

Japan Value Equity SRI

August 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 a fed rate cut and a drop in Trump tariff policy concerns. Value outperformed growth as Japanese long-term interest rates rose on the back of expectations for the BoJ to hike rates. Prices rose in the first half of the month despite a brief slip caused by weak US jobs data. Expectations rose for rate cuts in the US and investors were positive on the US promising Japan it will fix the double tariff oversight. The market rose further in the middle of the month as the US once again delayed the implementation of additional tariffs on China following US-China trade talks, easing investor concerns around Trump tariff policy. The market then seesawed through the end of the month, supported by comments from Fed chair Jerome Powell at the Jackson Hole symposium hinting at a rate cut, but buffeted by heightened concerns over Fed independence following the announcement from US President Donald Trump that he will fire Fed governor Lisa Cook.

Composite Performance (%) Excess Return*



| | Aug | QTD | YTD | 1Y | 3Y | 5Y | 7Y | 10Y | SI |
|-----------|------|-------|-------|-------|-------|-------|-------|------|------|
| Composite | 5.04 | 10.67 | 12.56 | 14.58 | 16.51 | 17.12 | 9.12 | 8.34 | 7.46 |
| Benchmark | 4.52 | 7.83 | 11.95 | 16.23 | 19.06 | 16.46 | 11.17 | 9.71 | 7.04 |

Composite Summary

| | | |
|-------------------------|-----------------------------|--------------------|
| Composite Name | Sompo Japan SRI Mother Fund | |
| Benchmark | TOPIX Total Return** | |
| Inception Date | January 2005 | |
| Number of Holdings | 40 | |
| Bloomberg Code | SNAMSRI | |
| Assets Under Management | Strategy Total | JPY 2.1B (USD 14M) |

| Top Ten Holdings | % |
|-----------------------------|-------|
| NIDEC CORP | 4.22 |
| MEBUKI FINANCIAL GROUP INC | 4.09 |
| MURATA MANUFACTURING CO LTD | 4.05 |
| MITSUBISHI ESTATE CO LTD | 3.87 |
| KIRIN HOLDINGS CO LTD | 3.74 |
| YAMATO HOLDINGS CO LTD | 3.71 |
| NTT INC | 3.59 |
| KAO CORP | 3.52 |
| SUMCO CORP | 3.38 |
| SUMITOMO MITSUI TRUST GROUP | 3.33 |
| Total | 37.50 |

Characteristics

| | Portfolio | Benchmark |
|----------------|-----------|-----------|
| P/E | 14.52x | 15.18x |
| P/B | 1.11x | 1.49x |
| ROE | 7.66% | 9.84% |
| Dividend Yield | 2.97% | 2.48% |

Market Cap

| | Portfolio | Benchmark |
|--------|-----------|-----------|
| Large | 49.1% | 65.9% |
| Mid | 38.1% | 26.4% |
| Small | 12.0% | 7.7% |
| Others | 0.0% | - |

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

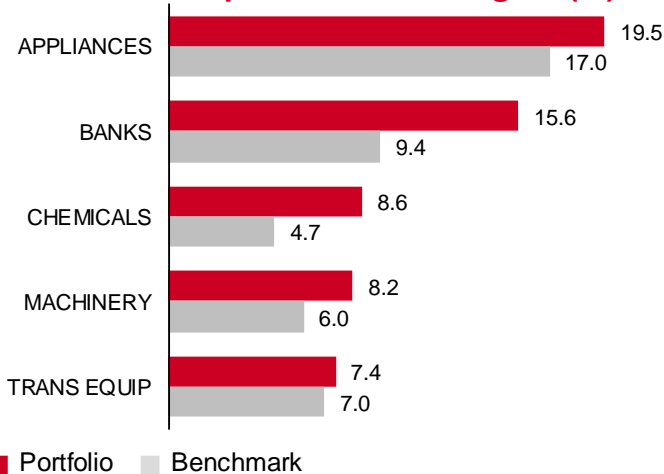
** TOPIX Total Return Index includes the dividends paid by the index constituents.

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 (%)



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

Attribution Analysis

Sector allocation detracted from performance while stock selection contributed. In sector allocation, overweighting (OW) of Real Estate, Banks, and Metal Prod contributed to performance, while underweighting (UW) of Wholesale and Nonferrous and OW of Textiles detracted. In stock selection, UW of Hitachi and Tokyo Electron and OW of Yamato Holdings contributed to performance, while UW of SoftBank and OW of Omron and artience detracted. Last month we increased holdings of Nippon Kayaku, Omron, and artience and decreased holdings of Resona Holdings, Aisin, and Astellas Pharma.

Outlook

We expect the market will continue to face heavy upside resistance. We urge caution over the near term given that valuation metrics like forward P/E look overall somewhat overheated, having been pulled upwards by a small number of stocks. However, corporate earnings forecasts for this fiscal year may now be revised upwards given the heightened likelihood they will not fall as much as originally expected following the easing of Trump's tariffs. In addition, 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. While we do expect investors to more readily make predictions of earnings growth as the negative impacts of the Trump tariffs faded away in the second half of the coming fiscal year, we believe it will still take some time before we see serious fundamentals-driven market growth.

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