(%)



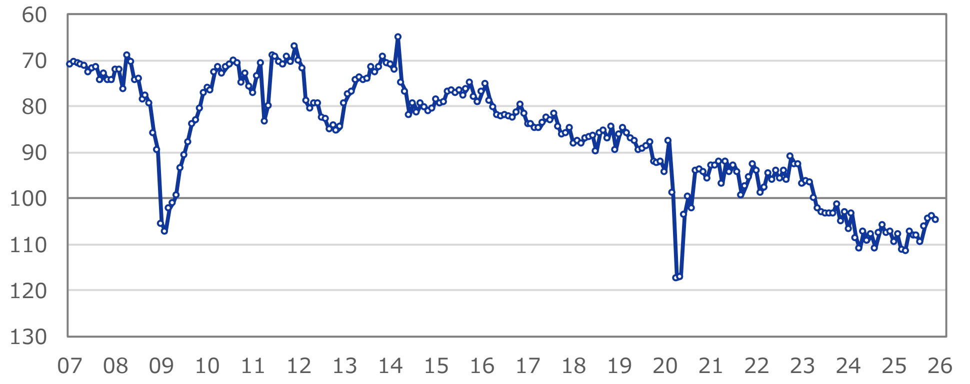
Note: Latest data are for Dec 2025

Source: SMDAM and Japan Machine Tool Builders' Association

Japanese Economic Indicators (2)

Index of Producer's Inventory Ratio of Final Demand Goods

(sa, 2020=100, Inverted)

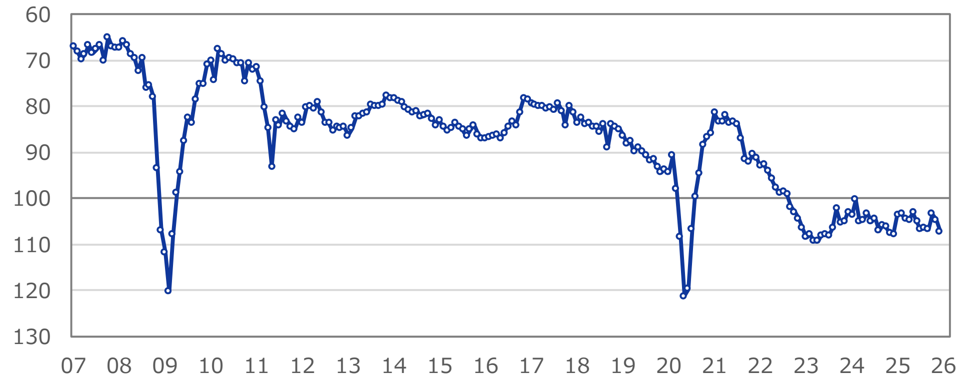


Note: Latest data are for Dec 2025

Source: SMDAM and Cabinet Office

Index of Producer's Inventory Ratio of Producer Goods

(sa, 2020=100, Inverted)

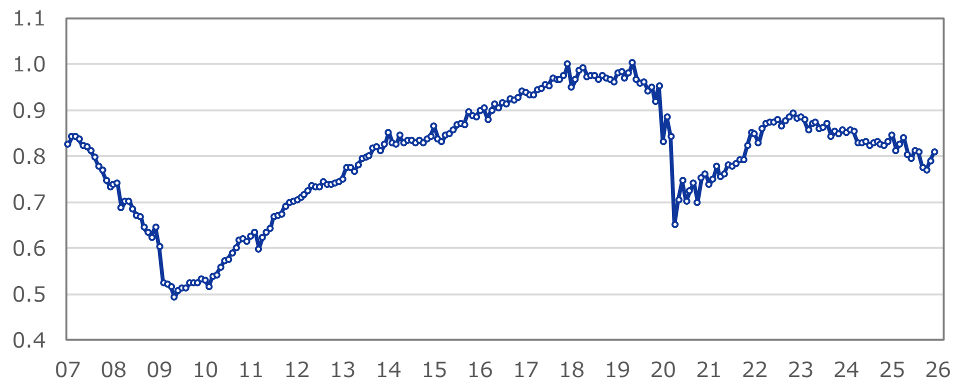


Note: Latest data are for Dec 2025

Source: SMDAM and Cabinet Office

New Job Offers (Excluding New School Graduates)

(sa, million persons)

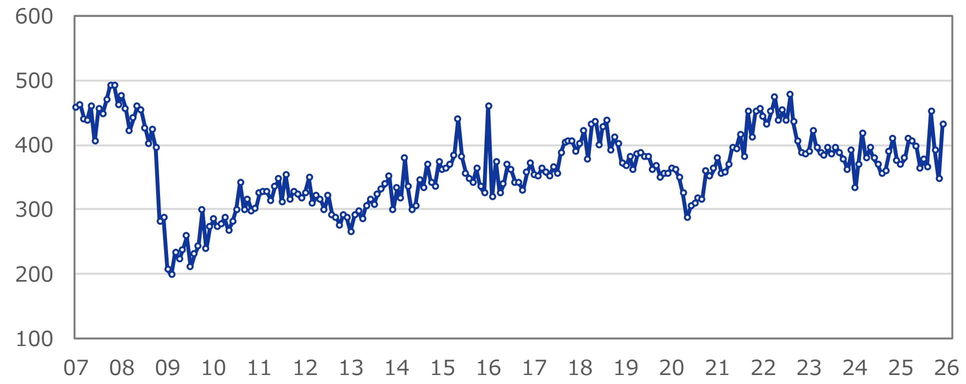


Note: Latest data are for Dec 2025

Source: SMDAM and Cabinet Office

Machinery Orders at Constant Prices (Manufacturing)

(sa, billion JPY)



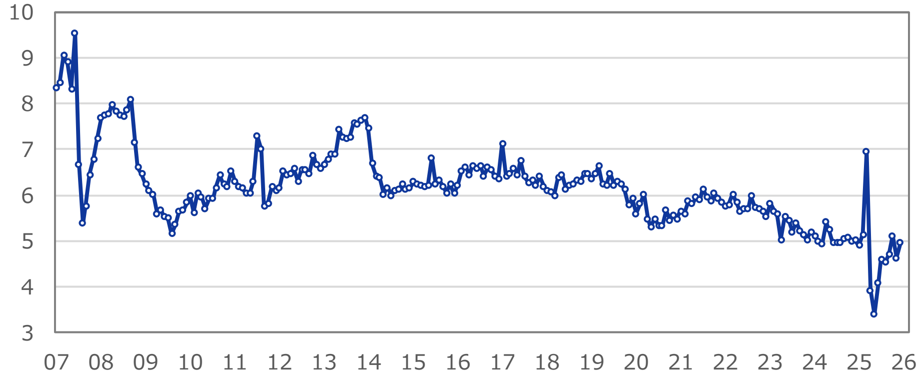
Note: Latest data are for Dec 2025

Source: SMDAM and Cabinet Office

Japanese Economic Indicators (3)

Total Floor Area of New Housing Construction Started

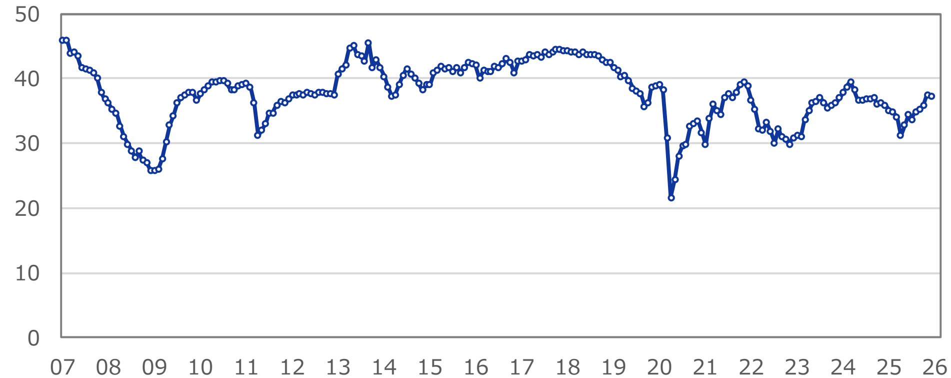
(million ㎡)



Note: Latest data are for Dec 2025 (Y)

Source: SMDAM and Cabinet Office

Consumer Confidence Index

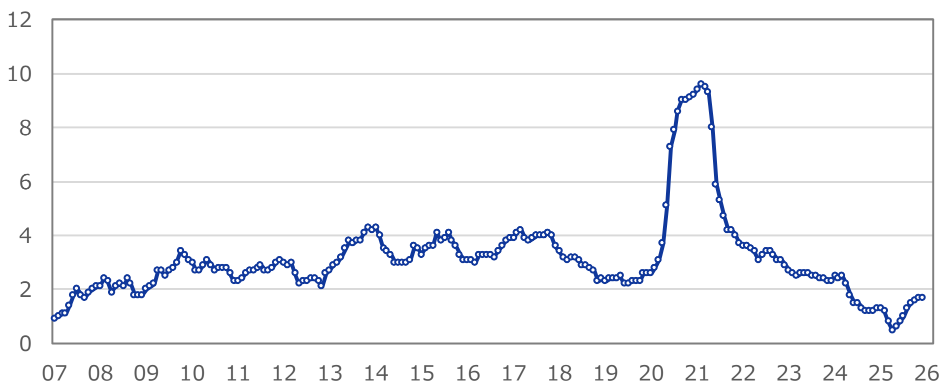


Note: Latest data are for Dec 2025 (Y)

Source: SMDAM and Cabinet Office

M2(YoY)

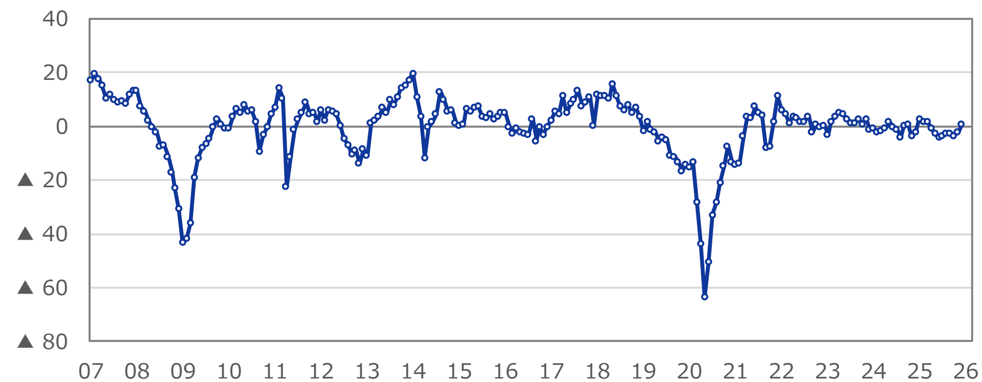
(%)



Note: Latest data are for Dec 2025 (Y)

Source: SMDAM and Cabinet Office

Sales Forecast DI of Small Businesses



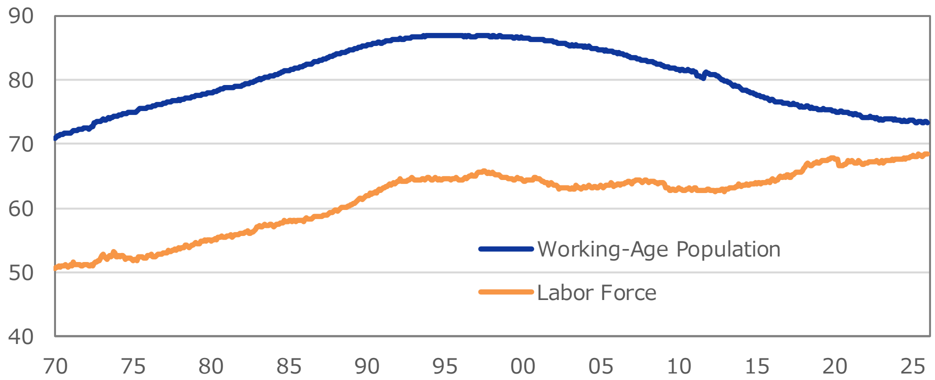
Note: Latest data are for Dec 2025 (Y)

Source: SMDAM and Cabinet Office

Japanese Economic Indicators (4)

Working-Age Population and Labor Force

(sa, million persons)



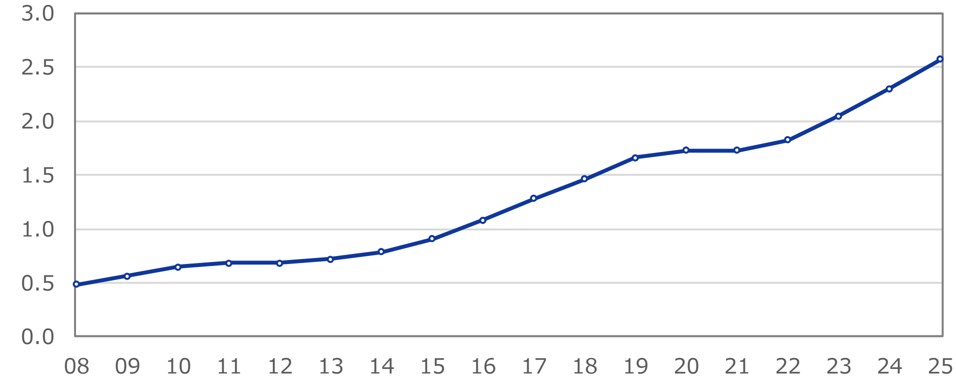
(Y)

Note: Latest data are for Dec 2025

Source: SMDAM and MIC

Number of Foreign Workers

(million persons)



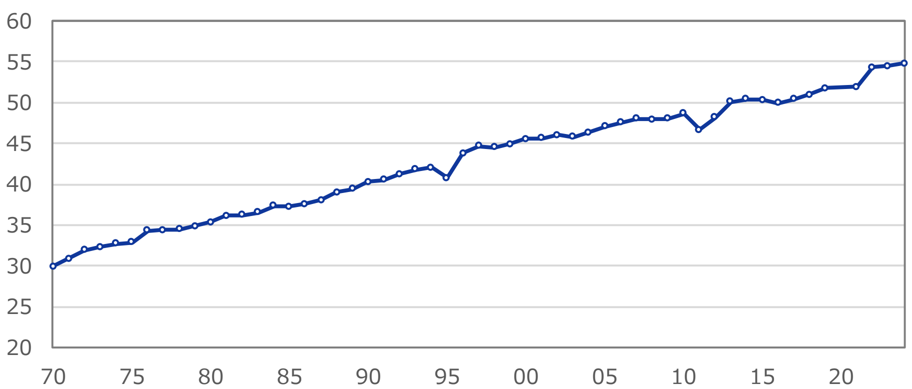
(Y)

Note: Latest data are for 2025

Source: SMDAM and MHLW

Number of Households

(million)



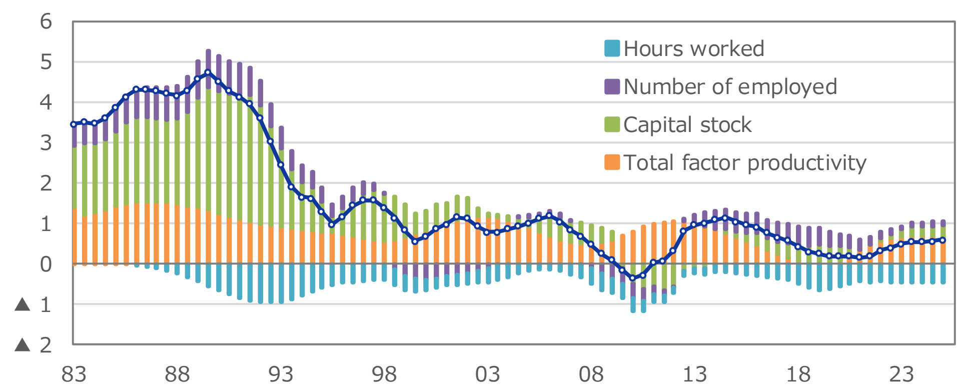
(Y)

Note: Latest data are for 2024

Source: SMDAM and Cabinet Office

Potential Growth Rate

(%)



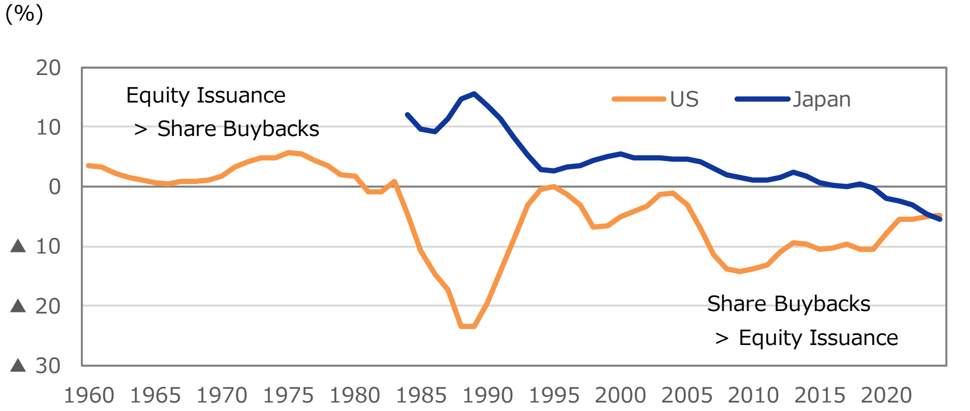
(Y)

