

Japan Value Equity SRI

February 2026

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

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	10Y	SI
Composite	15.40	18.43	18.43	51.74	26.05	19.20	14.34	13.20	8.35
Benchmark	10.47	15.57	15.57	50.49	28.57	18.97	16.45	14.39	8.19

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 2.8B (USD 18M)

Top Ten Holdings	%
MURATA MANUFACTURING CO LTD	4.88
OMRON CORP	4.76
KUBOTA CORP	4.19
MITSUBISHI ESTATE CO LTD	4.18
MABUCHI MOTOR CO LTD	3.64
TAIKISHA LTD	3.63
SUMITOMO MITSUI TRUST GROUP	3.62
SUMCO CORP	3.62
KIRIN HOLDINGS CO LTD	3.57
NTT INC	3.39
Total	39.50

Characteristics	Portfolio vs Benchmark	
	Portfolio	Benchmark
P/E	16.69x	17.20x
P/B	1.30x	1.77x
ROE	7.77%	10.27%
Dividend Yield	2.47%	2.12%

Market Cap	Portfolio vs Benchmark	
	Portfolio	Benchmark
Large	49.4%	67.5%
Mid	38.3%	25.3%
Small	11.5%	7.2%
Others	0.0%	-

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

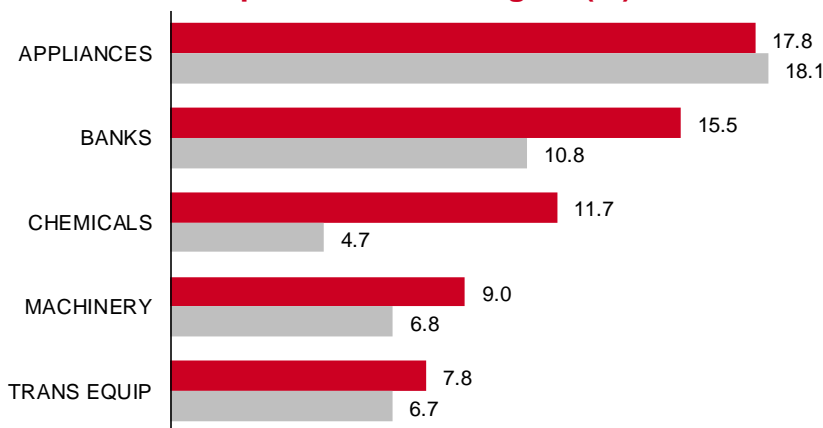
** TOPIX is a market benchmark with functionality as an investable index, covering an extensive proportion of the Japanese stock market. TOPIX is a free-float adjusted market capitalization-weighted index. TOPIX shows the measure of current market capitalization assuming that market capitalization as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



Masako Chikuma, CMA, CFA
Senior Portfolio Manager
22 years investment experience
11 years at Sompo AM

Attribution Analysis

Sector allocation detracted from performance while stock selection contributed. In sector allocation, overweighting (OW) of Real Estate and Chemicals and underweighting (UW) of Services contributed to performance, while UW of Nonferrous and Wholesale and OW of Land Trans detracted. In stock selection, OW of Omron, Kubota, and Mitsubishi Estate contributed to performance, while OW of Yamato Holdings and NTT and UW of Mitsubishi Corporation detracted. Last month we increased holdings of Nomura Research Institute, Yamato Holdings, and Shin-Etsu Chemicals and decreased holdings of Kubota, Mebuki Financial Group, and Toray.

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.

Contact Information

Daniel Robbins
+81 3 5290 3414

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

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