Japan Equity Market Outlook

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Summary

Scenarios by Middle East / Oil Price

We define three oil-price scenarios. Base (①): the Strait of Hormuz normalizes quickly; oil falls to USD 75/bbl (still above the pre-escalation USD 60s); TOPIX EPS would mechanically decline by up to 2.48%. Risk (②): Hormuz traffic is constrained; oil stays USD 100–120 for 6+ months; EPS would decline by up to 7.43%. Tail (③): prolonged closure and/or facility damage; oil jumps to USD 150–200; EPS would decline by up to 17.33% (see p.4).

Japan Stock Market Outlook

Uncertainty remains high, but a prolonged disruption may be avoided given U.S. and Iranian stances; a midpoint between ① and ② is a practical reference. Before the escalation, FY26 TOPIX EPS was expected to post double-digit growth; under this midpoint, the earnings uptrend should broadly hold and support Japanese equities. Toward mid-year, clearer policy details under the Takaichi administration should refocus markets on domestic policy tailwinds.

Economy & Monetary Policy

Under the ①–② midpoint, and with fiscal expansion in major regions, we assume Japan and global recoveries continue in 2026. The BoJ may pause in the near term, but if hostilities end it could restart hikes as early as July; thereafter, semiannual hikes could lift the policy rate from 0.75% to 1.75%. The Fed is likely to stay on hold through 2026 as sticky inflation is reinforced by higher oil. Higher oil would be yen-negative via a weaker trade balance, but authorities are unlikely to tolerate abrupt FX moves.

Risks and Events

Upside: foreign inflows on growth/governance expectations and early Middle East de-escalation. Downside: a sharp rise in Japan long-term yields, U.S. credit stress, prolonged Japan–China tensions, and a prolonged Middle East shock. AI is two-sided: faster monetization supports equities; delays could weigh on markets.

Outlook for the Japanese Economy

SMDAM Forecasts: Japanese Economy

Forecasts as of 17 Mar 2026		FY22 (A)	FY23 (A)	FY24 (A)	FY25 (E)	FY26 (E)	FY27 (E)
Real GDP	(yoy, %)	1.4	▲ 0.1	0.5	0.9	0.9	1.0
Private Consumption	(yoy, %)	2.5	▲ 1.0	0.2	1.5	1.1	1.2
Private Resid. Investment	(yoy, %)	0.6	1.8	▲ 0.7	▲ 3.2	1.6	▲ 0.7
Private Capex	(yoy, %)	3.9	▲ 0.1	0.8	2.3	2.2	2.0
Public Investment	(yoy, %)	▲ 4.5	▲ 0.1	0.1	▲ 1.1	▲ 0.3	0.6
Net Exports (contribution)	(%point)	▲ 0.6	1.1	▲ 0.4	▲ 0.1	0.0	▲ 0.3
Exports	(yoy, %)	4.7	2.9	1.6	2.1	1.2	2.3
Imports	(yoy, %)	7.3	▲ 2.3	3.2	3.0	1.2	3.9
Nominal GDP growth	(yoy, %)	2.6	4.7	3.7	4.1	2.5	2.6
GDP deflators	(yoy, %)	1.2	4.8	3.2	3.2	1.6	1.6
Industrial production	(yoy, %)	▲ 0.3	▲ 1.9	▲ 1.4	0.7	1.0	1.5
Core CPI	(yoy, %)	3.0	2.8	2.7	2.7	1.9	0.9
Unemployment Rate	(%)	2.6	2.6	2.5	2.6	2.5	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 19 Mar 2026		2025		2026				2027	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GDP Growth Rate									
United States	(saar, %)	4.3	1.4	1.6	2.1	2.3	1.9	1.8	1.8
Japan	(saar, %)	▲ 2.6	1.3	1.0	0.5	1.0	1.0	2.2	0.7
Euro Area	(saar, %)	1.2	0.8	1.1	1.0	1.2	1.3	1.6	1.6
China	(yoy,%)	4.8	4.5	4.8	4.6	4.6	4.7	4.5	4.6
Inflation									
Unites States	(core PCED, yoy, %)	2.9	2.9	3.1	3.0	2.9	2.8	2.3	2.2
Japan	(core CPI, yoy, %)	2.9	2.8	1.7	1.9	2.3	2.3	1.2	0.8
Euro Area	(yoy, %)	2.1	2.1	2.1	2.9	2.8	2.9	2.7	2.3
China	(yoy, %)	▲ 0.2	0.6	0.8	0.6	0.4	▲ 0.3	0.1	0.1
Policy Rates									
Unites States	(End of Period, %)	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	3.0-3.25
Japan	(End of Period, %)	0.50	0.75	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	2.25	2.25	2.50	2.50
China	(End of Period, %)	1.40	1.40	1.40	1.30	1.30	1.30	1.30	1.30
Long-term Rates									
US 10Y	(End of Period, %)	4.15	4.17	4.32	4.30	4.30	4.20	4.10	4.00
Japan 10Y	(End of Period, %)	1.65	2.06	2.35	2.30	2.35	2.40	2.45	2.50
Germany 10Y	(End of Period, %)	2.71	2.86	3.00	3.00	3.00	3.10	3.10	3.10
FX									
USD/JPY	(End of Period)	147.7	156.7	158.7	157.5	157.5	157.5	157.5	157.5
EUR/JPY	(End of Period)	173.5	184.1	183.4	181.1	181.1	181.1	182.7	184.3
Stock Prices									
TOPIX	(End of Period)	3,138	3,409	3,498	3,850	4,000	4,100	4,100	4,000
Nikkei 225	(End of Period)	44,933	50,339	51,064	57,800	60,000	61,500	61,500	60,000

		2024 (yoy,%)	2025 (yoy,%)	2026 (yoy,%)	2027 (yoy,%)
GDP Growth Rate					
United States		2.7	2.4	2.3	1.9
Japan		0.5	0.9	0.9	1.0
Euro Area		0.9	1.5	1.0	1.4
China		5.0	5.0	4.6	4.5
Inflation					
Unites States		2.9	2.8	3.1	2.3
Japan		2.7	2.7	1.9	0.9
Euro Area		2.4	2.1	2.7	2.4
China		0.2	0.0	0.4	0.1

Note: Japan is FY-based.

Note: Forecasts by SMDAM.

Source: SMDAM

This Month's Topic (1): Middle East risk #1

Scenarios by Crude Oil Price Level

As of 31 Mar 2026

Scenario	Assumed crude oil price	Assumed Middle East situation	Global economy / monetary policy scenario	Japan's economy / monetary policy scenario	Japanese equities scenario
Base case	**Declines to $75 within 3 months**	A ceasefire agreement is reached within 3 months through a compromise by the U.S. and/or Iran; tensions ease. Safe navigation through the Strait of Hormuz is restored, calming crude oil prices.	Downward pressure on the global economy is limited to about 0.1–0.2 percentage points per year. Market expectations that the Fed will shift back to rate hikes do not increase.	Downward pressure on Japan's economy is limited to about 0.1–0.2 percentage points per year. The BoJ may push back the timing of the next rate hike, but does not abandon its tightening stance.	Volatility remains high in the near term, but as oil prices calm and policy expectations for a Takaichi administration are added, the market rises rapidly into the summer.
Risk	**Stays above $100 for an extended period**	Neither the U.S. nor Iran compromises; the war becomes prolonged. A de facto closure of the Strait of Hormuz also becomes prolonged. Workarounds (e.g., passage of Chinese vessels, easing of bans on Russian crude, etc.) prevent an extreme spike.	Downward pressure on the global economy expands to about 0.7 percentage points per year, implying a significant slowdown. With inflation expectations rising, markets increase expectations for rate hikes by the U.S./Europe.	Downward pressure on Japan's economy widens to about 0.5 percentage points per year; risk of zero growth in 2026. The BoJ shifts to a wait-and-see stance out of concern for the economy.	Rising expectations of Fed hikes trigger a correction in U.S. stocks; together with concerns about a domestic slowdown,Japanese equities see a second dip.
Tail	**Surges to $150–$200**	The de facto closure of the Strait of Hormuz becomes prolonged. Crude shortages become evident, causing spot prices to spike.	Downward pressure from both supply and demand sides leaves the global economy facing a recession risk comparable to the GFC or COVID. Governments and central banks deploy all available policy measures.	Downward pressure from both supply and demand sides pushes Japan into significantly negative growth. The government and the BoJ deploy all available policy measures.	After a sharp sell-off, equities rebound on the back of full-scale policy support, but with supply constraints capping the economy's upside, prices remain below prior levels for an extended period.

Source: SMDAM

Impact on Japan's economy and TOPIX EPS if higher oil prices persist for one year

As of 31 Mar 2026

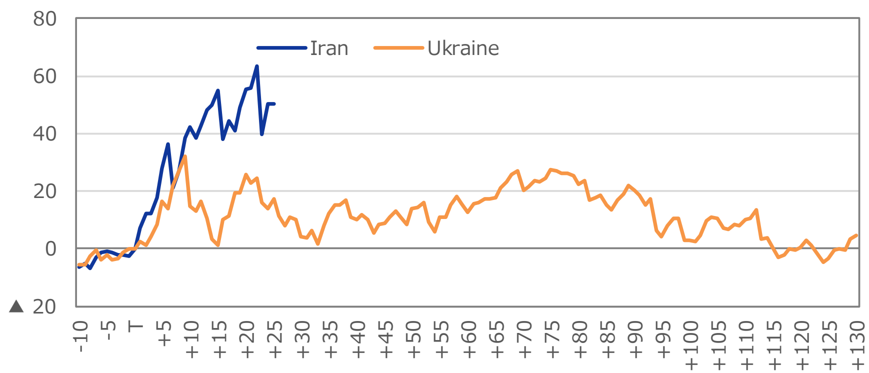
Oil Prices (USD)	60	70	80	90	100	110	120	130	140	150	200
	Baseline	Main				Risk				Tail	
Real GDP (%)	0.00	-0.13	-0.25	-0.38	-0.51	-0.63	-0.76	-0.89	-1.01	-1.14	-1.77
Nominal GDP (%)	0.00	-0.38	-0.76	-1.14	-1.51	-1.89	-2.27	-2.65	-3.03	-3.41	-5.30
Inflation (%)	0.00	0.18	0.37	0.55	0.73	0.92	1.10	1.28	1.47	1.65	2.57
USD/JPY (96)	0.00	0.04	0.08	0.13	0.17	0.21	0.25	0.29	0.33	0.38	0.58
TOPIX EPS (%)	0.00	-1.24	-2.48	-3.71	-4.95	-6.19	-7.43	-8.66	-9.90	-11.14	-17.33

Notes: Effects on Real GDP, Nominal GDP, Inflation, and USD/JPY are calculated using coefficients from the Cabinet Office's "Japanese Macroeconometric Model (2022 edition)." Effects on TOPIX EPS are estimated using our model based on the impacts on Nominal GDP and USD/JPY from the Cabinet Office model.

Source: SMDAM, the Cabinet Office, and LSEG.

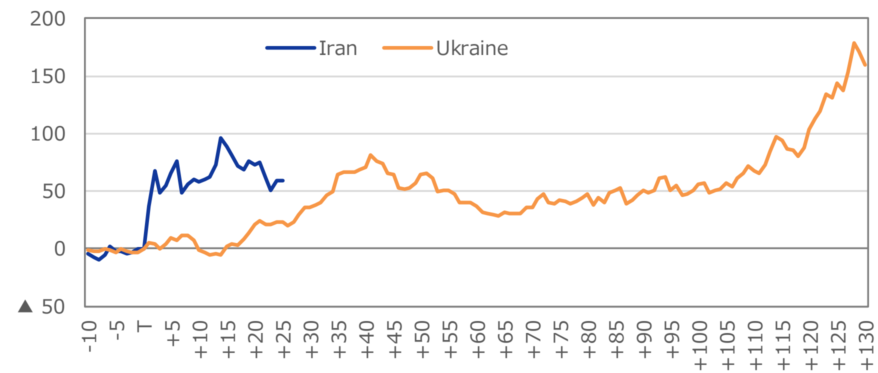
This Month's Topic (1): Middle East risk #2

Brent crude oil: around the Ukraine war / start of the U.S. strike on Iran



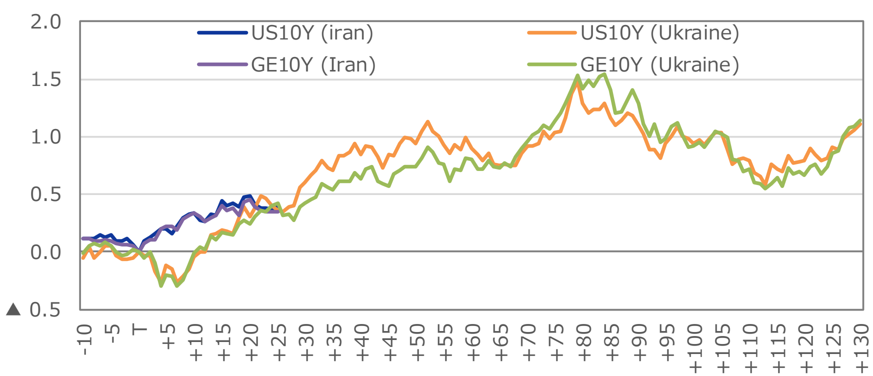
X: business days around T (Ukraine: 23 Feb 2022; Iran: 27 Feb 2026).
Y: cumulative change from T (=0).
(Source) SMDAM and Bloomberg

European natural gas: around the Ukraine war / start of the U.S. strike on Iran



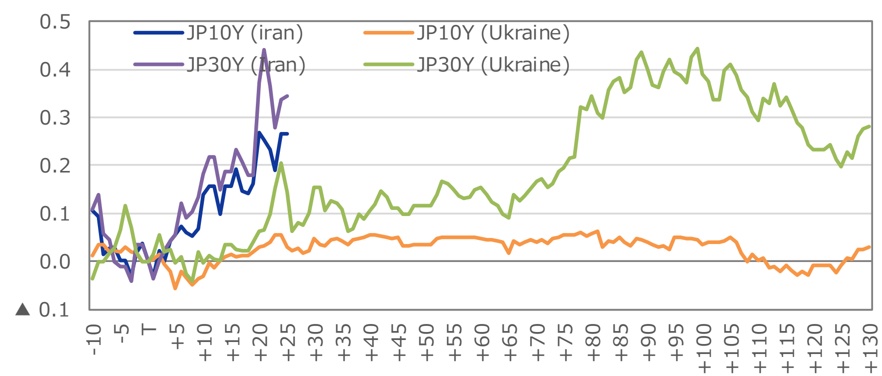
X: business days around T (Ukraine: 23 Feb 2022; Iran: 27 Feb 2026).
Y: cumulative change from T (=0).
(Source) SMDAM and Bloomberg

U.S. FF & 10Y yields: around the Ukraine war / start of the U.S. strike on Iran



X: business days around T (Ukraine: 23 Feb 2022; Iran: 27 Feb 2026).
Y: cumulative change from T (=0).
(Source) SMDAM and Bloomberg

Japan 10Y & 30Y JGB yields: around the Ukraine war / start of the U.S. strike on Iran

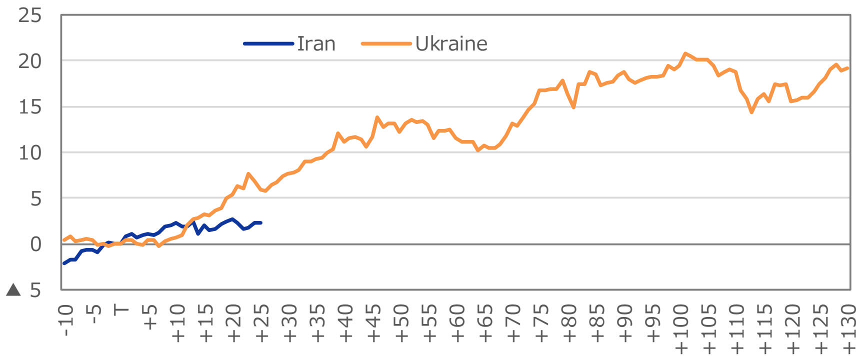


X: business days around T (Ukraine: 23 Feb 2022; Iran: 27 Feb 2026).
Y: cumulative change from T (=0).
(Source) SMDAM and Bloomberg

This Month's Topic (1): Middle East risk #3

USD/JPY: around the Ukraine war / start of the U.S. strike on Iran

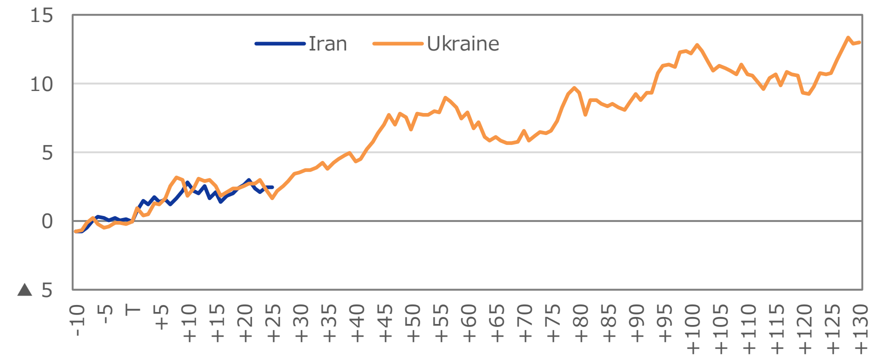
(Up = stronger USD)



X: business days around T (Ukraine: 23 Feb 2022; Iran: 27 Feb 2026).
Y: cumulative change from T (=0).
(Source) SMDAM and Bloomberg

DXY: around the Ukraine war / start of the U.S. strike on Iran

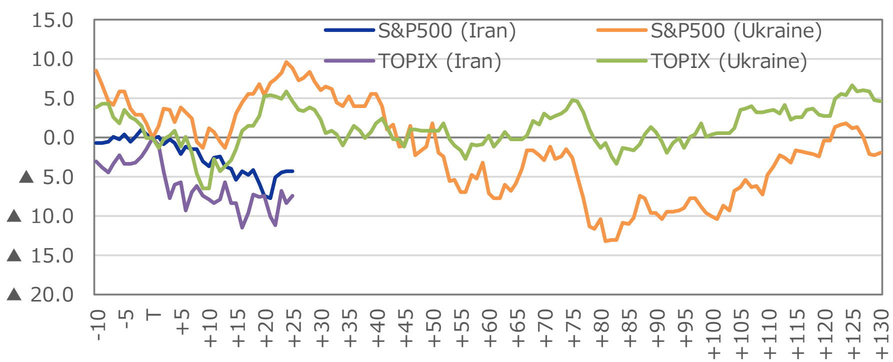
(Up = stronger USD)



X: business days around T (Ukraine: 23 Feb 2022; Iran: 27 Feb 2026).
Y: cumulative change from T (=0).
(Source) SMDAM and Bloomberg

Japan & U.S. equities: around the Ukraine war / start of the U.S. strike on Iran

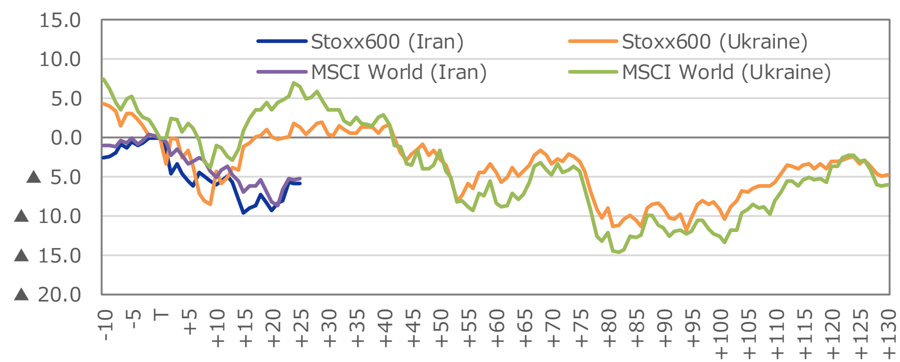
(%)



X: business days around T (Ukraine: 23 Feb 2022; Iran: 27 Feb 2026).
Y: cumulative change from T (=0).
(Source) SMDAM and Bloomberg

Europe & global equities: around the Ukraine war / start of the U.S. strike on Iran

(%)

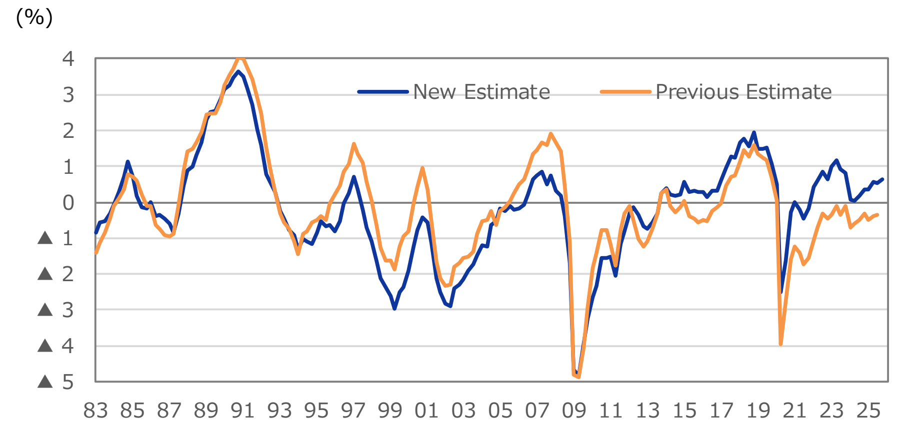


X: business days around T (Ukraine: 23 Feb 2022; Iran: 27 Feb 2026).
Y: cumulative change from T (=0).
(Source) SMDAM and Bloomberg

This Month's Topic (2): Successive hawkish signals from the BOJ

- Since the Mar meeting, the BOJ released ① underlying inflation (ex-special factors), ② new output gap est., and ③ extended natural rate est.
- For ③, the extended natural rate est. ranges from -0.9% to +0.5%, largely unchanged. The benchmark is likely -0.5%, where three estimates cluster. Assuming mid-term inflation expectations at the 2% target, the neutral policy rate is around +1.5%.
- The major revision was ② the output gap. The old est. was negative for 22 straight quarters (-0.35% in Q3 25). The new est. revised Q3 25 up by 0.9 pts to +0.53%, turning the past 15 quarters positive. The newly released Q4 25 further improved to +0.65%.
- Based on the natural rate, output gap, and BOJ outlooks, Taylor Rule estimates put the policy rate's lower bound at 2.00% by end-2027. Overall, BOJ messaging is hawkish.

