

# Japan Outlook

Asset Management One Co., Ltd. Global Business Development Department  
March 2026

# Agenda

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## Japan Outlook

- 1. Japan Market Outlook**
2. Japan Economic Outlook

# Japan Market Outlook

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## **Stock Market: U.S. stocks traded sideways, but Japanese stocks rose sharply alongside Taiwanese and South Korean stocks amid favorable conditions before recent correction.**

- Amid concerns over AI disruption, software stocks have been sold off since the start of the year, while hardware stocks have attracted buying interest.
- Given the rise in ROE, the increase in the P/B ratio of Japanese stocks can be justified.
- However, caution is required regarding the risk of valuation adjustments stemming from concerns over the situation in Iran and other factors.

## **Bond Market: The Bank of Japan personnel appointments demonstrate the Takaichi administration's strong resolve to implement high-pressure economic policies.**

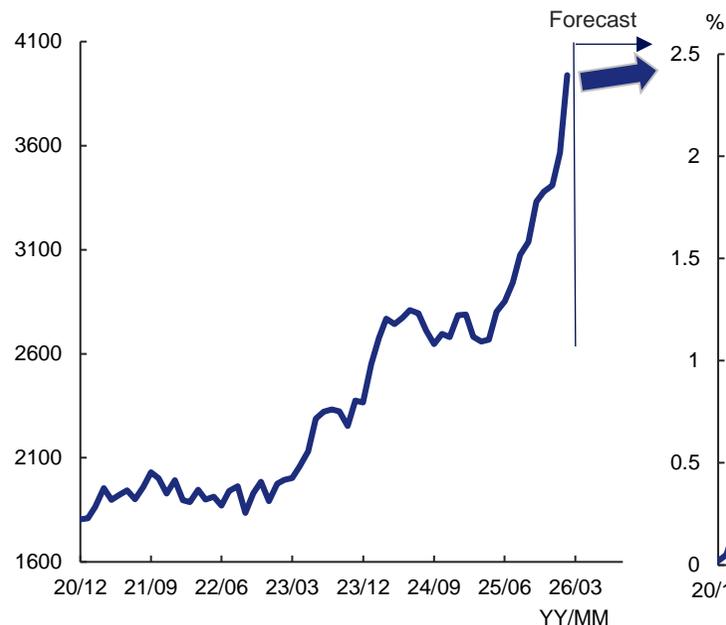
- U.S. long-term interest rates have fallen sharply since February, with the impact spreading to Japan and Germany. This may reflect a shift of funds from U.S. software stocks, gold, and Bitcoin.
- The personnel appointments for Bank of Japan board members reaffirm the Takaichi administration's firm resolve to maintain its monetary easing and fiscal stimulus policies, thereby sustaining a degree of economic overheating to realize a “high-pressure economy.”

## **Foreign Exchange Market: Amid conditions favoring a weak dollar, yen-selling positions are also shrinking.**

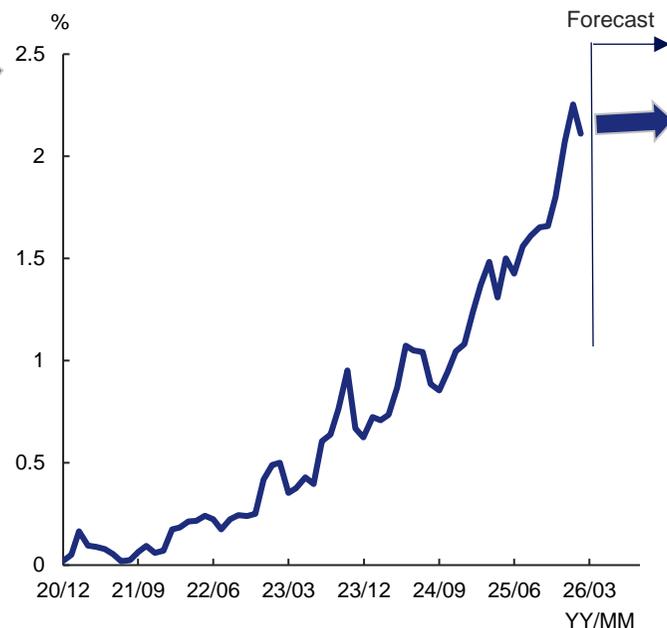
- Overseas medium- to long-term investors' purchases of Japanese stocks and JGBs following the Lower House election may also be contributing to the yen's appreciation.
- On the other hand, risk-averse dollar buying driven by the situation in Iran could provide support for the dollar.

