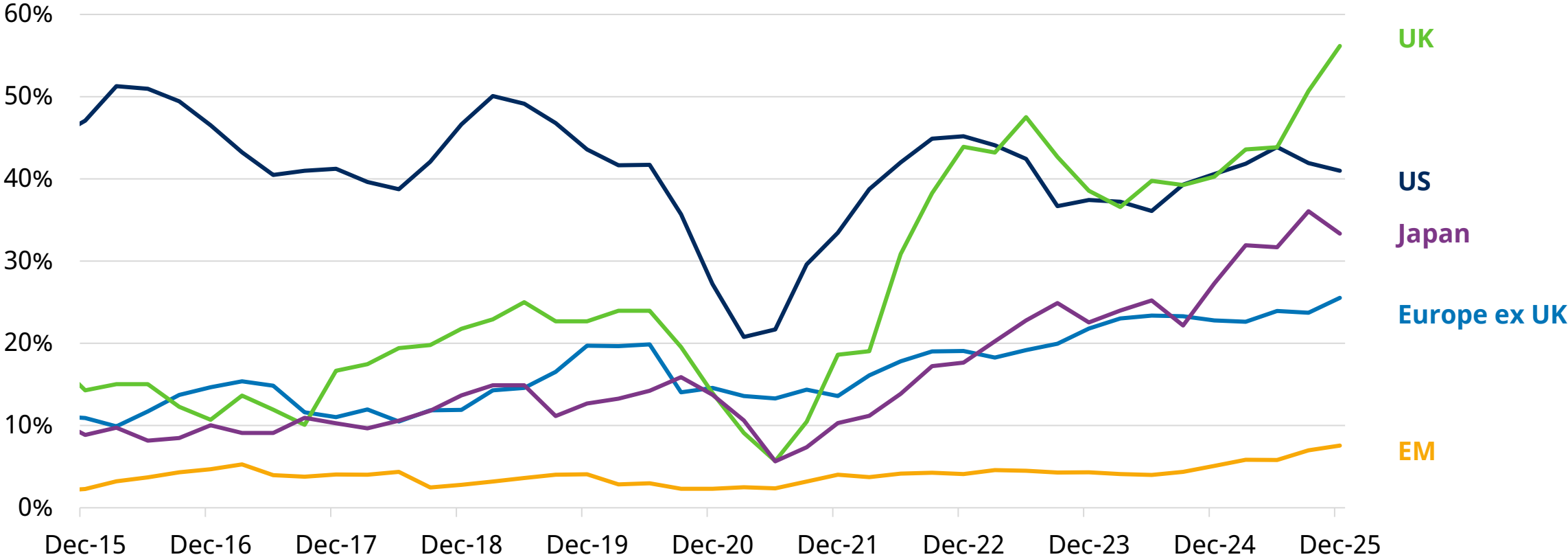




**Question 1: Where Japan Stands:
Economy and Policy Direction**

The UK has become the share buyback capital of the world Japan is also closing in on US-levels, a dramatic shift

Proportion of large companies who bought back at least 1% of their shares over the previous 12 months



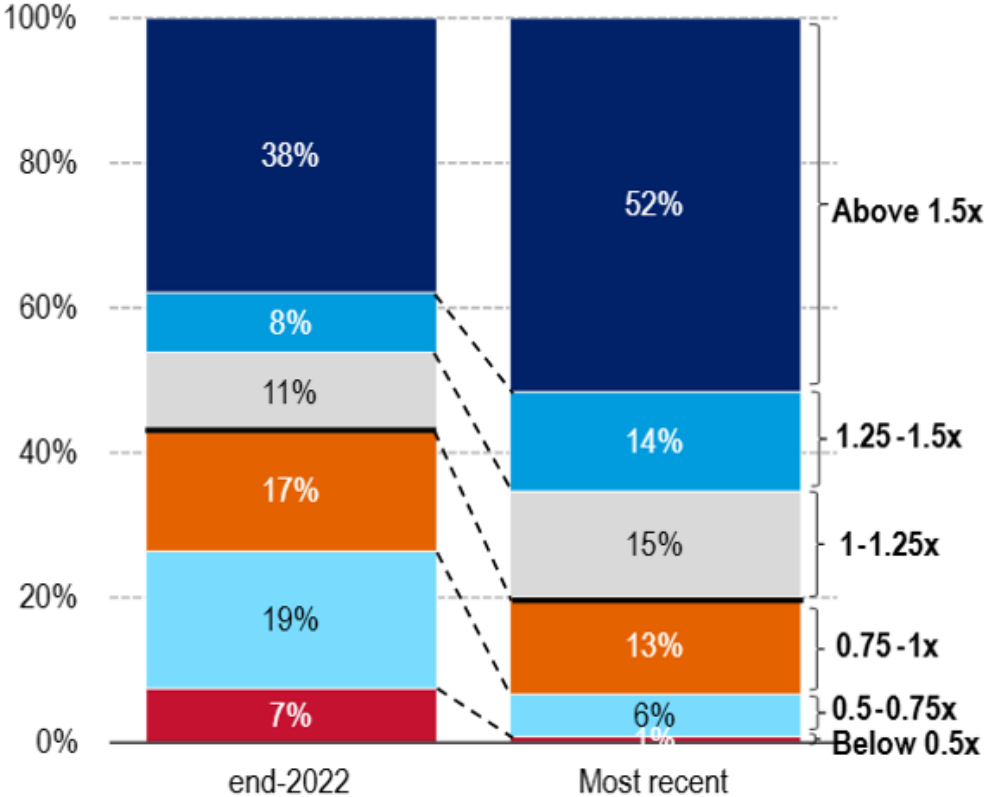
Past performance is not a guide to future performance and may not be repeated.

