

Japan Equity Strategy

November 2023

Equity Research
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Mizuho Securities

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1. Economic and stock market forecasts

Market outlook and TSE Prime earnings forecasts

Market outlook

Indices		2023		2024	
		26-Oct-23	Oct-Dec	Jan-Mar	Apr-Jun
TOPIX	End of period	2,224	2,350	2,400	2,450
	Range		2,100-2,500	2,200-2,500	2,300-2,600
Nikkei Average	End of period	30,602	33,000	34,000	34,500
	Range		31,000-35,000	32,000-35,000	32,000-36,000
S&P500	End of period	4,137	4,400	4,600	4,700
Nikkei Average/TOPIX		13.76	14.04	14.17	14.08
S&P500/TOPIX		1.86	1.87	1.92	1.92

Indices		2024		2025	
		Jul-Sep	Oct-Dec	Jan-Mar	
TOPIX	End of period	2,350	2,450	2,600	
	Range	2,100-2,500	2,200-2,600	2,400-2,800	
Nikkei Average	End of period	33,000	34,500	36,500	
	Range	31,000-35,000	32,000-37,000	33,000-38,000	
S&P500	End of period	4,400	4,600	4,800	
Nikkei Average/TOPIX		14.04	14.08	14.04	
S&P500/TOPIX		1.87	1.88	1.85	

Source: Mizuho Securities Equity Research

TSE Prime earnings forecasts

Top-down forecast			
(YoY, %)	FY3/24E	FY3/25E	
TSE Prime			
Recurring profit	8.2	5.0	
Net profit	8.5	4.0	
PER (X)	15.3	14.7	
EPS (Points)	147.5	153.3	
TSE Prime excluding financials, trading houses and Japan Post			
Sales	7.7	5.6	
Operating profit	7.6	9.2	
Recurring profit	7.6	4.3	
Net profit	10.1	3.0	
PER (X)	16.7	16.2	

Bottom-up forecast			
(YoY, %)	FY3/23	FY3/24E	FY3/25E
TSE Prime			
Recurring profit	3.0	15.3	5.1
Net profit	2.5	15.7	4.4
PER (X)	16.3	14.1	13.5
EPS (Points)	136.1	157.5	164.4
TSE Prime excluding financials, trading houses and Japan Post			
Sales	15.3	3.9	3.5
Operating profit	8.3	13.7	9.6
Recurring profit	6.3	13.5	4.3
Net profit	5.5	14.9	3.6
PER (X)	16.6	14.5	14.0

Note: TSE First Section companies excluding trading houses, PER for Top-down forecasts calculated using share prices as of 17 August (TOPIX 2,253 points), Forex assumption is ¥140/\$. Bottom-up forecast is as of 26 October

Source: Mizuho Securities Equity Research from Nikkei, Toyo Keizai, and IFIS data

TOPIX and Nikkei 225 fair value based on different PER and NT ratio assumptions

PER	Fair value of TOPIX	FY23 basis			FY24 basis			
		Fair value of Nikkei 225			Fair value of TOPIX	Fair value of Nikkei 225		
		NT ratio=13.75	NT ratio=14.0	NT ratio=14.25		NT ratio=13.75	NT ratio=14.0	NT ratio=14.25
PER=13x	1,917	26,363	26,843	27,322	1,993	27,406	27,904	28,402
PER=14x	2,065	28,391	28,908	29,424	2,146	29,514	30,050	30,587
PER=15x	2,212	30,419	30,972	31,526	2,300	31,622	32,197	32,772
PER=16x	2,360	32,447	33,037	33,627	2,453	33,730	34,343	34,956
PER=17x	2,507	34,475	35,102	35,729	2,606	35,838	36,490	37,141

Note: Blue shaded areas show our main scenarios

Source: Mizuho Securities Equity Research, based on Nikkei, Toyo Keizai, and IFIS data

2Q and 1H FY23 results and full-year FY23 company forecasts for TSE Prime companies

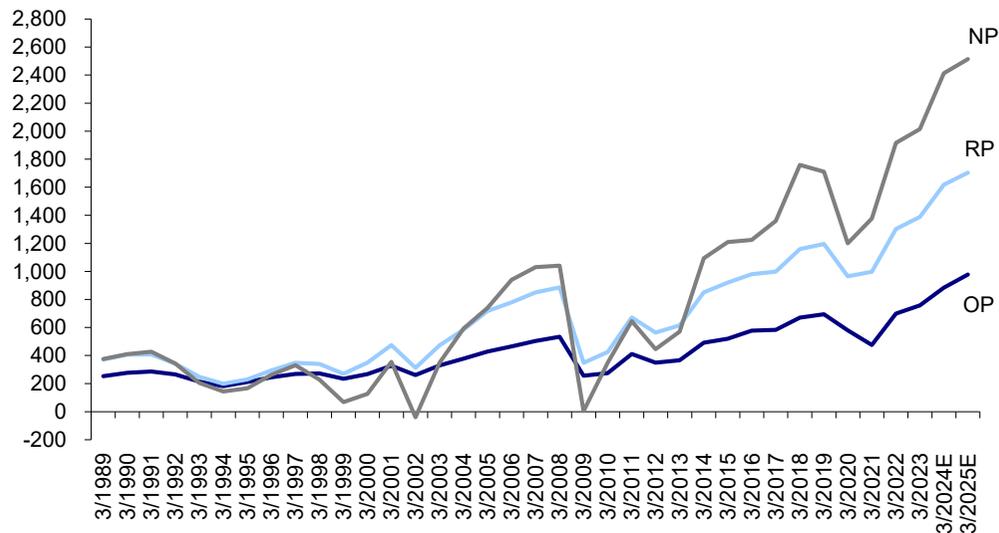
Sector	% Complete Announced	Results for 2Q FY23 (% YoY)				Results for 1H FY23 (% YoY)				Company projection for full-year FY23 (% YoY)			
		Sales	OP	RP	NP	Sales	OP	RP	NP	Sales	OP	RP	NP
All TSE Prime	46.4	2.5	38.5	22.2	21.1	3.9	32.2	16.8	16.0	3.9	22.3	12.8	4.5
ex. Financials	48.6	2.0	38.5	21.9	20.9	3.4	32.0	16.4	15.7	3.9	22.4	12.9	4.3
Manufacturing	45.1	6.2	17.1	15.5	23.8	7.7	14.3	13.4	21.4	4.8	19.4	17.1	15.5
Non-manufacturing	51.9	-2.0	76.0	30.0	17.8	-0.5	58.5	19.9	10.1	2.4	27.5	5.7	-6.3
Financials	24.3	31.0	39.7	33.4	28.1	34.0	39.6	31.5	30.3	4.0	6.9	4.7	15.2
Fishing, Agriculture & Forestry	60.0	2.6	-2.6	-4.7	-31.1	4.5	6.9	0.8	-13.9	1.9	0.5	-7.1	0.9
Mining	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Construction	23.4	12.5	6.0	4.5	22.5	12.2	2.5	2.2	11.5	10.1	-0.4	2.3	10.0
Foods	45.8	4.4	32.8	32.5	378.5	5.9	20.0	22.6	78.9	5.3	19.4	18.5	31.4
Textiles & Apparel	50.0	-0.2	87.3	11.4	-180.1	1.1	0.9	-17.4	-29.6	2.4	69.4	68.1	842.9
Pulp & Paper	22.2	4.8	35.4	30.7	38.4	7.0	56.7	44.3	43.1	10.0	75.1	65.3	54.6
Chemicals	50.5	-8.2	-22.5	-23.1	-29.9	-7.1	-31.2	-30.5	-31.1	-3.6	-10.5	-4.4	-12.5
Pharmaceutical	54.2	4.5	-65.9	-74.8	-65.3	5.2	-29.4	-38.4	-34.5	2.6	-21.0	-26.4	-29.0
Oil & Coal Products	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Rubber Products	42.9	8.8	202.0	90.7	412.3	13.9	667.2	160.9	481.1	9.2	50.3	26.0	26.1
Glass and Ceramics Products	50.0	3.6	0.6	1.5	6.4	4.6	-5.3	-5.4	-4.9	4.3	6.2	5.5	4.8
Iron and Steel	75.0	5.3	-9.1	-8.9	-7.3	6.2	-16.5	-15.7	-14.4	6.3	-5.5	8.5	-25.2
Nonferrous Metals	35.0	5.6	41.8	22.8	33.1	7.7	15.0	-5.8	-26.9	6.4	11.6	6.3	-4.2
Metal Products	31.6	2.0	87.5	64.3	89.4	2.7	26.8	11.4	24.8	1.9	18.3	13.8	9.3
Machinery	37.3	4.5	23.5	15.7	16.6	8.1	38.1	26.1	30.6	2.3	15.0	18.2	15.1
Electric Appliances	50.5	-1.6	-12.4	-12.6	-12.4	-0.5	-12.3	-10.2	-1.2	-2.7	2.8	-4.3	2.8
Transportation Equipment	51.3	19.6	114.8	97.1	146.5	21.2	104.9	81.8	104.2	14.2	60.1	50.7	62.2
Precision Instruments	28.6	-0.2	-33.6	-5.8	-6.5	0.6	-32.2	-12.3	-16.2	-1.8	-25.4	-25.8	-30.7
Other Products	27.3	3.5	-11.6	-13.5	-10.2	4.5	-8.4	-5.6	-0.1	4.3	7.3	8.0	3.9
Electric Power and Gas	90.0	-4.4	373.7	319.0	331.9	2.8	614.9	578.7	530.5	-5.8	675.6	877.0	2,613.2
Land Transportation	54.1	9.4	89.3	105.4	98.6	8.7	76.0	86.7	62.8	6.4	31.7	31.4	18.8
Marine Transportation	100.0	-11.0	-27.8	-82.2	-86.6	-9.5	-29.6	-78.5	-81.7	-7.6	-28.9	-76.6	-77.4
Air Transportation	100.0	24.2	143.5	172.9	181.2	29.4	698.2	694.4	790.9	18.5	16.6	2.9	29.1
Warehousing & Harbor Tr. Serv.	36.4	-13.4	-12.5	-13.3	-22.1	-11.7	-12.8	-14.6	-25.9	-3.0	-9.9	-11.1	2.7
Communication	57.3	14.3	14.1	12.2	11.7	13.0	7.6	6.9	5.3	7.2	5.8	6.8	1.0
Wholesale Trade	52.9	-8.4	-13.8	-13.3	-14.9	-8.2	-19.4	-18.0	-18.7	3.0	-2.2	-1.5	-11.3
Retail Trade	67.3	1.3	24.8	23.8	-2.6	3.9	15.8	13.2	-5.5	2.5	10.5	9.7	0.6
Banks	2.9	24.9	-	4.8	57.9	5.4	-106.0	-16.4	-5.6	-	-	-0.5	17.1
Brokers & Commodities	93.8	74.0	128.7	118.0	96.6	84.1	188.0	146.0	150.1	-	-	-	-
Insurance	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Business	50.0	-1.3	4.7	3.3	-0.5	0.8	0.9	1.3	-0.5	4.0	6.9	5.7	15.0
Real Estate	48.4	8.9	20.3	16.9	24.2	6.3	11.8	8.5	9.8	8.2	8.2	6.7	11.2
Services	39.3	9.5	18.4	19.7	29.1	9.7	18.3	19.6	26.2	9.9	15.7	14.2	17.5

Note: As of 6 November. Earnings results for the year ended February / March

Source: Mizuho Securities Equity Research Quantitative Strategy, based on Nikkei and Toyo Keizai

Long-term earnings index and valuation trends

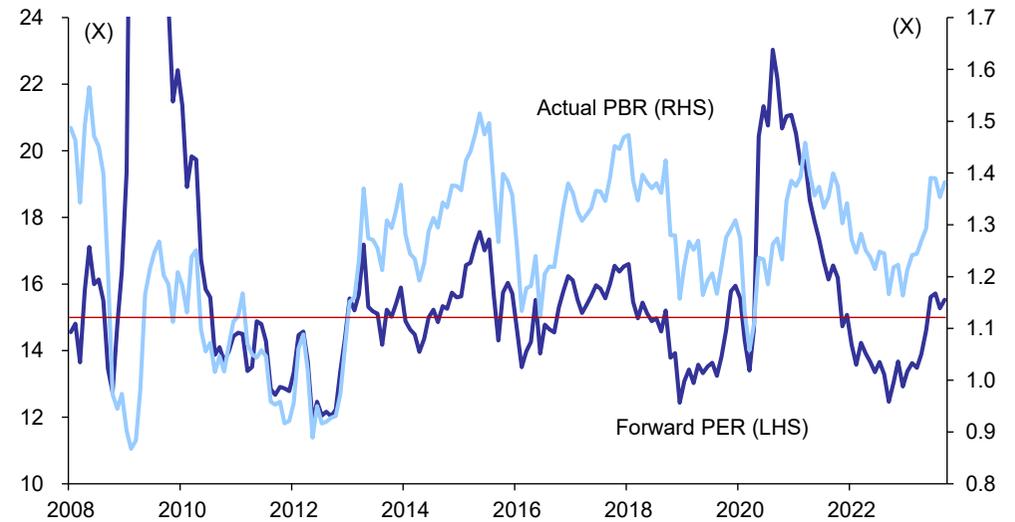
■ TSE Prime earnings index



Note: TSE Prime (TSE 1st till FY3/22) listed companies as of each fiscal year end excluding financials, services, and Japan Post. Indexed earnings = Margin x Cumulative sales growth where companies of which previous year's sales are not available are excluded. Forecast by Mizuho, IFIS, and Toyo Keizai. Data as of 7 September 2023

Source: Mizuho Securities Equity Research, based on Toyo Keizai, Nikkei, and IFIS consensus

■ PER and PBR of TSE Prime companies



Note: TSE Prime(TSE 1st) listed companies. Actual PBR uses actual quarterly equity capital; forward PER uses twelve-month forward NP (Toyo Keizai estimates). Data As of 7 November 2023

Source: Mizuho Securities Equity Research, based on Nikkei and Toyo Keizai

Long-term scenarios of fair value for TOPIX and Nikkei 225 based on PER and NT ratio

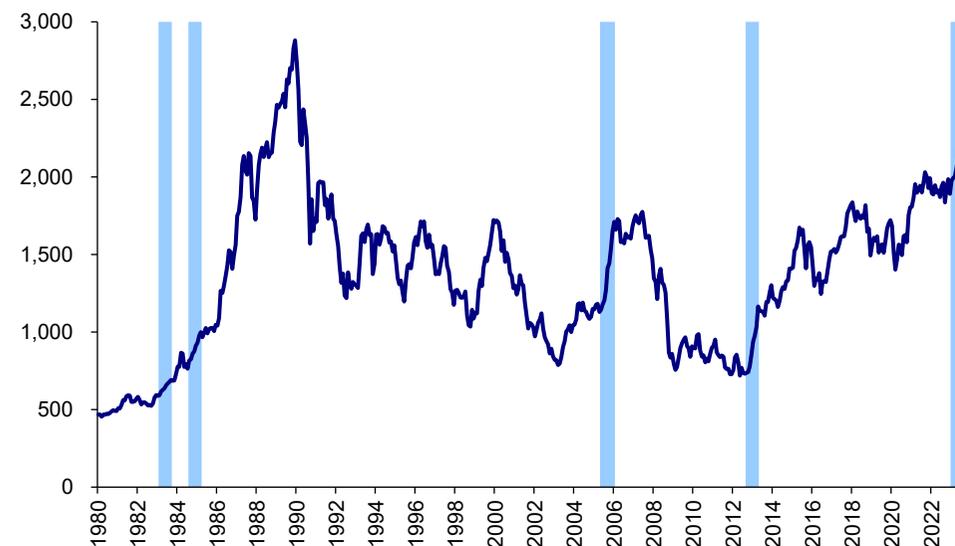
Long-term scenarios of fair value for TOPIX and Nikkei 225 based on PER and NT ratio

FY23 basis					FY24 basis							
Forecast EPS of TOPIX					147.5				153.3			
Forecast ROE of TOPIX (%)					9.0				9.3			
PER	Fair value of TOPIX	Fair value of Nikkei 225			Fair value of TOPIX	Fair value of Nikkei 225						
		NT ratio= 13.75	NT ratio= 14.0	NT ratio= 14.25		NT ratio= 13.75	NT ratio= 14.0	NT ratio= 14.25				
PER=13x	1,917	26,363	26,843	27,322	1,993	27,406	27,904	28,402				
PER=14x	2,065	28,391	28,908	29,424	2,146	29,514	30,050	30,587				
PER=15x	2,212	30,419	30,972	31,526	2,300	31,622	32,197	32,772				
PER=16x	2,360	32,447	33,037	33,627	2,453	33,730	34,343	34,956				
PER=17x	2,507	34,475	35,102	35,729	2,606	35,838	36,490	37,141				
FY25 basis					FY26 basis							
Forecast EPS of TOPIX					164.0				177.2			
Forecast ROE of TOPIX (%)					9.6				10.1			
PER	Fair value of TOPIX	Fair value of Nikkei 225			Fair value of TOPIX	Fair value of Nikkei 225						
		NT ratio= 13.75	NT ratio= 14.0	NT ratio= 14.25		NT ratio= 13.75	NT ratio= 14.0	NT ratio= 14.25				
PER=13x	2,133	29,324	29,857	30,390	2,303	31,670	32,246	32,821				
PER=14x	2,297	31,580	32,154	32,728	2,480	34,106	34,726	35,346				
PER=15x	2,461	33,835	34,450	35,066	2,658	36,542	37,206	37,871				
PER=16x	2,625	36,091	36,747	37,403	2,835	38,978	39,687	40,396				
PER=17x	2,789	38,347	39,044	39,741	3,012	41,414	42,167	42,920				

Note: Blue shades show main scenarios

Source: Mizuho Securities Equity Research, based on Nikkei, Toyo Keizai, and IFIS data

TOPIX since 1980

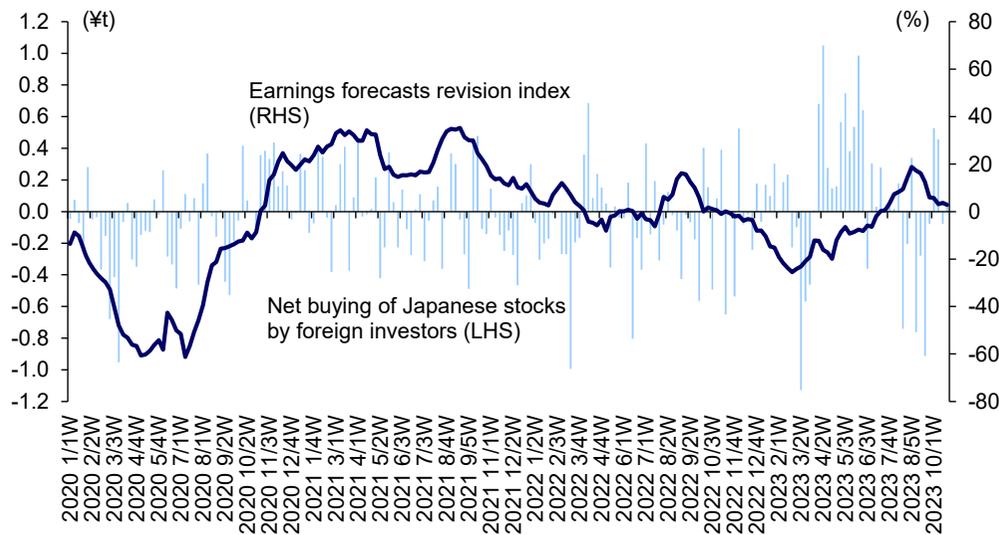


Note: As of 7 November. Shaded areas show periods of continuous increase of 8 months or more

Source: Mizuho Securities Equity Research, based on Bloomberg

Japan's corporate earnings revision index has turned positive

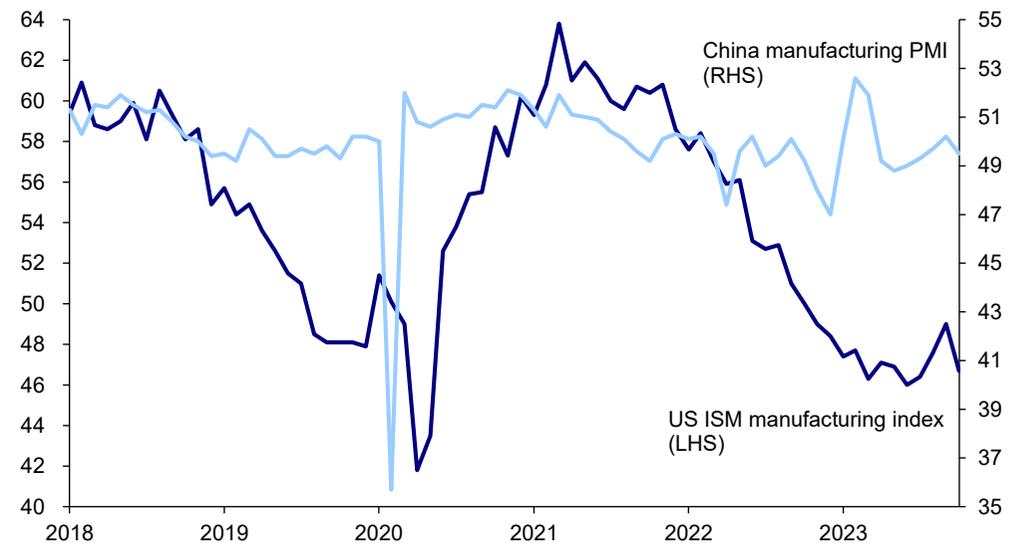
■ TSE Prime earnings forecast revision index and net buying of Japanese stocks by foreign investors



Note: As of the fourth week of October. Earnings forecasts revision index = (Upward - downward) / (upward + downward), net buying of Japanese stocks based on cash transactions two-market total

