

Monthly Report

January Market Outlook

January 2022

Daiwa Asset Management Co.Ltd.

Japanese Equities

Equity Prices Rebound on Receding Concern over the Omicron Variant

| Nikkei Stock Average | Dec. end      | MoM   |
|----------------------|---------------|-------|
|                      | 28,791.71 Yen | 3.49% |

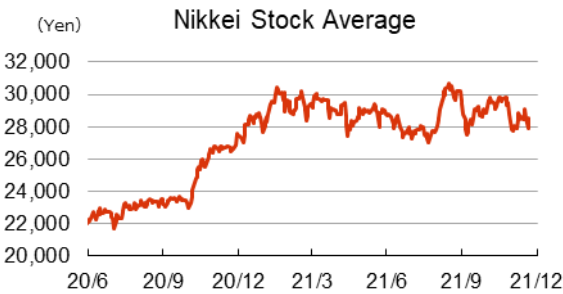
[Market review in December]

Equity prices in Japan rose in December. Excessive concern about the Omicron variant of COVID-19 receded as there was a growing view that the new strain might be less severe than the Delta variant. The equity markets briefly fell after the passage of a massive US spending bill became uncertain due to opposition from lawmaker. However, they remained firm partly as the much-awaited policy decision of the Federal Open Market Committee (FOMC) turned out to be generally in line with market expectations.

[Outlook]

A risk exists that the spread of the Omicron variant in Japan may dampen market sentiment. But as long as the view that the new variant could not cause as many critical illnesses as the Delta variant remains valid, we believe that the decline in equity prices due to concerns about the strain will be temporary and expect equity prices to remain basically firm. The Exchange will announce the markets in which listed company belongs under the TSE's new market segmentation starting in April 2022, but now that many companies have already announced their policies, the announcement is expected to have only a limited impact.

| Positive Factors   | Negative Factors   |
|--|--|
| <ul style="list-style-type: none"><li>Waning concerns about the COVID-19 variant</li><li>Improving economic prospects due to resumption of economic activity</li></ul> | <ul style="list-style-type: none"><li>Heightening concerns about another COVID-19 variant</li><li>Soaring interest rates in Japan and abroad</li><li>Concerns about restrictive monetary policy by major central banks</li></ul> |



As of Dec. 30, 2021

\*Source: data from Nikkei Inc. prepared by Daiwa Asset Management

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