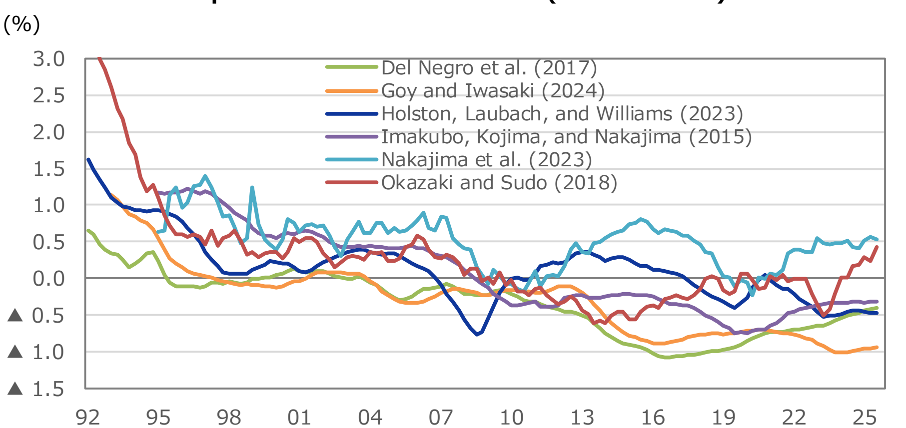
Japan's Output Gap (BOJ Estimate)



Note: Latest data are for 4Q 2025

Source: SMDAM and BoJ

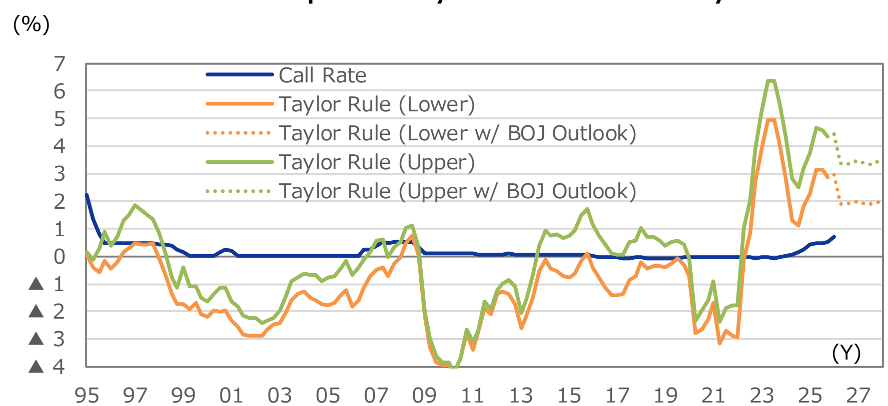
Japan's Neutral Interest Rate (BOJ Estimate)



Note: Latest data are for 3Q 2025

Source: SMDAM and BoJ

Estimation of Japan's Policy Rate Based on the Taylor Rule



Note: Policy Rate = Inflation + Eq. Rate + 0.5*(Inflation - Target) + 0.5*Output Gap. Eq. Rate: BOJ natural rate est. (Upper: HLW, Lower: Goy-Iwasaki). Inflation: Core-core CPI. Target: 1% pre-2013. BOJ Outlook: As of Jan 2026.

Source: SMDAM and BoJ

This Month's Topic (3): Priority Review Items in 17 Strategic Fields

Preliminary Draft: Public–Private Investment Roadmap for Key Products and Technologies (Priority Items for Early Review) As of 31 Mar 2026

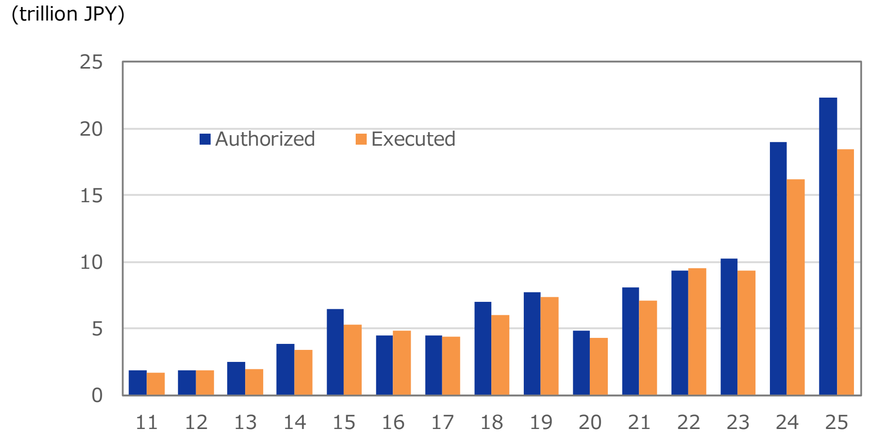
	Strategy Field		Priority Products and Technologies	Target (Goal)
1	AI & Semiconductors	1	Physical AI (especially AI robots)	Aim to secure 30%+ global share as a "third pole" alongside the US and China; target JPY 20 trillion market by 2040
		2	Semiconductors enabling physical intelligent systems	Target sales of semiconductors manufactured in Japan: JPY 15 trillion by 2030; JPY 40 trillion by 2040
2	Digital & Cybersecurity	3	Data platforms	Target domestic data-platform-related market size: JPY 5 trillion by 2035
		4	Secure DX infrastructure for central/local government	Contribute to achieving the "JPY 5 trillion domestic data-platform-related market" target
3	Information & Communications	5	All-photonic network	Expand share particularly in North America; target 10% global share by 2030
4	Quantum	6	Quantum computing	Achieve 10,000+ physical qubits around 2030
5	Defense Industry	7	Small unmanned aerial vehicles (UAVs)	In civilian use, secure supply of 80,000 units/critical components by 2030; leverage the base for defense as well
6	Aerospace	8	Civil aircraft (next single-aisle / next-generation aircraft)	Create complete aircraft business via international collaboration; aim to secure an annual market of approximately JPY 6 trillion or more
		9	Unmanned aerial vehicles (UAVs)	Target securing supply of 80,000 units/critical components by 2030
		10	Flying cars (eVTOL)	Aim to capture ~JPY 150 billion market domestically and internationally around 2040
		11	Rockets & launch sites	Aim to secure annual demand for launch services of JPY 150–300 billion domestically and internationally by 2040
7	Ocean	12	Unmanned marine vehicles (marine drones)	Aim for 30% global market share; capture market scale of ~$4–5 billion in 10 years
8	Shipbuilding	13	Next-generation vessels	Build 18 million gross tons by 2035 (market size approx. JPY 5 trillion)
9	Materials (critical minerals & components)	14	Permanent magnets	Secure production capacity to meet domestic demand in 2030
10	Synthetic Biology & Bio	15	Bio-manufacturing	Target total sales of Japanese companies: JPY 11.9 trillion by 2040
		16	Biopharmaceuticals / regenerative medicine products, etc.	Target total sales of Japanese companies: JPY 23.0 trillion by 2040
11	Drug Discovery & Advanced Medicine	17	First-in-class / best-in-class products (pharmaceuticals, regenerative medicine products, etc.)	Match global market growth (CAGR ~9.6%) in the patented-drug market for Japanese pharma companies
		18	Infectious-disease response products	International rollout (to 25+ countries) of antimicrobials, etc.
12	Resource & Energy Security / GX (Green Transformation)	19	Next-generation solar cells (e.g., perovskite)	Establish technology at ≤JPY 14/kWh by FY2030; deploy ~20 GW domestically by 2040
		20	Hydrogen, etc.	Introduce up to ~3 million t/year by 2030; ~12 million t/year by 2040; ~20 million t/year by 2050
		21	Green steel	In early 2030s, capture high-quality green steel market of ≥~3 million t/year domestically and internationally
13	Fusion Energy	22	Fusion energy	Select the fusion power-generation system for rapid realization; achieve power-generation demonstration in the 2030s
14	Food Tech	23	Plant factories	Aim for 30% share of domestic and international markets by 2040
		24	Land-based aquaculture	Aim for 30% share of domestic and international markets by 2040
15	Disaster Prevention & National Resilience	25	Disaster-prevention technologies	Target overseas sales by Japanese companies in disaster-prevention fields: ~JPY 2 trillion by 2030
16	Port Logistics	26	Port cargo-handling machinery	Maintain domestic market; aim to capture ~30% share of the US market around 2040
17	Content	27	Games	Target overseas sales in gaming: JPY 12 trillion by 2033

Source: SMDAM and the Japan Growth Strategy Council

This Month's Topic (4): Share Buybacks by Japanese Companies in FY25

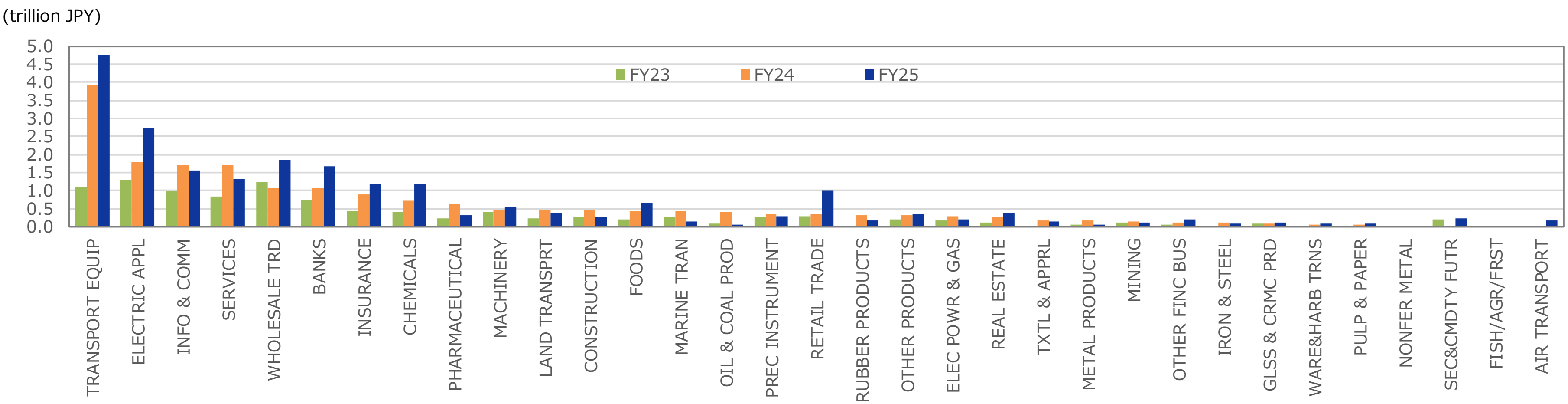
- In FY25, buyback plans by Japanese firms hit ¥22.4trn, topping FY24's ¥19.0trn (INDB). Yet, this was boosted by a special factor: Toyota's ¥4.3trn buyout of shares held by Toyota Industries. Excluding this, the total was ¥18.1trn, down slightly YoY. Still, since a decline was feared due to US tariffs, this lands within expectations.
- By sector, transport equipment kept the top spot at ¥4.8trn (up from FY24's ¥3.9trn), but excluding the special factor, it was only ¥0.5trn. Electric appliances stayed 2nd, growing to ¥2.7trn (from ¥1.8trn). Wholesale ranked 3rd at ¥1.8trn (from ¥1.1trn), and banks 4th at ¥1.7trn (from ¥1.1trn).
- Looking across sectors, 18 of 33 saw increased buybacks (vs. 30 of 33 in FY24). While less broad-based than the FY24 boom, the breadth is somewhat maintained.
- While governance reforms prompt expectations for shifting funds to growth investments alongside shareholder returns, buybacks will likely remain solid in FY26 amid expected profit growth.

Share Buybacks: Auth. vs Exec. (FY)



Note: Data up to FY2025.
Source: SMDAM and INDB

Share Buyback Authorizations by Sector (Fiscal Year)



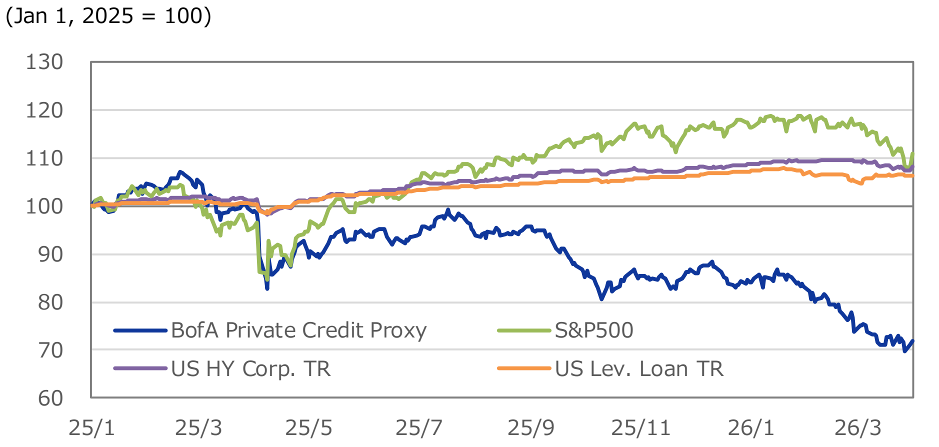
Note: Sectors are ordered by FY2024 amount.

Source: SMDAM and INDB

This Month's Topic (5): US Private Credit Issues

- Amid AI profit concerns, wariness over private credit (PC) backing IT funding has surged, sparking a jump in PC fund redemptions. Q1 26 requests hit $14bn (half executed / half pending), up sharply from $3.7bn in 2024 and $5.7bn in Q4 25.
- Past market turmoils triggered by fund/alternative issues, like the '98 LTCM and '07 Paribas shocks, also fuel investor caution. Risk-amplifying mechanisms—leverage for LTCM, complex securitization for Paribas—worsened these crises.
- Given recent rapid growth, some fear PC market deterioration could spill over into the broader financial system and real economy.
- Yet, despite this growth, the PC market is only ~$1.5trn, relatively small vs. other assets. Unless risk-amplifying mechanisms are inherent, as in past crises, the risk of severe economic or systemic impact seems low for now.

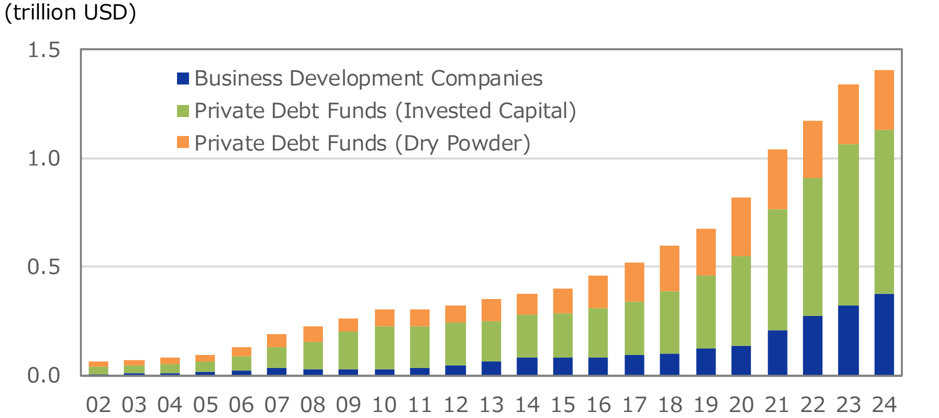
US Private Credit vs. Other Asset Prices



Note: Latest data are for 31 Mar 2026

Source: SMDAM and Bloomberg

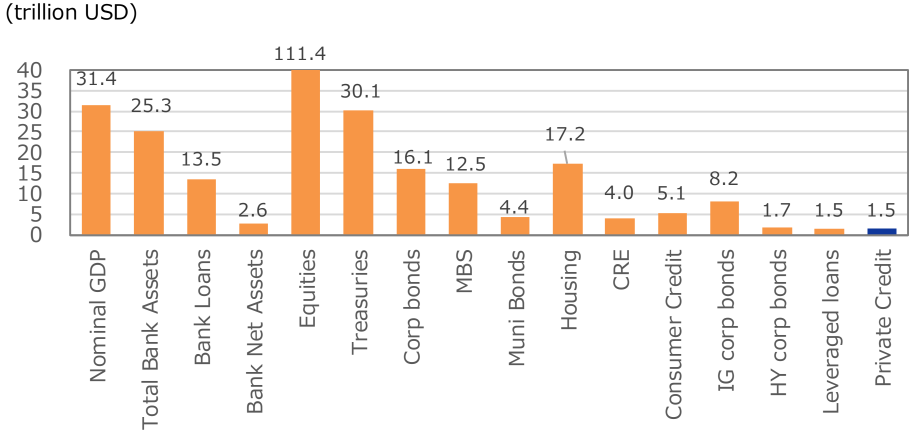
US Private Credit Market



Note: Latest data are for 2024

Source: SMDAM and FRB

US Private Credit vs. Other Asset Sizes



Note: Data as of end-2025

Source: SMDAM, FRB and Bloomberg

Trends in Major Asset Prices

TOPIX (Daily)

Note: Latest data are for 31 Mar 2026

Source: SMDAM and Bloomberg

S&P500 (Daily)

Note: Latest data are for 31 Mar 2026

Source: SMDAM and Bloomberg

Japan 10-Year Government Bond Yield (Daily)

Note: Latest data are for 31 Mar 2026

Source: SMDAM and Bloomberg

USD/JPY (Daily)

Note: Latest data are for 31 Mar 2026

Source: SMDAM and Bloomberg

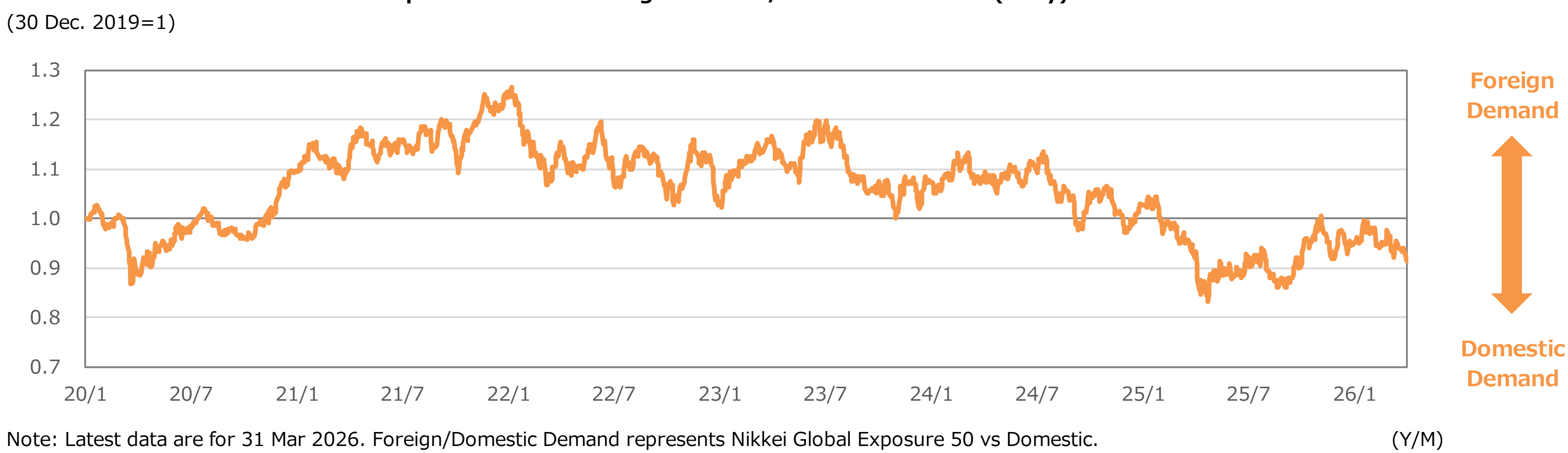
Trends in Value/Growth and Foreign/Domestic Demand for Japanese Stocks

Japanese Stocks: Value/Growth (Daily)

Note: Latest data are for 31 Mar 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)



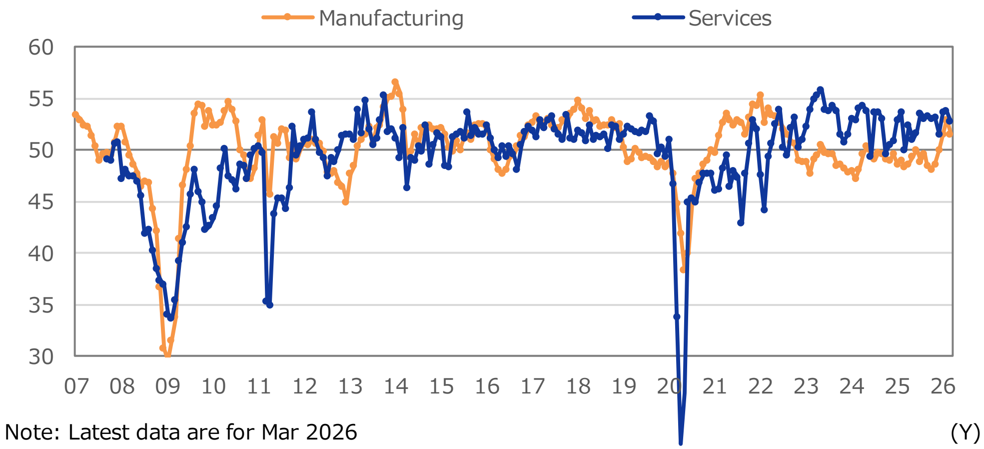
Note: Latest data are for 31 Mar 2026. Foreign/Domestic Demand represents Nikkei Global Exposure 50 vs Domestic.

