

Chief Strategist
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FY2025 Full-Year Financial Results Preview

Actual Results Remain Solid, but Initial Guidance Likely Weaker Than Usual

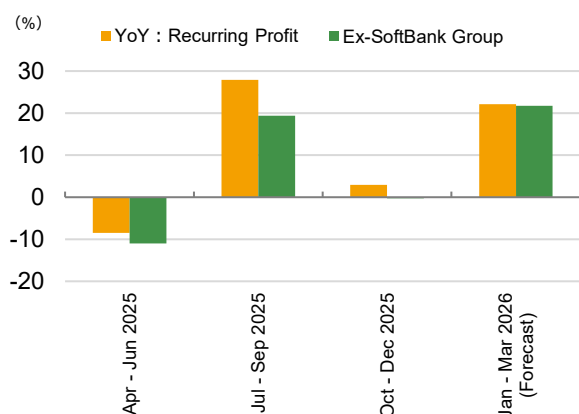
Focus on the Impact of High Crude Oil Prices and Supply Constraints on Corporate Earnings

Companies with fiscal years ending in March are set to begin announcing their full-year FY2025 financial results in earnest. Over the three trading days from April 27 to 30, around 23% of companies are scheduled to announce results, followed by approximately 63% over the six trading days from May 8 to 15, by market capitalization. Amid ongoing uncertainty stemming from the situation in the Middle East, attention is focused on the impact of high crude oil prices and supply constraints on corporate earnings.

As of the fiscal year-end on March 31, 2026, the impact of the Middle East situation on earnings has not yet fully materialized—except for a few companies with high exposure to the Middle East and crude oil—so results for the January-March 2026 quarter are expected to be robust. Market consensus forecasts ordinary profit for the fourth quarter (4Q) of fiscal 2025 to be up 22% year-on-year, and full-year ordinary profit for fiscal 2025 to be up 8% year-on-year. In addition to the semiconductor and AI sectors and the financial sector, the energy sector—which benefits from high crude oil prices—is expected to drive earnings. The consensus forecast for Q4 ordinary income has been revised downward by about 2% since the start of March (excluding Kioxia and Honda, which are significantly affected by individual factors), and it appears to be a tug-of-war between downside risks stemming from the situation in the Middle East and upside risks from robust performance in the semiconductor and AI sectors, the financial sector, and domestic demand.

The business environment has changed significantly since the US and Israeli attacks on Iran at the end of February, reducing the importance of past performance relative to normal times. When considering the outlook going forward, attention will focus on the new fiscal year corporate plans (initial guidance) announced by companies, in conjunction with their results for the previous fiscal year. Japanese companies are well known for their cautious initial guidance, and in most years, this does not tend to put downward pressure on the stock market. However, given the high level of uncertainty caused by the situation in the Middle East this year, there is a possibility that initial guidance will be weaker than usual, and caution is warranted.

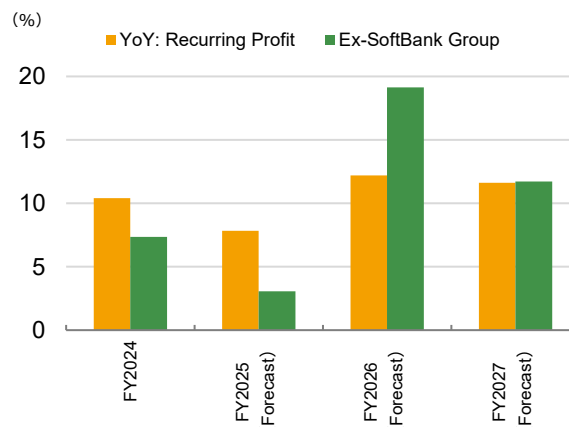
January–March 2026 Results Expected to Remain Solid



※Forecasts are based on consensus; companies with March fiscal year-ends in the TOPIX, as of April 21, 2026

Source:FactSet; Compiled by Daiwa Asset Management

Initial Guidance Could Be Weaker Than Usual



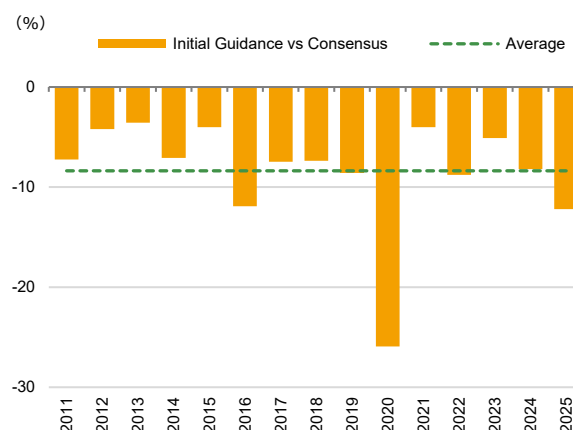
※Forecasts are based on consensus; companies with March fiscal year-ends in the TOPIX, as of April 21, 2026

Source:FactSet; Compiled by Daiwa Asset Management

Prior to the conflict, the consensus forecast for the TOPIX's FY2026 EPS growth rate was 14%, but it currently stands at 12%; factoring in high crude oil prices, this figure drops to 8% (our assumption for the average Brent crude oil price in FY2026 is \$84/bbl.). Since initial guidance (recurring profit) tends to fall short of the consensus forecast by about 8%, if the company's plan is in line with past trends, it could show a slight year-on-year increase; however, if the company is more cautious than usual, it could result in flat or declining earnings. The stock market has rebounded sharply on the back of expectations, with the Nikkei 225 surpassing its record high set at the end of February 2026, and futures briefly reaching the 60,000-Yen level. From here on, we enter a phase where expectations will be tested against reality. It is expected to take some time for crude oil prices and supply constraints to normalize, and the negative impact on the economy and consumer spending will gradually become apparent. If expectations for an improvement in the Middle East situation persist, it is unlikely that the stock market will be significantly dragged down by weak earnings momentum; however, stock selection will likely intensify depending on the extent of that impact.

