



Supply and Demand Trends and Short-term Outlook for Major Industries

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Mizuho Bank, Ltd.
Industry Research Department

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1. Industry Overview

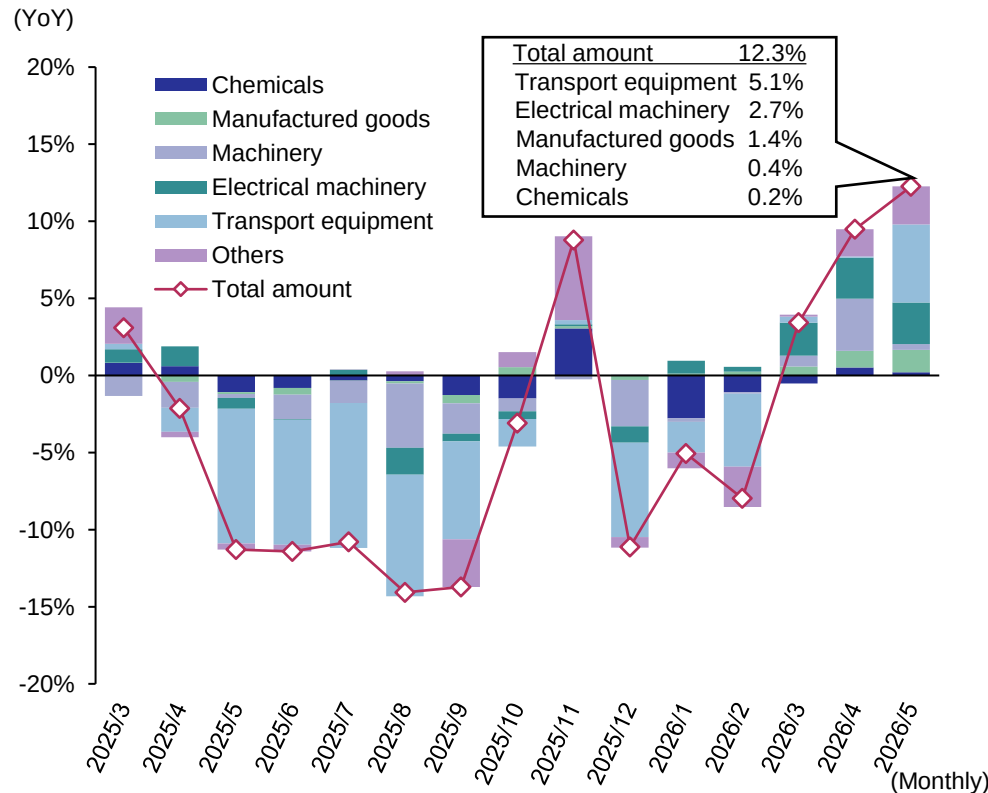
Current status and short-term outlook for Japanese industry

- Despite being exposed to headwinds from a decline in exports to the U.S. due to U.S. tariff measures and raw material procurement concerns stemming from heightened tensions in the Middle East, Japanese industry is, on the whole, holding up, supported by a recovery in exports backed by resilient U.S. demand, public-private efforts to stabilize raw material procurement, and expanding AI and data center (hereinafter, DC) investment demand centered on the U.S.
 - Exports to the U.S., which declined following the announcement of reciprocal tariffs, have picked up since March 2026 in sectors such as transport equipment, electrical machinery, and other sectors backed by receding uncertainty and resilient U.S. demand.
 - Supply concerns over crude oil procurement and petrochemical supply emerged following the effective closure of the Strait of Hormuz, yet supply in the petroleum and petrochemical industries is being stabilized through drawdowns of reserves and diversification of supply sources.
 - Increases in import prices and corporate goods prices are expected to feed through to consumer prices going forward, while the consumption tax cut is expected to prevent a significant deterioration in consumer sentiment.
 - Robust AI and DC investment by U.S. IT companies has sharply lifted exports of semiconductors and other electronic components to Taiwan and Southeast Asia. Electronics and semiconductor manufacturing equipment are indirectly benefiting from AI demand. While DC investment may be partly delayed by supply constraints on electricity and other utilities, investment toward the social implementation of AI and related demand continue to underpin Japanese industry.
- Looking ahead, exports of nonferrous metals and petrochemicals are likely to remain on a declining trend as China continues to advance self-sufficiency. At the same time, downward pressure on final demand will intensify as rising domestic raw material, fuel, and labor costs are increasingly passed through to prices, leaving both external and domestic demand at heightened risk of a downside shift.
 - Exports of nonferrous metals and petrochemicals are projected to decline as China expands its production capacity and raises its self-sufficiency rate.
 - Labor shortages are constraining supply in the construction industry, and construction costs continue to rise. Combined with higher mortgage rates, this is dampening demand in the real estate (housing) sector.
 - Supply constraints in the construction industry and demand contraction driven by price increases will lead to a decline in the floor area of construction starts for private and non-private residential buildings. The impact is expected to spread to steel, nonferrous metals, construction machinery, and domestic logistics—which move in tandem with construction demand—as well as to the petrochemical and petroleum industries that supply petrochemical products.
- For Japanese industry to achieve sustained growth, it is essential to enhance resilience against geopolitical risks, contribute to addressing the challenges of AI and DC investment, overcome labor shortages through productivity improvements, and proactively advance structural transformation.
 - Strengthen resilience to geopolitical risks by diversifying and reinforcing supply chains, including petroleum and petrochemicals, and by building a self-reliant supply system within Asia.
 - Resolve the power infrastructure constraints that would stall AI and DC investment by leveraging technologies in which Japan excels, such as energy-saving technologies and photonics-electronics convergence, and turn this challenge into an opportunity to capture external demand.
 - Overcome labor shortages by advancing labor-saving and automation through the use of robotics and physical AI, and by accelerating reskilling and labor mobility.

[Industry overview] Japan's exports to the U.S. have remained sluggish since the tariff announcement, yet are showing signs of recovery

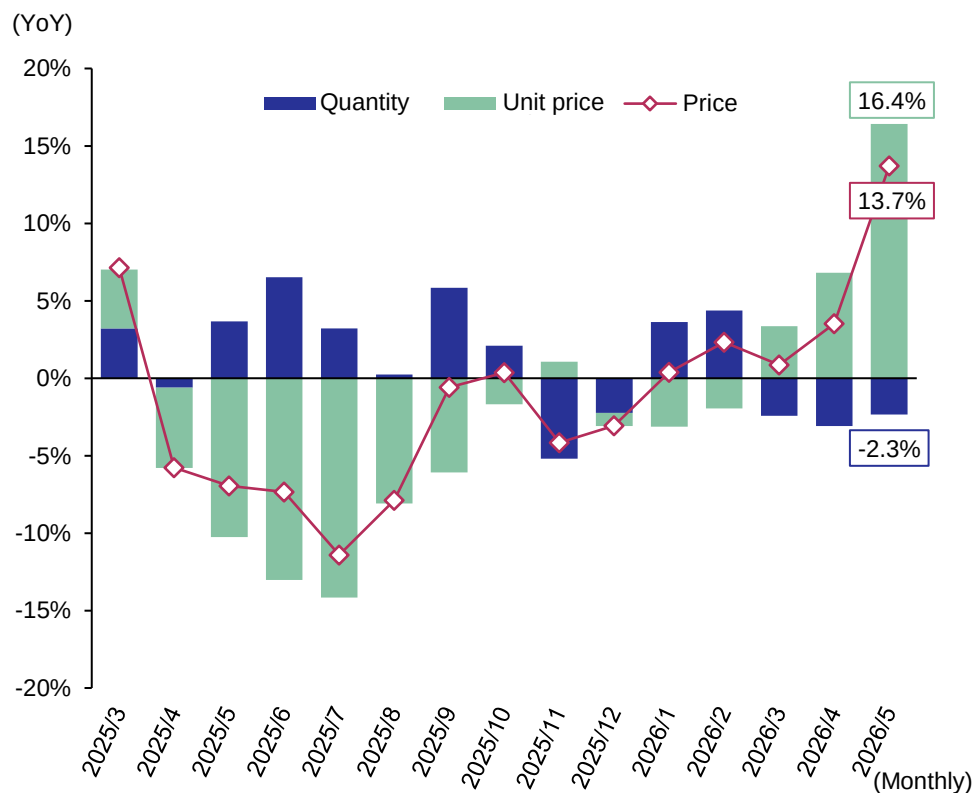
- Japan's export value to the U.S. was mostly down year-on-year (hereinafter, YoY) throughout FY2025 following the announcement of reciprocal tariffs in April 2025. With uncertainty having receded compared to the period immediately following the announcement, exports turned positive from March 2026, including for transport equipment.
- Export value to the U.S. recovered as export unit prices rebounded, backed by the resolution of tariffs on automobiles and parts and by resilient U.S. demand.
 - Automobile export volume within transport equipment, fell 2.3% YoY in May 2026, while the export unit prices recovered, rising 16.4% YoY.

Japan's export value to the U.S. (contribution by commodity)



Note: Compiled using the Principal Commodity Classification
Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on "Trade Statistics of Japan" by the Ministry of Finance

Japan's automobile export value to the U.S. (contribution by factor)

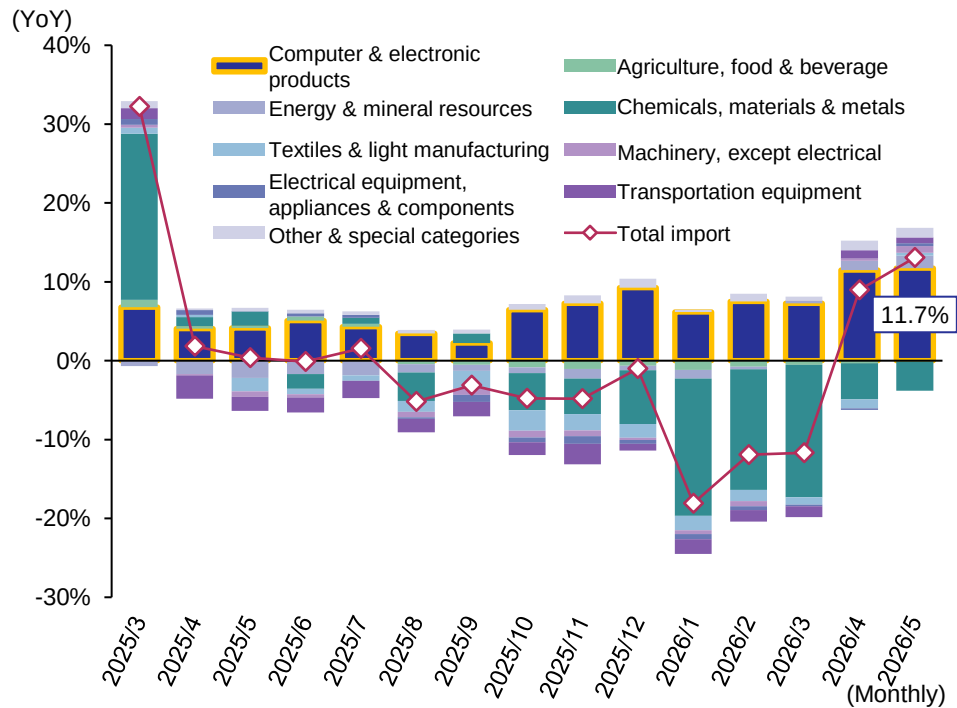


Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on "Trade Statistics of Japan" by the Ministry of Finance

[Industry overview] U.S. import values have been sluggish overall, yet computer & electric products are on an upward trend backed by expanding AI investment

- U.S. import values in FY2025 continued to decline from the summer onward following the announcement of reciprocal tariffs. Computers & Electronic Products, however, recorded consistent increases, with the latest figures showing a solid increase of 11.7% YoY.
- Underlying this is expanding investment in Information Processing Equipment and Software, triggered by the surge in AI investment from the first quarter of 2025. This sector is driving more than half of the growth in U.S. private nonresidential fixed investment.

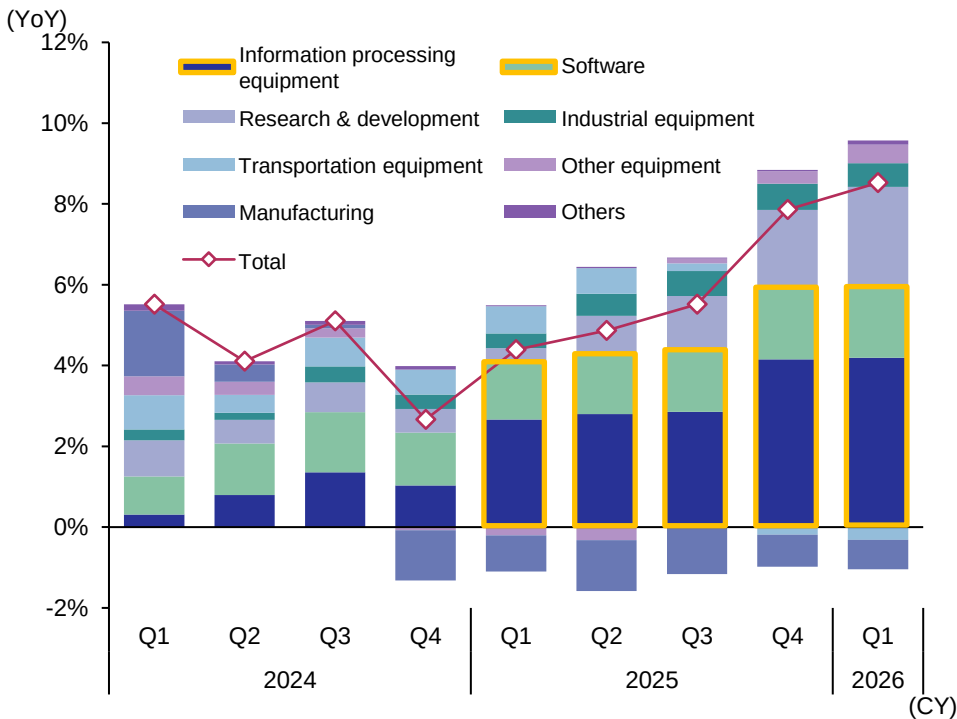
US import value from the world (contribution by commodity)



Note: Classified based on NAICS codes into Agriculture, food & beverages (111-115, 311, 312); Energy & mineral resources (211, 212, 324); Chemicals, materials & metals (321-323, 325-327, 331, 332); Textiles & light manufacturing (313-316, 337, 339); Machinery, except electrical (333); Computers & electronic products (334); Electrical equipment, appliances & components (335); Transport equipment (336); and Other & special categories (910, 930, 980, 990)

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on United States Census Bureau materials

US private nonresidential fixed investment (contribution by component)

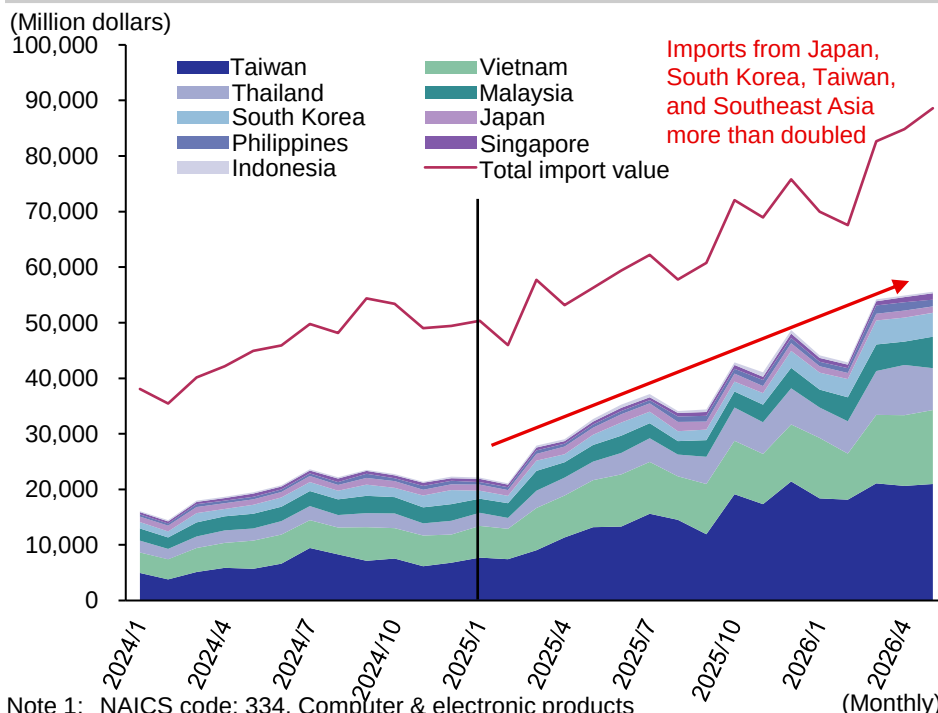


Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on Federal Reserve Bank of St. Louis, "Table 5.3.5. Private Fixed Investment by Type"

[Industry overview] Taiwan and Southeast Asia are driving U.S. imports of computer & electronic products, with Japan indirectly benefiting from AI demand

