SOMPO ASSET MANAGEMENT

Japan Value Equity Green

June 2026

Strategy

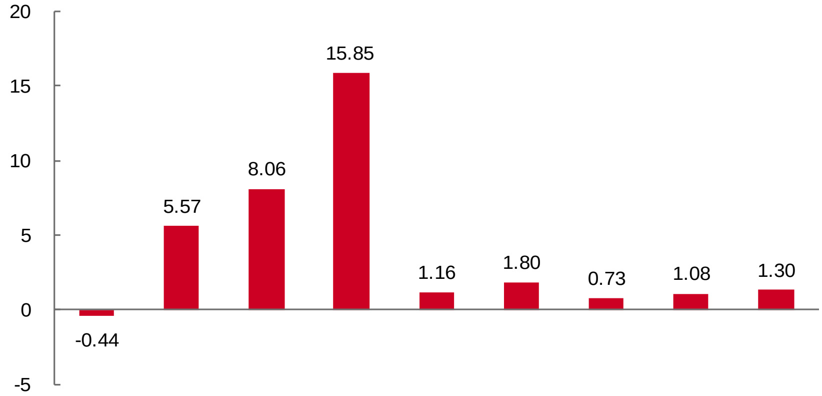
Green Strategy invests in Japanese equities that meet environmental management and investment value criteria, and aims to achieve above-benchmark return in the mid- to long-term. We use a bottom-up approach. The Japanese equity research team analyzes intrinsic value of individual stocks and compares 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

The market lacked a clear sense of direction with mixed trading influenced by media reports of the Middle East situation and semiconductors for generative AI. The electric appliances sector rose on expectations for demand growth for generative AI, and the bank sector performed well as its profits are poised to improve from rising domestic interest rates. Meanwhile, the wholesale and mining sectors fell on reduced expectations for earnings growth given the eased tension in the Middle East.

In the first part of the month, the Japanese market fell due to heightened fears over the Middle East situation following an Israeli strike on Lebanon and expectations for early rate hikes stemming from the BoJ Governor Ueda’s speech. The market then bounced back, driven by tech stocks as reports of progress in ceasefire negotiations between the US and Iran improved investor sentiment. Subsequently, the market’s upside was capped by increased expectations for US rate hikes within the year after the release of the FOMC’s dot plot. In the latter part of the month, Asian stock markets saw a decline due to concerns over overheating in AI-related stocks, and this selling extended to the domestic market. As the month drew to a close, the market experienced choppy trading, primarily driven by position adjustments ahead of the quarter-end.

Composite Performance (%)
Excess Return*



	Jun	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	0.61	19.97	26.62	59.11	24.42	20.14	17.98	16.10	8.28
Benchmark	1.05	14.40	18.56	43.26	23.27	18.34	17.25	15.03	6.99

Composite Summary		
Composite Name	Sompo Japan Green Mother Fund	
Benchmark	TOPIX Total Return**	
Inception Date	July 2006	
Number of Holdings	76	
Bloomberg Code	SNAMGRN	
Assets Under Management	Strategy Total	JPY 75B (USD 461M)

Top Ten Holdings	%
MITSUBISHI UFJ FINANCIAL GRO	3.52
TOYOTA MOTOR CORP	3.51
SUMITOMO MITSUI FINANCIAL GR	3.40
DAIKIN INDUSTRIES LTD	2.82
KYOCERA CORP	2.68
PANASONIC HOLDINGS CORP	2.64
MURATA MANUFACTURING CO LTD	2.61
MITSUI FUDOSAN CO LTD	2.58
MEBUKI FINANCIAL GROUP INC	2.38
NTT INC	2.38
Total	28.52

Characteristics	Portfolio	Benchmark
P/E	15.19x	16.30x
P/B	1.42x	1.75x
ROE	9.36%	10.74%
Dividend Yield	2.59%	2.23%

Market Cap	Portfolio	Benchmark
Large	56.8%	67.6%
Mid	35.6%	25.4%
Small	6.2%	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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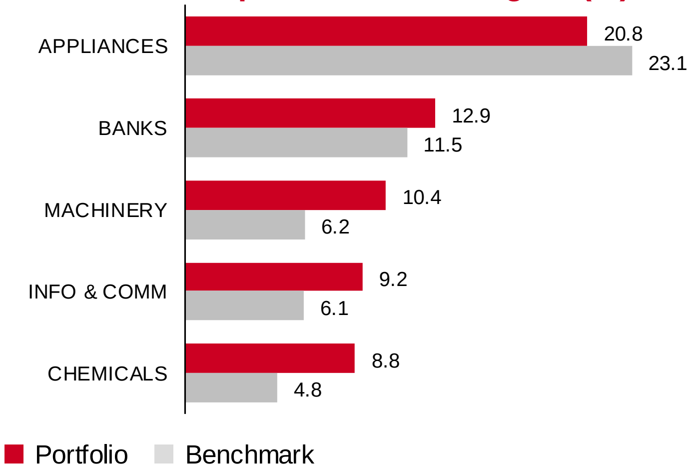
Japan Value Equity Green

Top Five Sector Weights (%)



Yuya Harashima, CMA, CFA
Portfolio Manager
13 years investment experience
10 years at Sompo AM

Attribution Analysis

Sector allocation contributed to performance, while stock selection detracted. In sector allocation, underweighting (UW) of Wholesale and Pharms, and overweighting (OW) of Banks contributed to performance, while OW of Info & Comm, Trans Equip, and Chemicals detracted. In stock selection, UW of SoftBank Group and Hitachi, and OW of Panasonic Holdings contributed to performance, while UW of Tokyo Electron, Advantest, and Kioxia Holdings detracted. Last month we increased holdings of Sumitomo Metal Mining, Nippon Kayaku, and Shimadzu Corporation and decreased holdings of Shin-Etsu Chemical, Hirose Electric, and Kirin Holdings.

Outlook

We expect the market to remain firm. Valuation (forward P/E), which reflects overall market expectations, is currently at a high level compared to historical averages, primarily driven by some AI and semiconductor names amid diminishing uncertainty in the Middle East. Although the market has already priced in expectations for AI and semiconductor names to a large extent, these expectations are likely to be sustained as there are no immediate signs of a decline in semiconductor demand and AI-related investments. We expect the market to remain robust, driven by improvement in earnings forecasts for FY26. Crude oil prices have now stabilized, and the situation has eased more than previously, despite likely cost increases stemming from the Middle East. We should remain vigilant about a potential market correction, given that share prices have risen rapidly so far. That said, we don't expect a large market correction as there is strong equity demand from a high level of share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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