



# Japan Equity Mid Small Cap Value

Monthly Commentary - May 2025

## Japan Equity Research Team

SMDAM

*We are one of the largest investment management companies in Japan, offering discretionary investment management, investment trusts and advisory services to a range of institutional investors, pension funds, government agencies and retail investors worldwide.*

## Portfolio Update

At the beginning of the month, the full-year earnings announcements for the fiscal year 2024 were released by domestic companies. These generally reflected conservative outlooks due to the impact of U.S. tariff policies, although the market still rose due to the depreciation of the yen against the dollar. This depreciation was caused by decreased expectations for additional rate hikes by the Bank of Japan, as well as expectations of progress in trade negotiations between the U.S. and other countries.

In the middle of the month, while the significant reduction of tariffs between the U.S. and China was welcomed, the downgrade of U.S. Treasury bonds weighed on the market, resulting in mixed performance.

At the end of the month, the market rose again due to a pause in the rise of long-term interest rates in Japan and the U.S., the postponement of additional tariffs by the U.S. on the European Union (EU), and favorable earnings reports from U.S. semiconductor companies. By industry, non-ferrous metals, warehouse and transportation-related industries, and machinery outperformed the market, while electric power and gas, pulp and paper, and steel underperformed.

Looking ahead, we will pay attention to the companies that have increased or are likely to increase the market share of their products in Japan without resorting to a low-price strategy. We will also maintain our focus on companies that have increased shareholder returns, as well as names with high free cash flow (FCF) yields.



Focus Stock: Fuji Electric Co., Ltd.

Concerns over the slowdown in its semiconductor business have led to its underperformance.

While we also anticipate a deterioration in the semiconductor segment, we believe that growth in other businesses, particularly its energy-related operations, will enable the company to continue achieving record-high profits. Therefore, we have judged the stock to be significantly undervalued and have increased its weight in the portfolio. Although the market’s focus remains heavily concentrated on its semiconductor business, which may result in continued sluggishness for the time being, we expect the stock price to recover as the sustained growth of the company’s overall performance becomes evident.

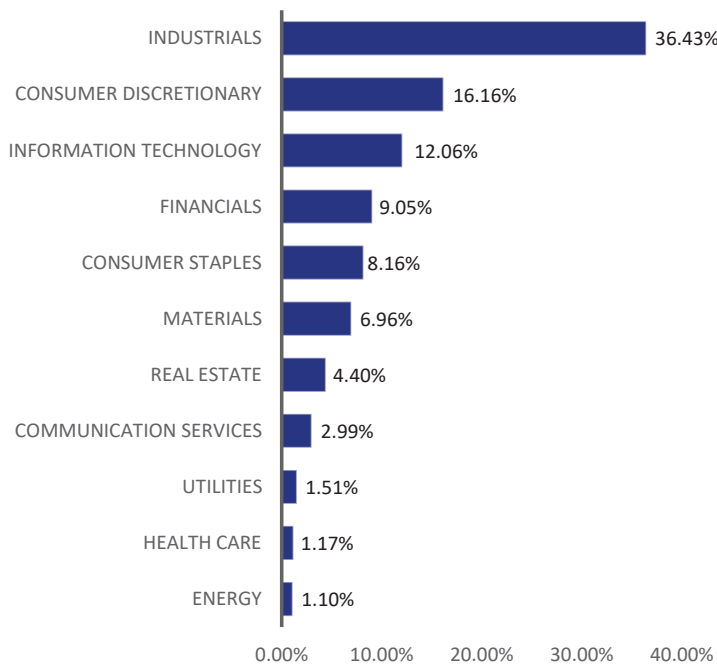
Top Buys

Share Name
EBARA CORP
NISSAN CHEMICAL CORP
RESORTTRUST INC

Top Sells

Share Name
NHK SPRING CO LTD
KOITO MANUFACTURING CO LTD
KADOKAWA CORP

Sector Allocation



**Risk warning:** The organisations and/or financial instruments mentioned are for reference purposes only. Material content should not be construed as a recommendation for their purchase or sale.

Source: SMDAM, as at 31 May 2025



## Top Holdings

Share Name	Portfolio Weight	MSCI Sector
NEC CORP	3.53%	Information Technology
TOKYO TATEMONO CO LTD	3.32%	Real Estate
TOYOTA INDUSTRIES CORP	3.07%	Industrials
SOJITZ CORP	2.56%	Industrials
HOKKOKU FINANCIAL GROUP	2.52%	Financials

**1. NEC Corp.** - We consider the company to be one of the leading stocks that will greatly benefit from the expansion of domestic demand in Japan.

**2. Tokyo Tatemono Co Ltd** - The acquisition of a substantial interest in the real estate company by an activist fund will continue to result in an increase in the value of its shares.

**3. Toyota Industries Corp** - The company is primary engaged in the manufacture and sales of automobiles, industrial vehicles and textile machinery.

**4. Sojitz Corp** - A general trading company (sogo shosha) formed in April 2003 through the merger of Nichimen Corporation and Nissho Iwai Corporation.

**5. Hokkoku Financial Group** - We believe that the current valuation levels are quite attractive given the company's business fundamentals.

## Top Performers

Share Name	Portfolio Weight	MSCI Sector
SEIKOH GIKEN CO LTD	0.28%	Information Technology
SOCIONEXT INC	0.34%	Information Technology
SUMITOMO ELECTRIC INDUSTRIES	2.15%	Consumer Discretionary
MITSUI-SOKO HOLDINGS CO LTD	2.26%	Industrials
BIPROGY INC	1.15%	Information Technology

## Worst Performers

Share Name	Portfolio Weight	MSCI Sector
UBICOM HOLDINGS INC	0.33%	Information Technology
PAL GROUP HOLDINGS CO LTD	0.54%	Consumer Discretionary
TOEI ANIMATION CO LTD	0.82%	Communication Services
KIMURA KOHKI CO LTD	1.36%	Industrials
RELO GROUP INC	0.24%	Real Estate

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Performance

No performance information is available as the sub-fund is newly launched.

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