Source: Mizuho Securities Equity Research, based on TSE and Refinitiv Datastream

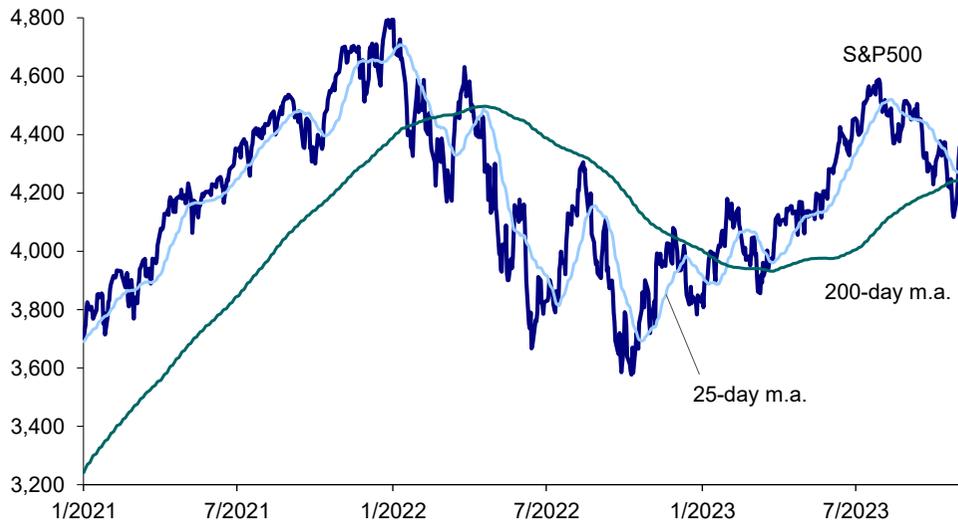
■ US ISM Manufacturing Index and China manufacturing PMI



Source: Mizuho Securities Equity Research, based on Bloomberg

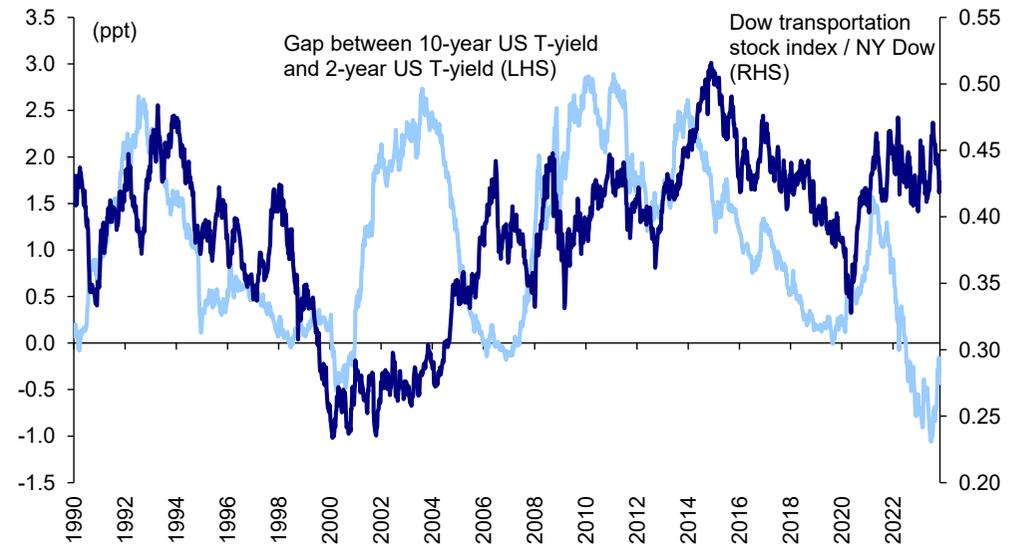
US stock and bond markets send different signals about future economy

■ S&P500, 200-day and 25-day moving average



Note: As of 7 November
Source: Mizuho Securities Equity Research, based on Bloomberg

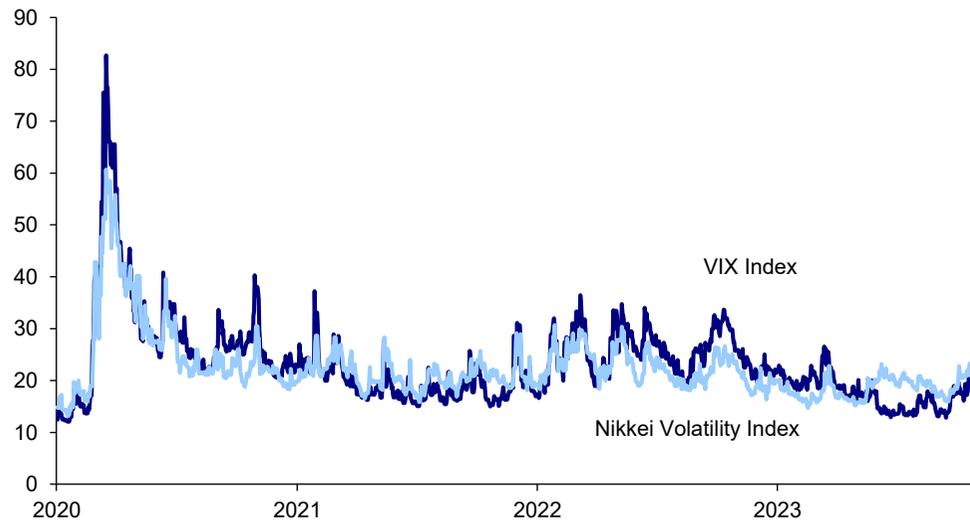
■ Relative performance of Dow transportation index to NY Dow and gap between US 10Yr and 2Yr T-yield



Note: As of 7 November
Source: Mizuho Securities Equity Research, based on Bloomberg

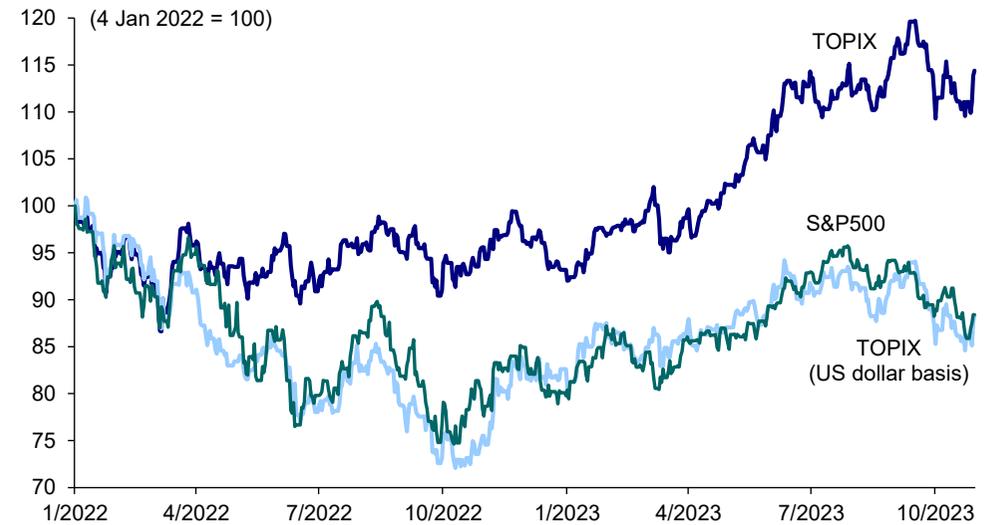
Performance of TOPIX in terms of US\$ is almost the same as S&P500

■ VIX Index vs. Nikkei Volatility Index



Note: As of 7 November
Source: Mizuho Securities Equity Research, based on Bloomberg

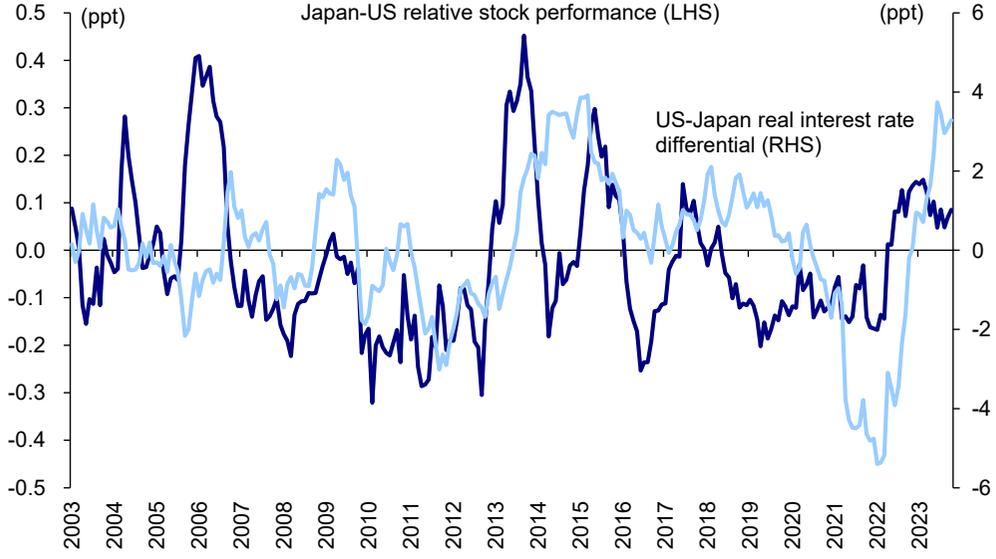
■ Performance of S&P500 and TOPIX



Note: As of 7 November
Source: Mizuho Securities Equity Research, based on Bloomberg

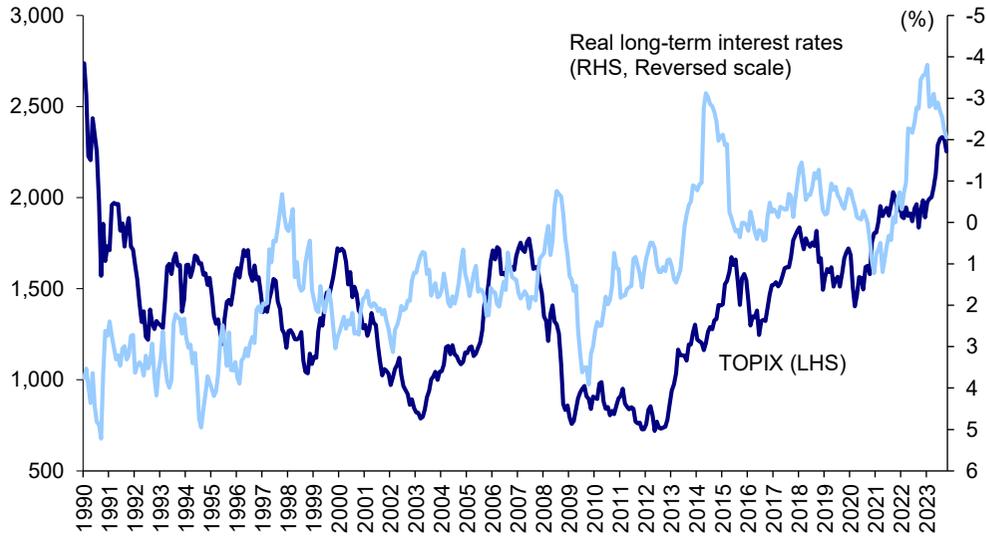
Japan-US relative stock performance and US-Japan real interest rate differential

■ Japan-US relative stock performance and US-Japan real interest rate differential



Note: As of the end of September 2023. Japan-US relative stock performance is YoY change of TOPIX minus S&P500. US-Japan real interest rate differential is 10Yr gov't bond yield minus differential of CPI YoY change
 Source: Mizuho Securities Equity Research, based on Bloomberg

■ TOPIX and Japan's real long-term interest rates



Note: As of the end of September 2023. Real long-term interest rates is 10-year JGB yield minus CPI YoY change
 Source: Mizuho Securities Equity Research, based on Bloomberg

Mizuho Securities' economic estimates for Japan

	2023				2024				2025	FY		CY	
	Q1	Q2	Q3 F	Q4 F	Q1 F	Q2 F	Q3 F	Q4 F	Q1 F	2023 F	2024 F	2023 F	2024 F
% q/q saar													
Real GDP	3.2	4.8	0.1	0.6	0.8	1.3	1.4	1.2	1.3	1.5	1.1	1.7	1.1
% q/q													
RealGDP	0.8	1.2	0.0	0.2	0.2	0.3	0.4	0.3	0.3	1.5	1.1	1.7	1.1
Domestic demand (pp)	(1.0)	(-0.6)	(0.4)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.6)	(1.1)	(1.1)	(0.9)
Private consumption	0.6	-0.6	0.5	0.0	0.2	0.4	0.4	0.2	0.2	0.3	1.1	1.0	0.8
Housing	0.7	2.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	3.1	0.4	2.4	0.9
Capex	1.6	-1.0	0.5	0.5	0.2	0.3	0.4	0.5	0.5	0.8	1.5	2.1	1.1
Private inventories (pp)	(0.3)	(-0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(-0.3)	(0.1)	(0.0)	(0.0)
Public investments	1.4	0.2	0.6	0.5	0.4	0.3	0.3	0.3	0.3	2.4	1.5	2.8	1.6
Public consumption	0.1	0.0	0.0	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.8	0.3	0.7
Net exports (pp)	(-0.3)	(1.8)	(-0.4)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(1.0)	(-0.0)	(0.6)	(0.2)
Exports	-3.8	3.1	0.0	0.0	0.0	0.2	0.4	0.6	0.8	1.5	1.0	1.1	1.3
Imports	-2.3	-4.4	2.0	0.0	0.0	0.2	0.3	0.4	0.5	-3.4	1.2	-1.8	0.3
% y/y													
RealGDP	2.0	1.6	2.0	2.1	1.5	0.7	1.0	1.2	1.3	1.5	1.1	1.7	1.1
NominalGDP	4.0	5.1	6.5	5.7	4.6	2.2	2.6	2.4	2.3	5.4	2.4	5.3	2.9
GDP deflator	2.0	3.5	4.4	3.5	3.0	1.6	1.5	1.2	1.0	3.9	1.3	3.7	1.9
Other indicators													
Core CPI (y/y)	3.5	3.2	3.0	3.4	3.8	3.3	2.9	1.6	1.2	3.4	2.2	3.3	2.9
Industrial production (q/q)	-1.8	1.4	-0.7	0.5	0.4	0.5	0.6	0.6	0.6	-0.3	1.7	-1.2	1.6
Unemployment rate (%)	2.8	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.5	2.4	2.5	2.4
Current account (JPY tm, SA)	2.7	5.9	7.0	6.0	5.2	5.2	6.3	6.0	5.3	24.1	23.0	20.9	22.9

Note: As of 8 Sep, 2023

Source: Mizuho Securities Equity Research, based on METI, MIC, Cabinet Office and BoJ

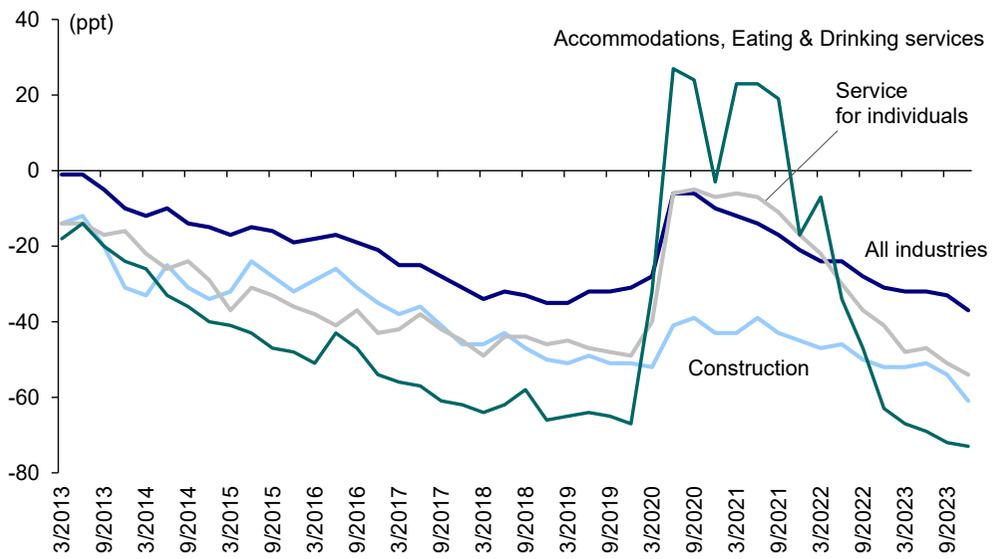
Major companies that received subsidies to invest in strengthening their domestic supply chains

Code	Company	Sector classification (subsectors)	Components and materials
2768	Sojitz	Organic chemical products manufacturing	Semiconductor related (semiconductor secondary materials)
2784	Alfresa HD	Wholesale trade for pharmaceuticals, cosmetics, etc.	Logistics facilities
3402	Toray Industries	Organic chemical products manufacturing	Semiconductor related (semiconductor secondary materials)
3436	SUMCO	Manufacturing of other electronic components, devices, and electronic circuits	Semiconductor related (logic chips)
4004	Resonac HD	Manufacturing of other electronic components, devices, and electronic circuits	Semiconductor related (semiconductor secondary materials)
4005	Sumitomo Chemical	Inorganic chemicals manufacturing Other chemicals	Semiconductor production process gas (production equipment) Semiconductor related (semiconductor secondary materials)
4063	Shin-Etsu Chemical	Inorganic chemicals manufacturing Primary smelting, refining for nonferrous metals	EV related (automotive battery related) Rare earth products
4183	Mitsui Chemicals	Manufacturing of plastic extrusion products in the form of sheets, rods, tubes, and irregular shapes	Mask-related components and materials
4185	JSR	Other chemicals	Semiconductor related (semiconductor secondary materials)
4202	Daicel	Organic chemical products manufacturing	Bituminous coal, including subbituminous coal (equipment for converting to alternative raw materials and fuel)
4543	Terumo	Manufacturing of medical machinery, medical products	Transfusion solution
4967	Kobayashi Pharmaceutical	Pharmaceutical manufacturing	Disinfectant alcohol, etc.
5020	ENEOS HD	Oil refining	Fixed storage batteries: rare metals, rare-earth elements
5110	Sumitomo Rubber Industries	Manufacturing of other rubber products	Rubber stopper for medical injections
5201	AGC	Inorganic chemicals manufacturing	Semiconductor related (semiconductor secondary materials)
5233	Taiheiyo Cement	Manufacturing of cement, other products	Bituminous coal, including subbituminous coal (equipment for converting to alternative raw materials and fuel)
5401	Nippon Steel	Steelmaking	Coal raw material for sintered ore (production equipment)
5713	Sumitomo Metal Mining	Inorganic chemicals manufacturing	EV related (automotive battery related)
5802	Sumitomo Electric Industries	Manufacturing of other electronic components, devices, and electronic circuits	Semiconductor-related materials and components
5947	Rinnai	Manufacturing of other electrical machinery equipment	Water-heater-related goods
6367	Daikin Industries	Organic chemical products manufacturing	Hydrogen fluoride
6473	JTEKT	Manufacturing of other general-purpose machinery and related parts	Offshore wind power related (other)
6502	Toshiba	Battery manufacturing	EV related (automotive battery related), fixed storage batteries
6503	Mitsubishi Electric	Electronic device manufacturing	Semiconductor related (power semiconductors/power devices)
6723	Renasas Electronics	Electronic device manufacturing	Semiconductor production process gas (recycling equipment)
6762	TDK	Manufacturing of other electronic components, devices, and electronic circuits	Offshore wind power generation related (components such as power generators)
6965	Hamamatsu Photonics	Electronic device manufacturing	Semiconductor related (sensors)
6967	Shinko Electric Industries	Electronic circuit manufacturing	Semiconductor related (electronic circuit boards)
6971	Kyocera	Battery manufacturing	Fixed storage batteries
7012	Kawasaki Heavy Industries	Aircraft and related parts manufacturing	Aircraft engine parts
7013	IHI	Aircraft and related parts manufacturing	Aircraft related (engine parts)
7203	Toyota Motor	Battery manufacturing	Automotive lithium-ion batteries
7911	TOPPAN HD	Electronic circuit manufacturing	Semiconductor related (electronic circuit boards)
8439	Tokyo Century	Auto and auto parts manufacturing	Semiconductor related (semiconductor secondary materials)
8591	ORIX	Other chemicals	Electronic components and materials
8593	Mitsubishi HC Capital	Manufacturing of other electronic components, devices, and electronic circuits	Semiconductor related (semiconductor secondary materials)
9301	Mitsubishi Logistics	Warehousing (excluding frozen warehousing)	Logistics facilities

Note: Major publicly traded companies, excluding small businesses, that have been selected from the first round of recruitment through the February 2023 recruitment (20 Nov 2020 announcement to 2 Jun 2023)
Source: Mizuho Securities Equity Research, based on METI

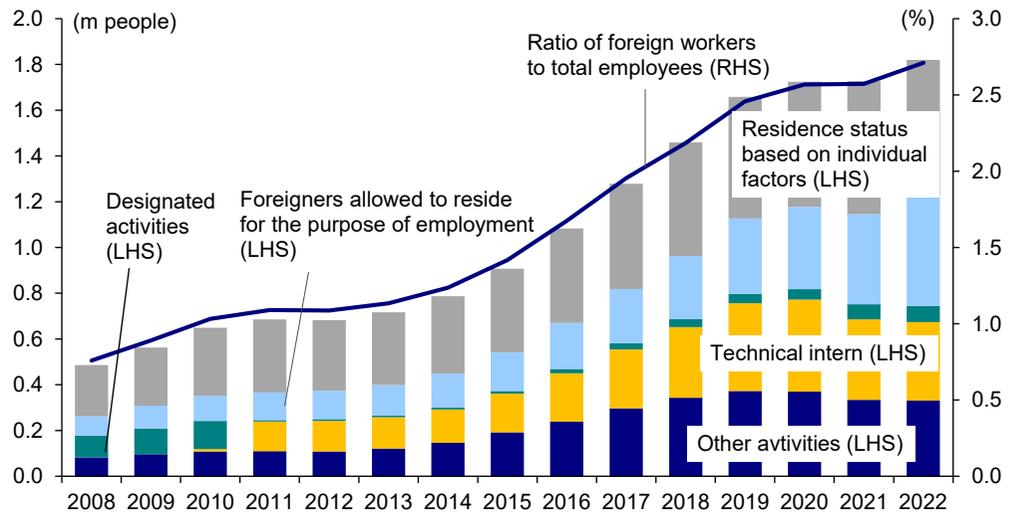
Foreign workers deregulated by labor shortage, related companies may benefit

BoJ Tankan Survey employment conditions DI trend



Note: All sized corporations. Labor condition DI = "Excess" minus "Shortage". Data of December 2023 is future condition DI as of September 2023 Survey
 Source: Mizuho Securities Equity Research, based on BoJ Tankan