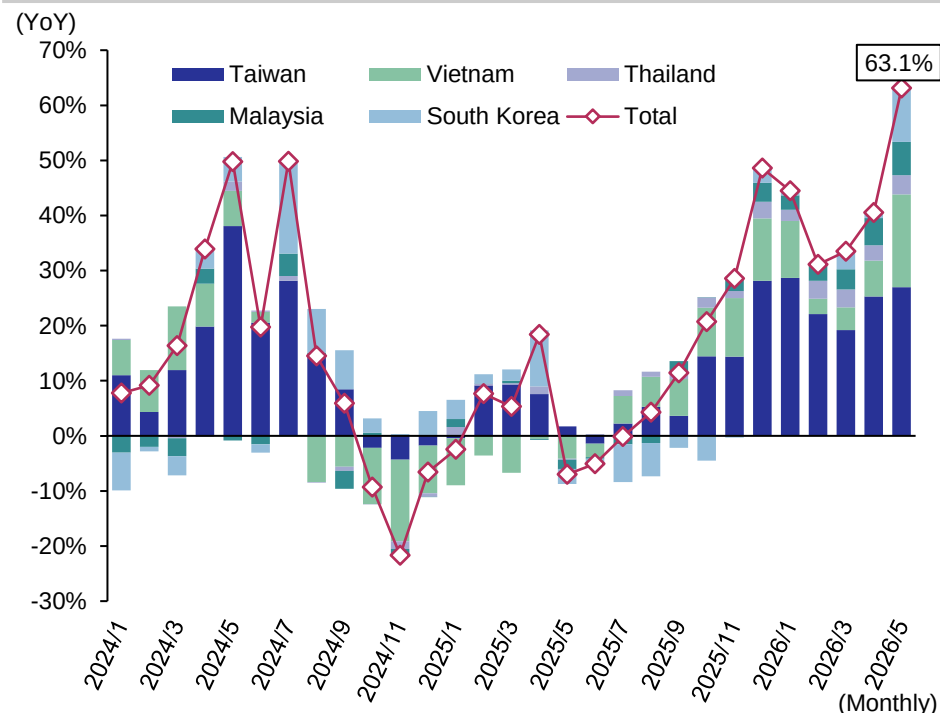
- U.S. import values of computer & electronic products have expanded since the first half of 2025 in response to growing AI investment. Imports from Taiwan and Vietnam are driving the expansion.
 - Imports from Taiwan surged approximately twofold over the same period. Procurement has expanded markedly as U.S. AI and DC investment scaled up in earnest from 2025, reflecting a supply chain structure in which the manufacturing and assembly of AI semiconductors are concentrated in Taiwan and Southeast Asia.
- Expansion in Japan's direct exports to the U.S. remains limited, yet U.S. AI demand is being captured indirectly through the sharp rise in exports of electronic components to Taiwan and Southeast Asia.
 - Japan's exports of semiconductors and other electronic components to Asia rose more than 60% YoY in recent months. Supply of components and materials to the AI supply chain centered on Taiwan is underpinning the domestic electronic components and materials industries.

Trends in US import value of computers and electronic components from the world



Note 1: NAICS code: 334, Computer & electronic products
 Note 2: The six countries with relatively large GDP (Indonesia, Singapore, Thailand, the Philippines, Vietnam, and Malaysia) have been extracted from Southeast Asia
 Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on United States Census Bureau materials

Japan's exports of electronic components such as semiconductors to Taiwan, Southeast Asia, and South Korea (contribution by component)

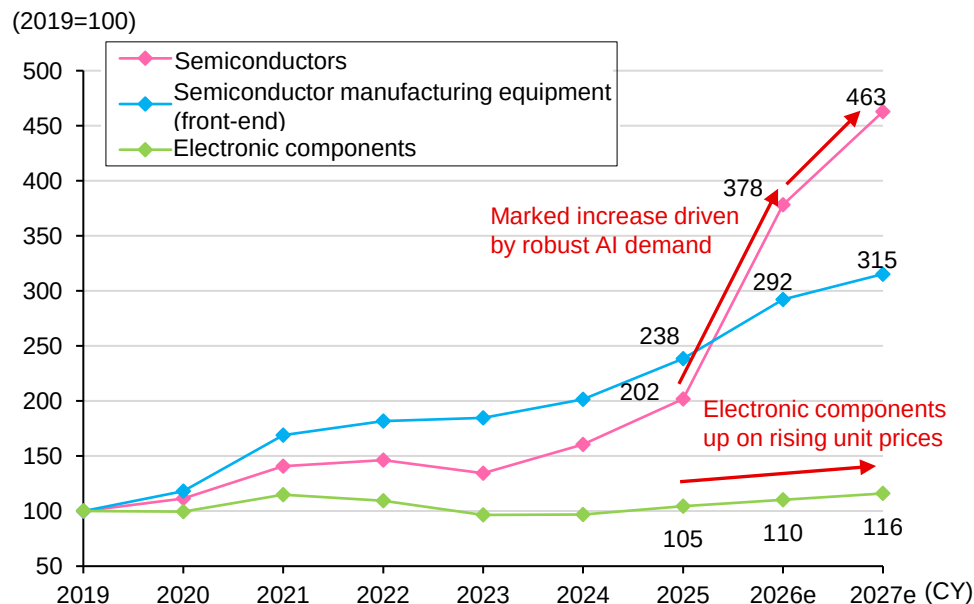


Note: Vietnam, Thailand, and Malaysia, which have relatively large US import values, have been extracted from Southeast Asia
 Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on "Trade Statistics of Japan" by the Ministry of Finance

[Industry overview] AI Demand drives spillover into adjacent industries, led by electronics

- Demand in the electronics industry is expected to increase from 2026 onward, supported by expanding DC investment and growing AI demand, with tightening supply-demand conditions likely to push up unit prices.
 - The semiconductor market is expected to reach a record high in 2026, supported by expanding AI demand and higher unit prices, with strong growth likely to continue in 2027.
 - Semiconductor manufacturing equipment is expected to grow steadily through 2027, driven by investment in advanced semiconductors in the U.S., Taiwan, and South Korea.
 - The electronic components sector is expected to remain firm from 2026 onward, supported by rising demand for DC-related components and higher semiconductor prices.
- Global demand in the machine tool industry is expanding markedly, driven by defense and aircraft orders in the U.S. and Europe as well as DC-related orders. It is expected to remain at a high level through the first half of 2027. Domestic demand remains weighed down by weakness in automotive, its largest end-market, but continues to recover moderately, supported by semiconductor and DC-related investment.

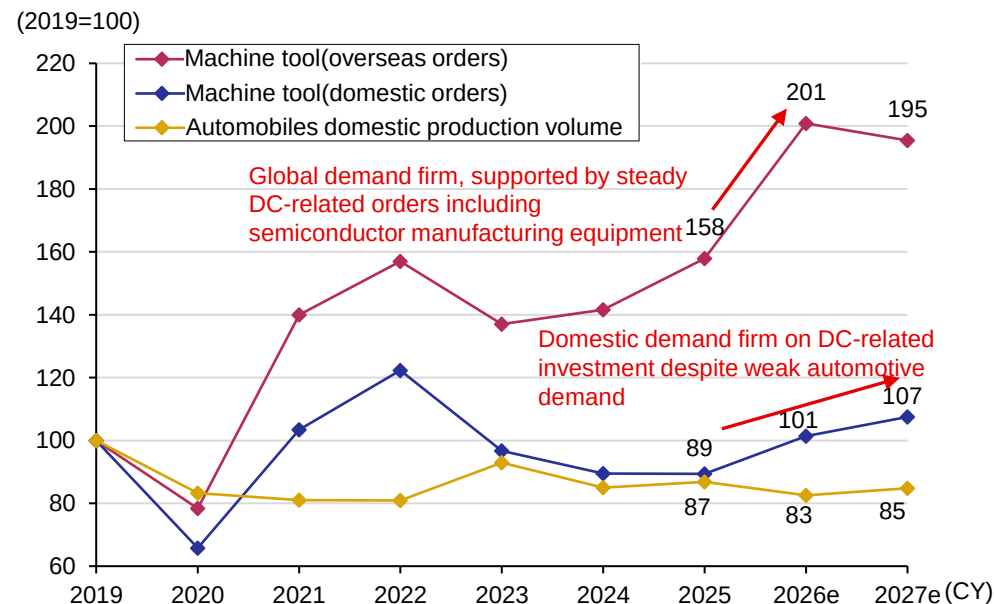
Global demand outlook for the electronics industry



Note: Figures for 2026 and 2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on "Production Forecasts for the Global Electronics and Information Technology Industries 2025" by the Japan Electronics and Information Technology Industries Association (JEITA) and "World Fab Forecast" by SEMI

Global and domestic demand outlook for the machine tool industry



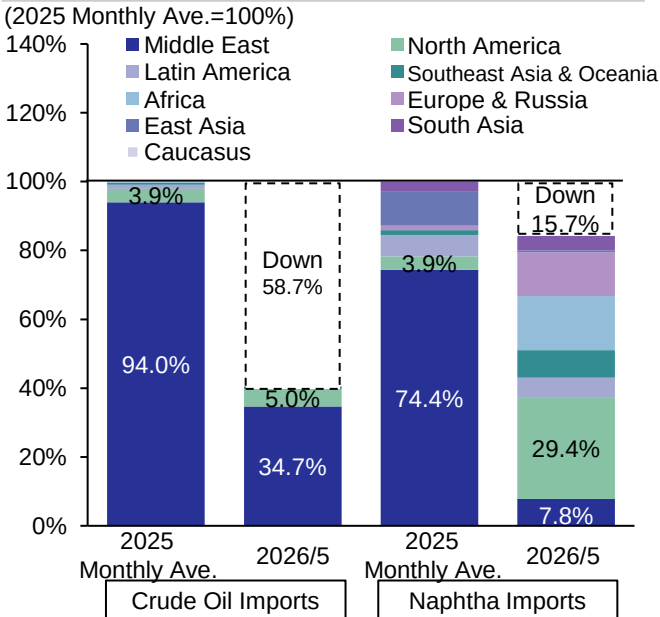
Note: Figures for 2026 and 2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on disclosure materials of the Japan Machine Tool Builders' Association and materials of the Japan Automobile Manufacturers Association, Inc.

[Industry overview] Supply concerns have risen amid the heightened tensions in the Middle East, yet reserves and alternative procurement are providing support, with the focus shifting to price pass-through downstream

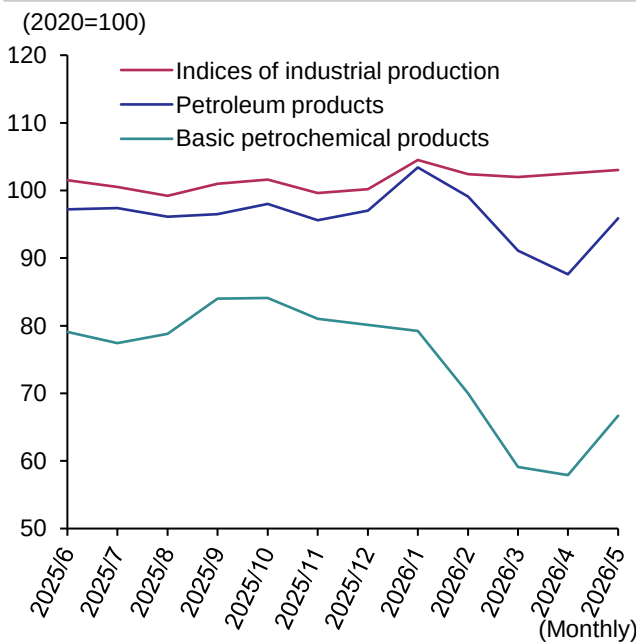
- Alternative procurement sources for Japan's crude oil and naphtha have expanded to the U.S. and other regions, in addition to Middle Eastern countries with routes bypassing the Strait of Hormuz.
 - Imports in May 2026 fell 58.7% for crude oil and 15.7% for naphtha versus the 2025 monthly average, yet the government and refiners are focusing on stable domestic supply through drawdowns of crude oil reserves and further expansion of alternative procurement.
- Procurement of crude oil and naphtha as feedstock has become difficult since March 2026, and production of petroleum and petrochemical products has declined significantly, yet wider alternative sourcing is supporting supply.
- Increases in import prices are expected to pass through successively to corporate goods prices and consumer prices toward the summer, with the focus going forward on the timing and scale of downstream pass-through.
 - The import price index rose sharply by 29.7% YoY, the corporate goods price index by 7.1%, while the consumer price Index rose by 1.7%.

Procurement status for crude oil and naphtha (May 2026)



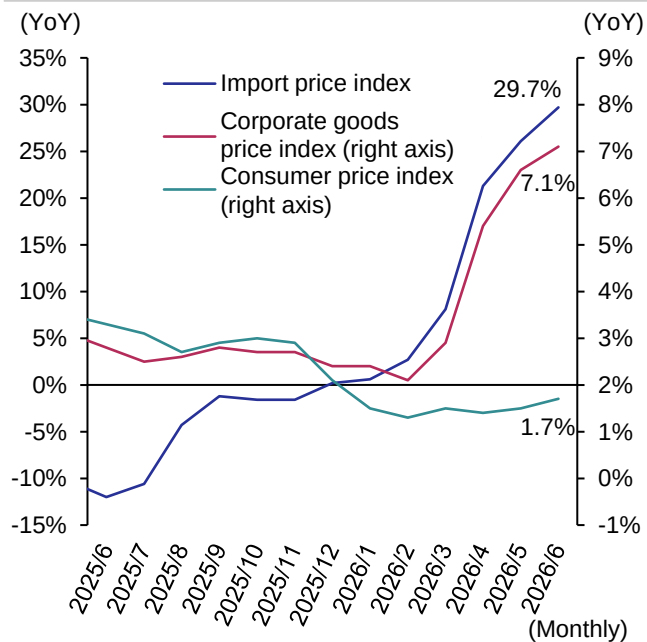
Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on "Mineral Resources and Petroleum Products Statistics" by the Ministry of Economy, Trade and Industry and "Trade Statistics of Japan" by the Ministry of Finance

Production trends for petroleum and petrochemical products



Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on the Indices of Industrial Production by the Ministry of Economy, Trade and Industry

Trends in the import price index, corporate goods price index, and consumer price index

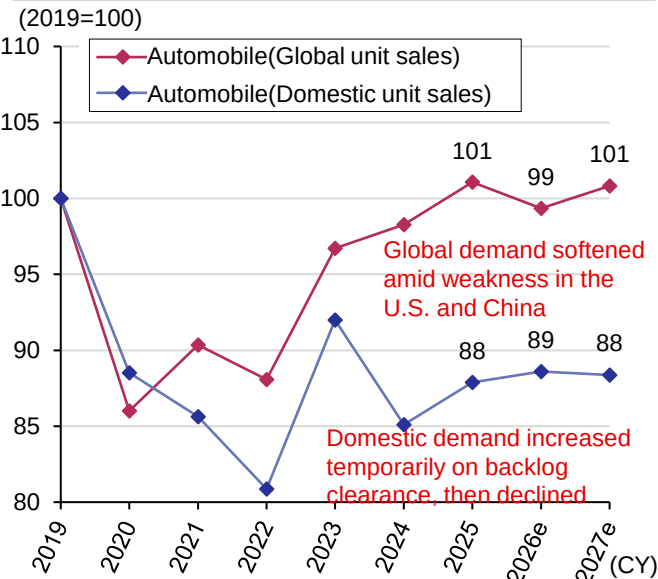


Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on the "Corporate Goods Price Index" by the Bank of Japan and the "Consumer Price Index" by the Ministry of Internal Affairs and Communications

[Industry overview] Heightened tensions in the Middle East and rising costs weigh on core industries, while AI demand gradually spills over into materials and electricity demand

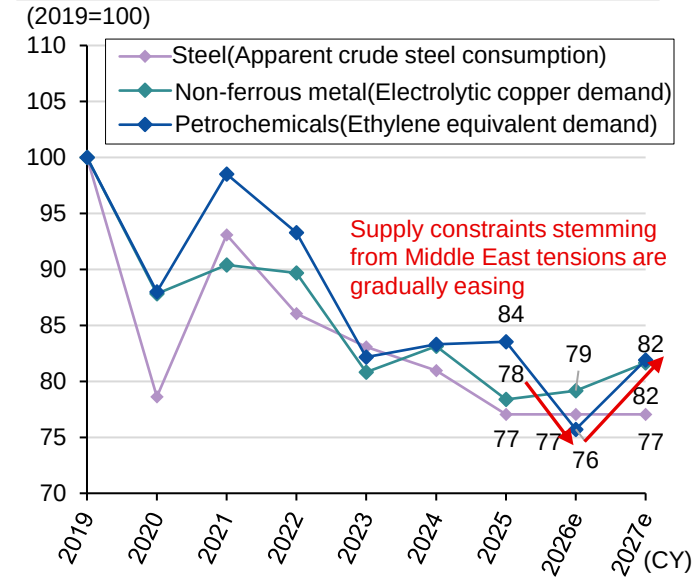
- Global automotive demand remains sluggish. Tax reduction measures in India and ASEAN are providing support, but soaring crude oil prices amid heightened tensions in the Middle East are weighing on demand. Domestic demand is expected to edge up in 2026 as order backlogs clear, backed by progress in supplementing supply through import sales from overseas plants.
- Domestic demand for steel is expected to decline or remain flat through 2027 as automotive and construction demand shrinks. Nonferrous metals also face sluggish construction demand, yet a slight increase is expected, underpinned by semiconductor-related and electronic component demand. Domestic demand for petrochemicals is expected to decline in 2026 on elevated naphtha prices and supply constraints stemming from heightened tensions in the Middle East, despite support from semiconductor-related demand, with only limited recovery thereafter.
- Domestic petroleum demand is expected to decline in 2026 due to weaker demand for petrochemical products and naphtha. AI demand is expected to provide modest upward pressure on industrial electricity demand through 2027, though its overall impact remains limited. Gas demand is expected to remain broadly flat overall, as household and commercial demand contracts due to persistently high temperatures, while industrial demand sees upward pressure from fuel switching, offset by ongoing energy efficiency improvements.

