

Japan Value Equity Impact

January 2026

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

Expectations for aggressive fiscal policy pushed the market up following reports of a snap general election. The non-ferrous and oil & coal products sectors rose on heightened expectations for earnings improvements following the increase in commodity prices. The services and information & communication sectors fell because of their high percentage of growth stocks when interest rate increases were creating headwinds.

The Japanese equity market rose in the first part of the month because of expectations for expansionary fiscal policy driven by the outlook that the Takaichi administration would call a snap general election. Share prices then fell in the middle of the month despite prospects for an LDP majority as long-term interest rates rose rapidly on alarm over fiscal expansion and oversupply of super-longes as well as tensions between Europe and the US concerning Greenland. The market fell further in the latter part of the month despite brief rises as JPY appreciated against USD on heightened concerns of currency intervention from Japanese and US authorities. Share prices then saw upside resistance through the end of the month as investors held off in the run-up to earnings season for both Japan and the US.

Composite Performance (%) Excess Return*



	Jan	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	2.57	2.57	2.57	28.35	20.18	14.62	14.68	12.88
Benchmark	4.62	4.62	4.62	31.07	24.76	17.34	15.22	13.29

Composite Summary

Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	40
Assets Under Management	JPY 8.1B (USD 52M)

Top Ten Holdings	%
TOYOTA MOTOR CORP	6.52
KDDI CORP	4.90
SHIN-ETSU CHEMICAL CO LTD	4.40
ITOCHU CORP	4.39
TOKYO ELECTRON LTD	4.22
DENSO CORP	3.99
MURATA MANUFACTURING CO LTD	3.59
DAIKIN INDUSTRIES LTD	3.42
FANUC CORP	3.07
KOMATSU LTD	3.03
Total	41.53

Characteristics

	Portfolio	TOPIX
P/E	15.59x	15.92x
P/B	1.74x	1.65x
ROE	11.18%	10.38%
Dividend Yield	2.64%	2.31%

Market Cap

	Portfolio	TOPIX
Large	63.4%	68.0%
Mid	28.7%	24.9%
Small	6.2%	7.1%
Others	0.0%	-

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

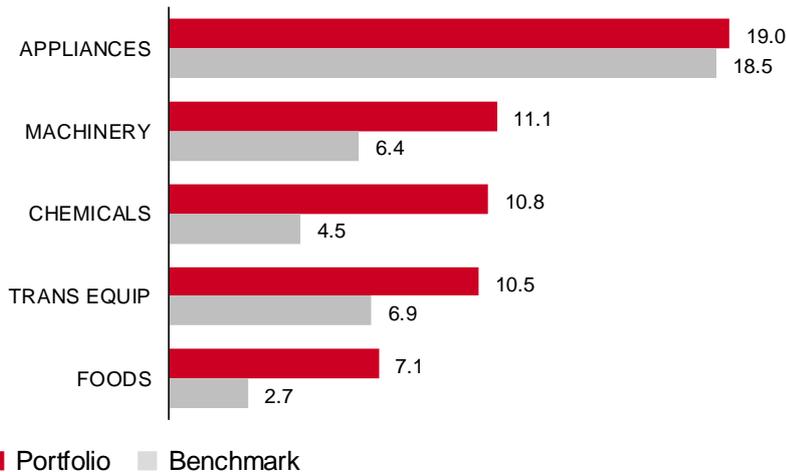
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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
 9 years at Sompo AM

Attribution Analysis

In stock selection, share price increases for Tokyo Electron, Komatsu, and Toyota Motor contributed to performance, while share price declines for Nomura Research Institute, Daikin, and KDDI detracted.

Outlook

We expect the market to fluctuate. Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it looks highly likely that earnings will continue to rise in the coming fiscal year as well. However, we believe caution is needed over the near term as valuations (forward P/E, etc) are already at historical highs, driven by strong corporate earnings, prospects for a stable political situation following the general election, and expectations for increased investment in AI globally. 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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