

Japanese Equities

Assessing the Impact of the US Trump Administration's Tariff Policies

TOPIX Total Return Index	March end	MoM
	4,626.52 Points	0.22%

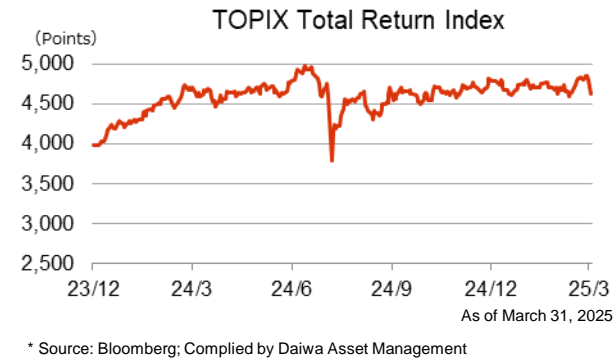
[Market review in March]

The Tokyo equity market rose slightly in March. The market continued to be lackluster through the middle of March as investor sentiment deteriorated after US President Trump did not explicitly deny the possibility that the tariff hikes would cause a recession in the US. Subsequently, equity market rebounded sharply on the strength of rising US equities and the strong spring labor negotiations for 2025, but the gains were pared back as investor sentiment deteriorated amid persistent uncertainty over the US administration’s tariff policy and concerns about the possibility of the US economy slipping into stagflation.

[Outlook]

The favorable supply-demand environment is likely to support stock prices, driven by the Tokyo Stock Exchange's request for "management conscious of capital costs and stock prices", the progress in unwinding cross-shareholdings, and the increase in activist large holdings, leading to more proactive shareholder return policies by companies. The impact of the Trump administration's tariff policies remains uncertain, and it is important to note that rising costs, such as labor expenses, could weigh on corporate performance. However, given the recent improvement in estimated EPS, stock prices are expected to remain steady.

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">● Additional tariffs by the US Trump administration● Rapid appreciation of the Yen● Further slowdown of the Chinese economy



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