Global and domestic demand outlook for the automotive industry



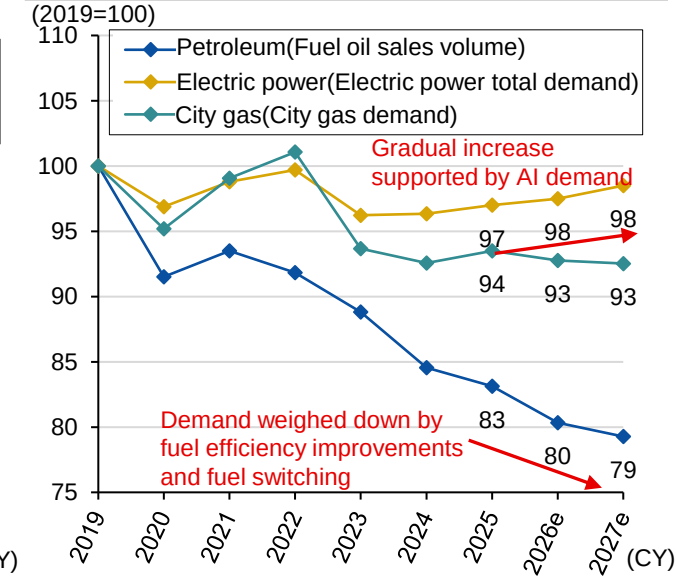
Note: Figures for 2026 and 2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.
 Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on materials of the Japan Automobile Manufacturers Association, Inc., materials of automobile manufacturers associations in respective countries, and other sources

Domestic demand outlook for the materials industries



Note: Figures for 2026 and 2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.
 Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on "Monthly Report of Iron and Steel Supply and Demand Statistics" by The Japan Iron and Steel Federation, "Supply and Demand Results" by the Japan Mining Industry Association, "Sekiyu Kagaku Shinpo (Petrochemical Report)" by The Heavy & Chemical Industries News Agency, and other sources

Domestic demand outlook for the energy industries



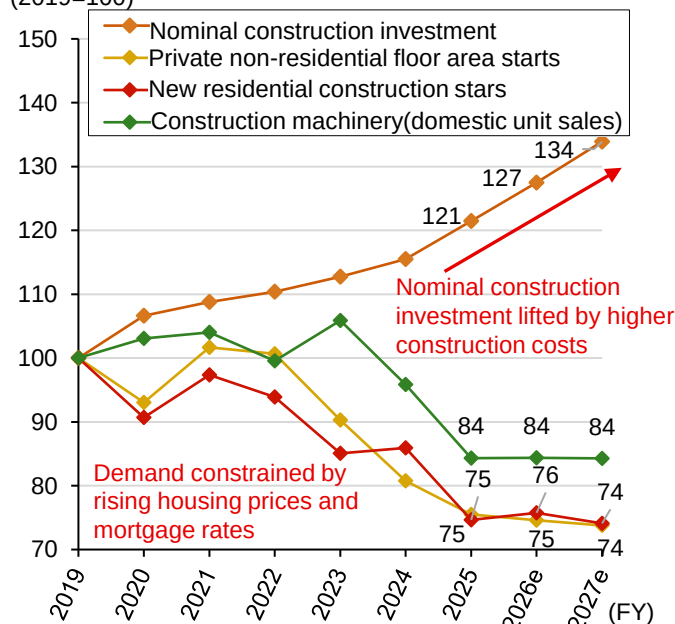
Note: Figures for 2026 and 2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.
 Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on "Monthly Report of Mineral Resources and Petroleum Products Statistics (Petroleum)" by the Ministry of Economy, Trade and Industry, materials of the Agency for Natural Resources and Energy, and other sources
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[Industry overview] Nominal growth in construction and retail, while real terms remain subdued amid high costs and rising prices

- Nominal construction investment is expected to rise, reflecting higher building costs stemming from soaring materials prices and shortages of skilled construction workers. However, both the private residential and nonresidential segments are weighed down by rising costs and labor shortages, and construction starts are expected to decline in floor area terms from 2026 onward. Demand for construction machinery is also expected to weaken in line with sluggish construction demand and remain broadly flat.
- Domestic demand in the retail industry is expected to increase in nominal terms in 2026 amid upward price pressure from further yen depreciation and heightened tensions in the Middle East, but decline in real terms. Inbound demand is expected to decrease through 2026, affected by subdued outbound travel from China. Visitor arrivals are expected to recover from 2027 onward, but growth in real spending in yen terms is likely to remain limited as the yen shifts toward appreciation.

Domestic demand outlook for the construction industry

(2019=100)



Note 1: Nominal construction investment for FY2025 is a forecast by Industry Research Department, Mizuho Bank, Ltd.

Note 2: Figures for FY2026 and FY2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.

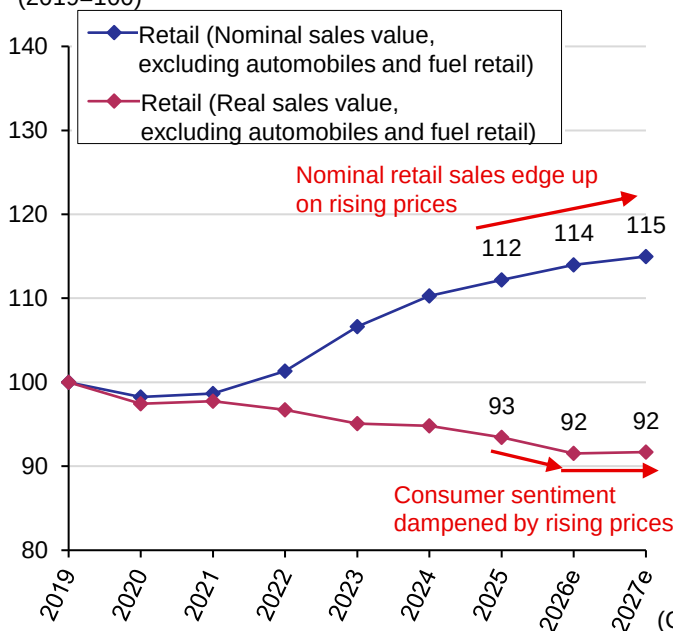
Note 3: Construction machinery (domestic unit sales) is on a calendar year basis

Note 4: For the sources of each indicator, refer to Chapter 2, which provides details by industry

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on various sources

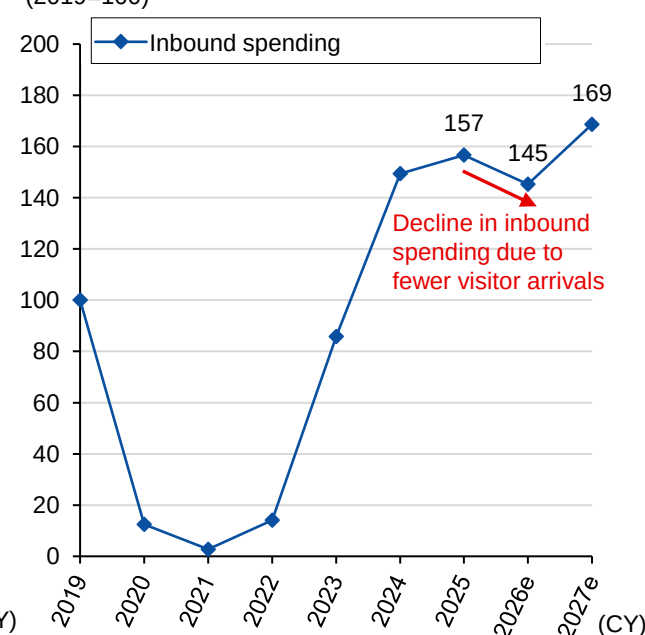
Domestic demand and inbound demand outlook for the retail industry

(2019=100)

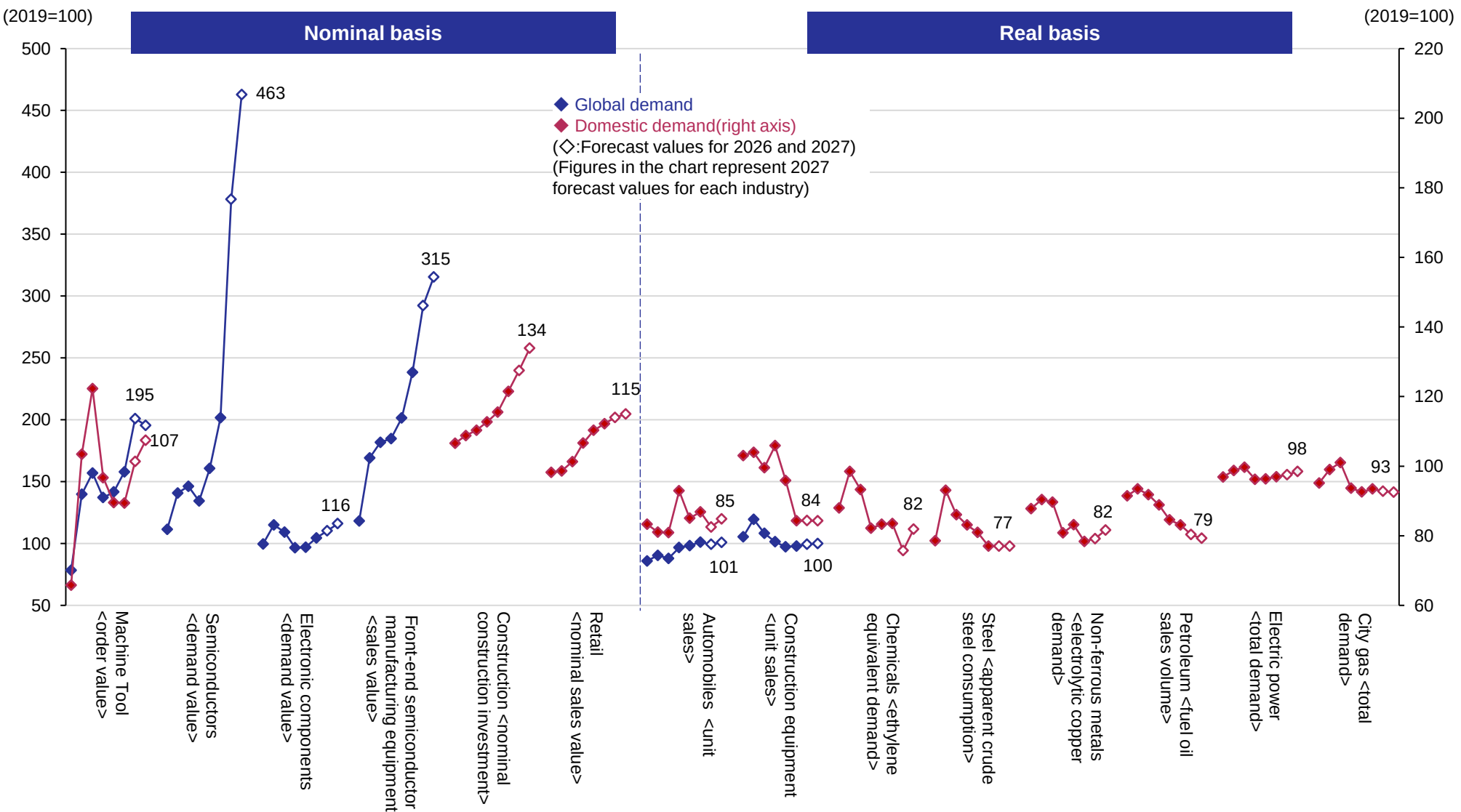


Note: Figures for 2026 and 2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.
Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on the "Current Survey of Commerce" by the Ministry of Economy, Trade and Industry, "Visitor Arrivals Statistics" by the Japan National Tourism Organization, and the "Survey on Inbound Consumption Trends" by the Japan Tourism Agency

(2019=100)



Reference: Outlook for Global and Domestic Demand by Industry (2020–2027)



Note 1: Actual and forecast values for 2020–2027

Note 2: Nominal construction investment amount for 2025 and indicators for 2026 and 2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.

Note 3: Refer to Chapter 2 for detailed sources of each indicator by industry

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on various sources

List of <business sentiment> by industry 1/2

Industry	Business sentiment through 2027	Description
Petrochemicals		- The impact of heightened tensions in the Middle East is expected to include supply constraints from difficulty in sourcing feedstock and lower final demand due to high raw material prices and inflation. - Structural headwinds are also expected to persist, including deterioration in trade flows from China's production capacity expansion.
Steel		- Domestic demand is expected to show a temporary pickup in areas such as shipbuilding and industrial machinery, although the medium- to long-term contraction trend remains unchanged. Downward price pressure from imported products is also expected to ease against the backdrop of anti-dumping investigations. - Exports, however, are expected to continue to decline and domestic production is expected to continue to contract as protectionism intensifies in countries around the world.
Semiconductor manufacturing equipment		- Sales are expected to set a new record toward 2027 on demand from a buoyant semiconductor industry. - Equipment makers are also adding capacity, yet demand still outstrips supply and calls for further expansion.
Electronics		- Electronic components are expected to be on a growth trend toward 2027 driven by growth in AI and DC applications, although consumer electronics applications are expected to remain soft. - Semiconductors are expected to see the value-based market driven by expanding AI and DC investment and by higher unit prices for logic and memory.
Automotive		- Global new vehicle sales in 2026 are expected to decline, weighed down by soaring crude oil prices in the U.S. and the scaling back of policy support in China, although policy factors are expected to lift demand in India and ASEAN. - An increase is projected for 2027, as demand declines are expected to bottom out in the U.S. and China and solid growth in emerging markets, centered on India and ASEAN, drives the market.

Note: The business sentiment arrows represent a comprehensive judgment based on trends and levels of demand (orders) and production through 2027, market conditions, and other factors

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd.

List of <business sentiment> by industry 2/2

Industry	Business sentiment through 2027	Description
Construction		- Nominal construction investment is expected to perform well on rising construction costs and solid building repair activity, yet the floor area of construction starts is expected to decline for both private residential and private non-residential buildings. - Supply-side conditions are expected to see the number of construction workers decline as construction industry workers age, with construction costs expected to continue rising.
Logistics		Maritime container transport volume through 2027 is projected to remain firm, backed by progress in efforts toward normalization, although the impact of heightened tensions in the Middle East remains a source of uncertainty.
Real estate	(Office)  (Housing) 	- The office market in the five central wards of Tokyo is projected to remain firm through 2027, with new supply limited but demand staying resilient, particularly in the central Tokyo area. - New housing starts are expected to continue on a declining trend as housing prices are pushed up by soaring materials prices and labor shortages and mortgage interest rates rise.

Note: The business sentiment arrows represent a comprehensive judgment based on trends and levels of demand (orders) and production through 2027, market conditions, and other factors

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd.

2. Individual Industries

[Petrochemicals] Domestic demand and exports both on a declining trend, as structural factors persist in addition to the impact of heightened tensions in the Middle East

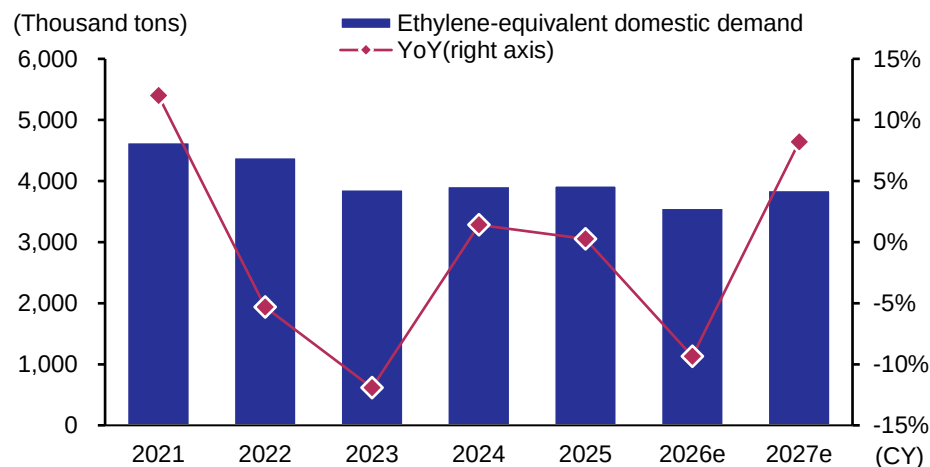
■ Recent developments

- Ethylene-equivalent domestic demand in 2025 came to 3,932 thousand tons (+0.3% YoY), underpinned by semiconductor-related demand. Ethylene production rose to 5,131 thousand tons (+2.9% YoY) in a rebound from the previous year's scheduled maintenance of ethylene plants, lifting ethylene-equivalent exports to 2,005 thousand tons (+5.1% YoY).
- In Q1 2026, ethylene production fell sharply to 1,040 thousand tons (-21.2% YoY) on supply constraints arising from heightened tensions in the Middle East and from scheduled maintenance, leaving both ethylene-equivalent domestic demand (-23.2% YoY) and exports (-6.7% YoY) in negative territory.