Number of foreign workers and ratio of foreign workers to total employees



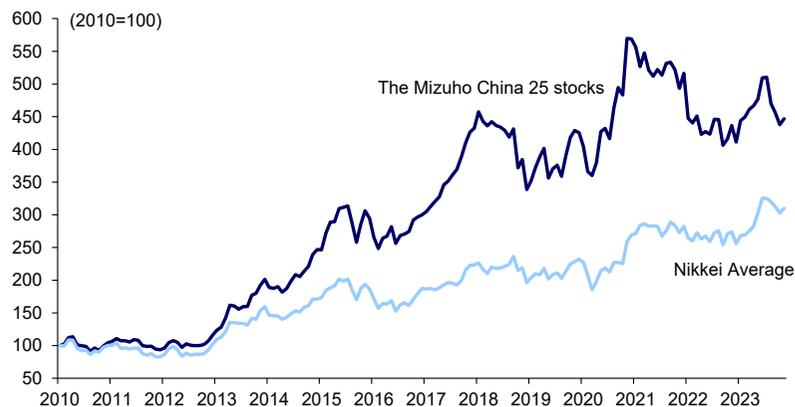
Note: As of the end of October for each year
 Source: Mizuho Securities Equity Research, based on MHLW

Avoid China-related Japanese stocks for a while

Code	Company	Industry	Share price (¥)	Market cap (¥b)	YTD price change (%)	FY22		Toyo Keizai forecast for FY23			
						Asian sales ratio (incl. China) (%)	Overseas sales ratio (%)	Actual PBR (x)	Forecast PER (x)	NP growth (%)	Forecast ROE (%)
2267	Yakult Honsha	Lactic fermenting beverage	3,762	1,286.9	-12.1	30.0	45.4	2.4	22.0	15.5	11.7
3046	JINS HD	Optician	4,115	98.7	-10.7	11.0	20.3	4.7	41.1	220.0	11.8
3402	Toray Industries	Air filter	771	1,258.2	4.7	39.7	61.0	0.8	16.5	4.4	5.0
3880	Daio Paper	Diaper	1,247	210.8	23.2	10.4	19.9	0.9	38.4	Profit	2.3
4612	Nippon Paint HD	DIY painting market	1,038	2,459.4	-0.1	49.8	87.4	2.1	22.4	-38.5	9.6
4626	Taiyo HD	Insulating material ink pr	2,950	172.0	31.9	59.1	65.2	1.8	17.2	-12.3	10.8
5332	TOTO	Sanitary ware	3,837	679.1	-14.7	15.9	33.8	1.4	16.4	6.1	9.1
6268	Nabtesco	Railroad equipment	2,797	338.6	-16.9	24.2	47.3	1.3	18.5	93.4	7.4
6273	SMC	Control instrument	77,300	5,207.7	39.1	44.6	78.6	2.9	26.9	-13.9	11.4
6326	Kubota	Agricultural machinery	23,090	6,768.0	14.3	NA	NA	3.0	25.6	2.4	11.8
6367	Daikin Industries	Air conditioner	2,699	1,025.2	31.0	NA	NA	3.1	25.1	-1.1	12.3
6383	Daifuku	Logistics system	5,468	1,458.3	29.4	35.1	70.8	4.1	28.4	-0.9	14.8
6506	Yaskawa Electric	Industrial robot	5,915	1,219.9	-7.7	NA	NA	1.6	15.8	4.2	10.6
6645	Omron	Control instrument	7,989	339.8	39.4	36.5	72.8	1.4	9.6	4.2	14.8
6856	Horiba	Exhaust gas measuring i	7,566	1,587.0	-5.4	23.6	85.4	4.1	30.5	13.6	13.4
6869	Sysmex	Laboratory test	2,179	611.8	39.1	32.5	37.9	2.4	32.9	-24.3	7.7
7581	Saizeriya	Retail	5,880	307.4	96.7	25.5	29.9	3.1	66.8	-18.7	4.9
7613	Siix	Electric appliances	1,454	73.3	13.9	45.6	76.2	0.9	9.5	62.7	10.0
7701	Shimadzu	Medical equipment	3,802	1,125.7	1.5	30.9	56.2	2.6	19.4	11.4	13.7
7718	Star Micronics	Machinery tools	1,831	76.8	13.1	19.6	89.7	0.9	9.1	-18.4	11.6
7951	Yamaha	Musical instruments	3,762	704.6	-23.5	13.8	75.9	1.4	18.3	0.8	8.4
7956	Pigeon	Childhood products	1,638	199.3	-24.4	43.9	63.9	2.6	23.4	-0.9	11.1
8001	ITOCHU	Wholesale trade	5,692	9,021.2	37.3	8.6	22.7	1.7	11.3	-0.1	16.6
8905	Aeon Mall	Shopping mall	1,740	395.8	2.0	NA	NA	0.9	14.7	107.8	6.1
9983	Fast Retailing	Apparel	34,720	11,048.6	29.3	19.4	53.0	2.3	42.5	-4.9	16.6

Note: Share prices are as of 6 November. This should not be construed as a list of our recommendations.
Source: Mizuho Securities Equity Research, based on QUICK Astra Manager

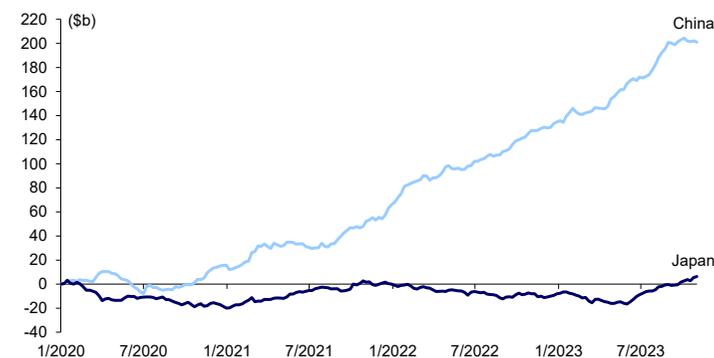
“The Mizuho China 25” and Nikkei 225



Note: “The Mizuho China 25” represents the simple average for 25 company stocks including JINS, Toray, Daio Paper, Aeon Fantasy, Kao, Nippon Paint HD, TOTO, Nabtesco, SMC, Daikin Industries, Daifuku, Yaskawa Electric, Omron, Horiba, Sysmex, Toyota Motors, Ryohin Keikaku, Saizeriya, Siix, Star Micronics, Yamaha, Pigeon, ITOCHU, and Fast Retailing. Data As of 1 November

Source: Mizuho Securities Equity Research, based on Bloomberg

Cumulative inflows for Japanese and Chinese stock funds



Note: As of 1 November. Data are based on cumulative totals from 2020
Source: Mizuho Securities Equity Research, based on EPFR Global data

2. Politics and Corporate Governance in Japan

Kishida Administration approval rating lowest since its inauguration

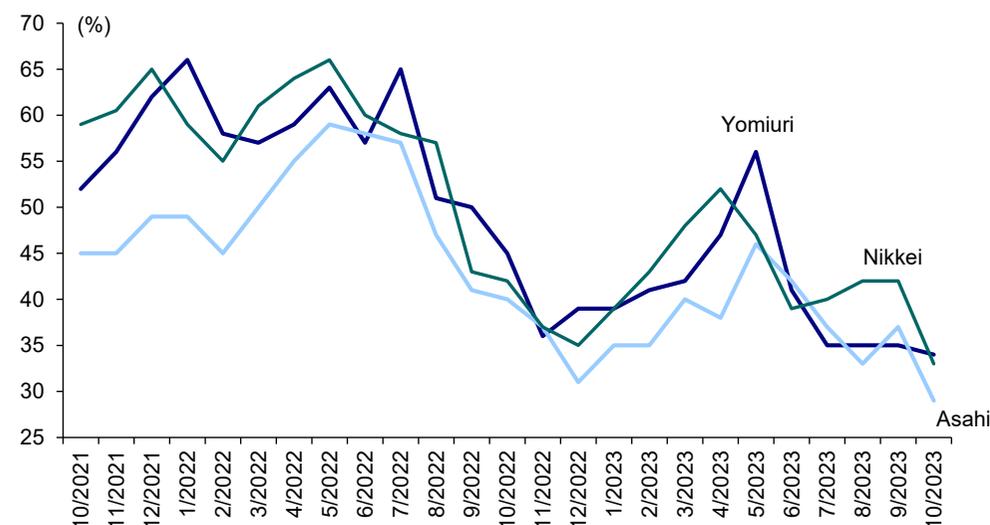
Major events in 2023 and beyond

2023	
15-17 Nov	APEC summit meeting
End of Nov	The Overall Review of My Number Information releases the interim investigatory report
30 Nov - 12 Dec	COP28 (UAE)
Dec	Approval of government budget for FY24
12-13 Dec	FOMC
16-18 Dec	Japan-ASEAN special summit meeting
18-19 Dec	BoJ monetary policy meeting
End of year	End of grace period for Japan's Electronic Bookkeeping Law Budget and tax decisions for 2024 Asset Management Nation Plan and review of the Large Shareholding Reporting System
2024	
Jan	Ordinary Diet sessions Expanding and perpetuation of NISA Implementation of CSRD (Corporate Sustainability Reporting Directive) in EU Taiwan Presidential election
Feb	Presidential election in Indonesia
1-Mar	Start of system for electronic provision of shareholder meeting materials
5-Mar	US Sper Tuesday
Apr	Working hour regulations to apply to doctors and drivers
10-Apr	General election in South Korea
Apr-May	General election in India
Summer	To establish Asset Owner Principals
Jun	AGMs
Jul	Tokyo Metropolitan Assembly Election
15-18 Jul	US Republican National Convention
26 Jul - 11 Aug	Paris Olympic Games
19-22 Aug	US Democratic National Convention
Autumn	Health insurance cards to be replaced with My Number cards
Sep	LDP presidential election
Nov	Nomura AM initiates criteria requiring a majority of outside directors
5-Nov	US presidential election
In 2024	Fiscal verification of public pensions Establishment of the Organization for the Promotion of Financial and Economic Education (tentative name) Factory of TSMC in Arizona restarts production
1H FY24	Government, Bank of Japan to issue new banknotes
FY24	To introduce Forest Environment Tax MyNumber card to be integrated with driver license functions

Note: Subject to change

Source: Mizuho Securities Equity Research, based on newspaper reports

Kishida Administration approval rating



Source: Mizuho Securities Equity Research, based on Yomiuri Shimbun, Asahi Shimbun and Nikkei Shimbun

Approval ratings of Kishida Cabinet and LDP "Aoki's Rule"

Newspaper (survey dates)	Cabinet approval (change from previous month)	LDP approval	Kishida Cabinet + LDP approval
Yomiuri (13-15 Oct)	34% (-1)	30%	64%
Asahi (14-15 Oct)	29% (-8)	26%	55%
Mainichi (14-15 Oct)	25% (±0)	23%	48%
Nikkei (27-29 Oct)	33% (-9)	32%	65%
Kyodo (3-5 Nov)	28.3% (-4)	34.1%	62%
JJI (6-9 Oct)	26.3% (-1.7)	21%	47%
NHK (7-9 Oct)	36% (±0)	36.2%	72%

Source: Mizuho Securities Equity Research, based on Yomiuri Shimbun (7 November)

Support for Kishida Cabinet depends on comprehensive review of the My Number card this Autumn and inflation support measures

■ Problems surrounding My Number card comprehensive check

Comprehensive check
Inspection to check whether all information viewable on the My Number Card site "My Number Portal" is correctly linked

3,630 organizations
Number of organizations that worked on linking My Numbers and each piece of information

- Health insurance card information
- Vaccination information
- Pension
- Tax, income, etc. 29 types in total

First round Check whether there were any issues with linking information
By early August Interim report and summary of measures to be taken
Identify which institutions had issues with linking information

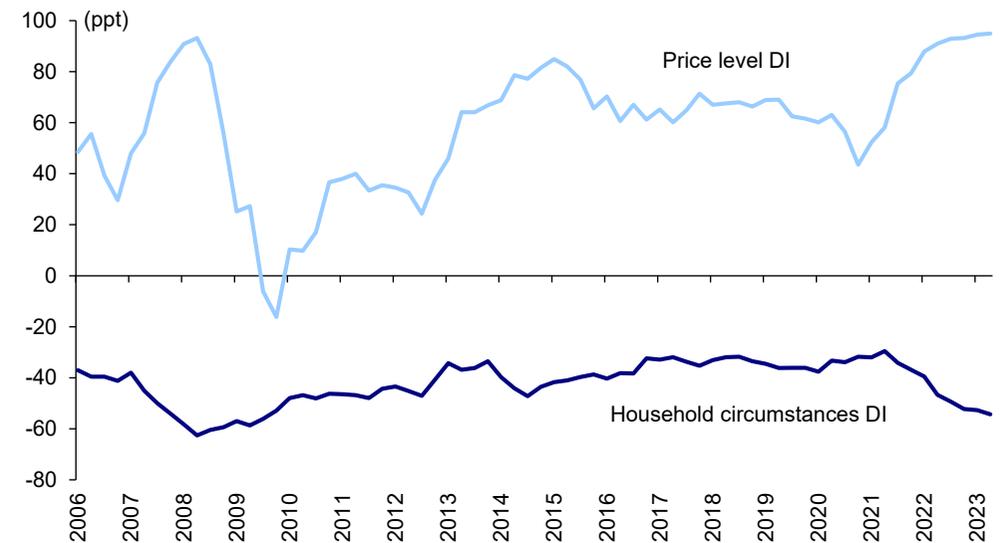
Second round
By autumn Inspect institutions that had issues and fix the data

Problems are:

- Linking work** Checks are self-reported by institutions, so there is a risk of omissions/errors
- Previous methods** In some cases, the person(s) in charge at the organization has changed, so prior method cannot be checked
- Data to be checked** Extremely large amount of data, checks may not be finished by autumn
- Identification** Difficult if health insurance organization (etc.) does not have correct address etc.

Source: Mizuho Securities Equity Research, based on Asahi Shimbun article (6 July)

■ Household circumstances DI and price DI in BoJ's Opinion Survey on the General Public's Views and Behavior

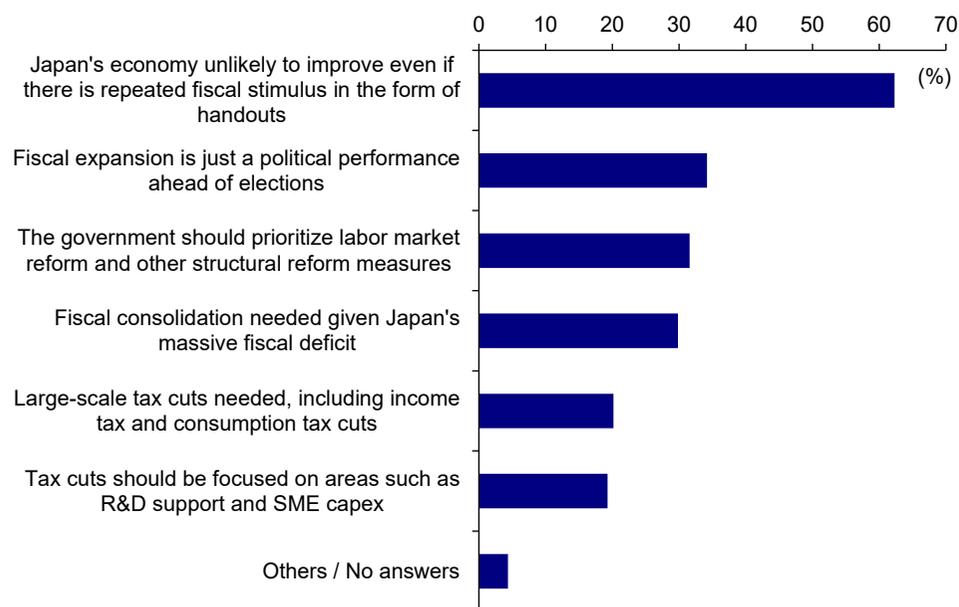


Note: The household circumstances DI (compared with one year ago) = "have become better off" minus "have become worse off". Present price level DI (compared with one year ago) = "have gone up significantly + have gone up slightly" minus "have gone down significantly + have gone down slightly"

Source: Mizuho Securities Equity Research, based on Bloomberg

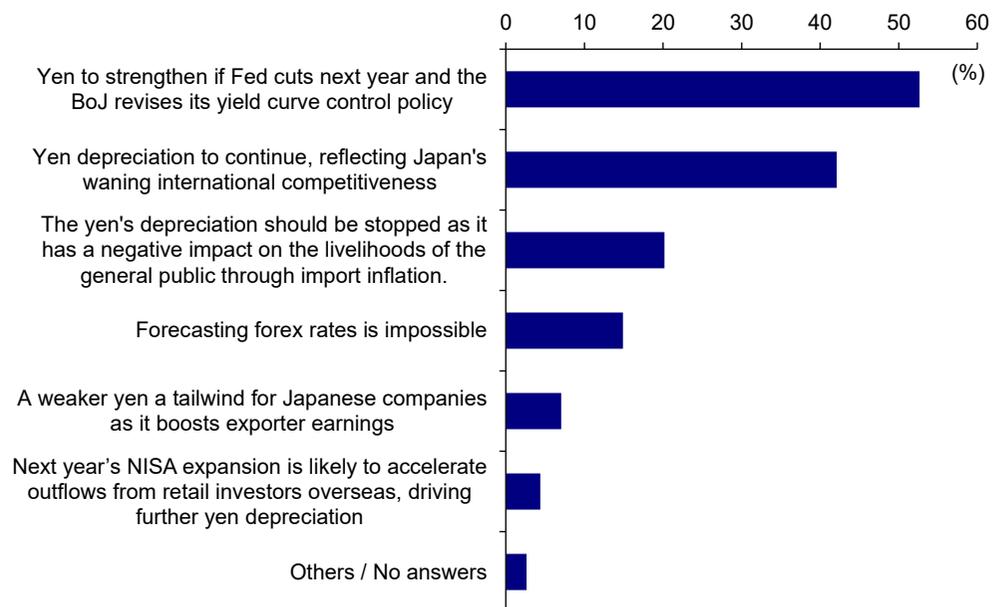
The most common response was that Japan's economy will not improve even with repeated handouts

■ Corporate finance/IR representatives' view of Kishida Administration's economic stimulus measures



Note: Survey at Mizuho Securities seminar for business corporations "Measures for low PBR companies and how to evaluate" held on 17 October. Valid responses were 114 people.
Multiple answer
Source: Mizuho Securities Equity Research

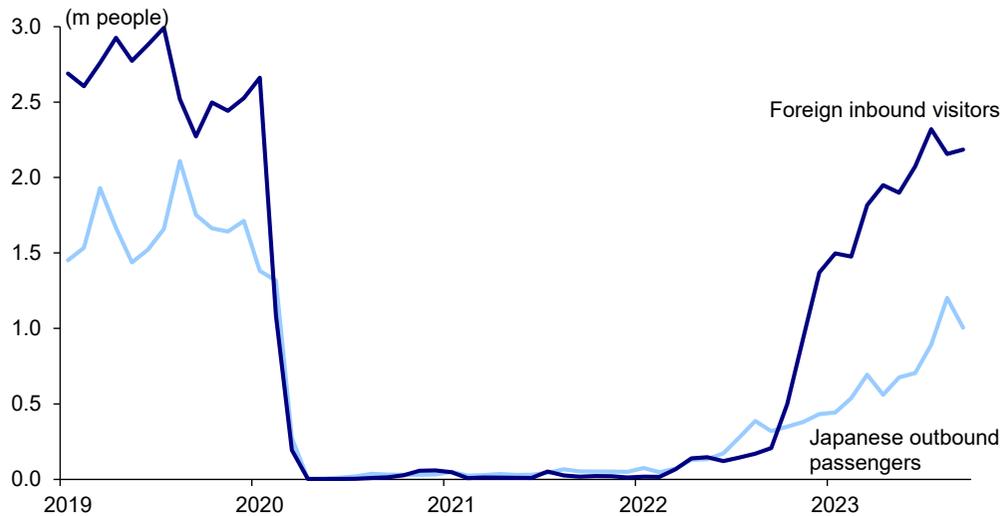
■ Outlook for forex rates among corporate finance/IR representatives



Note: Survey at Mizuho Securities seminar for business corporations "Measures for low PBR companies and how to evaluate" held on 17 October. Valid responses were 114 people.
Multiple answer
Source: Mizuho Securities Equity Research

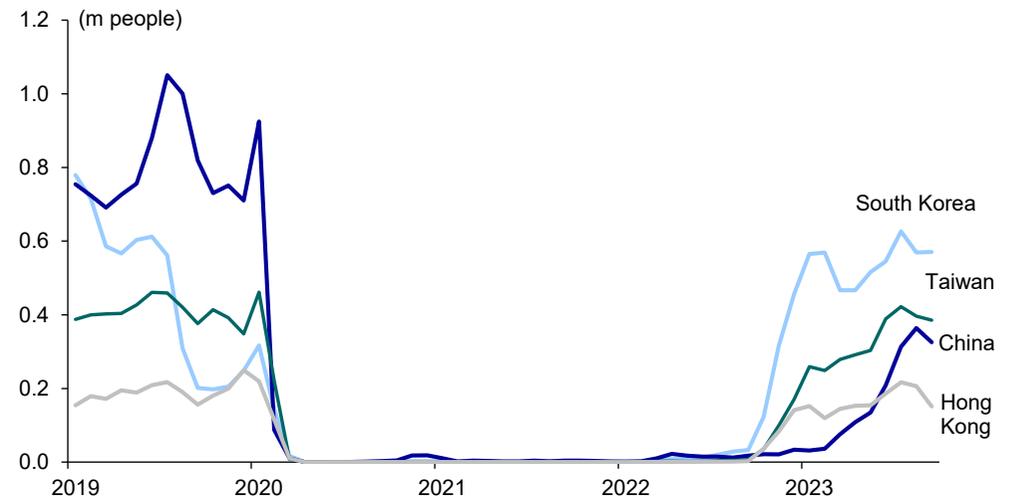
Recovery in Chinese tourists to depend on Japan-China political relationship

■ Number of foreign visitors to Japan and Japanese traveling abroad



Source: Mizuho Securities Equity Research, based on Japan National Tourism Organization (JNTO)

