



CIO Office Global Markets Weekly Kickstart

Semiconductors and Banks Drive Japan Equities

13 July 2026

01 Chart of the Week

ISM Services PMI Meets
Expectations; Demand Remains
Resilient



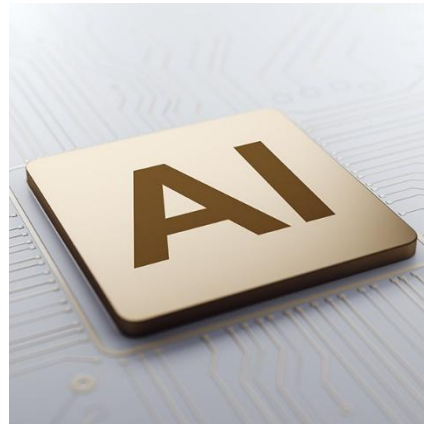
02 Market Recap

Geopolitical Risks Keep
Markets Volatile



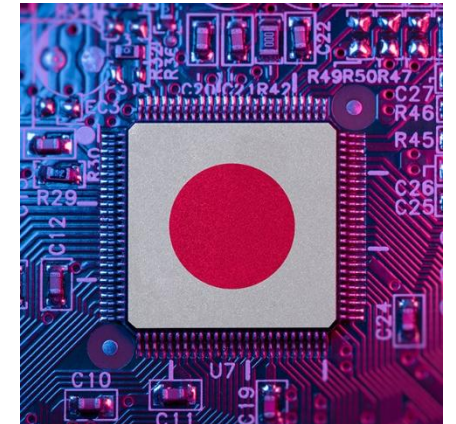
03 What's Trending

2Q Earnings to Test AI
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AI Boosts Japan Semis; Rate
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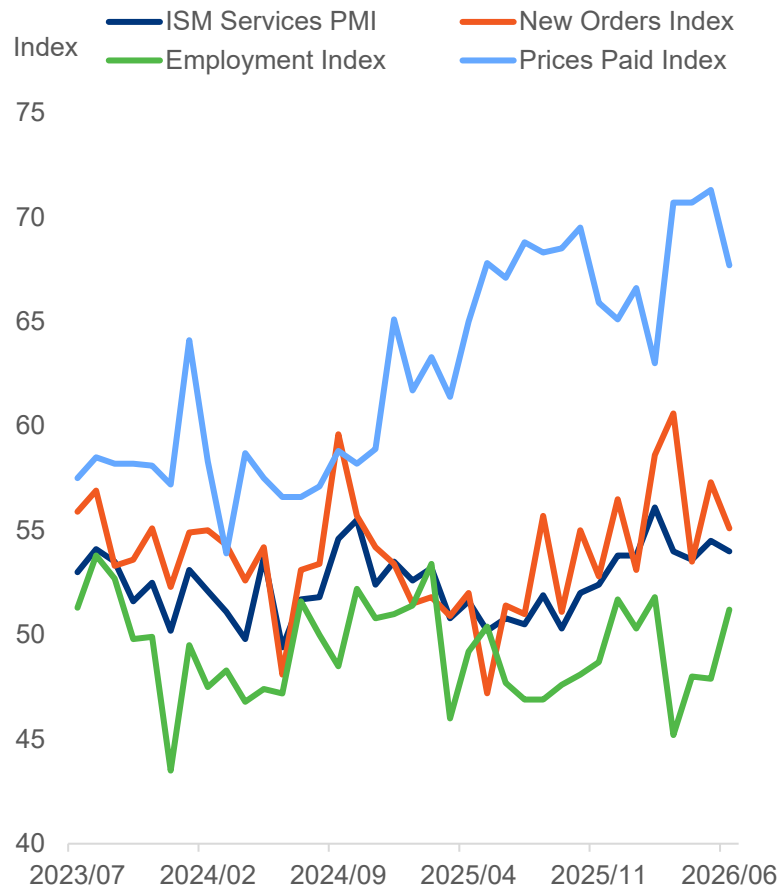
05 Product Spotlight

Selection of Equities, Bonds, Funds/ETFs

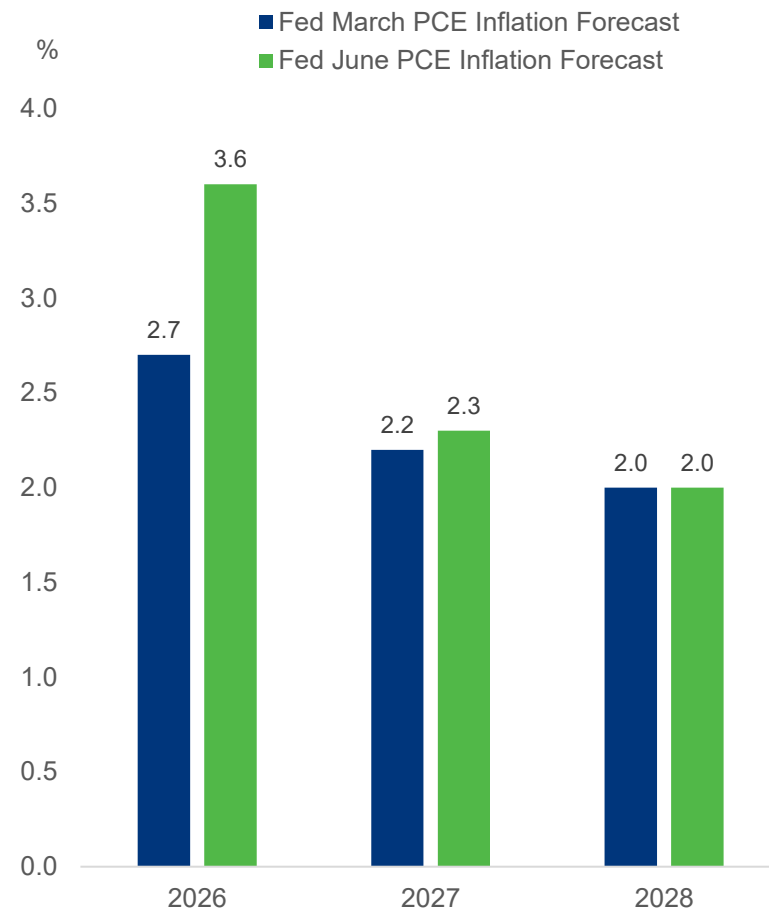
ISM Services PMI Meets Expectations; Demand Remains Resilient

- ▶ The U.S. June ISM Services PMI edged down to 54.0 from 54.5 but remained above the 50 expansion threshold, indicating continued growth in the services sector. New orders eased from 57.3 to 55.1 as front-loaded demand faded, while the backlog of orders increased, suggesting underlying demand remains resilient. The employment index rebounded to 51.2 from 47.9, pointing to improved hiring activity. Meanwhile, the prices paid index declined to 67.7 from 71.3, indicating easing cost pressures, though inflation remains elevated. Overall, the data suggest the U.S. services sector remains resilient, while disinflation is likely to be gradual.
- ▶ Minutes from the Fed's June meeting showed growing concern over inflation risks, with officials significantly raising their 2026 inflation forecasts. The Fed is therefore likely to keep inflation as its policy priority in the near term, leaving markets vulnerable to policy-driven volatility. However, with the economy still expanding and the long-term AI growth story intact, market pullbacks could present opportunities to accumulate growth and cyclical stocks.

ISM Services PMI Eases Slightly but Remains in Expansion



Fed Remains Focused on Inflation in the Near Term

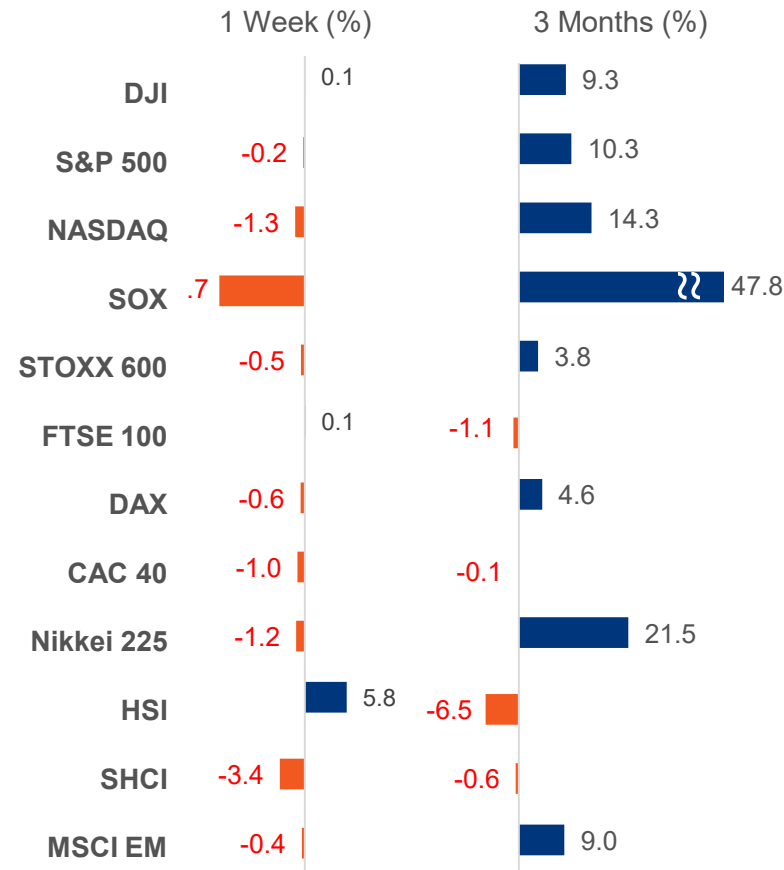


Market Recap

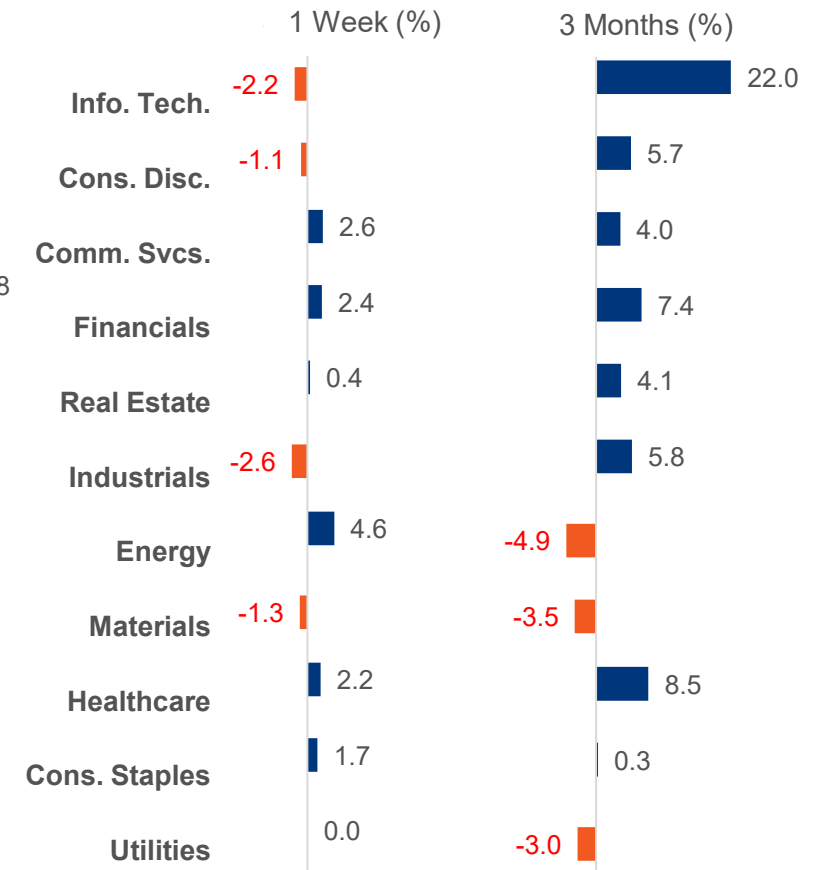
Semiconductor Stocks Turn Volatile as Investors Rotate into Defensive Sectors