■ Outlook through 2027

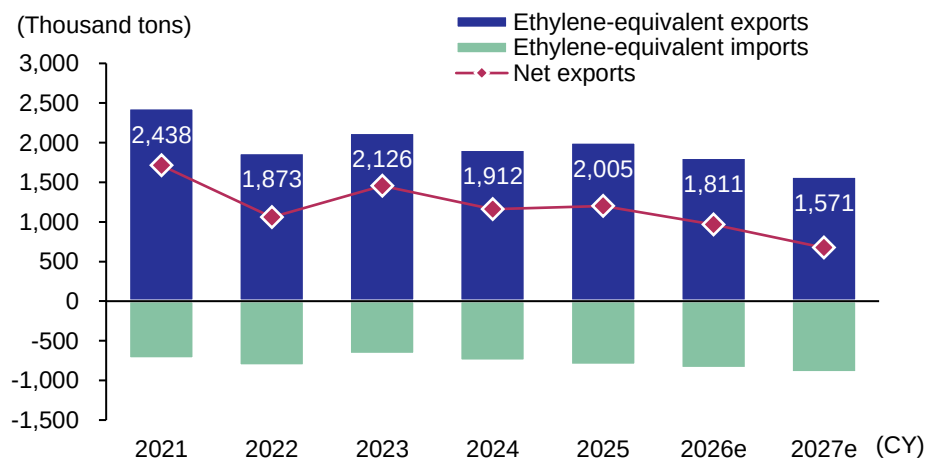
- Ethylene-equivalent domestic demand is projected at 3,564 thousand tons in 2026 (-9.4% YoY), as plastics consumption declines on surging naphtha prices even though supply constraints ease at an early stage. A recovery to 3,856 thousand tons (+8.2% YoY) is expected in 2027, though the level will remain below that of 2025 and earlier years.
- Ethylene-equivalent exports are projected at 1,811 thousand tons in 2026 (-9.7% YoY), reflecting lower exports of commodity-grade products due to surging feedstock prices, together with structural factors such as China's move toward self-sufficiency. In 2027, exports are forecast at 1,571 thousand tons (-13.2% YoY), on reduced supply following the permanent shutdown of two ethylene plants as well as the structural factors noted above.
- Ethylene production is consequently forecast at 4,543 thousand tons in 2026 (-11.5% YoY) and 4,528 thousand tons in 2027 (-0.3% YoY).

Ethylene-equivalent domestic demand



Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on The Heavy & Chemical Industries News Agency, "Petrochemical News," and other sources

Ethylene-equivalent exports

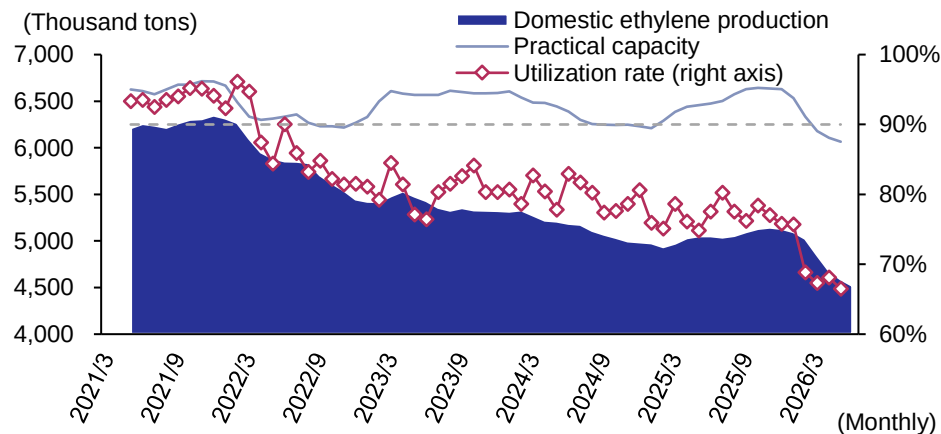


Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on The Heavy & Chemical Industries News Agency, "Petrochemical News," and other sources

[Petrochemicals] Major Indicators

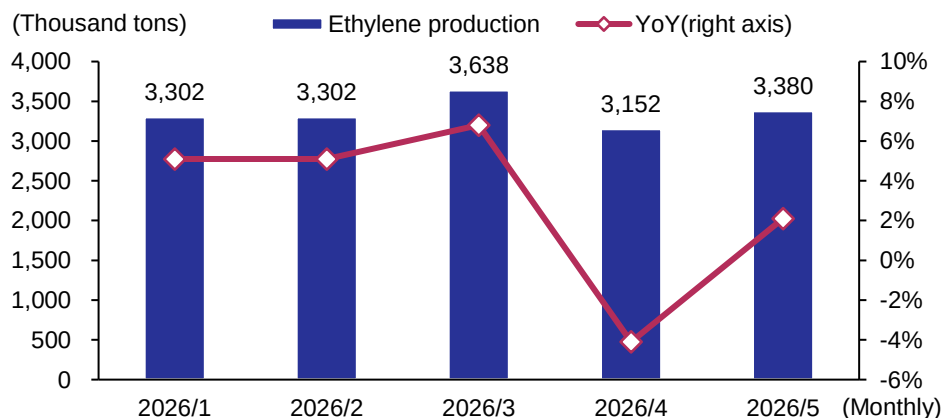
[Chart 1] Domestic ethylene production volume and utilization rate

Utilization rate has remained below 90% for 47 consecutive months; fell below 70% from March 2026 onward due to Middle East-related impacts



[Chart 3] China's ethylene production volume

Production declined in April 2026 due to Middle East-related impacts, but recovered to positive year-on-year growth in May 2026

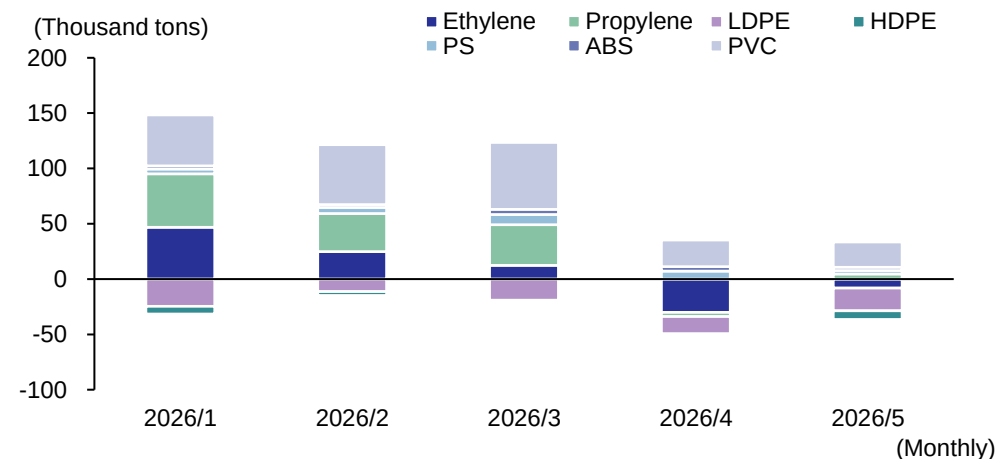


Note: [Chart 1] Effective production capacity is calculated from production volume and utilization rate; [Chart 3] China's ethylene production for January–February 2026 was announced by the National Bureau of Statistics of China as a two-month aggregate total; monthly values were derived by equally dividing the total

Source: [Chart 1, 2, and 3] Heavy and Chemical Industries News Agency "Petrochemical News" and other sources; [Chart 4] National Bureau of Statistics of China; compiled by Industry Research Department, Mizuho Bank, Ltd.

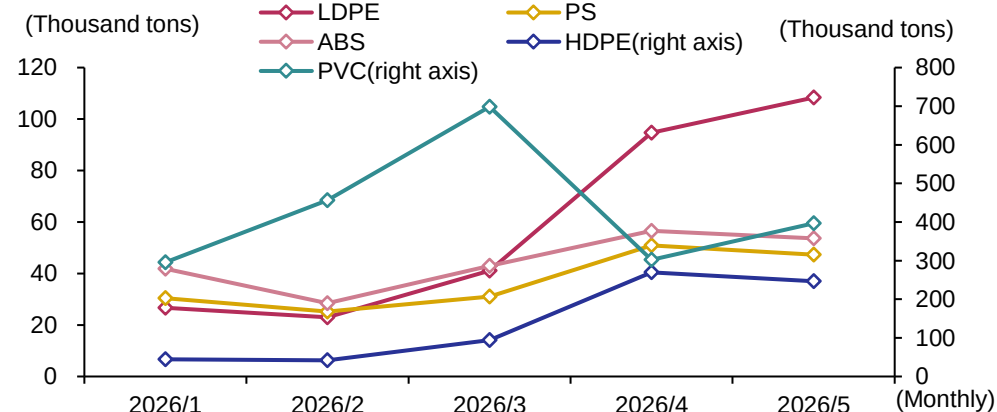
[Chart 2] Japan's net export volume of major chemical products

Exports dropped sharply due to domestic supply constraints associated with Middle East-related impacts



[Chart 4] China's export volume of general-purpose resins

Except for PVC affected by Indian tariffs, exports increased, helping to offset supply shortages across Asia



[Steel] Contraction in domestic demand to moderate on expanding demand from shipbuilding and other sectors, while domestic crude steel production continues to decline on slowing exports

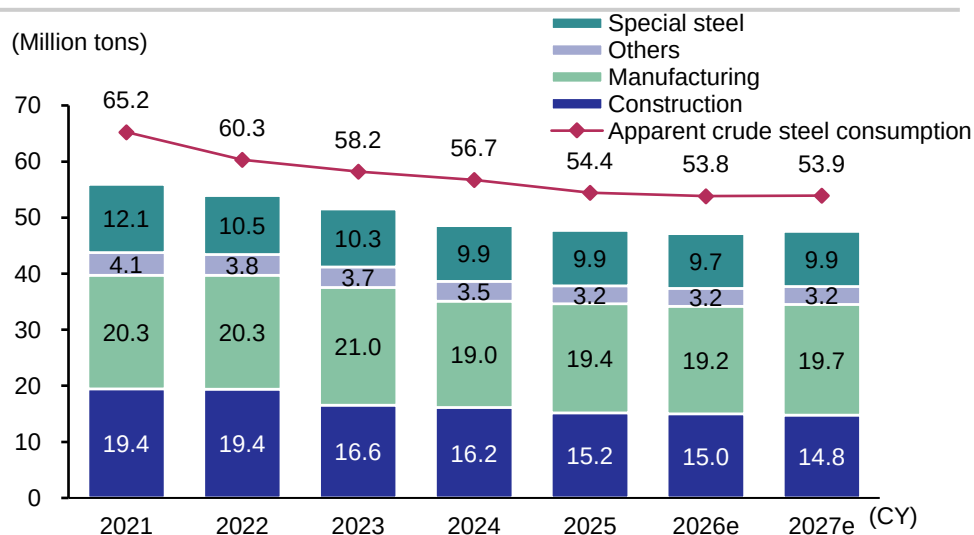
■ Recent developments (2025)

- Demand from the construction sector declined further on rising construction costs driven by labor shortages, bringing apparent crude steel consumption in 2025 down to 54.4 million tons (-4.1% YoY). Trade measures in various countries (anti-dumping measures, tariff policies, etc.) eased supply-demand conditions and left export markets sluggish. Exports from Japan also stayed low (-4.4% YoY) amid deteriorating profitability, and crude steel production came to 80.7 million tons (-4.0% YoY).

■ Outlook through 2027

- Demand from shipbuilding and industrial machinery is expected to expand in 2026, but automotive demand will remain weak on lower vehicle production due to the impact of the Middle East situation, and construction demand will continue to contract, leaving apparent steel consumption down at 53.8 million tons (-1.1% YoY). In 2027, construction demand will keep declining, but further expansion in shipbuilding demand and a recovery in automotive demand are projected to keep apparent consumption flat at 53.9 million tons (+0.0% YoY).
- Crude steel production is projected to decline to 79.5 million tons in 2026 (-1.5% YoY) and 78.7 million tons in 2027 (-1.0% YoY). Protectionism is set to intensify further across countries, and exports of steel products are expected to slow.

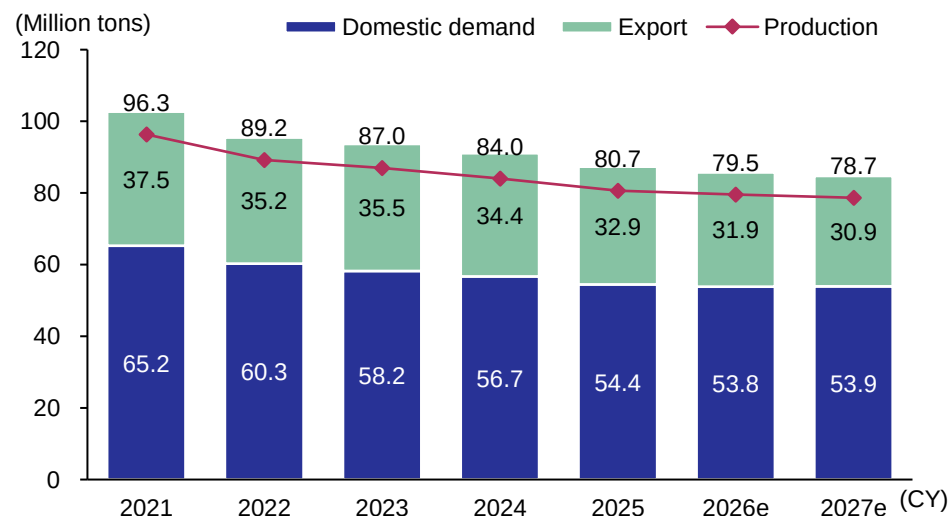
Trends in domestic steel demand



Note: Figures from 2026 onward are forecasts by Industry Research Department, Mizuho Bank, Ltd.

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on The Japan Iron and Steel Federation, "Monthly Steel Statistics Report"

Trends in domestic steel production (crude steel equivalent)



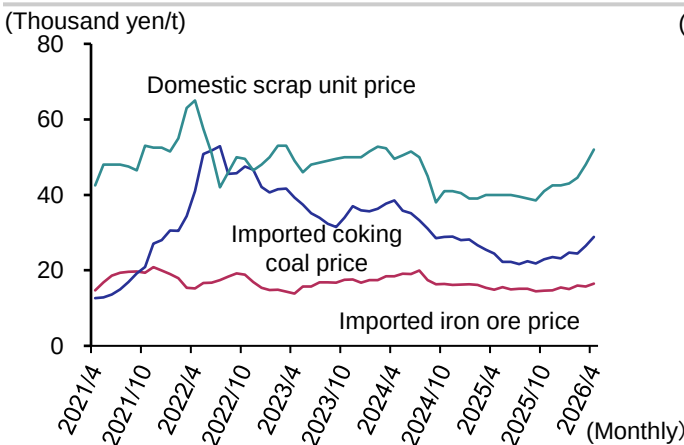
Note: Figures from 2026 onward are forecasts by Industry Research Department, Mizuho Bank, Ltd.

