

## Reciprocal Tariffs by the Trump Administration and Outlook for Japanese Stocks

Preemptive Caution and Adjustments May Have Mitigated Negative Factors

April 3, 2025

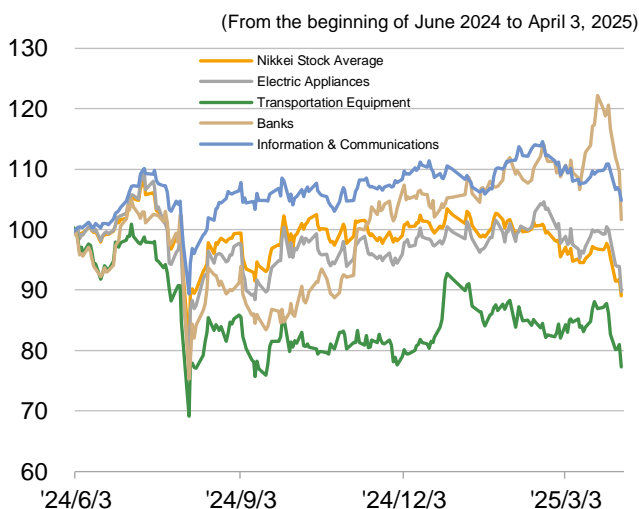
### Concerns Over Global Trade Contraction, But Strong Domestic Demand and Favorable Supply-Demand Conditions Support Stock Prices

On April 2, the Trump administration announced the imposition of reciprocal tariffs on imports from all countries. A uniform tariff of 10% will be applied to all countries, with additional tariffs varying by country. Japan will face a total additional tariff of 24%. Although Japan's tariff rate on US imports is lower compared to other countries, non-tariff barriers have been considered, resulting in a higher-than-expected rate. Consequently, the Nikkei 225 index fell by 1,052 Yen (2.95%) in the morning session on April 3. Given the extension of the 25% tariff exemption for Canada and Mexico, which was expected to expire, there is potential for future negotiations. However, the imposition of tariffs and retaliatory measures by various countries are expected to shrink global trade and act as a drag on economic growth.

However, due to strong caution regarding reciprocal tariffs and the prior adjustment of stock prices, as well as the tendency for stock prices to rebound after the announcement of highly anticipated tariff increases in the past, it is expected that stock prices will reverse after factoring in the negative surprise this time as well. Focus is expected to shift to real economic and currency trends thereafter. External demand companies with high dependence on profits from the US need to be cautious, but the stock prices of these companies have already fallen significantly and are now undervalued. Additionally, the Japanese economy is relatively robust, with high wage increases during the spring labor negotiations for the second consecutive year, indicating a departure from the low inflation phase. The continued expansion of domestic demand companies' performance is anticipated. Unless a global economic downturn occurs, companies' proactive shareholder return stance is expected to remain unchanged, and favorable supply-demand conditions will continue to support stock prices.

#### Nikkei Stock Average and TSE Industry Index

(June 2024 beginning=100)



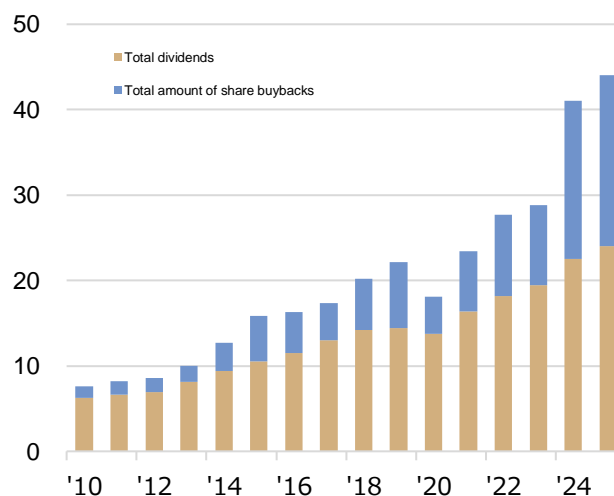
※Data up to the morning session on April 3, 2025

Source: Bloomberg; Compiled by Daiwa Asset Management

#### Shareholder Returns for All Listed Companies

(trillion Yen)

(FY2010-FY2025)



※ Forecasts for FY2024 and FY2025: Daiwa Securities Co. Ltd.'s forecasts.  
Source: Daiwa Securities Co. Ltd, Compiled by Daiwa Asset Management

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