

Japan Value Equity Impact

April 2026

Strategy

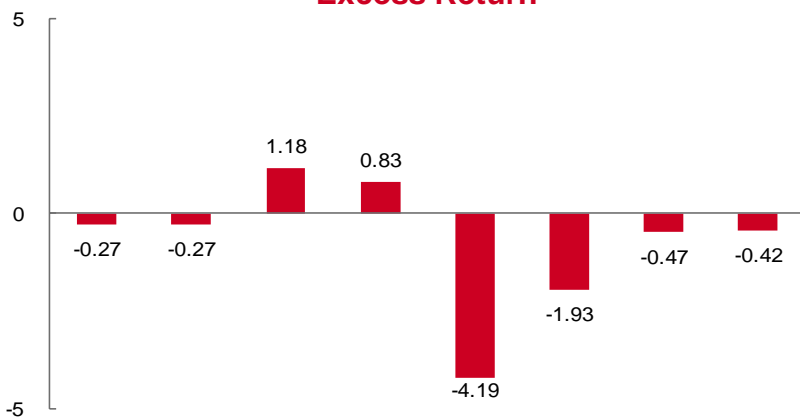
Impact Strategy takes concentrated and long-term positions in Japanese equities proactively rethinking traditional work practices, e.g. through the promotion of female participation in the workforce and diversification, and those with highly stable and profitable businesses top in value-add creation. 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

Following a ceasefire between the US and Iran, the easing of excessive concerns over the situation in the Middle East supported the market. Nonferrous metal and electrical appliances sectors rose on expectations that they would benefit from growing demand for generative AI and data centers. Meanwhile, the mining and oil & coal sectors fell on reduced expectations for earnings growth due to a pause in rising crude oil prices.

In the first part of the month, the Japanese market rose significantly as fears over geopolitical risks eased following the ceasefire agreement between the US and Iran. In the middle of the month, share prices remained firm, supported by strong buying in high-priced stocks amid a rally in US tech stocks. However, fears over prolonged Middle East tensions, stemming from stalled negotiations between the US and Iran and Trump's indication to block the Strait of Hormuz capped market gains. The market rebounded in the latter part of the month as the BOJ kept policy rates unchanged at its policy meeting. Toward the end of the month, the market underwent a correction, weighed down by persistently high crude oil prices amid geopolitical uncertainties in the Middle East and long-term interest rates, which climbed to an all-time high.

Composite Performance (%) Excess Return*



	Apr	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	6.30	6.30	11.62	43.84	20.62	15.33	14.94	13.14
Benchmark	6.57	6.57	10.44	43.01	24.81	17.27	15.41	13.56

Composite Summary

Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	40
Assets Under Management	JPY 7.2B (USD 46M)

* 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	5.98
SHIN-ETSU CHEMICAL CO LTD	4.99
KDDI CORP	4.56
ITOCHU CORP	4.17
TOKYO ELECTRON LTD	3.82
DAIKIN INDUSTRIES LTD	3.78
MURATA MANUFACTURING CO LTD	3.77
DENSO CORP	3.56
FANUC CORP	3.25
ORIX CORP	2.72
Total	40.61

Characteristics

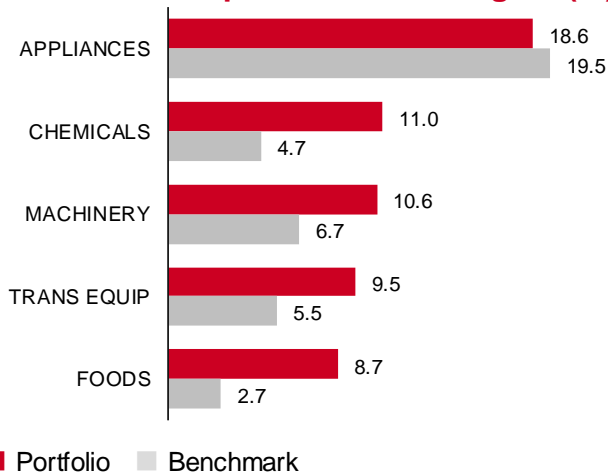
	Portfolio	TOPIX
P/E	15.92x	15.79x
P/B	1.79x	1.70x
ROE	11.22%	10.78%
Dividend Yield	2.57%	2.31%

Market Cap

	Portfolio	TOPIX
Large	63.2%	67.8%
Mid	29.3%	25.0%
Small	4.3%	7.2%
Others	0.0%	-

Japan Value Equity Impact

Top Five Sector Weights (%)



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

Attribution Analysis

In stock selection, share price increases for Murata Manufacturing, Fanuc, Anritsu contributed to performance, while share price declines for Astellas Pharma, Toyota Motor, and KDDI detracted.

Outlook

We expect the market will face upside resistance. The ceasefire agreement between the US and Iran increased expectations for an easing of the situation in the Middle East. We previously expected the market would gradually regain a sense of calm as long as it didn't lead to further escalation of the conflict and a prolonged surge in energy prices. We believe historically high valuations (forward P/E, etc), primarily driven by some AI and semiconductor names, have already priced in the improved situation in the Middle East, robust corporate earnings, and further enhancements in corporate governance. The earnings season will go in full swing from May. We believe caution will be needed, as Japanese companies are highly likely to announce lackluster earnings guidance for FY2026 due to concerns over the Middle East situation. However, the market will be supported 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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