

The Sharp Drop in Japanese Stocks on July 17

Our Bullish Stance on Japanese Stocks Remains Unchanged

July 17, 2026

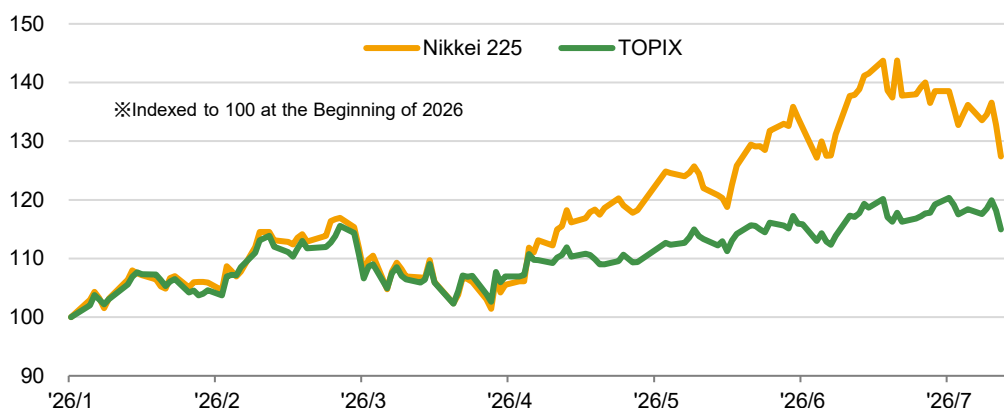
Sharp Losses Continue, Led by AI and Semiconductor-Related Stocks

On July 17, the Nikkei 225 closed 2,694 Yen lower (down 4.0%) than the previous day, marking another sharp decline following the previous day's 2.8% drop. The weekly decline reached 6.4% compared to the end of last week, bringing the index to a level 11.4% below its June 25 high (based on closing prices). Since late June, global selling pressure on AI and semiconductor-related stocks has persisted, and declines in these sectors were particularly noticeable in today's Japanese stock market.

AI and semiconductor-related stocks have risen sharply since April amid a highly concentrated market, creating technically overbought conditions and making them vulnerable to profit-taking. In addition, concerns regarding the profitability and sustainability of AI infrastructure spending have led to a growing cautious outlook on the AI theme. While some negative factors are evident, they do not warrant a change in our view of the fundamentals. Given the high growth potential of the AI-related sectors, we believe there is no need for excessive pessimism.

On the other hand, the TOPIX, which reflects broader trends in the Japanese stock market, has declined by only about 4% from the high it reached on July 6, showing resilience even as the Nikkei 225 has declined sharply. Looking at the fundamentals of Japanese stocks, both the economy and corporate earnings remain solid amid improving conditions in the Middle East. The structural changes in the Japanese stock market—which we view as a medium-term driver of stock price appreciation—are progressing steadily, and the government's growth strategy is also providing a tailwind. While stock prices may remain volatile in the near term, our bullish stance on Japanese stocks remains unchanged.

Sharp Decline in Japanese Equities on July 17



※ Latest figure as of July 17, 2026

Source: Bloomberg; Compiled by Daiwa Asset Management

Important Information

This Presentation ("Presentation") is provided to its intended recipient (the "Recipient") and is not intended for redistribution or public use. The data and information presented are for informational purposes only. The information contained herein should be treated as confidential and may not be transmitted, reproduced, or used in whole or in part for any other purpose, nor may it be disclosed without the prior written consent of Daiwa Asset Management. By accepting this material, the Recipient agrees not to distribute or provide this information to any other person.

This Presentation is intended for use by professional investors only. Investors should independently evaluate specific investments and strategies and seek their own investment advice. Daiwa Asset Management shall not be held liable for any consequences resulting from any investment in any strategy or product discussed in this Presentation. No investment strategy can guarantee performance results. Past performance is no guarantee of future results. All investments are subject to investment risk, including the loss of principal. For more detailed information, including a description of the risks and rewards associated with the funds mentioned, please refer to the UCITS prospectus, the Key Investor Information Document (KIID), and the most recently published annual and semi-annual reports.

This Presentation was prepared to provide information regarding the investment capabilities of Daiwa Asset Management. It should not be construed as an offer or a solicitation to purchase or subscribe to the funds mentioned in this material. This is a marketing communication. Potential investors should refer to and read the UCITS prospectus and KIID for more detailed information prior to making an investment decision.

The information, statements, forecasts, and projections contained in this Presentation, including any expressions of opinion, are based on sources believed to be reliable, but their accuracy, correctness, or completeness are not guaranteed. The performance of investments, if referred to herein, is based on past data and is neither necessarily an indication nor a guarantee of future performance of such investments. The performance data in this material does not account for any taxes or fees, if applicable, and does not represent the final return for potential investors. Daiwa Asset Management has made all reasonable efforts to ensure that the information contained herein is current, but it is subject to change without notice. Daiwa Asset Management, or any of its affiliates, accepts no liability whatsoever for any direct or consequential loss arising from any use of this material or its content.

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 the calculation, publication, and use of the TOPIX Index Value and the TOPIX Marks. JPX shall not be liable for any miscalculation, incorrect publication, or 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 issuance and sale of the Licensed Product.