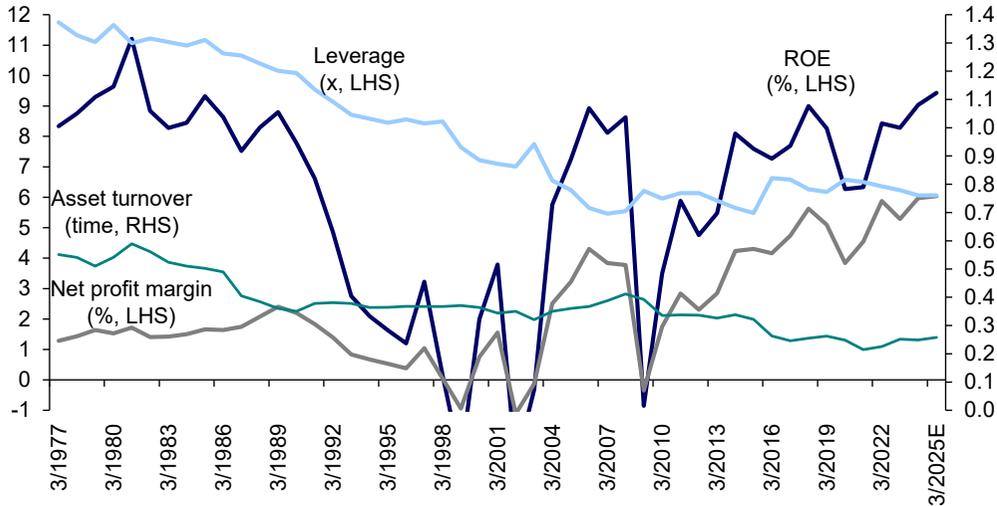
■ Number of visitors to Japan from China, South Korea, Hong Kong, and Taiwan



Source: Mizuho Securities Equity Research, based on Japan National Tourism Organization (JNTO)

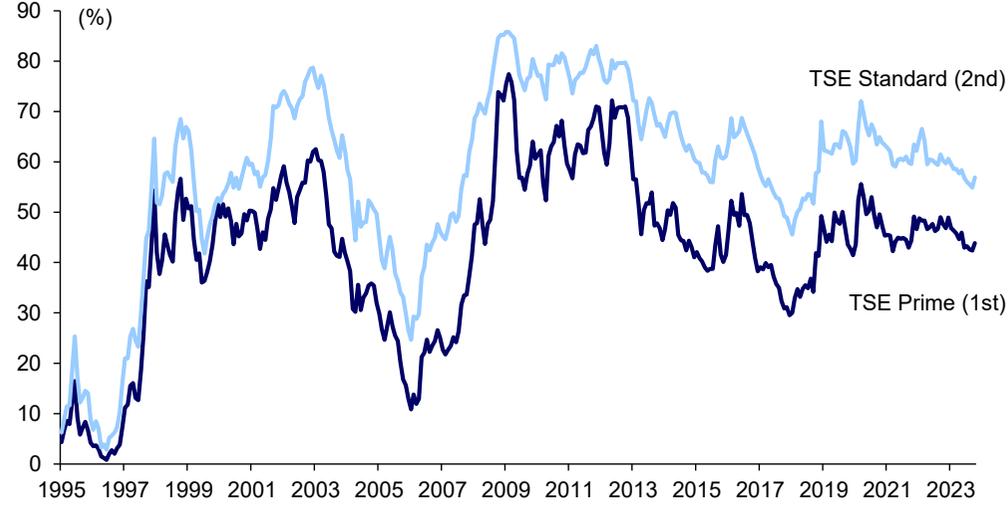
We expect ROE to improve from 8.3% in FY22 to 9.0% in FY23 and 9.5% in FY24

Breakdown of ROE for TSE First Section



Notes: Universe is TSE Prime market (TSE1 formerly) listed stocks at the end of each fiscal year. Profit forecasts are by Mizuho Securities when available, by IFIS consensus for the remainder when available, and by Toyo Keizai for the rest. Data As of 1 November
 Source: Mizuho Securities Equity Research, based on IFIS, Toyo Keizai, and Nikkei data

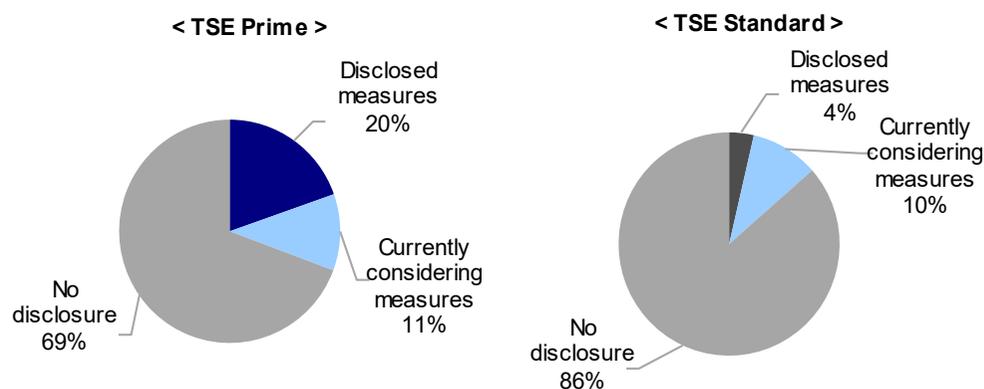
Percentage of stocks trading below PBR of 1x by market



Note: BPS is on a quarterly basis. Market structure reformed in FY21. Data As of 7 November
 Source: Mizuho Securities Equity Research, based on Nikkei data

20% of Prime-listed firms respond to TSE call on PBR as of mid-July

■ Disclosure status based on demands of Action to Implement Management that is Conscious of Cost of Capital and Stock Price



Note: Based on corporate governance reports as of 14 July 2023 for companies with fiscal years ending in March. 1,235 TSE Prime companies and 887 TSE Standard companies
Source: Mizuho Securities Equity Research, based on TSE

■ TSE's schedule for coming year related to its call for management that is conscious of cost of capital and stock prices

Scheduled for October: Listed companies to be notified again

- Even if the company's PBR is already over 1x, further improvement efforts are expected, taking into account the expectations of shareholders and investors.
- Even when the term "under consideration" is used, the company is expected to be as specific as possible about what they are considering and when they plan to disclose.
- If disclosure is made in response to the request, it is required that the corporate governance report include the key phrase "action to implement management that is conscious of cost of capital and stock prices".

Scheduled to start around the beginning of next year

- Publication of a list of companies that are disclosing information in accordance with the request (scheduled to be updated once a month).
- Compilation and publication of the status of corporate disclosures, feedback from investors, etc. (approximately once every six months).
- Compilation and publication of several key points based on responses from investors and examples of initiatives that have been praised by investors for companies of several different sizes and situations.
- Introduction of the following types of companies through management interviews and seminars: companies whose management takes the initiative in committing to dialogue; companies that utilize the insights gained through dialogue to enhance corporate value; and companies that actively engage in the disclosure of information about their management and investor relations activities to appeal to investors, as knowledge of this information is the prerequisite for dialogue.
- Sharing of the views of actual investors through interviews and seminars on how investors see dialogue and engagement and what kind of disclosure and IR they expect from companies

To be implemented in stages

As institutional investors are the ones responsible for leading the dialogue, they will be informed of the purpose of this request and asked to be proactive in doing so by, for example, setting an agenda for company initiatives based on "action to implement management that is conscious of cost of capital and stock price".

Major companies with encouraging efforts to raise PBR valuations

Code	Company	Share price (¥)	Actual PBR (X)	ROE/ROIC targets	Shareholder returns and financial strategy	Business reforms
2768	Sojitz	3,132	0.86	ROE of over 10%, PBR of over 1x by FY23	Dividend payout ratio of about 30%, minimum dividend target	Identifies three focus businesses based on overarching trends for growth fields
3608	TSI HD	725	0.62	KPIs for FY2/25: ROE of 5.3%, OPM of 4.3%	Disclose specific measures to raise share price in the near future	An e-commerce ratio of at least 40%
4617	Chugoku Marine Paints	1,427	1.22	Aims to bring ROE from 6.8% in FY22 to 8% or more in FY25	Dividend payout ratio of at least 40%, minimum dividend of ¥35	Global niche company distinguished by sustainability and high profitability
5019	Idemitsu Kosan	3,095	0.56	Considering lifting FY25 targets of 8% for ROE, 5% for ROIC	Gap between cost of capital on CAPM basis and the market's expected return	ROIC improvement through reduction of invested capital and maximization of earnings
5805	SWCC	1,965	0.87	Minimum ROE of 10%, ROIC of at least 10%	DPS of at least ¥120	Overseas development, decarbonization-related businesses as growth drivers
6632	JVCKenwood	636	1.05	Aims for ROE of 10% in FY25 (from 18.2% in FY22); ROIC of 9% or more (from 8.3% in FY22)	Total shareholder returns of 30%–40%	Targets sales growth, margin improvement, supply chain management reforms, manufacturing innovation
6925	Ushio	1,837	0.89	Aims to bring ROE from 5.7% in FY22 to 8% or more in FY25	Plans to lower cost of capital by proactively investing in its own shares and utilizing debt financing	Market-centric approach to restructuring business portfolio and positioning businesses; strategic investments in growth areas
7186	Concordia FG	646	0.66	ROE from 5% in FY22 to 6% in MTP, to around 7% long term	Dividend payout ratio of around 40%, with graduated dividend payments the basic principle	Dynamically strengthen asset allocation
7240	NOK	2,045	0.66	ROE target rising from 2.6% in FY22 to 8% in FY25. ROIC target rising from 1.9% to 6.5%	¥10b in buybacks and dividend payouts for DOE of at least 2.5% in FY23	Develop and increase sales of EV products, develop and increase sales of green energy products
7381	Hokkoku FHD	4,920	0.54	ROE of 8% or higher, PBR above 1.0x	Hike the total payout ratio from 40% to 50%	Strengthen consulting & advisory services, expand investment operations
7731	Nikon	1,574	0.89	Aims to bring ROE from 7.4% in FY22 to 8% or more in FY25	Total return ratio of at least 40%	Focus management resources on mirrorless camera, expand semiconductor peripheral sales
7912	Dai Nippon Printing	3,983	0.96	Aims to bring ROE from 7.9% in FY22 to 8% or more in FY25 and consistently at 10% thereafter	Share buyback scheme up to ¥300b announced	Aims to concentrate investment in key areas and implement business portfolio reforms, including restructuring
8098	Inabata	3,170	0.99	ROE of 11%, above cost of capital of 8.5%	Reduce cross-shareholdings in a planned manner, utilize financial leverage	Continuously raise enterprise value by steadily implementing growth policies
8173	Joshin Denki	2,226	0.58	ROE from 5% in FY22 to 8% in FY25 and to 10% or higher in FY30	Dividend payout ratio from 40% in FY22 to 30% or higher in FY25	Generate synergies between online and real store retailing, fan base strategy
9076	Seino Holdings	2,123	0.87	ROE from 4.3% in FY22 to 8% or above in 3–5 years	Buy back 11.2% of issued shares, raise DOE from 2.4% to 4% or higher	Improve efficiency through green logistics, expand logistics business
9364	Kamigumi	3,282	0.97	ROE of 6.5% or higher in FY3/25	Raise total payout ratio from 50% in FY3/22 to 90% in FY3/23–FY3/25 period	Strengthen container terminal competitiveness, automobile-related handling, and profitability of overseas operations

Note: Data is as of 31 August. Actual PBR for FY22. This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on company reports and QUICK Astra Manager

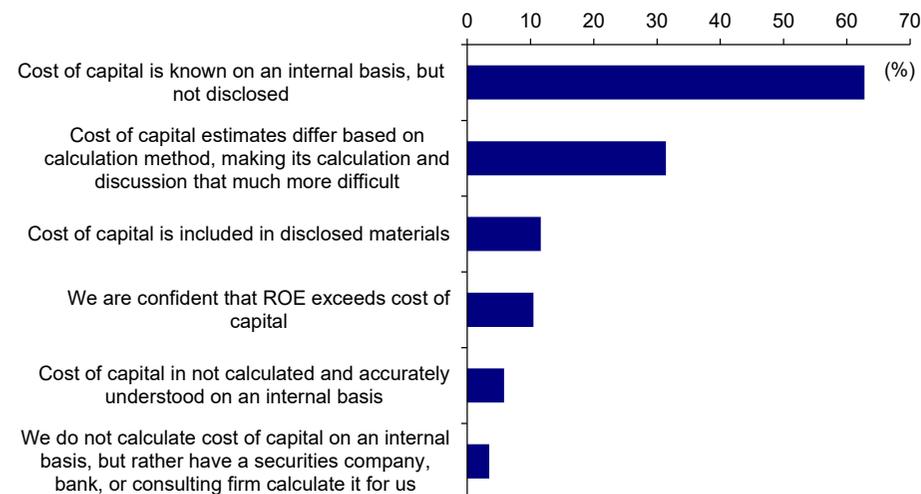
Major companies that have disclosed capital costs

Code	Company	Announced in	Shareholders capital cost (%)	WACC (%)	Equity Spread (%)	Timing	Method
8411	Mizuho FG	Earnings presentation	11	0	0	0	0
6460	Sega Sammy HD	Earnings presentation	10.1	0	4.6	FY3/23	Bloomberg
8439	Tokyo Century	Medium-term plan	10	0	0	0	0
8750	Dai-ichi Life HD	Medium-term plan	10	0	0	0	0
5333	NGK Insulators	Earnings presentation	9.1	6.9	0	0	CAPM
6448	Brother Industries	CG report	About 7~10	0	0	0	CAPM
3107	Daiwabo HD	Earnings presentation	8.6	7	0	0	0
6471	NSK	CG report	8~9				
6724	Seiko Epson	Earnings presentation	8~9				
8601	Daiwa Securities Group	CG report	8~9	0	0	0	0
8098	Inabata	Earnings presentation	8.45	0	0	End FY3/23	CAPM
2780	Komehyo HD	CG report	8.3	0	0	0	0
8252	Marui Group	Earnings presentation	8.1	3.5	0	FY3/23	0
4523	Eisai	Earnings presentation	8	0	0	0	0
4568	Daiichi Sankyo	Medium-term plan	8	0	0	FY25 outlook	0
6406	Fujitec	CG report	8	0	0	0	0
8628	Matsui Securities	CG report	8	0	0	0	0
1605	INPEX	Earnings presentation	About 8	About 6	0	0	CAPM
7951	Yamaha	Medium-term plan	7.8	7.6	0	FY3/22	0
6981	Murata Manufacturing	CG report	0	7.5	0	0	0
9274	KPP Gourp HD	Earnings presentation	7.8	3.2	0	0	0
7186	Concordia FG	Earnings presentation	6~9	0	0	FY22	CAPM, Stock yield
1898	Seikitokyo Kogyo	Medium-term plan	7.2	0	0	0	CAPM
4114	Nippon Shokubai	PBR measure	7	0	0	0	0
6902	Denso	Integrated report	7	0	0	0	0
2503	Kirin HD	Earnings presentation	0	About 6	0	FY22	0
7189	Nishi-Nippon FHD	Earnings presentation	7	0	0	0	CAPM
8725	MS&AD Insurance GHD	Earnings presentation	0	7	0	0	CAPM
8242	H2O Retailing	Earnings presentation	6.7	5	0	FY22	0
8714	Senshu Ikeda HD	Medium-term plan	6.52	0	0	0	CAPM
3086	J Front Retailing	Medium-term plan	6~7	3.5~4	0	0	0
6645	Omron	Earnings presentation	0	5.5	0	FY21-FY24	0
8173	Joshin Denki	Medium-term plan	6.2	2.99	0	0	CAPM
1852	Asanuma	Medium-term plan	6	0	0	FY23 target	0
5019	Idemitsu Kosan	Earnings presentation	6	4	0	FY22	CAPM
3099	Isetan Mitsukoshi HD	Earnings presentation	6 or less	0	0	0	0
8130	Sangetsu	Earnings presentation	5.61	5.31	0	FY3/23	0
8343	The Akita Bank	CG report	5~6	0	0	FY23 estimates	0
9956	Valor HD	Earnings presentation	4.82	Estimates for 2.4%~3.3%	0	0	CAPM
8511	Japan Securities Finance	Earnings presentation	Mid-4% range	0	0	0	0
9782	DMS	Earnings presentation	2.62	2.49	0	End FY3/23	0
6305	Hitachi Const. Machinery	Medium-term plan	0	7	0	0	0
8174	Nippon Gas	Earnings presentation	0	6	9	FY3/23	-
2531	Takara HD	CG report	0	About 6	0	0	0
2613	J-OIL MILLS	CG report	0	5~6	0	0	0
7747	Asahi Intecc	Earnings presentation	0	5	0	FY6/22	0
8233	Takashimaya	Earnings presentation	0	4.5	0	FY22	0
5711	Mitsubishi Materials	Medium-term plan	0	4.1	0	0	0
5020	ENEOS HD	Medium-term plan	0	4	0	FY22	0
9531	Tokyo Gas	Earnings presentation	0	2.6	0	FY23 outlook	CAPM

Note: As of 31 October. Figures for Inabata Sangyo are calculated from company-announced figures based on CAPM. This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on company reports

Business corporations' outlook on cost of capital



Note: Survey at Mizuho Securities seminar for business corporations "Evaluation of FY23 earnings forecasts, Analysis of MTPs and president changes, Focus points for AGM" held on 1 June. Valid responses were 86 people. Multiple answer
Source: Mizuho Securities Equity Research

Major companies announcing corporate governance report disclosure of management measures to address cost of capital and share price

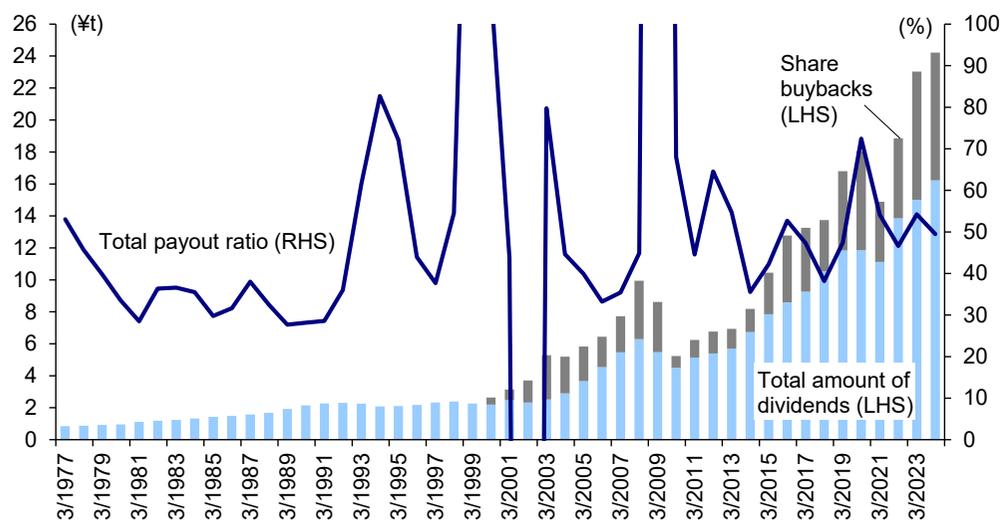
Code	Company	Actual PBR (x)	Date of latest CG report	Description (excerpt)
1301	Kyokuyo	0.87	27-Jun-23	Company is currently analyzing situation for measures to improve PBR and will disclose measures once finalized.
1803	Shimizu	0.93	29-Jun-23	Board of Directors is analyzing and evaluating the current situation to encourage management awareness of cost of capital and share price, and company will disclose finalized information once policies and targets for improvement have been investigated.
1944	Kinden	0.88	28-Jun-23	Board is analyzing and evaluating the current situation, and company is preparing for disclosure within FY23.
2899	Nagatani HD	1.06	30-Jun-23	Company is considering disclosing Group earnings plans, basic capital policies, and targets for profitability and capital efficiency.
3401	Teijin	0.61	23-Jun-23	In FY24, company to release new medium-term plan that considers restructuring business portfolio with capital efficiency in mind
3608	TSI HD	0.68	13-Jul-23	Company recognizes that improving PBR, which is below the TSE desired level, is an important issue for management, and plans to disclose and implement specific measures to raise the share price in the near future.
3861	Oji HD	0.68	29-Jun-23	The company is currently considering disclosures regarding Action to Implement Management that is Conscious of Cost of Capital and Stock Price.
4042	Tosoh	0.79	23-Jun-23	In order to improve PBR, the company believes steadily implementing its growth strategy and generating results are important to increase the market's trust in growth. Detailed analysis of the current situation and measures to address issues will be disclosed after full discussion by the board.
5233	Taiheiy Cement	0.61	30-Jun-23	The company analyzes its current situation, including calculating its cost of capital, and considers the formulation and disclosure of plans and targets. Regarding concrete plans toward the actualization of management that considers cost of capital and share price, this will be considered in conjunction with the formulation of the next medium-term management plan.
5703	Nippon Light Metal HD	0.50	27-Jun-23	In order to achieve management with an awareness of the cost of capital and the share price, company will analyze the current situation, and board will consider and formulate specific measures.
5741	UACJ	0.59	22-Jun-23	The company's fourth medium-term business plan, currently being drafted, calls for profitability to exceed the cost of capital, improvement in the capital efficiency of the management indicators ROE and ROIC, and improvement in PBR. Fourth medium-term plan set to be announced in Mar-May 2024.
6013	Takuma	1.15	28-Jun-23	PBR is above 1x, but company will continue to analyze the current situation and consider policies and targets for improving capital profitability and market valuations.
6302	Sumitomo Heavy Industries	0.74	3-Jul-23	For the medium-term plan and long-term strategy, company will draft a strategy for achieving target ROIC based on the optimal KPI for each segment and business division more concrete. Company confirms that it will strengthen deliberations at the board of directors as part of formulating its next medium-term business plan.
6586	Makita	1.36	29-Jun-23	With regard to the cost of capital, capital profitability, and market evaluation, the company has not disclosed 1) current assessment; 2) policies and targets; and 3) initiatives and implementation dates. However, it will provide appropriate explanations regarding profitability and growth potential in results briefing materials, integrated reports, etc.
6810	Maxell	0.89	30-Oct-23	The company plans to incrementally consider the state of Action to Implement Management that is Conscious of Cost of Capital and Stock Price and disclose data at its results briefings and in integrated reports, etc., as well as on its website.
7167	Mebuki Financial Group	0.54	23-Jun-23	Regarding Action to Implement Management that is Conscious of Cost of Capital and Stock Price, company plans to make disclosures by the end of FY23.
7180	Kyushu Financial Group	0.63	23-Jun-23	While formulating its next Group Medium-Term Management Plan, which will start from April 2024, the company is calculating and analyzing its cost of capital as well as considering the formulation of appropriate policies, initiatives, and measures. Those policies, initiatives, and measures will be disclosed together with the next Group Medium-term Management Plan in March 2024.
7201	Nissan Motor	0.43	5-Jul-23	When the company announces its next medium-term plan to achieve its long-term vision Nissan Ambition 2030, the company also plans to mention its financial strategy to achieve capital profitability above the cost of capital.
7545	Nishimatsuya Chain	1.52	2-Jun-23	Company is exploring development of internal systems for analyzing current conditions, including understanding of the cost of capital, formulation and disclosure of plans, implementation and updated disclosure of initiatives, as well as the calculation and compilation of various indicators.
8253	Credit Saison	0.59	3-Jul-23	As part of specific Action to Implement Management that is Conscious of Cost of Capital and Stock Price, in order to determine its policy based on the medium- to long-term management strategy and the ALM committee's analysis of the current situation, the company plans to disclose its policy in May 2024. The company will disclose the status of its deliberations as appropriate.
8304	Aozora Bank	0.82	12-Jul-23	Regarding ROE, an indicator of capital profitability that is strongly correlated with PBR, the company has set a target of 8% for the final year of its medium-term management plan (mid/long-term target is 10%). The company says it will carry out various measures to achieve its ROE target and aim to continually enhance enterprise value toward a PBR of 1.0x, and simultaneously commits to thorough information disclosure, including its progress toward MTP targets.
8341	77 Bank	0.49	29-Jun-23	Company intends to disclose its policies, targets, and specific initiatives to achieve cost-of-capital and stock price-conscious management by the end of FY2023, after deepening discussions at the Board of Directors' meeting, together with an evaluation of the current situation
8424	Fuyo General Lease	1.00	28-Jun-23	With regard to measures toward the actualization of management that pays consideration to cost of capital and share price, the board of directors is analyzing the current situation and considering appropriate policies/measures, and intends to provide full disclosure during FY23.
8601	Daiwa Securities Group	0.89	14-Jul-23	At its business strategy briefing in May 2023, the company disclosed measures to improve PBR based on analysis of the current situation and evaluation. The company plans to include specific initiatives and timelines in its next medium-term plan, which is set to begin in FY24. Disclosure is expected around May 2024.
8706	Kyokuto Securities	0.70	1-Nov-23	Since it will take some time for the company's board of directors to analyze the current situation and consider countermeasures, it plans for disclosure by autumn 2023.
9020	East Japan Railway	1.20	22-Jun-23	Regarding Action to Implement Management that is Conscious of Cost of Capital and Stock Price, the company plans to start disclosure by the time it reports FY23 results.
9401	TBS HD	0.52	6-Jul-23	In line with the TSE's request, the company will disclose measures for improving ROE and PBR, such as growth strategies, as well as the disclosure of indicators.
9504	Chugoku Electric Power	0.76	4-Aug-23	To consider enhancing disclosure of current assessment, policies and targets, and details of initiatives aimed at realizing cost of capital and stock price-conscious management.
9401	TBS HD	0.52	6-Jul-23	In line with the TSE's request, the company will disclose measures for improving ROE and PBR, such as growth strategies, as well as the disclosure of indicators.
9504	Chugoku Electric Power	0.76	4-Aug-23	To consider enhancing disclosure of current assessment, policies and targets, and details of initiatives aimed at realizing cost of capital and stock price-conscious management.