Source: SMDAM and Bloomberg

Japanese Economic Indicators (1)

PMI

(sa, >50=improvement since previous month)

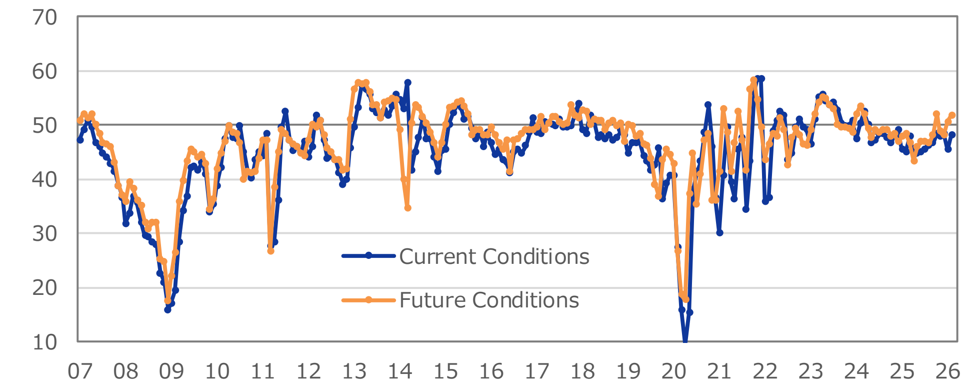


Note: Latest data are for Mar 2026 (Y)

Source: SMDAM and S&P Global

Economy Watchers Survey

(sa, DI)

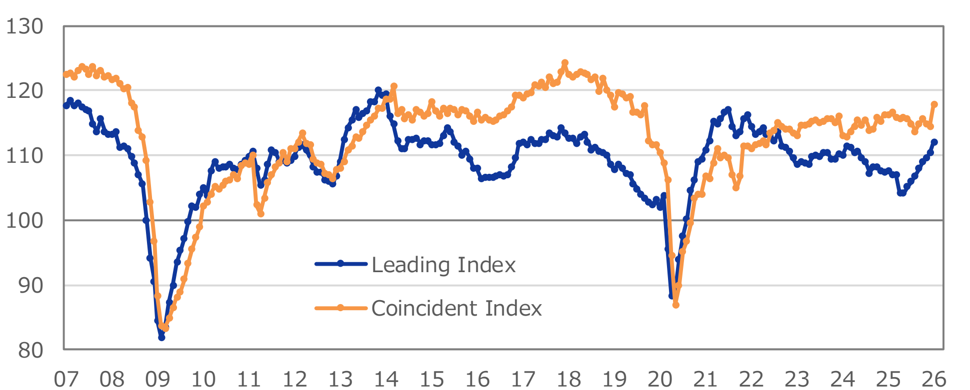


Note: Latest data are for Feb 2026 (Y)

Source: SMDAM and Cabinet Office

Index of Business Conditions

(sa, 2020=100)

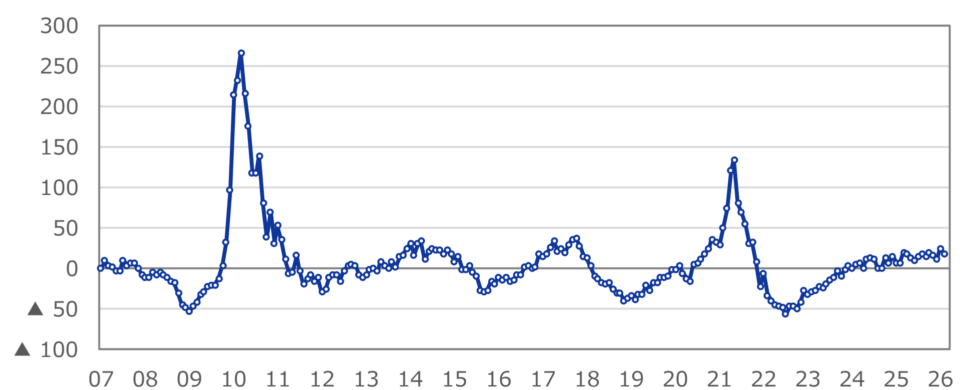


Note: Latest data are for Jan 2026 (Y)

Source: SMDAM and Cabinet Office

Machine Tools (Orders YoY - Order Backlogs YoY)

(%)



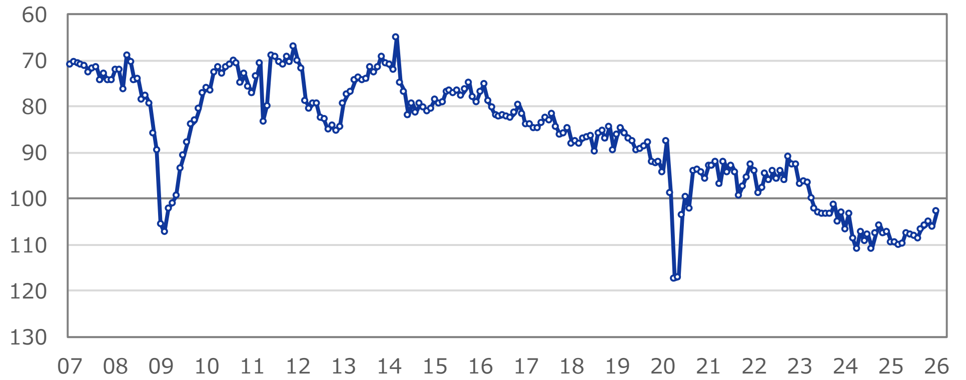
Note: Latest data are for Feb 2026 (Y)

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)

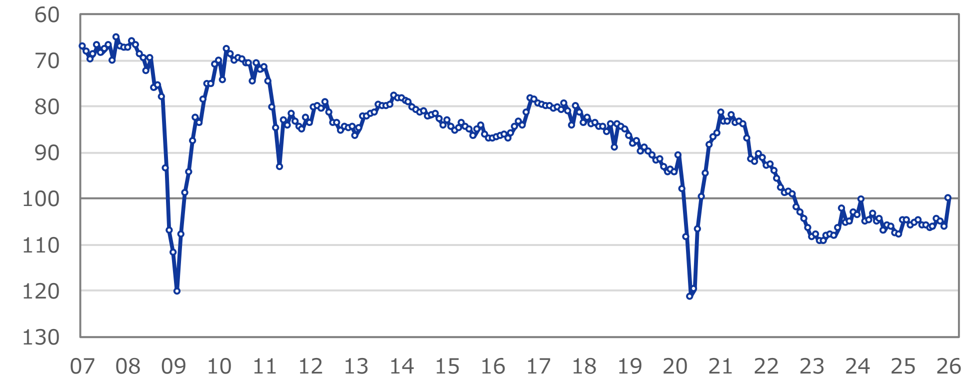


Note: Latest data are for Jan 2026

Source: SMDAM and Cabinet Office

Index of Producer's Inventory Ratio of Producer Goods

(sa, 2020=100, Inverted)

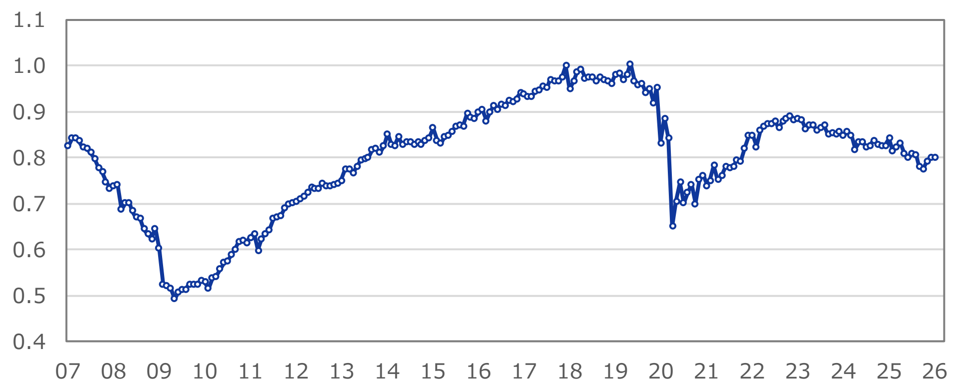


Note: Latest data are for Jan 2026

Source: SMDAM and Cabinet Office

New Job Offers (Excluding New School Graduates)

(sa, million persons)

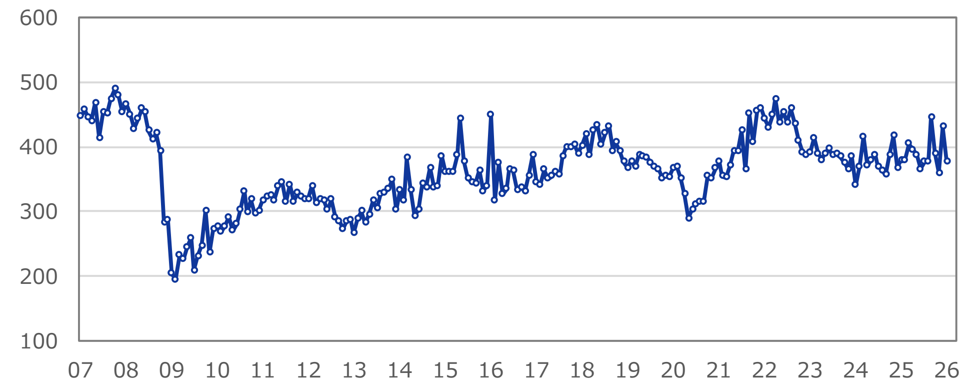


Note: Latest data are for Jan 2026

Source: SMDAM and Cabinet Office

Machinery Orders at Constant Prices (Manufacturing)

(sa, billion JPY)

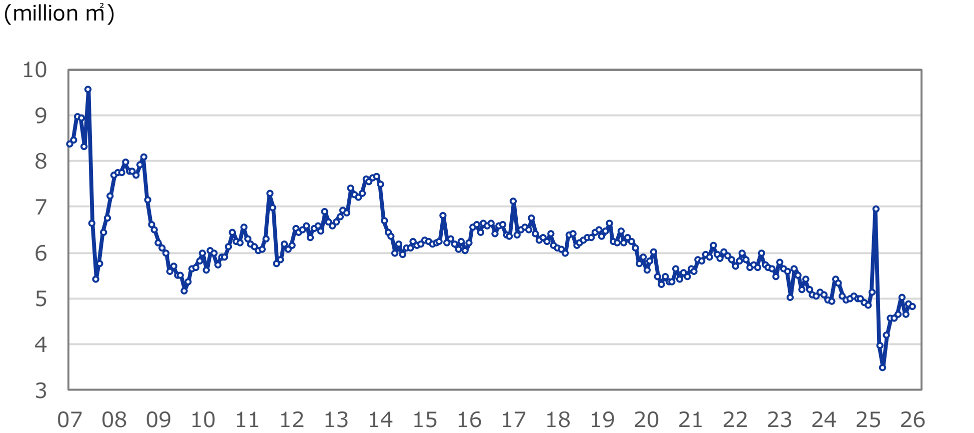


Note: Latest data are for Jan 2026

Source: SMDAM and Cabinet Office

Japanese Economic Indicators (3)

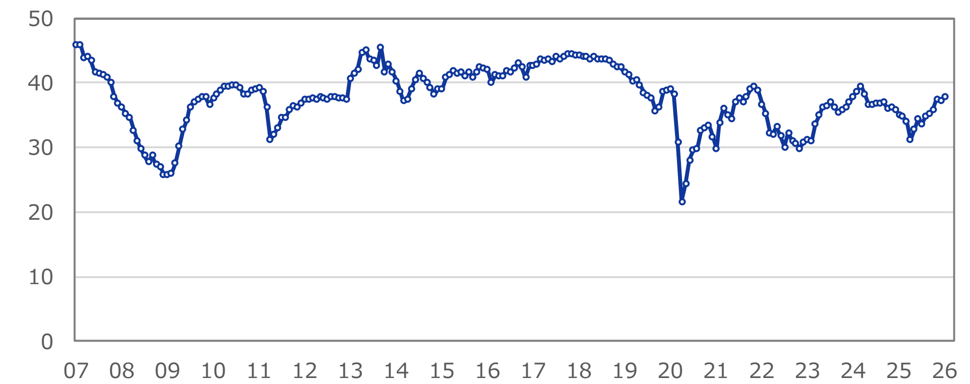
Total Floor Area of New Housing Construction Started



Note: Latest data are for Jan 2026

Source: SMDAM and Cabinet Office

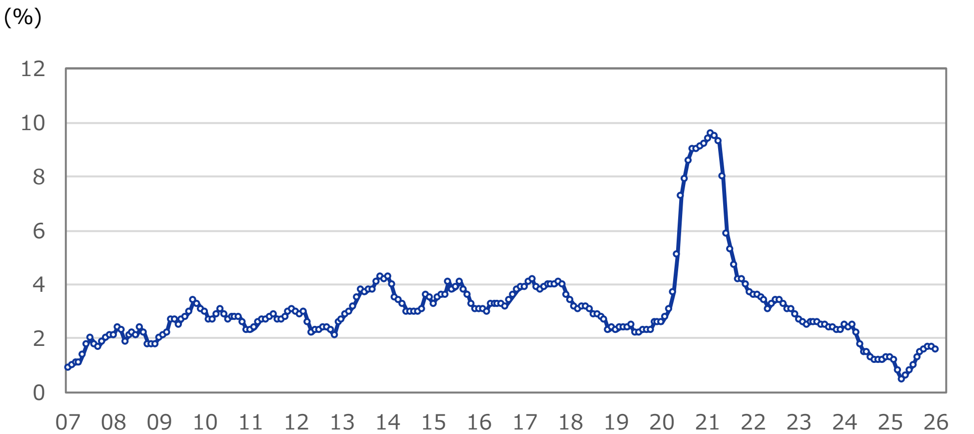
Consumer Confidence Index



Note: Latest data are for Jan 2026

Source: SMDAM and Cabinet Office

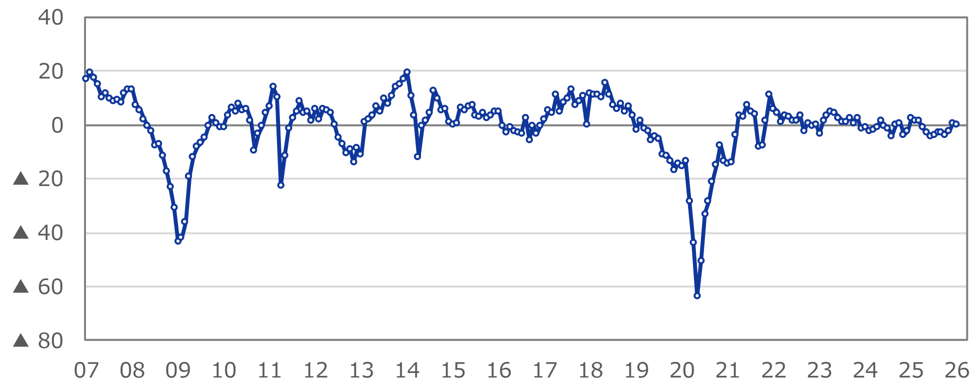
M2(YoY)



Note: Latest data are for Jan 2026

Source: SMDAM and Cabinet Office

Sales Forecast DI of Small Businesses

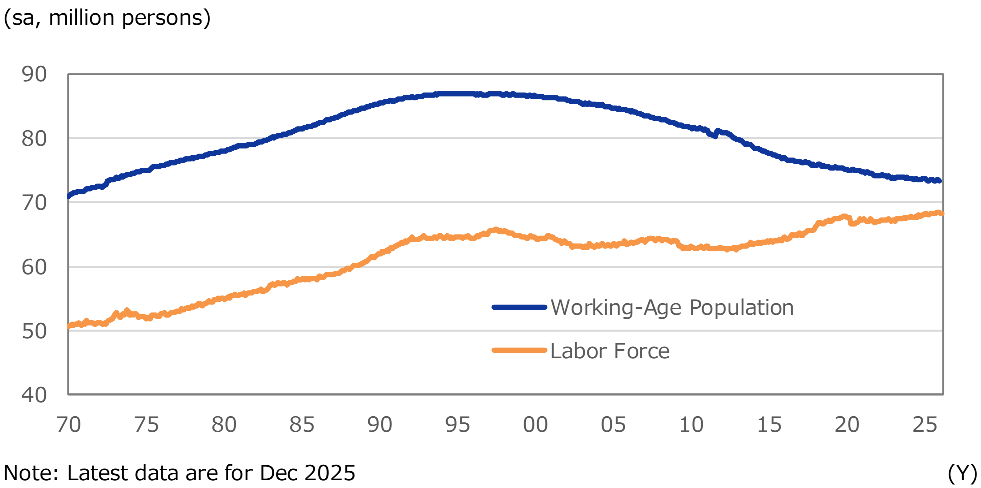


Note: Latest data are for Jan 2026

Source: SMDAM and Cabinet Office

Japanese Economic Indicators (4)

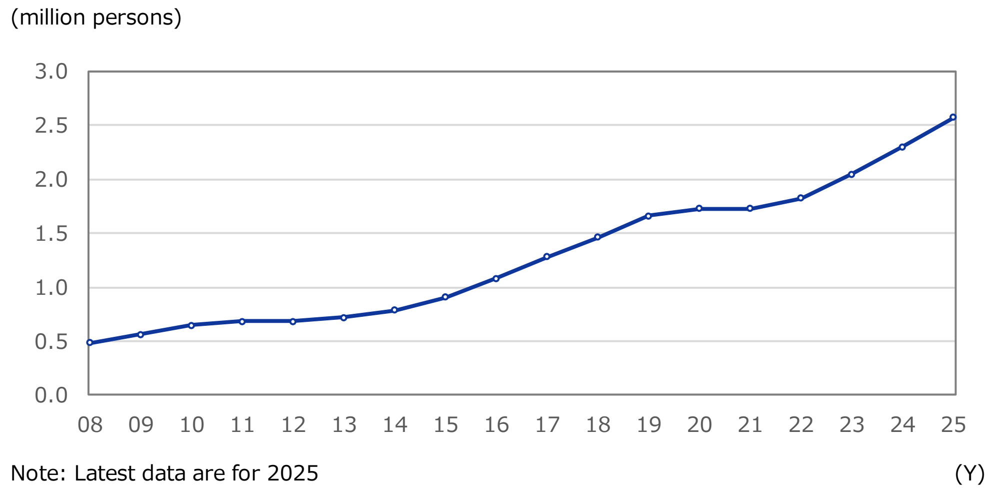
Working-Age Population and Labor Force



Note: Latest data are for Dec 2025

Source: SMDAM and MIC

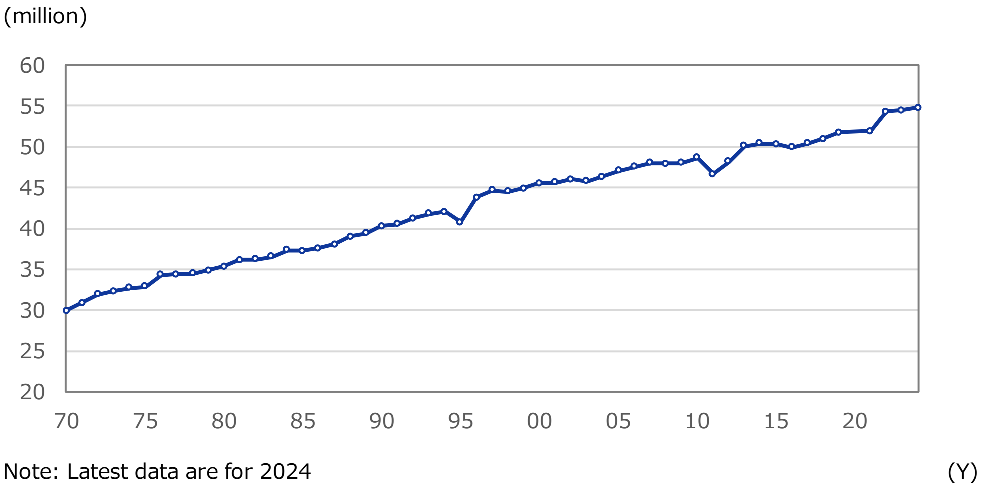
Number of Foreign Workers



Note: Latest data are for 2025

Source: SMDAM and MHLW

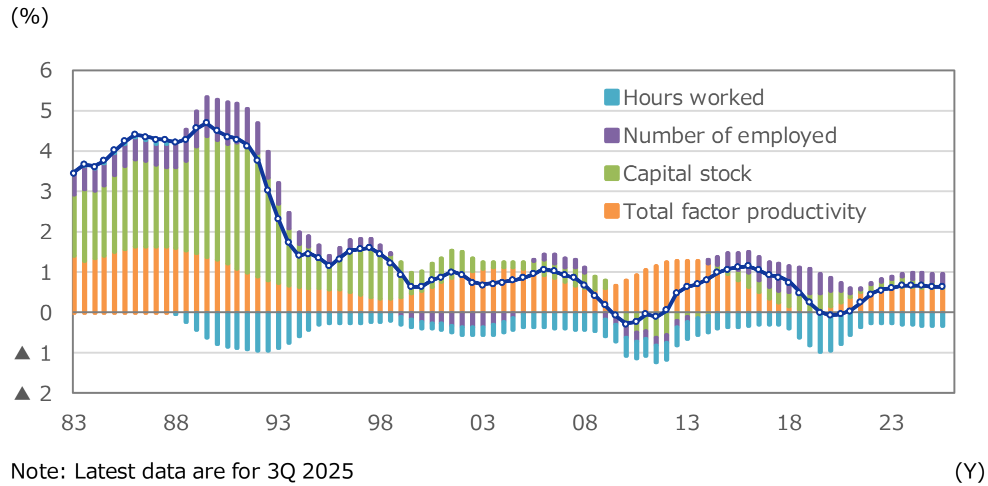
Number of Households



Note: Latest data are for 2024

Source: SMDAM and Cabinet Office

Potential Growth Rate

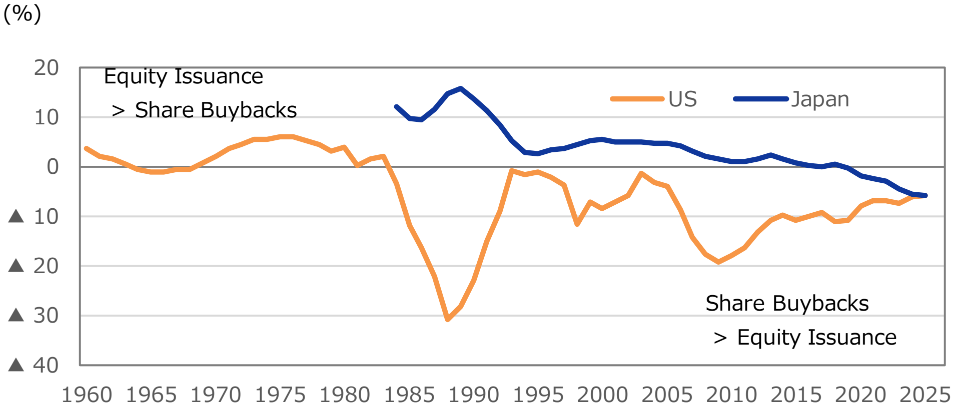


Note: Latest data are for 3Q 2025

Source: SMDAM and BoJ

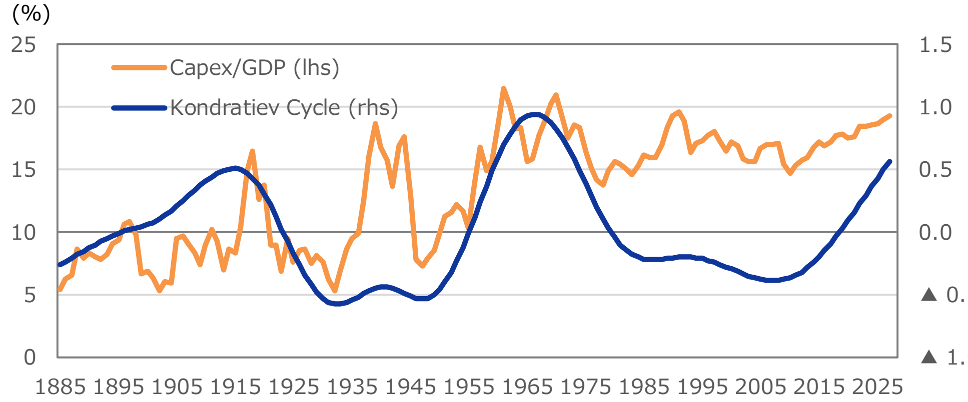
Japanese Economic Indicators (5)