Note: Latest data are for 3Q 2025

Source: SMDAM and BoJ

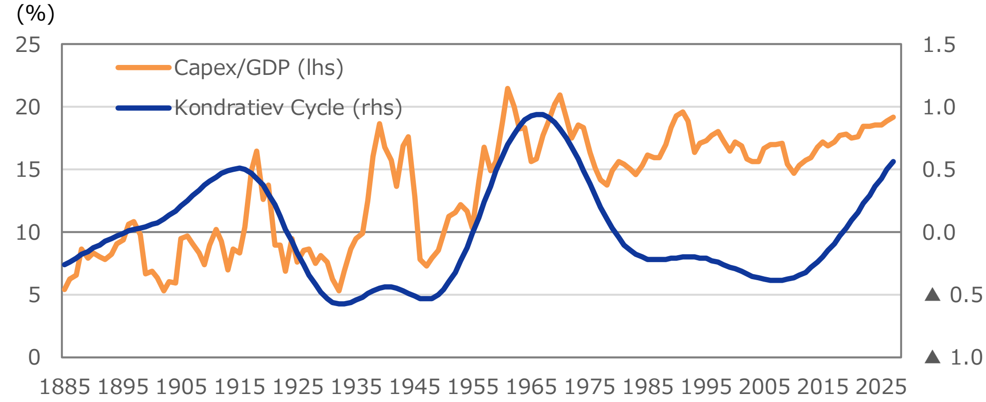
Japanese Economic Indicators (5)

Net Equity Issuance in Japan and the US



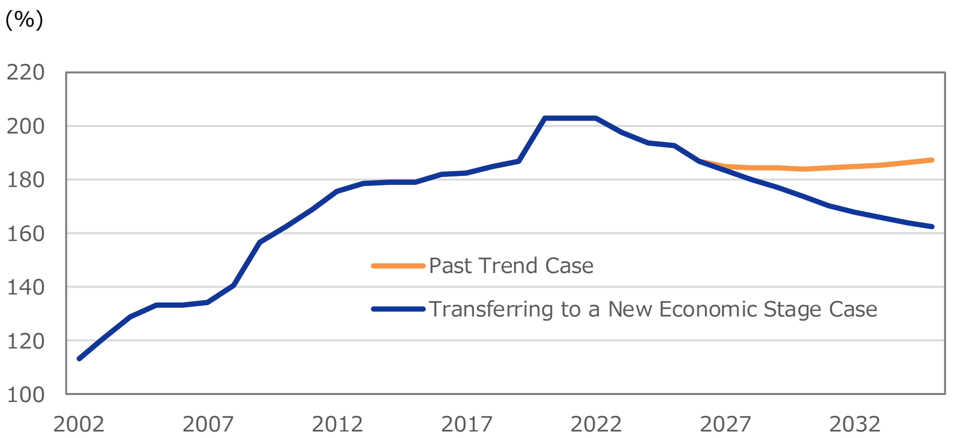
Note: Latest data are for 2024
Note: Net Equity Issuance / Market Cap (5Y MA)
Source: SMDAM, BoJ and FRB

Japan Capex/GDP Ratio (Long-Term Trend) and Kondratiev Cycle



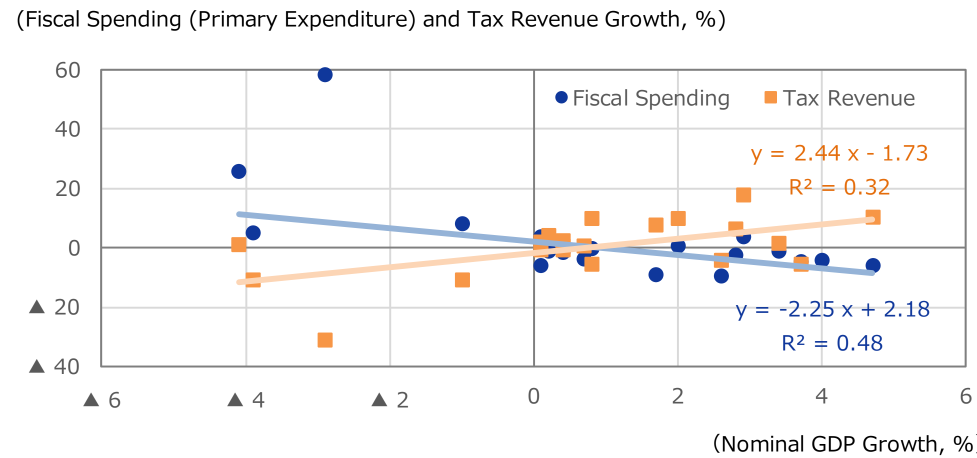
Note: Latest data are for 2027 (including some forecasts)
Note: Kondratiev Cycle is statistically derived as a 40 to 70 year cycle from the Capex/GDP ratio.
Source: SMDAM and Cabinet Office

Debt-to-GDP Projection (Medium to Long Term) by Cabinet Office



Note: Latest data are for 2035 (including some forecasts)
Note: New Economic Stage assumes 3% nominal growth. Source: SMDAM and Cabinet Office

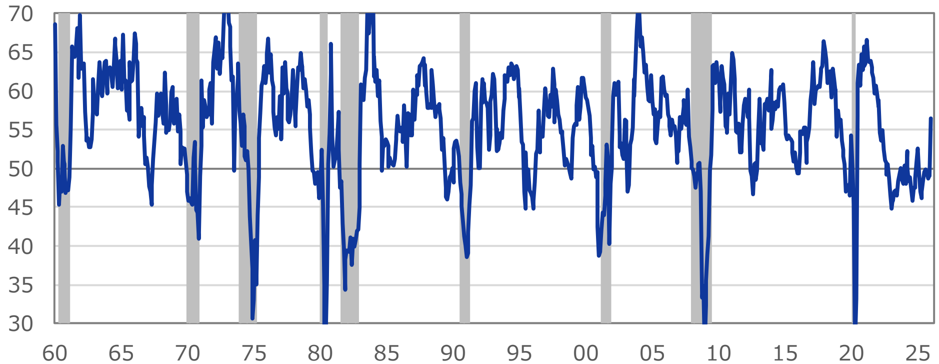
Fiscal Spending, Tax Revenue, and Nominal GDP Growth



Note: The Data covers FY2003 to 24, and the regression line is calculated excluding outliers.
Source: SMDAM and Cabinet Office

US Economic Indicators

ISM Manufacturing PMI (Average of Production and New Orders)

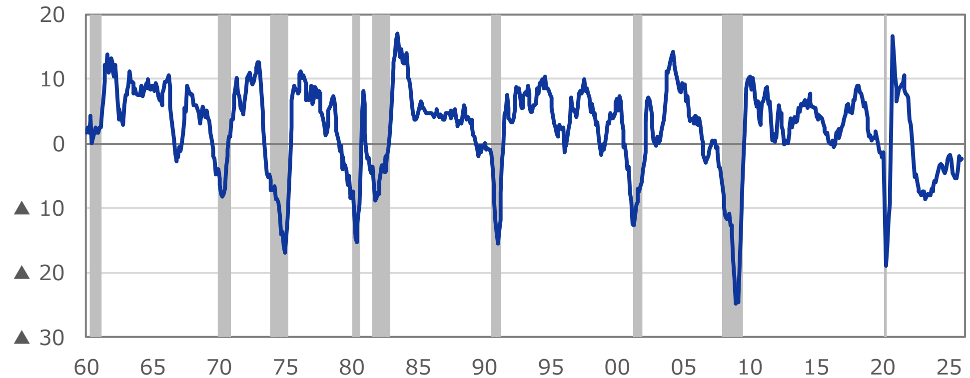


Note: Latest data are for Jan 2026. The shaded areas represent periods of recession. (Y)

Source: SMDAM and ISM

Conference Board Leading Economic Index

(6-Month Annual Change)

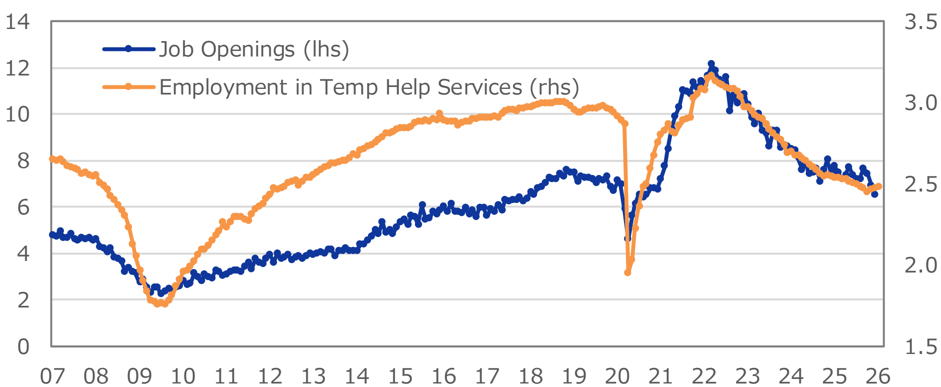


Note: Latest data are for Dec 2025. The shaded areas represent periods of recession. (Y)

Source: SMDAM and Conference Board

Job Openings and Employment in Temporary Help Services

(sa, million persons) (sa, million persons)

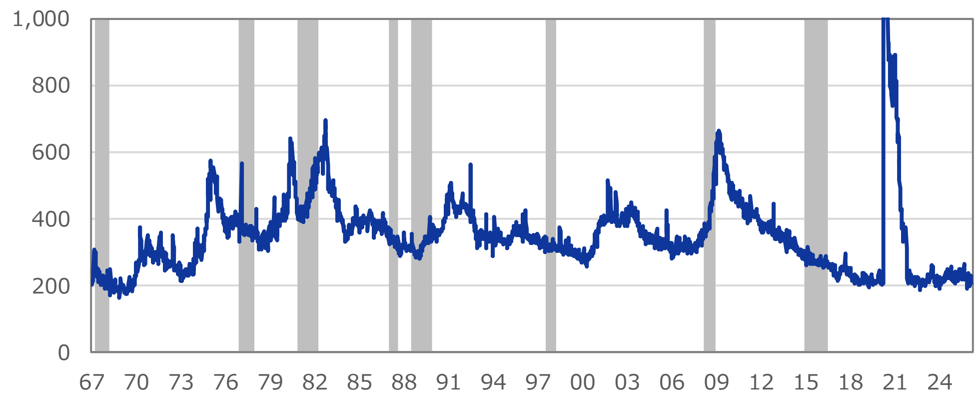


Note: Latest data are for Jan 2026 (Y)

Source: SMDAM and Bureau of Labor Statistics

Initial Jobless Claims

(sa, thousand persons)



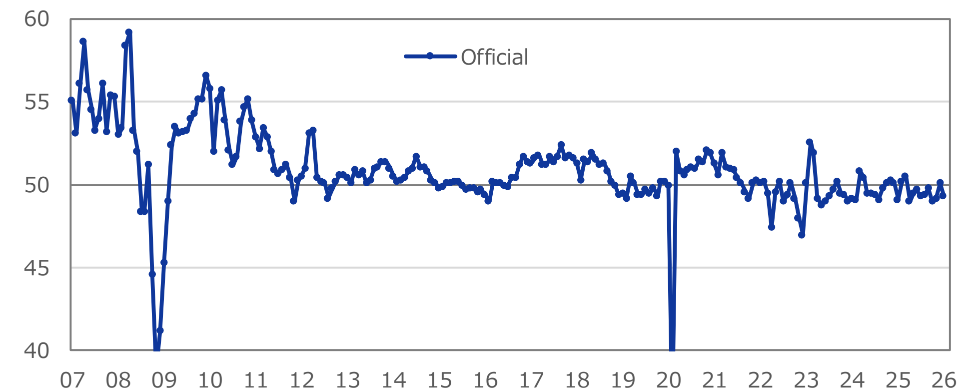
Note: Latest data are for 20 Feb 2026. The shaded areas represent periods of recession (Y)

Source: SMDAM and Department of Labor

Overseas Economic Indicators

China Manufacturing PMI

(sa, >50=improvement since previous month)

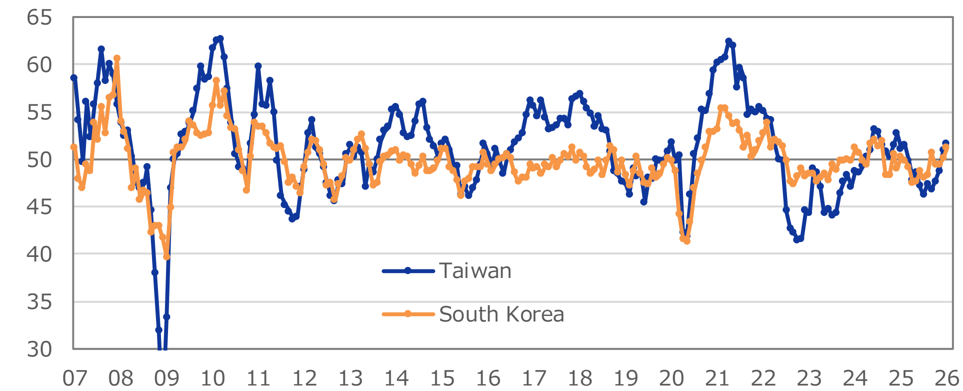


Note: Latest data are for Jan 2026

Source: SMDAM and China Federation of Logistics & Purchasing

Manufacturing PMI (Taiwan, South Korea)

(sa, >50=improvement since previous month)

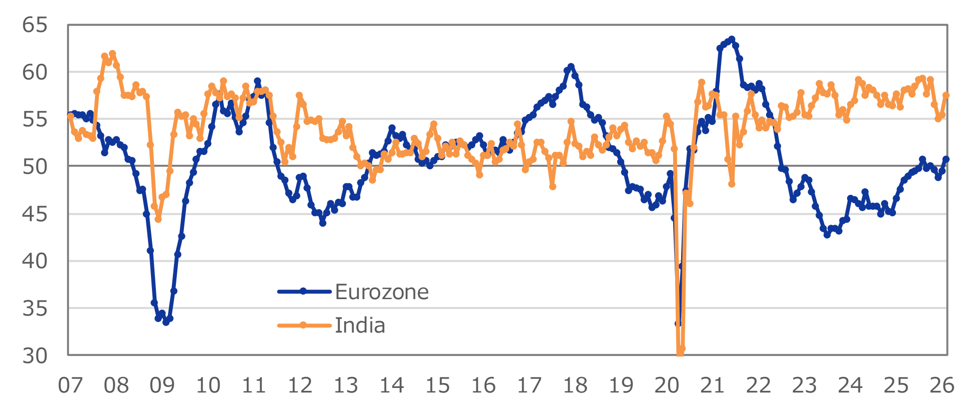


Note: Latest data are for Jan 2026

Source: SMDAM and S&P Global

Manufacturing PMI (Eurozone, India)

(sa, >50=improvement since previous month)

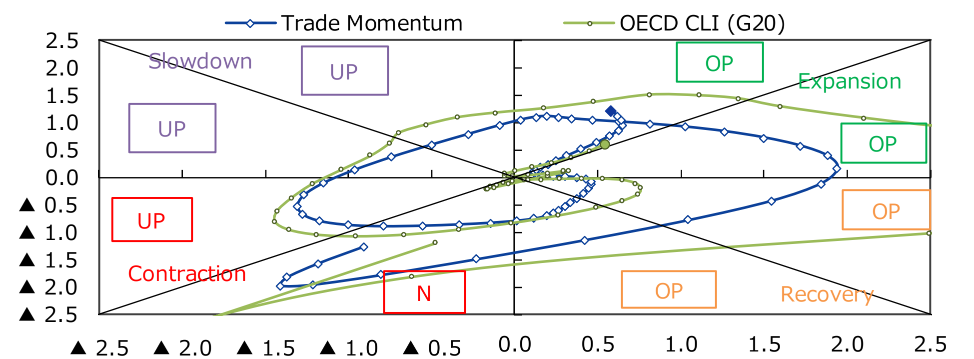


Note: Latest data are for Feb 2026

Source: SMDAM and S&P Global

Trade Momentum & OECD Composite Leading Indicator (CLI) Phases

Trade Momentum (Z-score) / OECD CLI Level (Index - 100)



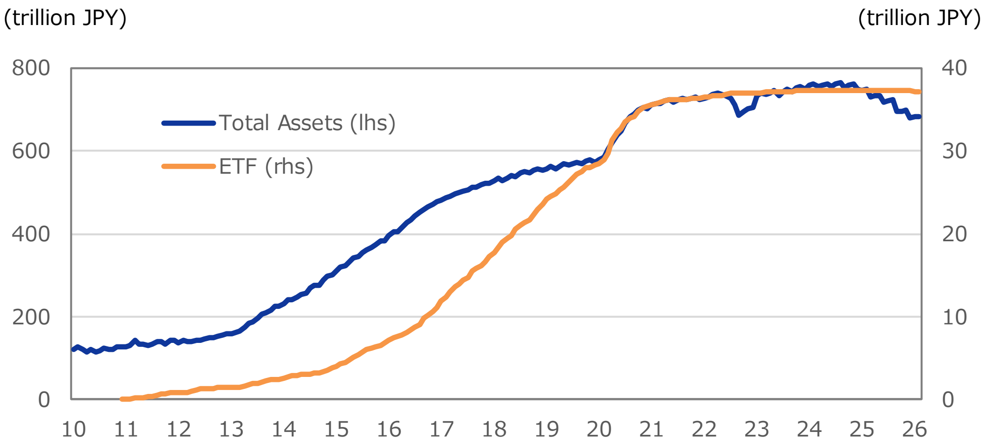
Note: Latest data are for Jan 2026

Note: Trade momentum shows cycles from indicators; OP/N/UP = past Japan stock performance