- ▶ The Philadelphia Semiconductor Index and Nasdaq underperformed as elevated expectations for technology and semiconductor stocks made investors more sensitive to fundamental news. Rising interest rates also pressured valuations, weighing on growth stocks and increasing volatility. The S&P 500 declined more modestly, while the Dow was relatively resilient, supported by stable cash flow and lower-valuation constituents, highlighting continued sector rotation.
- ▶ Renewed military exchanges between the U.S. and Iran revived geopolitical concerns and lifted oil prices, weighing on the more energy import-dependent European and Japanese markets. Hong Kong equities, meanwhile, were supported by a rebound in internet stocks, suggesting capital is rotating toward lower-valuation markets.
- ▶ By sector, technology, industrials, materials, and consumer discretionary underperformed, while defensive sectors such as healthcare and consumer staples outperformed. Energy stocks also rebounded on higher oil prices, with near-term performance likely to remain driven by developments in the U.S.-Iran conflict.

Regional Index Performance (%)



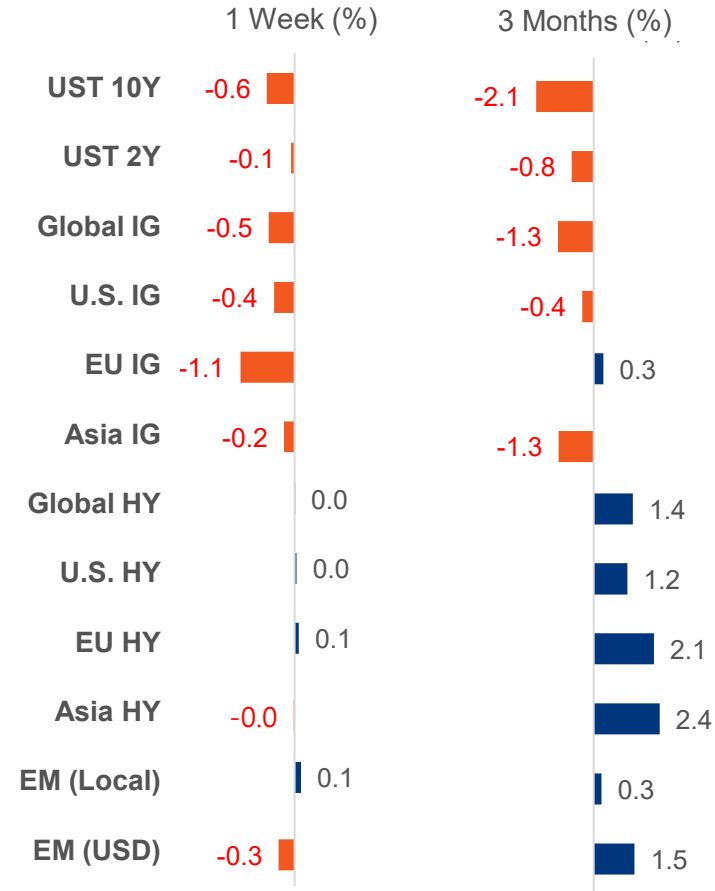
U.S. Sector Index Performance (%)



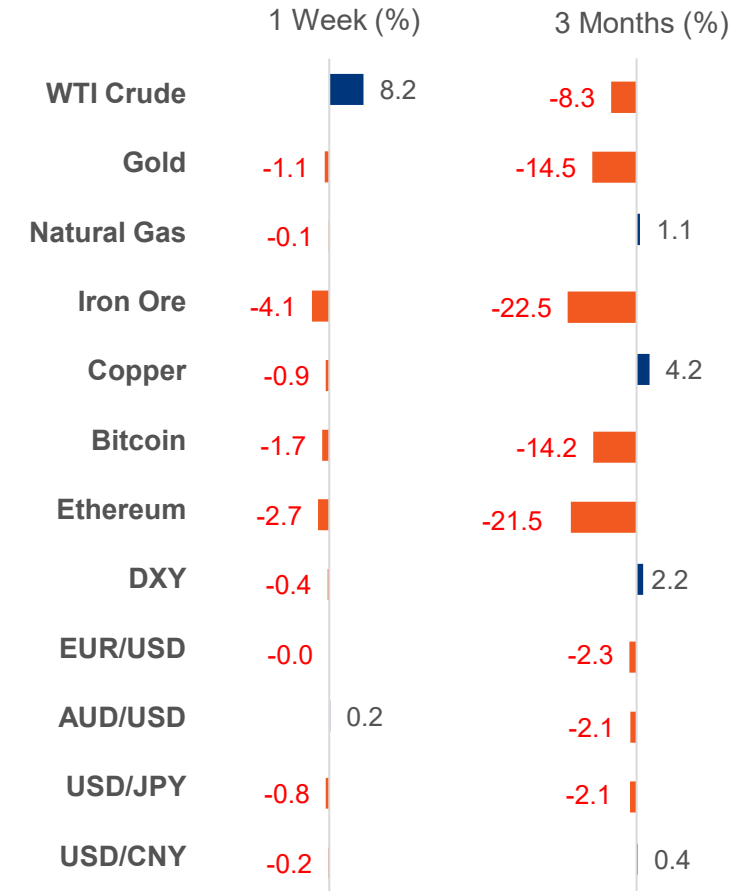
U.S.-Iran Ceasefire Eases Concerns Over Oil Supply Disruptions

- ▶ U.S. nonfarm payrolls increased by 57,000 in June, below market expectations of 113,000 but still above the 12-month average. The labor market showed no meaningful deterioration and remained broadly stable. The softer-than-expected employment data modestly eased concerns that the Fed could begin raising rates earlier than expected. Interest rate futures now point to October, rather than September, as the likely timing for the first rate hike. On a weekly basis, bond prices were relatively weak.
- ▶ Following the U.S.-Iran ceasefire agreement and the reopening of the Strait of Hormuz, concerns over disruptions to global oil supplies eased significantly. Oil prices fell about 4.5% during the week and have declined markedly over the past three months. As Middle East oil shipments normalize, market attention is expected to shift back to global macro demand and OPEC+ production policy.
- ▶ Gold prices rebounded during the week, but recent weakness reflects a relatively hawkish macro policy backdrop. A stronger U.S. dollar and higher interest rates continue to limit gold's upside momentum.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