Source: LSEG Datastream, MSCI and Schroders. Analysis based on MSCI USA, MSCI Europe ex UIK, MSCI UK, MSCI Japan, MSCI EM. Data to 31 December 2025.

Valuation composition of TOPIX has risen significantly

Only 20% of stocks trade below book value now

Breakdown of TOPIX 500 firms by Price/Book level



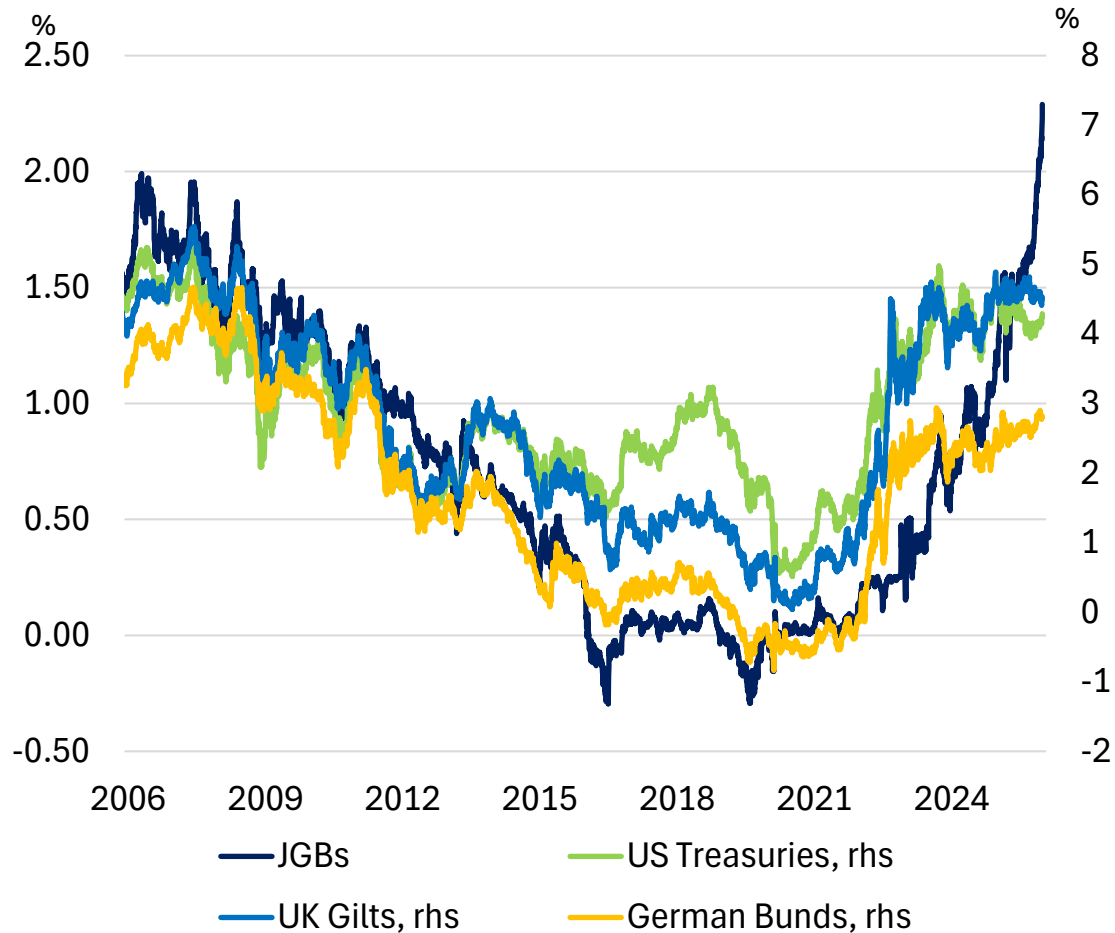
Source: QUICK, BofA Global Research. January 2025



