

# Japan Value Equity Impact

February 2026

## Strategy

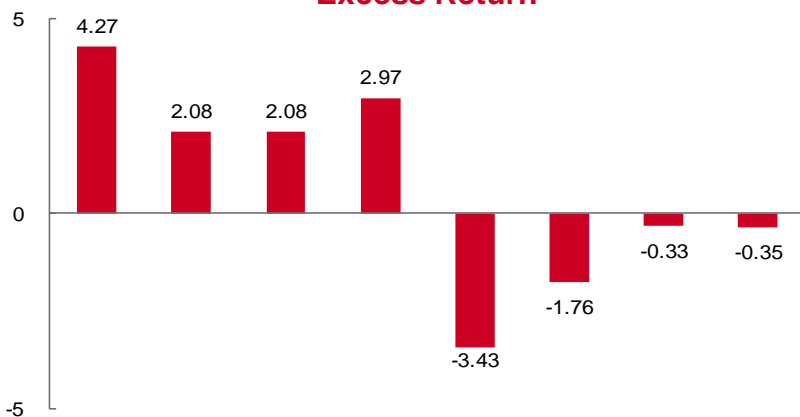
Impact Strategy takes concentrated and long-term positions in Japanese equities proactively rethinking traditional work practices, e.g. through the promotion of female participation in the workforce and diversification, and those with highly stable and profitable businesses top in value-add creation. These are important targets given Japan's declining population. 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.

## Market Review

Expectations for large scale fiscal spending and accommodative monetary policy pushed the market up following the ruling Liberal Democratic Party (LDP)'s landslide victory at a general election. The non-ferrous sector rose on expectations for earnings growth from generative AI related demand. The services and information & communication sectors fell on fears that some of their business may be replaced by generative AI.

The Japanese equity market rose in the first part of the month on the back of political stability and expectations for aggressive economic measures following the LDP's big win at the lower house election. Share prices then saw upside resistance in the middle of the month as the market was showing signs of overheating with the lack of news flow after the earnings season for Japanese companies. The below-consensus GDP growth increased concerns over the Japanese economy and weighed on the market. The market rebounded on eased fears over global economy in the latter part of the month as the US Supreme Court struck down Trump's reciprocal tariffs. Share prices rose through the end of the month on reduced expectations for early rate hikes as the candidates for the BOJ board members proposed by the government were considered to be cautious for rate hikes.

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



	Feb	QTD	YTD	1Y	3Y	5Y	7Y	SI
<b>Composite</b>	14.74	17.66	17.66	53.46	25.14	17.21	16.12	14.03
<b>Benchmark</b>	10.47	15.57	15.57	50.49	28.57	18.97	16.45	14.38

## Composite Summary

<b>Composite Name</b>	Japan Value Equity Impact
<b>Benchmark</b>	TOPIX Total Return**
<b>Inception Date</b>	October 2016
<b>Number of Holdings</b>	40
<b>Assets Under Management</b>	JPY 8.7B (USD 56M)

\* 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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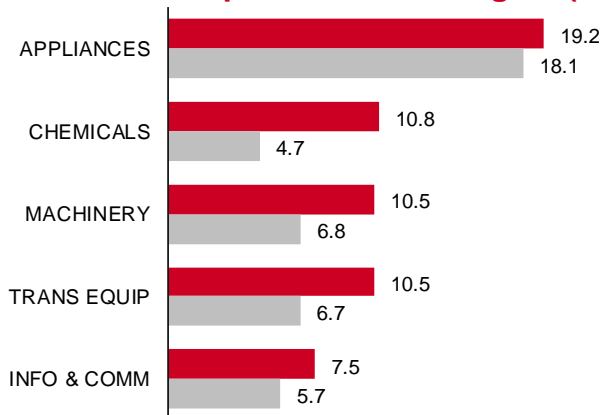
Top Ten Holdings	%
TOYOTA MOTOR CORP	6.61
KDDI CORP	4.85
SHIN-ETSU CHEMICAL CO LTD	4.61
ITOCHU CORP	4.41
DENSO CORP	3.93
TOKYO ELECTRON LTD	3.92
MURATA MANUFACTURING CO LTD	3.58
DAIKIN INDUSTRIES LTD	3.55
FANUC CORP	3.29
BRIDGESTONE CORP	2.84
Total	41.58

Characteristics		
	Portfolio	TOPIX
P/E	17.44x	17.20x
P/B	1.91x	1.77x
ROE	10.94%	10.27%
Dividend Yield	2.36%	2.12%

Market Cap		
	Portfolio	TOPIX
Large	63.9%	67.5%
Mid	28.7%	25.3%
Small	6.1%	7.2%
Others	0.0%	-

# Japan Value Equity Impact

## Top Five Sector Weights (%)



■ Portfolio    ■ Benchmark



**Hiromasa Tatsuta, CMA**  
 Portfolio Manager  
 10 years investment experience  
 9 years at Sompo AM

## Attribution Analysis

In stock selection, share price increases for Murata Manufacturing, Shine-Etsu Chemicals, and Ajinomoto contributed to performance, while share price declines for Nomura Research Institute, Fuji Oil, and MEITEC Group Holdings detracted.

## Outlook

We expect the market will fluctuate around the recent bottom but show signs of a potential recovery. While we should watch the situation surrounding Iran, we expect the market will gradually regain a sense of calm as long as it doesn't lead to further escalation to the war and prolonged high energy prices. It looks highly likely that corporate earnings will continue to rise in the coming fiscal year given smaller negative impacts from Trump tariffs. We believe historically high valuations (forward P/E, etc) will be warranted, driven by strong corporate earnings, expectations for the Takaichi administration following the LDP's landslide victory at the lower house election and further improvement to corporate governance if the situation in the Middle East eases quickly. The market will be supported as there is strong equity demand from a high level of large-scale share buybacks and the BoJ has relatively accommodative monetary policy compared to the US and Europe.

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