Note: As of 31 August. Actual PBR for FY2022. This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on company reports and QUICK Astra Manager data

Share buybacks and total shareholder returns: Buybacks at record high

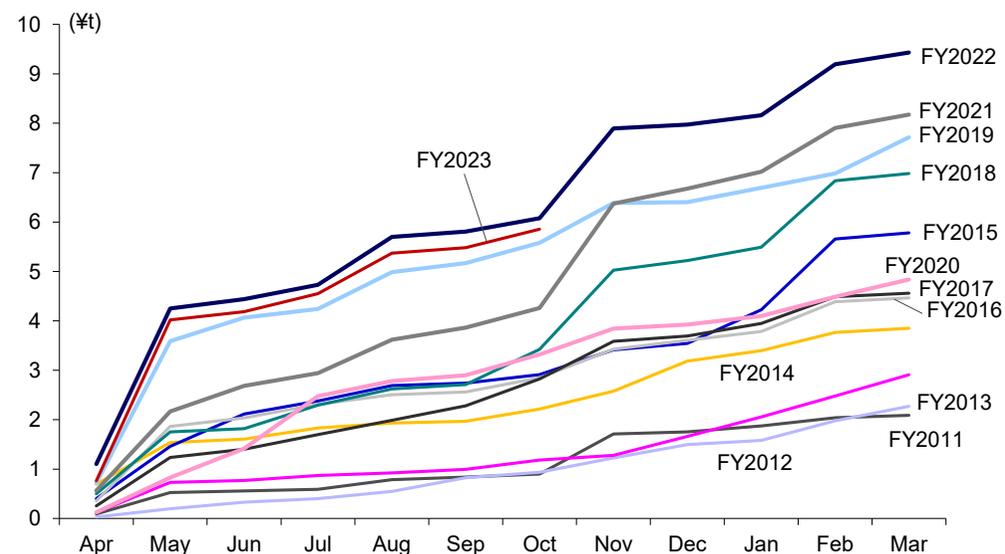
■ Dividends, buybacks, and the total payout ratio for TSE companies



Note: Data for TSE Prime (TSE 1st until 3/2022) companies at the end of each fiscal year excluding financials and Japan Post. Net amount of share buybacks (reported on cash flow statement). Buybacks forecasted for FY3/22 and after by Mizuho Securities. Data As of 1 November

Source: Mizuho Securities Equity Research, based on TSE

■ Target value for share buybacks



Note: As of 31 October for FY2023

Source: Mizuho Securities Equity Research, based on Nikkei, Toyo Keizai, and IFIS consensus

Expected to stir up M&A activity with TSE's low-PBR measure and METI's guidelines for Corporate Takeovers

■ Overview of Guidelines for Corporate Takeovers

Chapter 1 Introduction

- 1.1 Background to the Formulation of the Guidelines for Corporate Takeover
- 1.2 Rationale and Meaning of the Guidelines
- 1.3 Scope of the Guidelines
- 1.4 Definitions of Certain Terms Used in the Guidelines

Chapter 2 Principles and Basic Perspectives

- 2.1 Three Principles
- 2.2 Basic Perspectives
 - 2.2.1 Desirable Acquisitions
 - 2.2.2 Enhancing Corporate Value and Securing Shareholder Interests
 - 2.2.3 Respecting the Intent of Shareholders and Ensuring Transparency

Chapter 3 Code of Conduct for Directors and Board of Directors regarding Acquisition Proposals

- 3.1 Upon Receipt of an Acquisition Proposal
 - 3.1.1 Submitting and Reporting the Proposal to the Board of Directors
 - 3.1.2 Consideration by the Board of Directors
- 3.2 When the Board of Directors Decides on a Direction toward Reaching Agreement of an Acquisition
 - 3.2.1 Possible Scenarios
 - 3.2.2 Differences in Acquisition Ratio and Acquisition Consideration
 - 3.2.3 Negotiations Aimed at Best Available Transaction Terms for Shareholders
- 3.3 Ensuring Fairness - Supplementary Functions of the Special Committee and Matters to be Noted

Chapter 4 Increased Transparency Regarding Acquisitions

- 4.1 Information Disclosure and Provision of Time by the Acquiring Party
 - 4.1.1 Acquisition of Shares and Disclosure of Information by an Acquiring Party
 - 4.1.2 Provision of Time to Consider the Acquisition Proposal
- 4.2 Information Disclosure by Target Company
- 4.3 Preventing Acts that Distort Shareholder Decision-Making

Chapter 5 Takeover Response Policies and Countermeasures

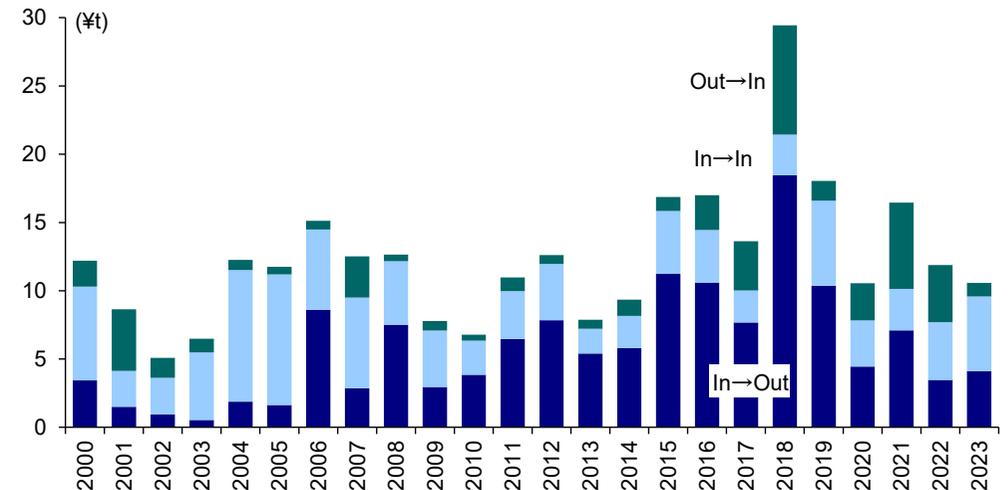
- 5.1 Approach on Takeover Response Policies and Countermeasures
- 5.2 Respecting Shareholders' Intent
- 5.3 Ensuring Necessity and Proportionality
- 5.4 Prior Disclosure
- 5.5 Dialogue with Capital Market

Chapter 6 Conclusion

Note: Published on 31 August

Source: Mizuho Securities Equity Research, based on METI

■ M&A involving Japanese companies



Note: As of 31 October for 2023. In -> Out indicates M&A of overseas companies by Japanese companies; In-> In indicates M&A between Japanese companies; Out -> In indicates M&A of Japanese companies by foreign companies
Source: Mizuho Securities Equity Research from RECOF data

High-PBR companies lauded for focusing on cost of capital

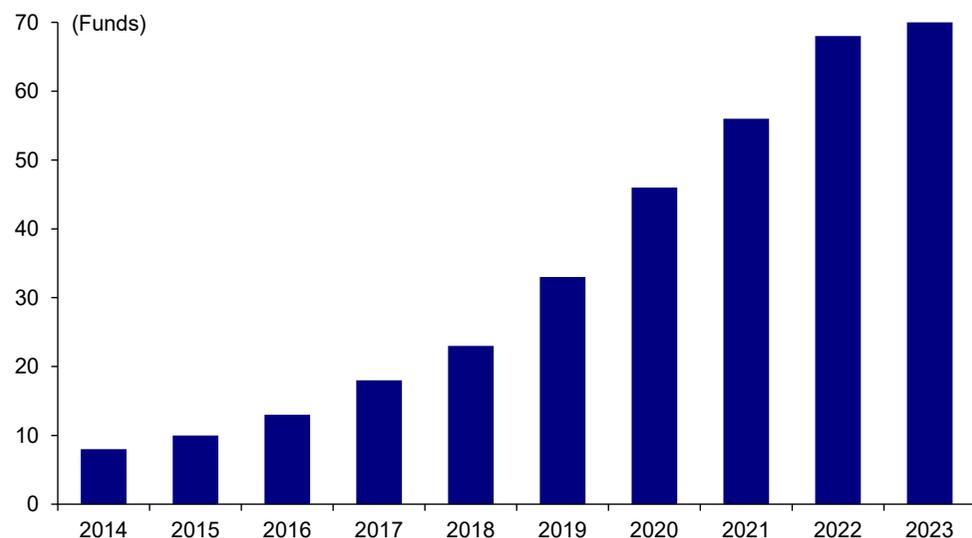
Code	Company	FY22	Announced in	Details
		Actual PBR (X)		
9697	Capcom	6.5	CG report	Emphasizes ROE, not ROIC. ROE is 23.9%, higher than the cost of equity of 5.7%
6506	Yaskawa Electric	3.9	CG report	Aims for ROE and ROIC of at least 15% with WACC at 9% and cost of equity at 10%
2802	Ajinomoto	3.7	Integrated report	Management, on-site workers cooperate to consistently work on maintaining, improving ROIC so it exceeds WACC
5726	OSAKA Titanium Technologies	3.4	CG report	Profitability exceeds cost of capital, and company consistently works to improve its value
6383	Daifuku	3.1	Earnings presentation	In FY21, ROIC was 11%, higher than WACC of 5.6%. In FY22, ROIC was 12.6%, higher than WACC of 7.3%
6367	Daikin Industries	2.8	CG report	Maximizing company's value is management's top task. FCF, ROIC, ROA, and ROE ratios are key control metrics
4523	Eisai	2.8	CG report	Assuming cost of equity of 8%, aim for ROE of 15%, equity spread of 7% in FY25
2780	Komehyo HD	2.4	CG report	Aims for ROE of at least 15%. Basic policy is to improve company's value in light of cost of equity of 8.3%
4063	Shin-Etsu Chemical	2.2	CG report	Calculates cost of capital, compares it to ROE, ROIC, reports results to executive committee, including directors, auditors
8252	Marui Group	1.8	IR Day presentation	By evolving into a company that solves social issues, lift PBR from 1.7x (10% ROE×17x PER) → 5x (25% ROE×20x PER)
6645	Omron	1.7	Website	ROIC-based management consists of ROIC reverse tree and portfolio management
2503	Kirin HD	1.6	Earnings presentation	PBR is above 1x, but this is not enough given the company value that the Kirin group strives for
6501	Hitachi	1.6	CG report	Use ROIC as a KPI to grow high-profitability businesses and improve capital efficiency
6902	Denso	1.5	CG report	To increase equity spread over medium to long term, aim for ROE of over 10% by FY25
4901	FUJIFILM HD	1.2	CG report	Set ROIC and ROE goals as well as cost of capital, WACC targets, and assess, verify likelihood of return on capital

Note: As of 3 October for actual PBR. This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on company reports and QUICK Astra Manager

Number of activist funds and shareholder proposals is increasing in Japan

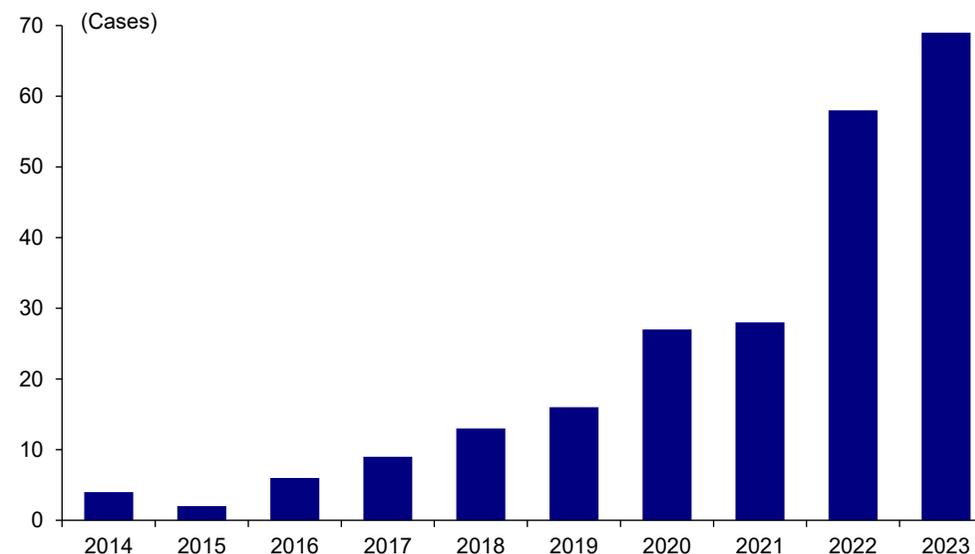
■ Activist funds in Japan



Note: As of 30 September for 2023. Japanese equity investors clearly operating as domestic or overseas activist funds; at a time when activist operations have not yet begun, the fund is not counted in the Japanese investment count.

Source: Mizuho Securities Equity Research, based on materials by IR Japan HD

■ Number of shareholder proposals by activist funds



Note: As of 30 September for 2023

Source: Mizuho Securities Equity Research, based on materials by IR Japan HD and Nikkei Shimbun

