

Japan Value Equity Green

October 2025

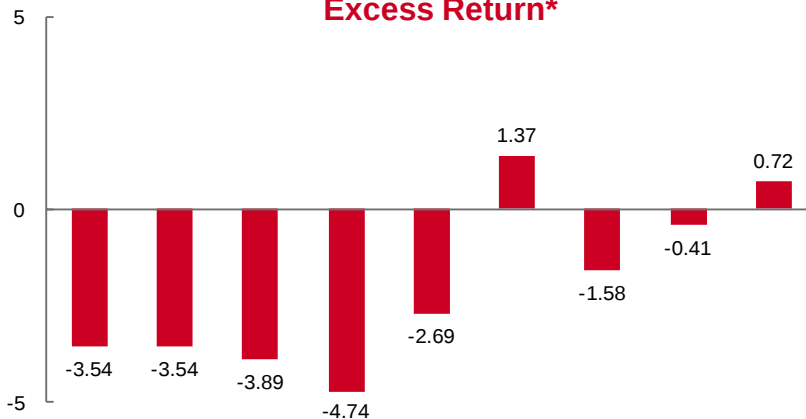
Strategy

Green Strategy invests in Japanese equities that meet environmental management and investment value criteria, and aims to achieve above-benchmark return in the mid- to long-term. We use a bottom-up approach. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. Environmental research is conducted by Sompo Risk Management, a leading company in domestic ESG research.

Market Review

Japanese market prices rose on expectations for expansionary fiscal policy and economic security enhancements by the incoming administration following the change in leadership of the Liberal Democratic Party (LDP) in Japan. Growth in the nonferrous and electric appliances sectors, driven by continued expectations for expanded AI investment globally and expectations for increased investment in advanced technology by the Takaichi administration, pulled the overall market up. Share prices rose in the beginning of the month as expectations rose for expansionary fiscal policy following the election of Sanae Takaichi as LDP leader. The market then briefly declined on reignited fears over trade frictions between the US and China triggered by Trump's remarks indicating additional tariffs on China and political uncertainty in Japan following the media reports of parliament facing difficulties selecting a prime minister. The market then rose on receded political uncertainty following Sanae Takaichi becoming prime minister. The market then maintained solid growth on a weakened JPY versus USD, caused by the BoJ keeping the policy rate unchanged at its end-of-month policy meeting and Fed chairman Jerome Powell indicating a cautious stance on additional rate cuts.

Composite Performance (%) Excess Return*



	Oct	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	2.66	2.66	18.55	21.96	20.25	20.31	11.74	10.05	6.88
Benchmark	6.20	6.20	22.43	26.70	22.95	18.94	13.32	10.46	6.16

Composite Summary

Composite Name	Sompo Japan Green Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2006	
Number of Holdings	70	
Bloomberg Code	SNAMGRN	
Assets Under Management	Strategy Total	JPY 56.4B (USD 366M)

Top Ten Holdings	%
TOYOTA MOTOR CORP	4.44
MURATA MANUFACTURING CO LTD	3.65
MITSUBISHI UFJ FINANCIAL GRO	3.48
NTT INC	3.31
SUMITOMO MITSUI FINANCIAL GR	3.17
SHIN-ETSU CHEMICAL CO LTD	2.85
DAIKIN INDUSTRIES LTD	2.56
MITSUBISHI ESTATE CO LTD	2.47
PANASONIC HOLDINGS CORP	2.42
KYOCERA CORP	2.38
Total	30.73

Characteristics

	Portfolio	Benchmark
P/E	13.94x	15.87x
P/B	1.16x	1.56x
ROE	8.34%	9.84%
Dividend Yield	2.98%	2.36%

Market Cap

	Portfolio	Benchmark
Large	53.0%	68.7%
Mid	38.1%	24.4%
Small	7.3%	6.9%
Others	0.0%	-

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

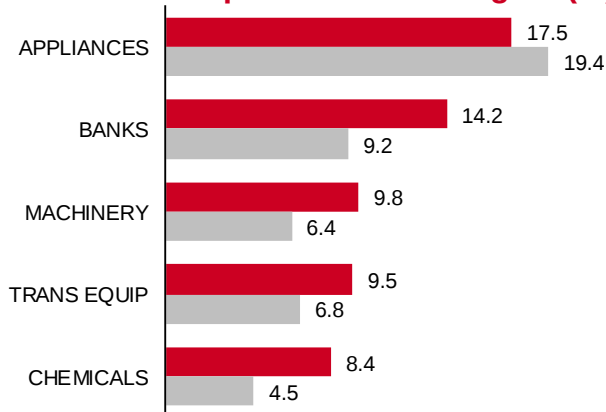
** TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization as of the base date (January 4, 1968) is 100 points. This is a measure of the overall trend in the stock market, and is used as a benchmark for investment in Japan stocks. Dividends used in calculating the TOPIX Total Return Index are gross (i.e. before tax). Performance is net of fees.

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 (%)



■ Portfolio ■ Benchmark



Yuya Harashima, CMA, CFA
Portfolio Manager
12 years investment experience
9 years at Sompo AM

Attribution Analysis

Both sector allocation and stock selection detracted from performance. In sector allocation, underweighting (UW) of Insurance and Services and overweighting (OW) of Machinery contributed to performance, while OW of Banks, Chemicals, and Real Estate detracted. In stock selection, OW of Murata Manufacturing and Taiyo Yuden and UW of Tokyo Marine contributed to performance, while UW of SoftBank Group, Hitachi, and Advantest detracted. Last month we increased holdings of Hamamatsu Photonics, Secom, and Kubota and decreased holdings of Mitsubishi Gas Chemical, MinebeaMitsumi, and Comsys Holdings.

Outlook

We expect the market will face heavier upside resistance going forward. We urge caution over the near term given that valuation metrics like forward P/E are no longer at undervalued levels having been pulled upwards by a small number of stocks on the back of additional US rate cuts and expectations for fiscal policy from the Takaichi administration in Japan. Stock-picking has been heavily concentrated in thematic areas such as generative AI and these stock are now at overheated valuation levels. However, corporate earnings forecasts for this fiscal year are bottoming out on the back of the easing of Trump's tariffs and will likely be revised upwards. 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 fade 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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