# Japan Market Outlook

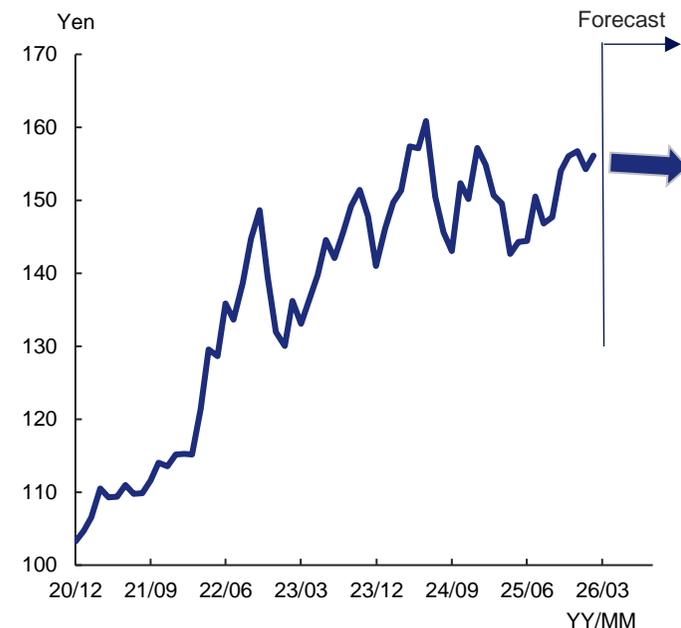
## TOPIX Index



## JGB 10 Year Yield



## USD/JPY



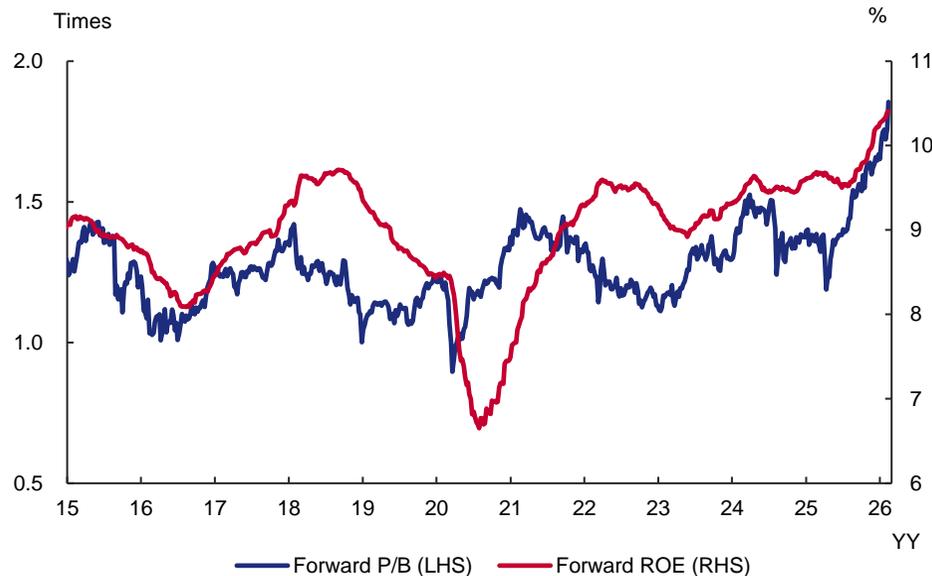
Source: LSEG Data & Analytics, Asset Management One Co., Ltd.