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on The Japan Iron and Steel Federation, "Monthly Steel Statistics Report"

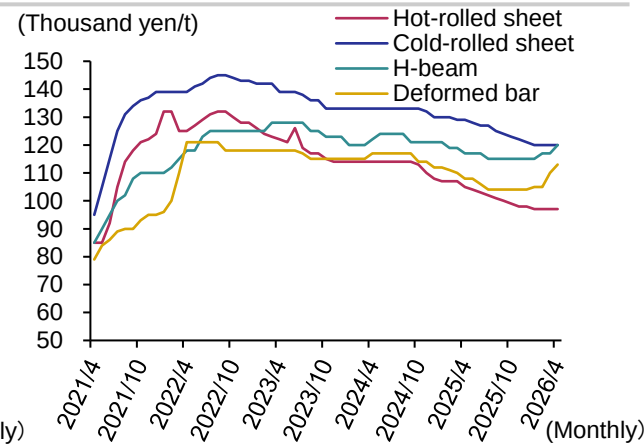
[Steel] Major Indicators

[Chart 1] Raw material unit prices

Rising major raw material prices and increasing energy costs are prompting moves to raise steel product prices in order to pass through costs

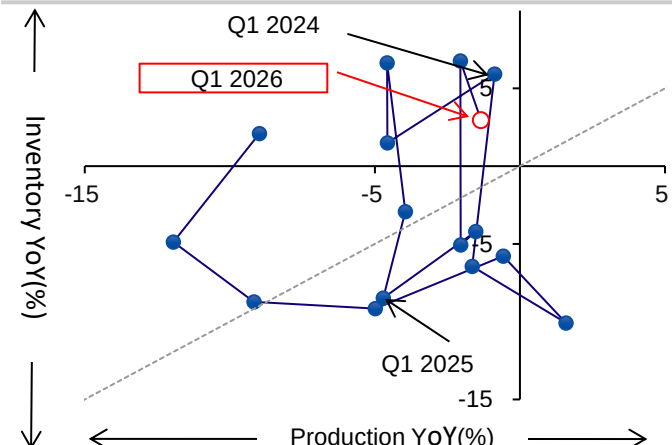


[Chart 2] Domestic sheet steel and bar steel prices



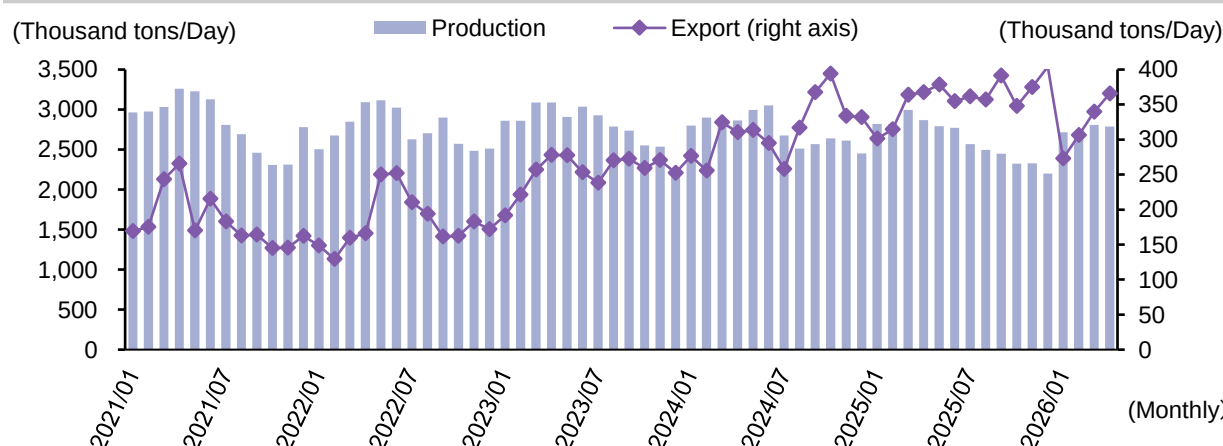
[Chart 3] Inventory cycle chart for ordinary steel products (Quarterly)

Anticipating higher future steel prices, distributors have been building up inventory

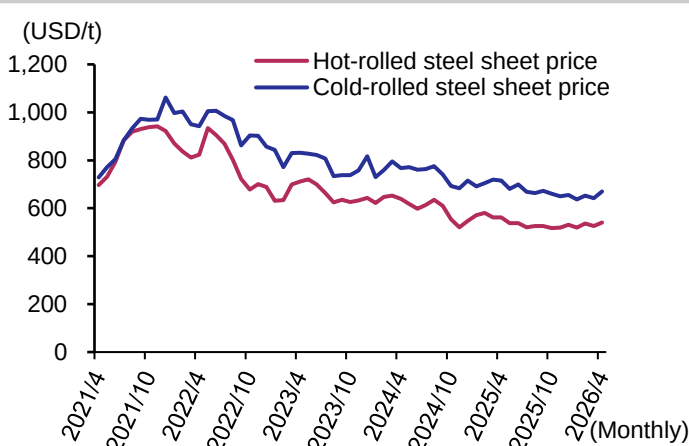


[Chart 4] China's daily average crude steel production volume and steel export volume

Although China's crude steel production is trending downward, export volume remains high against the backdrop of weak domestic demand. The impact of the export licensing system introduced at the beginning of the year has been temporary. Export market conditions from Japan remain weak



[Chart 5] Export Market Conditions from Japan

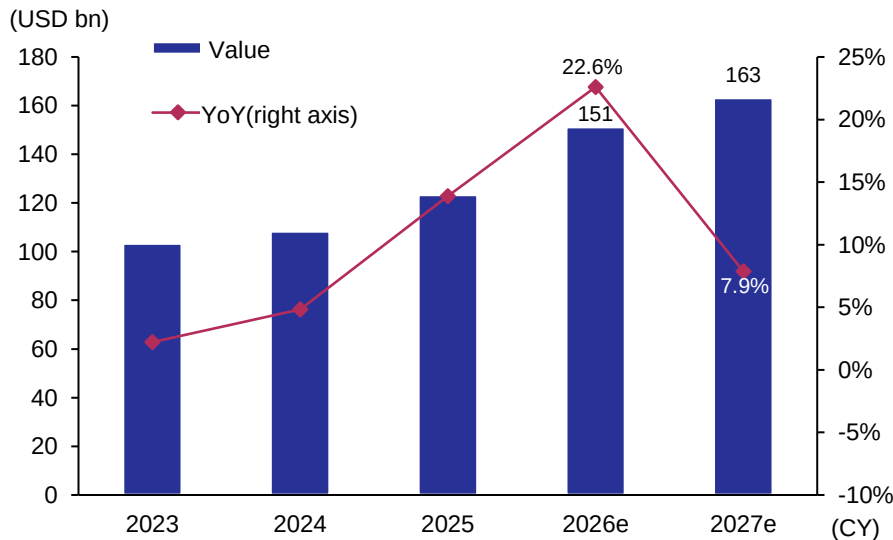


Note: Raw material prices are estimated as follows: sheet steel = iron ore import price × 1.7 + coking coal import price × 0.9; bar steel = Tokyo-area scrap price
Source: [Chart1, 2, and3] Various news reports; [Chart 4] Japan Iron and Steel Federation "Monthly Steel Supply and Demand Statistics"; [Chart 5] Global Trade Atlas and the China Iron and Steel Association; compiled by Industry Research Department, Mizuho Bank, Ltd.

[Semiconductor manufacturing equipment] Record high projected again in 2026, for the seventh consecutive year, on robust semiconductor demand

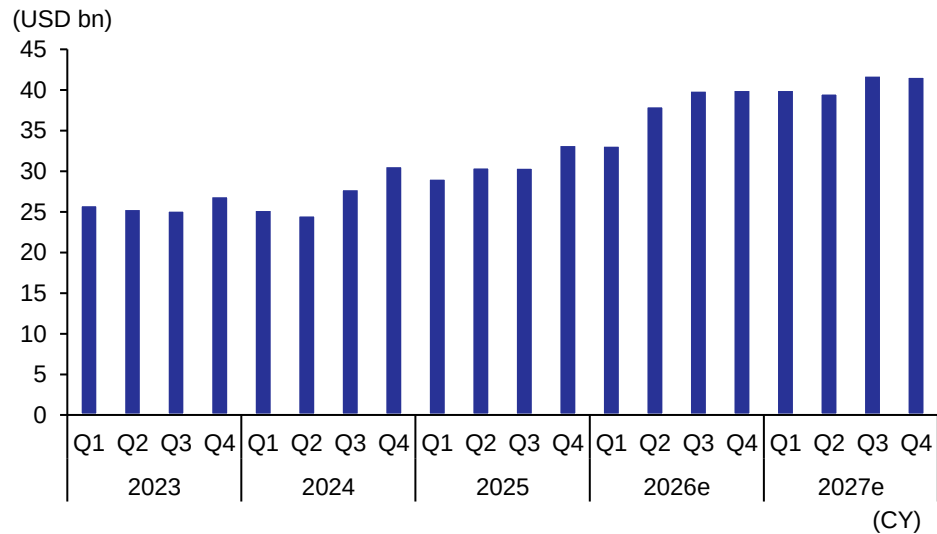
- Recent developments
 - Market size (front-end, on a shipment value basis) hit a record high for the sixth consecutive year through 2025. Semiconductor support measures by governments in various countries and rising equipment demand for advanced semiconductors contributed to growth. However, capacity at semiconductor manufacturing equipment companies is tight at present, with demand exceeding supply.
 - Capital expenditure for leading-edge logic in Taiwan and for HBM (High Bandwidth Memory) in South Korea and elsewhere remains at a high level in the first half of 2026.
- Outlook through 2027
 - A record high is expected in 2026 for the seventh consecutive year (USD 151.2 billion, +22.6% YoY). Investment in advanced semiconductors in the U.S., Taiwan, and South Korea will drive growth. Meanwhile, China, despite continuing to be the largest market, is projected to post negative growth for the second consecutive year.
 - A record high is also expected in 2027 for the eighth consecutive year, though the growth rate is projected to slow (USD 163.1 billion, +7.9% YoY). Demand will remain robust, but capacity expansion at semiconductor manufacturing equipment makers and their supply chains will not keep pace, leaving supply short of demand.

Trends in global semiconductor manufacturing equipment (front-end) market size (shipment value)



Note: Figures for 2026 and 2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.
Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on SEMI, "World Fab Forecast"

Trends in global semiconductor manufacturing equipment (front-end) market size (shipment value, quarterly)

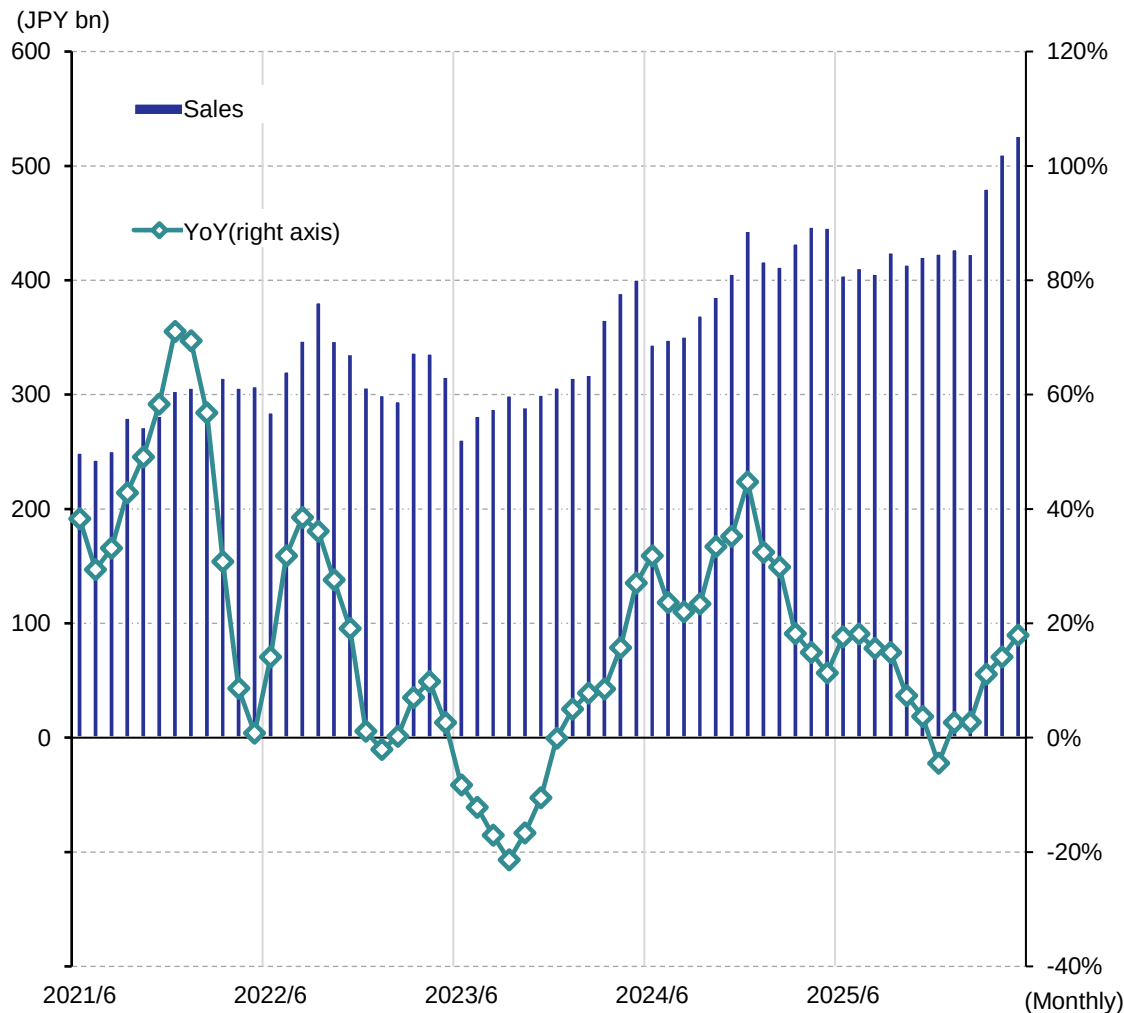


Note: Figures from Q2 2026 onward are forecasts by Industry Research Department, Mizuho Bank, Ltd.
Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on SEMI, "World Fab Forecast"

[Semiconductor Manufacturing Equipment] Major Indicators

[Chart 1] Sales of Japanese Semiconductor Manufacturing Equipment (Monthly)

After renewing the all-time high in December 2024, sales have remained at a high level within a trading range, and renewed the all-time high again in March 2026

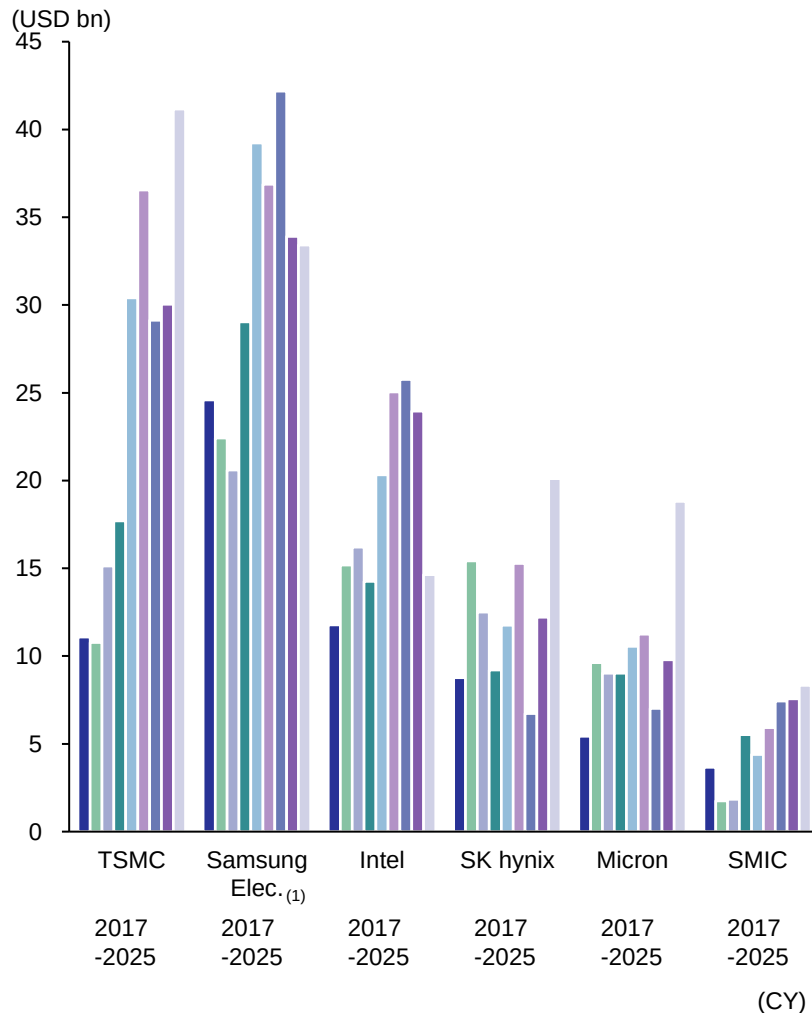


Note 1: Samsung Electronics refers to capital expenditure in its Device Solutions division

Source: [Chart 1] Semiconductor Equipment Association of Japan (SEAJ) "Sales (SEAJ Flash Estimate) of Japanese Semiconductor Manufacturing Equipment (3-Month Average)"; [Chart 2] Company IR materials; compiled by Industry Research Department, Mizuho Bank, Ltd.

