# Market Letter

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# FY2026 First-Quarter Financial Results Preview

### Can Stability Return to the Volatile Japanese Stock Market?

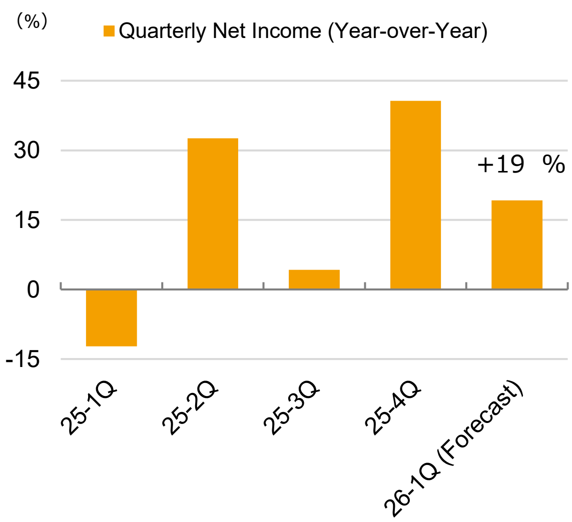
## Q1 Net Income Expected to Surge 19% YoY

Companies with fiscal years ending in March are set to begin announcing their FY2026 first-quarter (April–June; hereinafter “Q1”) financial results in earnest. Market consensus forecasts a substantial 19% year-on-year increase in Q1 net income for TOPIX constituent companies (those with fiscal years ending in March; the same applies below). While the projected growth rate had been around 10% through early May, upward revisions have continued since mid-May. While Kioxia′s contribution—driven by a significant upward revision—stands out, projected net profits are also rising in the energy and financial sectors, as well as among AI-related companies other than Kioxia. Even on a year-on-year basis, profit growth is strong for Kioxia, AI-related companies, the energy sector, and banks; however, a recovery in profits is also expected in sectors such as transportation equipment and steel, where performance had been weighed down by Trump′s tariffs. Excluding Kioxia, which is making a significant positive contribution, and SoftBank Group, which is making a significant negative contribution, the first-quarter net income of TOPIX constituent companies is projected to be up 15% year-over-year.

While some cautious views on the AI theme are emerging, the current performance of AI-related companies remains strong. Even after the outbreak of the Iran conflict, the domestic economy has remained resilient, and with alternative sourcing progressing, the negative impact of supply constraints has not yet materialized significantly. We expect Q1 financial results to be solid.

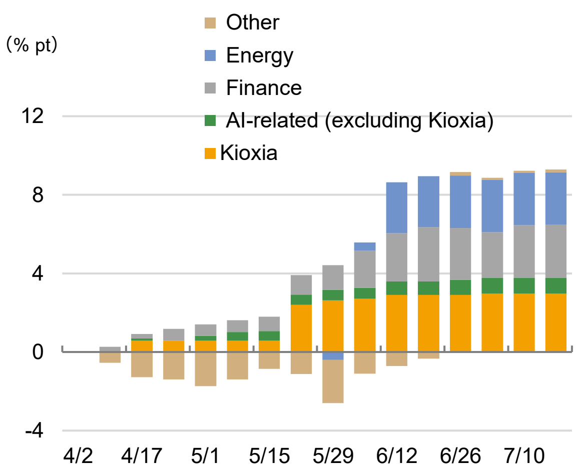
While Japanese stocks continue to experience high volatility at present, attention is focused on whether AI and semiconductor-related companies—the epicenter of this volatility—can meet high market expectations. In the full-year financial results for fiscal year 2025, companies reported solid performance and outlooks even amid deteriorating conditions in the Middle East, which served as a tailwind for Japanese stocks. We hope that this earnings season will demonstrate that the impact of the Middle East situation on corporate earnings has been limited, providing reassurance about the earnings outlook for this fiscal year.