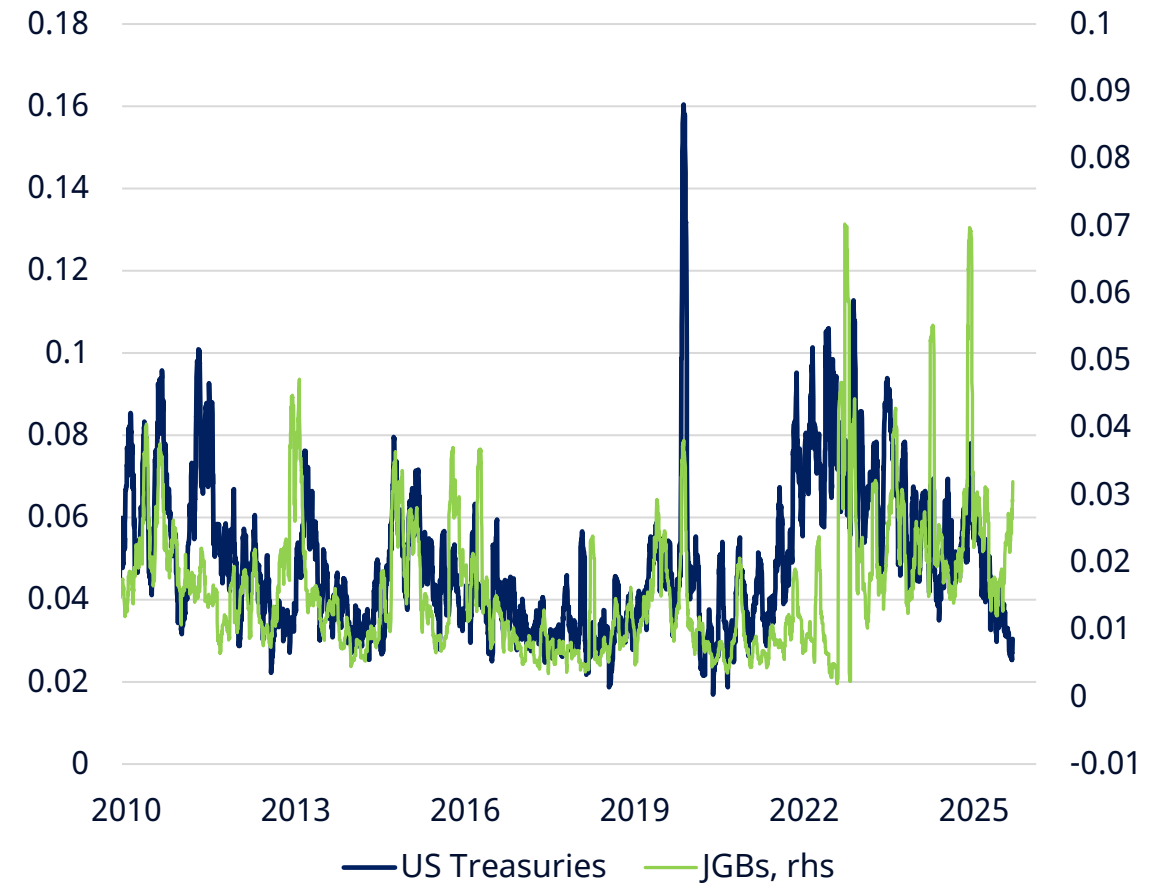
Question 2: Risk Outlook What to Watch

JGB yields have decoupled from their global peers

Higher volatility in JGBs isn't spilling over to Treasuries



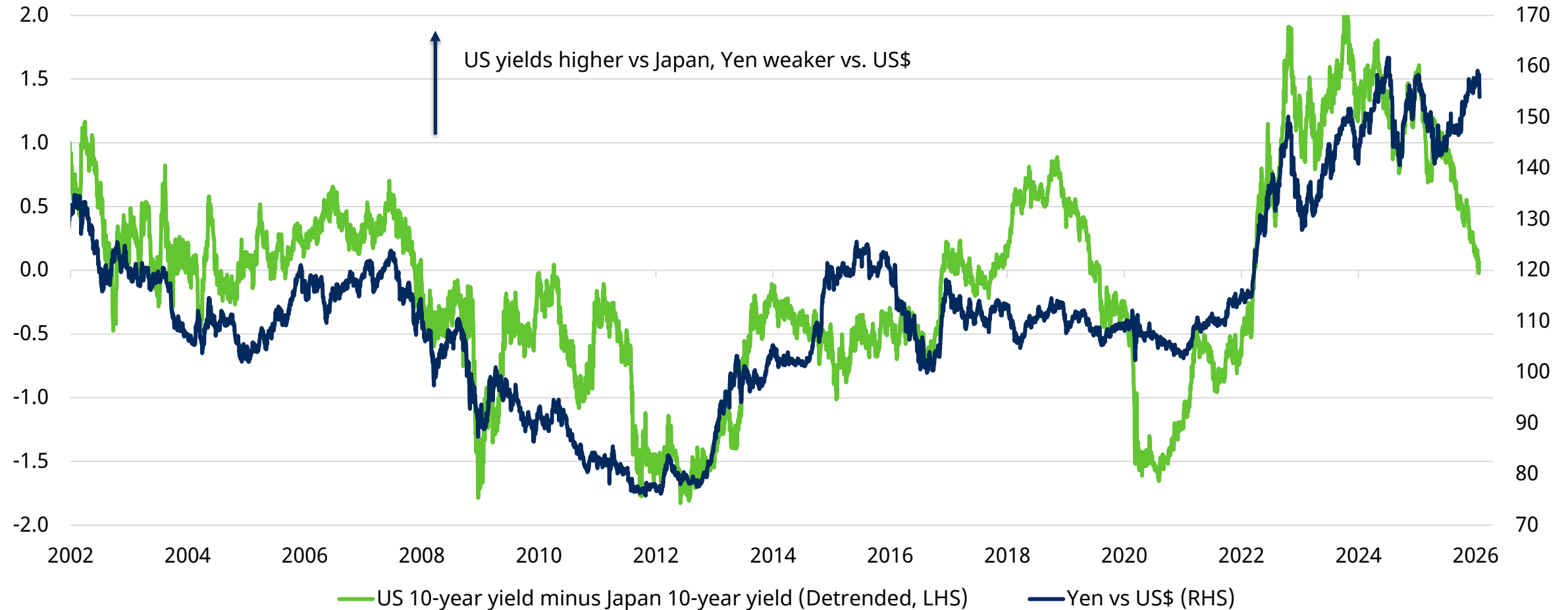
20-day standard deviations of daily changes in yields



Source: LSEG, Schroders Economics Group, 22 January 2026

JGBs and Yen obviously don't like the policy proposals

Lot of talk that the yen is now in the “intervention zone” – but it is not static