[Chart 2] Capital Expenditure of Major Listed Semiconductor Manufacturers

Many companies, led by TSMC, continue to maintain high levels of investment



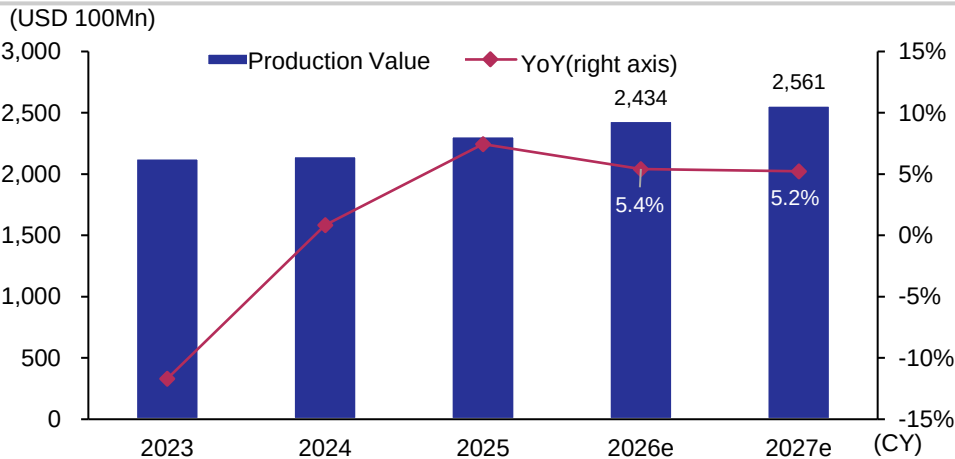
[Electronics] Robust demand for electronic components and semiconductors for AI data centers; semiconductors to reach USD 1 trillion in 2026

- Recent developments
 - [Electronic components]
 - The start of 2026 saw a pre-emptive demand surge for some finished products, but demand for mobile phones and PCs/tablets was soft as unit shipments of such products declined under the impact of semiconductor prices.
 - Demand for AI data centers, which use a large number of components per unit at high unit prices, lifted the electronic components market.
 - [Semiconductors]
 - Unit prices for logic and memory rose amid tight supply-demand conditions. A rise in purchasing to secure supply while it is still available (panic ordering), reflecting expectations of further price increases and perceived scarcity, added to the tightness.
 - Soaring memory prices and procurement difficulties weighed on the smartphone and PC markets on a unit basis, pushing down volumes of semiconductors for these applications.
- Outlook through 2027
 - [Electronic components]
 - Market size in 2026 is projected to increase to USD 243.4 billion (production value, +5.4% YoY). Growth is expected to continue in 2027, to USD 256.1 billion (production value, +5.2% YoY).
 - Shipment volumes for mobile phones and PCs/tablets are expected to remain sluggish through 2027, while demand for AI data centers stays strong.
 - Improvement in the product mix is expected to lead to higher unit prices and, as a result, market growth.
 - [Semiconductors]
 - Market size in 2026 is projected at USD 1,596.9 billion (shipment value, +87.4% YoY), a record high in both value and growth rate.
 - Expanding AI data center investment, together with higher unit prices for logic and memory amid tight supply-demand conditions, to drive the market in value terms.
 - Market size in 2027 is projected at USD 1,954.7 billion (shipment value, +22.4% YoY), setting a further record high with continued double-digit growth.
 - Growth is expected to slow, but expansion to continue on the back of growing AI data center investment, setting a further record high.
 - Supply is not expected to keep pace with growing demand for logic and memory, with full normalization of supply-demand conditions deferred to 2028 or later.

[Electronics] Major Indicators

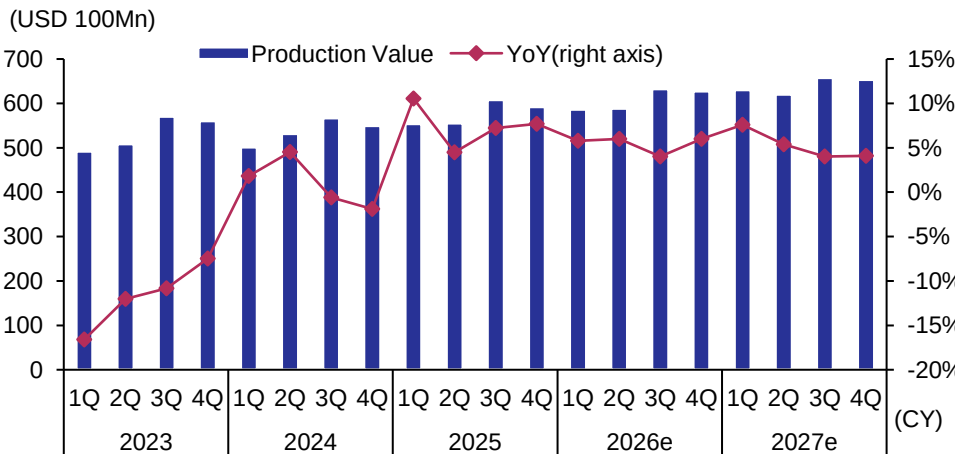
[Chart 1] Trends in Global Electronic Components Market Size (Production Value)

Stable growth is expected in both 2026 and 2027



[Chart 3] Trends in Global Electronic Components Market Size

The stable growth trend that began in the second half of 2025 is expected to continue through 2026 and 2027

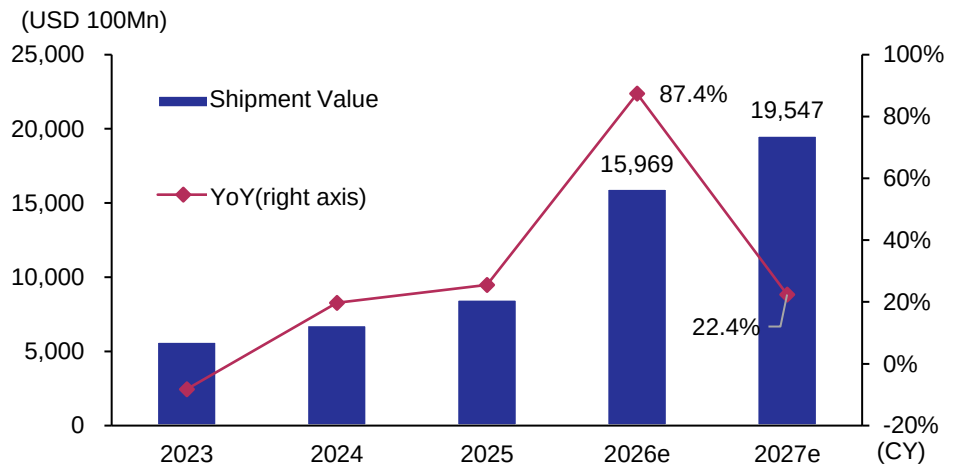


Note: Charts for 2026 and 2027 are forecasts by the Industry Research Department, Mizuho Bank, Ltd. [Chart 2, 3 and 4] Actual market sizes are estimates by the Industry Research Department, Mizuho Bank, Ltd.

Source: [Chart 1] Japan Electronics and Information Technology Industries Association "World Production Forecast of the Electronics and Information Industry 2025"; [Charts 2, 3, and 4] compiled by Industry Research Department, Mizuho Bank, Ltd.

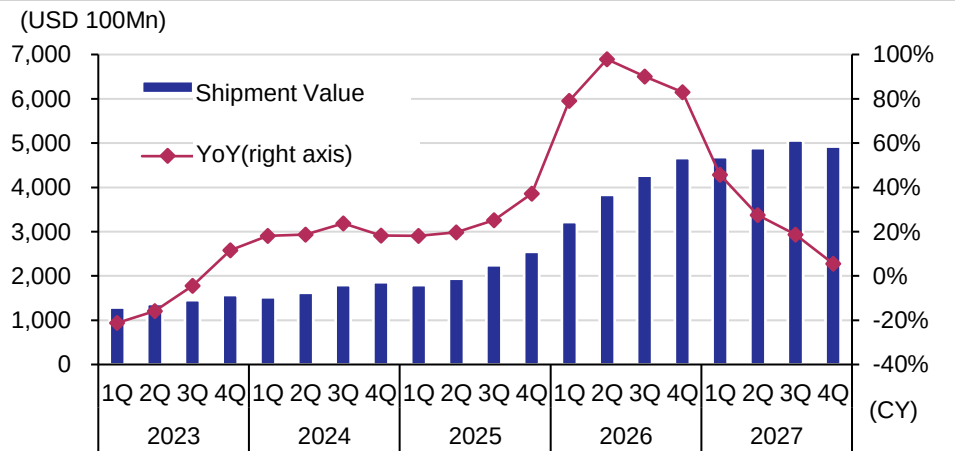
[Chart 2] Trends in Global Semiconductor Market Size

The market has continued to post record highs and double-digit growth since 2024



[Chart 4] Trends in Global Semiconductor Market Size

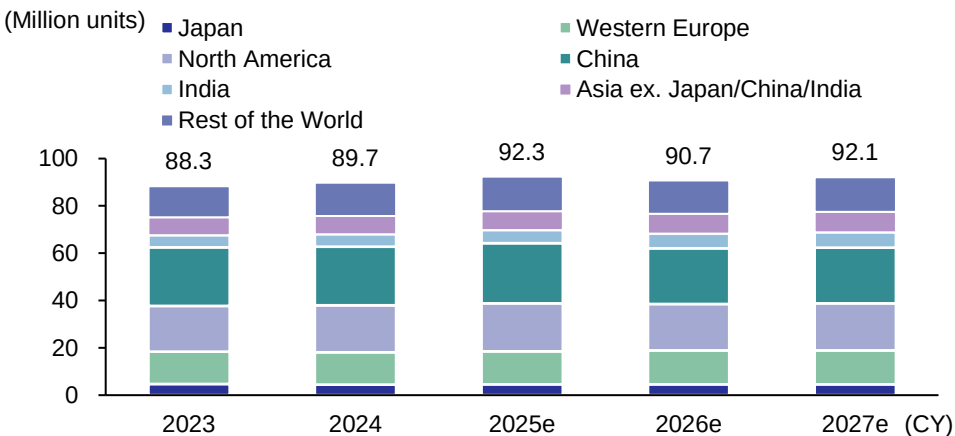
The peak in quarterly growth rate is expected to occur in Q2 2026



[Automotive] YoY decline in 2026 on weaker demand in the U.S. and China, with a return to growth in 2027 on rising demand in India and ASEAN

- Recent developments
 - Global new vehicle sales: demand is rising in India and ASEAN on tax reduction measures, while demand is falling in the U.S. on surging crude oil prices amid heightened tensions in the Middle East, and in China on the scaling back of measures to support NEV (new energy vehicle) purchases.
 - Domestic new vehicle sales: the order backlog stemming from the 2024 certification irregularities relating to model certification at some OEMs continues to be worked down.
- Outlook through 2027
 - Global new vehicle sales are projected to decline to 90.7 million units overall in 2026 (-1.7% YoY). In 2027, the decline in demand in the U.S. and China is expected to bottom out, and solid growth in emerging markets centered on India and ASEAN is projected to drive a turnaround to 92.1 million units (+1.5% YoY).
 - Domestic new vehicle sales are expected to edge up to 4.6 million units in 2026 (+0.8% YoY) on initiatives such as importing vehicles from overseas plants for sale in Japan. In 2027, the sales boost from working down the order backlog will have run its course and, with the penetration rate already at a high level, population decline will weigh on demand, leaving sales on a modest downtrend at 4.6 million units (-0.3% YoY).

Global new vehicle sales volume



Note 1: Figures for 2025-2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.

Note 2: Figures for China are estimates based on shipment volumes and import/export volumes

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on materials from automobile manufacturers associations in each country and other sources

New vehicle sales volume by major country and region

(Million units)	CY 2024	CY 2025e	CY 2026e	YoY(%)	CY 2027e	YoY(%)
Japan	4.4	4.6	4.6	+0.8	4.6	-0.3
The five Western European countries	10.6	10.8	11.0	+1.7	11.0	+0.6
US	16.3	16.6	16.2	-2.5	16.4	+1.0
China	24.8	25.4	23.5	-7.7	23.6	+0.6
India	5.2	5.5	6.2	+12.6	6.4	+3.3
ASEAN 5	3.2	3.3	3.6	+7.7	3.8	+5.1

Note 1: Figures for 2025-2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.

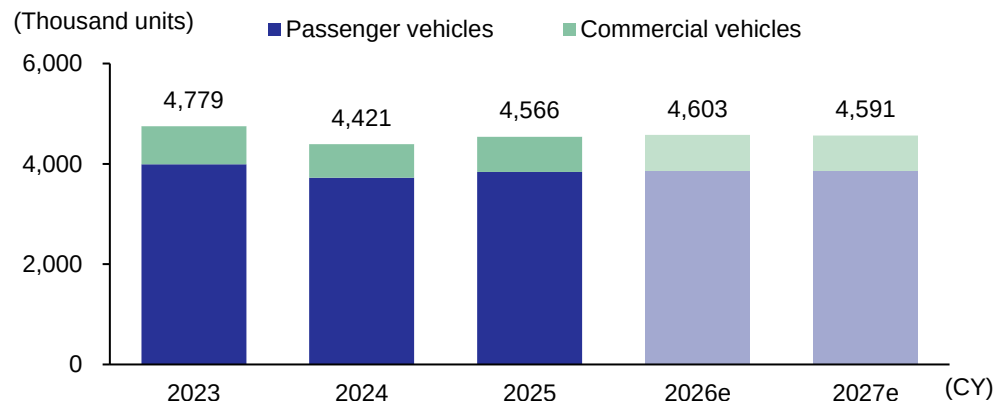
Note 2: The five Western European countries are the UK, Germany, France, Italy, and Spain; ASEAN5 comprises Thailand, Indonesia, Malaysia, the Philippines, and Vietnam

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on materials from automobile manufacturers associations in each country and other sources

[Automotive] Major Indicators

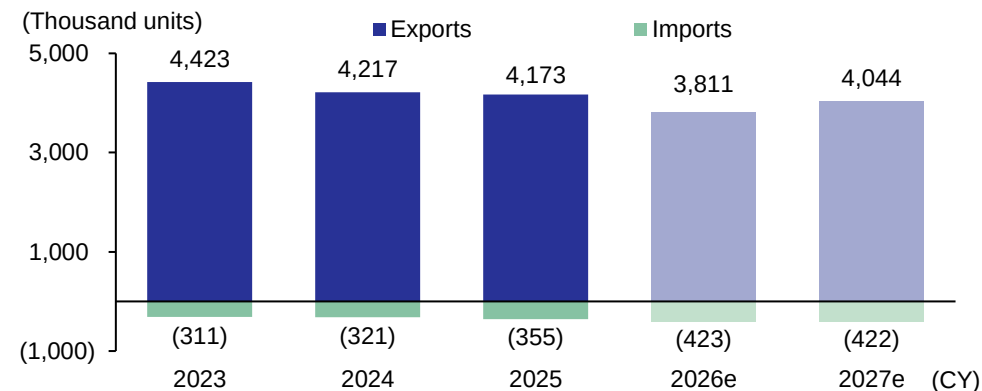
[Chart 1] Domestic new vehicle sales volume

In 2026, year-on-year growth is expected as order backlogs are cleared, but sales are forecast to decline gradually in 2027



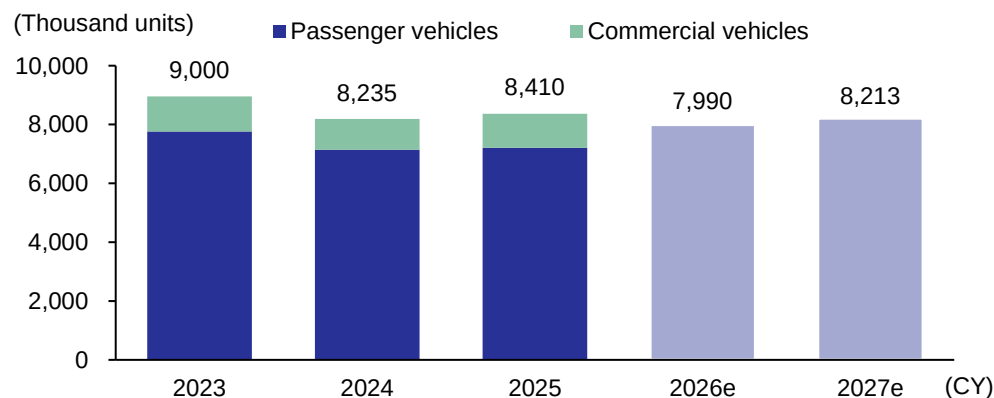
[Chart 2] Domestic export and import volume

In 2026, exports to the Middle East are expected to decline, resulting in a year-on-year decrease



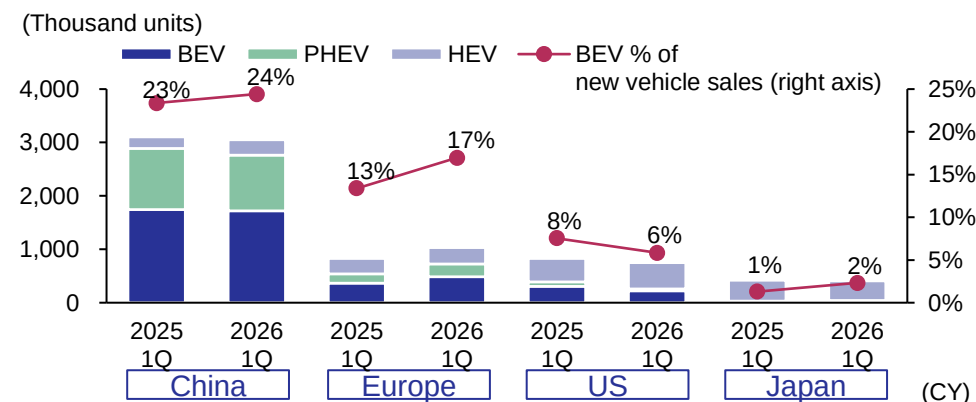
[Chart 3] Domestic production volume

In 2026, production is also expected to decline due to reduced exports. In 2027, production is still not expected to return to the 2025 level



[Chart 4] EV Sales in Major Countries and Regions (Note 2)(Note 3)

The BEV sales ratio remains high in China, while directions in Europe, the U.S., and Japan vary due to differences in policy



Note 1: Charts for 2026 and 2027 in charts 1, 2, and 3 are forecasts by the Industry Research Department, Mizuho Bank, Ltd.