Net Equity Issuance in Japan and the US



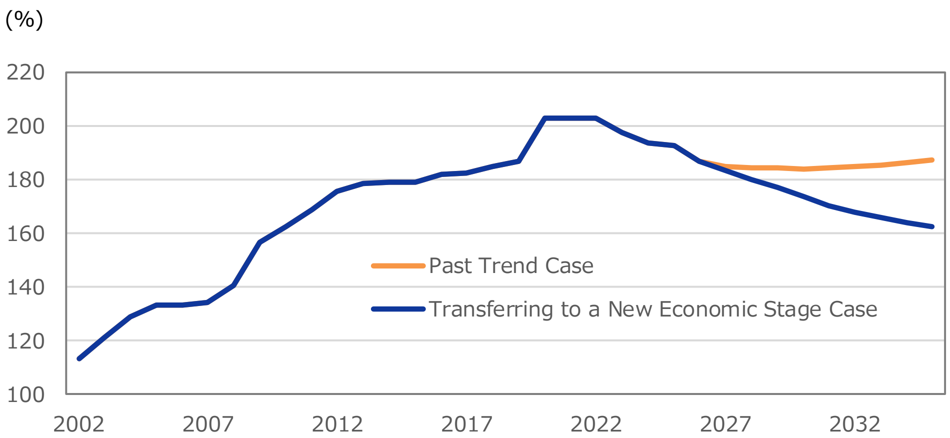
Note: Latest data are for 2025. Japan's 2025 value is for the calendar year.
Note: Net Equity Issuance / Market Cap (5Y MA)
Source: SMDAM, BoJ and FRB

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



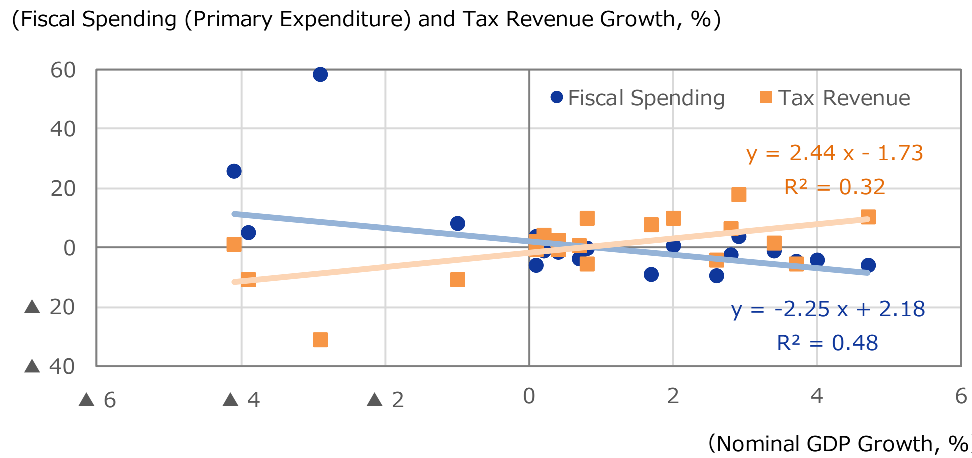
Note: Latest data are for 2027 (including some forecasts)
Note: Kondratiev Cycle is statistically derived as a 40 to 70 year cycle from the Capex/GDP ratio.
Source: SMDAM and Cabinet Office

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



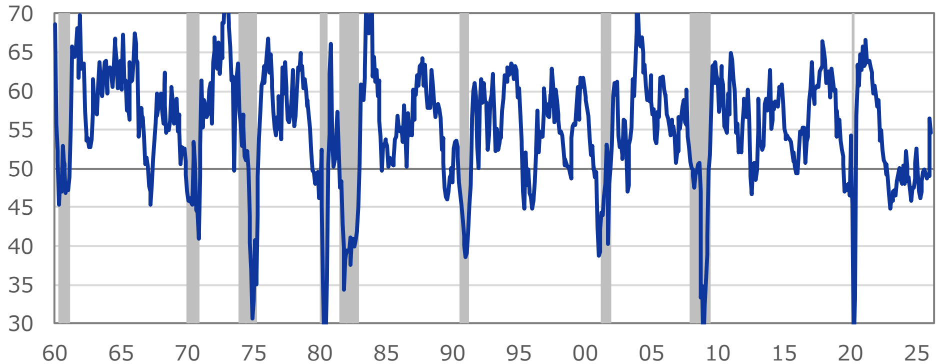
Note: Latest data are for 2035 (including some forecasts)
Note: New Economic Stage assumes 3% nominal growth.
Source: SMDAM and Cabinet Office

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

ISM Manufacturing PMI (Average of Production and New Orders)

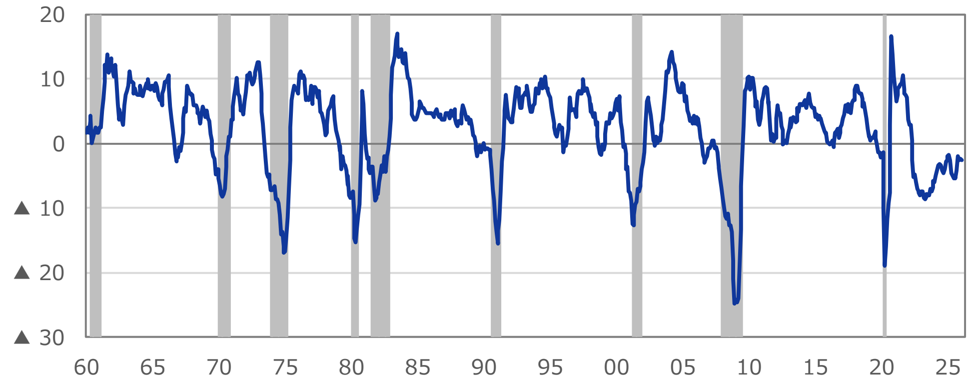


Note: Latest data are for Feb 2026. The shaded areas represent periods of recession. (Y)

Source: SMDAM and ISM

Conference Board Leading Economic Index

(6-Month Annual Change)

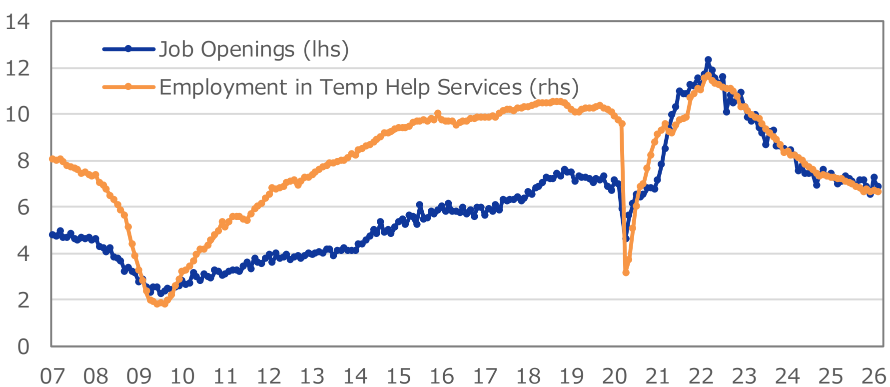


Note: Latest data are for Jan 2026. The shaded areas represent periods of recession. (Y)

Source: SMDAM and Conference Board

Job Openings and Employment in Temporary Help Services

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

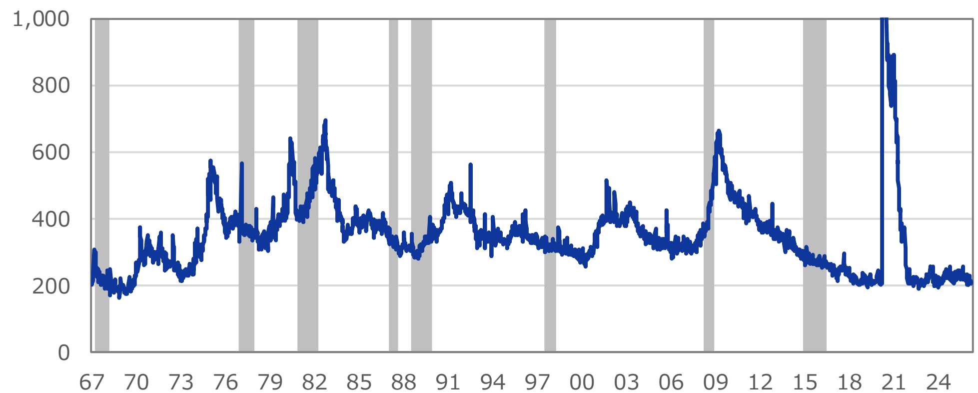


Note: Latest data are for Feb 2026 (Y)

Source: SMDAM and Bureau of Labor Statistics

Initial Jobless Claims

(sa, thousand persons)



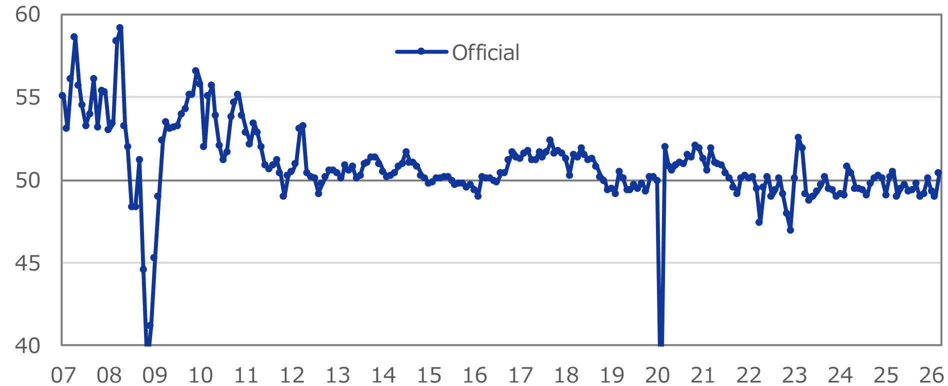
Note: Latest data are for 20 Mar 2026. The shaded areas represent periods of recession (Y)

Source: SMDAM and Department of Labor

Overseas Economic Indicators

China Manufacturing PMI

(sa, >50=improvement since previous month)

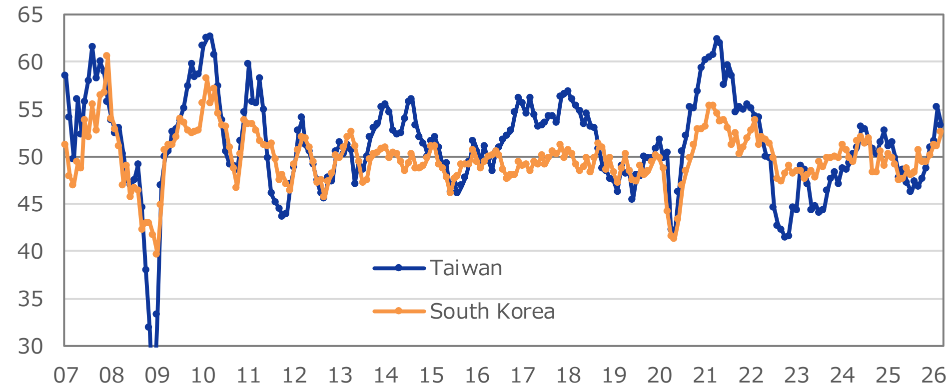


Note: Latest data are for Mar 2026 (Y)

Source: SMDAM and China Federation of Logistics & Purchasing

Manufacturing PMI (Taiwan, South Korea)

(sa, >50=improvement since previous month)

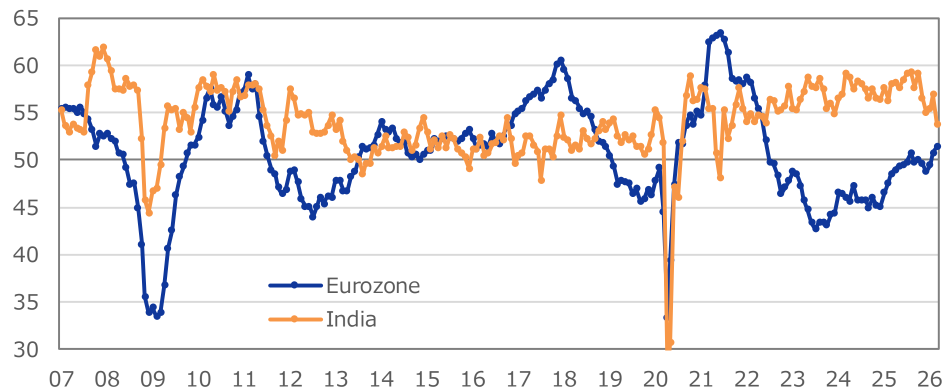


Note: Latest data are for Mar 2026 (Y)

Source: SMDAM and S&P Global

Manufacturing PMI (Eurozone, India)

(sa, >50=improvement since previous month)

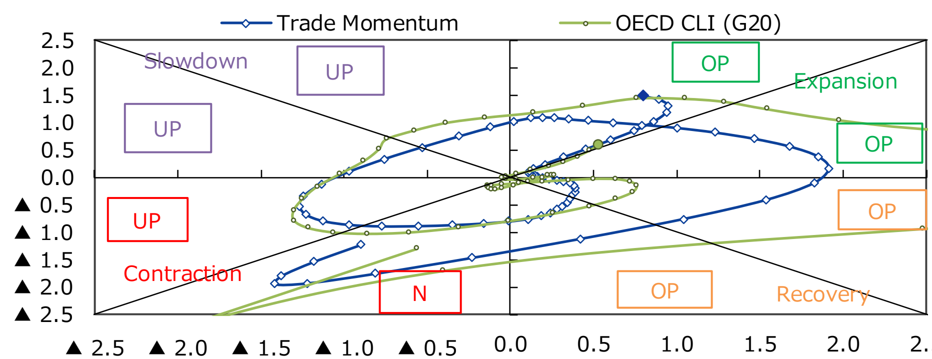


Note: Latest data are for Mar 2026 (Y)

Source: SMDAM and S&P Global

Trade Momentum & OECD Composite Leading Indicator (CLI) Phases

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



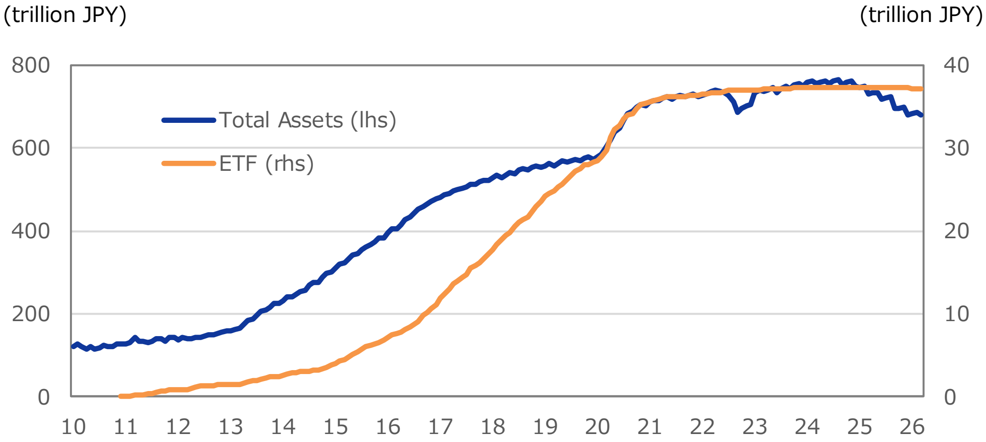
Note: Latest data are for Feb 2026 6M Diff. Trade Momentum & OECD CLI

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)

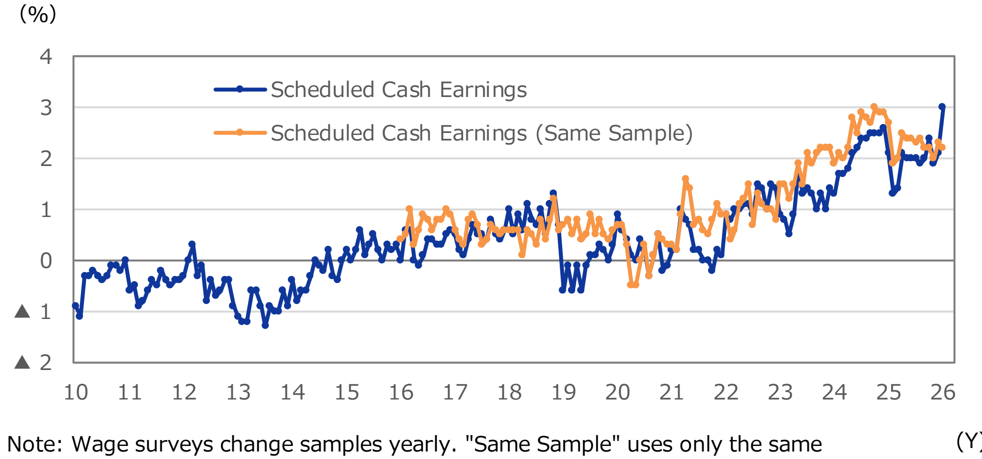
The Bank of Japan's Balance Sheet



Note: Latest data are for Mar 2026

Source: SMDAM and BoJ

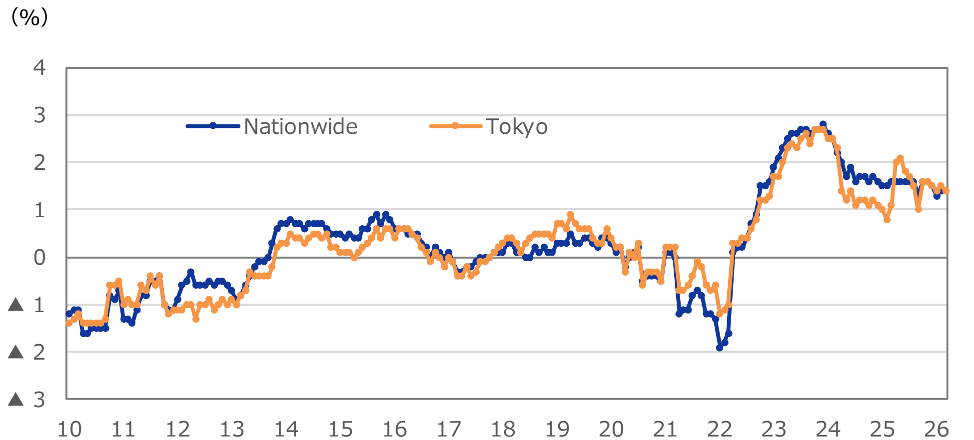
Nominal Wages (Scheduled Cash Earnings, YoY)



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 Jan 2026 Source: SMDAM and MHLW

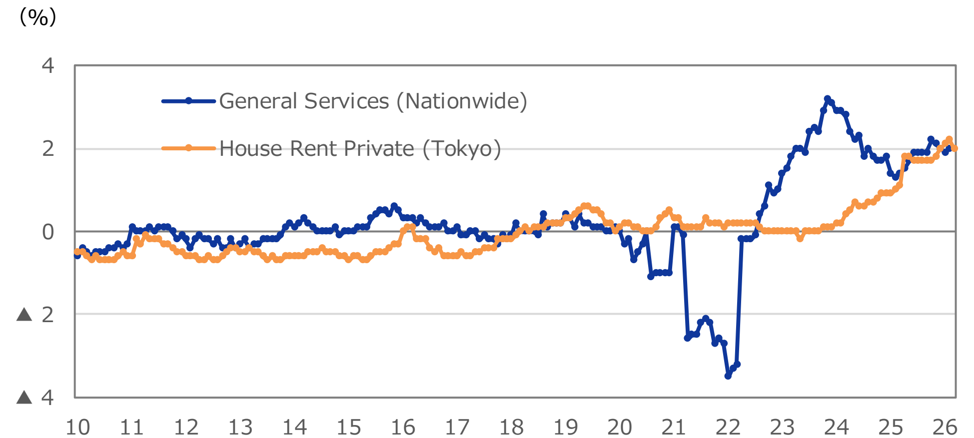
CPI (Excluding Food and Energy, YoY)



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

Source: SMDAM and MIC

CPI (General Services, House Rent Private, YoY)



Note: Latest data are for Mar 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.