Source: SMDAM, OECD, S&P Global, LSEG and Bloomberg

BOJ Monetary Policy (1)

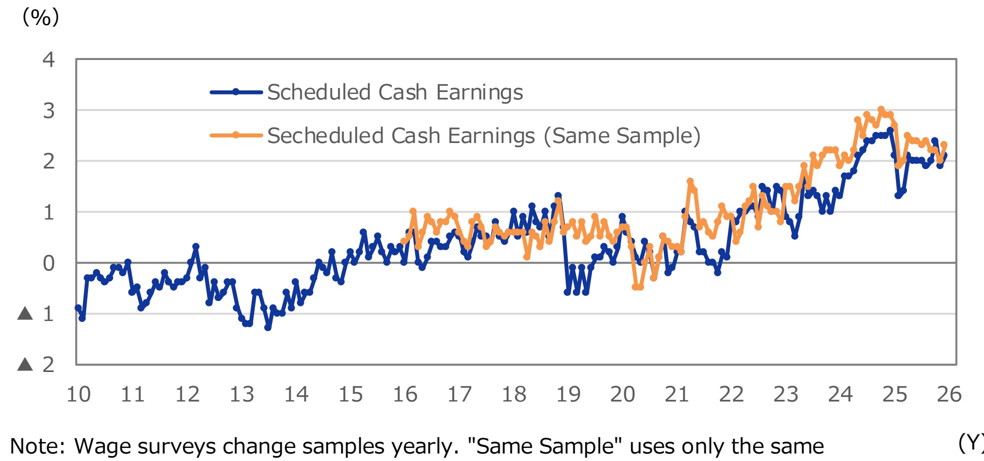
The Bank of Japan's Balance Sheet



Note: Latest data are for Feb 2026

Source: SMDAM and BoJ

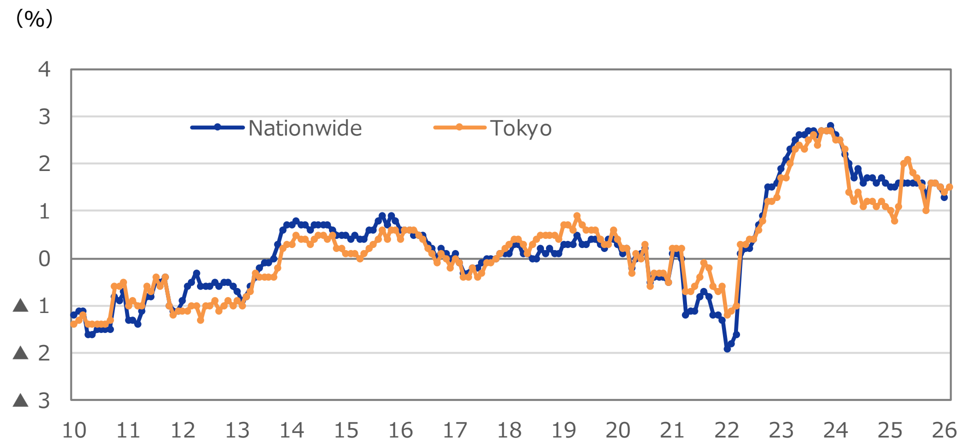
Nominal Wages (Scheduled Cash Earnings, YoY)



Note: Wage surveys change samples yearly. "Same Sample" uses only the same samples as the previous year to avoid gaps caused by such changes.

Note: Latest data are for Dec 2025 Source: SMDAM and MHLW

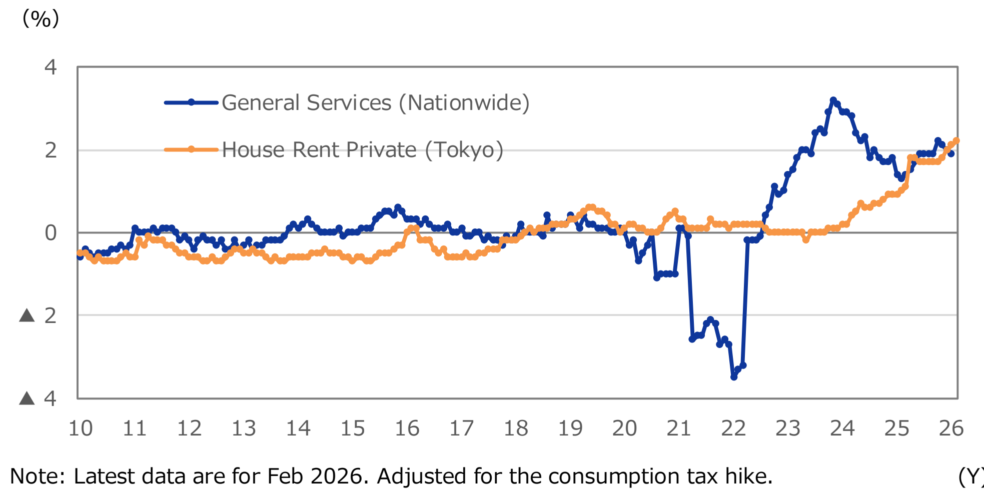
CPI (Excluding Food and Energy, YoY)



Note: Latest data are for Feb 2026. Adjusted for the consumption tax hike.

Source: SMDAM and MIC

CPI (General Services, House Rent Private, YoY)



Note: Latest data are for Feb 2026. Adjusted for the consumption tax hike.

Source: SMDAM and MIC

Note: "Scheduled Cash Earnings" are based on different data samples for each survey conducted by MHLW. "Scheduled Cash Earnings (Same Sample)" refers to data based on the same surveyed companies. This data is published to provide a more accurate understanding of wage trends and started to be published by MHLW from 2016.

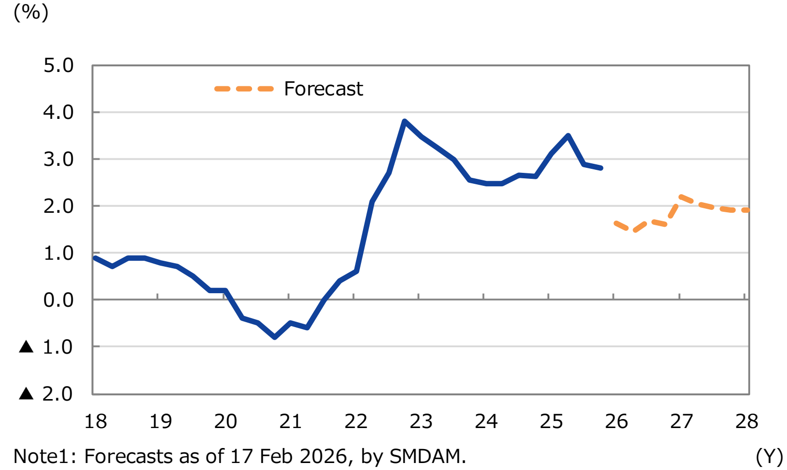
BOJ Monetary Policy (2)

BOJ Monetary Policy Developments (Quarter-End and Latest)

	Sep 2025	Dec 2025	Jan 2026
O/N call rate	around 0.5%	around 0.75%	around 0.75%
Rate on Deposit Facility	0.50%	0.75%	0.75%
Objection to the monetary policy guideline	Committee members Tamura and Takada opposed the policy of maintaining the current level and proposed an increase to around 0.75%.	None	Committee member Takada opposed the policy of maintaining the current level and proposed an increase to around 1.00%.
Conduct of Monetary Policy	Given that real interest rates are at significantly low levels, if the outlook for economic activity and prices will be realized, the Bank, in accordance with improvement in economic activity and prices, will continue to raise the policy interest rate and adjust the degree of monetary accommodation.	Given that real interest rates are at significantly low levels, if the outlook for economic activity and prices will be realized, the Bank, in accordance with improvement in economic activity and prices, will continue to raise the policy interest rate and adjust the degree of monetary accommodation.	Given that real interest rates are at significantly low levels, if the outlook for economic activity and prices will be realized, the Bank, in accordance with improvement in economic activity and prices, will continue to raise the policy interest rate and adjust the degree of monetary accommodation.
JGB purchases	No Change	No Change	No Change
ETF Purchases	Based on the basic policy of avoiding market disruption, the BoJ decided to sell its holdings of ETFs and J-REITs.	No Change	The BoJ began selling its holdings of ETFs and J-REITs on Jan 19.

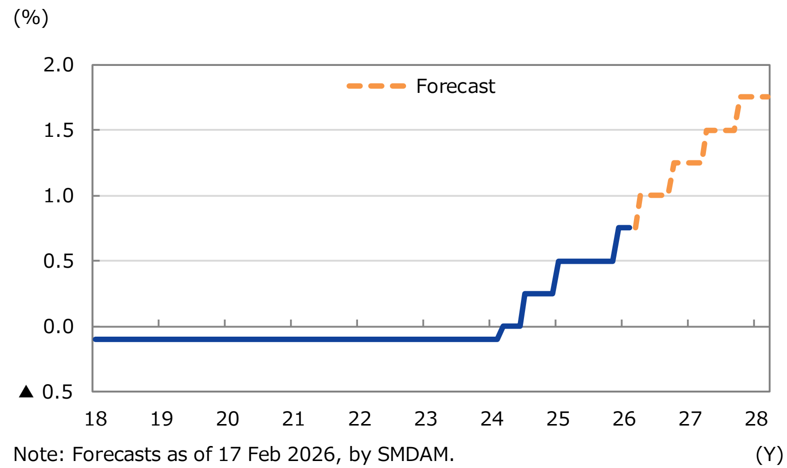
Note: Data as of 27 Feb 2026
Source: SMDAM and BOJ

CPI (ex fresh food, YoY)



Note1: Forecasts as of 17 Feb 2026, by SMDAM.
Note2: Excludes effects of consumption tax and free charge of education.
Source: SMDAM and MIC

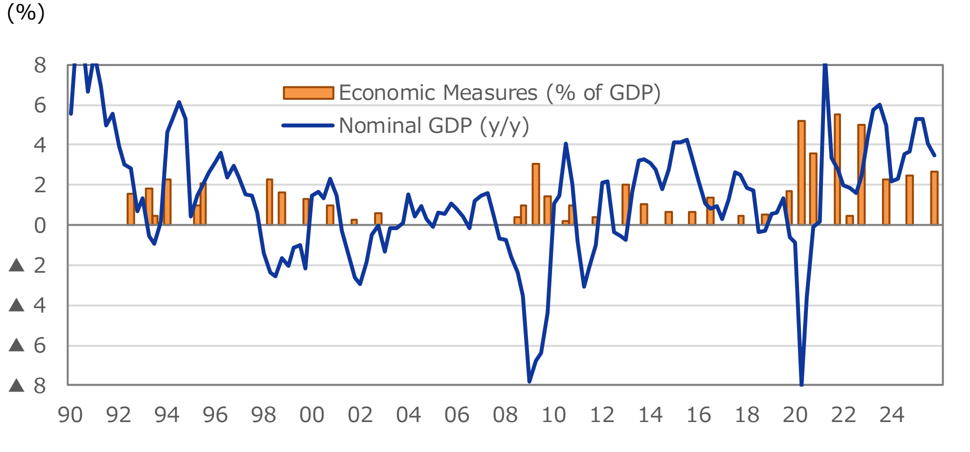
Policy interest rate



Note: Forecasts as of 17 Feb 2026, by SMDAM.
Source: SMDAM and BOJ

Japan's fiscal policy

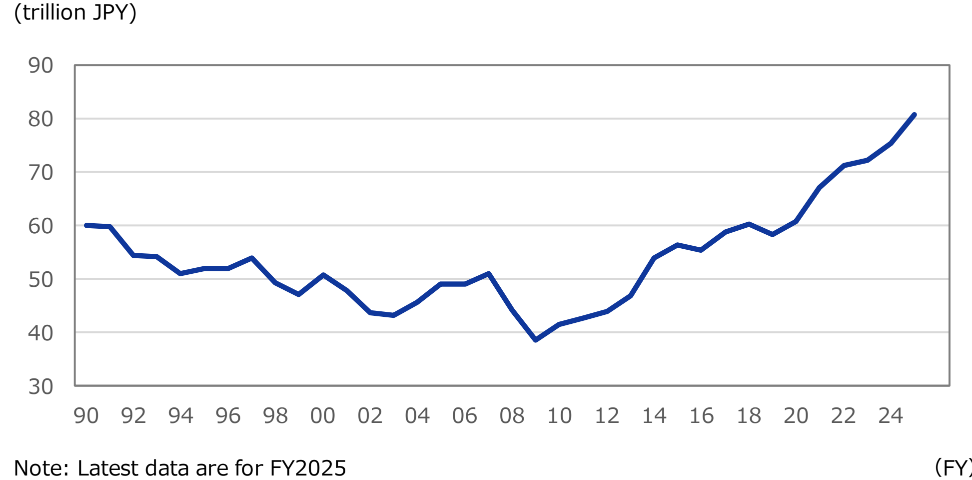
Government Economic Measures and Nominal GDP Growth Rate



Note: Latest data are for 4Q 2025. Economic measures are budget-backed amounts.

Source: SMDAM and Cabinet Office

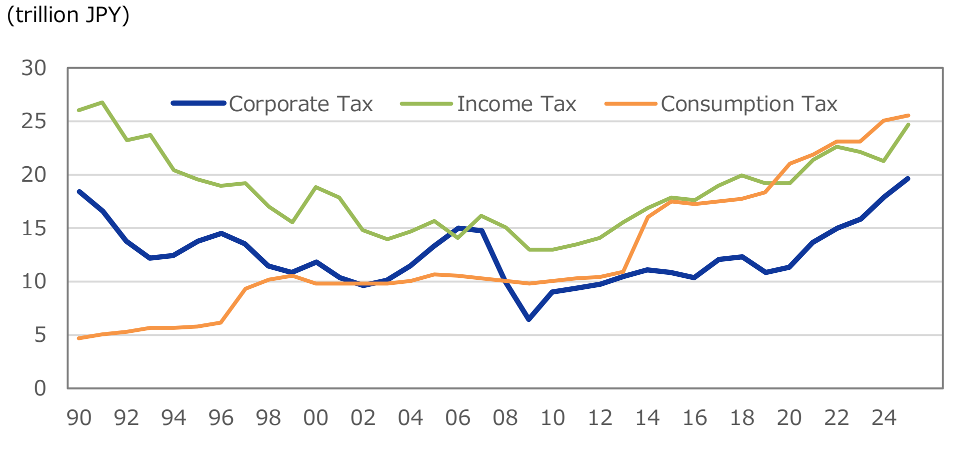
Japan's Tax Revenue



Note: Latest data are for FY2025

Source: SMDAM and MoF

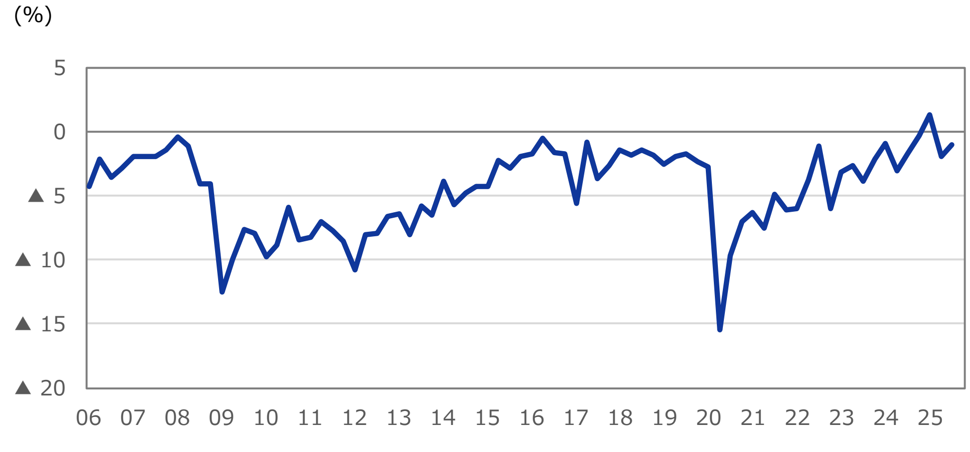
Breakdown of Tax Revenue



Note: Latest data are for FY2025

Source: SMDAM and MoF

Japan's Fiscal Balance (as a Percentage of GDP)