Note 2: China's charts are based on factory shipment data

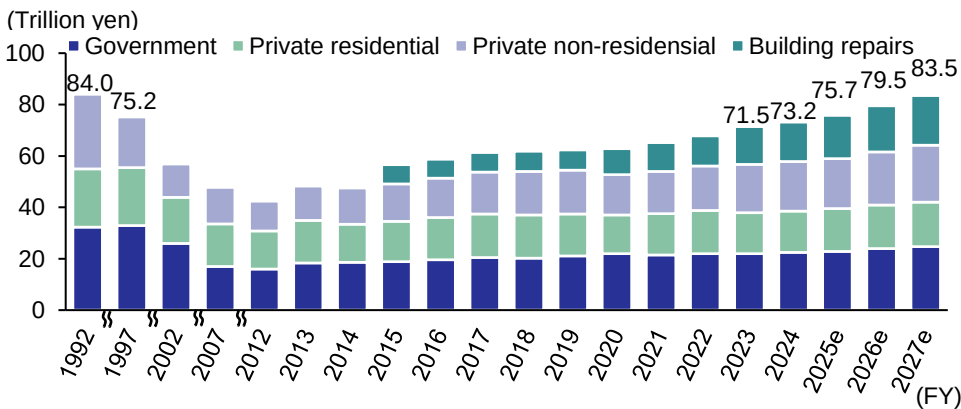
Note 3: Europe includes Germany, the United Kingdom, France, Italy, and Spain

Source: [Charts 1 and 3] Japan Automobile Manufacturers Association; [Chart 2] Japan Automobile Manufacturers Association and the Japan Automobile Importers Association; [Chart 4] MarkLines; compiled by Industry Research Department, Mizuho Bank, Ltd.

[Construction] Floor area of construction starts to decline, mainly on labor shortages and rising construction costs, while nominal construction investment is expected to increase

- Recent developments (FY2025)
 - Nominal construction investment remained firm, supported by resilient replacement demand arising from aging public infrastructure and strong building repair work associated with energy-saving measures, together with rising construction costs.
 - Shortages of construction workers persisted, and companies pursued orders in line with available capacity. Rising construction costs led to cases of projects being scaled back or postponed. In housing, the impact of the revision to the Building Standards Act contributed to a sharp decline in the floor area of construction starts.
- Outlook through 2027
 - Nominal construction investment is expected to reach JPY 79.5 trillion in FY2026 (+5.0% YoY) and JPY 83.5 trillion in FY2027 (+5.0% YoY), on strong building repair work and continued increases in construction costs.
 - Lower construction capacity due to labor shortages, along with higher costs, will contribute to declines in the floor area of construction starts for private residential and private non-residential buildings.
 - On the supply side, continued increases in material prices and labor costs are expected to keep driving up construction costs.

Trends in nominal construction investment



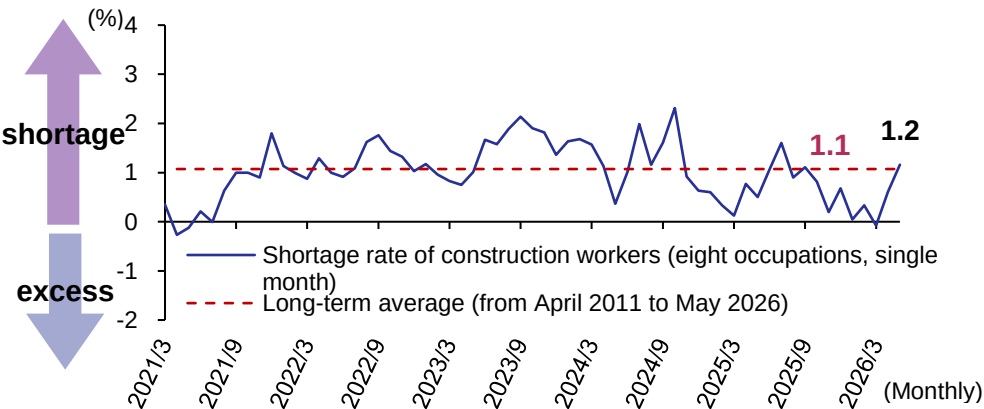
Note 1: Figures for FY2023 and FY2024 are estimates; figures from FY2025 onward are forecasts by Industry Research Department, Mizuho Bank, Ltd.

Note 2: Construction investment from FY2015 onward includes building repair (renovation and refurbishment)

Note 3: The estimation method was changed from FY2020

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on Ministry of Land, Infrastructure, Transport and Tourism, "Construction Investment Outlook"

Trends in the shortage rate of construction workers (eight occupations, single month)



Note 1: The eight occupations are formwork workers (civil engineering), formwork workers (building construction), plasterers, scaffolding workers, reinforcing bar workers (civil engineering), reinforcing bar workers (building construction), electricians, and plumbers

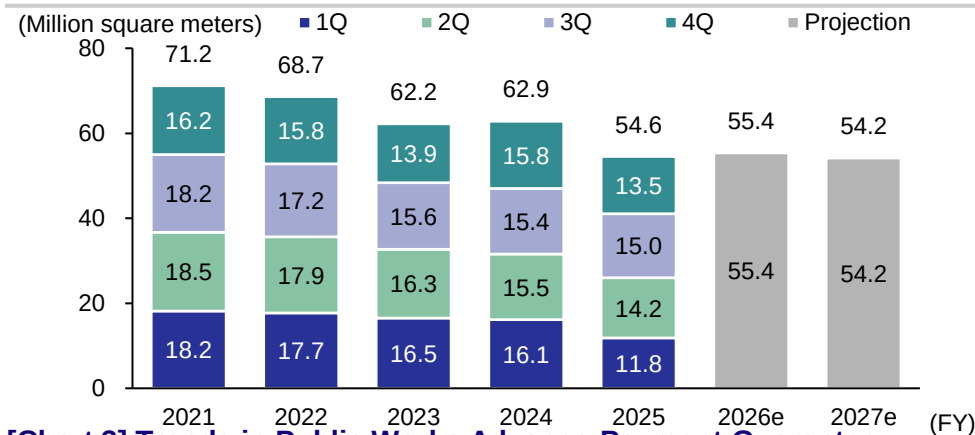
Note 2: Long-term average: the monthly average shortage rate of construction workers from April 2011 to May 2026

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on Ministry of Land, Infrastructure, Transport and Tourism, "Survey on Construction Labor Demand and Supply"

[Construction] Major indicators

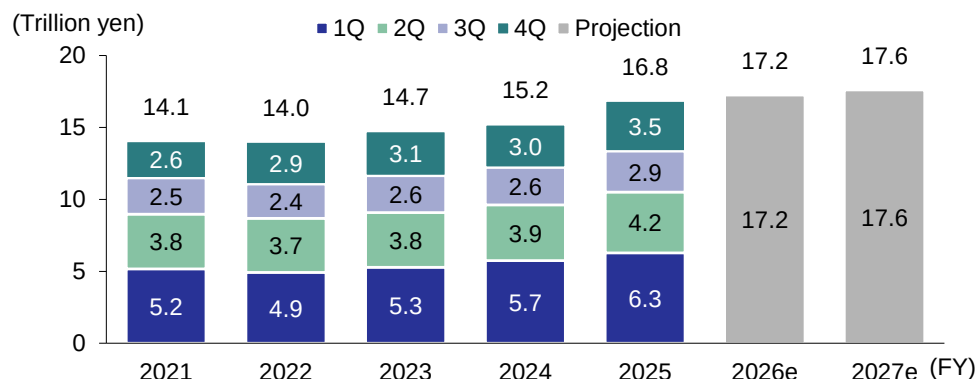
[Chart 1] Trends in floor area of new housing starts

A slight increase compared to fiscal 2025—which was affected by revisions to the Building Standards Act (Note 1)—is expected, but the overall downward trend continues



[Chart 3] Trends in Public Works Advance-Payment Guarantee Contract Amounts

Demand related to buildingnational resilience and disaster prevention measures is expected to increase



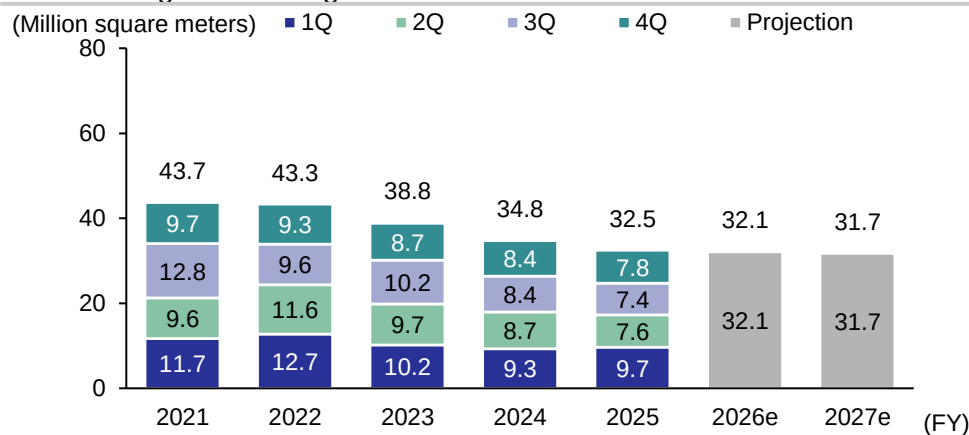
Note 1: Effective April 1, 2025, the scope of wooden buildings subject to energy-saving and structural review was expanded from "three stories or more, or total floor area over 500 m²" to "two stories or more, or total floor area over 200 m²"

Note 2: [Charts 1, 2, and 3] From fiscal 2026 onward are forecasts by the Industry Research Department, Mizuho Bank, Ltd.

Source: [Charts 1 and 2] Ministry of Land, Infrastructure, Transport and Tourism "Building Starts Statistics"; [Chart 3] East Japan Construction Surety Co., Ltd. "Public Works Advance-Payment Guarantee Statistics"; [Chart 4] Ministry of Land, Infrastructure, Transport and Tourism "Construction Cost Deflator"; compiled by Industry Research Department, Mizuho Bank, Ltd.

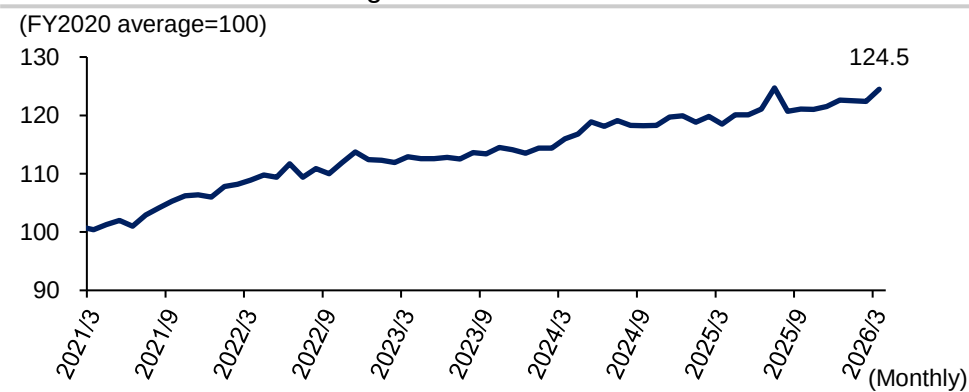
[Chart 2] Trends in Floor Area of Private Non-Residential Construction Starts

Declines are expected due to lower construction volume stemming from labor shortages and rising construction costs



[Chart 4] Trends in the Construction Cost Deflator

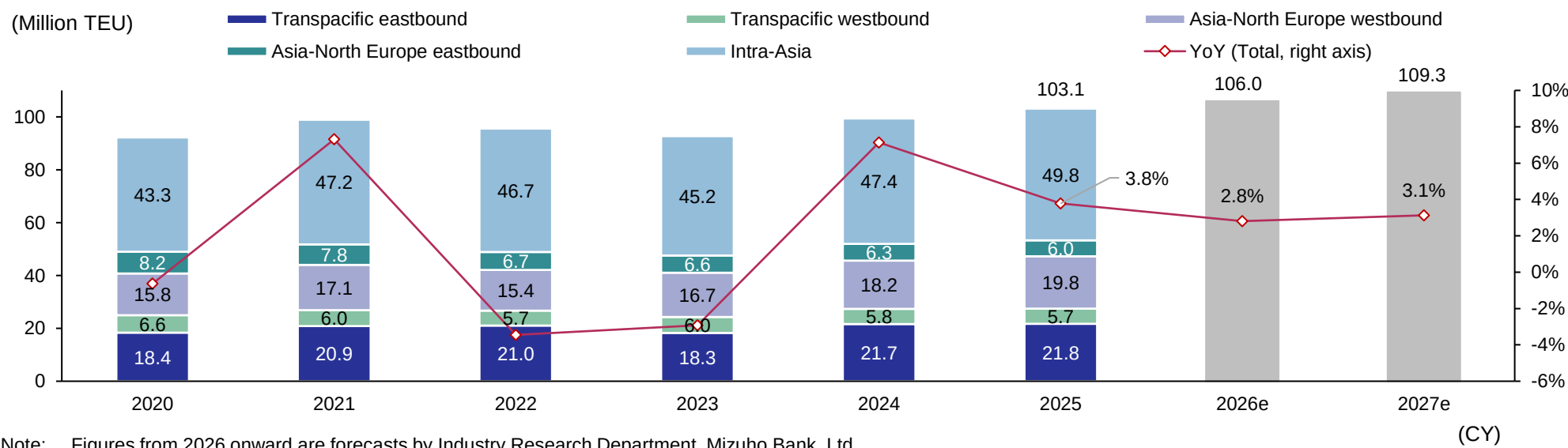
Construction costs continue to rise, driven by higher labor costs associated with labor shortages



[Logistics][Global] Container trade flows broadly firm, supported by Asian demand, though uncertainty remains

- Recent developments
 - Container trade flows remained firm in full-year 2025, rising +3.8% YoY. Deferral of additional tariffs on China into the second half curbed the payback decline from the earlier pre-emptive demand surge.
 - Q1 2026 saw a firm start, as the shift in the timing of the Lunar New Year generated front-loaded demand.
- Outlook through 2027
 - Container trade flows are expected to stay on an expansionary trend in full-year 2026 on economic growth across countries, but the pace of expansion is projected to slow from 2025 to +2.8% YoY in light of uncertainties such as US trade policy and heightened tensions in the Middle East. Toward 2027, disruption to logistics networks could be prolonged depending on the situation in the Middle East, though growth of around +3.1% YoY is expected, supported by solid performance in Asian economies.
 - On the supply side, normalization of transit through the Suez Canal could expand vessel capacity and intensify downward pressure on freight rates.

Trends in global seaborne container trade flows



Note: Figures from 2026 onward are forecasts by Industry Research Department, Mizuho Bank, Ltd.
Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on materials prepared by the Japan Maritime Center

[Real estate] Office market supply-demand conditions tight, while housing starts continue on a downtrend amid rising prices and other factors

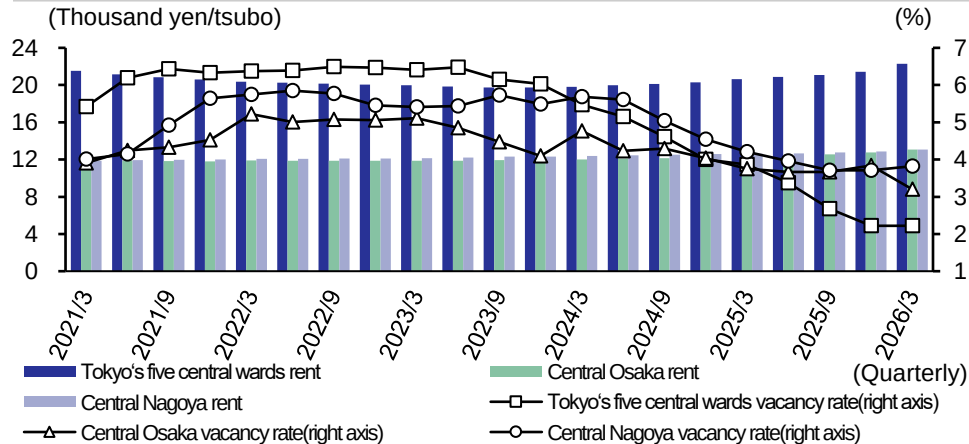
■ Recent developments

- In the office market in Tokyo's five central wards, supply-demand conditions remained firm despite large-scale supply in 2025, underpinned by a preference for prime locations that appeal to job seekers as companies seek to secure talent, as well as needs for additional floor space accompanying the return to the office. The vacancy rate in March 2026 stood at approximately 2.2% (approximately -1.6 percentage points YoY), continuing its downtrend, and rents also continued to rise. Similar trends were seen in Osaka and Nagoya.
- New housing starts came in at 741 thousand units in 2025 (-6.5% YoY), weighed down by delays in construction starts due to the impact of revisions to the Building Standards Act and other regulations, together with rising housing prices stemming from surging material prices and higher wages for skilled workers.

