

Japan Value Equity Impact

December 2025

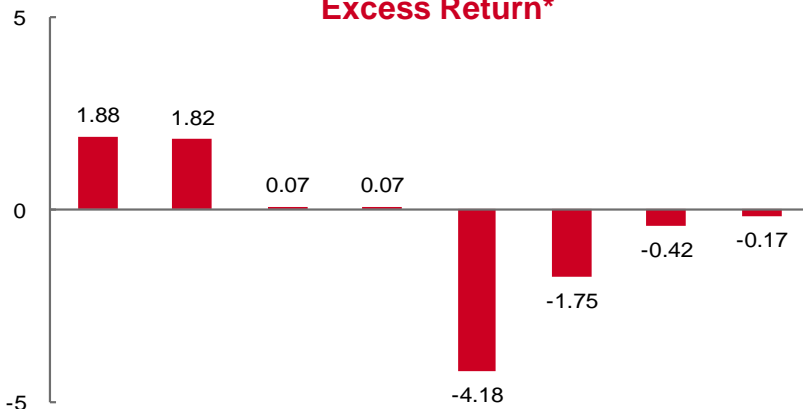
Strategy

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

Despite Japanese and US monetary policy creating reason for market movement, the reduction in market participants through the year-end kept TOPIX range-bound. By sector, insurance and banks rose on expectations for earnings improvements following the BoJ's decision to raise rates. The other products sector fell on concerns over earnings deterioration following the increase in price of semiconductors. The Japanese market was weak at the beginning of the month as expectations rose for a rate hike at the BoJ's December Monetary Policy Meeting following hints from Governor Kazuo Ueda. However, market prices then recovered on expectations for a Fed rate cut following the release of US economic data that hinted at an economic slowdown. Shares then fell again in the middle of the month despite a Fed rate cut due to a dry-up in catalysts. However, share prices held firm as expectations rose for further rate cuts in the US on weaker-than-expected US CPI. Buying activity was focused on exporters as despite the BoJ's decision to raise rates at its monetary policy meeting, comments from Ueda caused JPY to weaken versus USD. The market lacked any clear sense of direction through the end of the month given low trading volumes.

Composite Performance (%) Excess Return*



Top Ten Holdings	%
TOYOTA MOTOR CORP	6.29
KDDI CORP	4.85
SHIN-ETSU CHEMICAL CO LTD	4.57
ITOCHU CORP	4.32
TOKYO ELECTRON LTD	4.29
DENSO CORP	3.91
DAIKIN INDUSTRIES LTD	3.77
MURATA MANUFACTURING CO LTD	3.65
FANUC CORP	3.30
BRIDGESTONE CORP	2.93
Total	41.89

Characteristics		
	Portfolio	TOPIX
P/E	15.60x	15.49x
P/B	1.69x	1.59x
ROE	10.85%	10.27%
Dividend Yield	2.65%	2.38%

Market Cap		
	Portfolio	TOPIX
Large	63.9%	68.0%
Mid	28.7%	24.8%
Small	6.3%	7.2%
Others	0.0%	-

	Dec	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	2.91	10.64	25.53	25.53	20.50	14.59	14.85	12.69
Benchmark	1.03	8.82	25.46	25.46	24.68	16.34	15.27	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 7.4B (USD 47M)

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

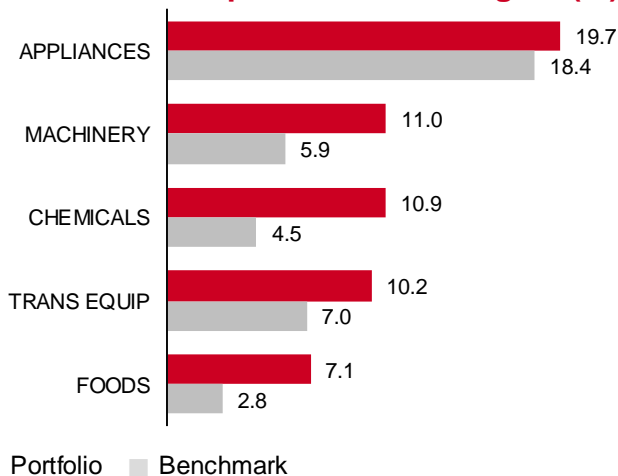
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 Fanuc, Toyota Motor and Tokyo Electron contributed to performance, while share price declines for Ajinomoto, Anritsu, and Nomura Research Institute detracted.

Outlook

Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it is looking likely that earnings will continue to rise in the coming fiscal year too. However, we believe caution is needed over the near term as valuations (forward P/E, etc) have been on a consistent upwards path recently, driven by positive factors like expectations for strong earnings, lower US rates, and increased investment in AI. That said, we believe market downside will be limited 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.

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