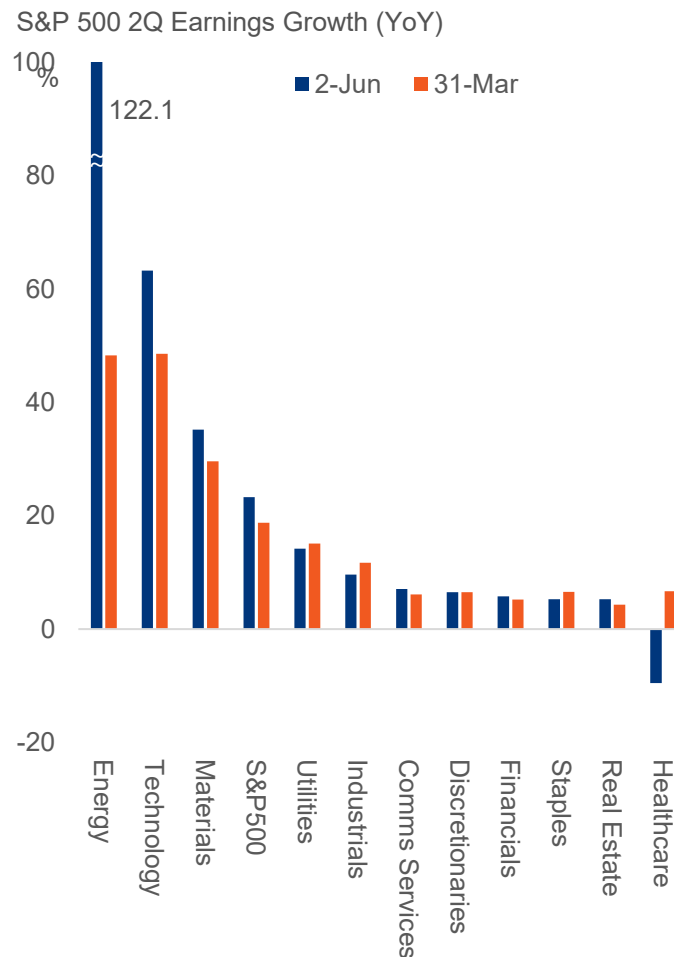
Source: Bloomberg

2Q Earnings Approach as Profit Forecasts Rise; AI Monetization Faces Key Test

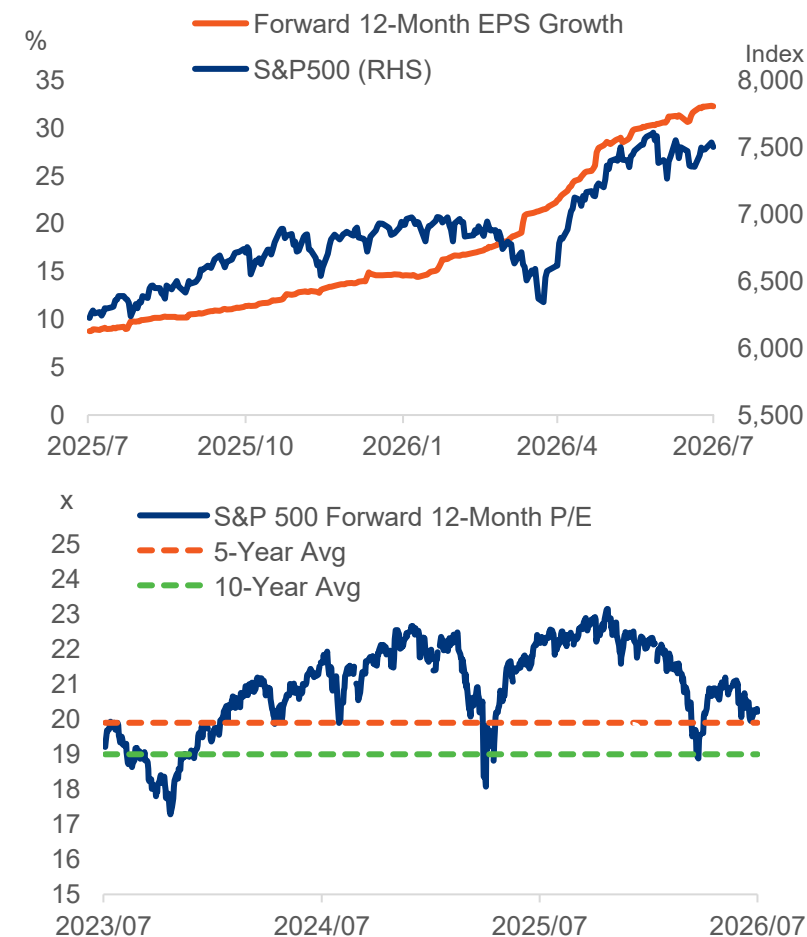
- ▶ The 2Q earnings season begins in mid-July. Although elevated energy prices and inflation may weigh on results, analysts have continued to raise earnings forecasts. Since the end of 1Q, estimated S&P 500 earnings growth for 2Q has been revised up to 23.3% YoY from 18.8%, marking the largest mid-quarter upward revision since 2021. Energy has seen the biggest upgrade, with expected earnings growth rising from 48.3% to 122.1%, while information technology has been revised up from 48.6% to 63.3%. Valuations, meanwhile, have remained close to historical averages, suggesting the past year's market gains have been driven primarily by earnings growth rather than multiple expansion.
- ▶ The market's focus remains on whether AI investment can translate into meaningful revenue. AI-related companies are expected to contribute 57% of S&P 500 EPS growth this quarter. Investors will closely watch hyperscalers' returns on AI investment, a key indicator of whether AI spending can expand from infrastructure to broader end-user applications.
- ▶ If earnings broadly meet expectations, technology should remain the market's key sector in 2H26. Over the medium to long term, AI investment is expected to stay strong, though investors should monitor hyperscalers' free cash flow and financing conditions for signs of pressure that could lead to slower capital spending.

Source: Bloomberg

Upward Earnings Revisions Reflect Strong Confidence in Corporate Profit Growth



Earnings Growth Continues to Drive Equities, While Valuations Remain Stable



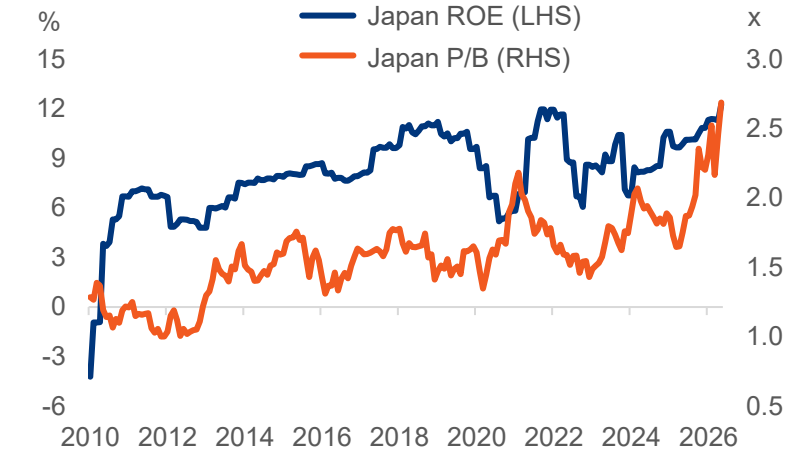
Improving Growth Outlook Supports Japanese Equities, Though Near-Term Volatility Warrants Attention

- ▶ Recent Japanese economic data have generally exceeded expectations. May retail sales improved, June consumer confidence strengthened, and the 2Q Tankan survey showed large manufacturers' business conditions and outlook well above forecasts. Companies also significantly raised capital expenditure plans, lifting the Citi Economic Surprise Index and pointing to resilient economic and earnings growth.
- ▶ As Japan emerges from deflation, continued corporate governance reforms and improving ROE should help sustain relatively elevated equity valuations. Beyond valuation expansion, the durability of earnings growth will remain a key focus for investors.
- ▶ Japanese companies continue to support the market through share buybacks, providing downside support. However, foreign investors have been the main marginal buyers this year, and their faster-moving capital flows could increase market volatility. Overall, Japan's resilient economy and improving earnings outlook remain supportive of equities, although near-term volatility may rise.

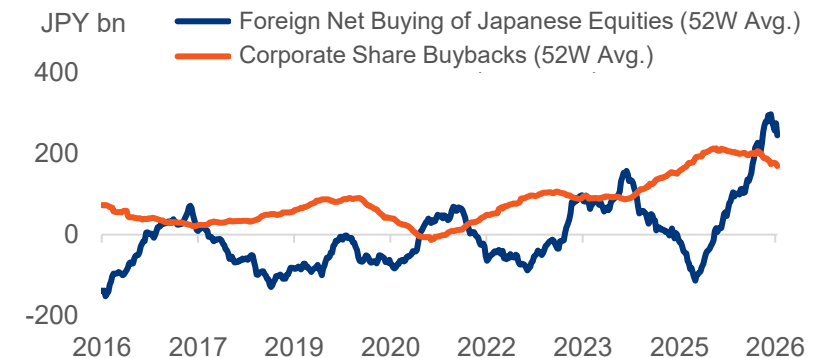
Japan's Economic Data Beat Expectations, Supporting Earnings Growth



Corporate Reforms Continue to Lift Japan's ROE and P/B



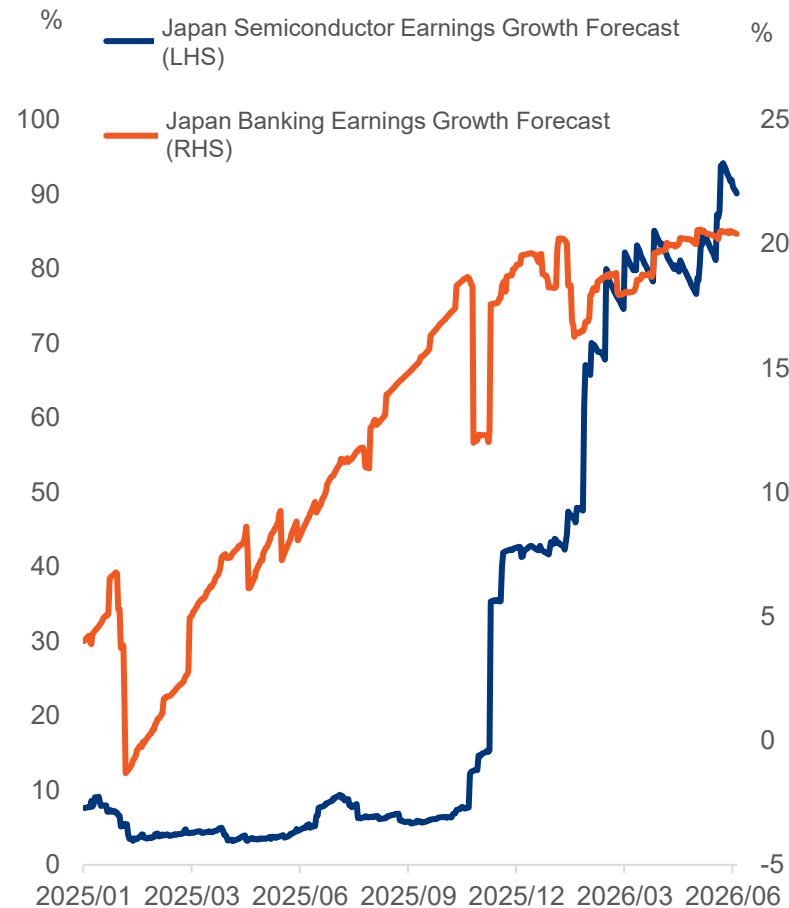
Foreign Inflows and Share Buybacks Support Japanese Equities



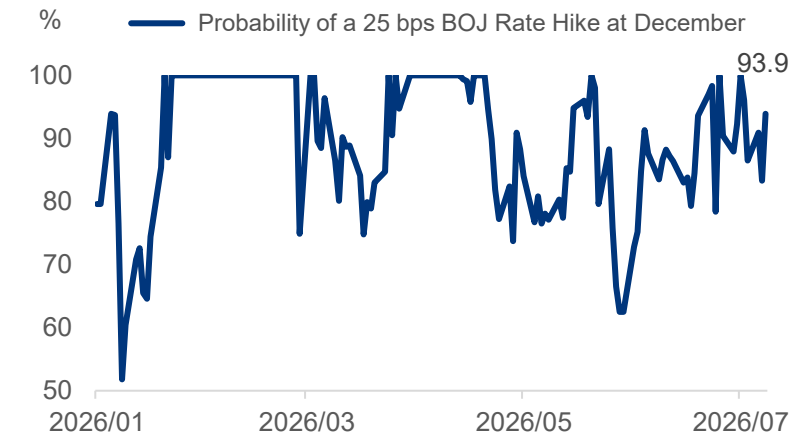
AI Demand Continues to Lift Japan Semis, While Rate Normalization Supports Banks

- ▶ Sustained AI and data center investment, together with only a modest rebound in oil prices, continues to support earnings growth for Japanese equities. Semiconductor earnings have seen the strongest upward revisions, driven by the global AI capex cycle and robust demand for Japan's semiconductor equipment and materials.
- ▶ Market expectations now point to another 25 bps BOJ rate hike in December, following June's increase, reinforcing the gradual normalization path. Higher rates should continue to support bank earnings through improved net interest margins, providing a structural tailwind for the sector.
- ▶ Year to date, Japanese semiconductor stocks have returned around 80% despite recent volatility, while bank stocks have gained more than 40%, both significantly outperforming the broader market's roughly 20% gain. Backed by AI demand and policy normalization, both sectors are well positioned to remain market leaders.

