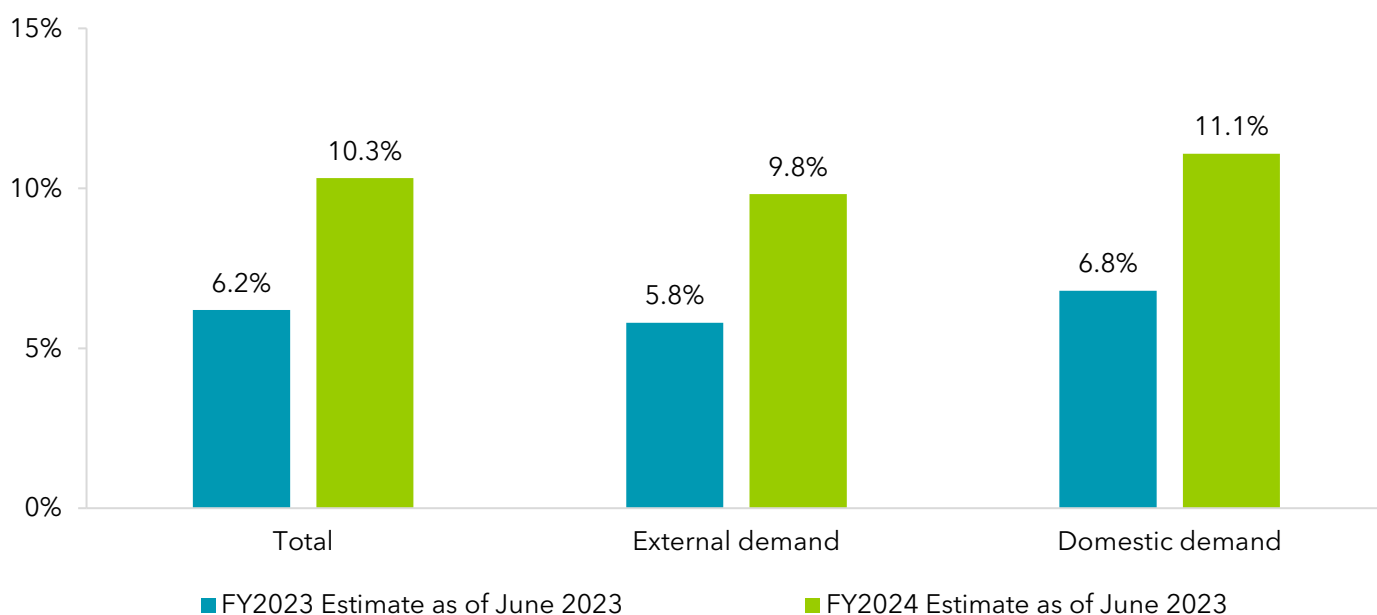


## SuMi's Updated Annual Corporate Earnings Forecast for Summer 2023

SuMi TRUST AM expects Japanese companies to post good earnings growth for the FY 2023 and FY 2024

- We have updated the forecast before the Q2 earnings announcement season which will kick off in late July. Our expectation is to see strong corporate earnings growth in FY 2023 updating the historical highs in FY 2022. The earnings estimate for FY 2023 is +6.2% as supply chain disruptions recover and the abolishment of COVID-19 restrictions will lift consumer spending.
- Pent-up domestic demand is expected to contribute, driven by the recovery of personal consumption. Moreover, growth in inbound tourism driven by border control lifts and Yen depreciation may contribute to related sectors such as Retail sector.
- Domestic demand related sectors are expected to lead since the decline in the number of COVID-19 cases supports the economic normalisation progresses.
- External demand related sectors are expected to recover as raw material costs peak. Moreover, recovery from supply chain disruptions caused by semiconductor shortages will push earnings of automobile manufacturers up.