Note: Monthly data from December 2020 to February 2026

# Valuations

- Given the rise in ROE, the increase in the P/B ratio of Japanese stocks can be justified.
- Japan market is positioned close to the trend line in terms of the relationship between P/B ratio and ROE.
- However, caution is required regarding the risk of valuation adjustments stemming from concerns over the situation in Iran and other factors.

## Forward ROE and Forward P/B Ratio for Japanese Stocks



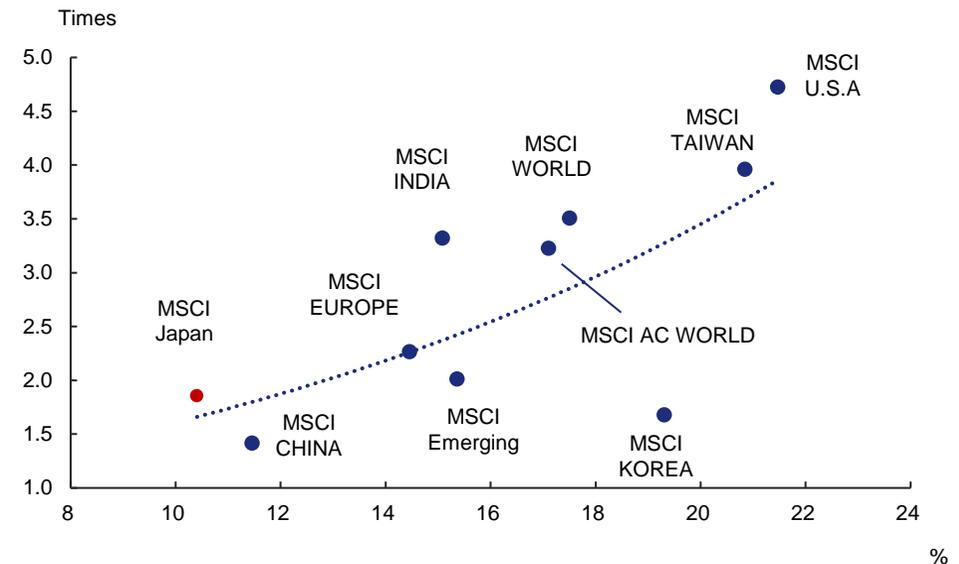
Source: LSEG Data & Analytics, Asset Management One Co., Ltd.

Note: 1. Weekly data from 2 January 2015 to 13 February 2026

2. Use MSCI Japan index values

3. Based on 12-month forward estimates

## The Relationship between P/B Ratio and ROE (International Comparison)



Source: LSEG Data & Analytics, Asset Management One Co., Ltd.