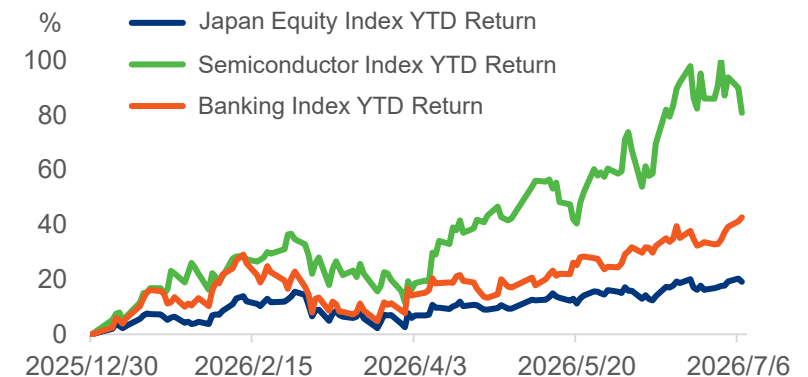
Semiconductor and Bank Earnings Growth Continue to Accelerate



Markets Expect Another 25 bps BOJ Rate Hike by Year-End



Semiconductor and Bank Stocks Continue to Outperform



Source: Bloomberg

Asset Strategy

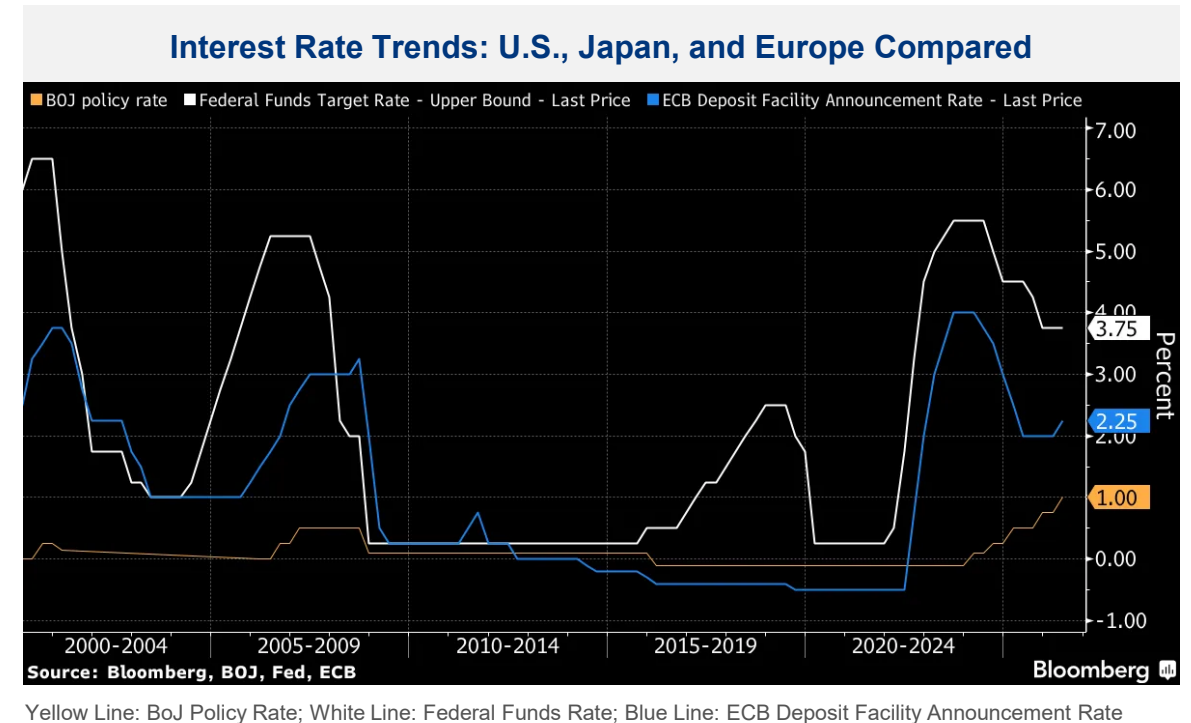
Asset Type	Market View	Preferred Assets
Equities	◆ Solid U.S. corporate earnings continue to provide fundamental support for equities, with room for market gains to broaden beyond AI. However, as investors focus more on AI capex returns, elevated valuations could trigger near-term profit-taking. Defensive sectors such as healthcare and utilities can help reduce risk, while technology and AI semiconductors remain favored over the medium to long term. Buy on pullbacks and diversify across regions and sectors. ◆ Japan and Europe remain preferred diversification markets. Japan offers stronger technology exposure, with semiconductor momentum intact, while rising JGB yields support bank stocks. Europe continues to benefit from defense spending, and U.K. equities provide defensive characteristics.	Strategy: Short term: defensive sectors. Medium to long term: AI themes including technology and semiconductors; Outside AI, Japanese banks are also attractive. Regions: Japanese banks, Japanese semiconductor stocks, UK equities, European defense
Bonds	◆ Oil prices have rebounded, while the U.S. 30-year Treasury yield remains relatively high. Avoid excessive duration risk and focus on short- to intermediate-duration bonds. High-quality corporate bonds remain resilient, particularly in financials, technology, communications, and utilities, where yields are attractive after recent adjustments. ◆ A stronger U.S. dollar supports diversification into non-USD investment-grade bonds, such as EUR- or AUD-denominated issues.	Types: Short- to intermediate-duration IG bonds, with a preference for financials, technology, telecoms, and utilities. Satellite : Non-USD IG bonds for diversification.
Forex	◆ The Fed's June meeting maintained a hawkish tone. Expectations for further rate hikes could steepen the yield curve, supporting the U.S. dollar in the near term. ◆ Although lower oil prices had eased inflation concerns earlier, the USD remains firm as markets continue to watch Fed policy. The JPY is likely to appreciate gradually on BOJ rate hikes and intervention, while the RMB is expected to strengthen modestly under policy support.	USD: Near-term strength remains supported. Gradual JPY appreciation; modest RMB appreciation.
Commodity	◆ Although the U.S.-Iran ceasefire memorandum initially pushed oil prices lower, renewed military exchanges have increased price volatility. ◆ Higher U.S. yields and a stronger dollar continue to pressure gold in the short term. However, geopolitical tensions, ongoing central bank purchases, and portfolio diversification demand should provide medium- to long-term support.	Gold: remains supported over the medium to long term.



Rate Normalization Boosts Japanese Bank Profits

- ▶ The minutes of the June FOMC meeting leaned hawkish, with the Fed unanimously keeping rates unchanged but noting inflation risks remain tilted upward. Employment and growth show resilience, reducing urgency for near-term cuts. The minutes highlighted tariffs, energy costs, and AI infrastructure investment as potential drivers of price pressures, with some officials even open to further tightening if inflation stays elevated. Policy focus has shifted from the timing of rate cuts to whether prolonged high rates are needed, implying U.S. Treasury yields and the dollar may stay firm while high-valuation tech stocks continue to face rate pressure.
- ▶ The U.S. June ISM services PMI registered 54.0, slightly below expectations and the prior reading of 54.5.
- ▶ In Japan, the BOJ raised its policy rate from 0.75% to 1.00% in June, citing rising inflation expectations and still-loose financial conditions. Deputy Governor Shinichi Uchida stressed the need to guard against inflation staying above 2%, reaffirming the normalization path. Higher rates are set to improve banks' deposit-loan spreads, asset repricing gains, and corporate finance income, supported by resilient business confidence, capex plans, and funding demand. However, yen weakness and rising energy costs may squeeze real wages and consumption, while increasing credit costs for SMEs and bond valuation volatility. Overall, the outlook for Japanese banks remains positive, with large institutions that have strong low-cost deposit bases, ample capital, and diversified overseas and fee income best positioned to benefit from rate normalization while mitigating downside risks.

Source: Bloomberg



Mitsubishi UFJ Financial Group (8306 JP)

Closing Price	¥3,461	Target Price	¥3,800		
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Mitsubishi UFJ Financial Group (MUFG) was established through the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings, forming Japan's largest financial holding company. As a diversified group, MUFG provides a wide range of financial and investment services, including commercial banking, trust banking, international finance, and asset management.

BOJ Tightening Supports Wider Spreads

MUFG is a core beneficiary of Japan's gradual rate normalization. The BOJ's June hike to 1.0% should allow loan and securities yields to rise faster than deposit costs. With inflation and wage growth backing further normalization, higher domestic rates are expected to expand net interest income and revive profitability in Japan's long-stagnant banking sector. The BOJ also signaled further tightening remains possible, depending on inflation and economic conditions.

Profit Growth and Capital Returns Lift ROE

MUFG projects FY2026 net income of about ¥2.7T (+11% YoY), with ROE near 12%, reflecting stronger domestic banking income and diversified overseas profits. Plans include a ¥96 dividend per share and up to ¥100B in share buybacks, underscoring improved capital discipline. Strategic initiatives such as its ASEAN alliance with JCB broaden its presence in wealth management, payments, and high-net-worth ecosystems.

FY2025 Results Solid, FY2026 Outlook Positive

In FY2025 (ending March), MUFG delivered net operating profit of ¥2.3772T (+¥865.5B YoY) and net income of ¥2.4272T (+¥586.3B YoY), with a dividend of ¥86 per share. For FY2026, guidance calls for net operating profit of ¥2.9T and a dividend of ¥96 per share.

Valuation Consensus

Bloomberg's 12-month average target price is ¥3,693.33, with a high of ¥4,300 and a low of ¥2,330.

Source: Bloomberg, Company

1-Year Price



FY2026 Guidance

Consolidated	FY25 results	FY26 targets	YoY
(¥bn)			
1 Net operating profits	2,377.2	2,900.0	522.8
2 Total credit costs	(355.8)	(350.0)	5.8
3 Ordinary profits	3,410.1	3,950.0	539.9
4 Net profits	2,427.2	2,700.0	272.8
5 ROE*1	11.3%	Approx. 12%	-
6 ROE*1 (excl. equity holdings impact)	Approx. 10.4%	-	-

Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	19.4	9.1	22.4	-19.3	24.0
EBITDA (%)	34.4	39.6	41.3	48.8	41.3
EPS(JPY)	128.6	166.5	217.5	243.6	267.8
Net Profit Margin(%)	24.9	28.9	30.1	41.1	36.0

Source: Bloomberg; 2027/28F are market estimates

P/E & P/B



Sumitomo Mitsui Financial Group (8316 JP)

Closing Price ¥6,814

Target Price ¥7,500

Sumitomo Mitsui Financial Group (SMBC) manages its financial operations through subsidiaries. The company provides a broad range of services, including commercial banking and diversified financial services.

Japan Rate Hike Cycle Continues

SMBC has strong leverage to rising Japanese rates. Management estimates that each 25bp hike adds about ¥110B to net interest income in the first year, rising to ¥150B by year five. Additional upside may come from loan growth, wider deposit spreads, and reinvestment of its Japanese bond portfolio, making SMFG one of the clearest beneficiaries of ongoing policy normalization.

