

## About the Sharp Decline in Japanese Stocks on March 31

Heightened concerns over tariff increases by the Trump administration

March 31, 2025

### Japanese Stocks Expected to Remain Steady Amid Continued Favorable Supply and Demand Conditions

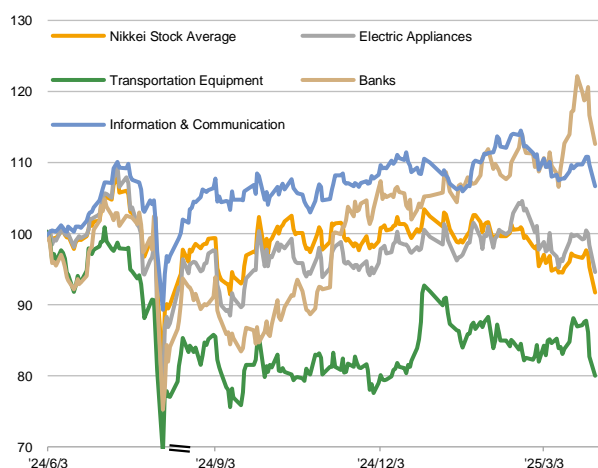
As of the morning session close on March 31, the Nikkei 225 index had plummeted by 1,429 points (3.8%) compared to the previous week's close, marking a significant downturn. The sharp decline was triggered by President Trump's reaffirmation that he would not delay the imposition of tariffs any further, leading to a significant drop in US stocks over the weekend. Consequently, the Japanese stock market also plummeted at the beginning of the week. The optimistic outlook on US tariff policies earlier in the previous week likely exacerbated the decline.

Japanese stocks tend to experience temporary supply-demand imbalances in April due to profit-taking by financial institutions at the start of the new fiscal year, as well as a tendency for companies with March fiscal year-ends to refrain from share buybacks. Additionally, concerns over the Trump administration's policies, the waning effects of Yen depreciation, and cautious outlooks for FY2025 earnings forecasts from companies reporting March fiscal year-end results later in April contribute to the seasonal adjustment. The current situation regarding US tariff increases is highly uncertain, but it is expected that the details will become clearer with this week's announcements, gradually alleviating the uncertainty. Historically, US stocks tend to rise after April. Furthermore, the Japanese economy is emerging from a period of price stagnation, with high wage increases in the spring labor negotiations for the second consecutive year, boosting the performance of domestic demand-driven companies. The continued trend of shareholder returns is also expected to support stock prices. The favorable supply-demand environment is anticipated to underpin Japanese stocks, and overly pessimistic views are expected to gradually recede.

#### Nikkei Stock Average and TSE Sector Indices

(June 2024 beginning=100)

(From the beginning of June 2024 to March 31, 2025)



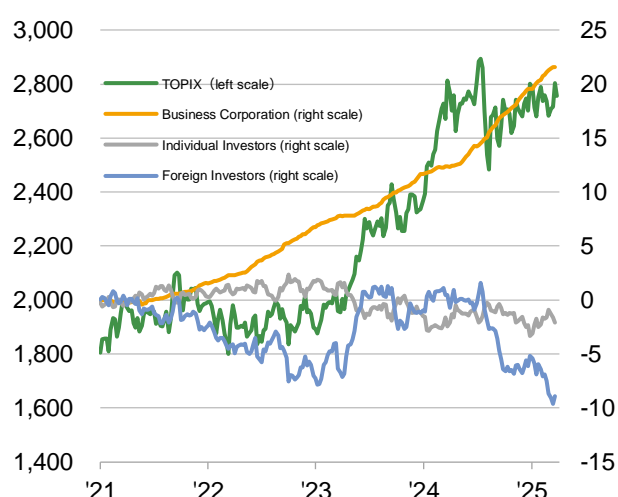
※Data up to the morning session on March 31, 2025

Source: Bloomberg; Compiled by Daiwa Asset Management)

#### TOPIX and Total Trading Value by Investment Category

(January 1, 2021 - March 28, 2025)

(trillion Yen)



※Total Trading Amounts of Cash and Major Futures Transactions (Including Mini Futures), Weekly Data

Source: Bloomberg and QUICK; Compiled by Daiwa Asset Management)

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