

# Japan Value Equity SRI

May 2025

## Strategy

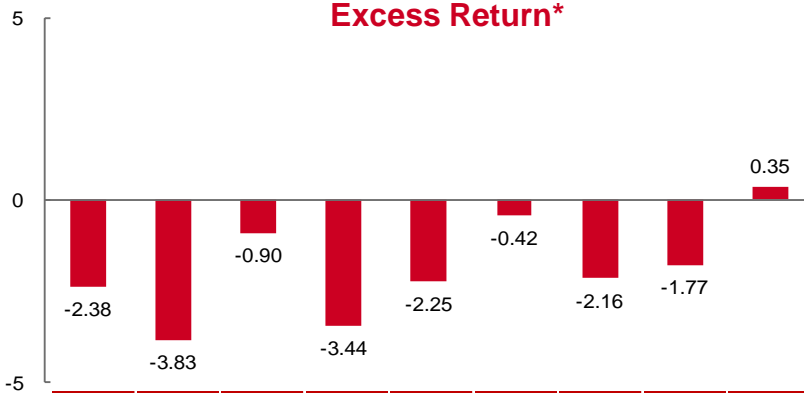
SRI Strategy invests in Japanese equities which meet the criteria of ESG (Environmental, Social, Governance) management and investment value, and aims to achieve above benchmark return in the mid- to long-term. Our equity investment takes a bottom-up approach in which the Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. ESG research is conducted by Sompo Risk Management, which is a leading company in domestic ESG research.

## Market Review

The Japanese market rose in May on expectations for softer tariff policy out of the Trump administration in the US. The rise was led by the non-ferrous sector, which grew on expectations for increased demand for telecommunication cables following the announcement of a large data centre construction project in the Middle East, and the banks sector, which grew on expectations for wider net interest margins following the increase in Japanese interest rates.

The market rose in the first half of the month as the BoJ left rates unchanged at its monetary policy meeting and Trump tariff policy fears weakened following the US and the UK coming to a trade deal. The market then rocked back and forth through the middle of the month despite the US and China agreeing to lower the additional tariffs they had imposed on each other as conservative earnings guidance weighed on sentiment. Share prices then rose again through the end of the month despite US long-term rates rising on the back of concerns over worsening fiscal conditions as the US agreed to postpone the imposition of tariffs on the EU and Nvidia released strong earnings results.

### Composite Performance (%) Excess Return\*



	May	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	2.72	1.62	0.93	0.14	14.18	14.67	7.44	6.00	6.99
Benchmark	5.10	5.45	1.83	3.58	16.44	15.09	9.60	7.77	6.64

### Composite Summary

Composite Name	Sompo Japan SRI Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	January 2005	
Number of Holdings	39	
Bloomberg Code	SNAMSRI	
Assets Under Management	Strategy Total	JPY 2.1B (USD 14M)

Top Ten Holdings	%
MITSUBISHI ESTATE CO LTD	4.13
NIPPON TELEGRAPH & TELEPHONE	4.12
NIDEC CORP	4.12
MURATA MANUFACTURING CO LTD	3.96
KAO CORP	3.87
KIRIN HOLDINGS CO LTD	3.84
SUMITOMO MITSUI TRUST GROUP	3.83
MEBUKI FINANCIAL GROUP INC	3.68
YAMATO HOLDINGS CO LTD	3.52
ASTELLAS PHARMA INC	3.35
Total	38.42

### Characteristics

	Portfolio	Benchmark
P/E	13.30x	13.96x
P/B	1.01x	1.36x
ROE	7.59%	9.74%
Dividend Yield	3.20%	2.65%

### Market Cap

	Portfolio	Benchmark
Large	51.2%	66.7%
Mid	35.2%	25.7%
Small	11.8%	7.5%
Others	0.0%	-

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

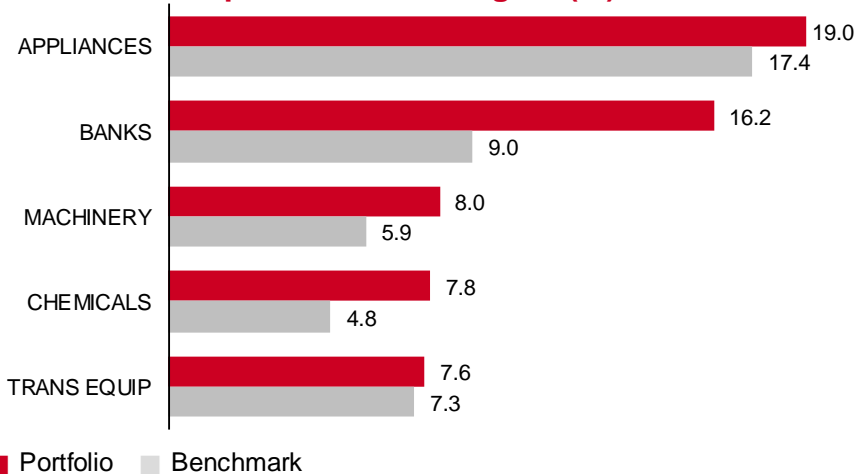
\*\* TOPIX Total Return Index includes the dividends paid by the index constituents.

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

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## Japan Value Equity SRI

### Top Five Sector Weights (%)



**Masako Chikuma, CMA, CFA**  
 Senior Portfolio Manager  
 21 years investment experience  
 10 years at Sompo AM

### Attribution Analysis

Sector allocation contributed to performance, while stock selection detracted. In sector allocation, overweighting (OW) Banks and Machinery and underweighting (UW) of Retail contributed to performance, while OW of Land Trans and Real Estate and UW of Nonferrous detracted. In stock selection, OW of Nidec, Sumitomo Mitsui Trust Group, and Toray contributed to performance, while OW of Omron, Kirin Holdings, and Murata Manufacturing detracted. Last month we increased holdings of Tsumura, The Hachijuni Bank, and Kubota and decreased holdings of OSG, Resona Holdings, and Marui Group.

### Outlook

We expect the market will continue to face heavy upside resistance over the near term.

Japanese corporate earnings will likely be positively impacted by a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE) but may stagnate because of negative impacts from additional Trump tariffs. Valuation metrics like forward P/E fell significantly on concerns over additional tariffs but have already recovered from this because of expectations over negotiations between the US and individual countries. The market will now likely bounce back and forth according to news flow concerning the tariffs. We believe that share price will be supported by strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ having relatively accommodative monetary policy compared to the US and Europe but that investor sentiment will unlikely rise until it is clear where Trump tariff policy will ultimately end up.

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