

Japan Value Equity Green

May 2025

Strategy

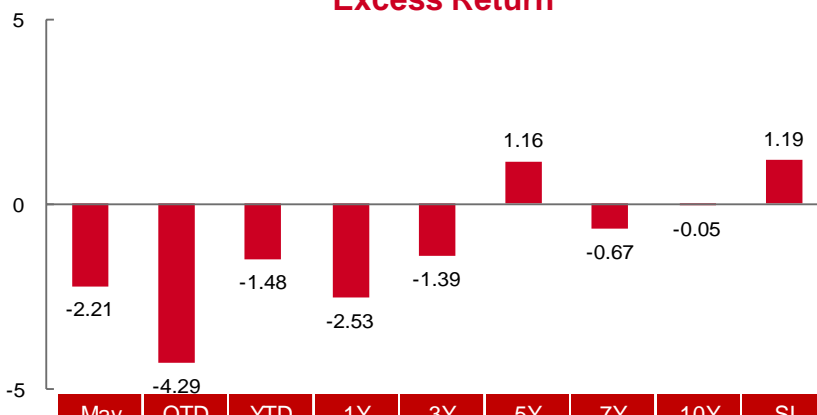
Green Strategy invests in Japanese equities that meet environmental management and investment value criteria, and aims to achieve above-benchmark return in the mid- to long-term. We use a bottom-up approach. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. Environmental research is conducted by Sompo Risk Management, a leading company in domestic ESG research.

Market Review

The Japanese market rose in May on expectations for softer tariff policy out of the Trump administration in the US. The rise was led by the non-ferrous sector, which grew on expectations for increased demand for telecommunication cables following the announcement of a large data centre construction project in the Middle East, and the banks sector, which grew on expectations for wider net interest margins following the increase in Japanese interest rates.

The market rose in the first half of the month as the BoJ left rates unchanged at its monetary policy meeting and Trump tariff policy fears weakened following the US and the UK coming to a trade deal. The market then rocked back and forth through the middle of the month despite the US and China agreeing to lower the additional tariffs they had imposed on each other as conservative earnings guidance weighed on sentiment. Share prices then rose again through the end of the month despite US long-term rates rising on the back of concerns over worsening fiscal conditions as the US agreed to postpone the imposition of tariffs on the EU and Nvidia released strong earnings results.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
MITSUBISHI UFJ FINANCIAL GRO	4.52
NIPPON TELEGRAPH & TELEPHONE	3.37
SUMITOMO MITSUI FINANCIAL GR	3.26
TOYOTA MOTOR CORP	2.89
MURATA MANUFACTURING CO LTD	2.65
DAIKIN INDUSTRIES LTD	2.54
KYOCERA CORP	2.37
ASAHI GROUP HOLDINGS LTD	2.33
HIROSE ELECTRIC CO LTD	2.11
MEBUKI FINANCIAL GROUP INC	1.85
Total	27.89

Characteristics		
	Portfolio	Benchmark
P/E	12.73x	13.96x
P/B	0.96x	1.36x
ROE	7.51%	9.74%
Dividend Yield	3.37%	2.65%

Market Cap		
	Portfolio	Benchmark
Large	46.9%	66.7%
Mid	45.1%	25.7%
Small	6.3%	7.5%
Others	0.0%	-

Composite Summary

Composite Name	Sompo Japan Green Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2006	
Number of Holdings	77	
Bloomberg Code	SNAMGRN	
Assets Under Management	Strategy Total	JPY 49.1B (USD 340M)

* Excess return figures are annualized for three years and longer.

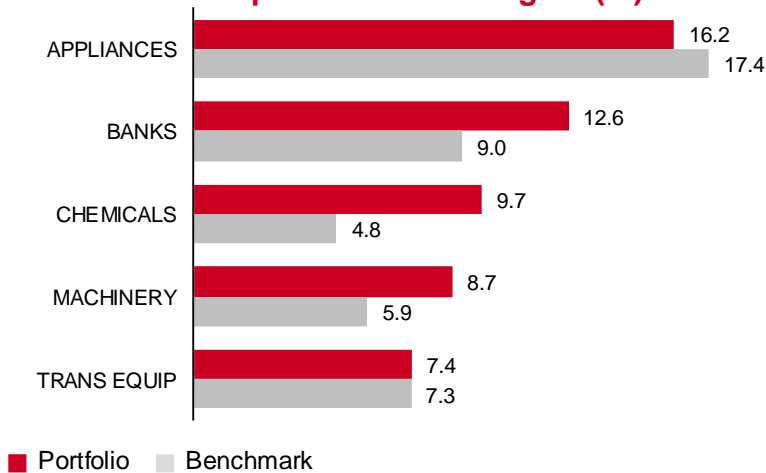
** TOPIX Total Return Index includes the dividends paid by the index constituents.

The data shown is of a representative account. Past performance is not a guarantee of future returns.

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Japan Value Equity Green

Top Five Sector Weights (%)



Yuya Harashima, CMA, CFA
Portfolio Manager
11 years investment experience
9 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, overweighting (OW) of Banks and Machinery and underweighting (UW) of Precision Instr contributed to performance, while OW of Land Trans, Paper, and Construction detracted. In stock selection, UW of Sony and OW of Hamamatsu Photonics and BIPROGY contributed to performance, while UW of Hitachi and OW of Sawai Group Holdings, and Murata Manufacturing detracted. Last month we increased holdings of NTT, Denso, and Asahi Group Holdings and decreased holdings of Exeo Group, East Japan Railway Company, and Takeda Pharmaceutical.

Outlook

We expect the market will continue to face heavy upside resistance over the near term.

Japanese corporate earnings will likely be positively impacted by a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE) but may stagnate because of negative impacts from additional Trump tariffs. Valuation metrics like forward P/E fell significantly on concerns over additional tariffs but have already recovered from this because of expectations over negotiations between the US and individual countries. The market will now likely bounce back and forth according to news flow concerning the tariffs. We believe that share price will be supported by strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ having relatively accommodative monetary policy compared to the US and Europe but that investor sentiment will unlikely rise until it is clear where Trump tariff policy will ultimately end up.

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