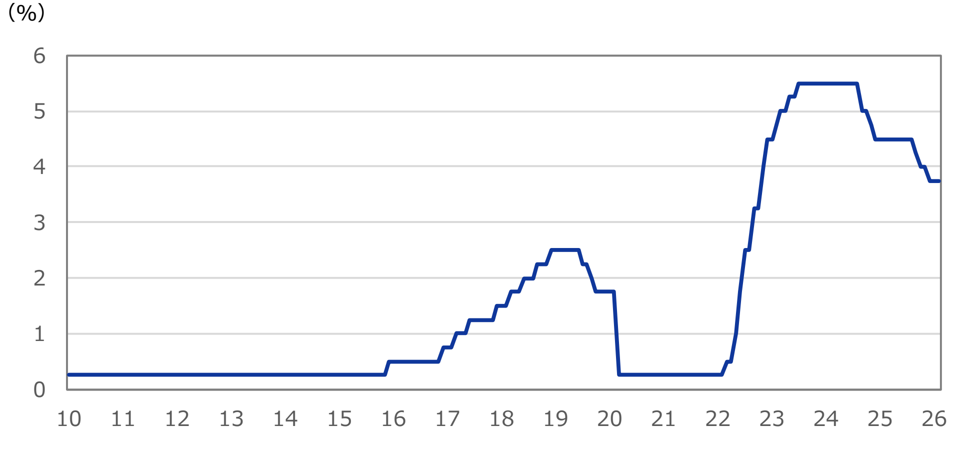


Note: Latest data are for 3Q 2025

Source: SMDAM and BoJ

Overseas Monetary Policy

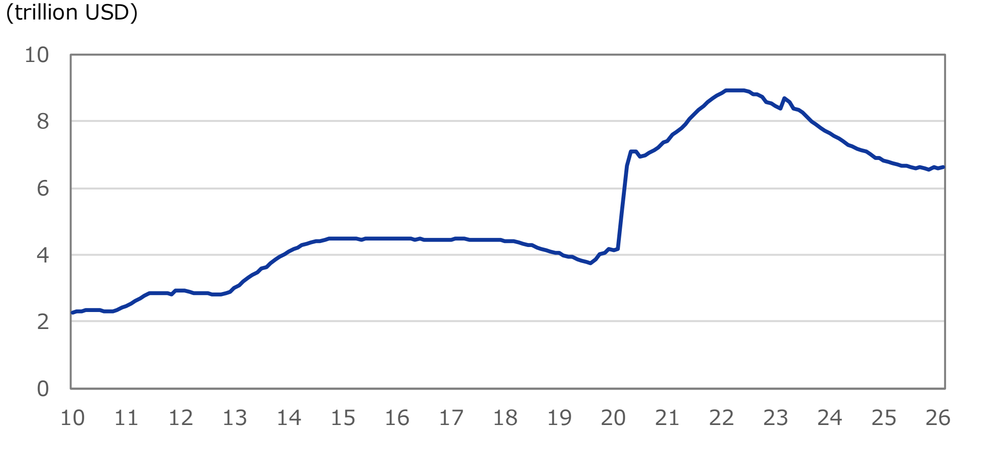
Federal Funds Target Rate (Upper Bound)



Note: Latest data are for Feb 2026

Source: SMDAM and FRB

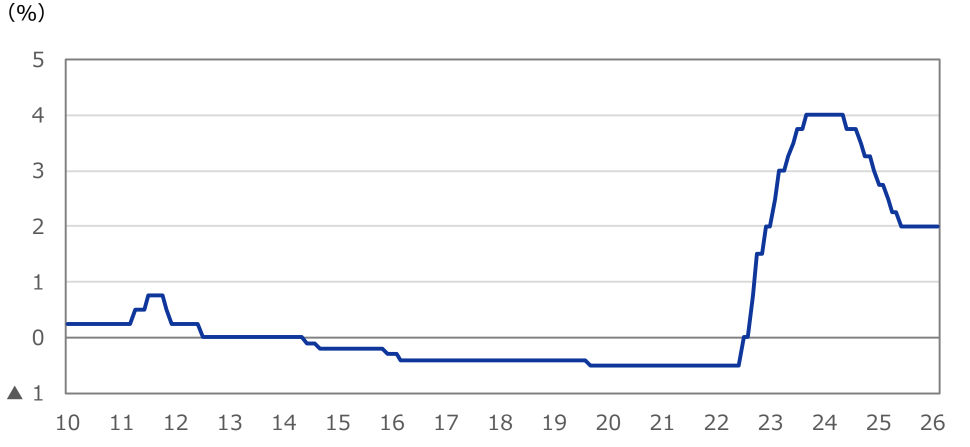
Federal Reserve Total Assets



Note: Latest data are for Feb 2026

Source: SMDAM and FRB

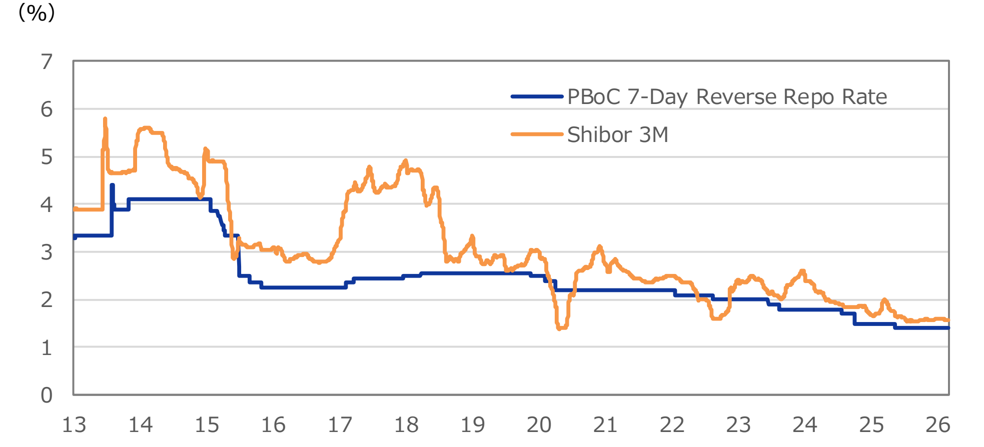
ECB Deposit Facility Announcement Rate



Note: Latest data are for Feb 2026

Source: SMDAM and ECB

China's Short-Term Interest Rates

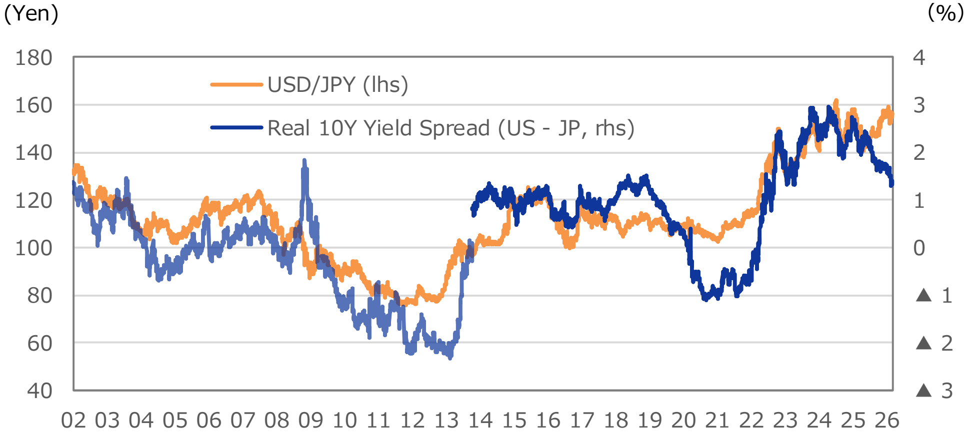


Note: Latest data are for 27 Feb 2026

Source: SMDAM, PBoC and Bloomberg

USD/JPY

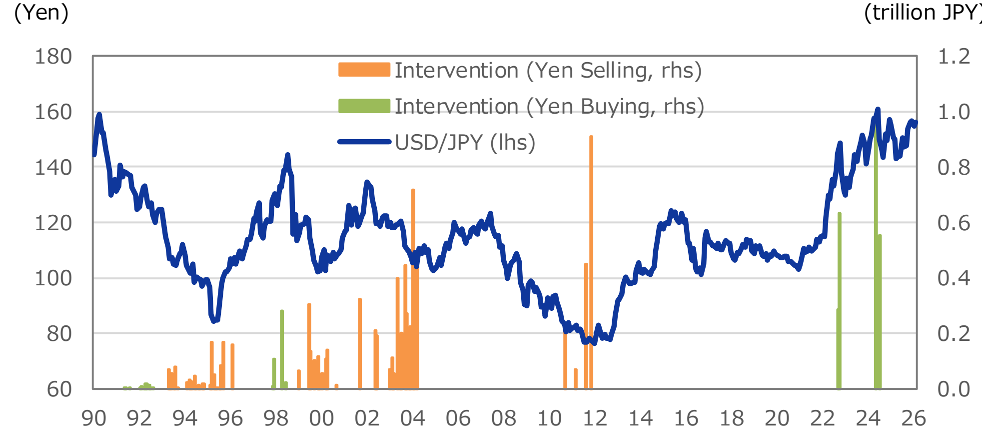
USD/JPY and Real Interest Rate Differential



Note: Latest data are for 27 Feb 2026. Japan's real rate pre-Oct. 8, 2013, based on core CPI

Source: SMDAM and Bloomberg

USD/JPY and Intervention



Note: Latest data are for Feb 2026

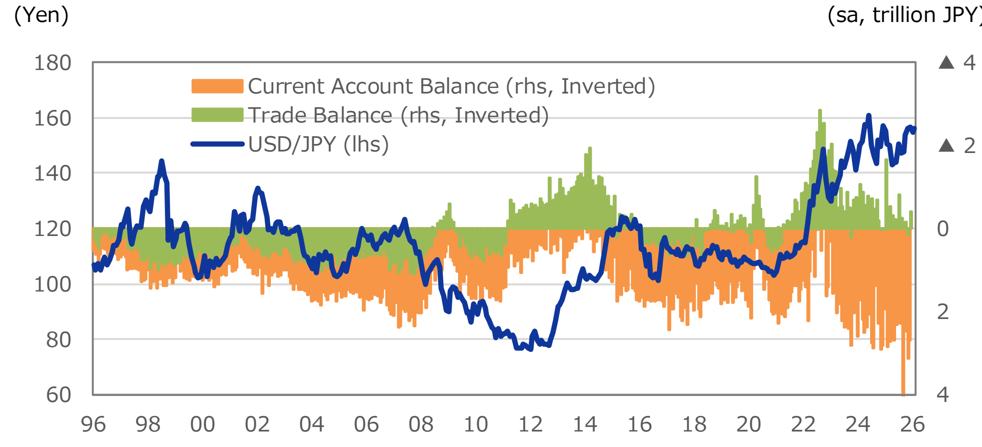
Source: SMDAM, MoF and Bloomberg

JPY Real Effective Exchange Rate

Note: Latest data are for Jan 2026

Source: SMDAM and BoJ

USD/JPY and External Balances



Note: Latest data are for Feb 2026

Source: SMDAM, MoF and Bloomberg

Earnings Forecast:FY2026 Operating Profit Expected to Grow Double Digits

Bottom-Up Corporate Earnings Forecast for Japan

Forecasts as of 17 Dec 2025	FY23 billion JPY (A)	FY24 billion JPY (A)	FY25 billion JPY (E)	FY26 billion JPY (E)	FY24 YoY, % (A)	FY25 YoY, % (E)	FY26 YoY, % (E)
Revenue							
Total (Ex-Financials)	656,205	685,448	692,749	718,961	+4.5	+1.1	+3.8
Manufacturing	386,145	400,992	402,311	418,788	+3.8	+0.3	+4.1
Non-Manufacturing	270,060	284,457	290,437	300,173	+5.3	+2.1	+3.4
Total (Ex-Financials, Ex-SoftBank G)	649,449	678,205	685,079	710,768	+4.4	+1.0	+3.7
Operating Profit							
Total (Ex-Financials)	52,657	59,064	59,626	64,277	+12.2	+1.0	+7.8
Manufacturing	31,941	32,792	33,742	40,484	+2.7	+2.9	+20.0
Non-Manufacturing	20,716	26,272	25,883	23,792	+26.8	▲ 1.5	▲ 8.1
Total (Ex-Financials, Ex-SoftBank G)	52,656	54,633	56,091	64,263	**+3.8**	**+2.7**	**+14.6**
Ordinary Profit							
Total (Ex-Financials)	58,881	61,477	64,392	68,919	+4.4	+4.7	+7.0
Manufacturing	35,311	35,160	36,136	43,079	▲ 0.4	+2.8	+19.2
Non-Manufacturing	23,570	26,317	28,256	25,840	+11.7	+7.4	▲ 8.6
Total (Ex-Financials, Ex-SoftBank G)	58,823	59,772	60,858	68,905	**+1.6**	**+1.8**	**+13.2**
Profit After Taxes							
Total (Incl. Financials)	47,652	51,262	53,827	57,081	+7.6	+5.0	+6.0
Total (Ex-Financials)	40,620	41,981	43,578	46,567	+3.4	+3.8	+6.9
Manufacturing	24,706	23,556	24,219	29,086	▲ 4.7	+2.8	+20.1
Non-Manufacturing	15,914	18,425	19,359	17,481	+15.8	+5.1	▲ 9.7
Total (Ex-Financials, Ex-SoftBank G)	40,848	40,828	41,072	47,233	▲ 0.0	+0.6	+15.0

Note1: Forecasts by SMDAM.

Note2: FX assumptions are USD/JPY at 151 and EUR/JPY at 175. A 1 JPY depreciation vs. USD increases ordinary profit by approximately 0.5%.

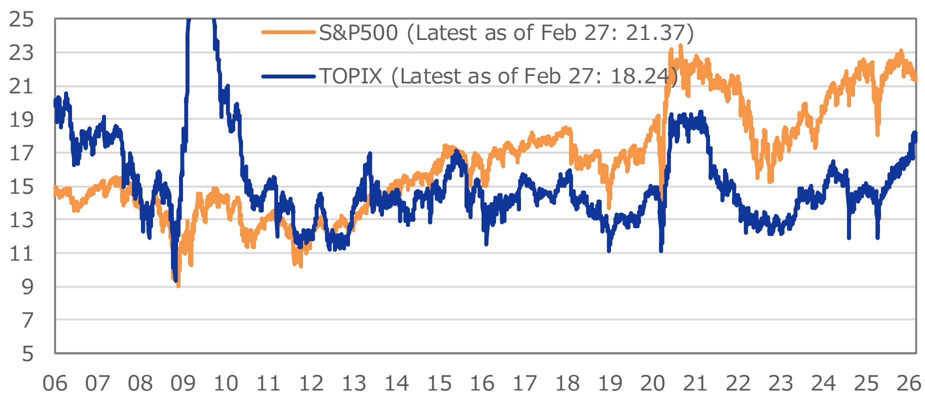
Note3: Coverage includes 402 Total (Incl. Financials), 373 Total (Ex-Financials), 215 Manufacturing, and 158 Non-Manufacturing stocks.

Note4: Aggregated earnings figures are based on in-house corporate forecasts and provided for reference only. Accuracy is not fully guaranteed.

Valuation (1)

S&P 500 and TOPIX 12-Month Forward P/E Ratio

(times)



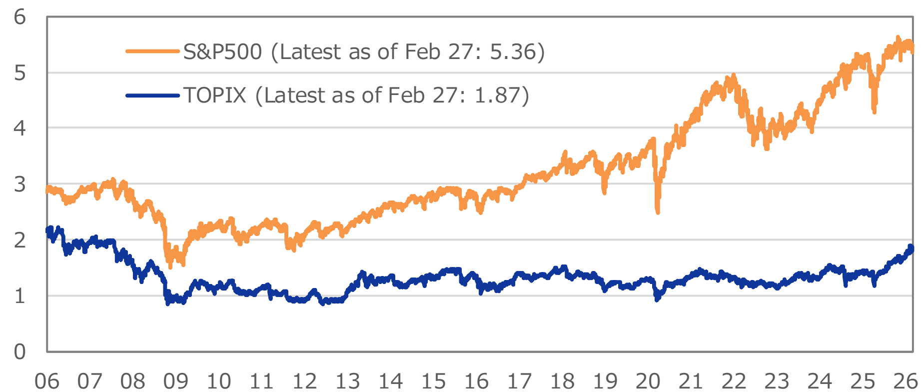
(Y)

Note: Latest data are for 27 Feb 2026

Source: SMDAM and Bloomberg

S&P 500 and TOPIX Historical P/B Ratio

(times)



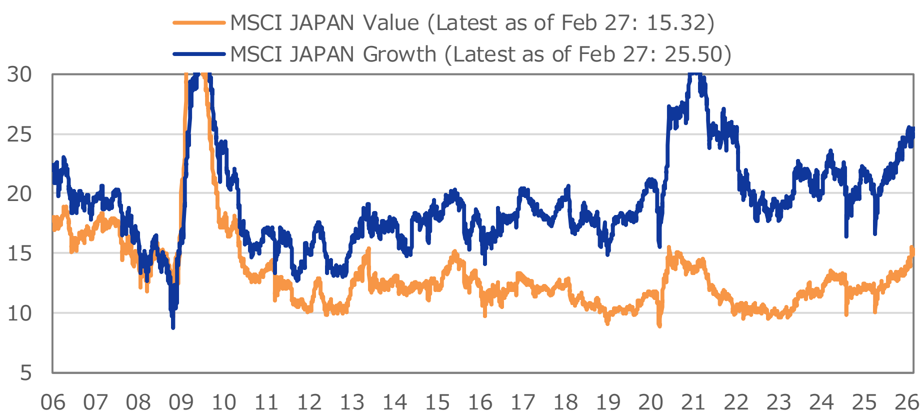
(Y)

Note: Latest data are for 27 Feb 2026

Source: SMDAM and Bloomberg

MSCI Japan 12-Month Forward P/E Ratio

(times)



