

Japan Value Equity Impact

October 2025

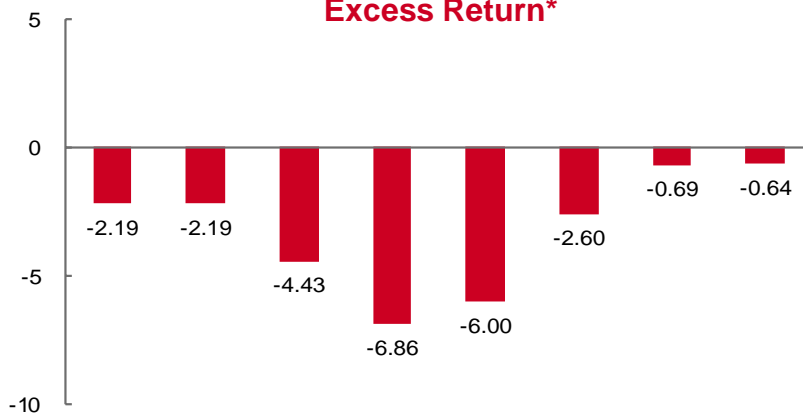
Strategy

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 expectations for expansionary fiscal policy and economic security enhancements by the incoming administration following the change in leadership of the Liberal Democratic Party (LDP) in Japan. Growth in the nonferrous and electric appliances sectors, driven by continued expectations for expanded AI investment globally and expectations for increased investment in advanced technology by the Takaichi administration, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for expansionary fiscal policy following the election of Sanae Takaichi as LDP leader. The market then briefly declined on reignited fears over trade frictions between the US and China triggered by Trump's remarks indicating additional tariffs on China and political uncertainty in Japan following the media reports of parliament facing difficulties selecting a prime minister. The market then rose on receded political uncertainty following Sanae Takaichi becoming prime minister. The market then maintained solid growth on a weakened JPY versus USD, caused by the BoJ keeping the policy rate unchanged at its end-of-month policy meeting and Fed chairman Jerome Powell indicating a cautious stance on additional rate cuts.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
TOYOTA MOTOR CORP	6.36
KDDI CORP	4.83
TOKYO ELECTRON LTD	4.57
SHIN-ETSU CHEMICAL CO LTD	4.25
ITOCHU CORP	4.18
MURATA MANUFACTURING CO LTD	4.01
DAIKIN INDUSTRIES LTD	3.61
DENSO CORP	3.56
FANUC CORP	3.06
BRIDGESTONE CORP	2.86
Total	41.30

Characteristics		
	Portfolio	TOPIX
P/E	15.41x	15.87x
P/B	1.65x	1.56x
ROE	10.69%	9.84%
Dividend Yield	2.72%	2.36%

Market Cap		
	Portfolio	TOPIX
Large	62.3%	68.7%
Mid	30.1%	24.4%
Small	5.8%	6.9%
Others	0.0%	-

	Oct	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	4.00	4.00	18.00	19.84	16.95	16.34	12.63	12.16
Benchmark	6.20	6.20	22.43	26.70	22.95	18.94	13.32	12.81

Composite Summary

Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	41
Assets Under Management	JPY 7.3B (USD 47M)

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

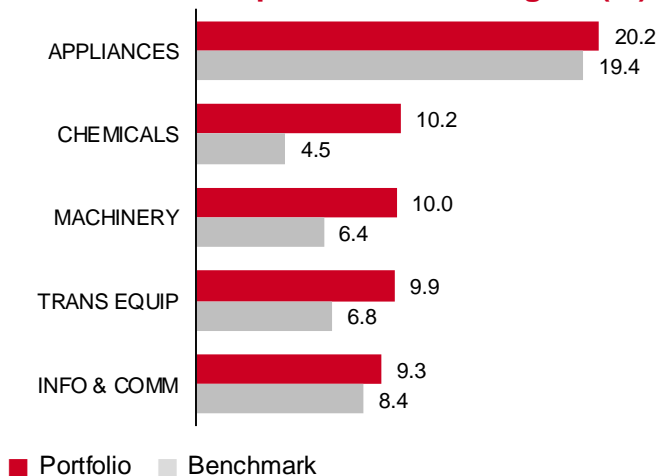
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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
9 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Tokyo Electron, Murata Manufacturing, and Fanuc contributed to performance, while share price declines for Shin-Etsu Chemical, Fuji Oil, Ariake Japan detracted.

Outlook

We expect the market will face heavier upside resistance going forward. We urge caution over the near term given that valuation metrics like forward P/E are no longer at undervalued levels having been pulled upwards by a small number of stocks on the back of additional US rate cuts and expectations for fiscal policy from the Takaichi administration in Japan. Stock-picking has been heavily concentrated in thematic areas such as generative AI and these stock are now at overheated valuation levels. However, corporate earnings forecasts for this fiscal year are bottoming out on the back of the easing of Trump's tariffs and will likely be revised upwards. 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.

Contact Information

Daniel Robbins
+81 3 5290 3414

Group email: global@sompo-am.co.jp

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