

Japanese Equities

Investors to Wait and See Regarding the Impact of US President Trump’s Tariffs

TOPIX Total Return Index	February end	MoM
	4,616.34 Points	-3.55%

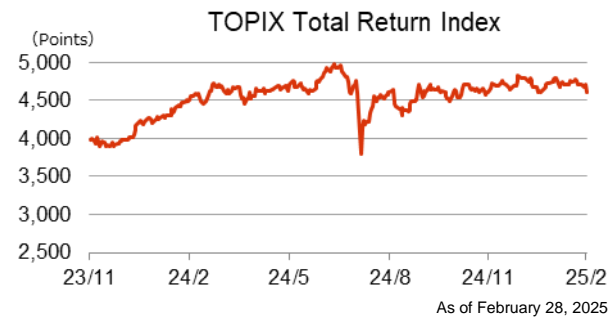
[Market review in February]

Equity prices in Japan fell in February. The domestic equity market opened lower in February as investor sentiment deteriorated after the US Trump administration announced its intention to impose tariffs of 25% on Canada and Mexico and additional 10% on China. Subsequently, the application of additional tariffs on Canada and Mexico was postponed for one month, and the equity market narrowed its decline toward the middle of the month. Equity prices weakened further toward the end of the month due to persistent uncertainty over US President Trump’s tariffs, concerns over tighter restrictions on semiconductors in China, and the ongoing appreciation of the Yen.

[Outlook]

In response to the TSE’s request for management conscious of the cost of capital and stock price, the dissolution of cross shareholdings, and the increasingly large shareholdings of activists, companies are proactively clarifying their stance on shareholder returns. Against this backdrop, the favorable supply-demand environment will be a supportive factor for equity prices. On the other hand, the equity market is likely to remain materially challenged for some time, as expected EPS growth is stagnant and valuations, such as expected P/E, are unlikely to expand. We also need to be mindful of the uncertainty over the tariff policies of the Trump administration in the US and other issues.

Positive Factors	Negative Factors
<ul style="list-style-type: none">● US President Trump’s policies of tax cuts and deregulation● Strengthening of shareholder returns● Progress of Yen depreciation	<ul style="list-style-type: none">● US President Trump’s tariffs● Rapid appreciation of the Yen● Further slowdown of the Chinese economy



* Source: Bloomberg; Compiled by Daiwa Asset Management

*The TOPIX Index Value and the TOPIX Marks are subject to the proprietary rights owned by JPX Market Innovation & Research, Inc. or affiliates of JPX Market Innovation & Research, Inc. (hereinafter collectively referred to as "JPX") and JPX owns all rights and know-how relating to TOPIX such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Marks. JPX shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX Index Value. No Licensed Product is in any way sponsored, endorsed or promoted by JPX, and JPX shall not be responsible for any damage resulting from the issue and sale of the Licensed Product.

Disclaimer: Warning before handling this material

- This material was prepared by Daiwa Asset Management Co.Ltd to provide reference information for investment. It should not be construed as an offer or a solicitation to purchase or subscribe to any fund products. Potential investors should refer to and read the prospectus of each fund product for more detailed information prior to their investment decision.
- The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable, but their accuracy, correctness or completeness are not guaranteed. The performance of investments, if referred herein, is based on past data and is neither necessarily an indication nor a guarantee of future performance of investments. Daiwa Asset Management Co.Ltd. made all reasonable efforts to ensure that the information contained herein is current, but it is subject to change without notice. Daiwa Asset Management Co.Ltd., or any of its respective affiliates, accepts no liability whatsoever for any direct or consequential loss arising from any use of this material or its content.