

Japan Value Equity Impact

November 2025

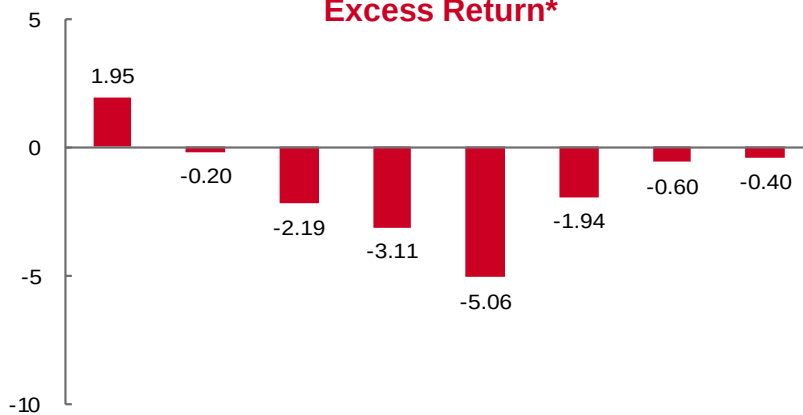
Strategy

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

The Japanese market remained firm in November, despite alarm over the high prices of AI and data centre stocks putting downward pressure on prices as expectations for a rate cut by the Fed in December supported sentiment. The mining and real estate sectors saw growth because of strong Jul-Sep earnings and the announcement of bolstered shareholder returns. The info & Comms sector fell because of heightened concerns of increased competition in the AI space. In the first half of the month, fears of an economic slowdown receded following the end of the US government shutdown. The Japanese market rose on the back of strong Jul-Sep earnings results. Share prices then fell as investors stood back in anticipation of results announcements from US semiconductor majors and top US finance professionals began to sound the alarm on stretched valuations. The market then bounced back upwards through the end of the month as expectations for a rate cut grew on comments from top Fed officials that they will support a cut at the December FOMC meeting. Long-term rates rose in Japan because of increased concerns over government finances caused by the Takaichi cabinet's economic support measures. Subsequent JPY depreciation focused investors buying activity mainly on exporters, leading to growth in the Japanese market.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
TOYOTA MOTOR CORP	6.37
KDDI CORP	4.77
SHIN-ETSU CHEMICAL CO LTD	4.73
ITOCHU CORP	4.20
TOKYO ELECTRON LTD	4.08
DENSO CORP	3.83
MURATA MANUFACTURING CO LTD	3.71
DAIKIN INDUSTRIES LTD	3.47
FANUC CORP	3.22
BRIDGESTONE CORP	2.82
Total	41.21

Characteristics		
	Portfolio	TOPIX
P/E	15.42x	15.57x
P/B	1.64x	1.58x
ROE	10.65%	10.12%
Dividend Yield	2.69%	2.37%

Market Cap		
	Portfolio	TOPIX
Large	63.2%	67.8%
Mid	28.8%	25.0%
Small	6.1%	7.2%
Others	0.0%	-

	Nov	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	3.38	7.51	21.98	26.06	17.27	14.85	12.74	12.46
Benchmark	1.42	7.71	24.18	29.17	22.33	16.78	13.34	12.86

Composite Summary

Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	40
Assets Under Management	JPY 7.9B (USD 51M)

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

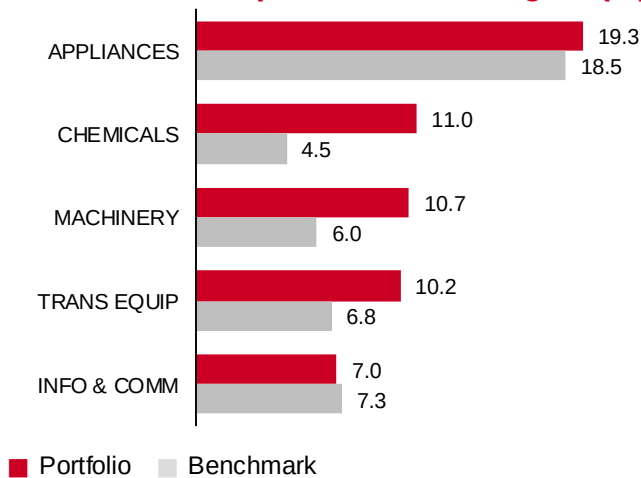
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 Astellas Pharma, Daikin Industries, and KDDI contributed to performance, while share price declines for Ajinomoto, Tokyo Electron, and Murata Manufacturing detracted.

Outlook

We urge caution over the near term given that despite the recent market correction centring on some overvalued AI stocks, valuation metrics like forward P/E are still not at undervalued levels given continued expectations around further rate cuts in the US and increased investment in AI. However, corporate earnings forecasts have been recovering since the Japan and the US came to an agreement on tariffs and we expect further improvements as companies revise their conservative assumptions. We do not foresee any large fall in the Japanese market as there is strong equity demand from a high level of large-scale share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe. We believe it will still take some time before we see serious fundamentals-driven market growth but given forecasts for earnings growth next year and beyond, we believe we are currently in the midst of a medium to long-term growth period.

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