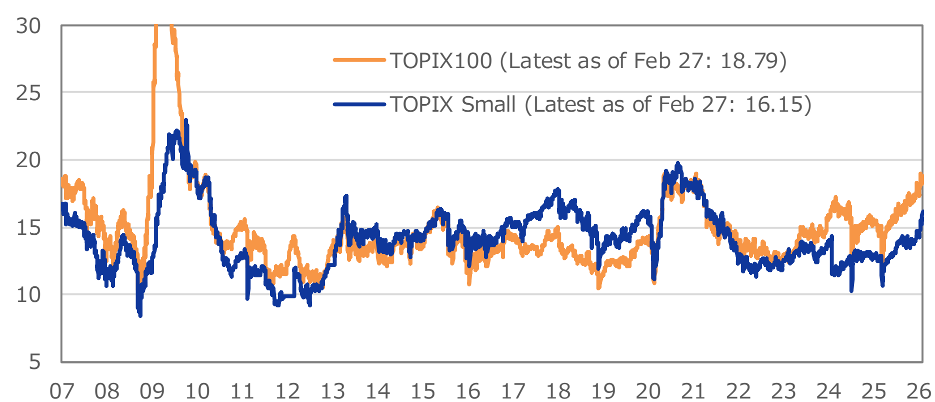
(Y)

Note: Latest data are for 27 Feb 2026

Source: SMDAM and Bloomberg

TOPIX 100 and TOPIX Small 12M Forward P/E Ratio

(times)



(Y)

Note: Latest data are for 27 Feb 2026

Source: SMDAM and Bloomberg

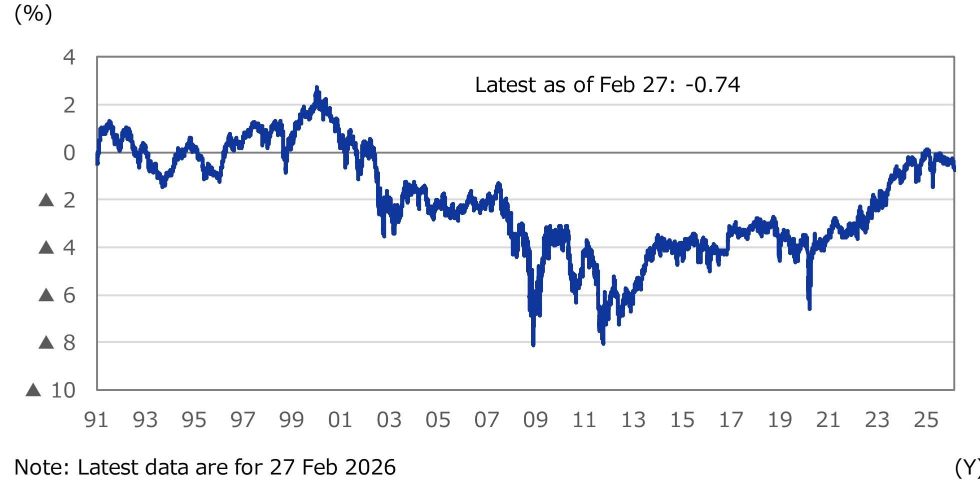
Valuation (2)

TOPIX Yield Spread (10Y JGB - Earnings Yield)

Note: Latest data are for 27 Feb 2026

Source: SMDAM and Bloomberg

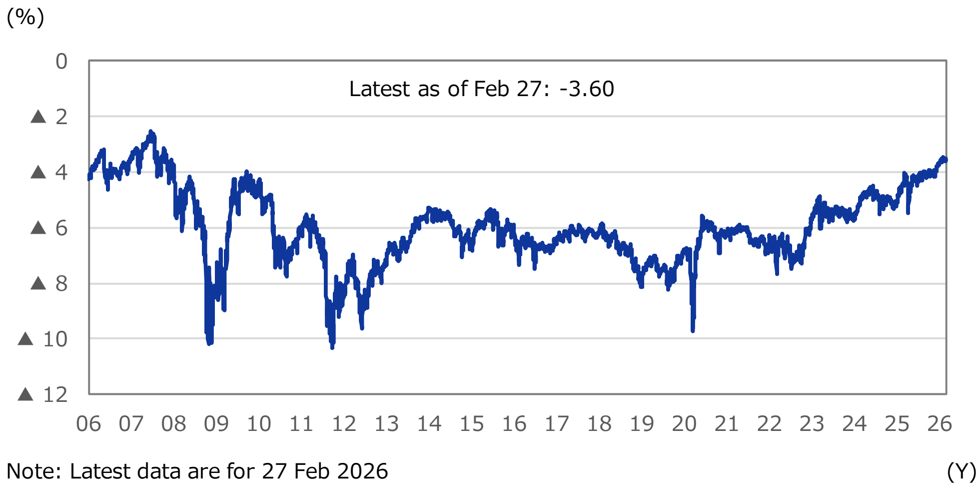
S&P 500 Yield Spread (10Y UST - Earnings Yield)



Note: Latest data are for 27 Feb 2026

Source: SMDAM and Bloomberg

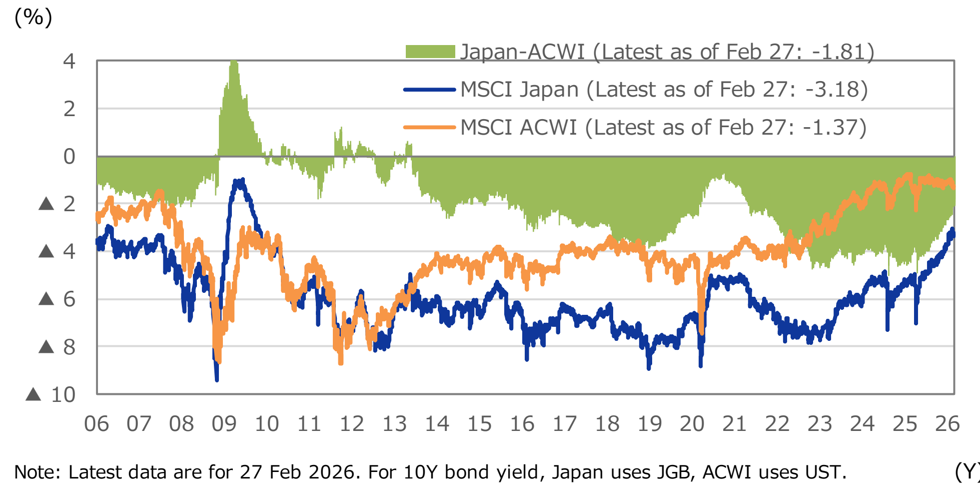
STOXX Europe 600 Yield Spread (10Y Bund - Earnings Yield)



Note: Latest data are for 27 Feb 2026

Source: SMDAM and Bloomberg

MSCI Japan and ACWI Yield Spread (10Y Bond Yield - Earnings Yield)

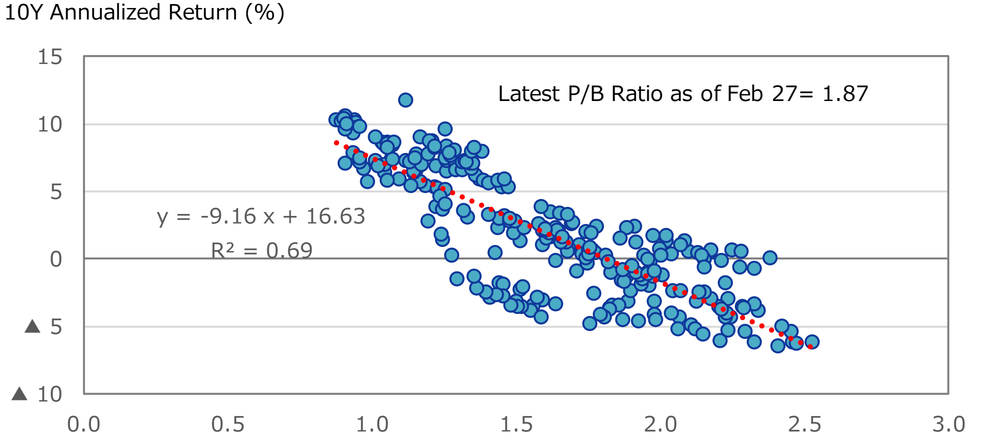


Note: Latest data are for 27 Feb 2026. For 10Y bond yield, Japan uses JGB, ACWI uses UST.

Source: SMDAM and Bloomberg

Valuation and Return

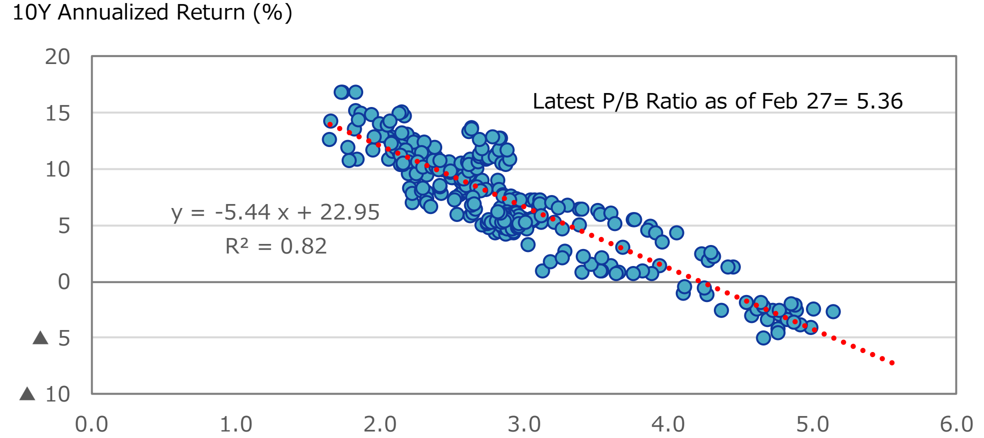
TOPIX Historical P/B Ratio and 10Y Annualized Return (From Oct. 1993)



Note: Latest data are for Feb 2026 TOPIX Historical P/B Ratio (times)

Source: SMDAM and Bloomberg

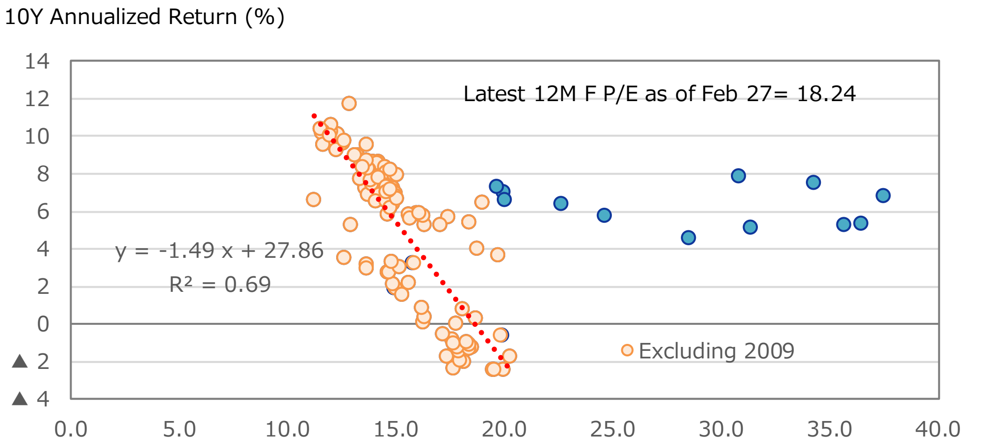
S&P500 Historical P/B Ratio and 10Y Annualized Return (From May 1990)



Note: Latest data are for Feb 2026 S&P500 Historical P/B Ratio (times)

Source: SMDAM and Bloomberg

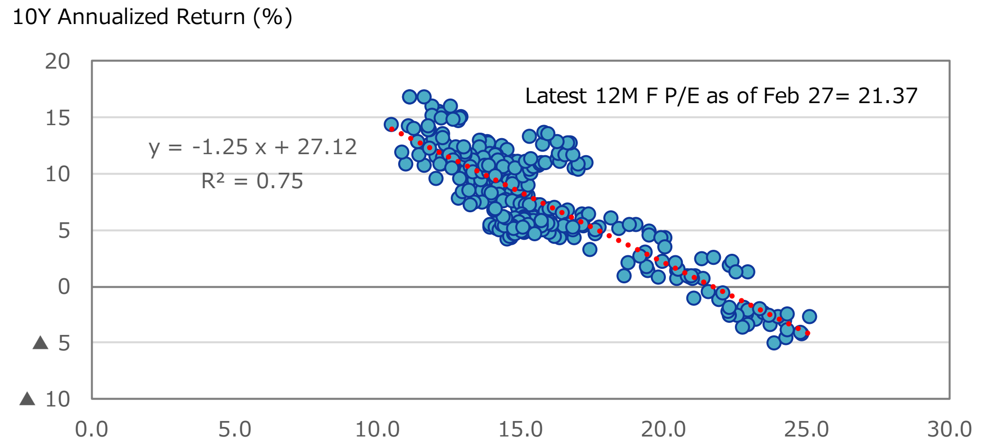
TOPIX 12M Forward P/E and 10Y Annualized Return (From Jul. 2005)



Note: Latest data are for Feb 2026. The blue dots show 2009 data. TOPIX 12M Forward P/E (times)

Source: SMDAM and Bloomberg

S&P500 12M Forward P/E and 10Y Annualized Return (From Jan. 1990)

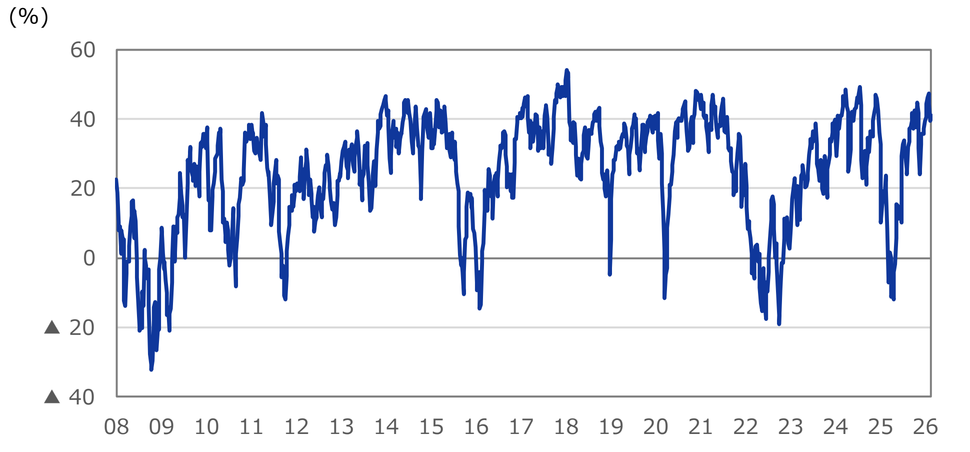


Note: Latest data are for Feb 2026 S&P500 12M Forward P/E (times)

Source: SMDAM and Bloomberg

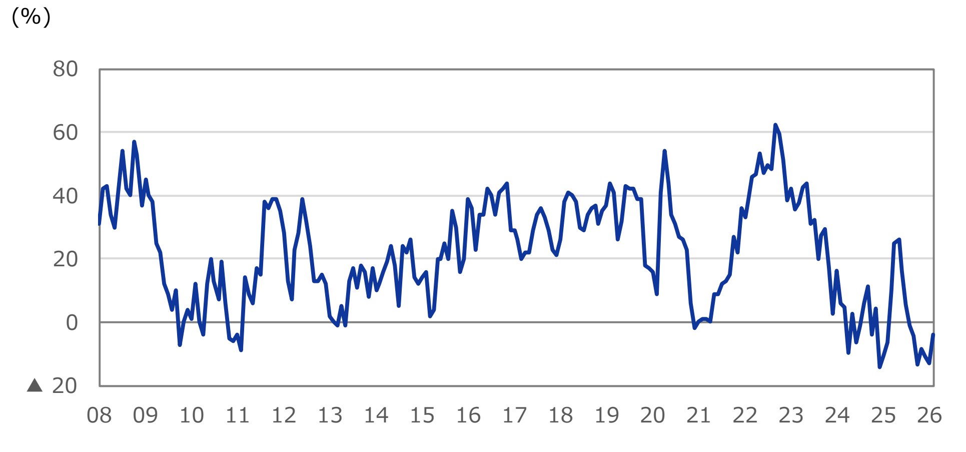
Stock Market Sentiment and Supply-Demand

Investors Intelligence Bull-Bear Spread



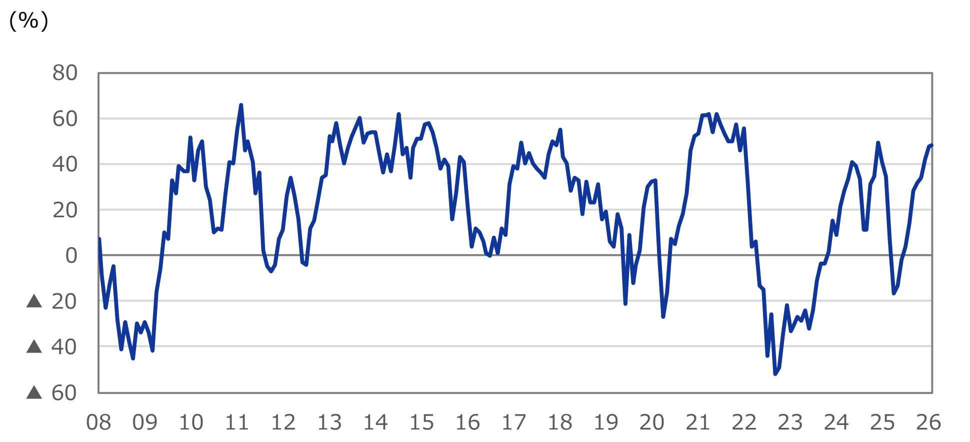
Note: Latest data are for 20 Feb 2026
Source: SMDAM and LSEG