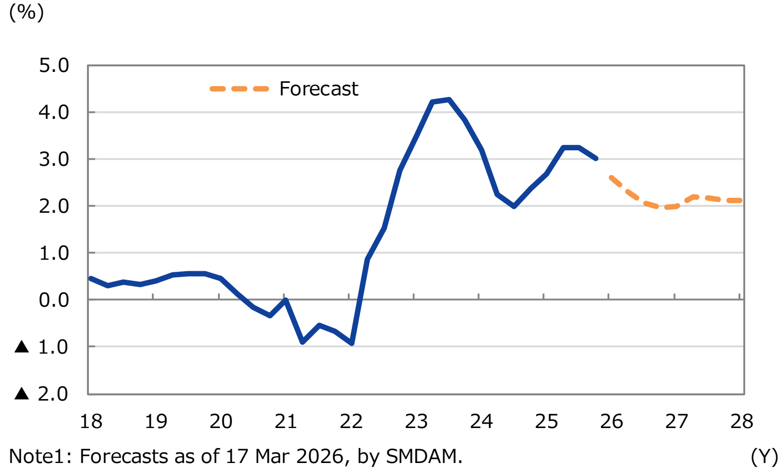
BOJ Monetary Policy (2)

BOJ Monetary Policy Developments (Quarter-End and Latest)

	Sep 2025	Dec 2025	Mar 2026
O/N call rate	around 0.5%	Around 0.75% (rate hike)	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	No Change

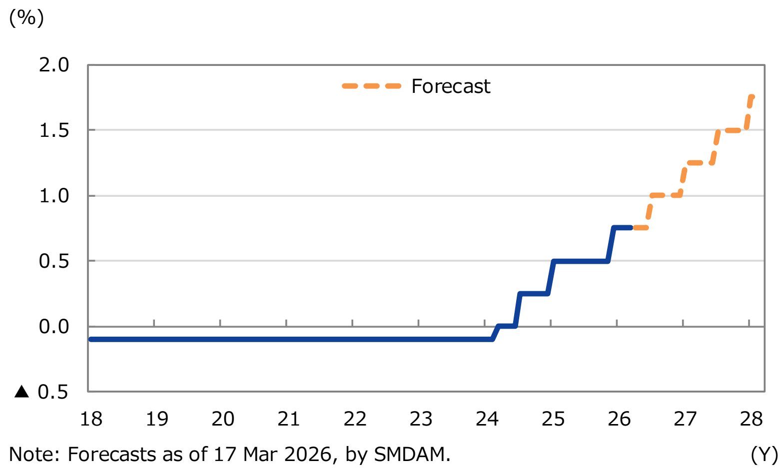
Note: Data as of 31 Mar 2026
Source: SMDAM and BOJ

CPI ex fresh food and energy (YoY)



Note1: Forecasts as of 17 Mar 2026, by SMDAM.
Note2: Consumption tax-adjusted.
Source: SMDAM and MIC

Policy interest rate

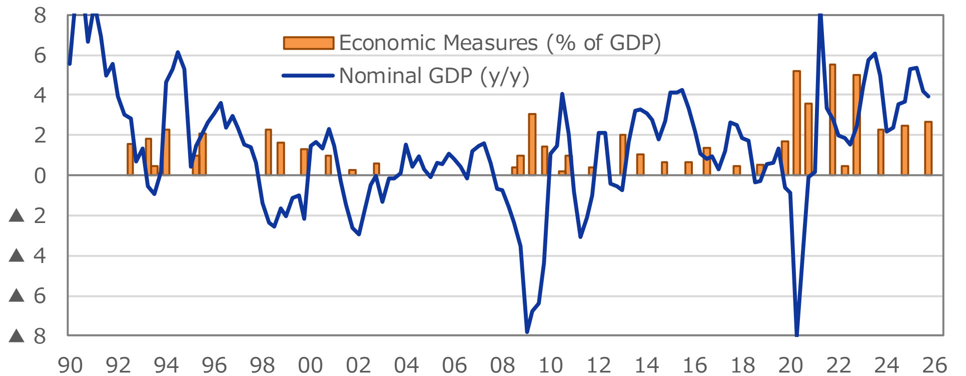


Note: Forecasts as of 17 Mar 2026, by SMDAM.
Source: SMDAM and BOJ

Japan's fiscal policy

Government Economic Measures and Nominal GDP Growth Rate

(%)

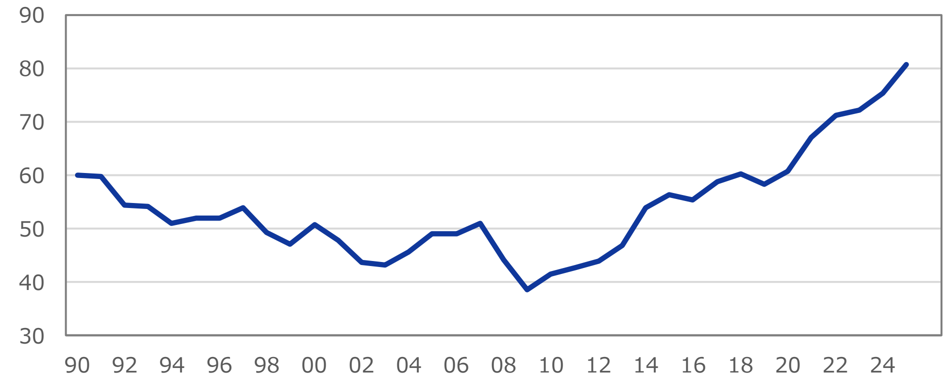


Note: Latest data are for 4Q 2025. Economic measures are budget-backed amounts. (Y)

Source: SMDAM and Cabinet Office

Japan's Tax Revenue

(trillion JPY)

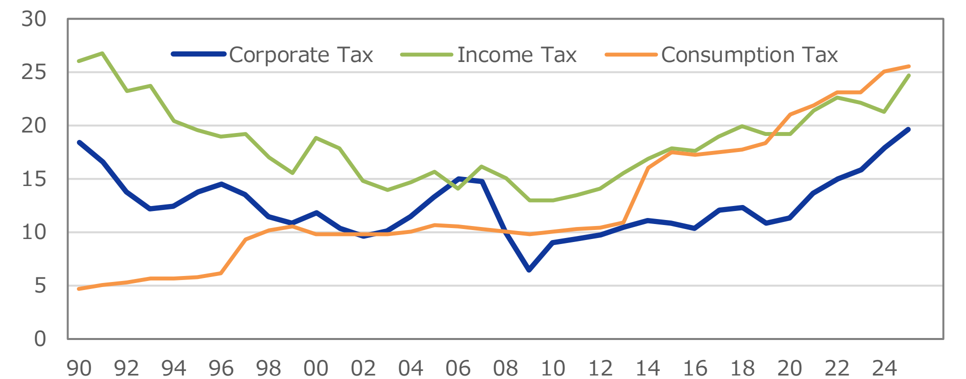


Note: Latest data are for FY2025 (FY)

Source: SMDAM and MoF

Breakdown of Tax Revenue

(trillion JPY)

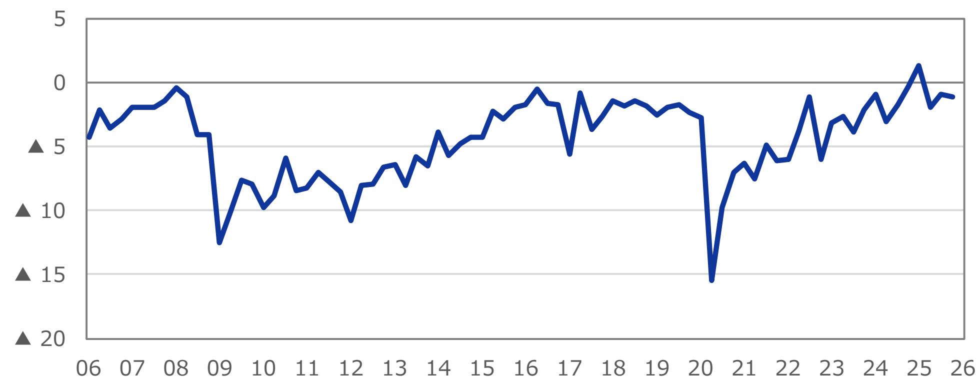


Note: Latest data are for FY2025 (FY)

Source: SMDAM and MoF

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

(%)

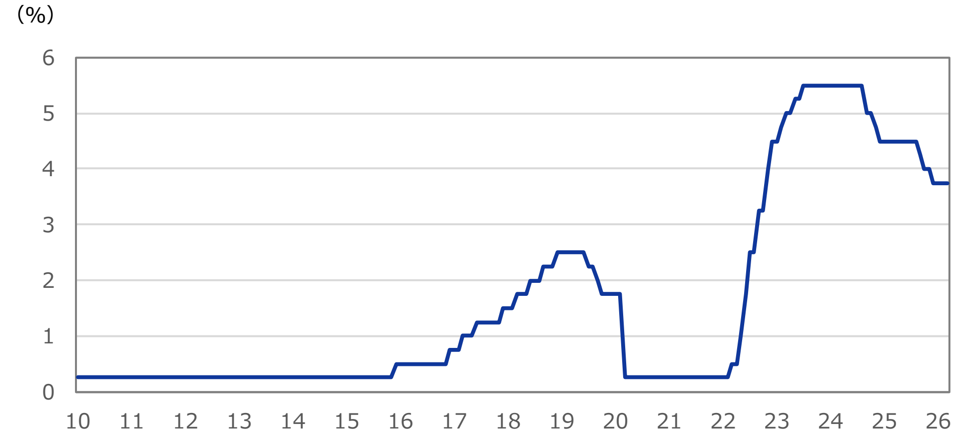


Note: Latest data are for 4Q 2025 (Y)

Source: SMDAM and BoJ

Overseas Monetary Policy

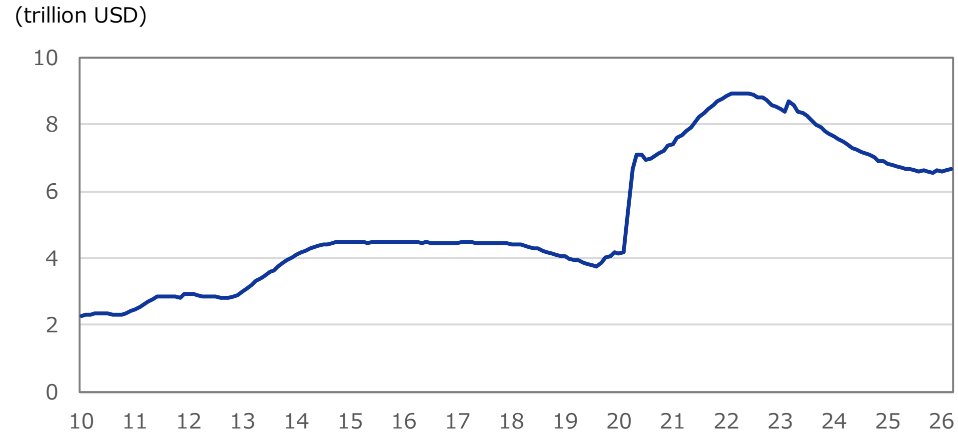
Federal Funds Target Rate (Upper Bound)



Note: Latest data are for Mar 2026 (Y)

Source: SMDAM and FRB

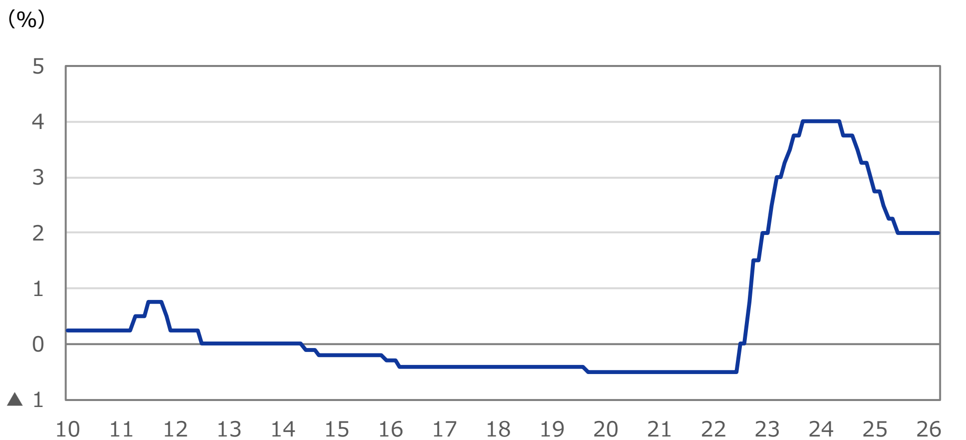
Federal Reserve Total Assets



Note: Latest data are for Mar 2026 (Y)

Source: SMDAM and FRB

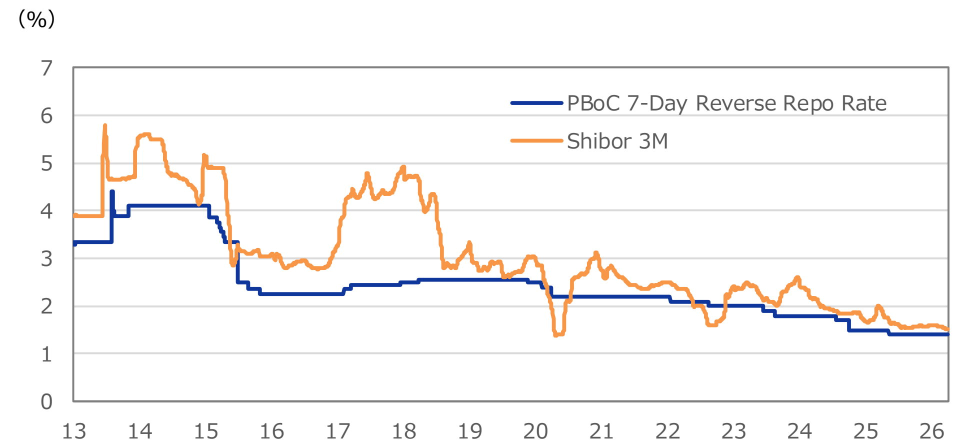
ECB Deposit Facility Announcement Rate



Note: Latest data are for Mar 2026 (Y)

Source: SMDAM and ECB

China's Short-Term Interest Rates

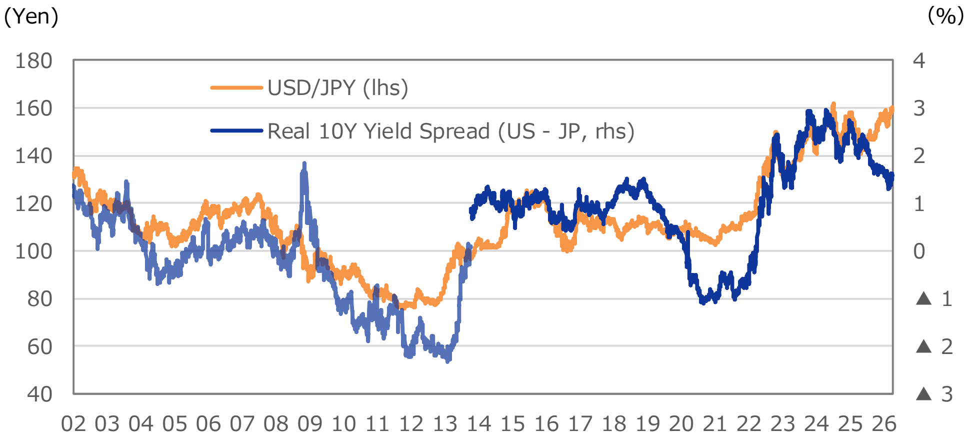


Note: Latest data are for 31 Mar 2026 (Y)

Source: SMDAM, PBoC and Bloomberg

USD/JPY

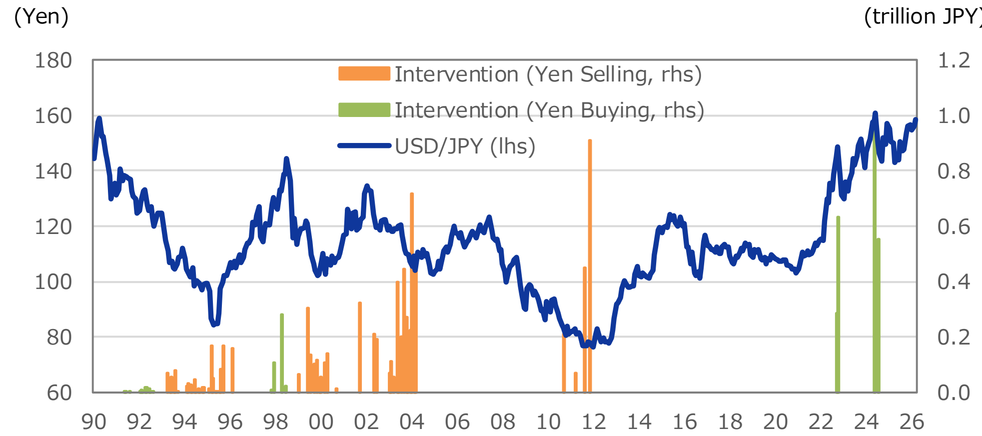
USD/JPY and Real Interest Rate Differential



Note: Latest data are for 31 Mar 2026. Japan's real rate pre-Oct. 8, 2013, based on core CPI (Y)

Source: SMDAM and Bloomberg

USD/JPY and Intervention



Note: Latest data are for Mar 2026 (Y)

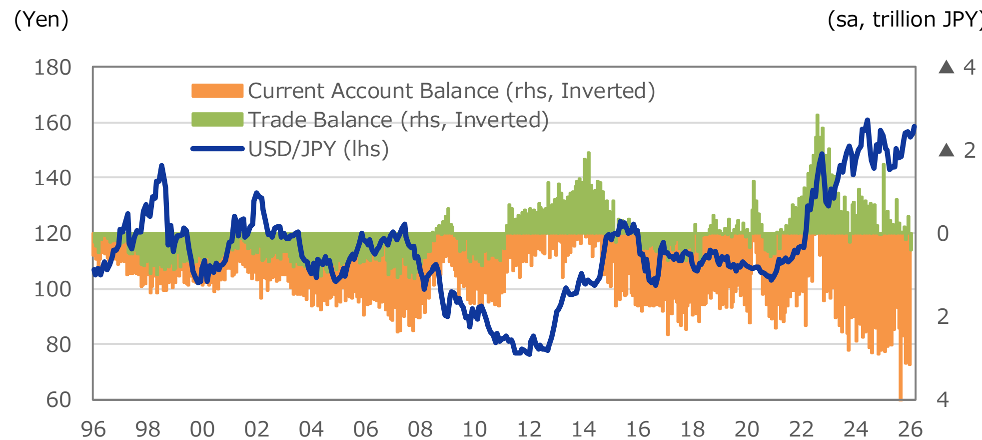
Source: SMDAM, MoF and Bloomberg

JPY Real Effective Exchange Rate

Note: Latest data are for Feb 2026 (Y)

Source: SMDAM and BoJ

USD/JPY and External Balances



Note: Latest data are for Mar 2026 (Y)

Source: SMDAM, MoF and Bloomberg

Earnings Forecast:

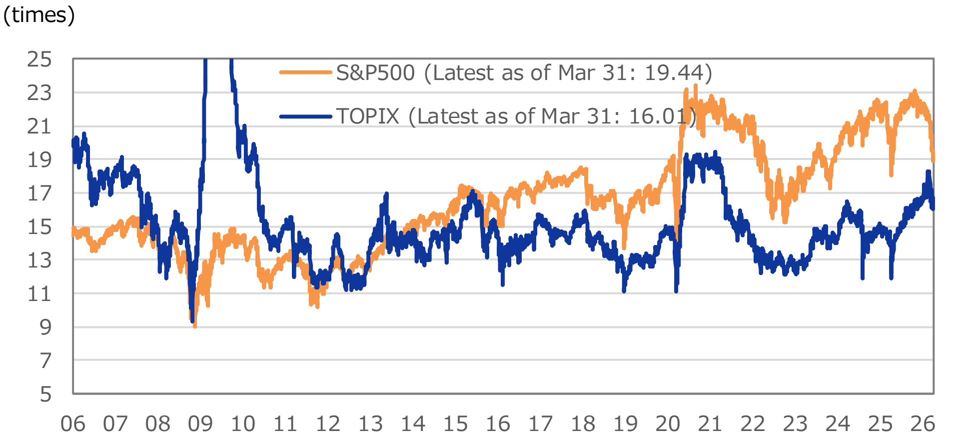
Bottom-Up Corporate Earnings Forecast for Japan

Forecasts as of 9 Mar 2026	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	685,267	699,602	738,346	+4.4	+2.1	+5.5
Manufacturing	386,145	400,992	406,723	432,424	+3.8	+1.4	+6.3
Non-Manufacturing	270,060	284,275	292,879	305,922	+5.3	+3.0	+4.5
Total (Ex-Financials, Ex-SoftBank G)	649,449	678,023	691,782	729,862	+4.4	+2.0	+5.5
Operating Profit							
Total (Ex-Financials)	52,657	59,064	63,871	66,956	+12.2	+8.1	+4.8
Manufacturing	31,941	32,792	33,483	41,711	+2.7	+2.1	+24.6
Non-Manufacturing	20,716	26,272	30,388	25,245	+26.8	+15.7	▲ 16.9
Total (Ex-Financials, Ex-SoftBank G)	52,656	54,633	55,710	66,207	**+3.8**	**+2.0**	**+18.8**
Ordinary Profit							
Total (Ex-Financials)	58,881	61,465	68,963	71,671	+4.4	+12.2	+3.9
Manufacturing	35,311	35,160	36,515	44,219	▲ 0.4	+3.9	+21.1
Non-Manufacturing	23,570	26,306	32,448	27,452	+11.6	+23.4	▲ 15.4
Total (Ex-Financials, Ex-SoftBank G)	58,823	59,761	60,802	70,922	**+1.6**	**+1.7**	**+16.6**
Profit After Taxes							
Total (Incl. Financials)	47,652	51,255	57,214	59,463	+7.6	+11.6	+3.9
Total (Ex-Financials)	40,620	41,974	46,930	48,516	+3.3	+11.8	+3.4
Manufacturing	24,706	23,556	23,887	29,806	▲ 4.7	+1.4	+24.8
Non-Manufacturing	15,914	18,418	23,043	18,710	+15.7	+25.1	▲ 18.8
Total (Ex-Financials, Ex-SoftBank G)	40,848	40,821	40,257	48,596	▲ 0.1	▲ 1.4	+20.7

Note1: Forecasts by SMDAM.
Note2: FX assumptions are USD/JPY at 158 and EUR/JPY at 184. 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.
Source: SMDAM

Valuation (1)

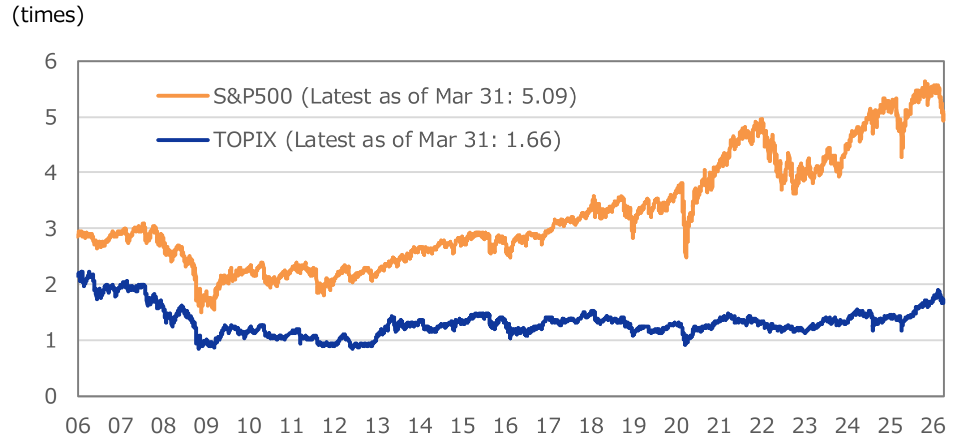
S&P 500 and TOPIX 12-Month Forward P/E Ratio



Note: Latest data are for 31 Mar 2026 (Y)

Source: SMDAM and Bloomberg

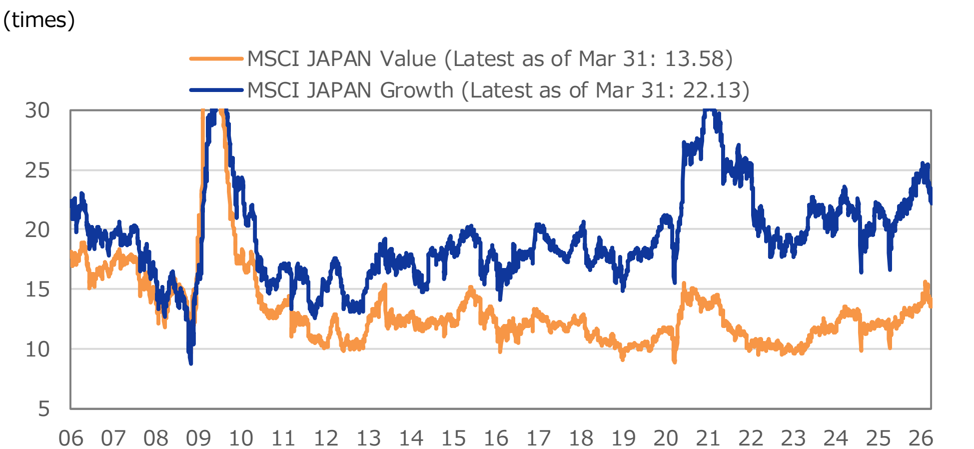
S&P 500 and TOPIX Historical P/B Ratio



Note: Latest data are for 31 Mar 2026 (Y)

