# Japan Value Equity SRI

SOMPO ASSET MANAGEMENT

**June 2025**

## Strategy

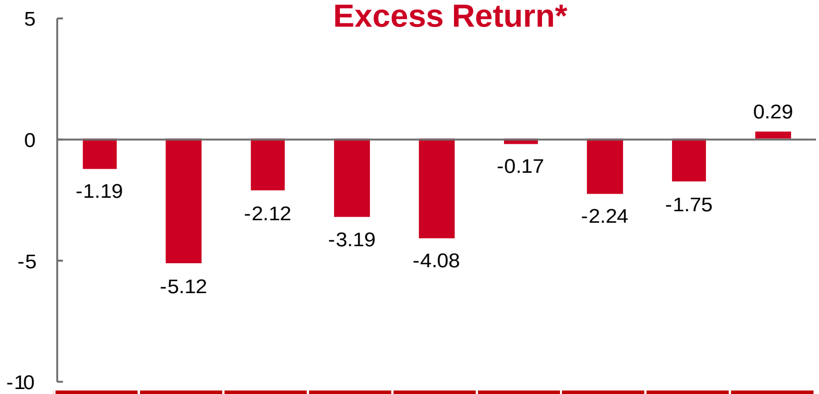
SRI Strategy invests in Japanese equities which meet the criteria of ESG (Environmental, Social, Governance) management and investment value, and aims to achieve above benchmark return in the mid- to long-term. Our equity investment takes a bottom-up approach in which the Japanese equity research team 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

Japanese market prices rose on increased expectations for rate cuts in the US following the drop in geopolitical risk in the Middle East. Growth outperformed value as long-term interest rates fell on the increase in expectations for the Fed to cut rates.

The market ended the first half of the month little changed. It was weighed down by concern over harsher tariff policy out of the US but was supported by decreased concerns over a potential recession in the US following better-than-expected US jobs data. For most of the second half of the month the market continued to seesaw back and forth. While investors were negative on increased geopolitical risk in the Middle East following Israeli attacks on Iranian nuclear facilities, they were positive on progress in talks between the US and China to reduce trade tensions. The market then rose at the end of the month despite the US attacking Iran as investors were positive on the ceasefire agreement between Israel and Iran and a Fed official stating support for early rate cuts.

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




| | Jun | QTD | YTD | 1Y | 3Y | 5Y | 7Y | 10Y | SI |
|---|---|---|---|---|---|---|---|---|---|
| Composite | 0.77 | 2.40 | 1.71 | 0.91 | 13.93 | 15.42 | 7.78 | 6.50 | 7.00 |
| Benchmark | 1.96 | 7.52 | 3.83 | 4.10 | 18.00 | 15.58 | 10.02 | 8.25 | 6.71 |

| 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 2B (USD 14M) |

| Top Ten Holdings | % |
|---|---|
| NIDEC CORP | 4.08 |
| MURATA MANUFACTURING CO LTD | 3.97 |
| MITSUBISHI ESTATE CO LTD | 3.93 |
| NIPPON TELEGRAPH & TELEPHONE | 3.93 |
| MEBUKI FINANCIAL GROUP INC | 3.87 |
| KAO CORP | 3.76 |
| SUMITOMO MITSUI TRUST GROUP | 3.72 |
| KIRIN HOLDINGS CO LTD | 3.72 |
| OMRON CORP | 3.40 |
| YAMATO HOLDINGS CO LTD | 3.37 |
| Total | 37.73 |

| Characteristics | Portfolio | Benchmark |
|---|---|---|
| P/E | 13.43x | 14.44x |
| P/B | 1.01x | 1.39x |
| ROE | 7.53% | 9.62% |
| Dividend Yield | 3.21% | 2.62% |

| Market Cap | Portfolio | Benchmark |
|---|---|---|
| Large | 50.3% | 66.4% |
| Mid | 36.4% | 25.9% |
| Small | 11.9% | 7.6% |
| 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.

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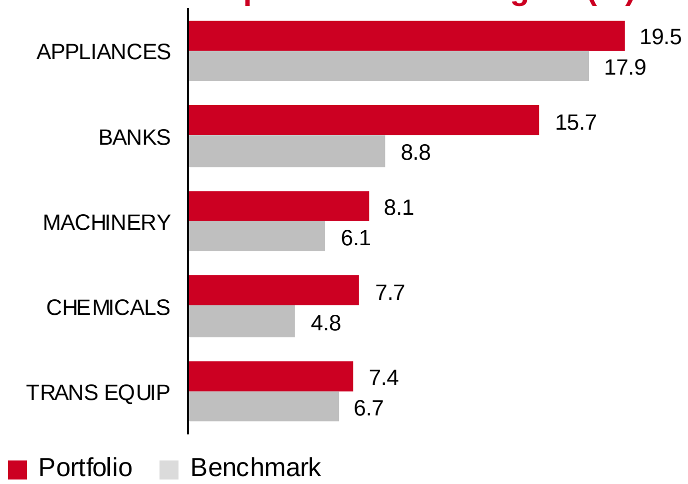
## Top Five Sector Weights (%)




**Masako Chikuma, CMA, CFA**
Senior Portfolio Manager
22 years investment experience
11 years at Sompo AM

## Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, underweighting (UW) of Wholesale and Insurance and overweighting (OW) of Machinery contributed to performance, while OW of Banks and UW of Other Prod and Info & Comm detracted. In stock selection, UW of Toyota Motor and OW of Sumco and Mebuki Financial Group contributed to performance, while UW of SoftBank Group, Nintendo, and Advantest detracted. Last month we increased holdings of Omron, Kyocera, and Tsumura and decreased holdings of Resona Holdings, Mitsubishi Estate, and Eizo.

## Outlook

We expect the market will continue to face heavy upside resistance. There is an increasing likelihood that Japanese corporate earnings will enter a period of stagnation as despite positives from a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE), additional Trump tariffs are expected to have a negative impact. Valuation metrics like forward P/E are already above undervalued levels despite there still being no clear outlook on how tariffs will ultimately end up as the overall market has been pushed up by a small number of stocks. We believe caution is needed over the short term as there is a growing opinion amongst investors that the Fed will cut rates early to counter a slowdown in the US economy. That said, we do not foresee any large fall in the Japanese market as there is strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

## Contact Information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