Domestic Growth and Capital Optimization Drive ROE

SMBC targets FY2027 net income of ¥1.7T, above FY2026's ¥1.58T, while maintaining a ~40% payout ratio and authorizing up to ¥180B in share buybacks. Growth initiatives in domestic wholesale banking, the Olive retail ecosystem, and global investment banking, combined with capital efficiency measures such as major risk transfers, free up regulatory capital for loans, investments, and shareholder returns.

FY2025 Strong Results, FY2026 Outlook Positive

In FY2025 (ending March), net business profit rose ¥611.6B YoY to ¥2.3309T, while net income attributable to owners increased ¥405B YoY to ¥1.5830T. Dividend per share was ¥157. For FY2026, SMBC guides for business profit of ¥2.4T and a dividend of ¥180 per share.

Valuation Consensus

Bloomberg's 12-month average target price is ¥7,140, with a high of ¥8,800 and a low of ¥4,500

1-Year Price



FY2026 Guidance

	Results FY3/26	Target FY3/27	YoY
(JPY bn)			
Net business profit	2,330.9	2,400	+69.1
Credit cost	388.4	340	(48.4)
Ordinary profit	2,303.4	2,390	+86.6
Net income	1,583.0	1,700	+117.0

Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	21.1	14.9	15.3	-7.8	7.3
EBITDA (%)	33.4	34.1	39.6	49.0	49.9
EPS(JPY)	262.9	304.8	412.4	476.1	522.7
Net Profit Margin(%)	23.9	23.6	27.2	33.6	34.0

Source: Bloomberg; 2027/28F are market estimates

P/E & P/B



Source: Bloomberg, Company



Taiwan Equities Face Short-Term Pressure; AI Server Supply Chain Remains in Focus

Taiwan Market Under Short-Term Pressure

Over the past week, Taiwan equities have trended lower with short-term momentum shifting to the downside. A brief rebound mid-week lacked conviction as volumes shrank, showing limited institutional support. Traditional sectors pulled back, with only biotech/healthcare staying firm. Financials rose against the trend, but large-cap electronics underperformed, with most tech sub-groups retreating. For now, it's prudent to avoid stocks under continuous foreign selling and focus on names with strong June revenue, trading above short-term and monthly moving averages.

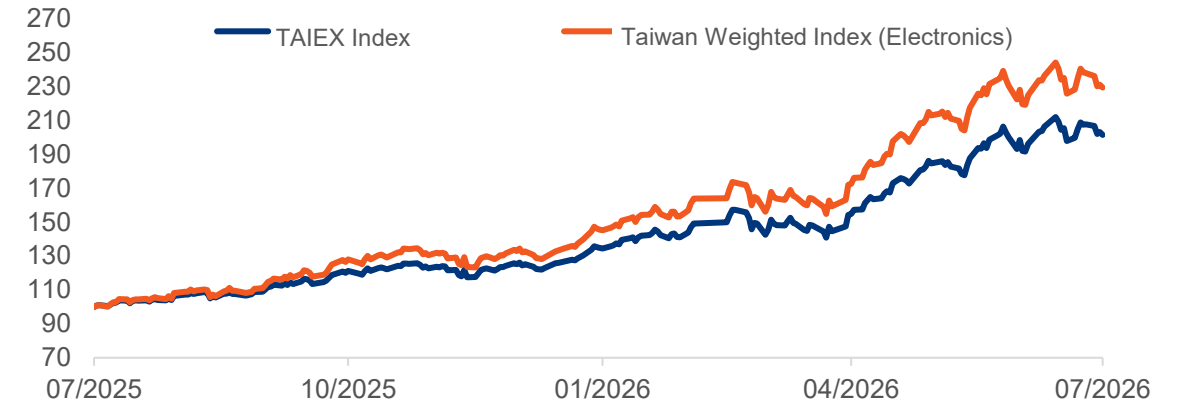
AI Server Power Demand Rising; HVDC Becomes Core

As rack design power surpasses new thresholds, traditional AC-DC distribution proves insufficient. HVDC racks are shifting from optional to mainstream. KGI expects HVDC penetration to accelerate: while Nvidia's VR200 platform doesn't mandate HVDC, ASIC server adoption will drive shipments from 2H26, with volume ramping in 2027 and penetration reaching 10–20%. High-power racks are pushing upgrades from $\pm 400V$ to 800V, lifting per-rack PSU value from \$66K to over \$100K — a gain of 50%+. Demand for BBU backup modules and DC-DC converters is also expanding, benefiting Delta Electronics, Lite-On Technology, Vertiv, and Flex. With AI accelerator TDPs climbing, vertical power delivery (VPD) adoption is accelerating, significantly enhancing supply chain value. Overall, HVDC PSUs are becoming the core driver of AI server infrastructure upgrades, a clear tailwind for related suppliers.

Source: Bloomberg

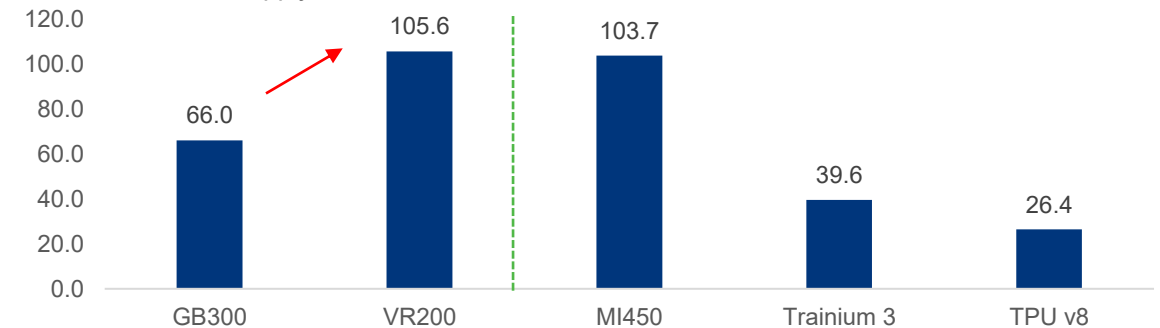
TAIEX Index and Taiwan Electronics Sector Trends

Index, 9 July 2025 = 100



The intrinsic value of AI server power supply will rise significantly

Per-Rack Power Supply Value, USD Thousands



Delta Electronics (2308 TT)

Delta Electronics manufactures power and video solutions, including switching power supplies, UPS systems, telecom and industrial DC power systems, and projectors.

HVDC Adoption Expected to Begin in 2H26

Management indicated that HVDC will likely be an optional feature on NVIDIA's VR200 platform, with shipments expected to begin in 2H26. Initial deployments will use a $\pm 400V$ DC architecture, followed by a transition to 800V DC. As NVIDIA's Kyber rack design is introduced, power consumption on the VR300 platform is expected to exceed 1MW, making HVDC adoption increasingly necessary and driving higher BBU penetration.

Capex Upcycle Supports Long-Term Growth

Delta reiterated that 2026 capex will exceed NT\$46.1bn spent in 2025. Spending on production equipment is expected to increase 8-10% from NT\$27.8bn in 2025. Management is planning global capacity expansion to meet strong demand beyond 2029, particularly from AI applications. Existing production bases include China (45% of capacity), Thailand (30%), Taiwan (10-15%), the U.S., and Slovakia, with additional expansion plans expected to be announced in the coming months. Meanwhile, the Guanyin facility is being built to manufacture SOFC products, with production targeted to begin in 2028.

Financials

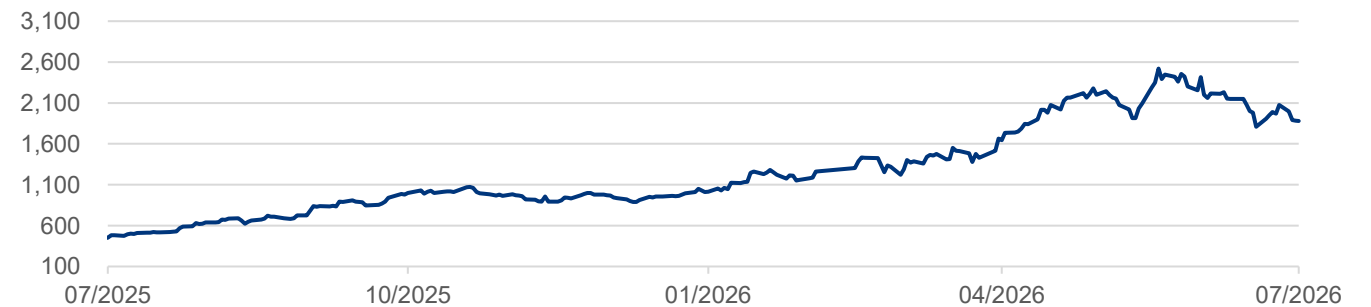
	2024	2025	2026F	2027F	2028F
EPS (NTD)	13.56	23.14	44.71	73.51	109.42
EPS Growth (%)	5.5	70.6	93.2	64.4	48.9
P/E Ratio	159.6	93.6	48.4	29.5	19.8
ROE (%)	16.4	24.1	36.7	44.3	48.0

Source: Company data, estimates of KGI analyst

Valuations

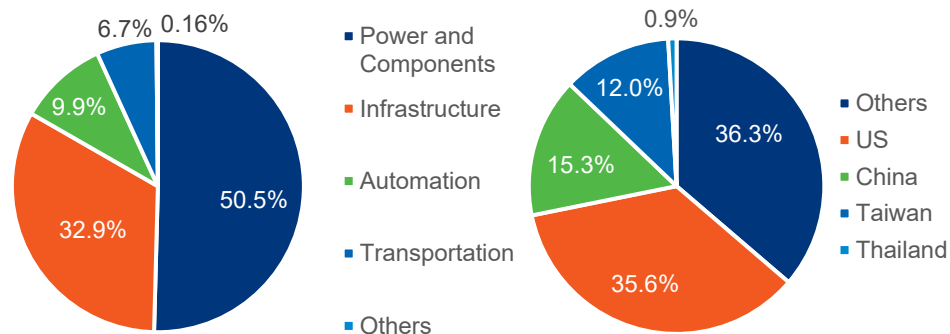
		5Y Avg.	Current	
Price	210			2,520
P/E	18.35			92.95
P/B	2.97			21.85

1-Year Price



As of 9 July 2026	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-4.57	-22.15	14.29	85.22	95.22	316.85

Revenue Sources and Regions



Source: Bloomberg

Lite-On Technology (2301 TT)

Lite-On Technology is a global leader in electronic components, with several products enjoying high market share, particularly in opto-semiconductors and power supplies.