Note: 1. As of 13 February 2026

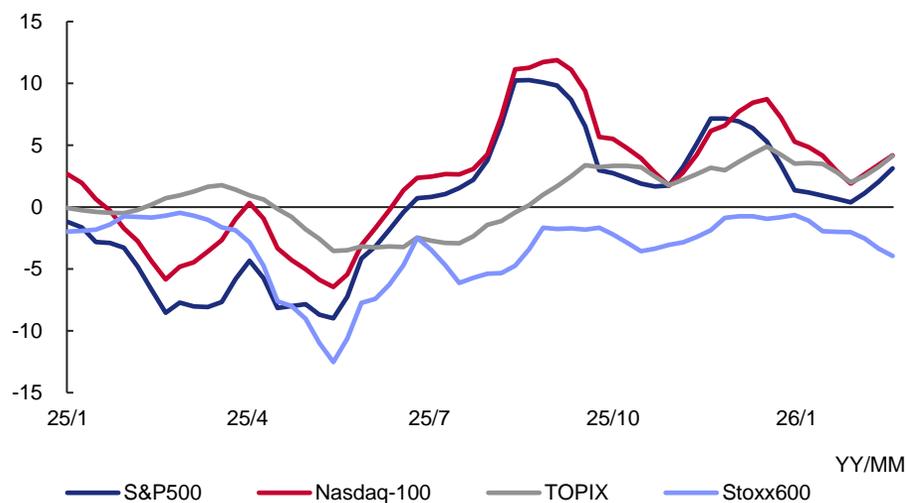
2. Use MSCI country/region index values

3. The horizontal axis represents forward ROE, and the vertical axis represents forward P/B ratio

4. The dotted line is an exponential approximation

# Earnings growth

## The Earnings Revision Index



## Matrix between EPS growth rates and P/E

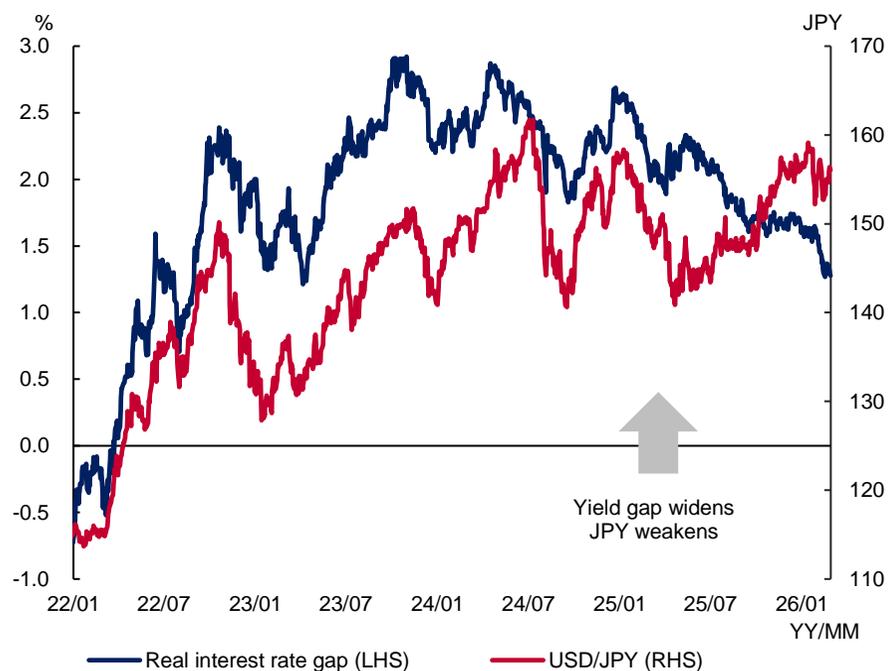
FY25 Estimated EPS 200.0		P/E			
		14	15	16	17
FY26-27 EPS Growth Rate (p.a.)	+6	3,150 (47,300)	3,370 (50,600)	3,600 (54,000)	3,820 (57,300)
	+8	3,270 (49,100)	3,500 (52,500)	3,730 (56,000)	3,970 (59,600)
	+10	3,390 (50,900)	3,630 (54,500)	3,870 (58,100)	4,110 (61,700)
	+12	3,510 (52,700)	3,760 (56,400)	4,010 (60,200)	4,260 (63,900)

Source: LSEG Data & Analytics, Asset Management One Co., Ltd.  
Note: 6-week moving average data from 3 January 2025 to 20 February 2026

