

# Japan Value Equity SRI

December 2025

## Strategy

SRI Strategy invests in Japanese equities which meet the criteria of ESG (Environmental, Social, Governance) management and investment value, and aims to achieve above benchmark return in the mid- to long-term. 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. ESG research is conducted by Sompo Risk Management, which is a leading company in domestic ESG research.

## Market Review

Despite Japanese and US monetary policy creating reason for market movement, the reduction in market participants through the year-end kept TOPIX range-bound. By sector, insurance and banks rose on expectations for earnings improvements following the BoJ's decision to raise rates. The other products sector fell on concerns over earnings deterioration following the increase in price of semiconductors. The Japanese market was weak at the beginning of the month as expectations rose for a rate hike at the BoJ's December Monetary Policy Meeting following hints from Governor Kazuo Ueda. However, market prices then recovered on expectations for a Fed rate cut following the release of US economic data that hinted at an economic slowdown. Shares then fell again in the middle of the month despite a Fed rate cut due to a dry-up in catalysts. However, share prices held firm as expectations rose for further rate cuts in the US on weaker-than-expected US CPI. Buying activity was focused on exporters as despite the BoJ's decision to raise rates at its monetary policy meeting, comments from Ueda caused JPY to weaken versus USD. The market lacked any clear sense of direction through the end of the month given low trading volumes.

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



	Dec	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	2.21	9.35	25.65	25.65	21.00	16.39	12.64	8.89	7.55
Benchmark	1.03	8.82	25.46	25.46	24.68	16.34	15.27	10.79	7.51

### Composite Summary

Composite Name	Sompo Japan SRI Mother Fund								
Benchmark	TOPIX Total Return**								
Inception Date	January 2005								
Number of Holdings	40								
Bloomberg Code	SNAMSRI								
Assets Under Management	Strategy Total	JPY 2.4B (USD 15M)							

Top Ten Holdings	%
MURATA MANUFACTURING CO LTD	4.57
NTT INC	4.13
SAN-IN GODO BANK LTD/THE	4.08
KUBOTA CORP	3.99
MITSUBISHI ESTATE CO LTD	3.88
OMRON CORP	3.72
KIRIN HOLDINGS CO LTD	3.67
TAIKISHA LTD	3.61
SUMCO CORP	3.59
YAMATO HOLDINGS CO LTD	3.46
Total	38.69

Characteristics		
	Portfolio	Benchmark
P/E	15.25x	15.49x
P/B	1.16x	1.59x
ROE	7.61%	10.27%
Dividend Yield	2.83%	2.38%

Market Cap		
	Portfolio	Benchmark
Large	50.8%	68.0%
Mid	35.3%	24.8%
Small	13.0%	7.2%
Others	0.0%	-

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

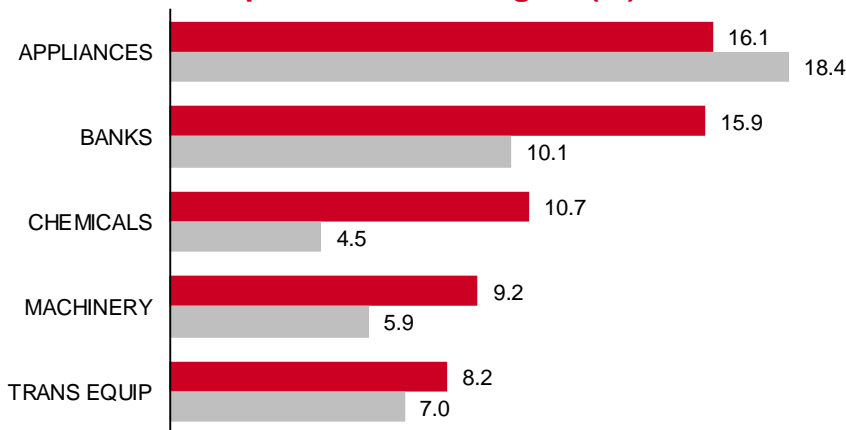
\*\* TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization 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

### Attribution Analysis

Sector allocation detracted from performance while stock selection contributed. In sector allocation, overweighting (OW) of Banks and underweighting (UW) of Other Prod and Retail contributed to performance, while UW of Wholesale and Insurance and OW of Foods detracted. In stock selection, OW of Sumco and UW of Sony Group and Nintendo contributed to performance, while UW of Toyota Motor and Mitsui & Co. and OW of Kirin Holdings detracted. Last month we increased holdings of Denso, NTT, and The San-in Godo Bank and decreased holdings of Astellas Pharma, Mebuki Financial Group, and Sumitomo Mitsui Trust Group.

### Outlook

Corporate earnings forecasts have been rising since Japan and the US came to agreement on trade talks and it is looking likely that earnings will continue to rise in the coming fiscal year too. However, we believe caution is needed over the near term as valuations (forward P/E, etc) have been on a consistent upwards path recently, driven by positive factors like expectations for strong earnings, lower US rates, and increased investment in AI. That said, we believe market downside will be limited 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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22 years investment experience  
11 years at Sompo AM

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