Power Rack Revenue Contribution Incoming

Lite-On is actively expanding its AI server power supply portfolio, targeting AI revenue share above 30% by 2026, with cloud business growth expected to exceed 70% YoY. Partnering with U.S. Tier-1 hyperscalers, the company plans shipments of 50V power racks in 2Q26 and 800V DC racks in 4Q26. For Nvidia's VR200 platform, a 110kW power shelf has been developed and is set for June mass production, while a 660kW HVDC rack enters certification in 2H26. To meet strong demand, Lite-On raised 2026 capex to NT\$13B, adding investments in the U.S. and Vietnam to expand capacity. Management also expects general server PSU shipments to grow 10–20% annually, with KGI projecting cloud revenue share rising to 46% in 2026..

HVDC Development Progress Steady; Rating Maintained

KGI Securities maintains an “Add” rating on Lite-On and raises its 12-month target price to NT\$230, equivalent to 22x the average FY2026–2027 EPS estimate (target P/E unchanged). This sits within the historical range of 9–24x.

Financials

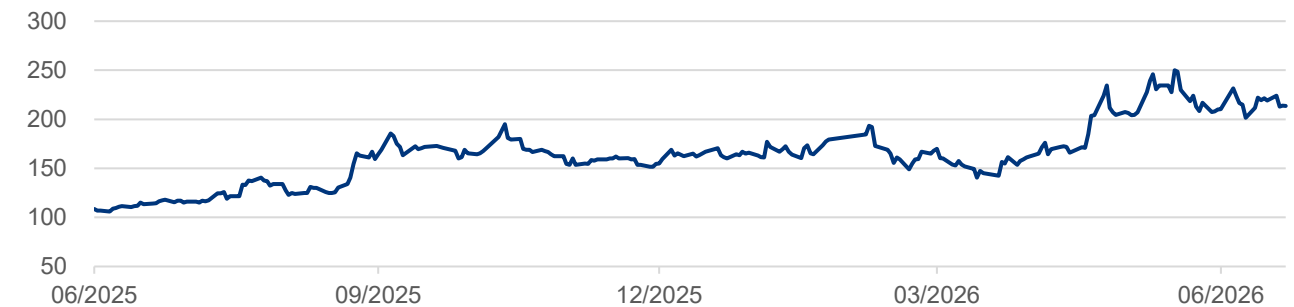
	2024	2025	2026F	2027F	2028F
EPS (NTD)	5.21	6.64	8.55	12.37	17.65
EPS Growth (%)	-18.1	27.5	28.7	44.6	42.7
P/E Ratio	33.0	25.9	20.1	13.9	9.7
ROE (%)	13.6	16.7	20.6	28.2	37.4

Source: Company data, estimates of KGI analyst

Valuations

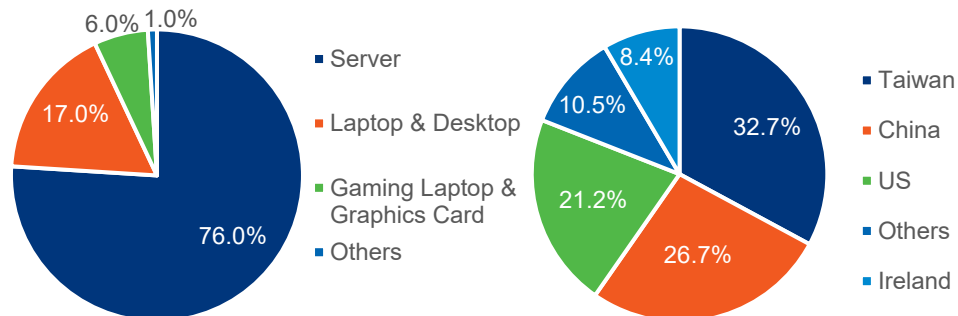
		5Y Avg.	Current	
Price	55.30			250.00
P/E	9.94			36.76
P/B	1.67			6.43

1-Year Price



As of 9 July 2026	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-3.61	-4.69	37.74	33.44	30.58	83.26

Revenue Sources and Regions



Source: Bloomberg

AI Demand Fuels Japan Semiconductors, Rate Normalization Boosts Banks

► JPMorgan Funds - Japan Equity Fund

- Selective growth in high-quality Japanese companies is pursued through a bottom-up approach, identifying firms with strong and sustainable long-term potential.
- Core investments are concentrated in six leading Japanese industries, including technology, automation, renewable energy, and consumer markets.
- The investment team has been established in Japan for over 50 years, making it one of the most experienced foreign asset managers locally. With analysts averaging 18 years of industry expertise, the team provides comprehensive coverage in a market where analyst penetration is relatively limited, enabling them to capture potential opportunities.
- Founded in 1969, the fund is the longest-standing product in the Morningstar Japan Large-Cap Equity category, combining heritage with disciplined forward-looking investment.

Product	JPMorgan Funds - Japan Equity Fund	
Features	■ Established in 1969, the fund boasts a rich history of over 50 years. ■ Sector allocation maintains flexibility in response to market dynamics while utilizing leverage operations agilely; investments are distributed across large, mid, and small-cap stocks to uncover opportunities in internet, consumer, and retail sectors.	
AUM	USD 514.7 million	
Functional Currency	JPY	
3M/YTD Return	10.77% / 15.47%	
Top 5 Industry Allocation (%)	Others	24.6
	Electrical Products	21.2
	Banks	10.8
	Retail Trade	7.8
	Machinery	5.7
Top 5 Holdings (%)	Mitsubishi UFJ Financial Group	8.6
	Mitsubishi Electric	5.8
	Asics	5.0
	Sumitomo Electric Inds	4.9
	FAST RETAILING	4.9

Source: Bloomberg

JPMorgan Funds - Japan Equity Fund

Profile

Provides investors with long-term capital growth primarily by investing at least 70% of its total net asset value in Japanese equity securities and other equity securities whose investment performance is closely related to the performance of the Japanese economy.

Long History, Navigating Bull and Bear Markets

Established in 1969, the fund boasts a rich history of over 50 years. This long-standing track record means it has navigated multiple global economic crises and full bull-and-bear cycles in the Japanese market, accumulating extensive experience in market adaptation.

Flexible Stock Selection, Agile Operations

Sector allocation maintains flexibility in response to market dynamics while utilizing leverage operations agilely. Investments are distributed across large, mid, and small-cap stocks to uncover unique opportunities in internet, consumer, and retail sectors.

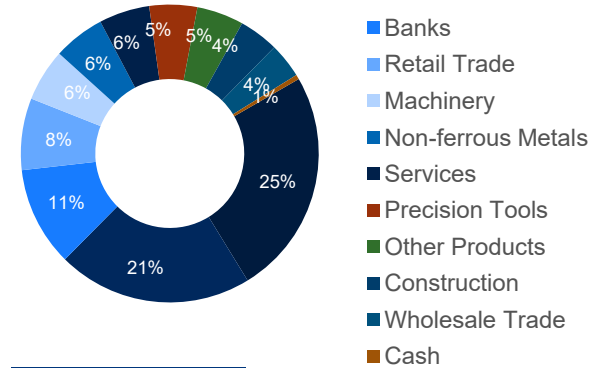
Professional Team, Rich Experience

The current principal fund managers possess over 20 years of investment experience in the Japanese market. Their prudent investment style and rigorous focus on detail serve as the cornerstone of this fund's long-term performance.

Inception	1969/8/6	AUM	USD 517.4 mn
Morningstar Category	Japan Equities	Fund Type	Equities
Morningstar Rating	★★★★	3Y SD (Ann.)	16.09%

Source: Morningstar

Sectors



Asset



As of 7 July 2026	1M	3M	YTD	1Y	2Y	3Y
Cumulative Return(%)	3.93	10.77	15.47	31.45	45.44	86.12
Ranking	1	4	4	3	3	1

Top-5 Holdings (%)

Mitsubishi UFJ Financial Group	8.6
Mitsubishi Electric	5.8
Asics	5.0
Sumitomo Electric Inds	4.9
FAST RETAILING	4.9

Bonds

Sony Strategy Shift: Entertainment Focus, Solid Financials, Stable Credit Outlook

► SNE 4.657 06/30/31 (Sony Group) (USD)

- Sony Group engages in both entertainment and electronics. In entertainment, it develops and sells game software, operates the PlayStation platform, produces films and TV shows, creates and streams animation, and produces and distributes music. In electronics, it designs, develops, manufactures, and sells consumer, professional, and industrial electronics, precision equipment, gaming hardware, and semiconductors (image sensors). For FY2025, 89% of consolidated revenue came from overseas: Japan 11%, U.S. 32%, Europe 23%, China 11%, other Asia-Pacific 14%, and other markets 9%.
- By strategically shifting toward entertainment, Sony benefits from global content demand growth, supporting profitability, stable earnings expansion, and recurring revenue generation, with potential to further lift EBITDA margin. Effective inventory management also helps reduce working capital volatility in electronics.
- S&P expects EBITDA margin improvement and strong operating cash flow from entertainment to sustain growth investment and shareholder returns, keeping debt/EBITDA below 0.5x over the next 1–2 years. As of March 31, 2026, its EBITDA/interest coverage stood at 25x, a solid level.
- Sony currently holds Moody's A2 and S&P A+ ratings, both with stable outlook. Its last USD bond issuance was in 2001, with a relatively small size, which is expected to provide technical support for its bonds.

Bond	SNE 4.657 06/30/31 (Sony Group) (USD)
ISIN	US835699AB51
Features	S&P sees Sony's entertainment shift supporting profitability and stable growth, reinforcing recurring income and EBITDA margins; Sony holds Moody's A2 and S&P A+ ratings with stable outlook.
Maturity	2031/6/30
Next Call Date	2031/5/30
Coupon(%)	Fixed/4.657/Semi-Annual
Currency	USD
Years to Maturity	4.97
Credit Rating (Moody's/Fitch/S&P)	A2/-/A+
Seniority	Senior Unsecured
YTM/YTC (%)	4.63/4.63

Source: Bloomberg

SNE 4.657 06/30/31 (Sony Group) (USD)

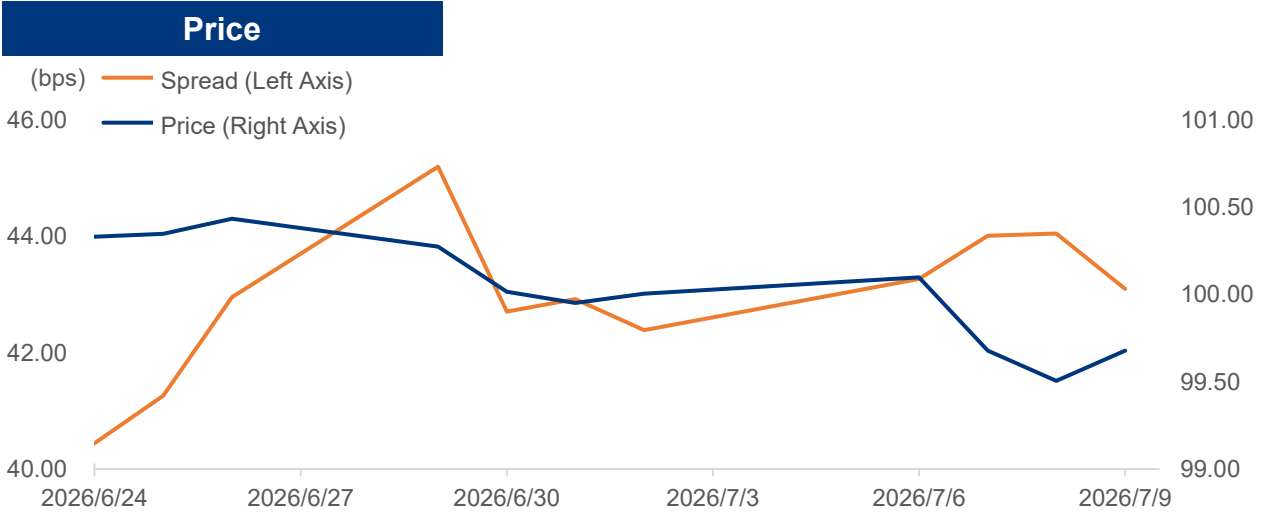
Sony Group is a global leader in entertainment and electronics, with diversified operations spanning PlayStation, film and television, music, and image sensors. Its primary revenue sources are overseas markets, particularly the U.S. and Europe.