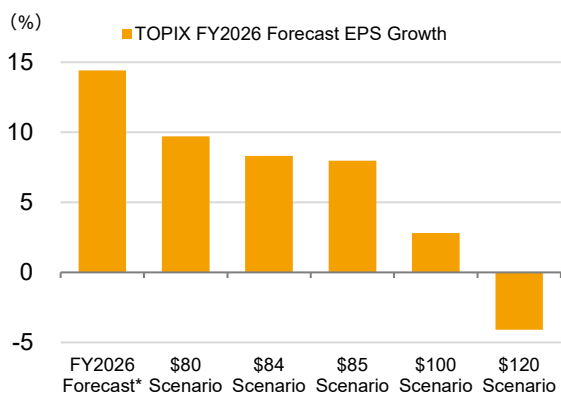
During the financial results season, attention will also focus on announcements regarding measures to improve capital efficiency and shareholder returns. Ahead of the June shareholder meeting season, this period tends to see the announcement of various initiatives. Additionally, April and May are the months when announcements of share buybacks are most concentrated throughout the year. During last year's full-year financial results for fiscal 2024 season, high levels of share buybacks were announced despite coming immediately after the Trump administration's tariff announcement, which provided reassurance to a market that had been concerned that progress on corporate governance reforms might be stalling. Although uncertainty surrounding the situation in the Middle East remains high, given Japanese companies' strong commitment to improving capital efficiency, high-level announcements are expected again this year.

Initial Guidance (Recurring Profit) Typically Tend to Fall 8% Below Consensus



Source:FactSet; Compiled by Daiwa Asset Management

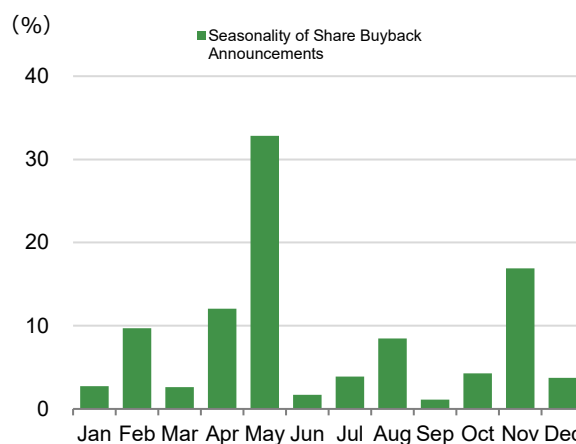
TOPIX Forecast EPS Growth by Brent Oil Price Level



※ *Market consensus prior to the conflict; Our FY2026 Brent crude assumption: \$84/bbl.; futures market pricing: \$85/bbl.

Source:FactSet; Compiled by Daiwa Asset Management

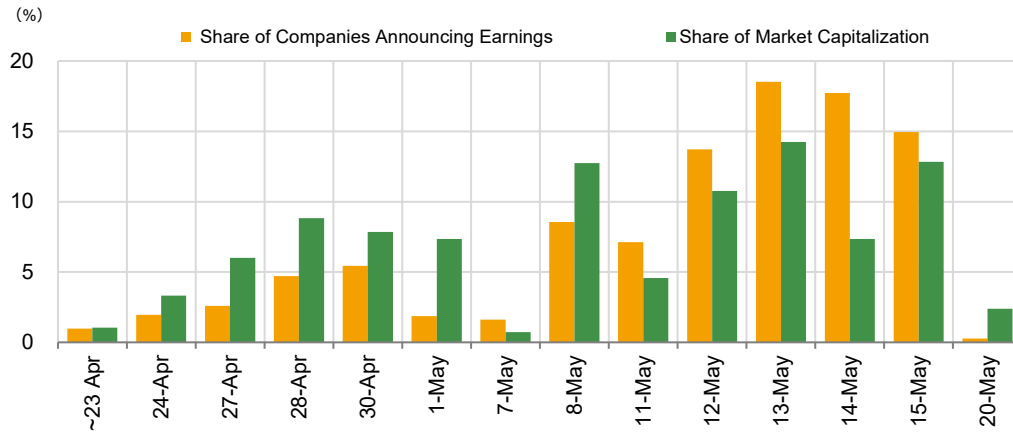
45% of Annual Share Buyback Announcements Are Concentrated in April–May



※ Average for 2022–2025

Source:QUICK; Compiled by Daiwa Asset Management

FY2025 Full-Year Earnings Announcement Calendar



※ TOPIX constituents with March fiscal year-ends, as of April 21, 2026

Source:FactSet, Bloomberg; Compiled by Daiwa Asset Management

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