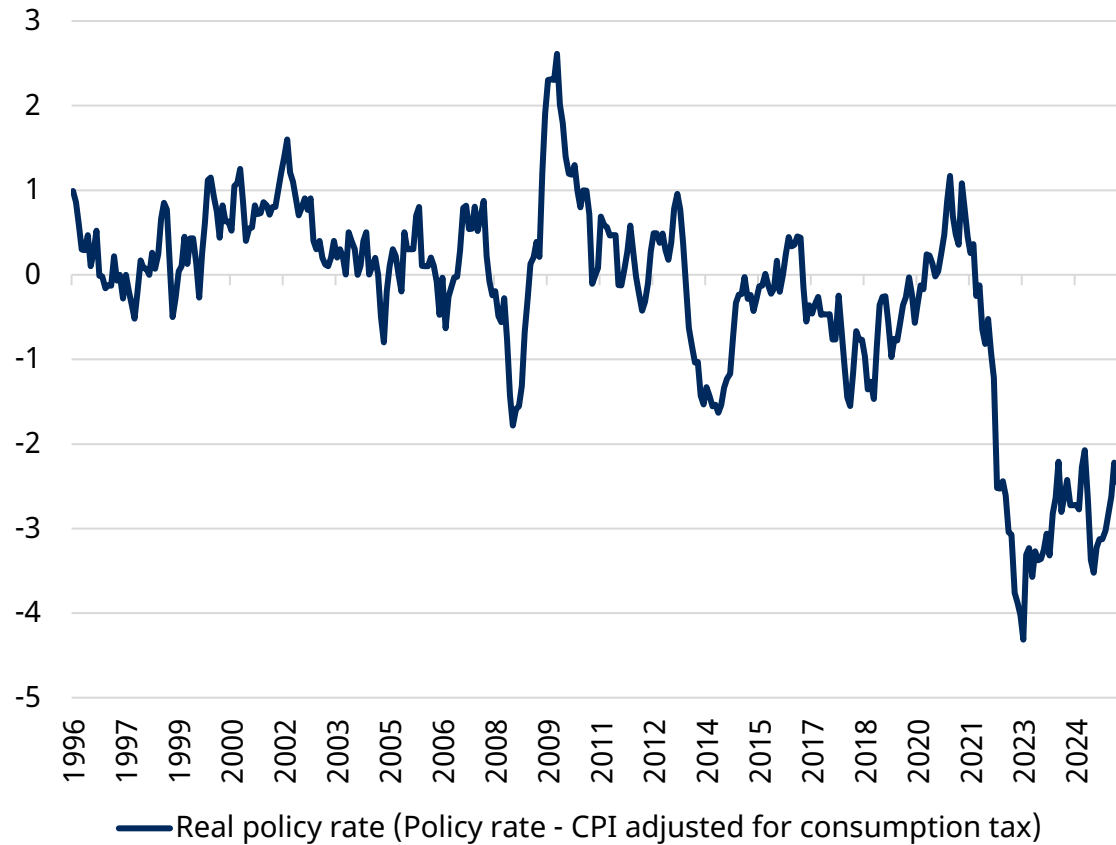


Source: LSEG Datastream, Schroders Economics Group. 22 January 2026

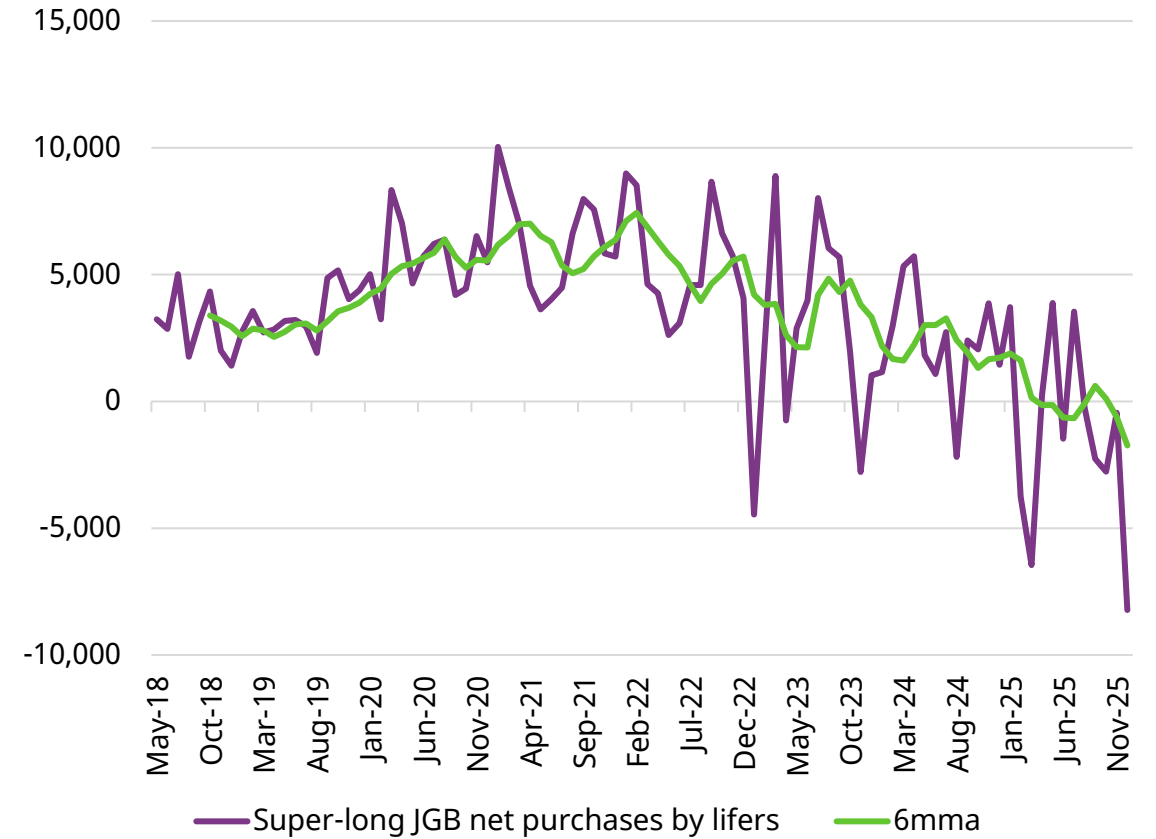
JGBs under pressure

The underlying issue is...