FM Survey: Cash Net Balance



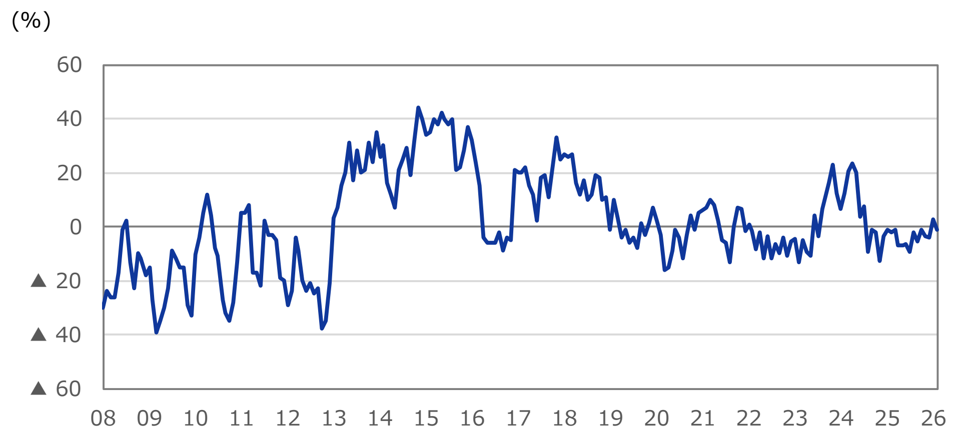
Note: Latest data are for Feb 2026
Source: SMDAM and BofA

FM Survey: Equities Net Balance



Note: Latest data are for Feb 2026
Source: SMDAM and BofA

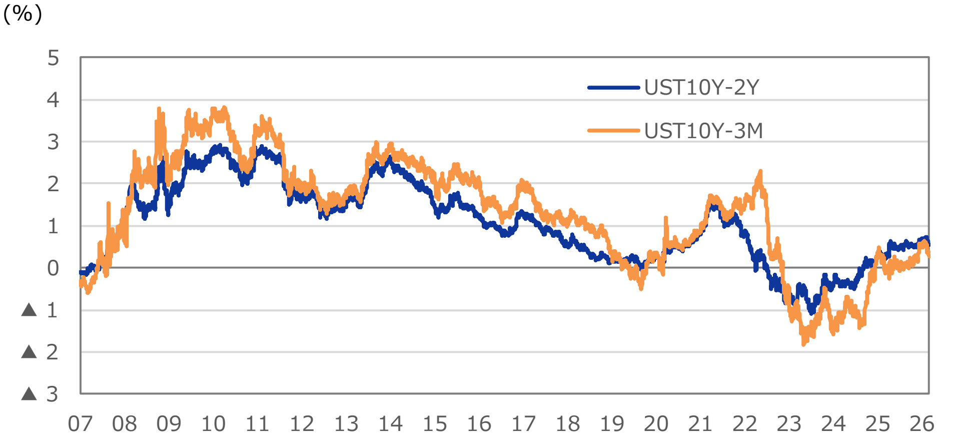
FM Survey: Japanese Equities Net Balance



Note: Latest data are for Feb 2026
Source: SMDAM and BofA

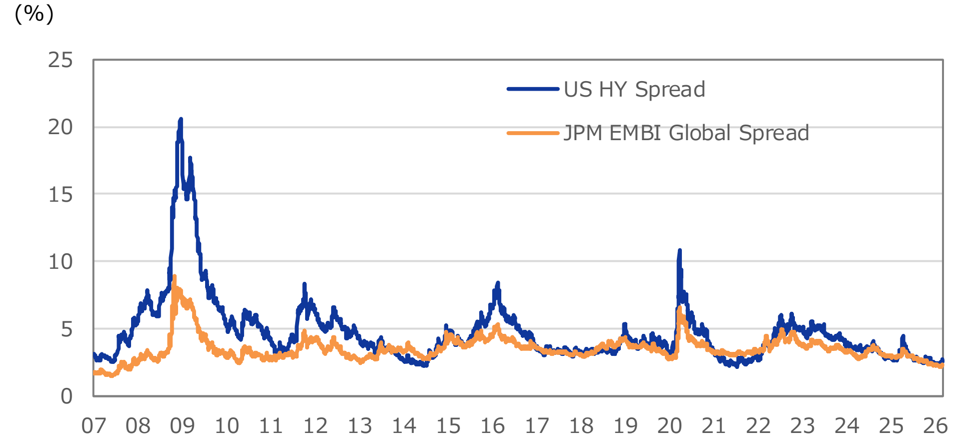
Risk Indicators

US Yield Curve Spread



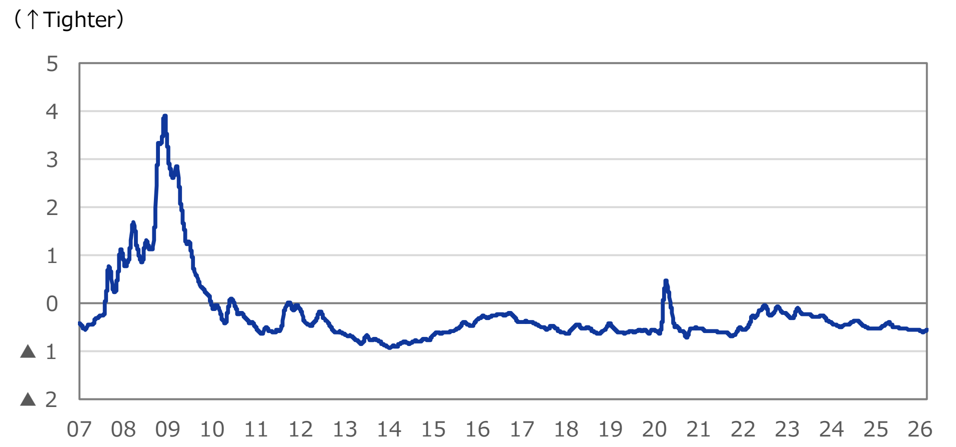
Note: Latest data are for 27 Feb 2026
Source: SMDAM and Bloomberg

US HY Spread and EM Spread



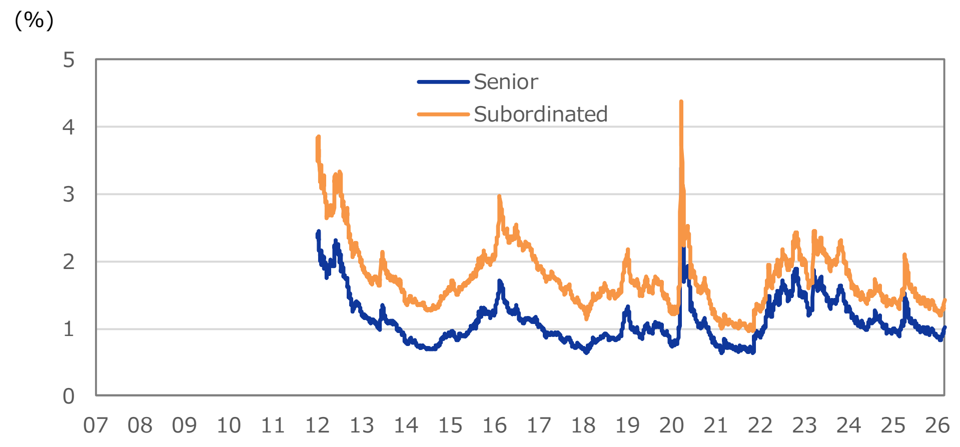
Note: Latest data are for 27 Feb 2026
Source: SMDAM and Bloomberg

Chicago Fed Adjusted National Financial Conditions Index (ANFCI)



Note: Latest data are for 27 Feb 2026
Source: SMDAM, Chicago Fed and Bloomberg

USD IG Financials OAS



Note: Latest data are for 27 Feb 2026. OAS = Option-Adjusted Spread
Source: SMDAM and Bloomberg

Governance (1): The draft revisions require checking effective use of cash and cash equivalents

Overview of the Proposed Revisions to the Corporate Governance Code

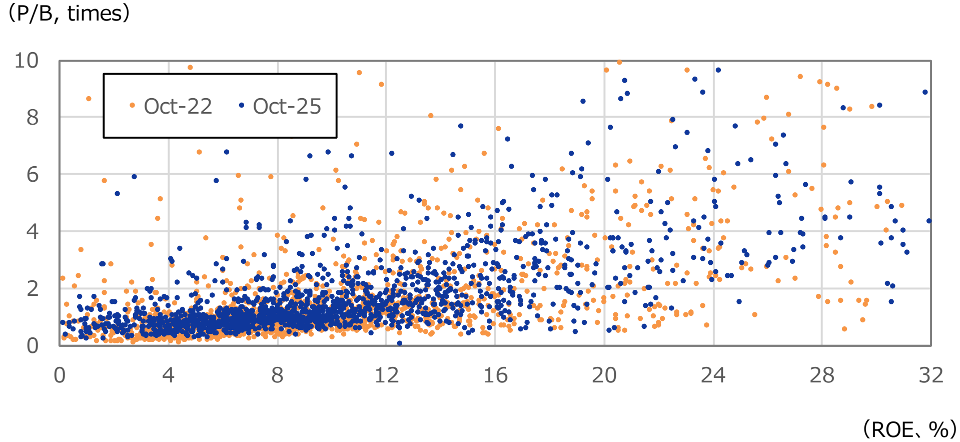
Note: As of 27 Feb 2026

Theme	Proposed direction of revisions to the Corporate Governance Code (draft)
Preamble	**Add a new preamble** that states the Code's purpose; clarifies the principles-based approach and the "comply or explain" framework; notes that "explain" may be appropriate depending on circumstances and that explaining the reasons for compliance can also support constructive dialogue; and clarifies the role of the "Guidance" as well as the intent to make the Code more principles-based and streamlined.
Dialogue with shareholders (consolidation/streamlining)	Maintain the emphasis on constructive dialogue. Consolidate Chapter 1 (Shareholder rights and equal treatment) and Chapter 5 (Dialogue with shareholders) and move the combined provisions to the front of the Code to reflect their importance.
Board of Directors (consolidation/streamlining)	**Upgrade the Board's core responsibilities to Principles**, while moving detailed examples to the "Guidance." Add considerations in the Guidance on responses to risks such as cybersecurity, supply-chain disruption, and information leakage. **Clarify the intended roles, required capacity (quality/quantity), and independence of independent outside directors**. Add the role and functions of the board secretariat to the Guidance.
Capital allocation (consolidation/streamlining)	Integrate provisions on capital allocation and business portfolio management into the "Guidance" on corporate strategy. **Require the Board to explain specifically what actions it will take regarding capital allocation**. **Require ongoing verification of whether resource allocation is appropriate, including whether cash and cash equivalents are being used effectively**.
Sustainability (consolidation/streamlining)	**Consolidate sustainability-related provisions and, together with the "Guidance," reorganize them as the Board's roles and responsibilities**. Upgrade diversity initiatives (appointment of core talent, human capital development, and workplace/environment improvements) to a Principle.
Cross-shareholdings (policy shareholdings)	While reductions are progressing, **elevate to Principles the provisions on preventing impediments to share sales (e.g., implying business reductions) and on transactions with policy shareholders**, given continued importance.
Disclosure of the Annual Securities Report before the AGM	To promote an appropriate environment for exercising voting rights, introduce a new requirement for disclosure of the Annual Securities Report prior to the Annual General Meeting, recognizing that it contains abundant, reliable information useful for investment decisions.

Source: SMDAM and FSA

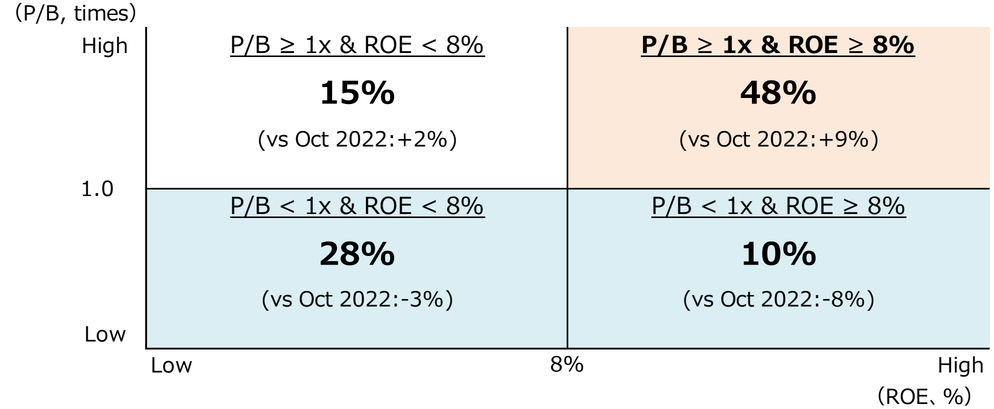
Governance (2): Corporate Response to TSE's Cost of Capital Conscious Management Request

Shifts in P/B and ROE Distribution of TSE Prime Companies Before and After the Call for Capital Cost and Stock Price-Conscious Management



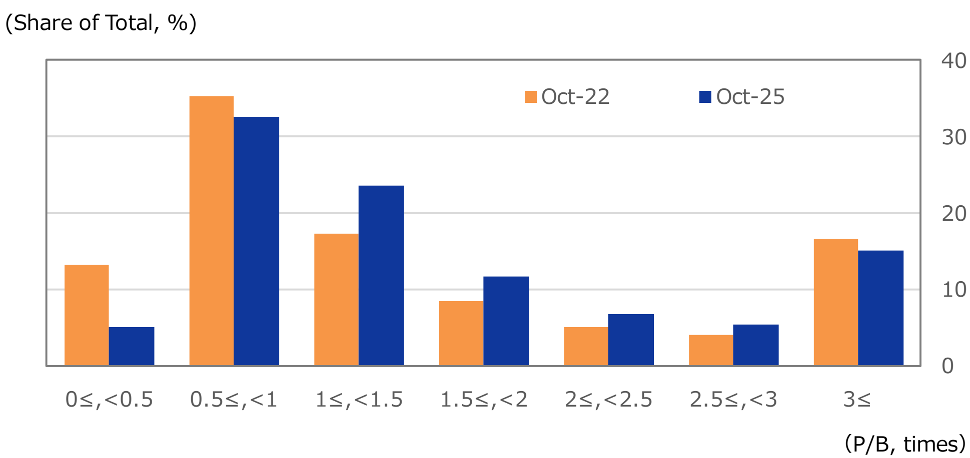
Source: SMDAM and Bloomberg

P/B & ROE Distribution in TSE Prime Companies Pre-/Post-Call for Capital Cost and Stock Price-Conscious Management (Oct 2025, Share of Total)



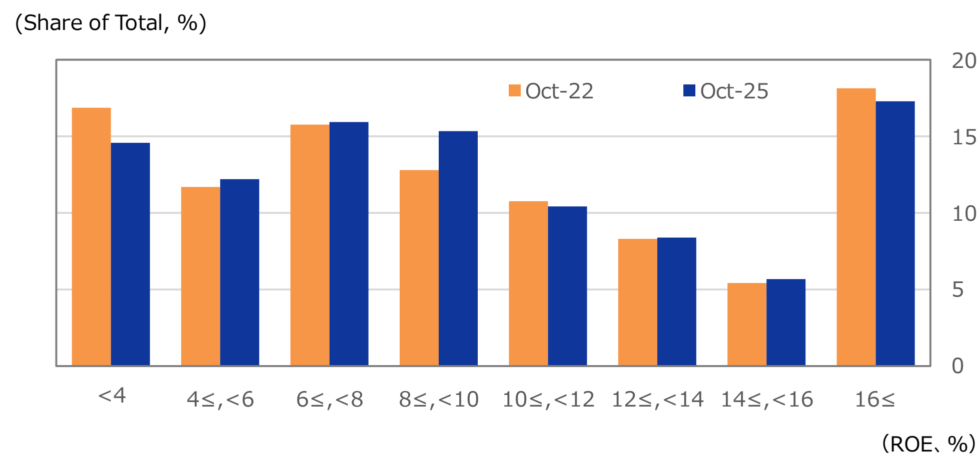
Source: SMDAM and Tokai Tokyo Securities

Shifts in P/B Distribution of TSE Prime Companies Before and After the Call for Capital Cost and Stock Price-Conscious Management