Source: SMDAM and Bloomberg

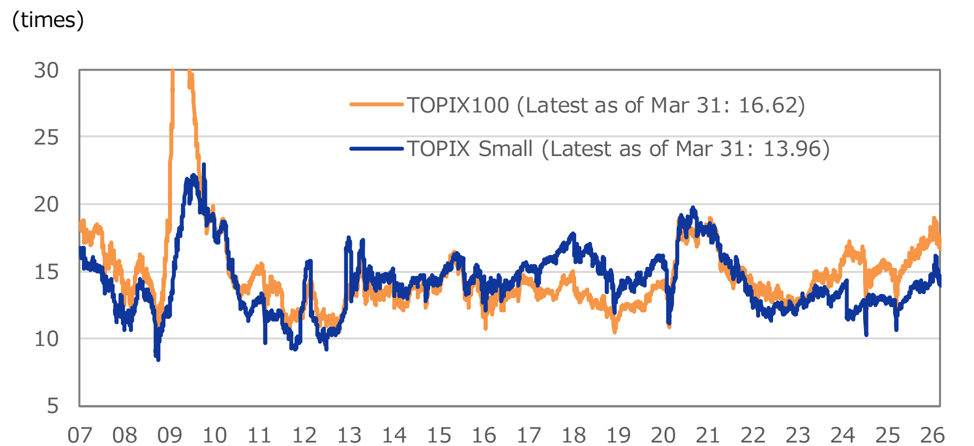
MSCI Japan 12-Month Forward P/E Ratio



Note: Latest data are for 31 Mar 2026 (Y)

Source: SMDAM and Bloomberg

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



Note: Latest data are for 31 Mar 2026 (Y)

Source: SMDAM and Bloomberg

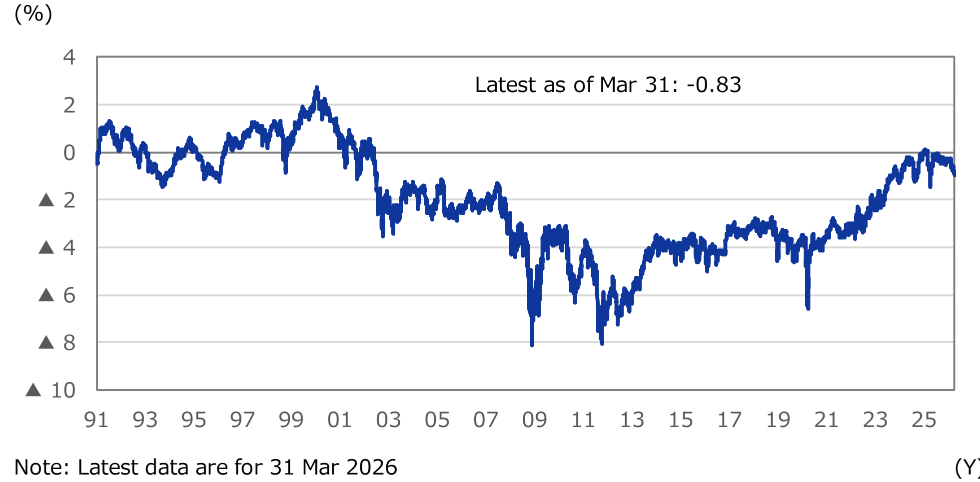
Valuation (2)

TOPIX Yield Spread (10Y JGB - Earnings Yield)

Note: Latest data are for 31 Mar 2026

Source: SMDAM and Bloomberg

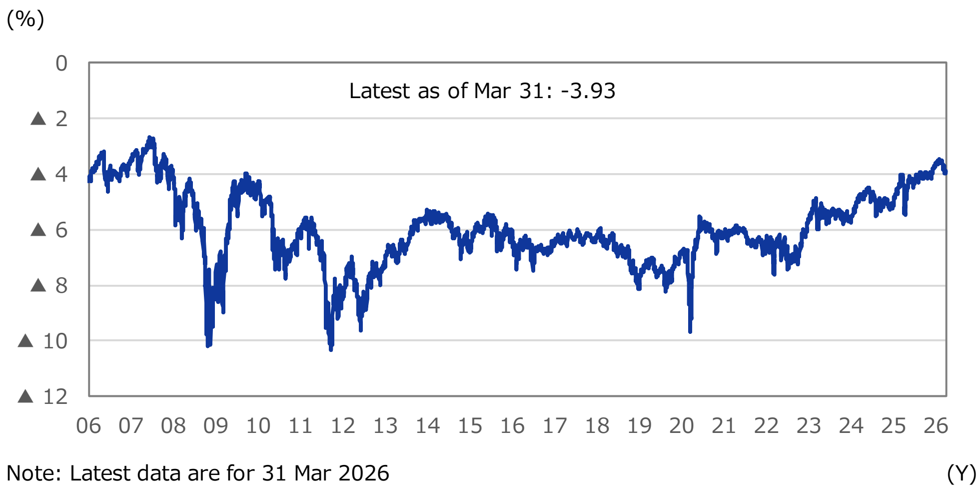
S&P 500 Yield Spread (10Y UST - Earnings Yield)



Note: Latest data are for 31 Mar 2026

Source: SMDAM and Bloomberg

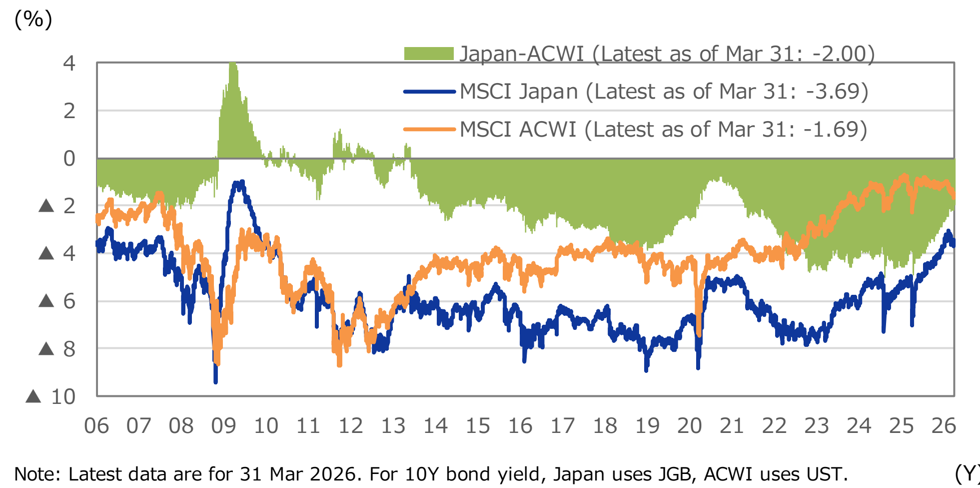
STOXX Europe 600 Yield Spread (10Y Bund - Earnings Yield)



Note: Latest data are for 31 Mar 2026

Source: SMDAM and Bloomberg

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



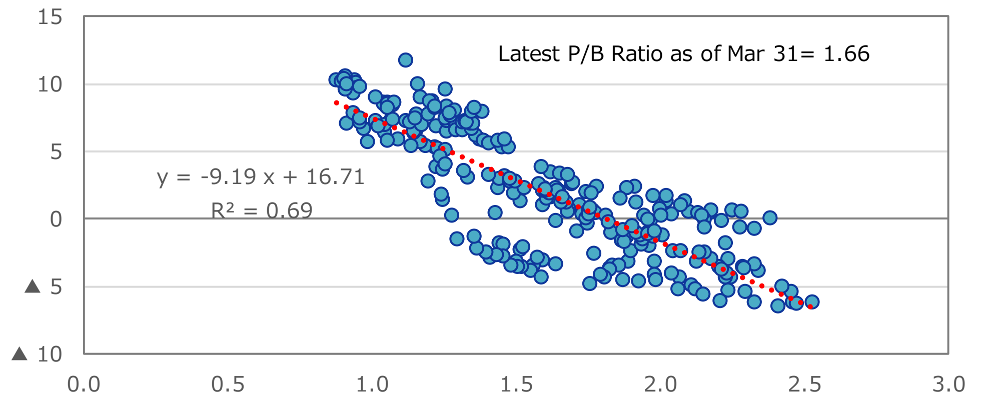
Note: Latest data are for 31 Mar 2026. For 10Y bond yield, Japan uses JGB, ACWI uses UST.

Source: SMDAM and Bloomberg

Valuation and Return

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

10Y Annualized Return (%)

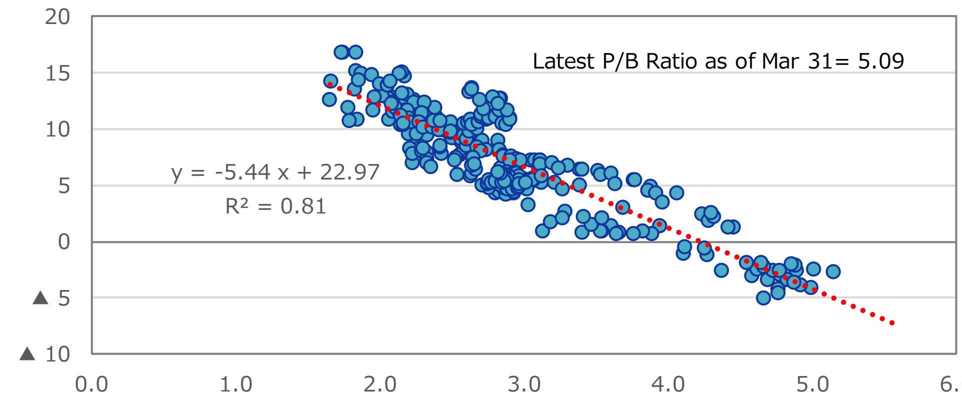


Note: Latest data are for Mar 2026 TOPIX Historical P/B Ratio (times)

Source: SMDAM and Bloomberg

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

10Y Annualized Return (%)

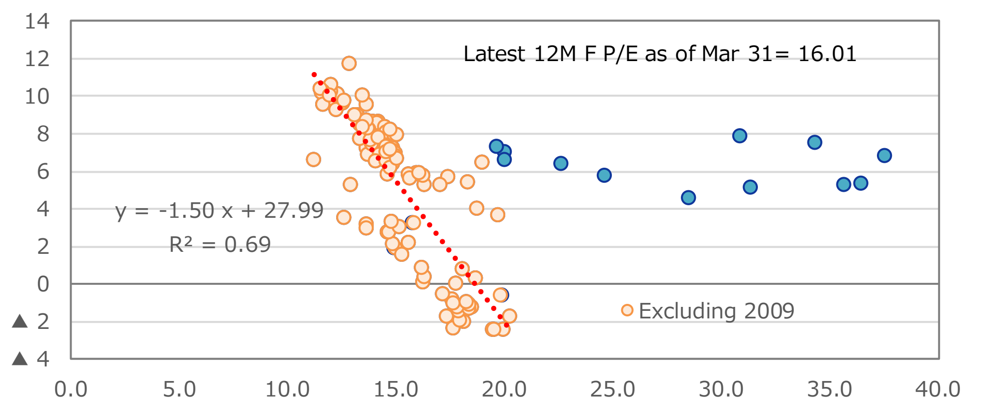


Note: Latest data are for Mar 2026 S&P500 Historical P/B Ratio (times)

Source: SMDAM and Bloomberg

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

10Y Annualized Return (%)

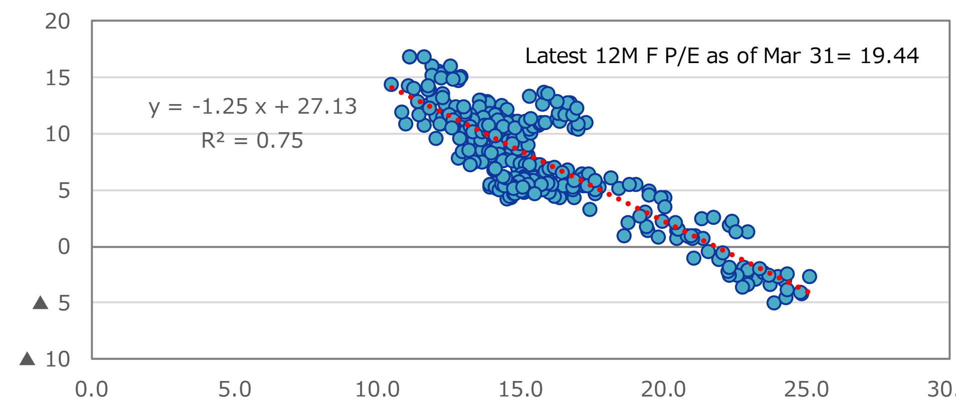


Note: Latest data are for Mar 2026. The blue dots show 2009 data. TOPIX 12M Forward P/E (times)

Source: SMDAM and Bloomberg

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

10Y Annualized Return (%)

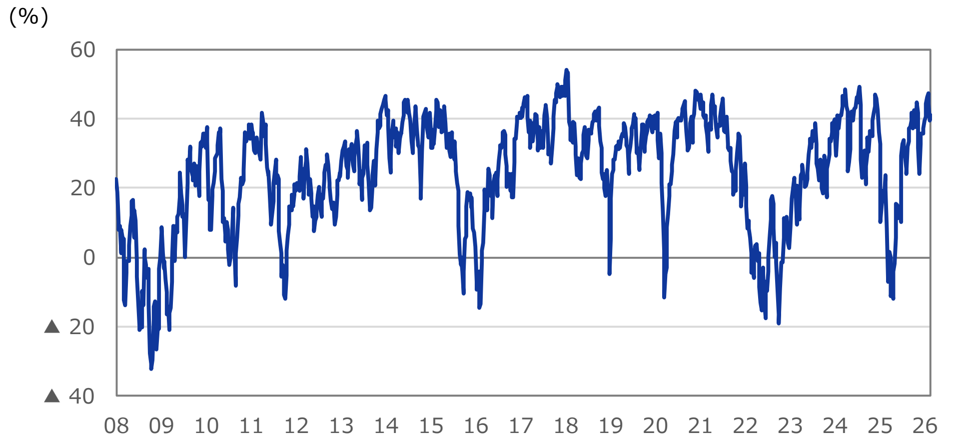


Note: Latest data are for Mar 2026 S&P500 12M Forward P/E (times)

Source: SMDAM and Bloomberg

Stock Market Sentiment and Supply-Demand

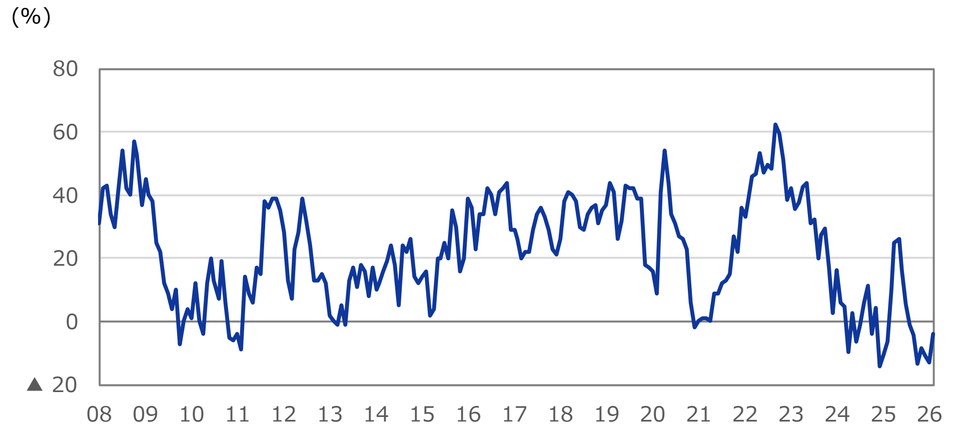
Investors Intelligence Bull-Bear Spread



Note: Latest data are for 20 Feb 2026

Source: SMDAM and LSEG

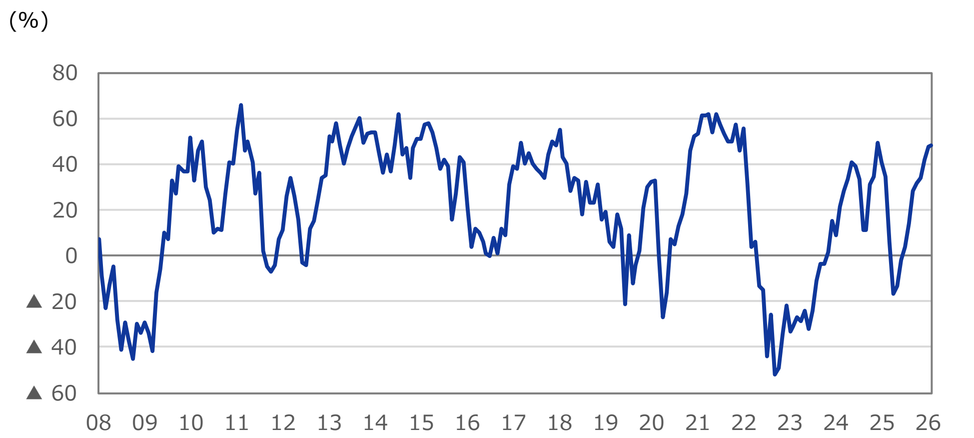
FM Survey: Cash Net Balance



Note: Latest data are for Feb 2026

Source: SMDAM and BofA

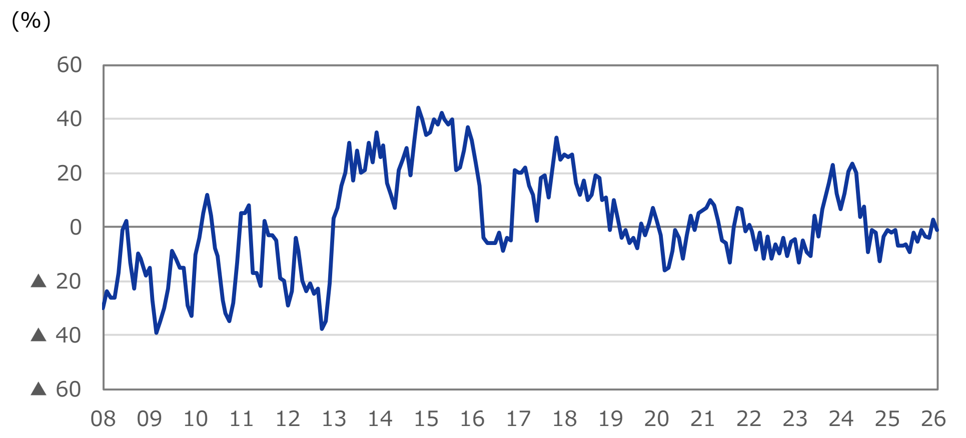
FM Survey: Equities Net Balance



Note: Latest data are for Feb 2026

Source: SMDAM and BofA

FM Survey: Japanese Equities Net Balance

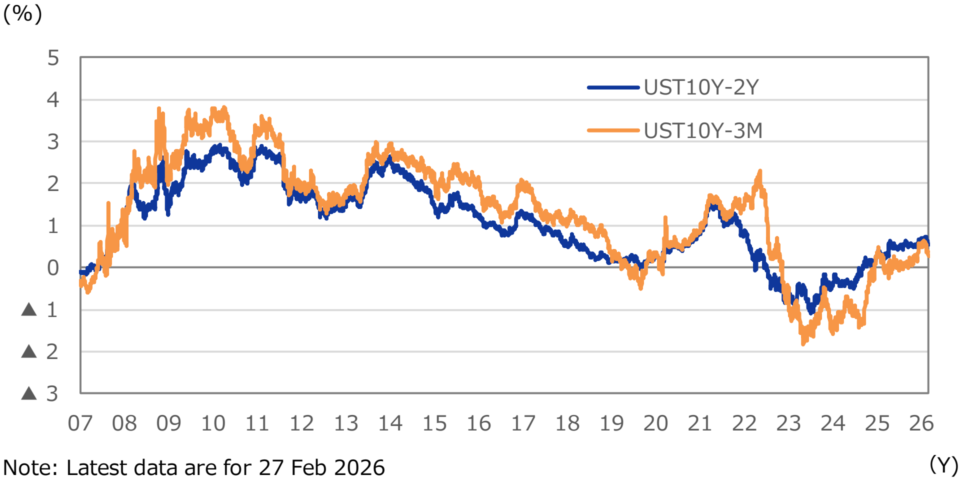


Note: Latest data are for Feb 2026

Source: SMDAM and BofA

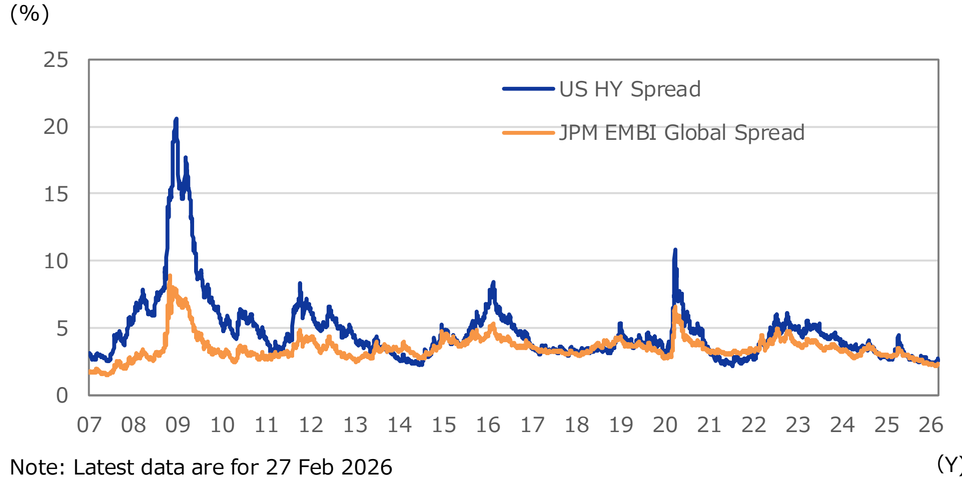
Risk Indicators

US Yield Curve Spread



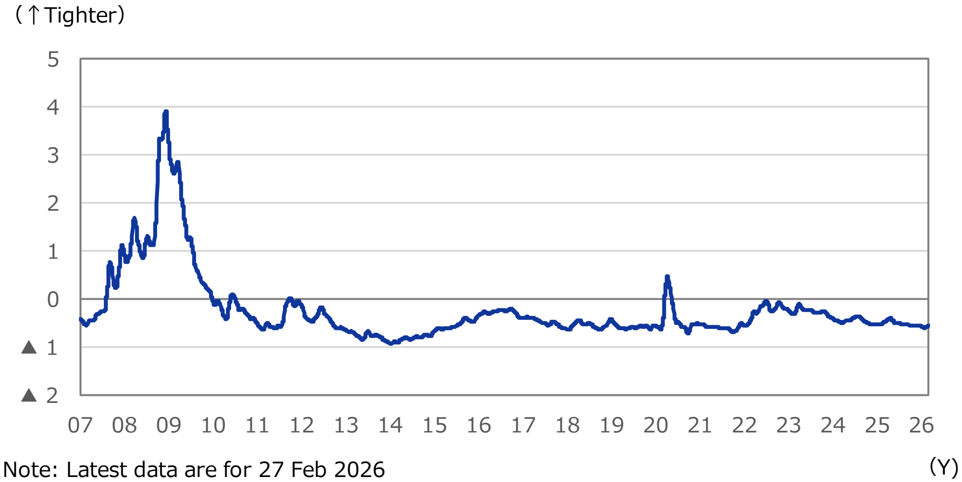
Note: Latest data are for 27 Feb 2026
Source: SMDAM and Bloomberg