Large shareholding by activists and engagement funds

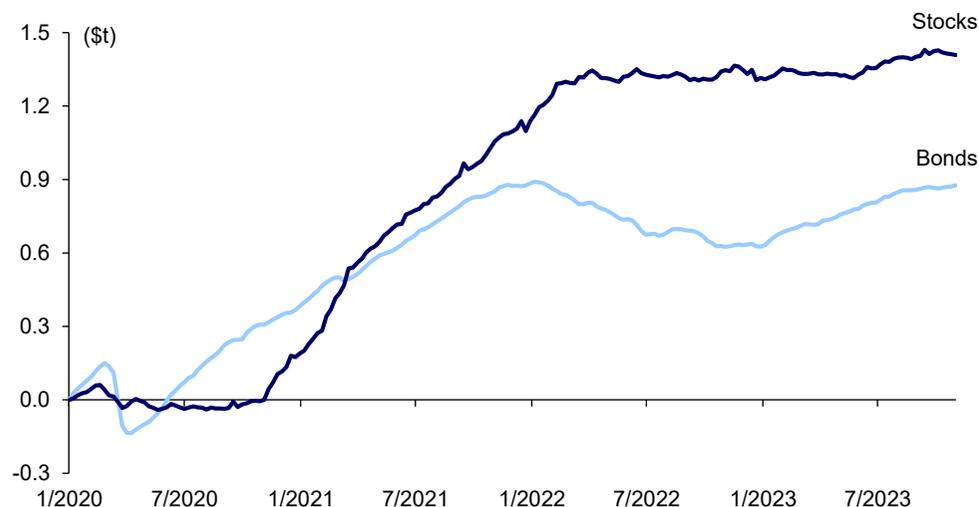
Name of shareholder	Code	Company	Sector	Equity Stake (%)	Latest date of report submission	Name of shareholder	Code	Company	Sector	Equity Stake (%)	Latest date of report submission			
Murakami Fund	S-Grant Co.	4041	Nippon Soda	Chemicals	4.1	07-Sep-20	Hibiki Path Advisors	8011	Sanyo Shokai	Txl & Appri	4.0	17-Jun-20		
		8848	Leopalace21	Real Estate	3.7	12-Nov-20		6023	Daihatsu Diesel Manufacturing	Transport E	4.0	04-Oct-21		
		6770	Alps Alpine	Electric Appl	7.7	26-Sep-23		4973	Japan Pure Chemical	Chemicals	6.7	07-Oct-21		
		3156	Restar HD	Wholesale Trd	12.0	26-Sep-23		6143	Sodick	Machinery	4.2	22-Mar-22		
		4023	Kureha	Chemicals	6.2	18-Oct-23		8929	Aoyama Zaisan Networks	Retail Estate	4.5	28-Mar-22		
	1890	Toyo Const.	Construction	1.9	30-Mar-22	3791		IG Port	Info & Comi	6.1	22-Feb-23			
	Reno	Mnamii Aoyama Fudosan	2812	Yaizu Suisankagaku Industry	Foods	10.4		26-Sep-23	Oasis Management	9872	Tokyoikeiba	Services	8.4	30-Mar-23
			1821	Sumitomo Mitsui Const.	Construction	11.3		26-Sep-23	3391	Tsuruha HD	Retail Trad	12.8	15-May-23	
			7294	Yorozu	Transport Equip	10.6		26-Sep-23	3549	Kusuri no Aoki HD	Retail Trad	5.5	18-May-23	
	City Index Eleventh		7516	Kohnan Shoji	Retail Trade	3.9		04-Aug-21	1861	Kumagai Gumi	Constructio	7.1	29-May-23	
			5541	Pacific Metals	Iron & Steel	4.8		24-Nov-21	7157	LIFENET INSURANCE CO	Insurance	9.7	14-Jun-23	
			5232	Sumitomo Osaka Cement	Giss & Crme Prd	3.9		28-Apr-22	6406	Fujitec	Machinery	19.9	04-Aug-23	
			5017	Fuji Oil	Oil & Coal Prod	4.9		19-Aug-22	5194	Sagami Rubber Industries	Rubber Pro	9.8	01-Sep-23	
			3105	Nisshinbo HD	Electric Appl	4.1		14-Oct-22	8698	Monex Group	Sec&Cmnty	4.1	27-Sep-23	
			8253	Credit Saison	Other Finc Bus	4.0		18-Oct-22	1719	Hazama Ando	Constructio	4.9	02-Oct-23	
8595			JAFCO Group Ltd	Sec&Cmnty Futr	2.0	20-Feb-23	Brandes Investment	6485	Maizawa Kyuso Industries	Machinery	4.2	24-Sep-20		
8942			ARLANDS CORP	Retail Trade	4.8	24-Apr-23	6140	Asahi Diamond Industrial	Machinery	4.1	05-Mar-21			
6804			Hosiden	Electric Appl	4.2	23-May-23	3529	Asuji	Txl & Appri	4.7	15-Apr-22			
1821			Sumitomo Mitsui Const.	Construction	11.3	01-Aug-23	6986	Futaba	Electric App	6.5	21-Jun-22			
6770			Alps Alpine	Electric Appl	6.4	04-Aug-23	7239	Tachi-S	Transport E	4.3	12-Oct-22			
4617			Chugoku Marine Paints	Chemicals	4.7	15-Aug-23	6349	Komori	Machinery	13.3	01-Sep-23			
1822			Daiho	Construction	7.8	26-Sep-23	Effissimo Capital Management	8750	Dai-ichi Life HD	Insurance	9.9	04-Aug-23		
1885			Toa /Tokyo	Construction	7.0	26-Sep-23	6502	Toshiba	Electric App	0.0	26-Sep-23			
5021			Cosmo Energy HD	Oil & Coal Prod	20.0	26-Sep-23	1813	Fudo Tetra	Constructio	14.3	03-Oct-23			
8140	Ryosan	Wholesale Trd	10.4	23-Oct-23	4047	Kanto Denka Kogyo	Chemicals	12.2	03-Oct-23					
Strategic Capital		8511	Japan Securities Finance	Other Finc Bus	5.0	22-Mar-22	5449	Osaka Steel	Iron & Steel	6.4	03-Oct-23			
		1852	Asanuma	Construction	4.5	23-May-22	5741	UACJ	Nonfer Meta	15.8	03-Oct-23			
		7226	Kyokuto Kaihatsu Kogyo	Transport Equip	6.7	13-Jun-22	6707	Sanken Electric	Electric App	19.2	03-Oct-23			
		5930	Bunka Shutter	Metal Products	6.5	12-Jul-22	7141	Tamron	Prec Instrum	10.3	03-Oct-23			
		8093	Kyokuto Boeki	Wholesale Trd	3.8	01-Feb-23	3104	Fujibo HD	Txl & Appri	12.1	03-Oct-23			
		7239	Tachi-S	Transport Equip	4.5	10-Jul-23	1786	Oriental Shiraishi	Constructio	9.8	05-Oct-23			
		1898	Seikokogyo Kogyo	Construction	5.0	07-Aug-23	6246	Techno Smart	Machinery	6.6	05-Oct-23			
		8125	Wakita	Wholesale Trd	9.0	16-Aug-23	7122	Kinki Sharyo	Transport E	9.8	05-Oct-23			
		5451	Yodogawa Steel Works	Iron & Steel	5.0	15-Sep-23	9742	Ines	Info & Comi	6.4	05-Oct-23			
		1882	TOA ROAD CORP	Construction	9.3	03-Oct-23	7545	Nishimatsuya Chain	Retail Trad	5.6	19-Oct-23			
		3205	Daidoh	Txl & Appri	16.4	06-Oct-23	7157	LIFENET INSURANCE CO	Insurance	18.0	23-Oct-23			
		5208	Arisawa Manufacturing	Chemicals	11.6	13-Oct-23	9107	Kawasaki Kisen	Maritime Tr	36.6	23-Oct-23			
		8271	Goldcrest	Retail Estate	8.4	16-Oct-23	Dalton Investments	2309	CMC HD	Services	4.6	08-Feb-22		
		6619	W.Scope	Electric Appl	4.8	14-Apr-20	8709	Aizawa Securities Group	Sec&Cmnty	9.7	08-Aug-23			
		Taiyo Fund / Taiyo Pacific Partners		6240	Yamashin-Filter	Machinery	4.9	12-Apr-21	6237	Iwaki	Machinery	4.0	02-Jun-22	
9757	Funai Soken HD			Services	4.8	28-Sep-21	2389	Digital HD	Services	4.9	10-Jun-22			
8508	J Trust			Other Finc Bus	4.6	08-Nov-21	6836	Plathome	Electric App	4.1	28-Jun-22			
4189	KH Neochem			Chemicals	9.7	05-Jan-22	7874	LEC	Chemicals	7.7	01-Jul-22			
6810	Maxell			Electric Appl	11.0	05-Jan-22	7958	Tenma	Chemicals	14.7	01-Jul-22			
6789	Roland DG			Electric Appl	19.6	05-Jan-22	3132	Macnica HD	Wholesale	7.5	22-Dec-22			
8715	Anicom HD			Insurance	4.4	25-May-22	3593	Hogy Medical	Txl & Appri	5.4	09-Jun-23			
6728	Ulvac			Electric Appl	10.3	08-Jun-22	3657	Pole To Win HD	Info & Comi	5.4	16-Jun-23			
7915	Nissaha			Other Products	9.3	08-Aug-22	5929	Sanwa HD	Metal Produ	5.0	31-Jul-23			
4587	PeptiDream			Pharmaceutical	7.2	05-Sep-22	5186	Nitta	Rubber Pro	5.1	04-Oct-23			
4565	Sosei Group			Pharmaceutical	8.2	08-Feb-23	6809	Toa Pkyogo	Electric App	6.1	04-Oct-23			
3031	Raccoon HD			Info & Comm	19.4	13-Apr-23	9058	Trancom	Ware&Harb	6.1	04-Oct-23			
7164	Zenkoku Hoshio			Other Finc Bus	4.3	23-Jun-23	5947	Rinnai	Metal Produ	5.3	04-Oct-23			
3046	JINS HD			Retail Trade	4.1	13-Jul-23	AM	3302	Teikoku Sen-I	Txl & Appri	4.0	16-Sep-20		
7732	Topcon			Prec Instrument	4.0	13-Oct-23	2168	Pasona Group	Services	4.1	08-Dec-20			
Slichester International		1833	Okumura	Construction	4.7	01-Feb-23	6156	A-One Seimitsu	Machinery	8.8	13-Aug-21			
		6302	Sumitomo Heavy Industries	Machinery	13.5	27-Feb-23	9682	DTS	Info & Comi	8.9	15-Feb-22			
		7186	Concordia Financial Group	Banks	6.4	03-Mar-23	4956	Konishi	Chemicals	5.0	16-Jan-23			
		1860	Toda	Construction	9.0	08-Mar-23	3558	Jade Group	Retail Trad	10.6	27-Mar-23			
		2432	DeNA	Services	7.4	03-Apr-23	6236	NC HD	Machinery	20.5	31-Jul-23			
		7459	Medipal HD	Wholesale Trd	11.8	03-Apr-23	6727	Wacom	Electric App	10.1	03-Aug-23			
		2201	Morinaga	Foods	4.1	06-Apr-23	3693	TSI HD	Txl & Appri	7.5	28-Aug-23			
		7272	Yamaha Motor	Transport Equip	6.1	22-May-23	9749	Fuji Soft	Info & Comi	21.5	04-Oct-22			
		5714	Dowa HD	Nonfer Metal	18.8	05-Jun-23	6502	Toshiba	Electric App	4.9	29-Mar-23			
		1878	Daito Trust Const.	Real Estate	5.0	05-Jun-23	6055	Japan Material	Services	4.9	19-Jun-23			
		1721	COMSYS HD	Construction	9.2	19-Jun-23	2812	Yaizu Suisankagaku Industry	Foods	9.8	19-Sep-23			
		1801	Taisei	Construction	7.1	19-Jun-23	2501	Sapporo HD	Foods	5.1	19-Oct-23			
		4202	Daicel	Chemicals	13.5	29-Jun-23	2329	Tohokushinsha Film	Info & Comi	12.4	24-Oct-23			
		4676	Fuji Media HD	Info & Comm	10.0	01-Aug-23	ValueAct Capital Master Fund / ValueAct Capital Management	7733	Olympus	Prec Instrur	4.0	12-Jan-21		
		4887	Sawai Group HD	Pharmaceutical	13.3	09-Aug-23	4185	JSR	Chemicals	9.3	20-May-21			
1951	EXEO Group	Construction	8.3	16-Aug-23	4704	Trend Micro	Info & Comi	8.7	09-Aug-22					
3291	Iida Group HD	Real Estate	9.1	21-Aug-23	7732	Topcon	Prec Instrur	8.1	18-Oct-23					
2784	Alfresa HD	Wholesale Trd	11.3	15-Sep-23	Nippon Active Value Fund	6333	Teikoku Electric Manufacturing	Machinery	4.5	09-Sep-22				
1803	Shimizu	Construction	4.0	27-Sep-23	9908	Nihon Denkei	Wholesale	4.4	13-Sep-22					
9072	Nikkon HD	Land Transprt	11.7	27-Sep-23	5192	Mitsubishi Belting	Rubber Pro	4.0	09-Dec-22					
9987	Suziken /Aichi Japan	Wholesale Trd	10.4	29-Sep-23	6328	Ebara Jitsugyo	Machinery	7.0	20-Jan-23					
8012	Nagase	Wholesale Trd	6.8	29-Sep-23	4462	Ishihara Chemical	Chemicals	5.1	21-Sep-23					
4324	Dentsu Group	Services	7.1	02-Oct-23	8708	Aizawa Securities Group	Sec&Cmnty	12.0	04-Oct-23					
5844	Kyoto Financial Group	Banks	6.6	04-Oct-23	4636	T&K Toka	Chemicals	24.2	06-Oct-23					
4521	Kaken Pharmaceutical	Pharmaceutical	5.9	12-Oct-23	4109	Stella Chemifa	Chemicals	15.7	06-Oct-23					
					5947	Rinnai	Metal Produ	6.3	18-Oct-23					

Note: As of 24 October. Latest major large shareholding reports since the beginning of 2020. For joint holdings, representative is shown in the list. This is not a list of our recommendations
Source: Mizuho Securities Equity Research, based on QUICK Astra Manager

3. Fund Flows

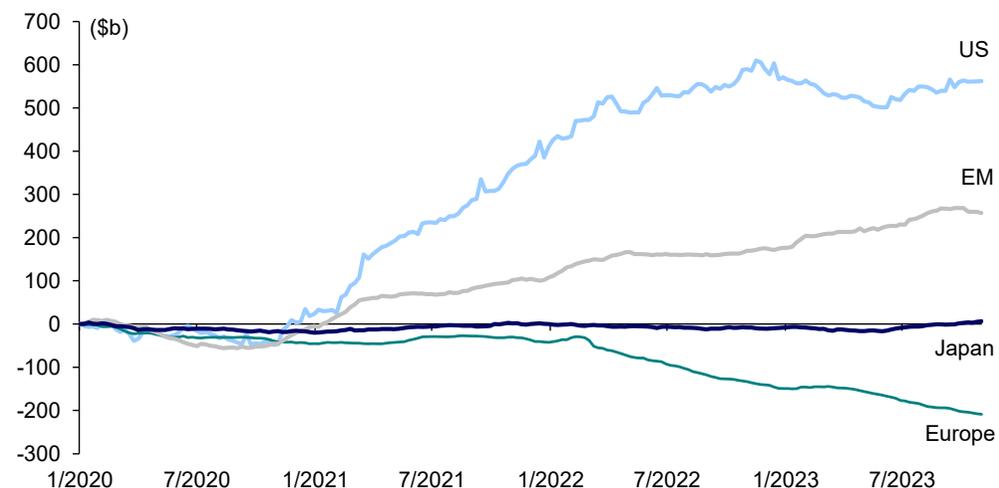
Inflows for global bond and stock funds: Inflows for Japan flat

■ Cumulative inflows for bonds, stock funds



Note: As of 1 November. Data are based on cumulative totals from 2020
 Source: Mizuho Securities Equity Research, based on EPFR Global

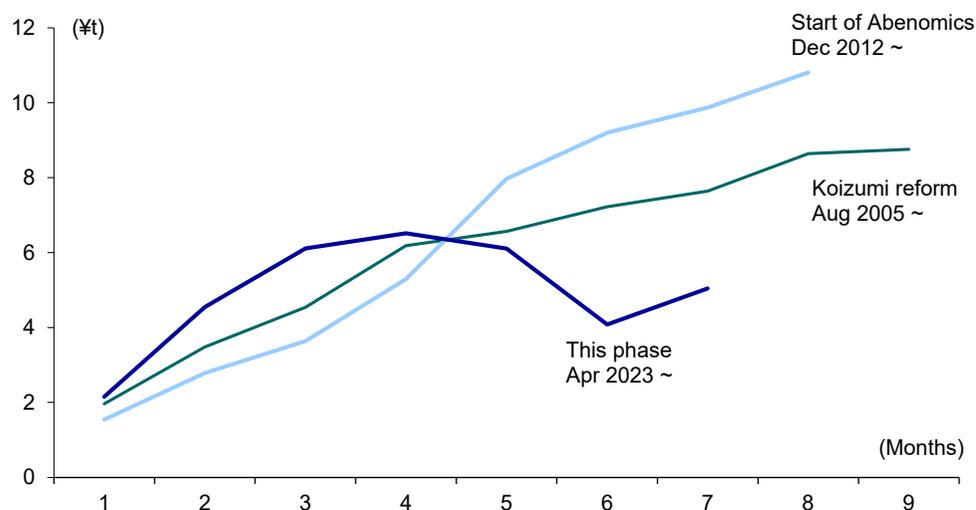
■ Cumulative inflows for Japanese, US, European, and emerging-market stock funds



Note: As of 1 November. Data are based on cumulative totals from 2020
 Source: Mizuho Securities Equity Research, based on EPFR Global

Net buying of Japanese stocks: Foreigners sellers in September

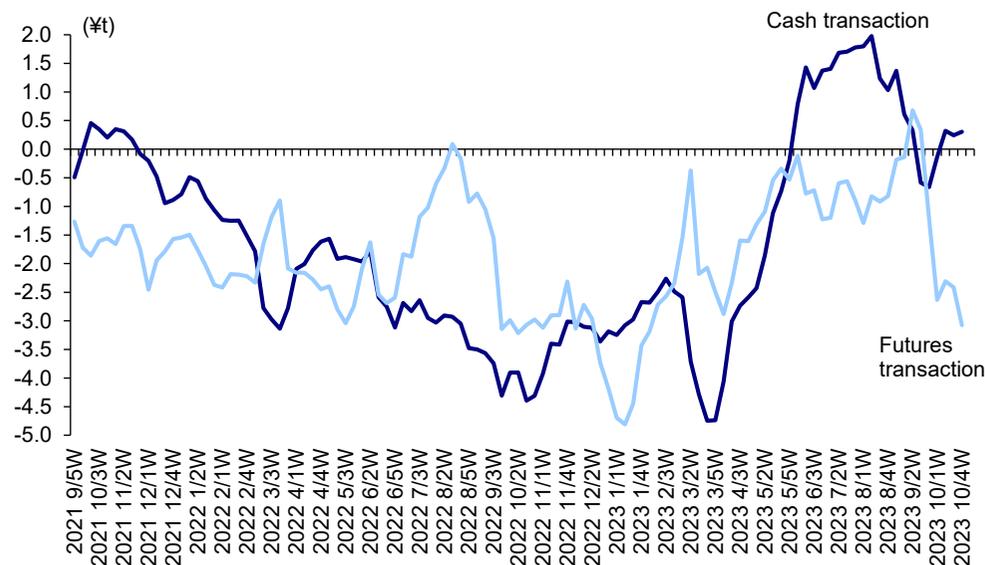
■ Cumulative net buying of Japanese stocks by foreign investors in three phases



Note: As of the fourth week of October since April 2023. Cash transactions for two markets combined.

Source: Mizuho Securities Equity Research, based on TSE

■ Net buying of Japanese stocks by foreign investors since the start of Kishida Admin.

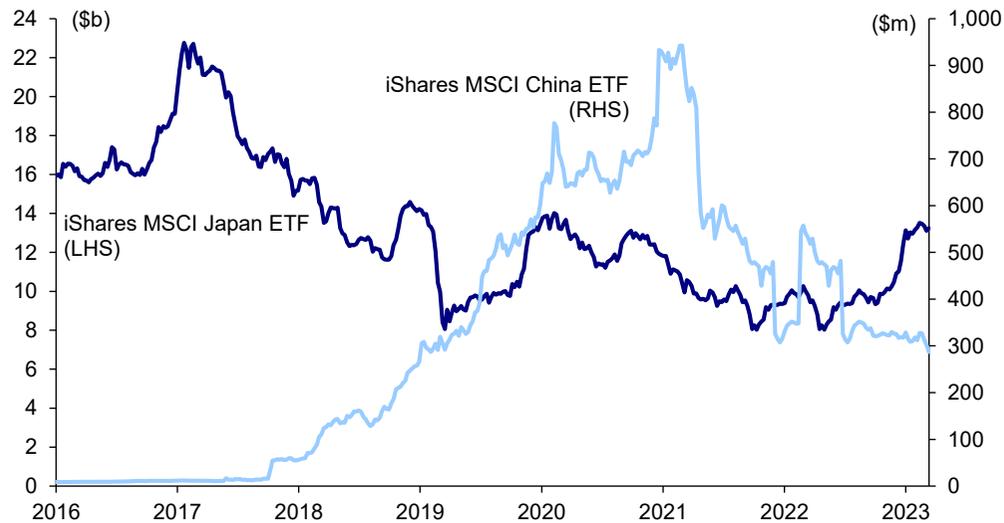


Note: As of the fourth week of October. Kishida Cabinet started on 4 October 2021. Net buying refers to total for two markets

Source: Mizuho Securities Equity Research, based on TSE

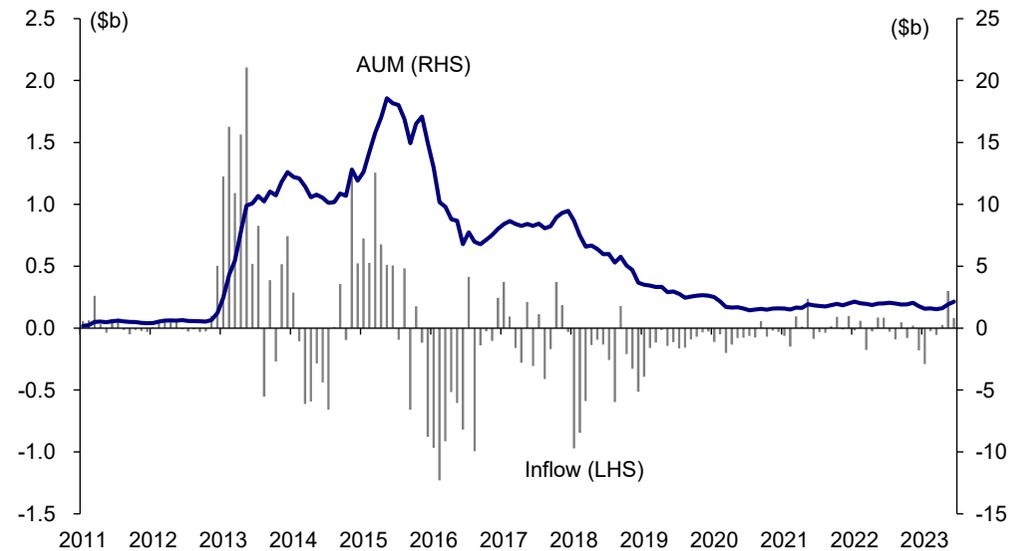
Money flows to Japanese and Chinese ETFs: BlackRock vs. WisdomTree

■ Money flows to iShares MSCI Japan ETF and iShares MSCI China ETF



Note: As of 7 November
 Source: Mizuho Securities Equity Research, based on Bloomberg

■ WisdomTree's Japan Hedged Equity Fund AUM and fund inflow



Note: As of 1Q 2023
 Source: Mizuho Securities Equity Research, based on company reports

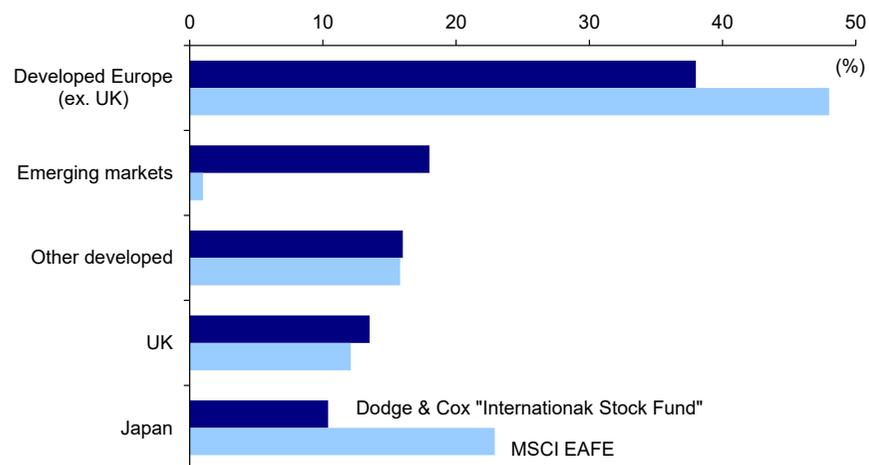
Major US mutual funds and Dodge & Cox's International Stock Fund holdings

Japanese equity allocation in major US mutual funds

Asset manager	Fund name	AUM (\$b)	1Y return (%)	Benchmark	As of the end of September 2023			As of the end of June 2023		
					Neutral weight of Japanese equities (%) (A)	Actual weight of Japanese equities (%) (B)	B/A (%)	Neutral weight of Japanese equities (%) (A)	Actual weight of Japanese equities (%) (B)	B/A (%)
Capital	EuroPacific Growth Fund	126.6	12.4	MSCI ACWI ex USA	14.7	10.7	72.8	14.5	11.5	79.3
Dodge&Cox	International Stock Fund	44.7	26.8	MSCI EAFE	22.9	10.4	45.4	22.4	11.1	49.6
Capital	International Growth & Income Fund	14.1	16.9	MSCI ACWI ex USA	14.7	8.1	55.1	14.5	8.3	57.2
Capital	American Funds Global Insight Fund	9.6	13.1	MSCI World	6.7	6.2	92.5	6.1	6.9	113.1
Fidelity	Diversified International Fund	8.9	22.5	MSCI EAFE	22.9	16.5	72.2	22.4	16.5	73.8
Nuveen	TIAA-CREF International Equity Fund	6.4	25.7	MSCI EAFE	22.9	21.7	94.8	22.4	21.5	96.0
Fidelity	International Discovery Fund	5.9	14.0	MSCI EAFE	17.3	20.6	119.1	22.4	18.5	82.5
T. ROWE PRICE	Global Stock Fund	5.4	20.7	MSCI ACWI (Net)	5.6	5.7	102.5	5.5	5.6	102.7
JP Morgan	International Equity Fund	4.3	23.2	MSCI EAFE	22.9	20.5	89.5	22.4	20.2	90.2
Lazard	International Strategic Equity Portfolio	4.1	19.5	MSCI EAFE	22.9	10.4	45.4	22.4	13.9	62.1
Morgan Stanley	International Advantage Portfolio	2.8	21.2	MSCI ACWI ex USA	14.7	4.7	31.7	14.5	5.2	36.1
Morgan Stanley	International Equity Portfolio	1.2	24.6	MSCI EAFE	22.9	3.2	14.1	22.4	3.7	16.4
Lazard	International Equity Portfolio	1.2	23.5	MSCI EAFE	22.9	14.1	61.6	22.4	16.1	71.7
Columbia Thread Needle	Columbia Global Value Fund	0.8	15.7	MSCI World Value (Net)	7.0	8.8	125.7	6.5	7.0	107.2
Columbia Thread Needle	Columbia Acorn International Select	0.2	14.2	MSCI ACWI ex USA Small Mid Growth (Net)	13.6	19.5	143.3	18.8	17.5	93.3
Average							77.7			75.4