Source: SMDAM and Bloomberg

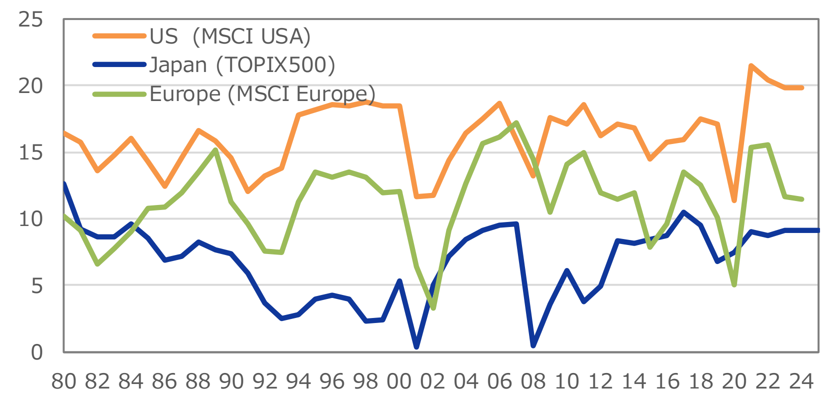
Shifts in ROE Distribution of TSE Prime Companies Before and After the Call for Capital Cost and Stock Price-Conscious Management



Source: SMDAM and Bloomberg

Governance (3): ROE

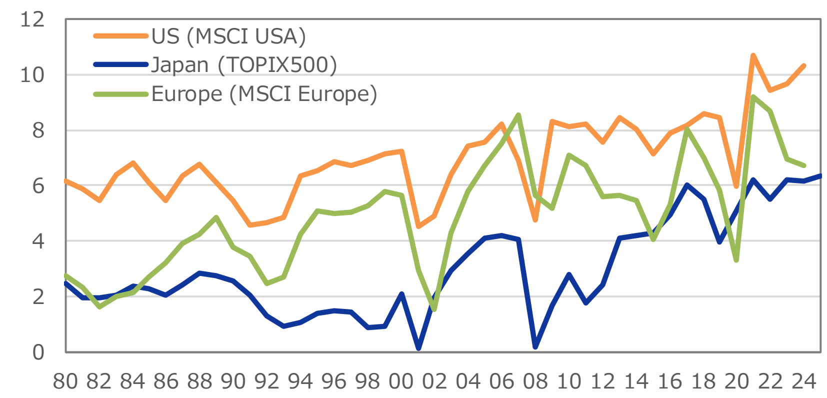
Long-term Trends of ROE in Japan, the US, and Europe



Note: Latest data are 2025 (some 2024). Excl. Financials (Japan: also Trading Cos)

Source: SMDAM and Daiwa Securities

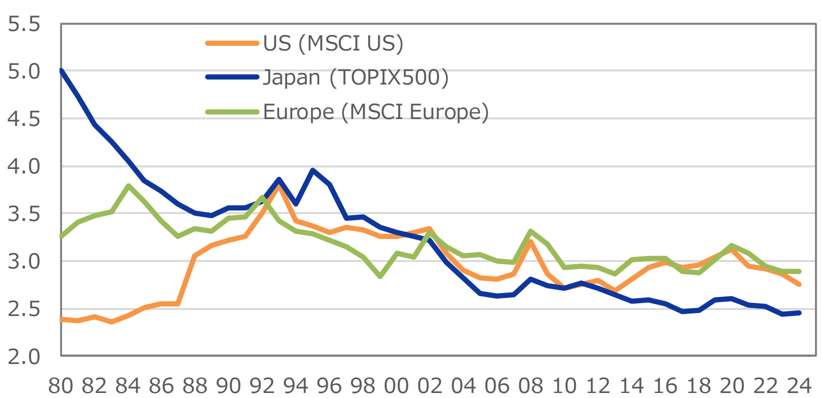
Long-term Trends of Net Profit Margins in Japan, US, and Europe



Note: Latest data are 2025 (some 2024). Excl. Financials (Japan: also Trading Cos)

Source: SMDAM and Daiwa Securities

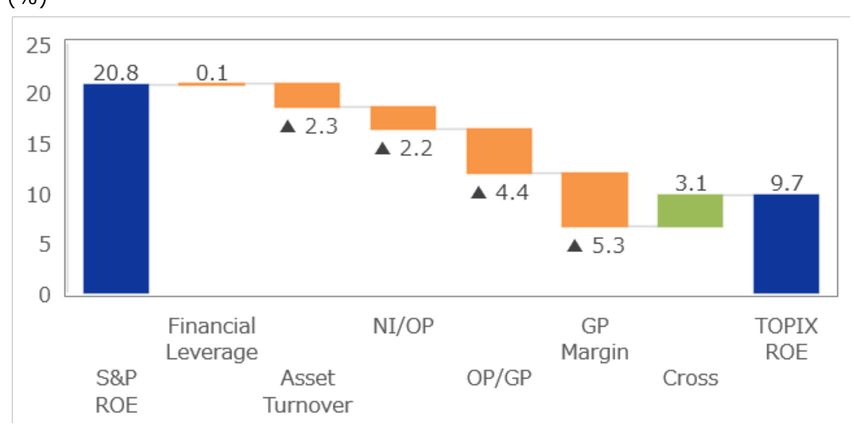
Long-term Trends of Financial Leverage in Japan, US, and Europe



Note: Latest data are 2024. Excl. Financials (Japan: also Trading Cos)

Source: SMDAM and Daiwa Securities

ROE Comparison: Japan vs US (TOPIX 500 vs S&P 500, Ex-Financials)

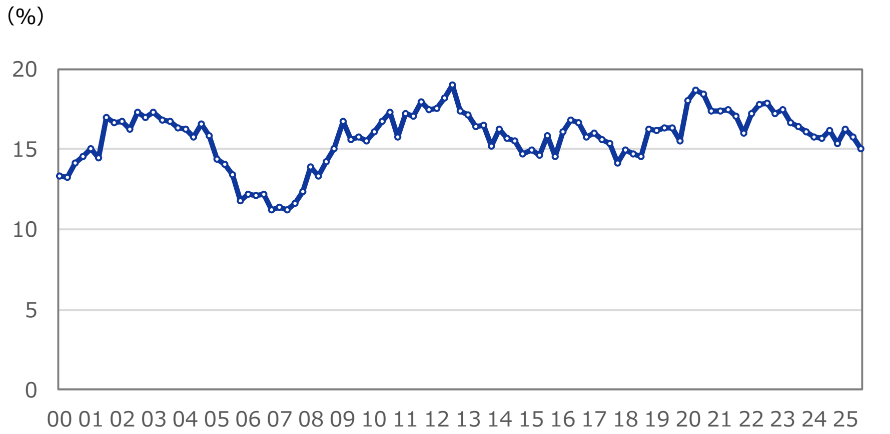


Note: Latest Data as of 27 Feb 2026

Source: SMDAM and Bloomberg

Governance (4): Effective Cash Utilization

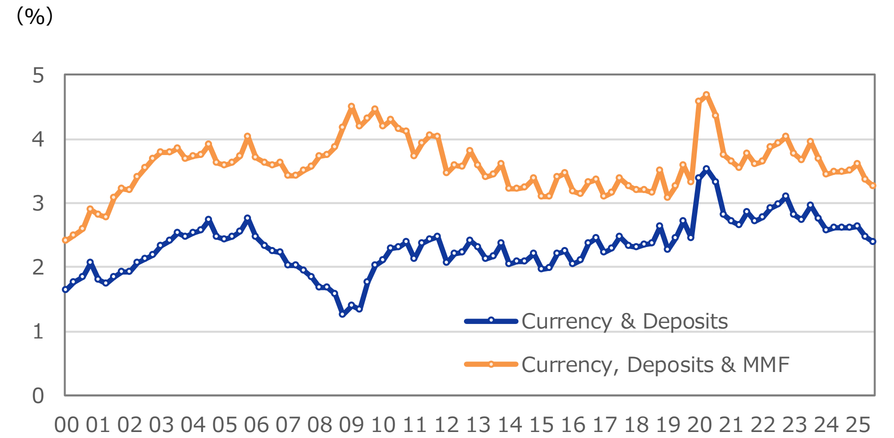
Cash Ratio in B/S of Japanese Non-Financial Corporations



Note: Latest data are for 3Q 2025

Source: SMDAM and BoJ

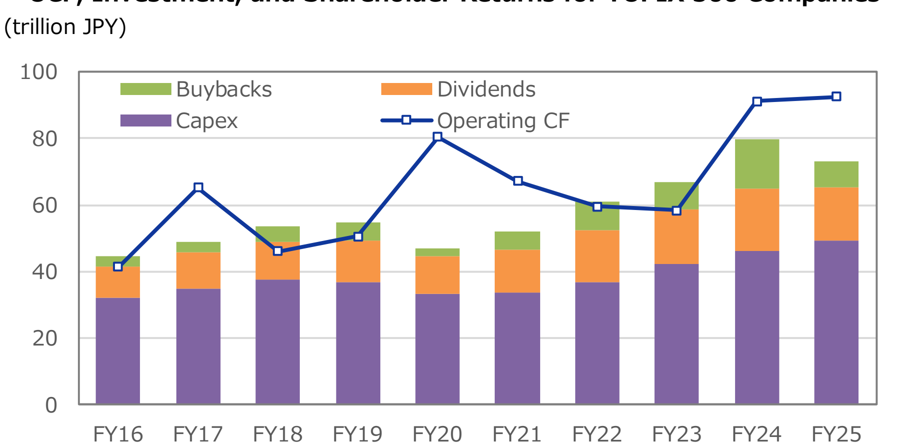
Cash Ratio in B/S of US Non-Financial Corporations



Note: Latest data are for 3Q 2025

Source: SMDAM and FRB

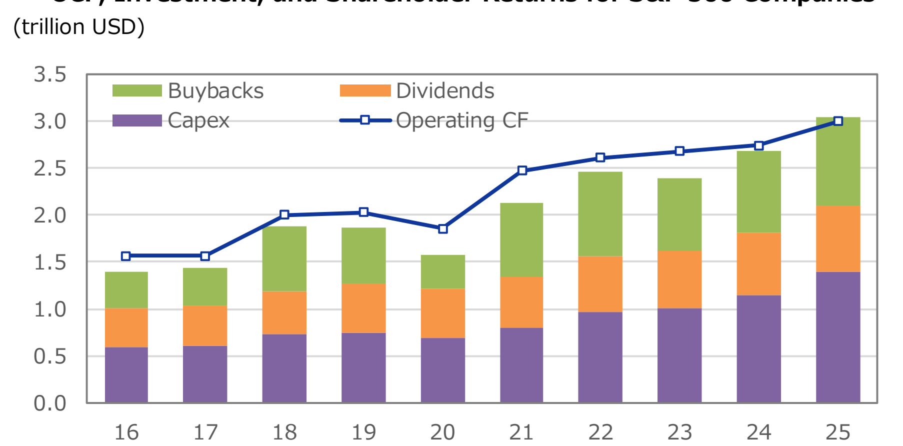
OCF, Investment, and Shareholder Returns for TOPIX 500 Companies



Note: Latest data are for FY2025

Source: SMDAM and Bloomberg

OCF, Investment, and Shareholder Returns for S&P 500 Companies

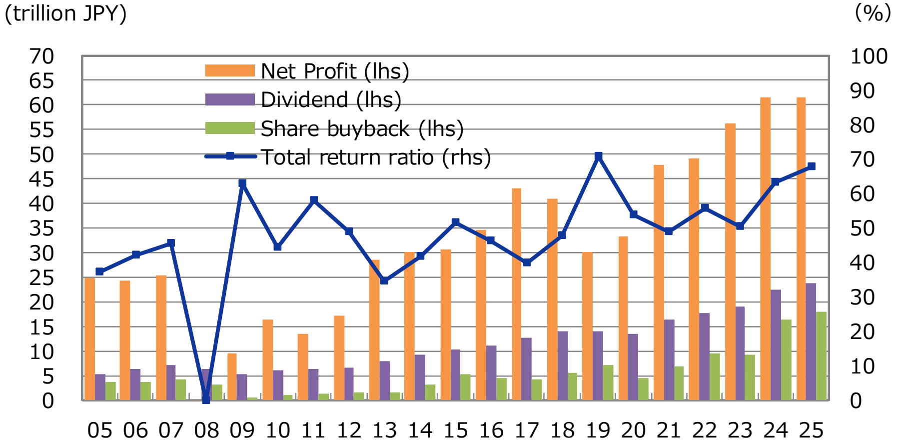


Note: Latest data are for 2025

Source: SMDAM and Bloomberg

Governance (5): Shareholder Returns

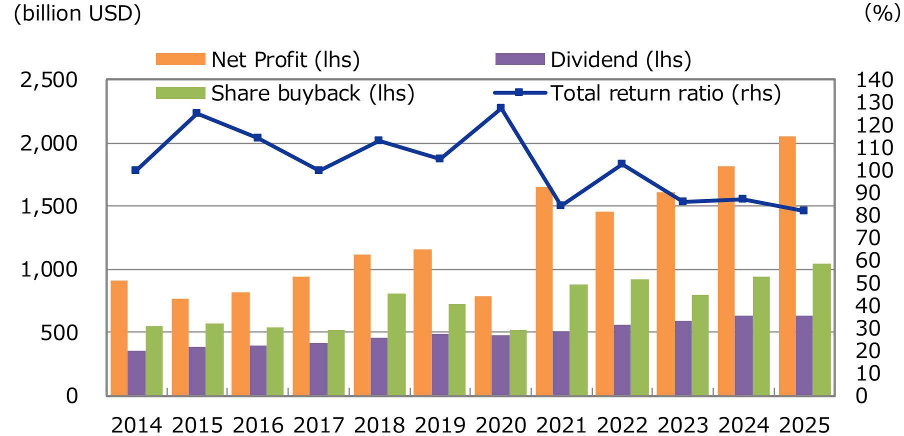
Total Shareholder Return Ratio (TOPIX)



Note: Latest data are for FY2025

Source: SMDAM and Tokai-Tokyo Sec.

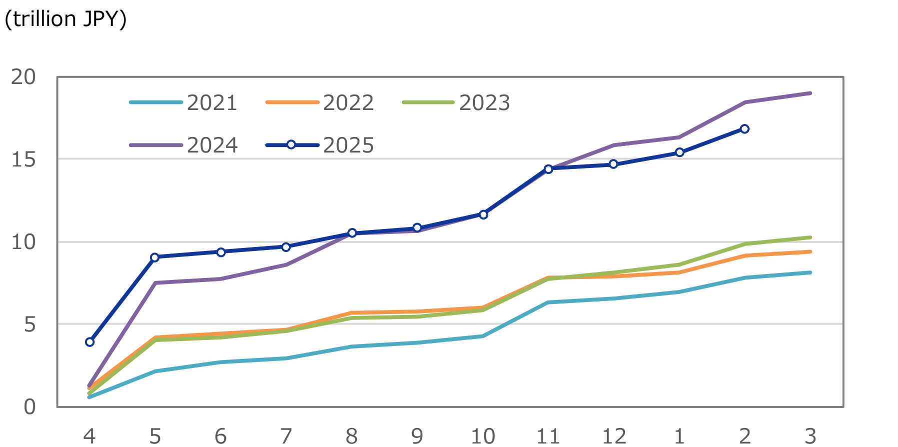
Total Shareholder Return Ratio (S&P500)



Note: Latest data are for 2025

Source: SMDAM and Tokai-Tokyo Sec.