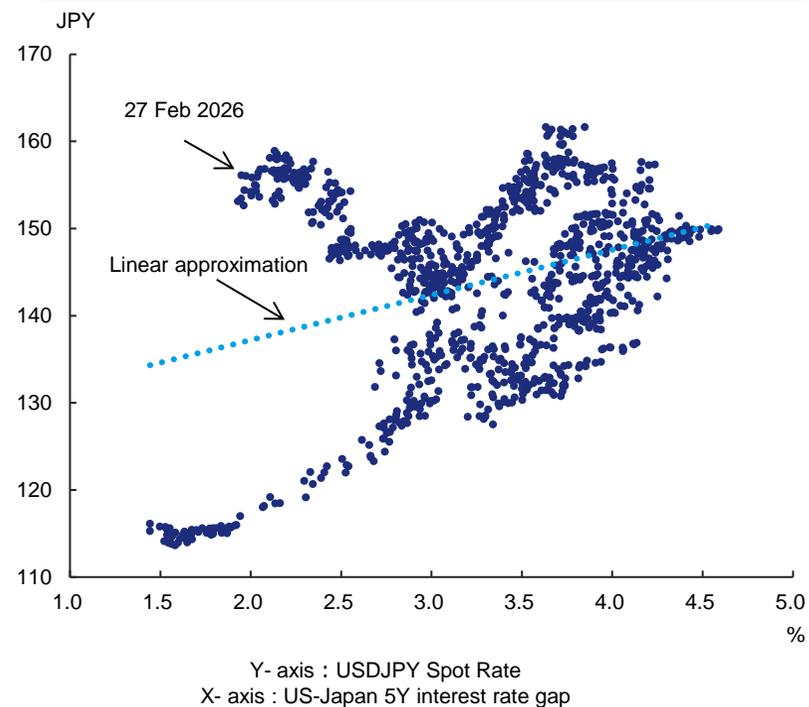
Source: LSEG Data & Analytics, Asset Management One Co., Ltd.  
Note: 1. Vertical axis represents earnings growth rate (annualized) for FY2026 - FY2027  
2. Upper row – TOPIX, Lower row – Nikkei 225

# USD/JPY rate

## USD/JPY and 10Y real interest rate gap



## USD/JPY and 5Y interest rate gap



Source: Bloomberg, Asset Management One Co., Ltd

Note: 1. Daily data from 1 January 2022 to 27 February 2026

2. The real interest rate is the nominal interest rate minus the break-even inflation rate

Source: LSEG Data & Analytics, Asset Management One Co., Ltd.

Note: Daily data from 3 January 2022 to 27 February 2026

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# Japan Economic Outlook

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- The impact of U.S. tariffs on imports from Japan is expected to be limited. The Japanese economy is projected to remain resilient, underpinned by domestic demand such as personal consumption and capital investment. This resilience stems from two factors: 1) Continued high wage increases from spring labor negotiations boosting incomes, and 2) Labor-saving investments driven by labor shortages.
- Price increases are expected to moderate due to slowing growth rate of rice prices and other factors.
- The Bank of Japan decided to raise interest rates to 0.75% in December 2025. Going forward, it plans to continue raising rates while assessing their impact on the economy. The next rate hike is expected in June or July 2026 (to 1.00%). Thereafter, if the Takaichi government's proactive fiscal policy continues and the underlying inflation rate rises amid an expanding positive output gap, a continuation of rate hikes every six months is anticipated.
- The likelihood of implementing a consumption tax reduction focused on food items has increased. It is expected that funding can be secured without issuing deficit-covering bonds by reviewing subsidies and special tax measures.