Source: Mizuho Securities Equity Research, based on company reports

Dodge & Cox's International Stock Fund and MSCI EAFE holdings by region

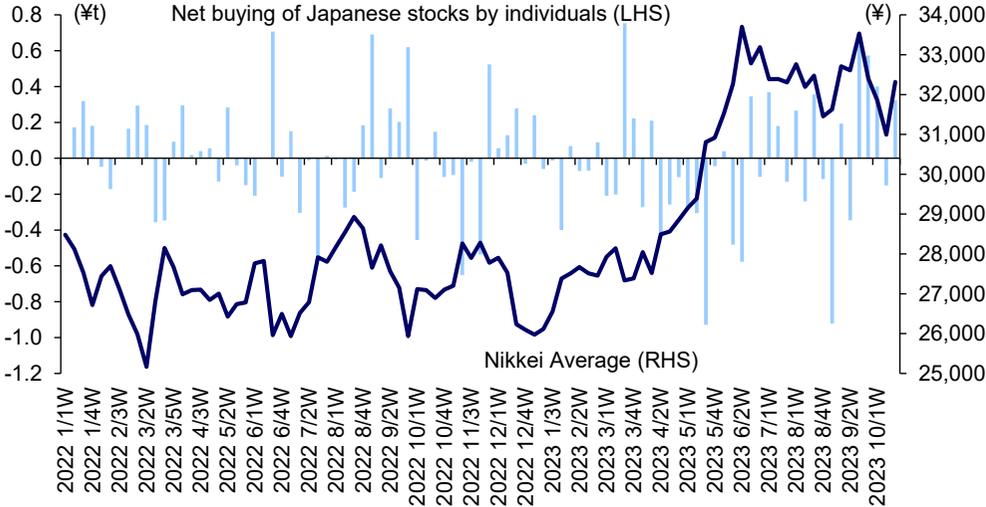


Note: As of 30 September 2023. % of market value

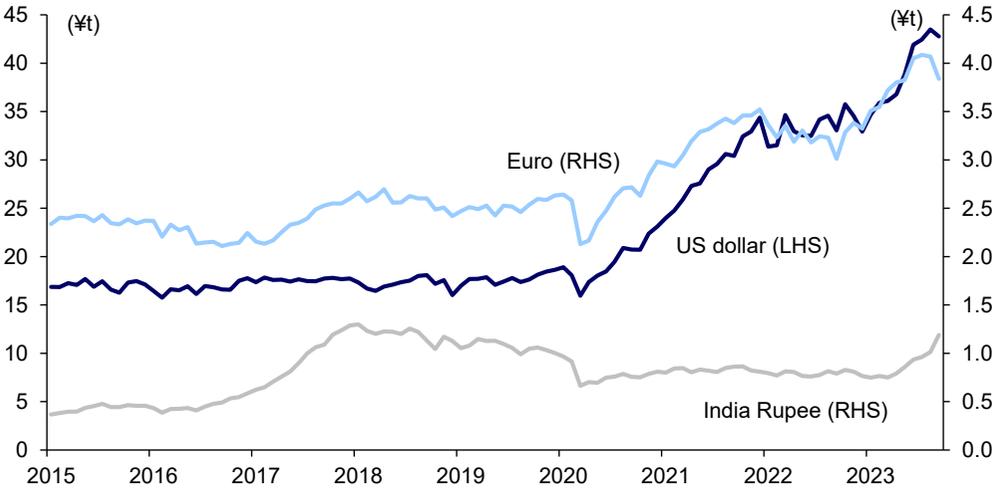
Source: Mizuho Securities Equity Research, based on company reports

Retail investors increase their investments in foreign equity funds

■ Net buying of Japanese stocks by retail investors and Nikkei 225



■ Foreign currency-denominated funds' net assets by currency

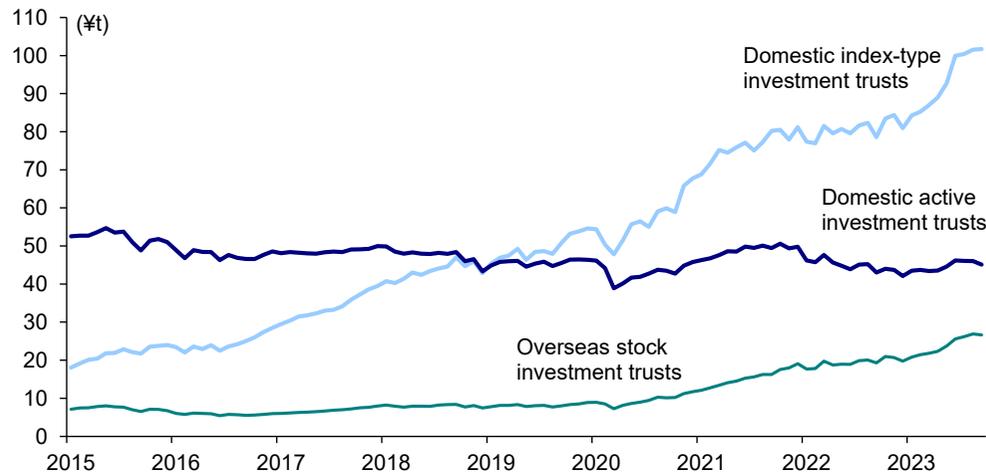


Note: Cash transactions (two-market total). Individuals = cash + margin. As of the fourth week of October for 2023
 Source: Mizuho Securities Equity Research, based on TSE and Bloomberg

Source: Mizuho Securities Equity Research, based on Investment Trusts Association

Inflows into domestic stock investment trusts exceeded overseas stock investment trusts for second consecutive month

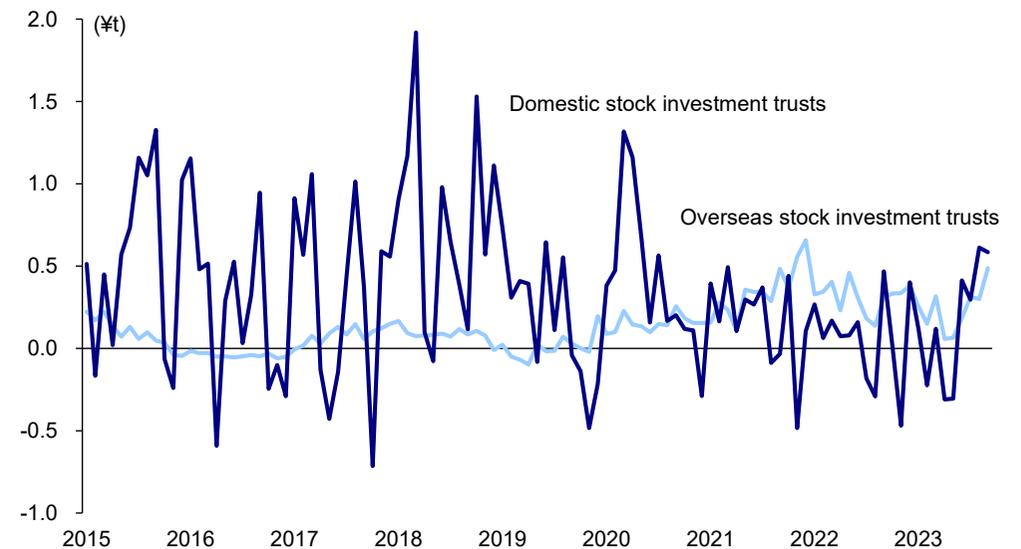
Net assets of overseas stock investment trusts, domestic active-management investment trusts and domestic indexed investment trust



Note: Domestic active investment trusts = Stock investment trusts (includes foreign bond investment trusts) – Overseas investment trusts – Index-type investment trusts (includes ETFs)

Source: Mizuho Securities Equity Research, based on Investment Trusts Association

Net inflow of domestic and overseas stock investment trusts

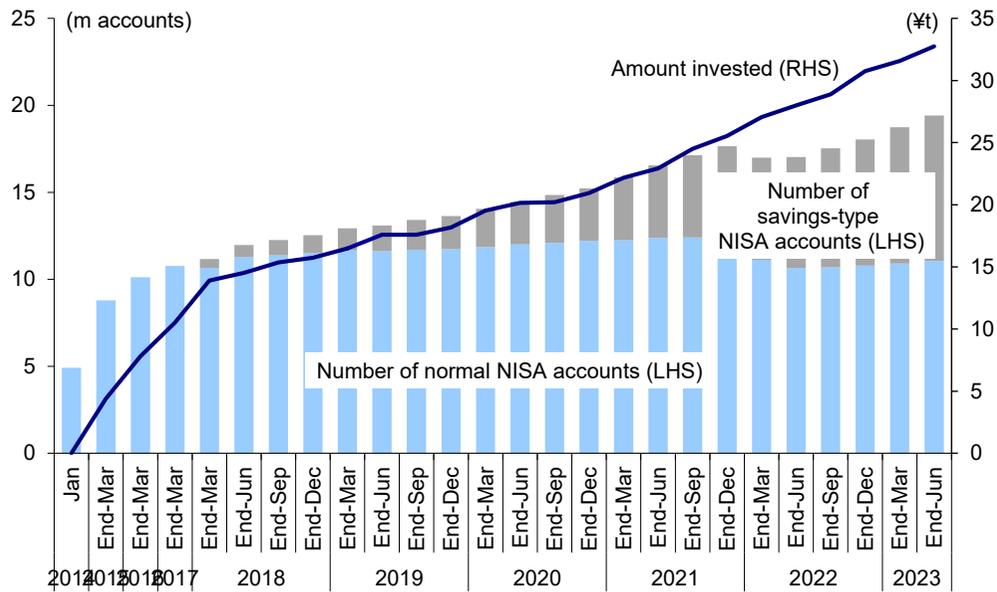


Note: Net inflow = sales - repurchase – redemption

Source: Mizuho Securities Equity Research, based on Investment Trusts Association

Plans to more than double NISAs (tax-free investment account for retail investors) in 2024

■ NISA account numbers and amount invested



Note: Number of accounts with investment use limits
Source: Mizuho Securities Equity Research, based on FSA

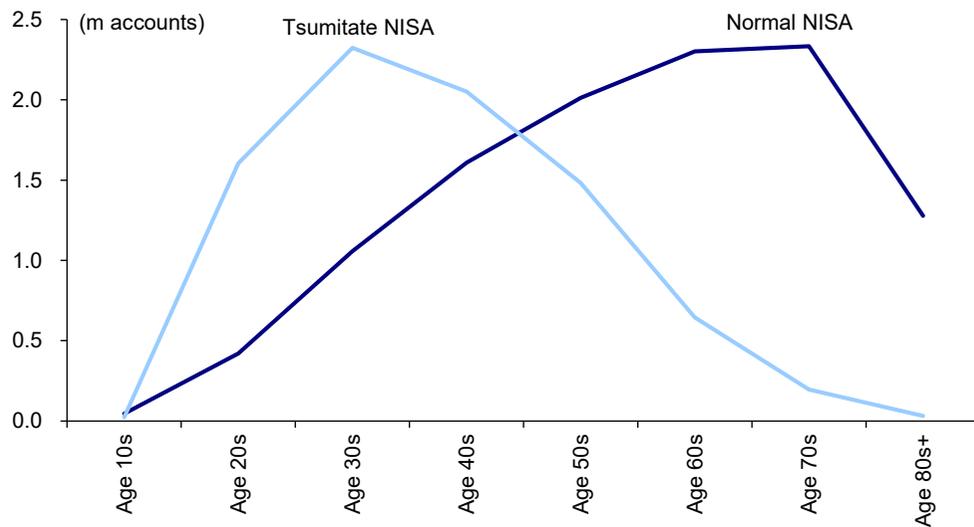
■ Comparison of old and new NISA system

New system	Tsumitate investment framework	Can be used together	Growth investment framework
Annual investment limit	¥1.2m		¥2.4m
Tax-exempt holding period (Note 1)	Indefinite		Indefinite
Tax-exempt holding limit (Total limit) (Note 2)	¥18m *Managed using the book value method (limit can be reused)		
Account opening period	No set period		No set period
Eligible investment products	Certain investment trusts suitable for long-term accumulation and diversification (Same as current Tsumitate NISA products)		Listed stocks, investment trusts, etc. (Note 3) (Excluding (i) securities under supervision & securities to be delisted, and (ii) investment trusts with a trust period of less than 20 years, investment trusts that pay monthly distributions, and investment trusts that use derivative transactions)
Target age	18 and up		18 and up
Link with the current system	Some products invested in under the current General NISA and Tsumitate NISA system through the end of 2023 will be tax exempt under the current system and not included in the limit of the new system. *Rollovers from the current system to the new system will not be allowed		
<small>Note 1: With the indefinite tax-exempt holding period, addresses and other user details will be checked thoroughly to ensure proper operation of the system, as is the case with the current Tsumitate NISA system. Note 2: The National Tax Agency manages the information provided by financial institutions using a specific cloud for each user's tax-exempt holding limit. Note 3: The Financial Services Agency revised its supervisory guidelines for solicitation by financial institutions for turnover trading using the "growth investment framework" and implemented supervision and monitoring in accordance with laws and regulations. Note 4: Even after the five-year tax exemption period ends, products invested in under the Junior NISA system through the end of 2023 are eligible for tax exemption until the holder reach 18 years of age, if the required procedures are completed. However, the FSA will now omit these procedures to improve ease of use.</small>			
Current system	Tsumitate NISA (Established in 2018)	Choice	General NISA (Established in 2014)
Annual investment limit	¥400,000		¥1.2m
Tax-exempt holding period	20 years		6 years
Tax-exempt holding limit	¥8m		¥6m
Account opening period	Until 2023		Until 2023
Eligible investment products	Certain investment trusts suitable for long-term accumulation and diversification (Limited to investment trusts that meet FSA standards)		Listed stocks, investment trusts, etc.
Target age	18 and up		18 and up

Source: Mizuho Securities Equity Research, based on FSA

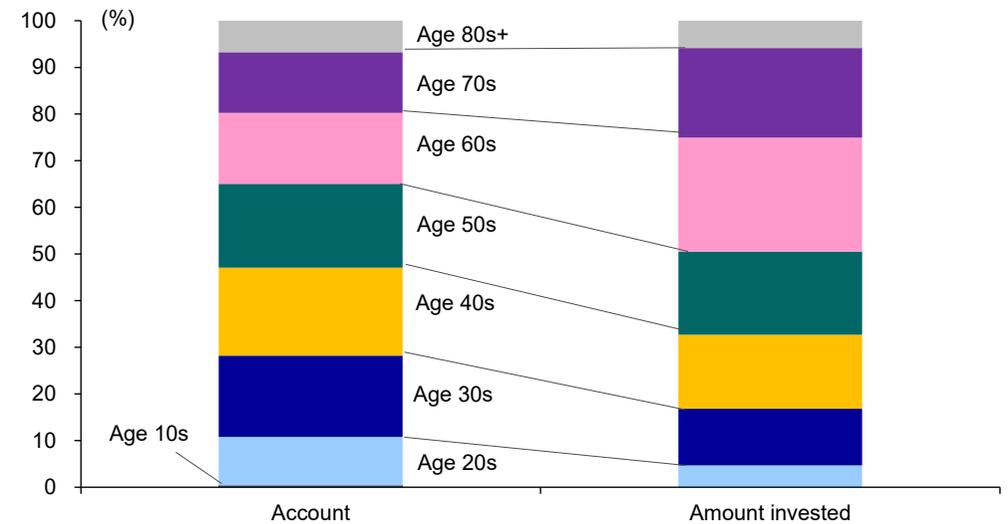
NISA account numbers and amount invested by age group

■ Number of normal NISA and Tsumitate NISA accounts by age group



Note: Number of accounts with investment use limits
Source: Mizuho Securities Equity Research, based on FSA

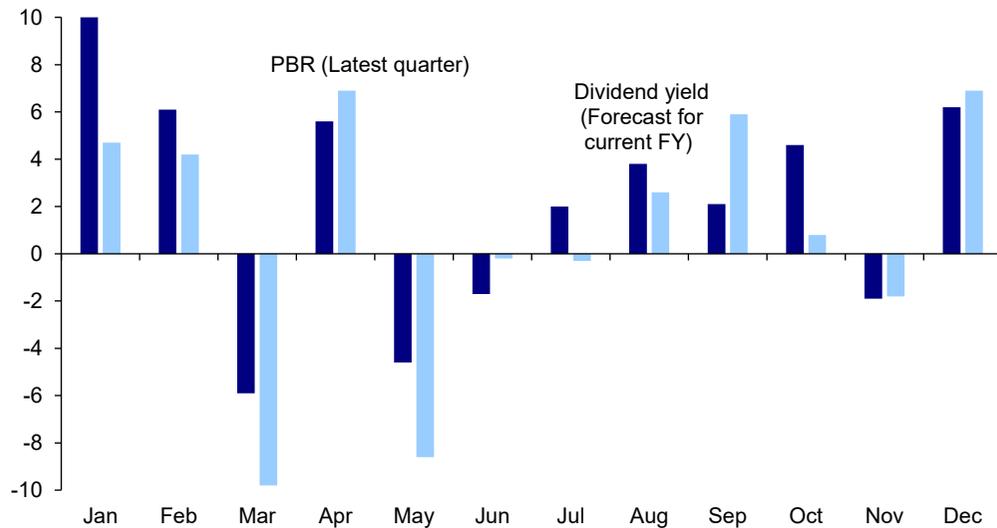
■ Share of NISA accounts and NISA purchases by age group



Note: As of June 2023
Source: Mizuho Securities Equity Research, based on FSA

Seasonality for dividend yield and PBR effectiveness and ranking of NISA purchases on SBI Securities

■ Seasonality for dividend yield and PBR effectiveness



Note: Universe is TOPIX500. Average of the latest 10-year. Includes latest month (As of 31 October)

Source: Mizuho Securities Equity Research, based on Toyo Keizai, Nikkei and IFIS

■ Stocks with large NISA purchases on SBI Securities

Rank	Code	Company	Dividend yield (%)
1	4502	Takeda Pharmaceutical	5.5
2	7203	Toyota Motor	3.3
3	4503	Astellas Pharma	2.9
4	6301	Komatsu	3.6
5	4927	Pola Orbis HD	4.7
6	8306	Mitsubishi UFJ Financial Group	2.3
7	4661	Oriental Land	2.6
8	2914	Japan Tobacco	4.0
9	9432	Nippon Telegraph & Telephone	5.5
10	8591	ORIX	0.2

Note: Ranking is based on the trading at SBI Securities during 30 October to 3 November 2023. Dividend yield is Toyo Keizai forecast for FY23 as of 6 November This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on SBI Securities website and QUICK Astra Manager

Companies in order of number of individual shareholders

Code	Company	Sector	Share price (¥)	Market cap (¥b)	FY2022	FY2017	5yr change	FY2023
					# of individual shareholders	# of individual shareholders	# of individual shareholders	Dividend yield (%)
7203	Toyota Motor	Transport Equip	2,786	45,445.4	901,833	514,559	387,274	2.2
8306	Mitsubishi UFJ Financial Group	Banks	1,318	16,722.4	900,283	632,091	268,192	3.1
8267	Aeon	Retail Trade	3,028	2,640.2	863,220	712,072	151,148	1.2
8591	ORIX	Other Finc Bus	2,884	3,560.7	847,682	297,216	550,466	3.3
9434	SoftBank	Info & Comm	1,764	8,450.6	811,469	0	811,469	4.9
9202	ANA HD	Air Transport	3,226	1,562.3	720,155	443,469	276,686	NA
2914	Japan Tobacco	Foods	3,429	6,858.0	716,575	202,009	514,566	5.5
9432	Nippon Telegraph & Telephone	Info & Comm	180	16,299.1	703,517	649,365	54,152	2.8
6178	Japan Post HD	Services	1,252	4,333.2	703,407	712,934	-9,527	4.0
8750	Dai-ichi Life HD	Insurance	3,053	3,022.1	682,990	749,642	-66,652	2.8
8411	Mizuho Financial Group	Banks	2,675	6,791.2	640,574	998,919	-358,345	3.6
7182	Japan Post Bank	Banks	1,322	4,780.7	640,461	472,664	167,797	3.8
7201	Nissan Motor	Transport Equip	693	2,923.3	541,118	442,871	98,247	2.2
4502	Takeda Pharmaceutical	Pharmaceutical	4,752	7,519.3	540,329	244,711	295,618	4.0
5020	ENEOS HD	Oil & Coal Prod	616	1,866.7	515,778	181,975	333,803	3.6
3197	Skylark HD	Retail Trade	2,027	461.1	484,410	368,078	116,332	0.3
9201	Japan Airlines	Air Transport	2,975	1,300.3	442,234	120,487	321,747	1.3
9501	Tokyo Electric Power HD	Elec Powr & Gas	721	2,557.8	421,413	483,100	-61,687	NA
5401	Nippon Steel	Iron & Steel	3,752	3,565.6	419,754	333,465	86,289	4.0
9433	KDDI	Info & Comm	4,701	10,825.1	416,752	200,514	216,238	3.0
8058	Mitsubishi	Wholesale Trd	7,536	10,833.0	399,304	233,165	166,139	2.7
6752	Panasonic HD	Electric Appl	1,732	4,250.8	393,484	422,603	-29,119	2.0
7751	Canon	Electric Appl	3,659	4,880.2	392,162	311,679	80,483	3.8
6758	Sony Group	Electric Appl	12,320	15,536.5	390,484	494,417	-103,933	0.6
9831	Yamada HD	Retail Trade	465	449.2	379,986	154,752	225,234	2.6
8316	Sumitomo Mitsui Financial Group	Banks	7,713	10,316.4	375,498	260,929	114,569	3.2
4755	Rakuten Group	Services	628	1,344.1	373,790	164,386	209,404	0.7
8604	Nomura HD	Sec&Cmnty Futr	640	2,023.4	331,847	347,636	-15,789	2.7
9104	Mitsui OSK Lines	Maritime Tran	4,601	1,666.1	316,316	56,253	260,063	3.9
2503	Kirin HD	Foods	2,136	1,951.8	314,253	135,247	179,006	3.2

Note: Data is as of 21 September. TSE Prime companies. Top 30 companies of number of individual shareholders for FY22. Toyo Keizai forecast for FY23 dividend yield. This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on QUICK Astra Manager