Extremely accommodative BOJ policy...



...and lack of domestic JGB demand

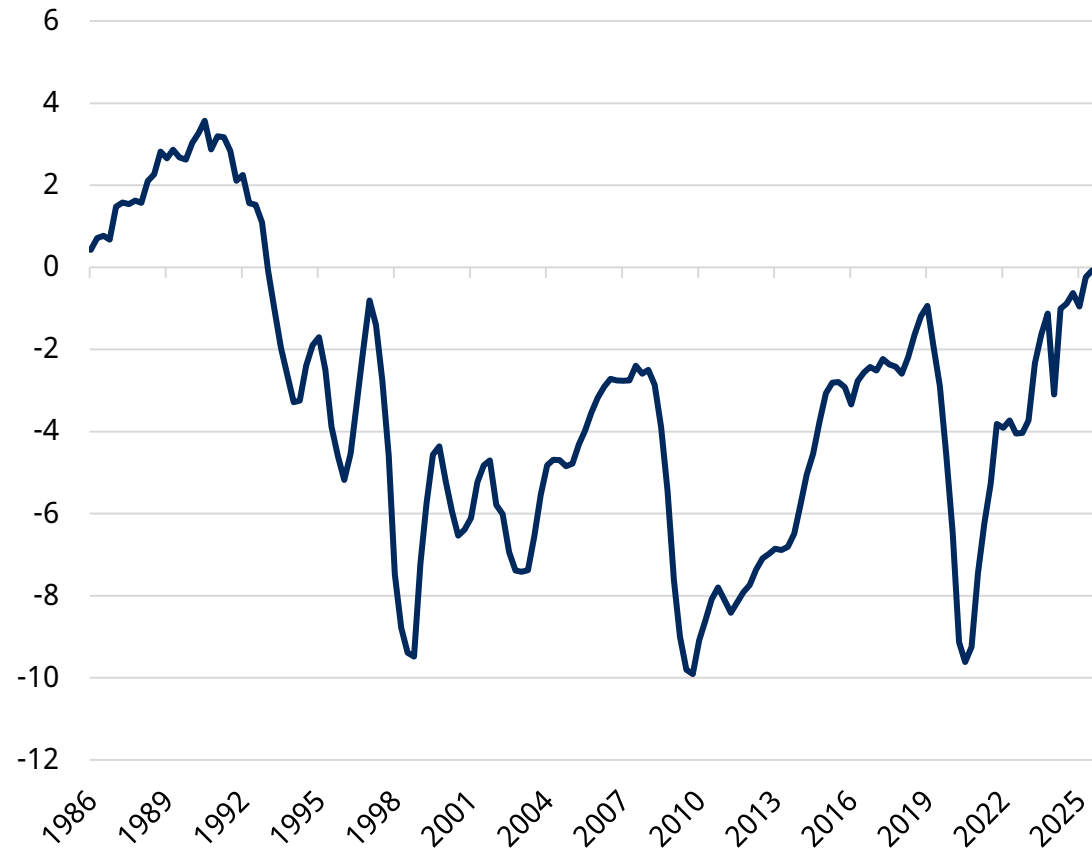


Source: Schroders, Bloomberg, Schroders Economics Group, 22 January 2026

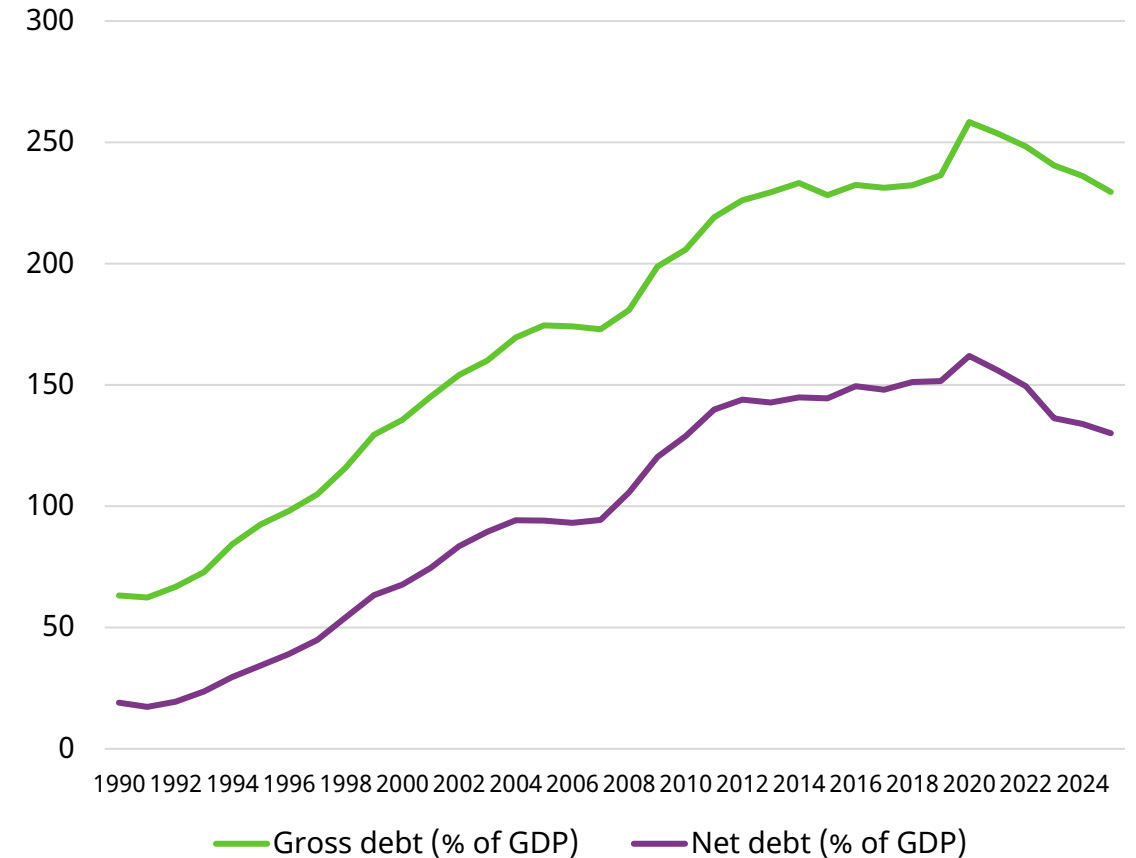
JGBs under pressure

The trigger was fiscal, but how bad is the fiscal situation?

Primary balance (% GDP)



Debt-to-GDP (%)