US HY Spread and EM Spread



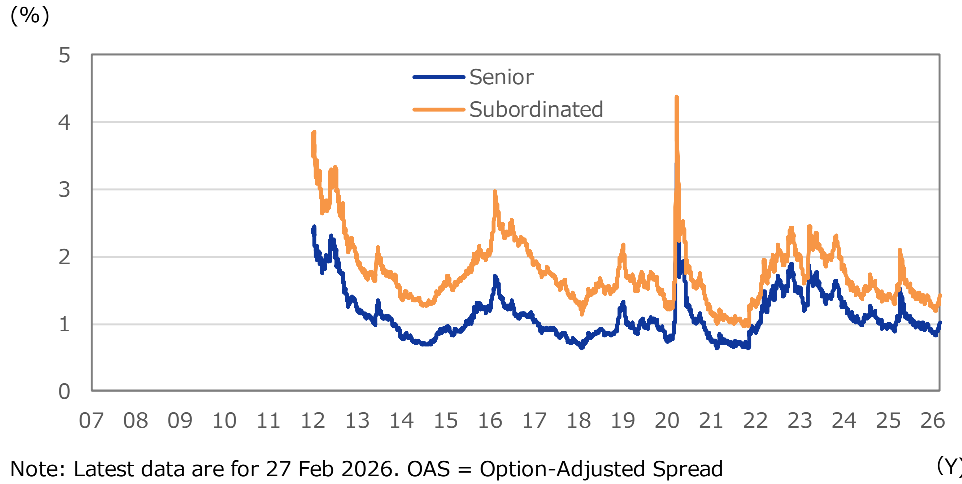
Note: Latest data are for 27 Feb 2026
Source: SMDAM and Bloomberg

Chicago Fed Adjusted National Financial Conditions Index (ANFCI)



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

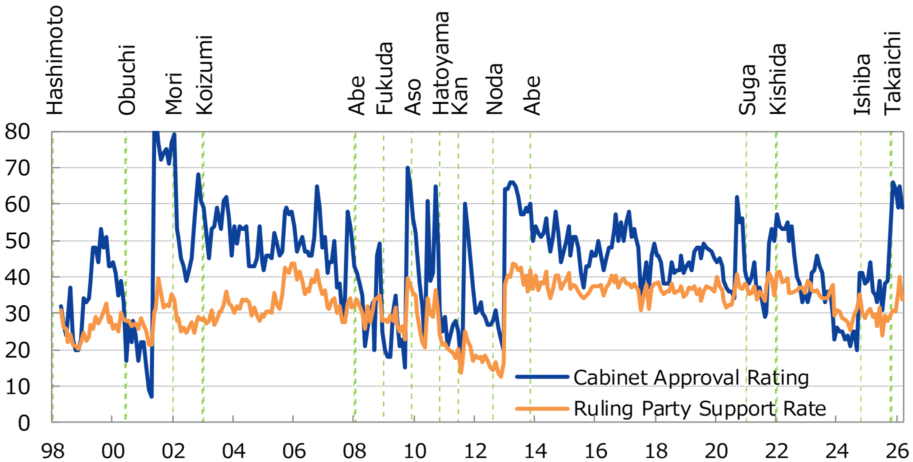
USD IG Financials OAS



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

Japanese Politics:

Cabinet Approval Rating and Ruling Party Support Rate (%)



Source: SMDAM and NHK

Note: Latest data are for Mar 2026

Seats in Lower and Upper Houses

Note: As of 31 Mar 2026

	Lower House seats	Upper House seats
Liberal Democratic Party	316	101
Nippon Ishin / Japan Innovation Party	36	19
Ruling parties	**352**	**120**
Centrist Reform Alliance / Constitutional Democratic Party	48	40
Centrist Reform Alliance / Komeito		21
Democratic Party For the People	28	25
Reiwa Shinsengumi	0	5
Japanese Communist Party	4	7
Sanseito	15	15
Team Mirai	11	2
Others + Vacancies	7	13
Majority	**233**	**125**
Total	**465**	**248**

Source: SMDAM, the House of Representatives and the House of Councillors

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: to discuss a 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 31 Mar 2026

Governance (1): Revised CG Code highlights the importance of growth investments

Overview of the Proposed Revisions to the Corporate Governance Code

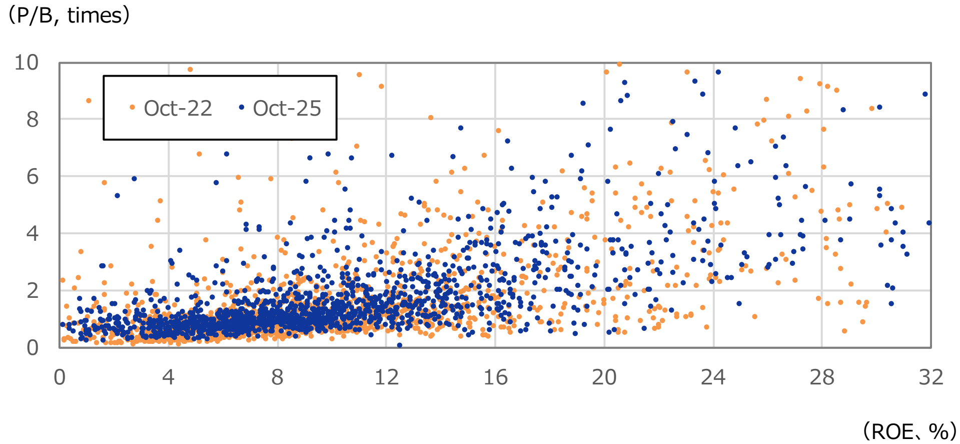
Note: Data as of 3 Apr 2026

Theme	Direction of the Proposed Revisions
Overall	To encourage companies to focus on essential initiatives for mid-to-long-term value creation (e.g., appropriate resource allocation for growth), the revisions limit "comply or explain" principles to abstract/conceptual ones. New "Interpretative Guidelines" were established with specific details and backgrounds to support effective implementation. **Aiming for the "substantiation of the Code" by returning to its original principle-based spirit**, listed companies are expected to implement practices aligned with each principle's intent based on their specific circumstances.
Promotion of Growth Investments	The revisions specify the importance of growth investment initiatives as the board's role/responsibility. Specific examples include: 1. Building a growth trajectory toward company goals. 2. **Explaining specific actions for resource allocation (e.g., capex, R&D, human/intellectual capital investments, and business portfolio reviews) to achieve growth.** 3. **Continuously verifying if resource allocation aligns with disclosed management strategies/plans for growth. The revisions cite verifying whether financial assets (like cash/deposits) and physical assets are effectively utilized for growth investments.** Holding such assets is not entirely denied; maintaining appropriate cash levels can be part of resource allocation if the company can explain its necessity and rationality.
Enhancement of Board Functions	Considering the increasing proportion of independent outside directors and the improving environment for their supervisory functions, the revisions emphasize the importance of their roles/responsibilities, securing quality/quantity, and ensuring independence to enhance their effectiveness. It also adds that the functions of the secretariat (e.g., corporate secretary), which plays a key role in supporting directors including the chair and outside directors, should be strengthened.
Pre-AGM Disclosure of Securities Report	The revised principles cite **submitting the Annual Securities Report before the general shareholder meeting (AGM) as a key example of securing an appropriate environment for exercising voting rights. The Interpretative Guidelines supplement that submitting the report at least 3 weeks before the AGM is most desirable, and pushing back the AGM date can be considered as an option.**
Application of the Revised Code	Listed companies will likely be required to submit Corporate Governance Reports reflecting the revised Code by July 2027 at the latest. The Tokyo Stock Exchange will consider specific submission timelines.

Source: SMDAM and FSA

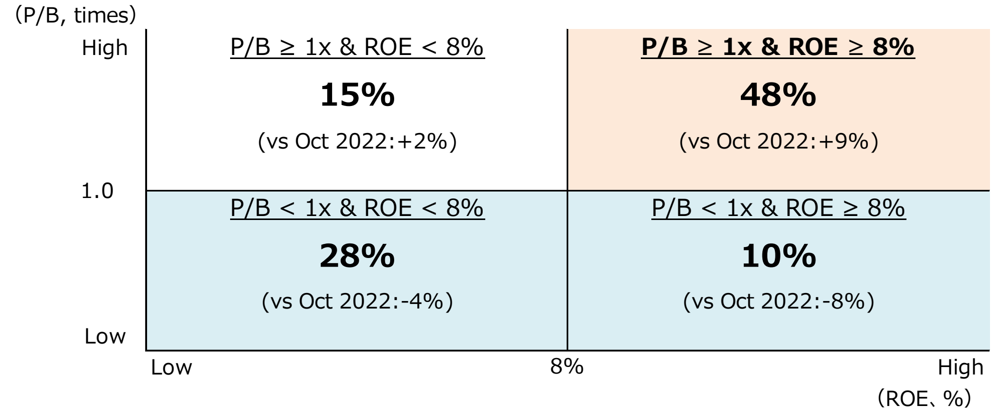
Governance (2): Corporate Response to TSE's Cost of Capital Conscious Management Request

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



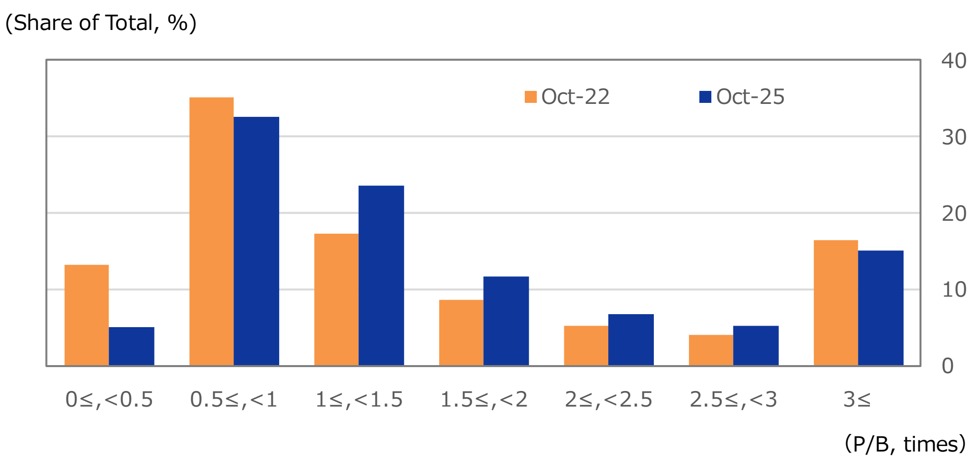
Source: SMDAM and Bloomberg

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



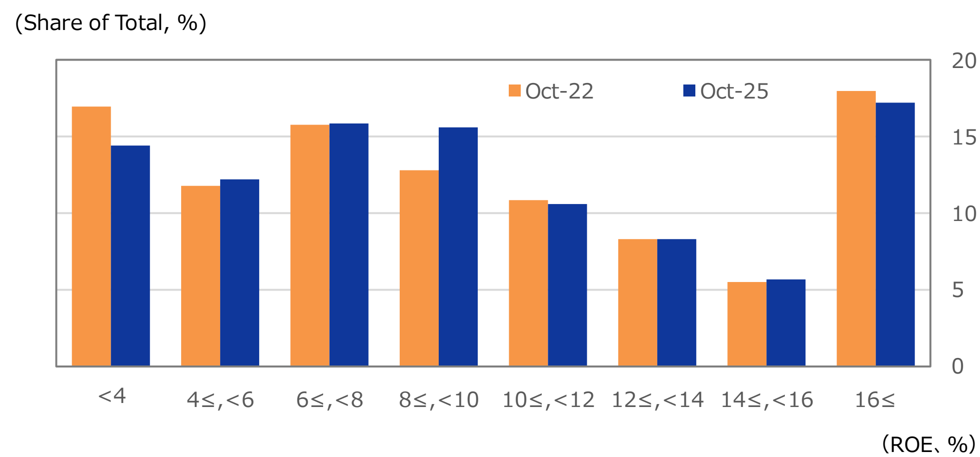
Source: SMDAM and Tokai Tokyo Securities

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

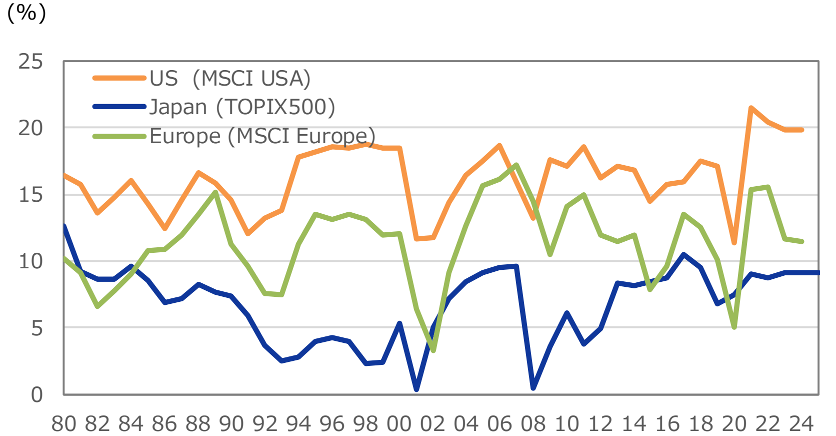
Shifts in ROE Distribution of TSE Prime Companies Before and After the Call for Capital Cost and Stock Price-Conscious Management



Source: SMDAM and Bloomberg

Governance (3): ROE

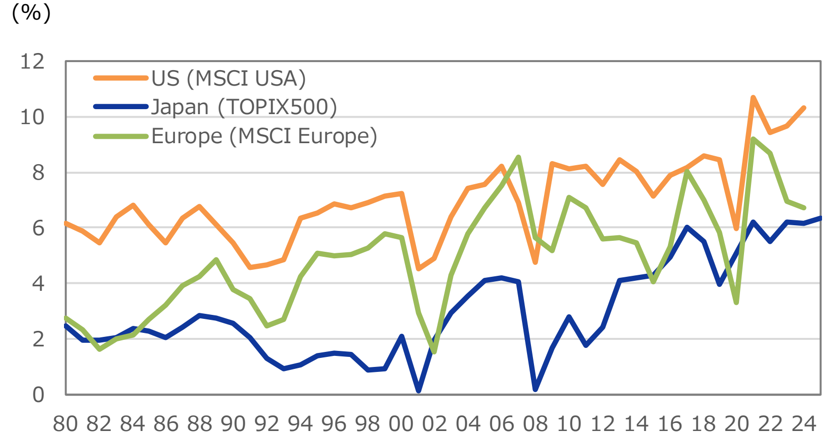
Long-term Trends of ROE in Japan, the US, and Europe



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

Source: SMDAM and Daiwa Securities

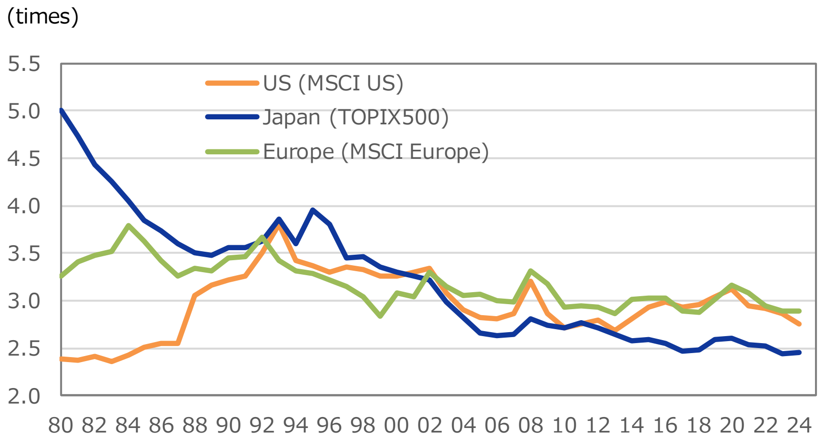
Long-term Trends of Net Profit Margins in Japan, US, and Europe



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

Source: SMDAM and Daiwa Securities

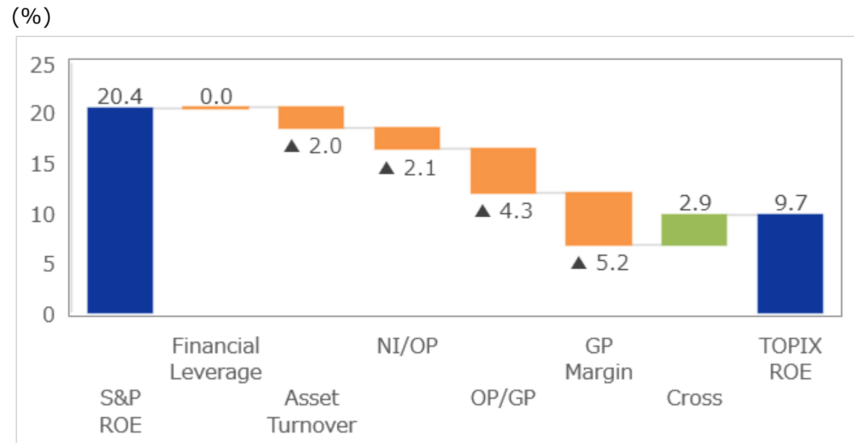
Long-term Trends of Financial Leverage in Japan, US, and Europe



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)

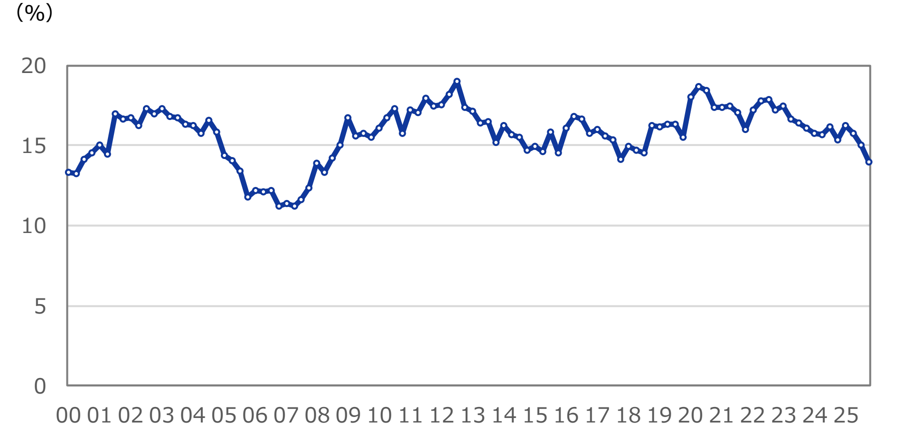


Note: Latest Data as of 31 Mar 2026

Source: SMDAM and Bloomberg

Governance (4): Effective Cash Utilization

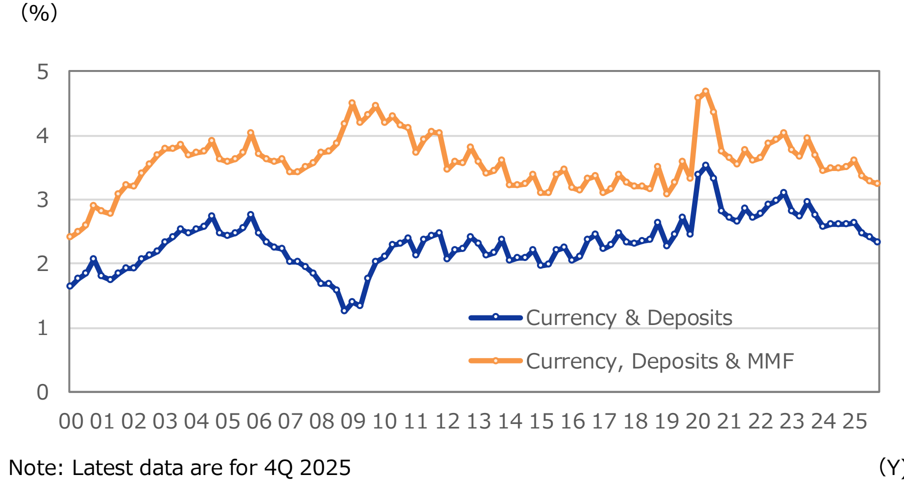
Cash Ratio in B/S of Japanese Non-Financial Corporations



Note: Latest data are for 4Q 2025

Source: SMDAM and BoJ

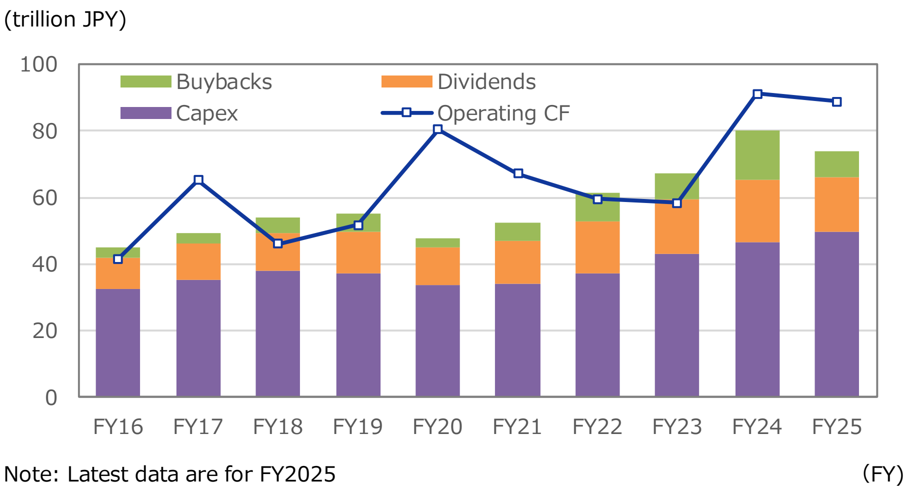
Cash Ratio in B/S of US Non-Financial Corporations



Note: Latest data are for 4Q 2025

Source: SMDAM and FRB

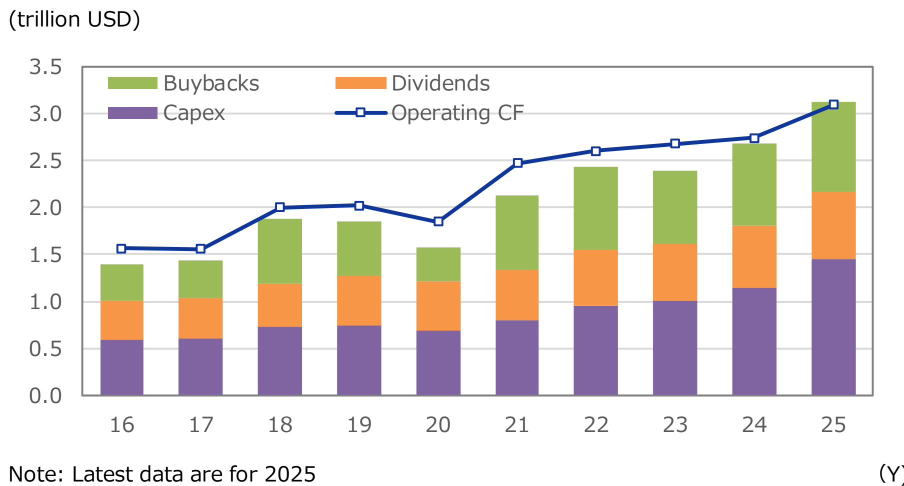
OCF, Investment, and Shareholder Returns for TOPIX 500 Companies



