

Japan Value Equity Impact

May 2026

Strategy

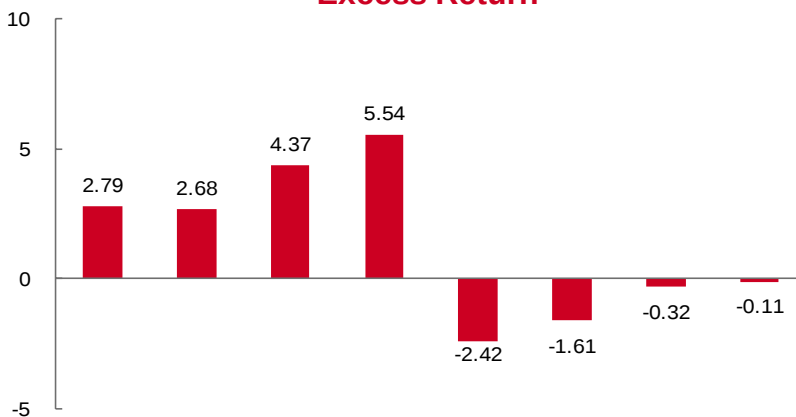
Impact Strategy takes concentrated and long-term positions in Japanese equities proactively rethinking traditional work practices, e.g. through the promotion of female participation in the workforce and diversification, and those with highly stable and profitable businesses top in value-add creation.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

The market rose, driven by generative AI-related stocks amid hopes for an end to the conflict between the US and Iran. The services and metal products sectors rose on solid earnings results. Meanwhile, the mining sector fell on reduced expectations for earnings growth, stemming from a decline in crude oil prices. Real estate also declined on fears that a rise in domestic long-term interest rates would act as a headwind for its earnings.

In the first part of the month, the Japanese market saw a slight gain as expectations for currency intervention by the Japanese government and BoJ capped its upside. The market then rose, buoyed by better-than-expected US jobs data and growth in US tech stocks, following strong earnings reports from US semiconductor companies. In the middle of the month, the market faced upside resistance due to a rise in long-term rates in both Japan and the US. Additionally, generative AI-related names saw selling pressure after earnings guidance from some electrical wire companies missed market consensus. In the latter part of the month, fears over geopolitical risks eased after Trump indicated progress in negotiations between the US and Iran. The market finished May higher, driven by tech companies following media reports of a US generative AI firm preparing for an IPO.

Composite Performance (%) Excess Return*



	May	QTD	YTD	1Y	3Y	5Y	7Y	SI
Composite	9.03	15.89	21.70	50.09	23.43	16.76	17.21	14.04
Benchmark	6.24	13.21	17.33	44.55	25.85	18.37	17.54	14.16

Composite Summary

Composite Name	Japan Value Equity Impact
Benchmark	TOPIX Total Return**
Inception Date	October 2016
Number of Holdings	40
Assets Under Management	JPY 7.9B (USD 49M)

* 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.

This document has been prepared solely for informational purposes and does not constitute an offer to sell securities in any jurisdiction. Actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, duration and timing of participation as a client, and a client portfolio's risk tolerance, investment objectives and investment time horizon. The returns presented above are net of a model fee of 35bps, which is the highest fee charged to investors.

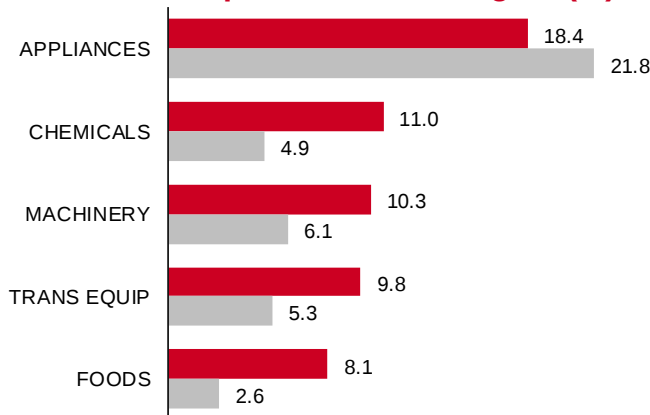
Top Ten Holdings	%
TOYOTA MOTOR CORP	6.22
SHIN-ETSU CHEMICAL CO LTD	4.88
KDDI CORP	4.74
MURATA MANUFACTURING CO LTD	4.16
TOKYO ELECTRON LTD	4.12
ITOCHU CORP	4.11
DAIKIN INDUSTRIES LTD	3.66
DENSO CORP	3.60
FANUC CORP	2.79
BRIDGESTONE CORP	2.71
Total	41.01