### Strong Q1 Earnings Growth Expected Following Last Quarter



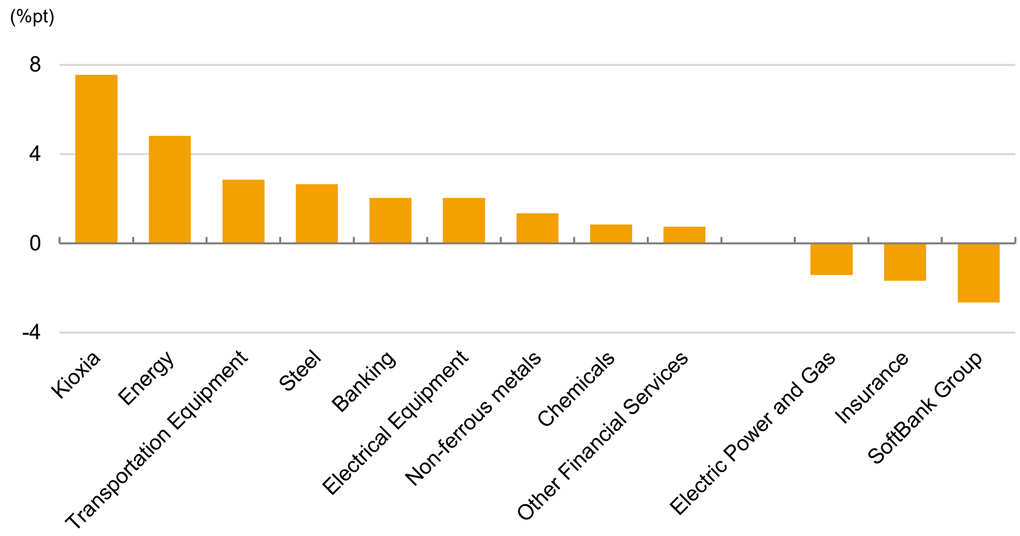

※Forecasts are based on consensus, companies in the TOPIX with financial results for the March fiscal year, as of July 17, 2026
Source: FactSet; Compiled by Daiwa Asset Management

### TOPIX: Q1 Net Income Revisions and Cumulative Contributions




※ Forecasts are based on consensus, companies in the TOPIX with financial results for the March fiscal year, latest figure as of July 17, 2026
Source: FactSet; Compiled by Daiwa Asset Management

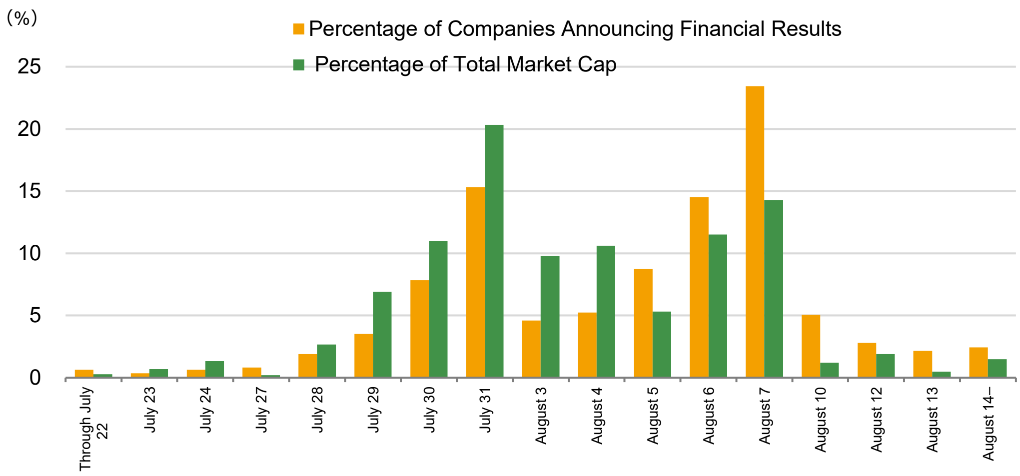
## TOPIX Q1 Net Income: Contributions to YoY Growth




※ Companies in the TOPIX with financial results for the March fiscal year, excludes Kioxia in the electrical equipment sector, as of July 17, 2026

Source: FactSet; Compiled by Daiwa Asset Management

## FY2026 Q1 Financial Results Calendar




※ Companies in the TOPIX with financial results for the March fiscal year, as of July 17, 2026

Source: Bloomberg; Compiled by Daiwa Asset Management

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