- Sony Group’s strategic pivot toward entertainment has positioned it to benefit from rising global content demand. This shift supports high profitability, stable earnings growth, and recurring revenue generation, while also enhancing its EBITDA margin. Effective inventory management further helps mitigate working capital volatility in its electronics segment.
- S&P projects that with stronger EBITDA margins and robust operating cash flow from entertainment, Sony can sustain growth investments and shareholder returns. Its debt/EBITDA ratio is expected to remain below 0.5x over the next 1–2 years. As of March 31, 2026, Sony’s EBITDA/interest coverage stood at 25x, reflecting solid financial strength.
- Currently, Sony holds Moody’s A2 and S&P A+ ratings, both with stable outlooks. The company last issued USD bonds in 2001, with a relatively small offering, which is expected to provide technical support for its bonds in the market.

Financials	2023	2024	2025
Free Cash Flow (USD 100 mn)	-22.11	51.89	111.65
EBITDA Margin (%)	20.80	18.00	20.03
Interest Coverage Ratio	86.47	57.16	58.96

Source: Bloomberg

Overview			
Name	SNE 4.657 06/30/31	ISIN	US835699AB51
Maturity Date	2031/6/30	Remaining Maturity	4.97
Coupon(%)	Fixed/4.657/Semi-Annual	YTM/YTC(%)	4.63/4.63
Currency	USD	Min. Subscription/ Increment	2,000/1,000
Ratings (Moody’s/Fitch/S&P)	A2/-/A+	Seniority	Senior Unsecured



Appendix

Key Economic Data / Events

► JULY 2026

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Monday

- S&P Global U.S. Services PMI (Final, Jun)
(Act:51.2 Est:51.3 Prev:50.7)
- U.S. ISM Services PMI (Jun)
(Act:54.0 Est:54.0 Prev:54.5)
- Eurozone PPI YoY (May)
(Act:5.9% Est:5.8% Prev:5.0%)

7

Tuesday

8

Wednesday

9

Thursday

- U.S. Initial Jobless Claims
(Act:215k Est:217k Prev:217k)
- FOMC Minutes (Jun)
- U.S. Existing Home Sales (Jun)
(Act:4.09m Est:4.20m Prev:4.17m)
- China CPI YoY (Jun)
(Act:1.0% Est:1.1% Prev:1.2%)
- China PPI YoY (Jun)
(Act:4.1% Est:4.1% Prev:3.9%)

10

Friday

- Japan PPI YoY (Jun)
(Act:7.1% Est:6.8% Prev:6.6%)

13

Monday

14

Tuesday

- U.S. CPI YoY (Jun)
(Est:3.8% Prev:4.2%)
- U.S. Core CPI YoY (Jun)
(Est:2.9% Prev:2.9%)
- Japan Industrial Prod. MoM (Final, May) (Prev:0.5%)
- China Exports YoY (Jun)
(Est:19.2% Prev:19.4%)
- Earnings: GS, BAC, JPM, WFC, C

15

Wednesday

16

Thursday

- U.S. Initial Jobless Claims
(Prev:215k)
- U.S. Retail Sales MoM (Jun)
(Est:0.3% Prev:0.9%)
- Earnings: UNH, GE, PLD, ABT

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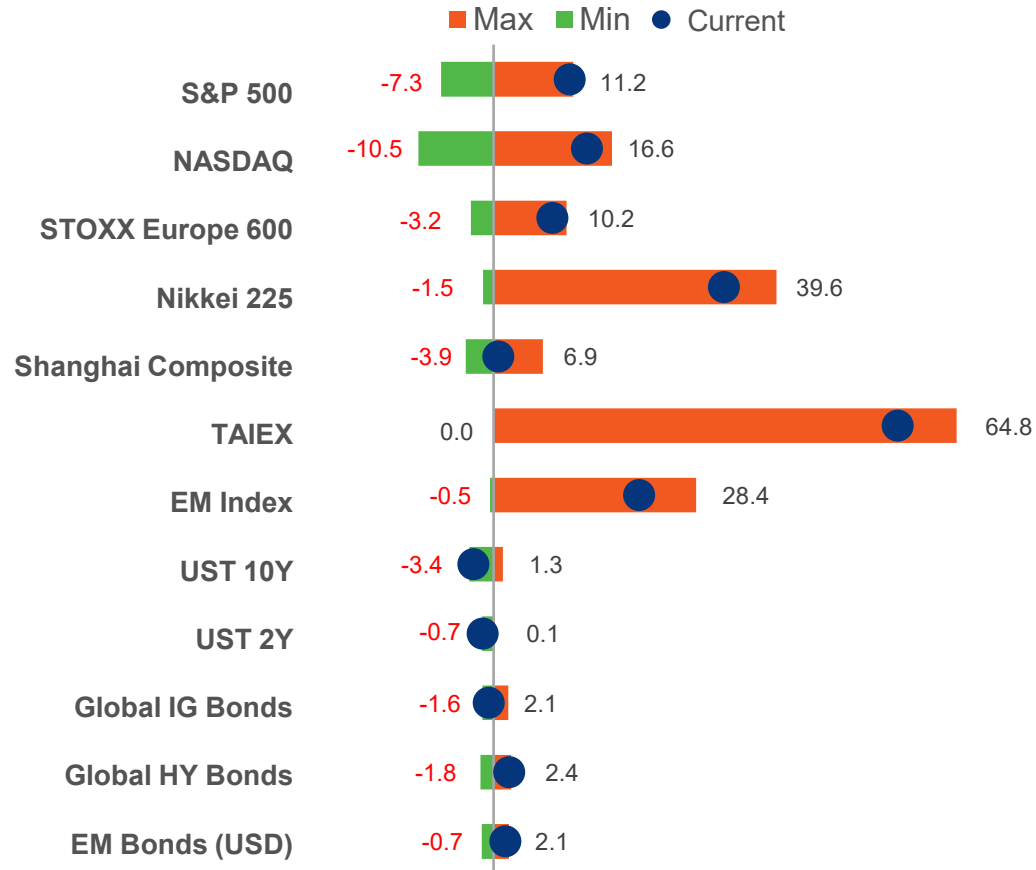
Friday

- U.S. Industrial Prod. MoM (Jun)
(Est:0.2% Prev:0.1%)
- U. of Michigan Consumer Sentiment (Prelim., Jul)
(Est:51.0 Prev:49.5)
- Eurozone CPI YoY (Final, Jun)
(Est:2.8% Prev:3.2%)
- Earnings: NFLX, ISRG

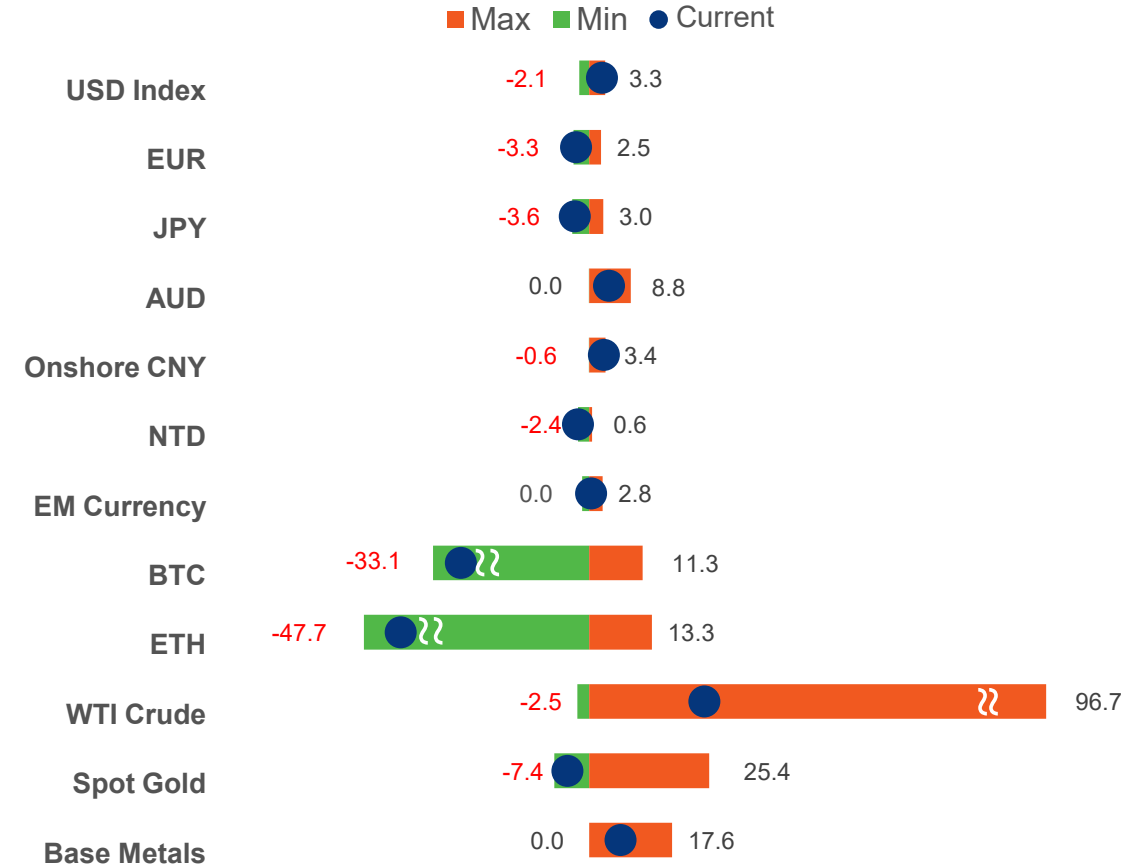
Source: Bloomberg

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)