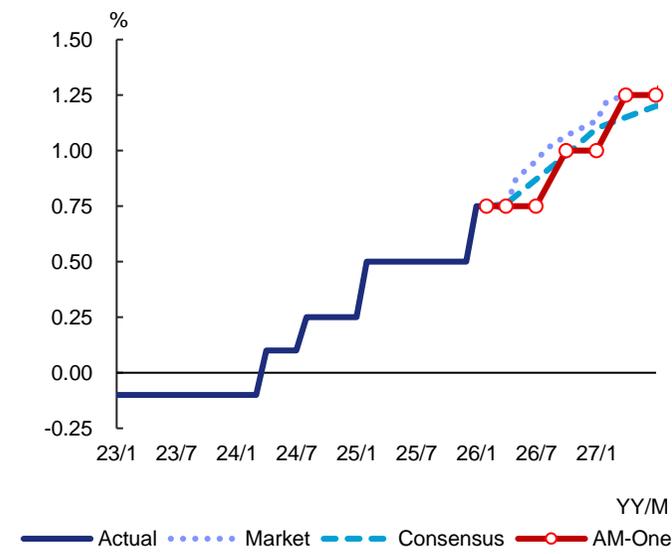
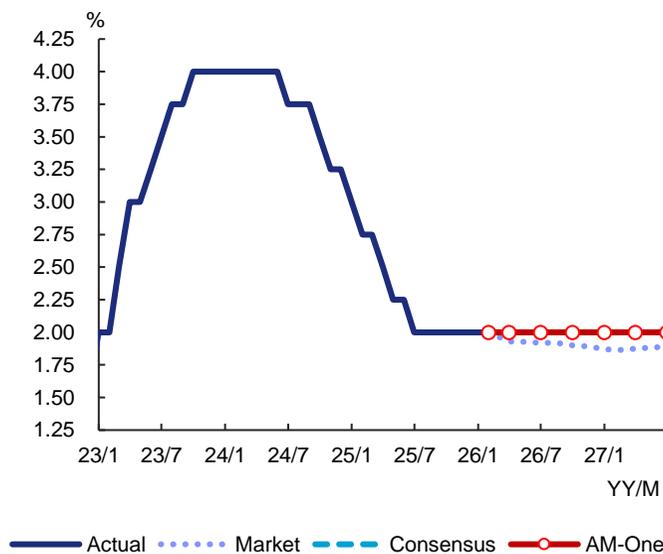
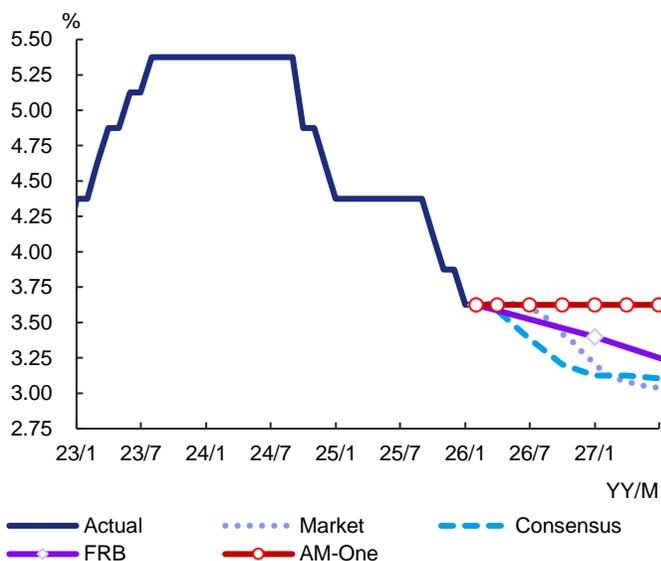
# Monetary Policies

- The U.S. Federal Reserve and the European Central Bank are expected to keep their policy interest rates unchanged for the time being.
- The Bank of Japan is expected to continue raising interest rates every six months despite pressure from the government.

 Fed Policy Rate Pathways Forecasts

 ECB Policy Rate Pathways Forecasts

 BOJ Policy Rate Pathways Forecasts



Source: Bloomberg, Asset Management One Co., Ltd.

Note: 1. Monthly data from January 2023 to June 2027

2. Values from February 2026 onward are projections

3. "AM-One" denotes policy rate forecasts made by our economists. "Market" refers to policy rate levels priced in by the market through OIS or other instruments. "Consensus" uses Bloomberg's forecast values. "FRB" indicates the outlook of FOMC participants as shown in the latest SEP (Summary of Economic Projections).

4. "Consensus" and "AM-One" for ECB overlap with the same figures

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