Note: Latest data are for FY2025

Source: SMDAM and Bloomberg

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

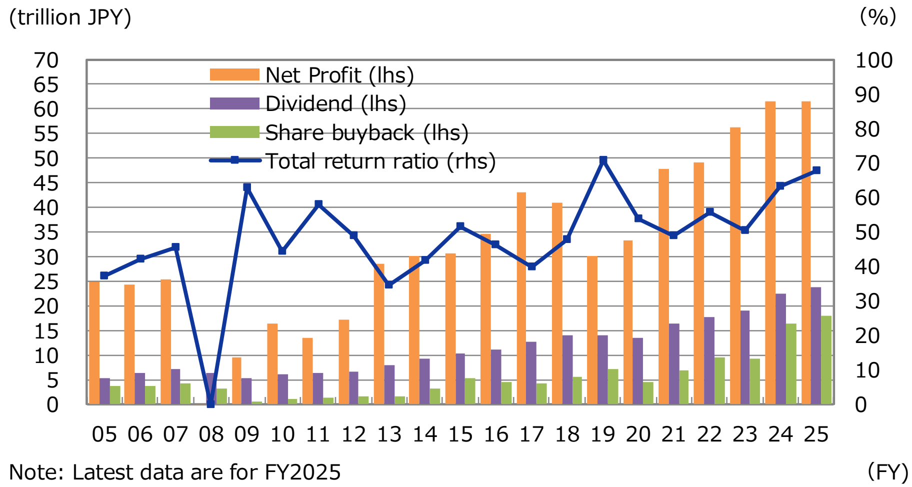


Note: Latest data are for 2025

Source: SMDAM and Bloomberg

Governance (5): Shareholder Returns

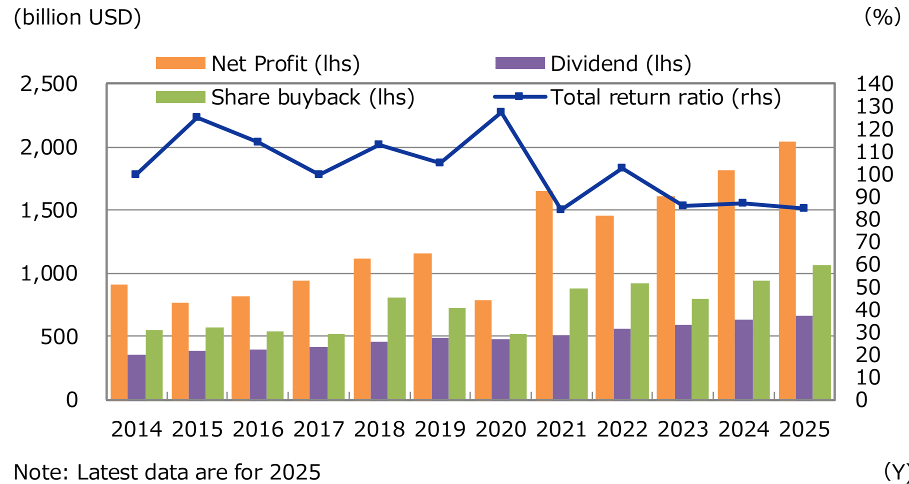
Total Shareholder Return Ratio (TOPIX)



Note: Latest data are for FY2025

Source: SMDAM and Tokai-Tokyo Sec.

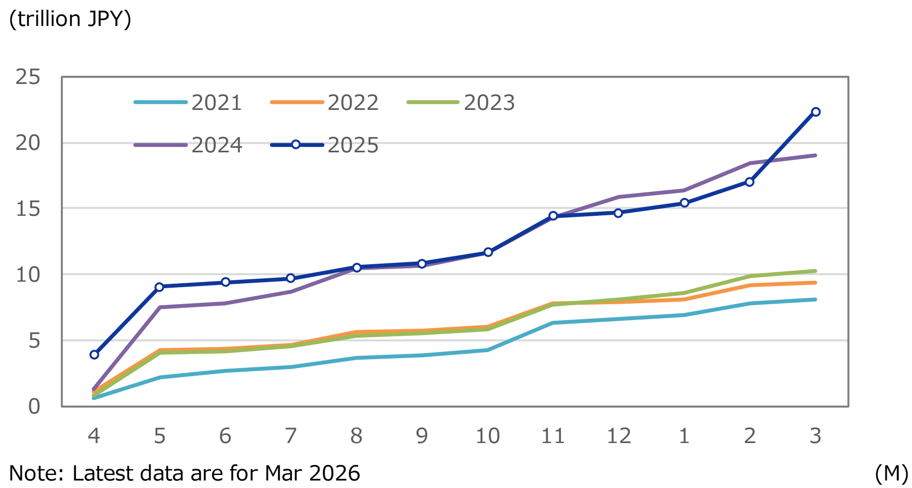
Total Shareholder Return Ratio (S&P500)



Note: Latest data are for 2025

Source: SMDAM and Tokai-Tokyo Sec.

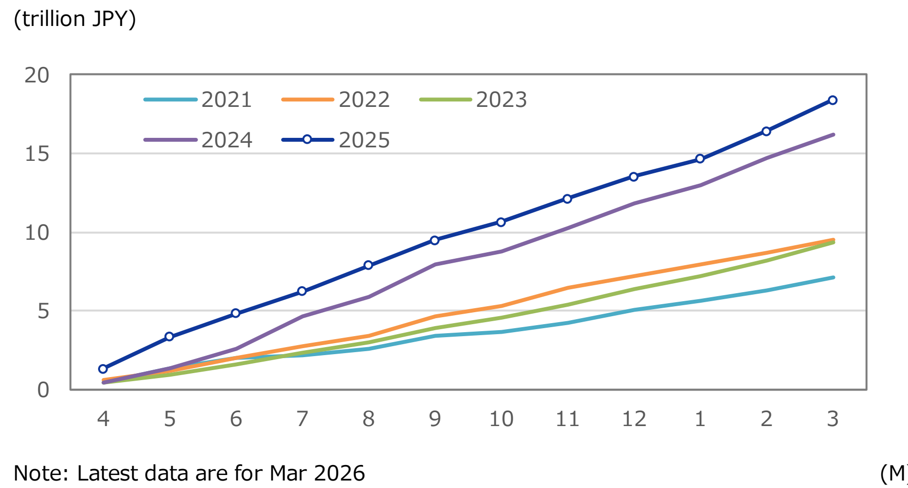
Share Buyback Programs by Japanese Companies (FY Cumulative)



Note: Latest data are for Mar 2026

Source: SMDAM and INDB

Share Buyback Activity by Japanese Companies (FY Cumulative)



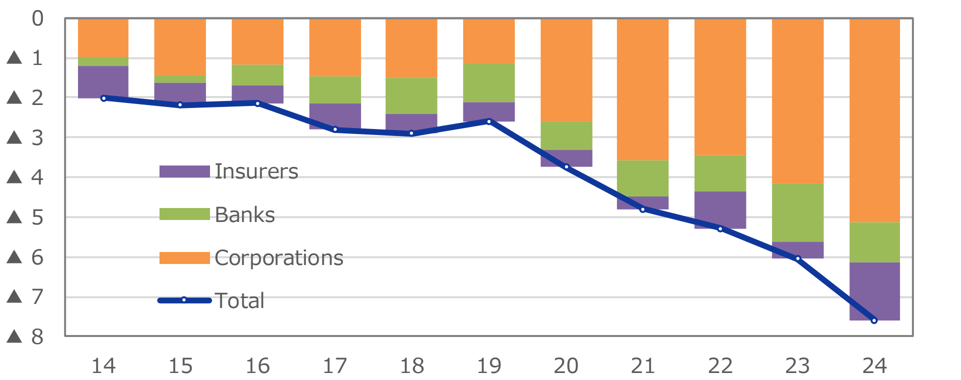
Note: Latest data are for Mar 2026

Source: SMDAM and INDB

Governance (6): Ownership Structure & Shareholder Meetings

Cross shareholding unwinding

(trillion JPY)

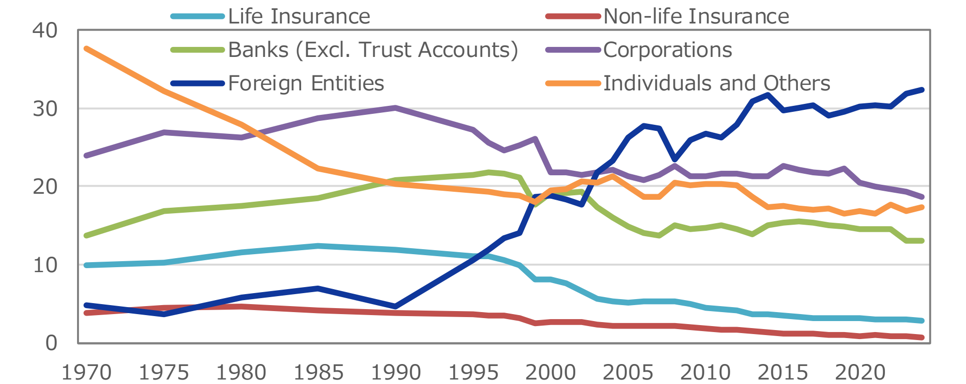


Note: Latest data are for FY2024

Source: SMDAM and Tokai Tokyo Securities

Distribution of Equity Ownership by Shareholder Type

(%)

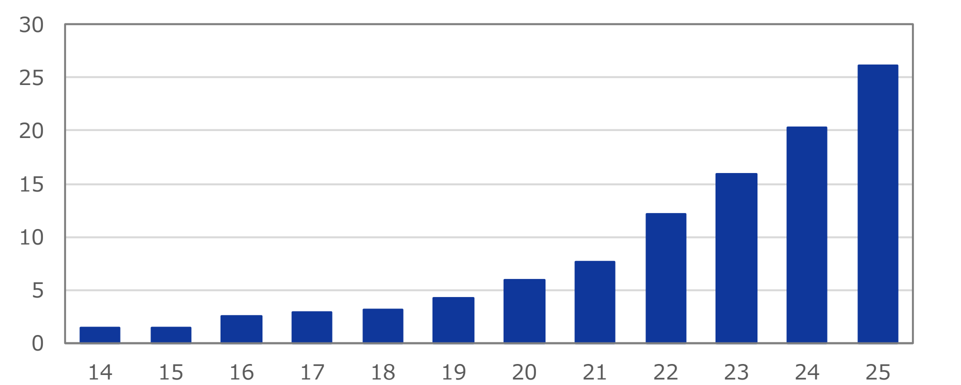


Note: Latest data are for FY2024

Source: SMDAM and JPX

Percentage of Companies with a Majority of Independent Outside Directors

(%)

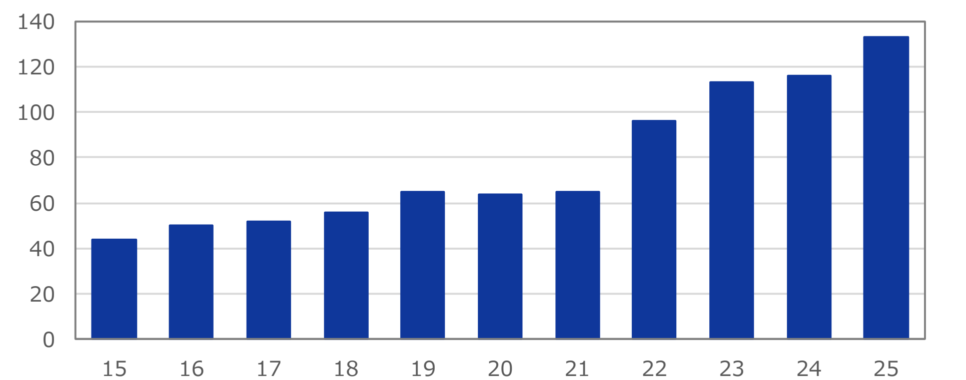


Note: Latest data are for FY2025

Source: SMDAM and JPX

Number of Shareholder Proposals

(Number of Companies)

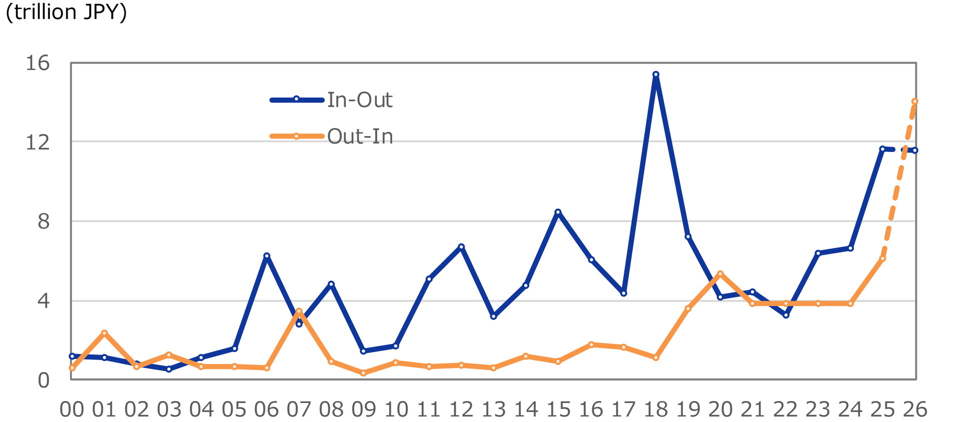


Note: Latest data are for FY2025

Source: SMDAM and Japan Institute of Business Law

Governance (7): Rising Takeover Risk

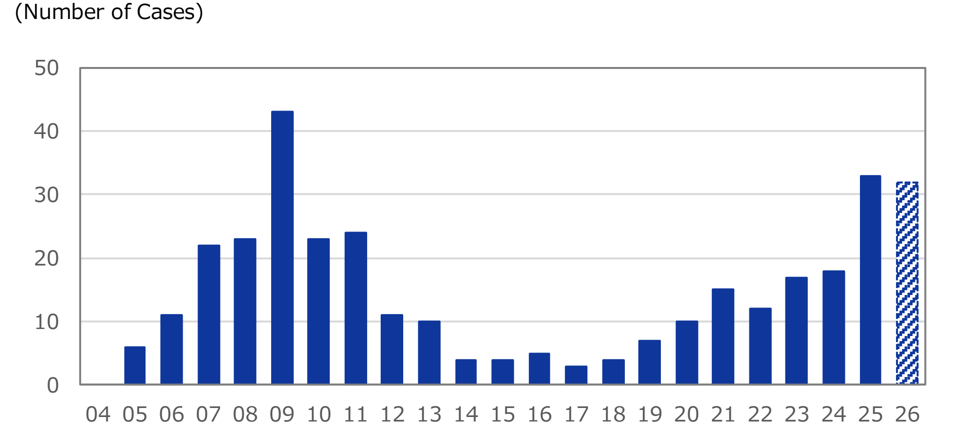
Trends in M&A Deal Value Involving Japanese Companies



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

Source: SMDAM and Bloomberg

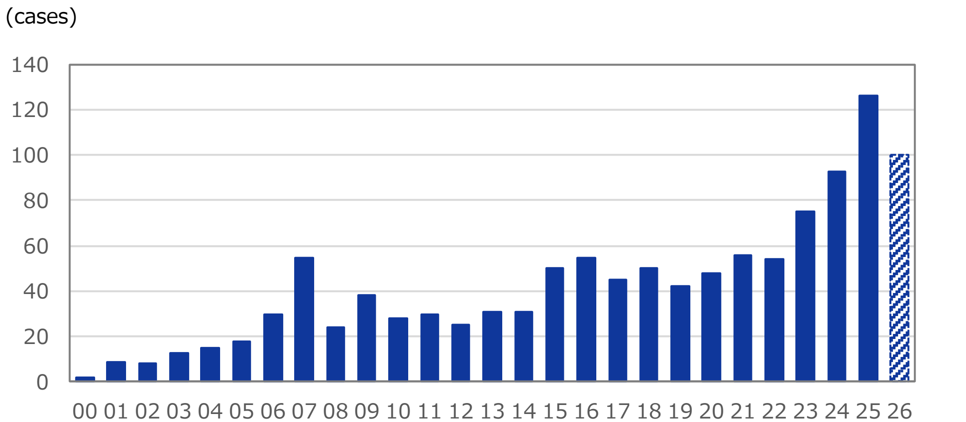
Trends in MBO Transactions



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

Source: SMDAM and Bloomberg

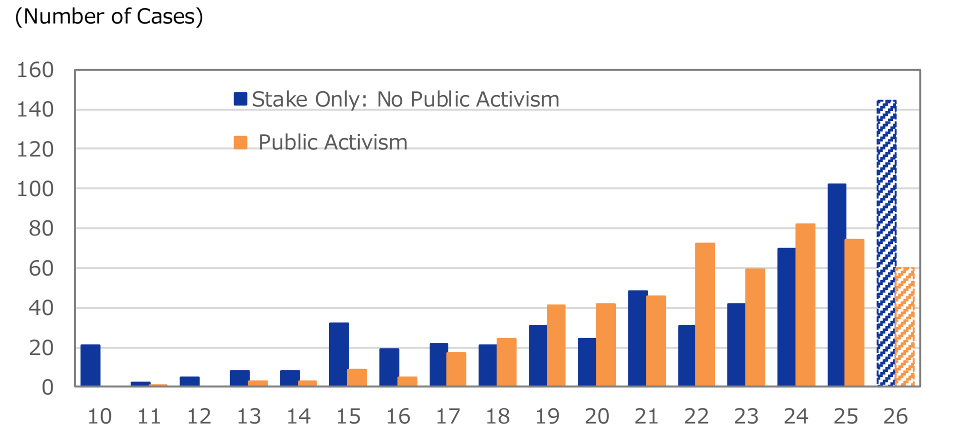
Trends in Number of TOBs (TSE Listed Companies)



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

Source: SMDAM and Bloomberg

Activist investor activity



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

Source: SMDAM and Bloomberg

Sumitomo Mitsui DS Asset Management

NISA

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

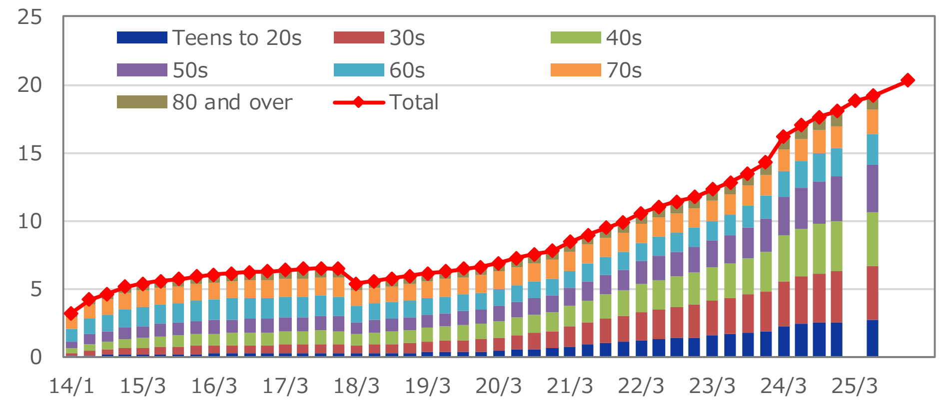
	Old NISA		NEW NISA		
	Tsumitate NISA	General NISA	Tsumitate Quota	Growth Quota	Kodomo NISA
Lifetime Limit	JPY 8 mn	JPY 6 mn	JPY 18 mn (JPY 12 mn for Growth Quota)		JPY 6 mn
Annual Limit	JPY 0.4 mn	JPY 1.2 mn	JPY 1.2 mn	JPY 2.4 mn	JPY 0.6 mn
Tax Exemption Period	20 years	5 years	No Limit		No Limit
Availability 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 31 Mar 2026

Number of NISA Accounts by Age Group

(million Accounts)

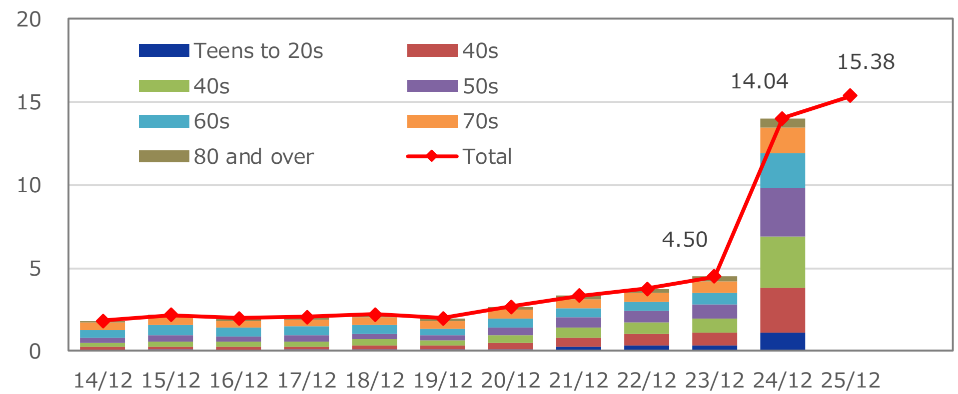


Note: Latest data are for end-Dec 2025; some age breakdowns unpublished. (Y/M)

Source: SMDAM and Japan Securities Dealers Association

Annual Purchase Amount in NISA Accounts by Age Group

(trillion Yen)



Note: Latest data are for end-Dec 2025; some age breakdowns unpublished. (Y/M)

Source: SMDAM and Japan Securities Dealers Association

Financial Assets held by Households (As of December 2025)

Note: For the eurozone, figures are as of September 2025. (%)

Source: SMDAM, BoJ, FRB and ECB

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

	Date	Japan	Date	U.S.	Date	Other Regions
April to June 2026	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**	**Apr 16** **May 15**	**Senate hearing for prospective Fed Chair candidate Warsh** **Expiration of the Term of Federal Reserve Chair Powell**	Apr Apr **May 14-15** May 31 Jun 15	IMF and World Bank Spring Meetings IMF World Economic Outlook **U.S.–China summit meeting** 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
April to June	Apr Q2? Jun? End-Jun	Unified local elections Successor nominations for BOJ Board Members Takata and Tamura (Terms expire Jul 23, 2027) Cabinet's approval of the Basic Policy Closing of the Ordinary Diet Session			Apr Apr Jun	IMF and World Bank Spring Meetings IMF World Economic Outlook G7 Summit

Source: Compiled by SMDAM

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