

Japan Value Equity Impact

August 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 on increased expectations for a fed rate cut and a drop in Trump tariff policy concerns. Value outperformed growth as Japanese long-term interest rates rose on the back of expectations for the BoJ to hike rates. Prices rose in the first half of the month despite a brief slip caused by weak US jobs data. Expectations rose for rate cuts in the US and investors were positive on the US promising Japan it will fix the double tariff oversight. The market rose further in the middle of the month as the US once again delayed the implementation of additional tariffs on China following US-China trade talks, easing investor concerns around Trump tariff policy. The market then seesawed through the end of the month, supported by comments from Fed chair Jerome Powell at the Jackson Hole symposium hinting at a rate cut, but buffeted by heightened concerns over Fed independence following the announcement from US President Donald Trump that he will fire Fed governor Lisa Cook.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
SHIN-ETSU CHEMICAL CO LTD	5.06
KDDI CORP	5.05
ITOCHU CORP	4.66
TOKYO ELECTRON LTD	4.49
DENSO CORP	4.33
DAIKIN INDUSTRIES LTD	4.04
MURATA MANUFACTURING CO LTD	3.93
BRIDGESTONE CORP	3.24
FANUC CORP	3.23
KOMATSU LTD	2.92
Total	40.94

Characteristics		
	Portfolio	TOPIX
P/E	15.55x	15.18x
P/B	1.68x	1.49x
ROE	10.77%	9.84%
Dividend Yield	2.80%	2.48%

Market Cap		
	Portfolio	TOPIX
Large	58.7%	65.9%
Mid	33.9%	26.4%
Small	6.4%	7.7%
Others	0.0%	-

	Aug	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	2.50	5.43	9.93	10.94	14.07	15.00	10.99	11.51
Benchmark	4.52	7.83	11.95	16.23	19.06	16.46	11.17	11.92

Composite Summary

Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	40
Assets Under Management	JPY 6.8B (USD 46M)

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

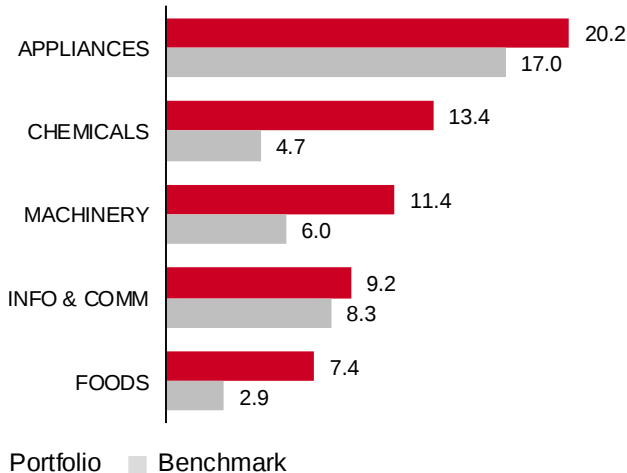
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 Fuji Electric, Fuji Oil, and Orix contributed to performance, while share price declines for Tokyo Electron, Hamamatsu Photonics, and Ariake Japan detracted.

Outlook

We expect the market will continue to face heavy upside resistance. We urge caution over the near term given that valuation metrics like forward P/E look overall somewhat overheated, having been pulled upwards by a small number of stocks. However, corporate earnings forecasts for this fiscal year may now be revised upwards given the heightened likelihood they will not fall as much as originally expected following the easing of Trump's tariffs. In addition, 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. While we do expect investors to more readily make predictions of earnings growth as the negative impacts of the Trump tariffs fade away in the second half of the coming fiscal year, we believe it will still take some time before we see serious fundamentals-driven market growth.

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