

Japan Value Equity Impact

February 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 large scale fiscal spending and accommodative monetary policy pushed the market up following the ruling Liberal Democratic Party (LDP)'s landslide victory at a general election. The non-ferrous sector rose on expectations for earnings growth from generative AI related demand. The services and information & communication sectors fell on fears that some of their business may be replaced by generative AI.

The Japanese equity market rose in the first part of the month on the back of political stability and expectations for aggressive economic measures following the LDP's big win at the lower house election. Share prices then saw upside resistance in the middle of the month as the market was showing signs of overheating with the lack of news flow after the earnings season for Japanese companies. The below-consensus GDP growth increased concerns over the Japanese economy and weighed on the market. The market rebounded on eased fears over global economy in the latter part of the month as the US Supreme Court struck down Trump's reciprocal tariffs. Share prices rose through the end of the month on reduced expectations for early rate hikes as the candidates for the BOJ board members proposed by the government were considered to be cautious for rate hikes.

Composite Performance (%) Excess Return*



	Feb	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	14.77	17.73	17.73	54.00	25.58	17.62	16.53	14.43
Benchmark	10.47	15.57	15.57	50.49	28.57	18.97	16.45	14.38

Composite Summary

Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	40
Assets Under Management	JPY 8.7B (USD 56M)

Top Ten Holdings	%
TOYOTA MOTOR CORP	6.61
KDDI CORP	4.85
SHIN-ETSU CHEMICAL CO LTD	4.61
ITOCHU CORP	4.41
DENSO CORP	3.93
TOKYO ELECTRON LTD	3.92
MURATA MANUFACTURING CO LTD	3.58
DAIKIN INDUSTRIES LTD	3.55
FANUC CORP	3.29
BRIDGESTONE CORP	2.84
Total	41.58

Characteristics

	Portfolio	TOPIX
P/E	17.44x	17.20x
P/B	1.91x	1.77x
ROE	10.94%	10.27%
Dividend Yield	2.36%	2.12%

Market Cap

	Portfolio	TOPIX
Large	63.9%	67.5%
Mid	28.7%	25.3%
Small	6.1%	7.2%
Others	0.0%	-

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

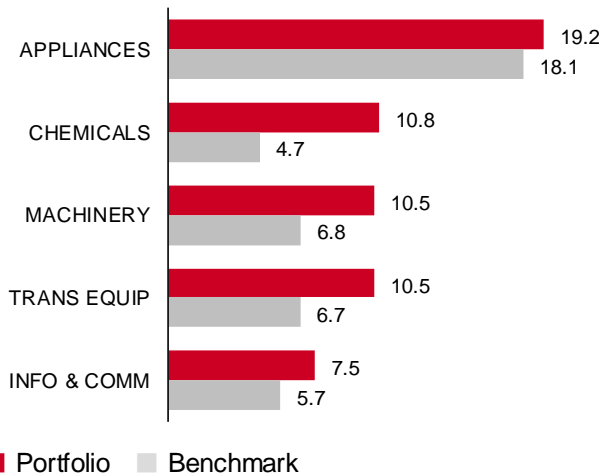
** TOPIX Total Return Index includes the dividends paid by the index constituents.

The data shown is of a representative account. Past performance is not a guarantee of future returns.

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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 Murata Manufacturing, Shine-Etsu Chemicals, and Ajinomoto contributed to performance, while share price declines for Nomura Research Institute, Fuji Oil, and MEITEC Group Holdings detracted.

Outlook

We expect the market will fluctuate around the recent bottom but show signs of a potential recovery. While we should watch the situation surrounding Iran, we expect the market will gradually regain a sense of calm as long as it doesn't lead to further escalation to the war and prolonged high energy prices. It looks highly likely that corporate earnings will continue to rise in the coming fiscal year given smaller negative impacts from Trump tariffs. We believe historically high valuations (forward P/E, etc) will be warranted, driven by strong corporate earnings, expectations for the Takaichi administration following the LDP's landslide victory at the lower house election and further improvement to corporate governance if the situation in the Middle East eases quickly. The market will be supported 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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