Source: Schrodgers, Bloomberg, Schrodgers Economics Group, 22 January 2026

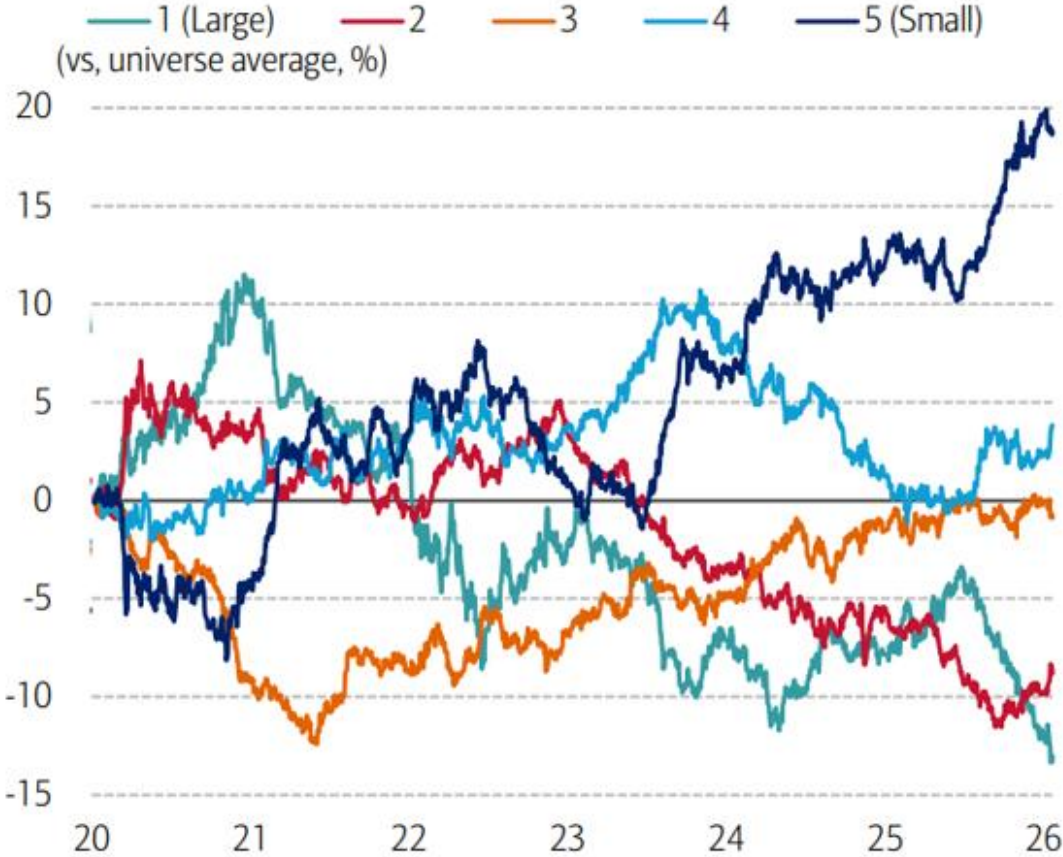


**Question 3: Japan's Potential –
Why Japan?**

Stronger Performance for Efficient Balance Sheets

Relative performance by level of net cash

Large net cash balance sheet companies have underperformed



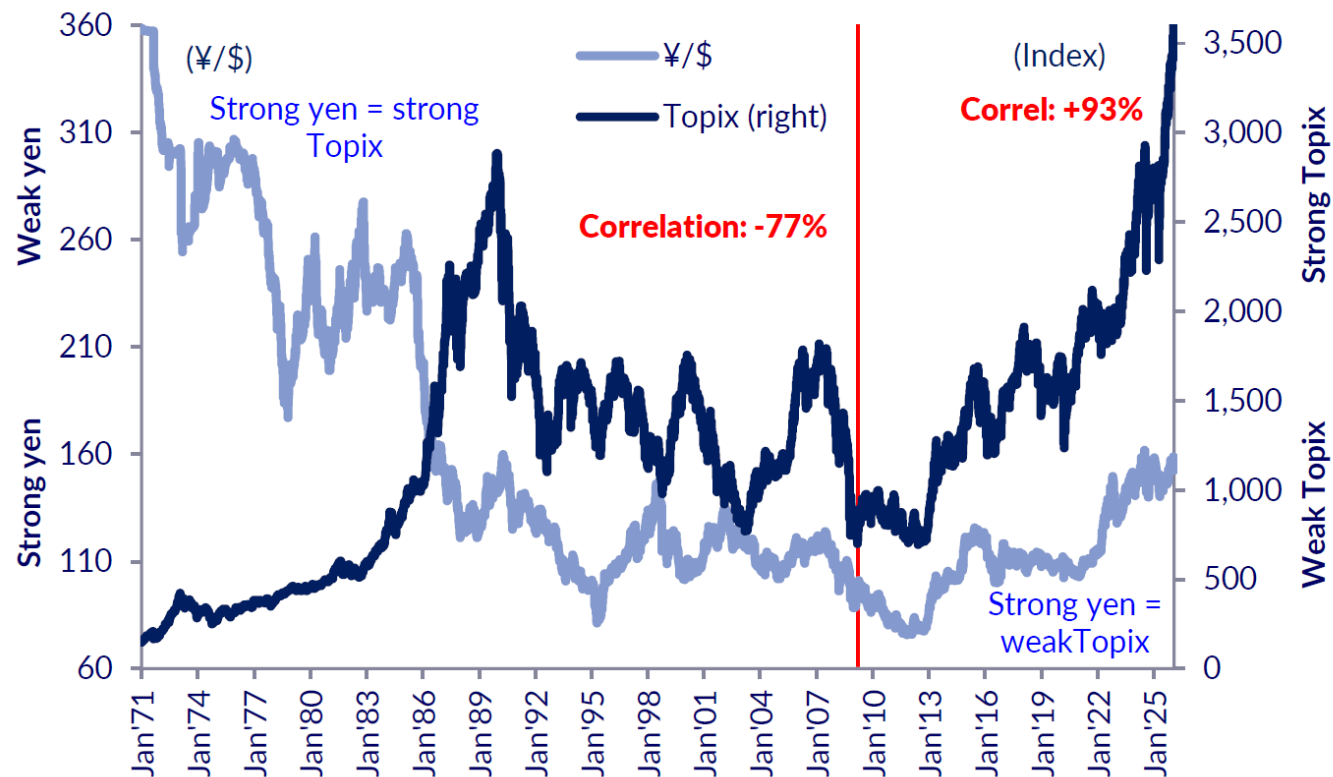
Source: QUICK, BofA Global Research. Universe is TOPIX 500 stocks with net cash. Rebalanced annually. January 2025

A stronger currency can be good for equities

Correlations can be stable, until they aren't, when reversal can be abrupt

TOPIX Index performance (RHS) and Yen/Dollar currency rate (LHS)

Dollar-yen and Topix



Source: CLSA, Bloomberg

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