■ Outlook through 2027

- In the office market in Tokyo's five central wards, new supply in 2026 is scheduled to exceed the 30-year average, while 2027 supply is expected to be limited. Office demand is meanwhile assumed to remain resilient, centered on central Tokyo, and tight supply-demand conditions are projected to continue.
- Continued increases in housing prices, together with rising mortgage rates, will weigh on appetite for home purchases, particularly for owner-occupied housing. New housing starts are projected to come in at 728 thousand units in 2026 (-1.7% YoY) and 718 thousand units in 2027 (-1.4% YoY).

Trends in office building vacancy rates and rents by area

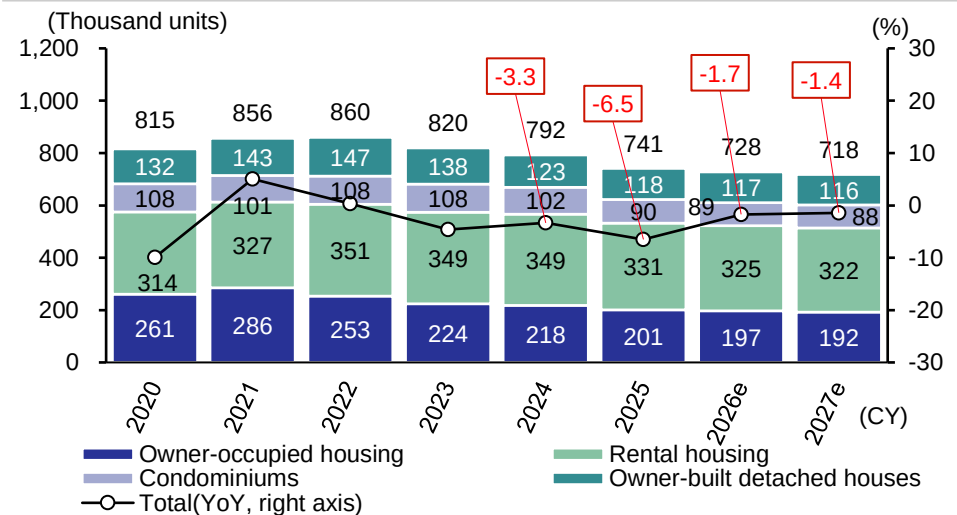


Note 1: Tokyo's five central wards = Chiyoda, Minato, Chuo, Shinjuku, and Shibuya wards; Central Osaka = Umeda, Yodoyabashi, Honmachi, Semba, Shinsaibashi, Namba, and Shin-Osaka districts; Central Nagoya = Nagoya Station, Fushimi, Sakae, and Marunouchi districts. Nominal construction investment for FY2025 is a forecast by Industry Research Department, Mizuho Bank, Ltd.

Note 2: 1 tsubo is approximately equal to 3.3 square meters

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on data published by Miki Shoji

Trends in new housing starts



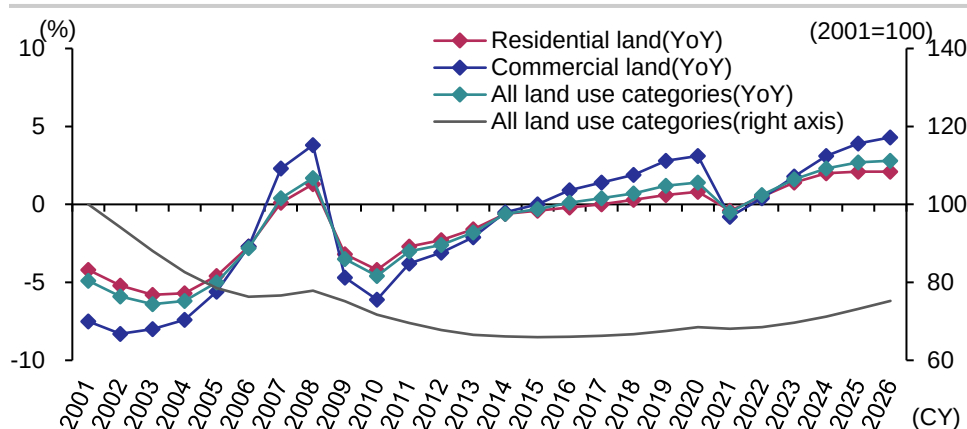
Note: Figures from 2026 onward are forecasts by Industry Research Department, Mizuho Bank, Ltd.

Source: Compiled by Industry Research Department, Mizuho Bank, Ltd. based on Ministry of Land, Infrastructure, Transport and Tourism, "Housing Starts Statistics"

[Real Estate] Major Indicators - Office

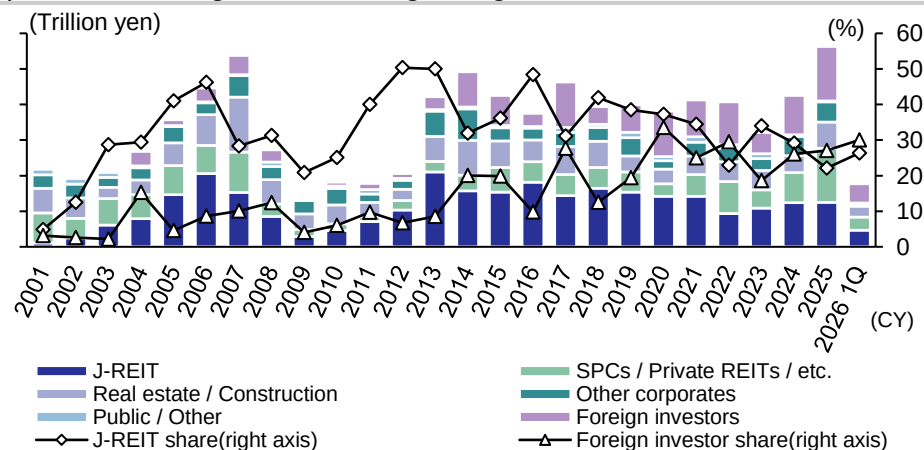
[Chart 1] Long-term trends in official land prices

Prices are rising, supported by demand for offices and condominiums, as well as hotel and retail demand from inbound tourism



[Chart 3] Trends in real estate transaction value (by buyer sector)

In addition to continued investment by domestic investors, investment appetite from foreign investors is growing

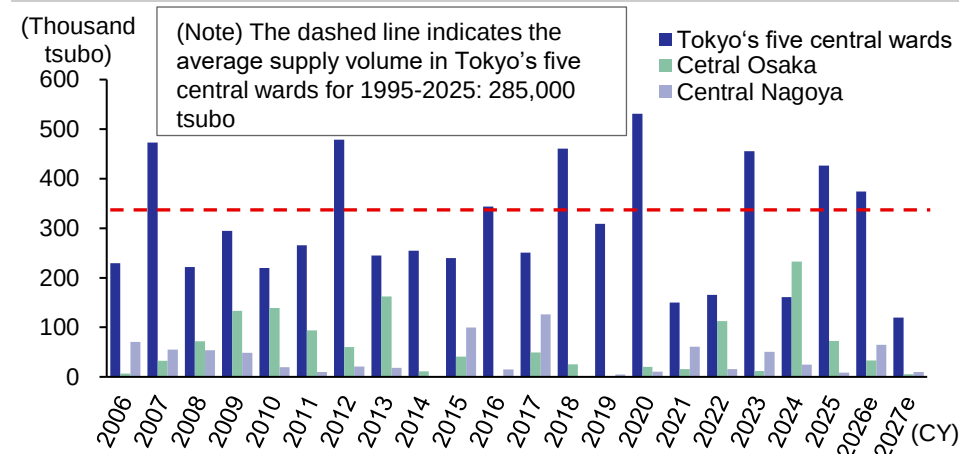


Note: [Chart 2]: Charts for 2027 are forecasts by Industry Research Department, Mizuho Bank, Ltd.

Source: [Chart 1] Ministry of Land, Infrastructure, Transport and Tourism "Official Land Prices"; [Chart 2] Miki Shoji through 2026; [Chart 3] Institute of Real Estate Market Analysis "Real Estate Transaction Survey"; [Chart 4] Japan Real Estate Institute "Real Estate Investor Survey"; compiled by Industry Research Department, Mizuho Bank, Ltd.

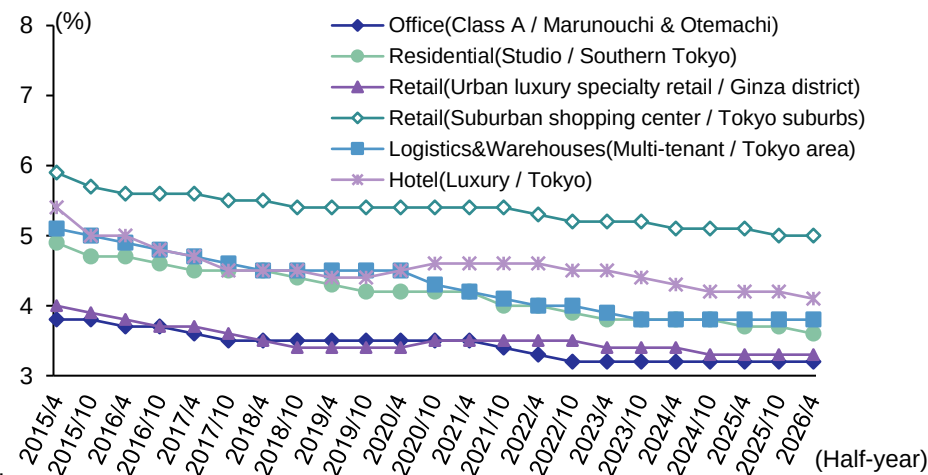
[Chart2] Trends in office building supply in Tokyo's five central wards, central Osaka, and central Nagoya

In Tokyo, large-scale supply is expected to continue in 2026, but supply is projected to decrease in 2027



[Chart 4] Expected yields by property type

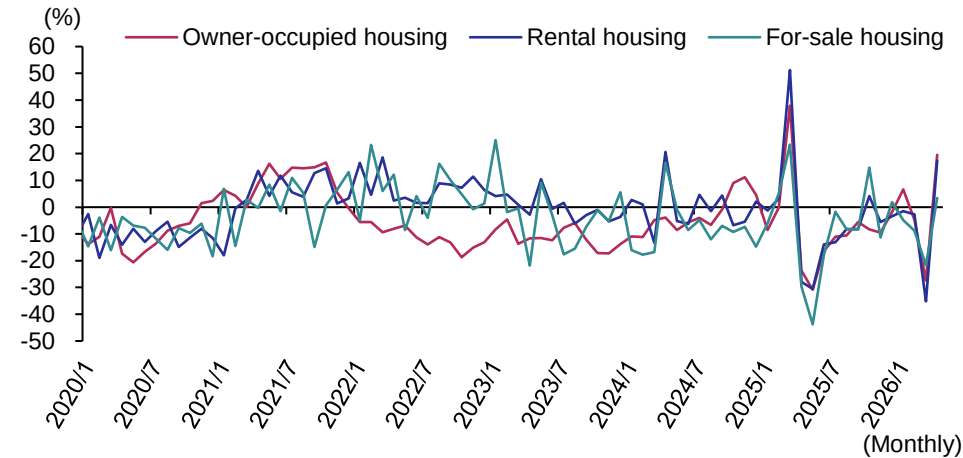
Even in an environment of rising interest rates, expected yields for each asset class remain flat



[Real Estate] Major Indicators - Housing

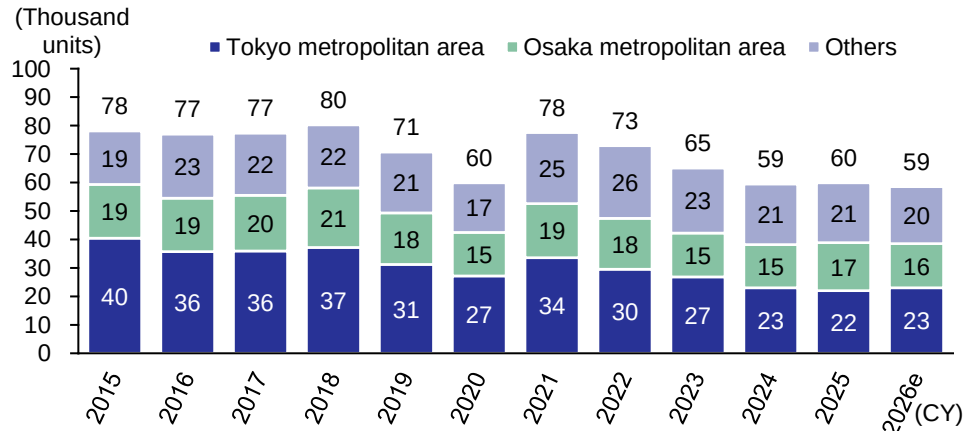
[Chart 5] Year-on-year change in new housing starts

In 2025, revisions to the Building Standards Act and related laws triggered a rush of applications in March, followed by a pullback in April



[Chart 7] Trends in the number of condominium unites supplied

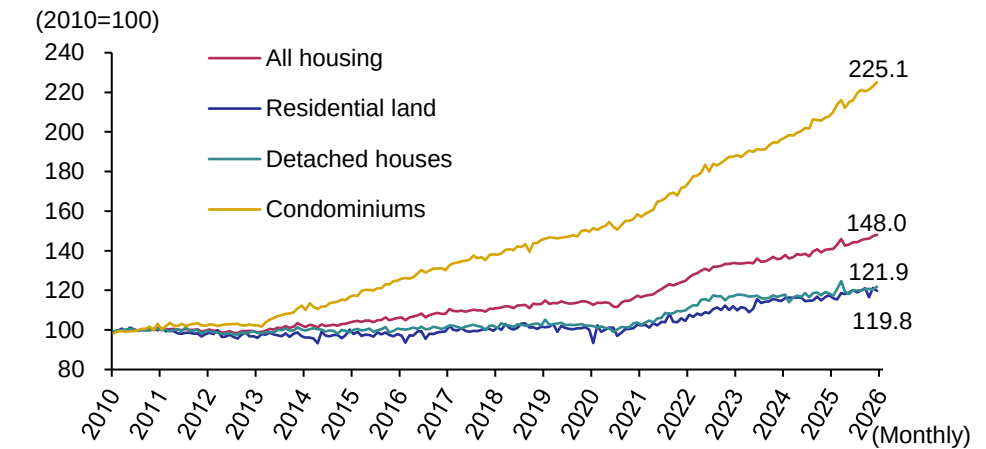
Despite firm condominium demand, supply is expected to decline slightly year-on-year due to a cautious supply stance



Source: [Chart 5] Ministry of Land, Infrastructure, Transport and Tourism "Housing Starts Statistics"; [Chart 6] Ministry of Land, Infrastructure, Transport and Tourism "Real Estate Price Index (Housing)"; [Charts 7 and 8] Real Estate Economic Institute; compiled by Industry Research Department, Mizuho Bank, Ltd.

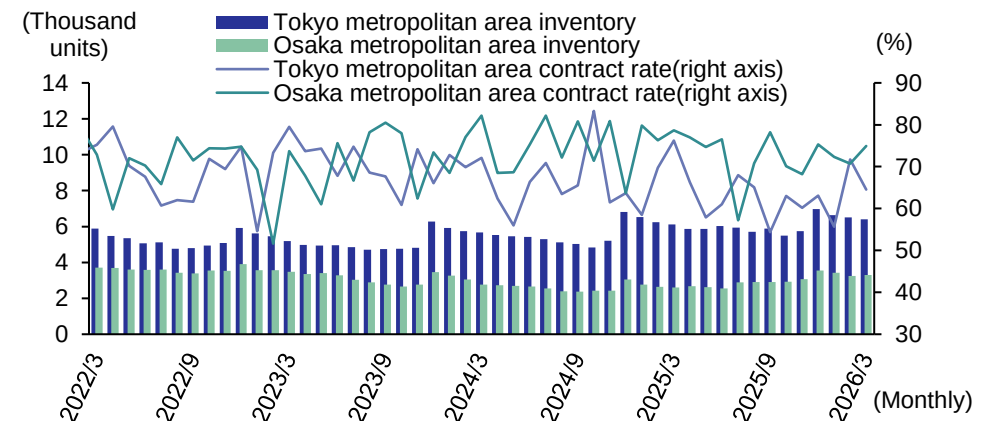
[Chart 6] Trends in the real estate price index (Housing)

Housing prices continue to rise overall, with condominium prices showing particularly notable increases



[Chart 8] Trends in Initial Contract Rates and Inventory Levels for Condominiums

In the Tokyo metropolitan area, initial contract rates are deteriorating and inventory is slightly increasing year-on-year



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