Characteristics		
	Portfolio	TOPIX
P/E	16.60x	16.11x
P/B	1.81x	1.73x
ROE	10.88%	10.73%
Dividend Yield	2.50%	2.28%

Market Cap		
	Portfolio	TOPIX
Large	63.9%	67.9%
Mid	28.4%	25.1%
Small	4.3%	7.0%
Others	0.0%	-

Japan Value Equity Impact

Top Five Sector Weights (%)



■ Portfolio ■ Benchmark



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, Hamamatsu Photonics, and Tokyo Electron contributed to performance, while share price declines for Mitsubishi Estate, Marui Group, and Makita detracted.

Outlook

We expect the market will face gradually heavier upside resistance going forward. We believe that earnings forecasts for FY26 will remain robust, particularly for AI and semiconductor companies, which are expected to show high growth on the back of aggressive AI-related investments, despite likely cost increases stemming from the Middle East situation. Meanwhile, valuation (forward P/E) has reached a historical high, primarily driven by some AI and semiconductor names amid lingering uncertainty in the Middle East. While 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, it has already priced in expectations for AI and semiconductor names to a large extent. Therefore, further increases in market expectations are unlikely.

Contact Information

Daniel Robbins
+81 3 5290 3414

Group email: global@sompo-am.co.jp

Important Notice

This material is being made available to you by SOMPO ASSET MANAGEMENT CO., LTD, "Sompo AM". You are not permitted to copy this material or pass it to anyone else. This material does not constitute an offer to sell securities in any jurisdiction. This material is not, and must not be treated as, investment advice or investment recommendations. Before making any investment decision, you should seek independent investment, legal, tax, accounting or other professional advice as appropriate, none of which is offered to you by Sompo AM. No investment service will be provided in or into any jurisdiction except to the extent permitted by local law. Sompo AM makes no representation or warranty, express or implied, except as required by law or in the case of fraud, regarding the accuracy, completeness or adequacy of the information in this material. Past performance is not a guarantee of future results.

For the attention of investors in the US

This report is for the use of non-U.S. persons.

For the attention of investors in the United Kingdom:

To the extent that this material is being issued by any persons who are not authorised under the Financial Services and Markets Act 2000 (the "Act"), it is being issued in the United Kingdom only to, and/or is directed only at, persons who are of a kind to whom it may lawfully be issued or directed under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, including persons who are authorised under the Act ("authorised persons"), certain persons having professional experience in matters relating to investments, high net worth companies and high net worth unincorporated associations or partnerships. This material is only available to such persons in the United Kingdom and this material must not be copied or distributed to any other person without seeking prior consent from Sompo AM.

For the attention of investors in Abu Dhabi:

This material and the information contained herein, does not constitute, and is not intended to constitute, a public offer of securities or other form of investments in the UAE and accordingly should not be construed as such. The portfolio management services detailed herein are only being offered to a limited number of sophisticated investors in the UAE: (a) who are willing and able to conduct an independent investigation of the risks involved in the related investments and (b) upon their specific request. The investments and services detailed herein have not been approved by or licensed or registered with the UAE Central Bank, the Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the UAE. This material is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). No transaction will be concluded in the UAE and any enquiries regarding the investments and services detailed herein should be made to Sompo AM.

Sompo AM is a registered Financial Instruments Firm with the Director General of Kanto Local Finance Bureau ("KLFB") of the Japan Ministry of Finance, KLFB (KINSYO) No. 351, and is a member of the Japan Investment Advisers Association, and The Investment Trusts Association, Japan. The firm is also registered as an investment adviser with the U.S. Securities and Exchange Commission. Such registration does not imply any specific skill or training.