

Japan Value Equity Impact

July 2025

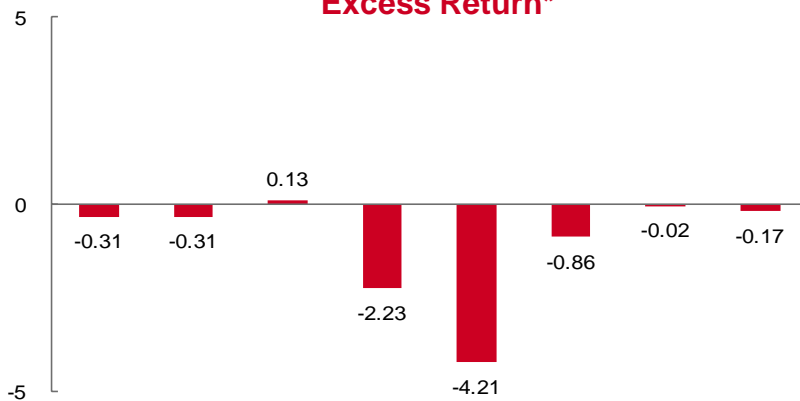
Strategy

Impact Strategy takes concentrated and long-term positions in Japanese equities proactively rethinking traditional work practices, e.g. through the promotion of female participation in the workforce and diversification, and those with highly stable and profitable businesses top in value-add creation. These are important targets given Japan's declining population. Our equity investment takes a bottom-up approach in which the Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks.

Market Review

Japanese market prices rose as investors were positive on Japan-US trade talk finishing with a lower-than-expected tariff rate of 15%. Value stocks outperformed growth stocks as tariff talks came to an end and growth in Japanese long-term domestic rates. Share prices fell in the first half of the month because of increased uncertainty over tariffs following statements from US President Donald Trump that there would be additional tariffs on copper and pharmaceuticals and the market believed the ruling coalition would struggle in the upper house election. The market was largely unchanged in the middle of the month as despite support from strong earnings at global semiconductor manufacturers, tariff uncertainty and upper house election concerns continued to weigh on prices. The market did not move much in response to the results of the upper house election despite the ruling coalition losing its majority as that was what the market expected. Then going towards the end of the month share prices rose significantly, particularly for automakers, as Japan and the US lowered the final tariff rate to 15%, which would also include automobiles.

Composite Performance (%) Excess Return*



	Jul	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	2.86	2.86	7.25	5.76	13.59	16.41	10.29	11.31
Benchmark	3.17	3.17	7.12	7.98	17.79	17.27	10.31	11.48

Composite Summary

Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	40
Assets Under Management	JPY 7B (USD 46M)

Top Ten Holdings	%
KDDI CORP	5.20
SHIN-ETSU CHEMICAL CO LTD	4.87
TOKYO ELECTRON LTD	4.71
ITOCHU CORP	4.49
DENSO CORP	4.25
MURATA MANUFACTURING CO LTD	3.96
DAIKIN INDUSTRIES LTD	3.67
FANUC CORP	3.37
BRIDGESTONE CORP	3.02
ORIX CORP	2.85
Total	40.39

Characteristics	Portfolio	TOPIX
P/E	15.23x	14.79x
P/B	1.61x	1.43x
ROE	10.60%	9.67%
Dividend Yield	2.85%	2.57%

Market Cap	Portfolio	TOPIX
Large	58.5%	66.1%
Mid	33.9%	26.1%
Small	6.0%	7.8%
Others	0.0%	-

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

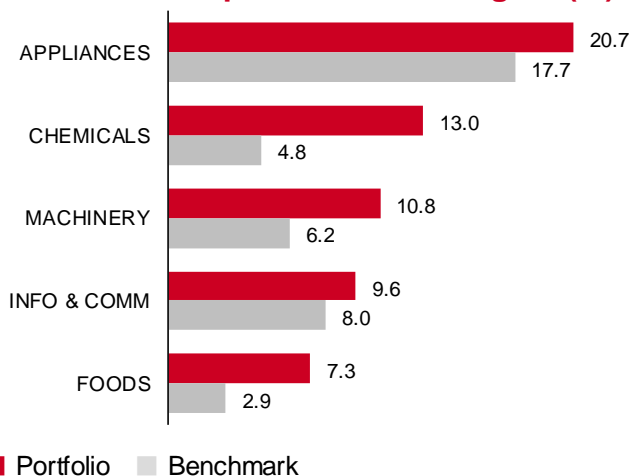
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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

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Japan Value Equity Impact

Top Five Sector Weights (%)



Hiromasa Tatsuta, CMA
Portfolio Manager
10 years investment experience
8 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Daikin Industries, Astellas Pharma, and Fanuc contributed to performance, while share price declines for Shin-Etsu Chemical, Anritsu, and Taiyo Holdings detracted.

Outlook

We expect the market will continue to face heavy upside resistance. Corporate earnings forecasts for this fiscal year have been weak, especially for foreign-demand, cyclical sectors, as they reflected the expected negative impacts of additional Trump tariffs. However, with trade talks now over and the final tariff rate coming in lower than initially expected we believe earnings forecasts will now rebound. Valuation metrics like forward P/E are already above undervalued levels, being overall pushed up by a small number of stocks from before the conclusion of trade talks. We believe that caution will be needed over the short term as expectations are increasing for the Fed to lower rates in response to the economic slowdown in the US. That said, we do not foresee any large fall in the Japanese market as there is strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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