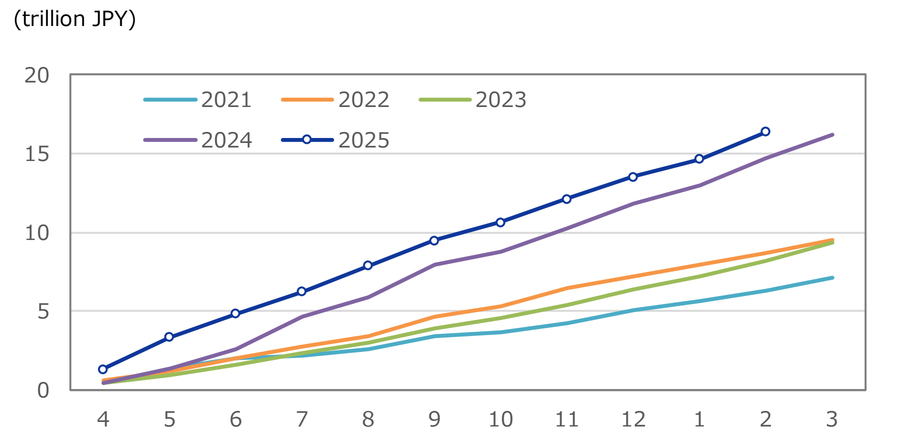
Share Buyback Programs by Japanese Companies (FY Cumulative)



Note: Latest data are for Feb 2026

Source: SMDAM and INDB

Share Buyback Activity by Japanese Companies (FY Cumulative)



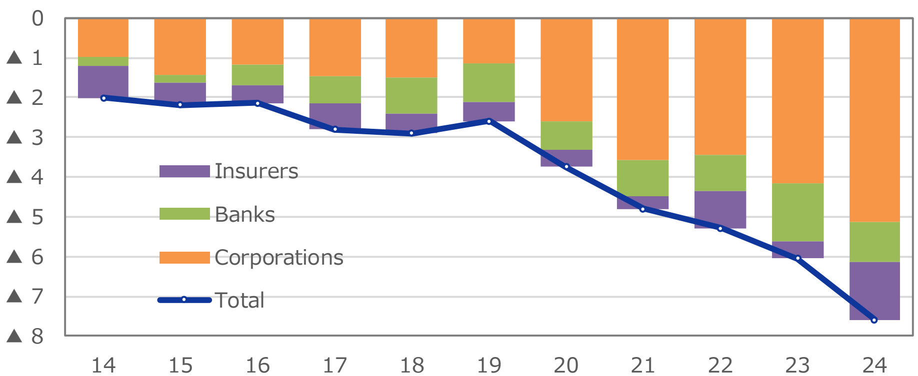
Note: Latest data are for Feb 2026

Source: SMDAM and INDB

Governance (6): Ownership Structure & Shareholder Meetings

Cross shareholding unwinding

(trillion JPY)



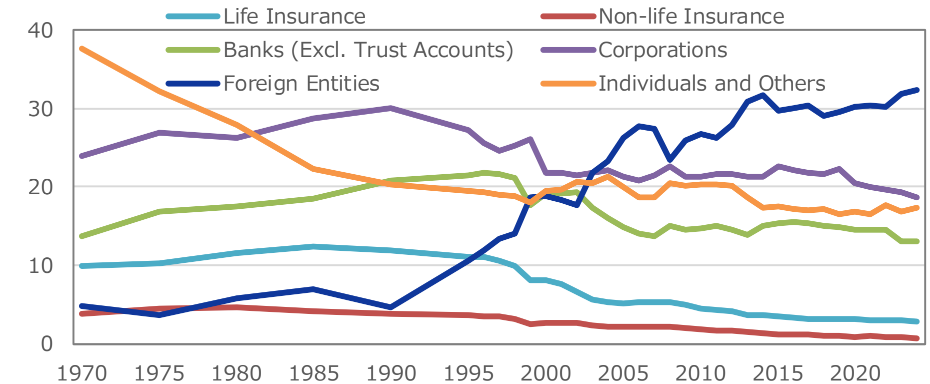
(FY)

Note: Latest data are for FY2024

Source: SMDAM and Tokai Tokyo Securities

Distribution of Equity Ownership by Shareholder Type

(%)



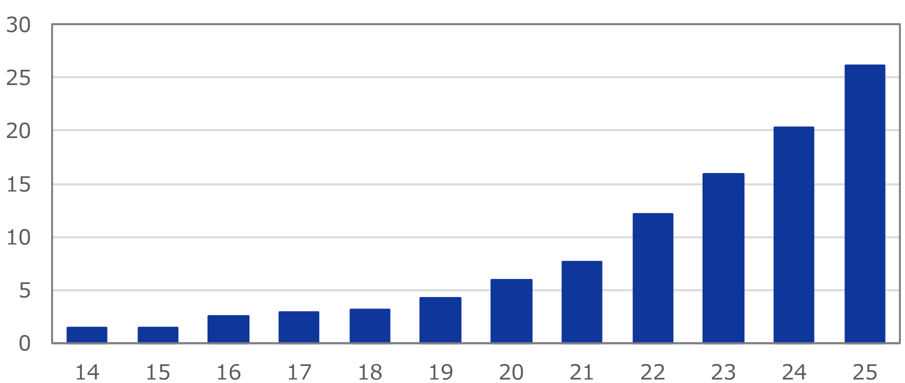
(FY)

Note: Latest data are for FY2024

Source: SMDAM and JPX

Percentage of Companies with a Majority of Independent Outside Directors

(%)



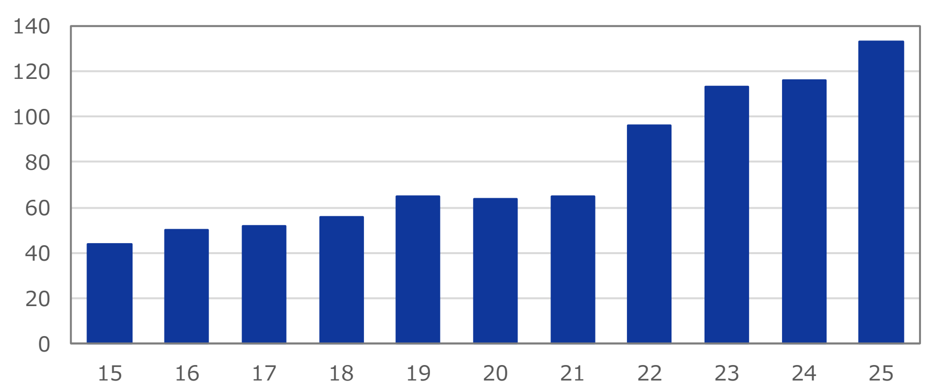
(FY)

Note: Latest data are for FY2025

Source: SMDAM and JPX

Number of Shareholder Proposals

(Number of Companies)



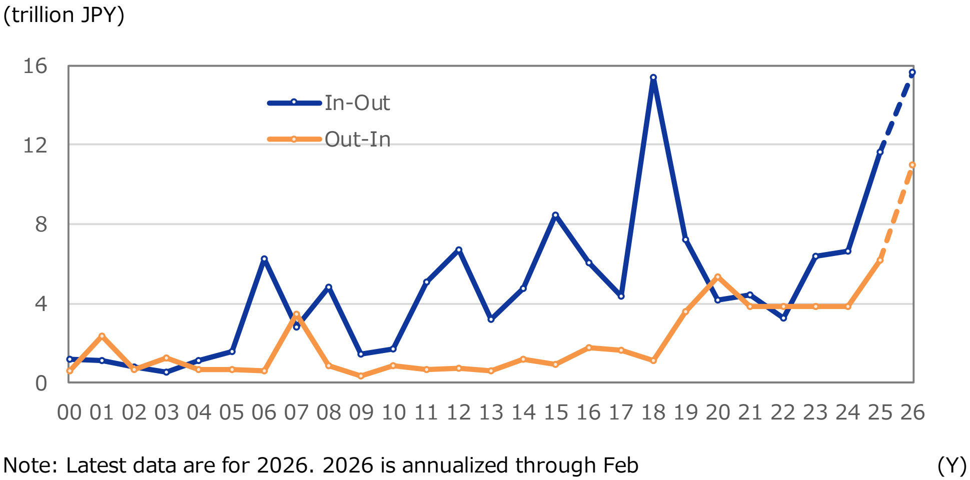
(FY)

Note: Latest data are for FY2025

Source: SMDAM and Japan Institute of Business Law

Governance (7): Rising Takeover Risk

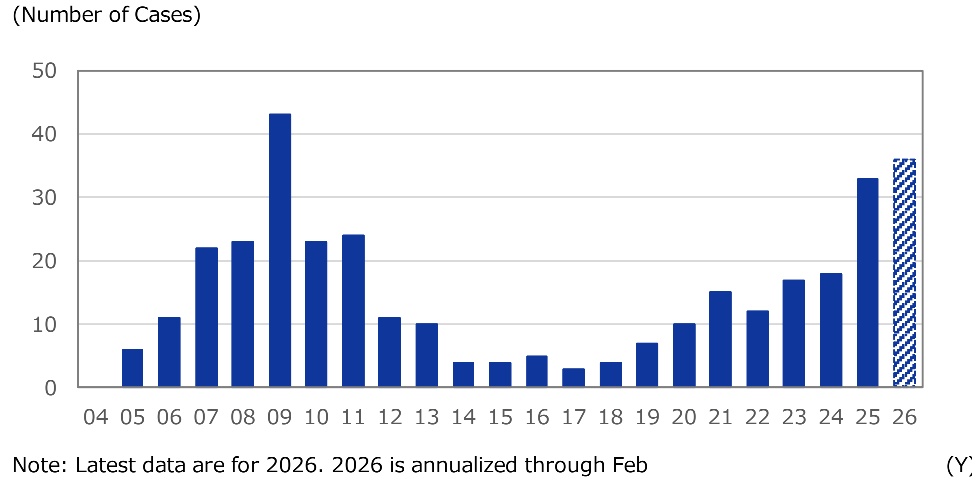
Trends in M&A Deal Value Involving Japanese Companies



Note: Latest data are for 2026. 2026 is annualized through Feb

Source: SMDAM and Bloomberg

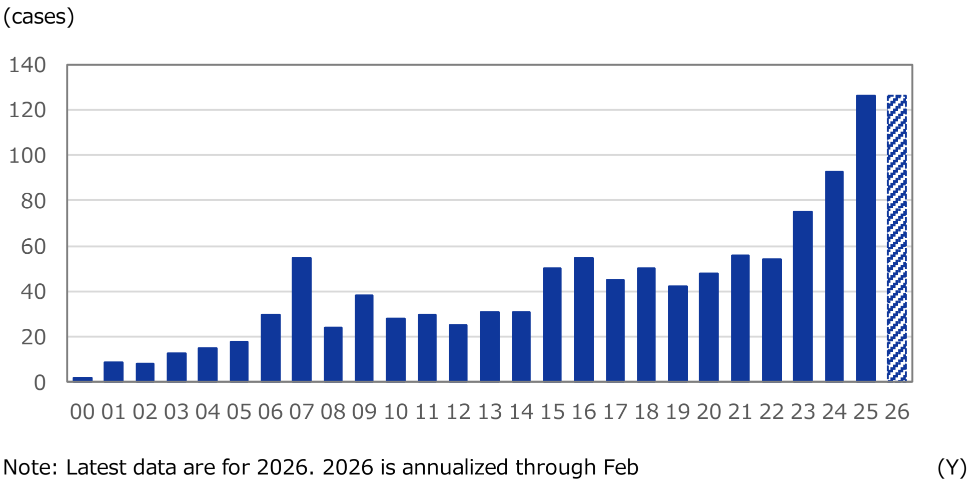
Trends in MBO Transactions



Note: Latest data are for 2026. 2026 is annualized through Feb

Source: SMDAM and Bloomberg

Trends in Number of TOBs (TSE Listed Companies)



Note: Latest data are for 2026. 2026 is annualized through Feb

Source: SMDAM and Bloomberg

Activist investor activity

Note: Latest data are for 2026. 2026 is annualized through Feb

Source: SMDAM and Bloomberg

NISA

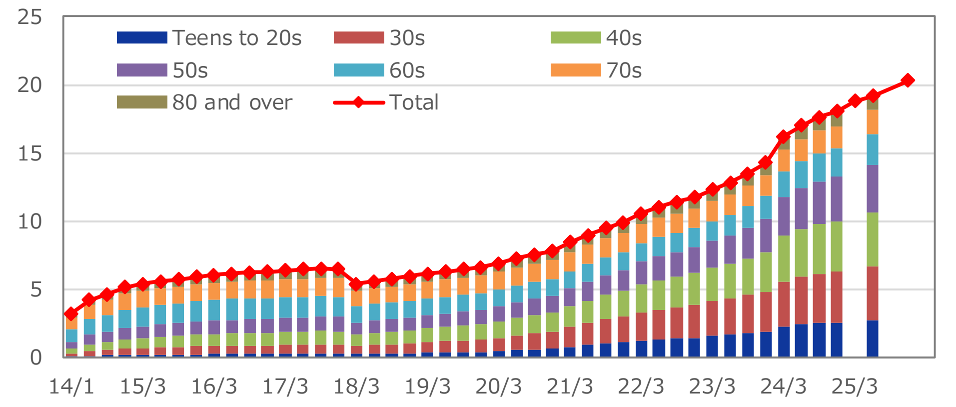
Comparison of old and new NISA (Tax free investing program like UK ISA)

	Old NISA		NEW NISA		
	Tsumitate NISA	General NISA	Tsumitate Quota	Growth Quota	Kodomo NISA Planned 2027
Lifetime Limit	JPY 8 mn	JPY 6 mn	JPY 18 mn (JPY 12 mn for Growth Quota)		JPY 6 mn
Annual Limit	JPY 0.4 mn	JPY 1.2 mn	JPY 1.2 mn	JPY 2.4 mn	JPY 0.6 mn
Tax Exemption Period	20 years	5 years	No Limit		No Limit
Availability for Combined Use	No		Yes		
Investment Option	FSA selected Investment trusts and ETFs	Listed stocks, ETFs, REITs and Investment trusts	FSA selected Investment trusts and ETFs	Listed stocks, ETFs, REITs and Investment trusts	FSA selected Investment trusts and ETFs
Target Age	18 and older		18 and older		0–17 years old

Source: SMDAM and FSA

Note: As of 27 Feb 2026

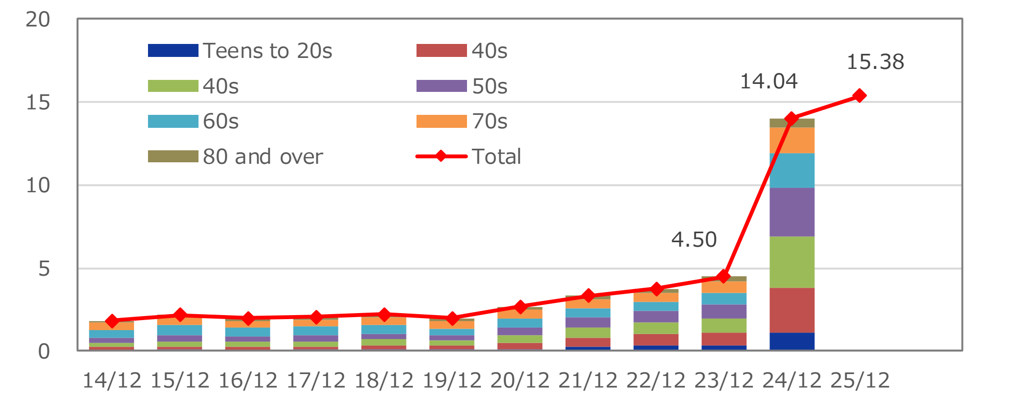
Number of NISA Accounts by Age Group



Note: Latest data are for end-Dec 2025; some age breakdowns unpublished.

Source: SMDAM and Japan Securities Dealers Association

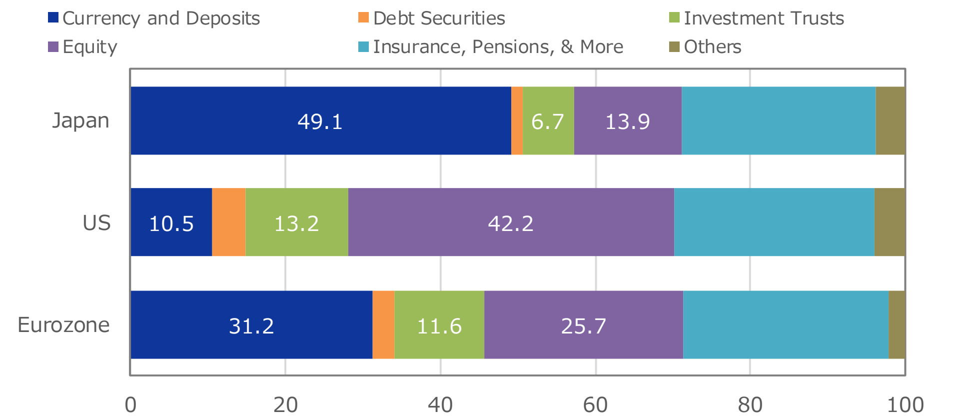
Annual Purchase Amount in NISA Accounts by Age Group



Note: Latest data are for end-Dec 2025; some age breakdowns unpublished.

Source: SMDAM and Japan Securities Dealers Association

Financial Assets held by Households (As of September 2025)



Source: SMDAM, BoJ, FRB and ECB

Event Schedule: Focus— Takaichi administration's growth strategy/Basic Policy, Japan–China summit, U.S.–China summit

	Date	Japan	Date	U.S.	Date	Other Regions
2026年3月	Mid-Mar **Mar 19** Mar 31 **Mar?**	Key Response Day for Spring Wage Negotiations **Japan–U.S. summit meeting** Expiration of the Term of BoJ Policy Board Member Noguchi **The Growth Strategy Council will draw up a roadmap for priority investment areas**	Mar?	Budget Message, Economic Report of the President	Mar 5	National People's Congress of China
April to June	Jun 29 **Jun?** **Jun?** **Jun?**	Expiration of the Term of BoJ Policy Board Member Nakagawa **Cabinet's approval of the Basic Policy** **Cabinet's approval of the growth strategy** **Corporate Governance Code revision**	**May 15**	**Expiration of the Term of Federal Reserve Chair Powell**	**early April** Apr Apr May 31 Jun 15	**U.S.–China summit meeting** IMF and World Bank Spring Meetings IMF World Economic Outlook Expiration of the Term of Office for ECB Vice President De Guindos G7 Summit
July to September	Jul 17 Q3? Q3?	Closing of the Ordinary Diet Session Decision on zero tax for food products? Cabinet reshuffle?	Jul Aug	Congressional Testimony of the Federal Reserve Chair Jackson Hole Economic Symposium	Jul	IMF World Economic Outlook
October to December	**Dec** **By year-end?**	**Cabinet Approval of the 27 FY Budget Proposal and Tax Reform Outline** **Revision of the three key national security documents**	Oct? **Nov 3**	US Treasury Semi-annual Currency Report **U.S. midterm elections**		
January to March 2027	Jan Mid-Mar	Opening of the Ordinary Diet Session Key Response Day for Spring Wage Negotiations	Jan	The Opening of the U.S. Senate and House of Representatives	Jan Mar	IMF World Economic Outlook National People's Congress of China

Source: Compiled by SMDAM

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- This material is for non-Japanese institutional investors only.
- Please note that the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.
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