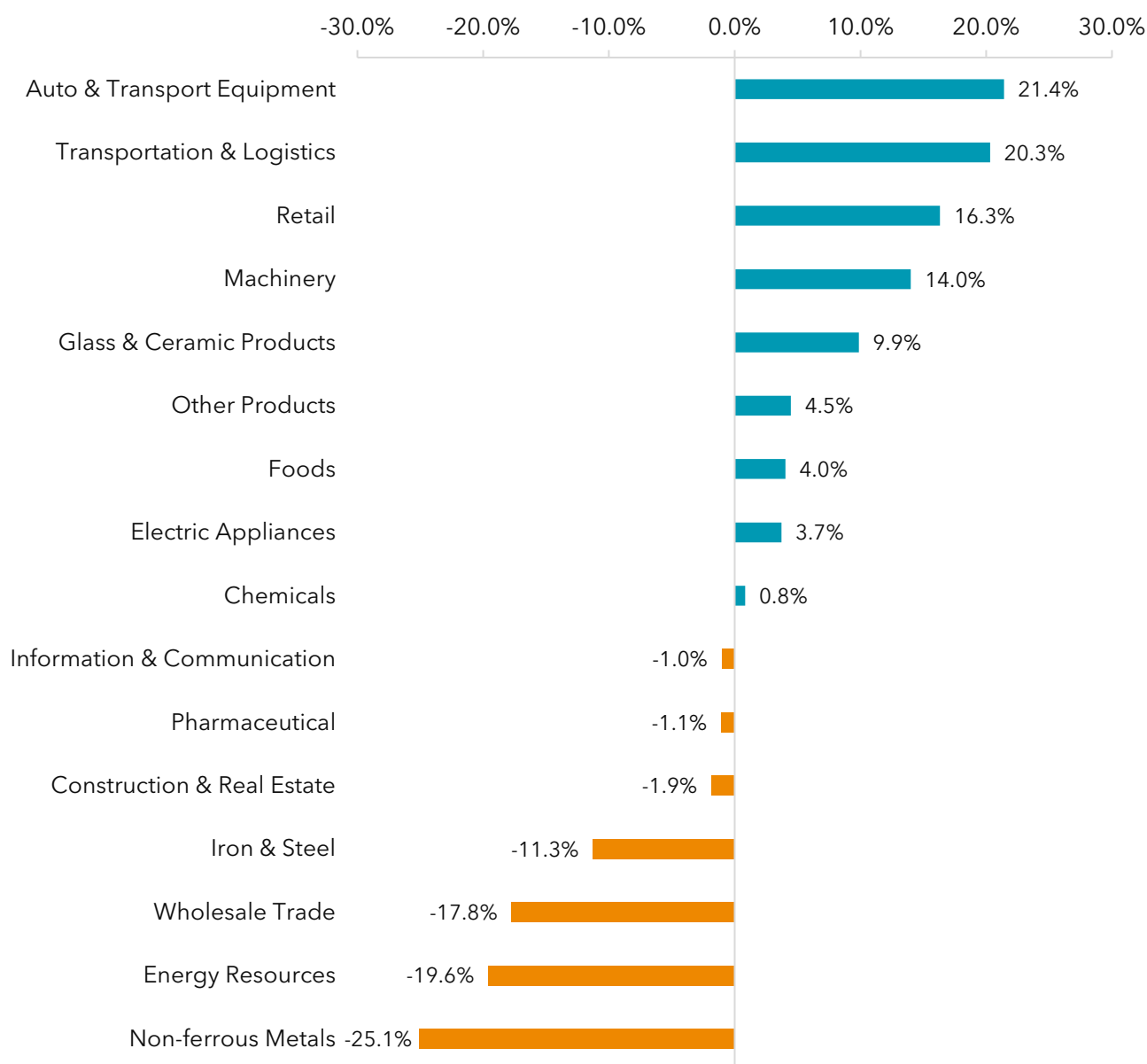
Earnings Forecast\* by SuMi TRUST (YoY)



Note: \*Operating profit (FX assumption: USD/JPY=135, EUR/JPY=145), the above figures are calculated based on SuMi TRUST AM's earnings forecast for the Nikkei 225 constituents (ex-financials, wholesalers, utilities).

- We forecast 21.4% earnings growth in the **Auto & Transport Equipment sector**, due to a recovery in automobile production. We also have a bullish view towards the **Transportation & Logistics sector**, as economic normalisation will push up the earnings of railroad operators. On the other hand, we expect the **Non-ferrous Metals sector** to drop its earnings due to falling non-ferrous metal prices and sluggish electronic material business.
- The **Retail sector** is forecasted to grow 16.3% due to economic normalisation and falling electricity prices. While the **Electric Appliances sector** is anticipated to grow by 0.8%, as we expect it will enter an inventory adjustment phase due to weak demand.

**Breakdown by Each Sector (FY 2023, YoY)**



Note: The graph above is showing the sector which is covered by SuMi TRUST AM's research unit.

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