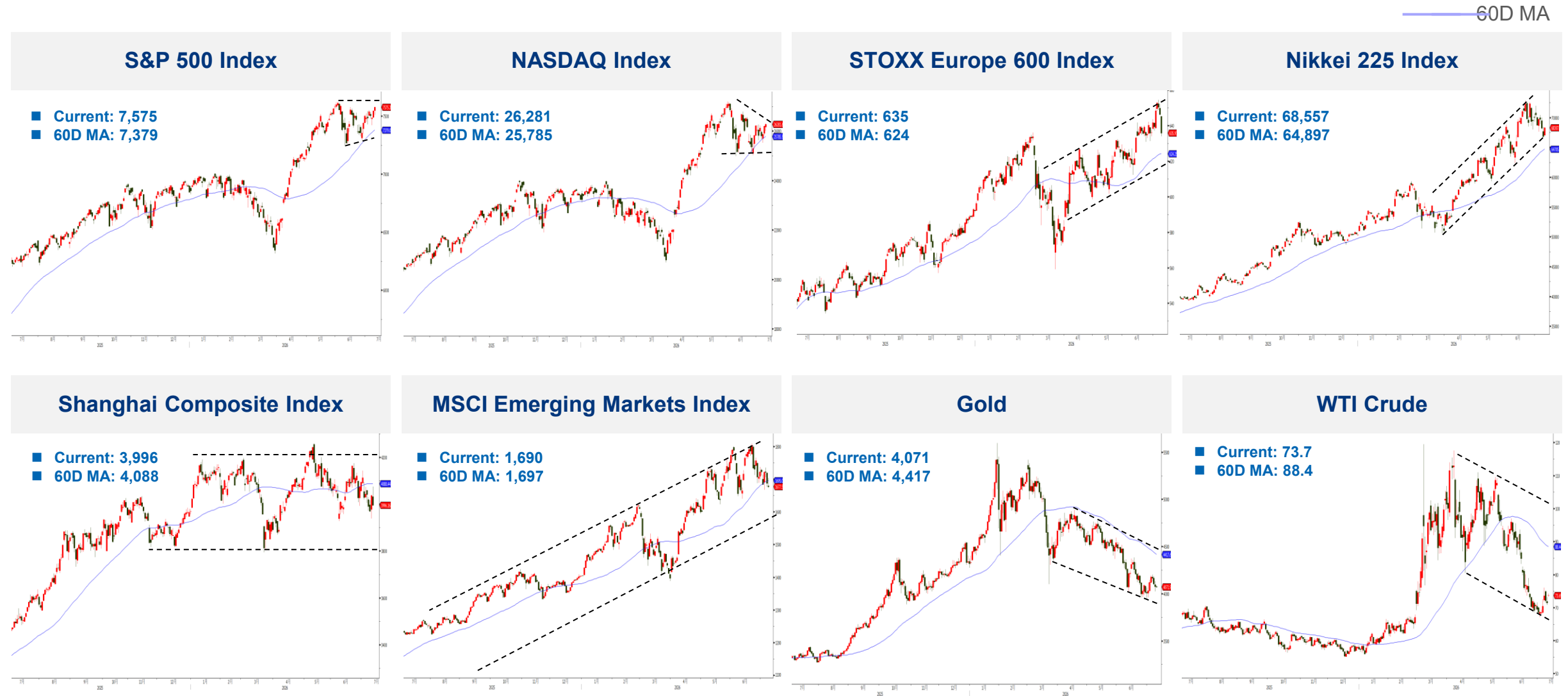


Currencies and Commodities Market YTD Performance (%)



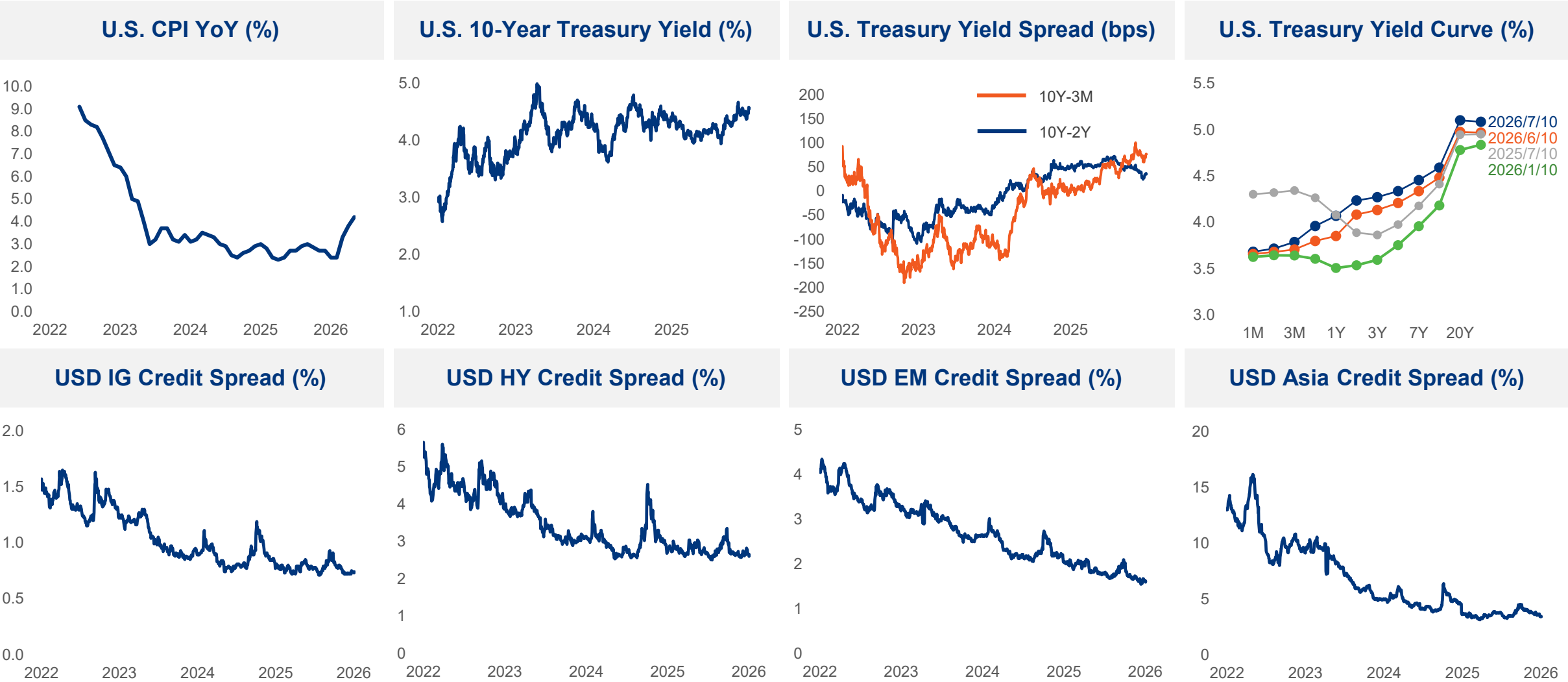
Source: Bloomberg

Technical Analysis



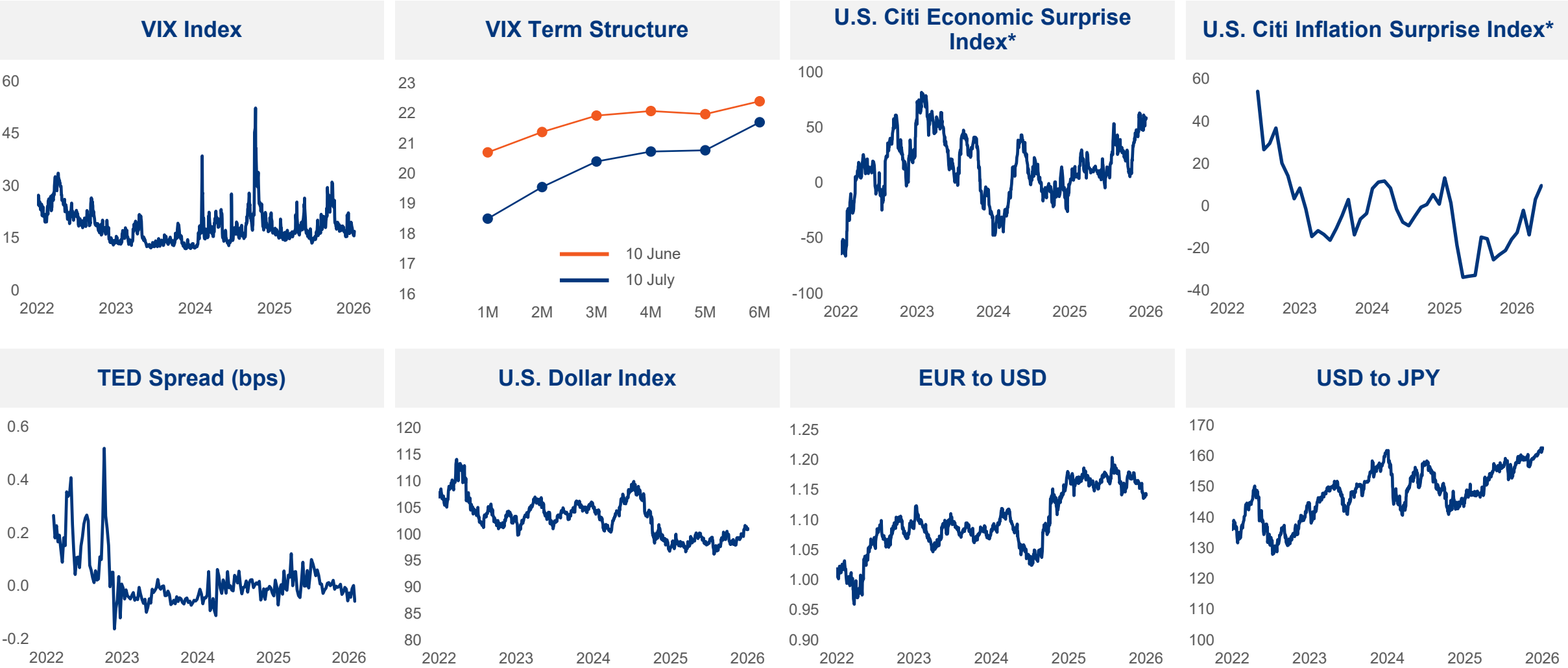
Source: Bloomberg

Market Monitor



Source: Bloomberg

Market Monitor



Source: Bloomberg

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