First actively managed ETFs were listed on 7 September

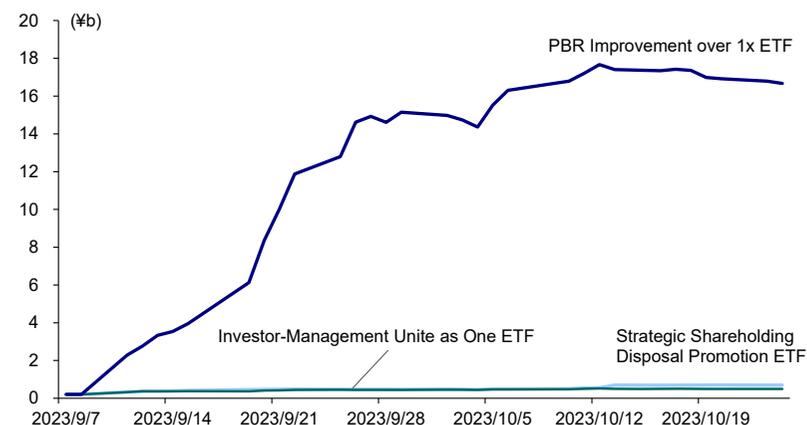
■ Comparison of actively managed ETFs, actively managed investment trusts, and index-linked ETFs

	Actively managed investment trusts	TSE actively managed ETFs	Index-linked ETFs
Listing on exchange	Non-listing		Listing
Trading value	NAV on a specific date		Market value (real time)
Investment target	Growth of trust assets		Linkage of index
Flexibility for managers to select stocks	High		Low
Operating costs	High	Mid	Low
Frequency of portfolio disclosure	Every fiscal year etc.	Daily (transparent-type) *	Daily (index constituents)

* In overseas markets, while putting in place a special disclosure model to enable market making, there exist so-called "non-transparent" actively managed ETFs that do not disclose their portfolio holdings on a daily basis (but do so on a quarterly basis, etc.), but they are not subject to this categorization

Source: Mizuho Securities Equity Research, based on TSE

■ ETF net assets and number of funds



Note: As of 7 November. Each ETF listed on 7 September
Source: Mizuho Securities Equity Research, based on Bloomberg

■ Actively managed ETFs receiving approval for listing

Code	Fund name	Asset manager	Number of holding stocks	NAV (¥)	Net assets (¥b)
2080	PBR Improvement over 1x ETF	Simplex AM	460	978	16,673
2081	Strategic Shareholding Disposal Promotion ETF	Simplex AM	234	960	701
2082	Investor-Management Unite as One ETF	Simplex AM	195	912	493
2083	Next Funds Japan Growth Equity Active ETF	Nomura AM	61	1,804	2,190
2084	Next Funds Japan High Dividend Equity Active ETF	Nomura AM	99	1,928	6,056
2085	MAXIS High Dividend Japan Equity Actively Managed ETF	MU KokusaiAM	30	487	4,725

Note: Listing date is 7 September 2023. Data is as of 24 October (as of 6 September for the holdings stocks of Nomura AM). This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on TSE

Active and passive engagement funds increased

■ GPIF's engagement-focused passive investments

Asset manager	Start of investment	Details of engagement
Asset Management One	FY18	Set 18 ESG issues; communicated awareness of problems (issues), desired goals, and desired corporate actions; and clarified direction of engagement activities. Engagement based on issues for key companies
Fidelity Investments	FY18	Effectively increases beta by encouraging change at companies that have major impact on indices by leveraging active management analyst expertise. To create corporate value, aims to specify engagement topics, engage with companies, and improve profitability and growth prospects by bolstering competitiveness
Sumitomo Mitsui Trust AM	FY21	Engages with companies by getting top management (chairperson and company president) to commit to things and actively participate in projects. Determines issues under 12 ESG themes based on materiality
Resona AM	FY21	Engagement based on analysis of current situation from integrated reports. Analysis uses in-house AI tech, sets focus points for analyzing integrated reports as evaluation points, and creates scores to clarify where issues stand

Note: As of March 2023

Source: Mizuho Securities Equity Research, based on GPIF reports

■ Engagement by publicly-offered investment trusts

Fund	Monex Activist Fund	Sparx Enterprise Value Creation Japan Equity Fund	Sparx Japan Equity Stewardship Fund	Saison Kyoso Japan Fund
Asset manager	Japan Catalyst	Sparx AM	Sparx AM	Saizon AM
Set-up date	25-Jun-20	15-May-23	2-Dec-14	1-Feb-22
Total net assets (¥b)	13.9	88.4	1.9	3.5
NAV change from set-up (%)	45.7	6.5	99.1	18.5
Top shareholdings	DNP Toho IHI Sumitomo Densetsu Internet Initiative	MARUWA MHI Toyo Tanso NAKANISHI Morinaga	Max EIZO Nakanishi MARUWA Pilot Corporation	ROHTO Pharmaceutical Shimadzu Corp Mitsui Fudosan Chugai Pharmaceuticals JP East
Major engagement target	Septeni HD NIPPO JAFSCO Group	MARUWA	Keisei EIZO SHOEI	AGC Sysmex
Fund	Simplex Japan Value Up Fund	Fidelity Japan Value Up Fund	Amundi Target Japan Fund	
Asset manager	Simplex AM	Fidelity Investments	Amundi	
Set-up date	27-Feb-08	19-Sep-23	31-Aug-00	
Total net assets (¥b)	23.1	8.6	57.3	
NAV change from set-up (%)	269.9	-	754.5	
Top shareholdings	HEIWA Real Estate Amada Sumitomo Electric Ind. Sanrio Alpha Systems	NA	Ricoh Kyocera TOPPAN HD Shizuoka FG KYORIN Pharma.	
Major engagement target	NA	NA	NA	

Note: As of the end of October 2023. As of NAV change and top shareholdings are as of the end of September 2023 (Top shareholding of Simplex is as of the end of February 2023). This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on company reports

Interest in ESG investing wanes

■ Questionnaire on views about BlackRock chairman not using the term ESG anymore and decline in support for shareholder proposals

(%)	Security brokers	Institutional investors	Overall
Measuring the effects was difficult to begin with, so the limits are now obvious	32	29	31
It was never an especially necessary goal for every company to express	18	26	21
ESG is important for corporate management and will not disappear	19	17	18
ESG has only become politicized in the US; in Europe and elsewhere it remains a	10	17	13
The priority of social and environmental issues has declined due to the impact of	15	7	11
Others	6	3	5
Valid answers	68	58	126

Note: Survey was conducted on 5-7 September 2023

Source: Mizuho Securities Equity Research, based on QUICK Monthly Survey <Stocks>

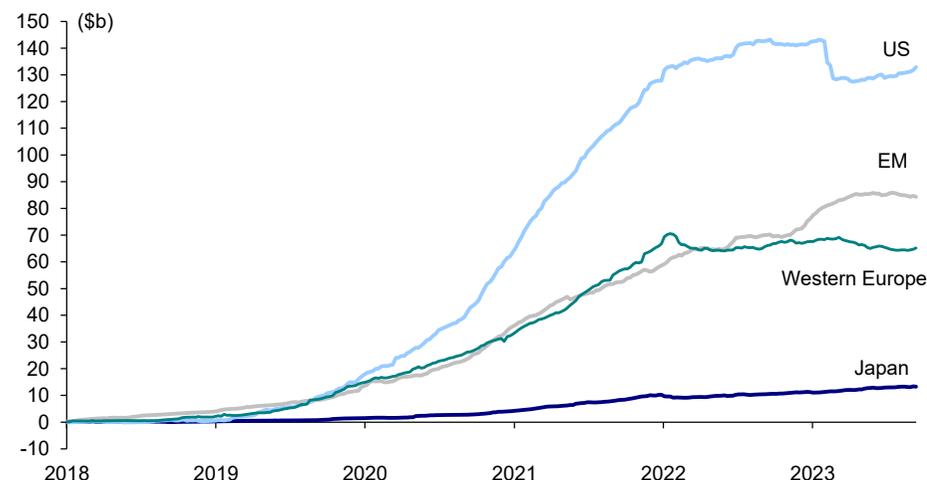
■ Questionnaire on how market participants will think about ESG in Japan in the future

(%)	Security brokers	Institutional investors	Overall
ESG will be considering separately by component	41	36	39
Interest will continue at the present level	28	28	28
Interest will gradually decline	21	24	22
Importance will rise further	7	9	8
Others	3	3	3
Valid answers	68	58	126

Note: Survey was conducted on 5-7 September 2023

Source: Mizuho Securities Equity Research, based on QUICK Monthly Survey <Stocks>

■ ESG fund AUM



Note: As of 1 November. Data are based on cumulative totals from the end of January 2018

Source: Mizuho Securities Equity Research, based on EPFR Global

4. Sectors & Themes

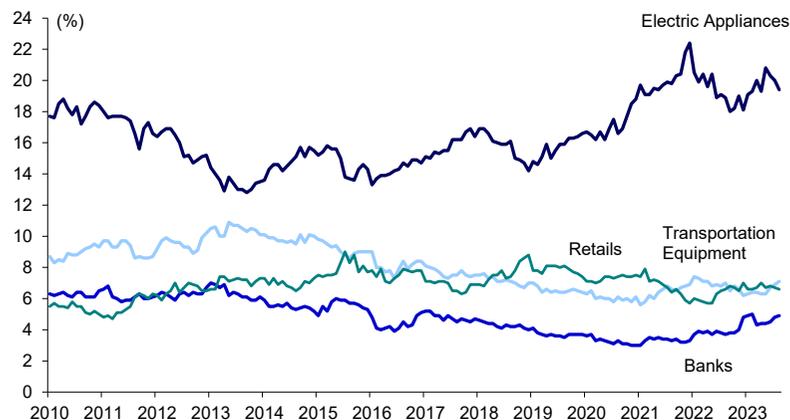
Sector recommendations: Overweight electric equipment, info & communication, and banking

Sector	Recommendation ratio (%) (A)	Neutral weight ratio (%) (B)	A/B	Sector recommendations	YTD price change (%)	MTD price change (%)	FY3/23	FY3/24E	FY3/25E	FY3/24E	FY3/24E	FY3/25E	FY3/25E
							PBR (X)	PER (X)	Dividend yield (%)	Change in RP (%)	ROE (%)		
Electrical equipment	22.0	16.6	1.32	Overweight	17.6	15.9	2.0	19.3	16.7	1.6	-0.5	16.5	11.7
Information & communication	11.0	8.0	1.37	Overweight	7.9	7.4	1.9	12.5	17.3	2.3	70.6	-24.1	10.8
Banking	10.0	7.3	1.37	Overweight	32.4	33.5	0.7	11.5	11.0	3.4	22.6	5.2	6.3
Transportation equipment	8.5	8.8	0.97	Neutral ↓	39.9	38.5	1.2	10.6	9.5	2.9	41.4	9.5	12.2
Wholesale	6.0	6.9	0.87	Neutral	35.0	34.2	1.3	10.1	9.8	3.0	-8.7	3.3	13.2
Services	5.0	4.6	1.08	Neutral	-0.3	0.5	1.8	27.4	21.5	1.7	17.8	18.9	8.5
Pharmaceuticals	5.0	5.0	0.99	Neutral ↑	6.0	5.9	2.0	24.5	21.5	2.4	7.0	14.3	9.4
Land transportation	3.5	2.9	1.23	Neutral	1.1	0.6	1.3	16.7	15.0	1.5	16.4	13.9	8.4
Foods	3.5	3.5	1.00	Neutral	18.2	15.5	1.7	20.4	18.2	2.7	2.4	14.5	9.6
Machinery	2.5	5.2	0.48	Underweight	21.1	19.6	1.6	16.3	14.8	2.3	7.3	9.1	10.7
Insurance	2.5	2.5	1.00	Neutral	15.4	15.8	1.2	12.5	9.7	3.7	66.9	26.5	12.2
Retail	2.5	4.4	0.57	Underweight ↓	9.7	10.7	2.2	23.2	20.1	1.4	12.0	10.1	10.6
Other products	2.0	2.3	0.88	Neutral	14.8	13.6	2.0	17.8	19.4	2.5	5.4	-5.4	10.4
Chemicals	2.0	5.8	0.34	Underweight	10.8	10.0	1.4	15.9	13.9	2.4	2.9	15.6	10.4
Construction	2.0	2.2	0.92	Neutral	29.2	28.3	1.1	11.5	11.1	3.4	3.3	6.1	9.6
Precision instruments	2.0	2.3	0.88	Neutral ↑	4.2	3.9	2.7	17.3	21.1	1.3	-3.1	10.9	13.0
Electric power & gas	1.3	1.4	0.92	Neutral	28.9	30.5	0.8	6.7	8.4	1.9	-	-17.9	9.1
Iron & steel	1.2	1.0	1.24	Neutral	44.5	44.7	0.7	7.5	8.7	4.4	-11.3	-15.2	8.2
Real estate	1.1	1.9	0.57	Underweight	15.1	15.0	1.2	11.9	11.0	2.6	2.9	9.9	10.6
Other financing business	1.0	1.2	0.81	Neutral	26.9	26.4	1.1	11.4	10.2	3.3	10.4	11.4	10.5
Rubber products	0.8	0.7	1.12	Neutral	24.9	21.2	1.2	10.8	10.2	3.5	24.1	6.6	11.3
Securities	0.8	0.8	1.01	Neutral	23.8	23.4	0.8	13.1	11.9	3.9	58.3	6.9	6.6
Marine transportation	0.8	0.7	1.17	Neutral	27.1	24.7	0.8	7.6	9.0	4.1	-73.6	-10.1	8.8
Non-ferrous metals	0.5	0.6	0.79	Neutral	0.0	-0.5	0.7	12.6	10.0	2.9	-18.3	25.0	7.2
Air transportation	0.5	0.5	1.09	Neutral	1.9	1.8	1.5	12.4	12.4	2.0	91.8	0.0	12.4
Others	2.0	2.9	0.69				NA	NA	NA	NA	NA	NA	NA

Note: Neutral weight ratio A/B from 0.75 to 1.25 for neutral (N), A/B over than 1.25 for overweight (OW), A/B less than 0.75 for underweight (UW), neutral ratio less than 1% is not shown in the table, as of 26 October
Source: Mizuho Securities Equity Research

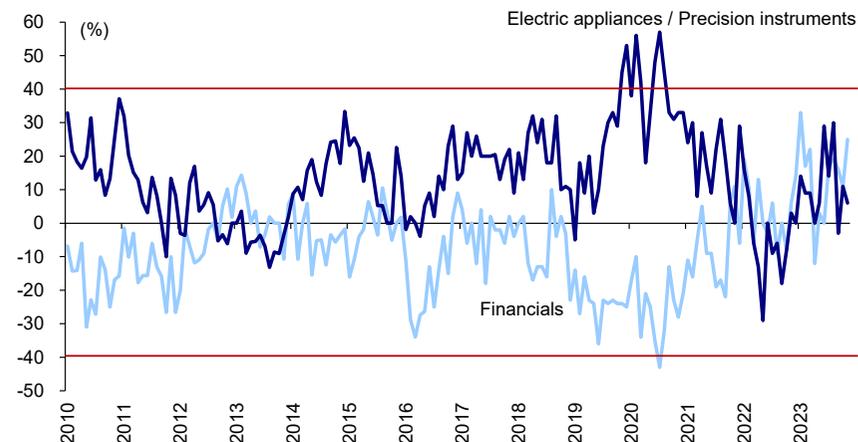
Domestic institutional investors' sector allocation

■ Fund allocation for electric appliances, transportation equipment, and banks



Note: Weight calculated using market cap; total for unit investment trusts, open investment trusts
Source: Mizuho Securities Equity Research, based on Investment Trusts Association

■ Net overweight on financials and electric appliances/precision instruments in QUICK Monthly Survey



Note: Overweight - Underweight
Source: Mizuho Securities Equity Research, based on QUICK Monthly Survey

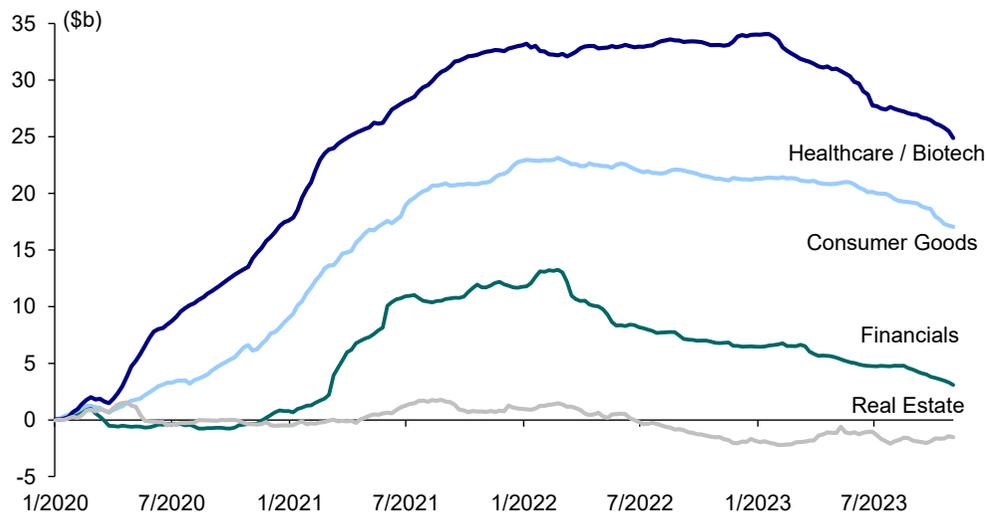
■ Domestic institutional investors' sector allocation

Sector	Survey													
	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	
Materials	0	-3	0	-6	9	6	-6	-7	0	0	0	-7	-13	
Iron & steel / Machinery	-3	-11	6	9	13	6	9	4	-3	0	3	0	0	
Automobile	-12	-6	-25	-14	-6	-9	0	7	11	19	0	7	0	
Construction / Real estate	-3	0	-6	0	-19	3	3	4	-3	-11	16	7	-6	
Pharmaceuticals / Foods	15	0	-11	-6	-6	9	-9	-4	-17	-22	-13	-11	3	
Electric appliances / Precision instruments	3	0	14	9	9	0	6	29	14	30	-3	11	6	
Utilities	-21	-11	-14	-6	-6	-15	-12	-21	-20	-22	-13	-15	-19	
Communication	6	9	3	0	-6	0	0	-4	3	-7	-6	4	0	
Consumption	9	9	0	-3	-9	12	6	-7	-3	-4	0	-7	3	
Financial	6	14	33	17	22	-12	3	0	17	19	16	11	25	
Valid responses	33	35	36	35	32	34	34	28	35	27	31	27	32	

Note: Overweight - Underweight
Source: Mizuho Securities Equity Research, based on QUICK Monthly Survey

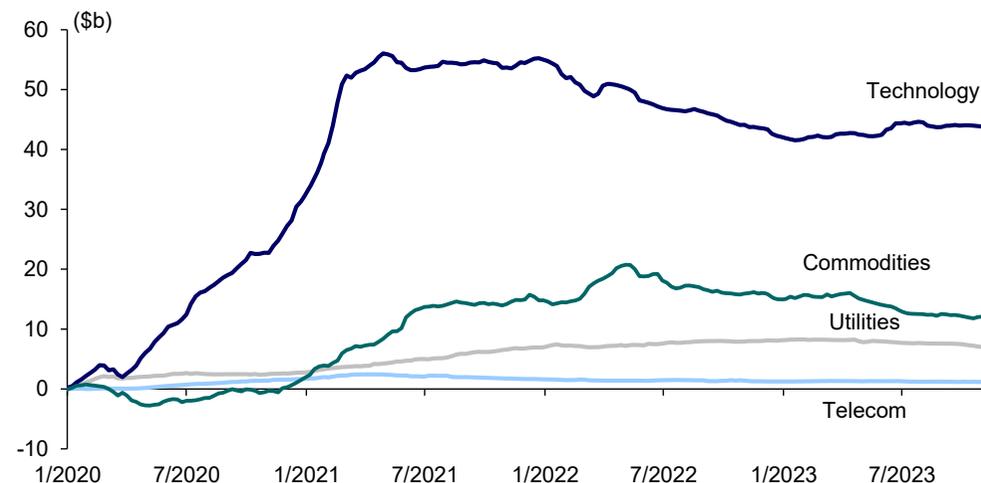
EPFR's global sector fund flow: Outflows for financial stock funds

Global sector fund flow: Real Estate, Financials, Consumer goods, and Healthcare / Biotech



Note: As of 1 November. Data are based on cumulative totals from 2020
 Source: Mizuho Securities Equity Research, based on EPFR Global data

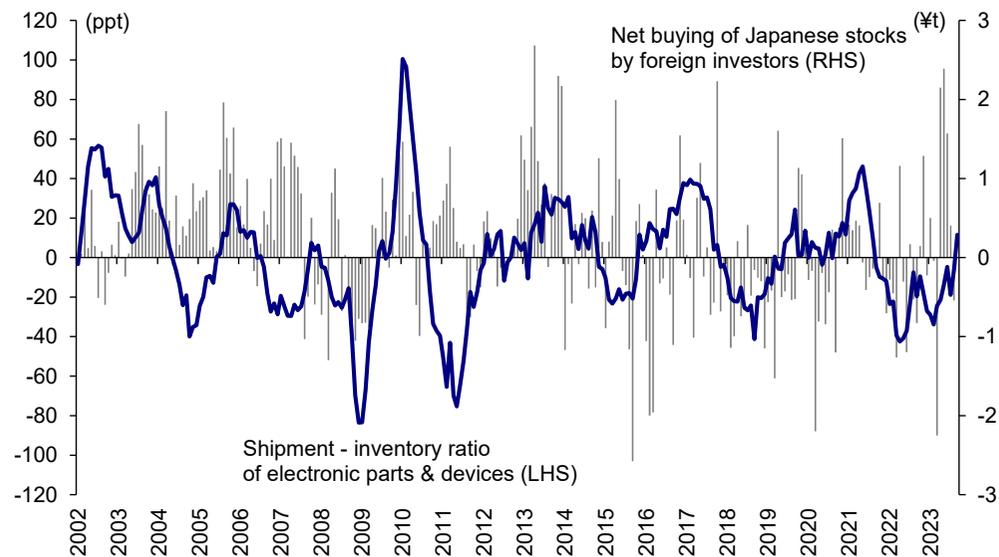
Global sector fund flow: Utilities, Telecom, Technology, and Commodities



Note: As of 1 November. Data are based on cumulative totals from 2020
 Source: Mizuho Securities Equity Research, based on EPFR Global data

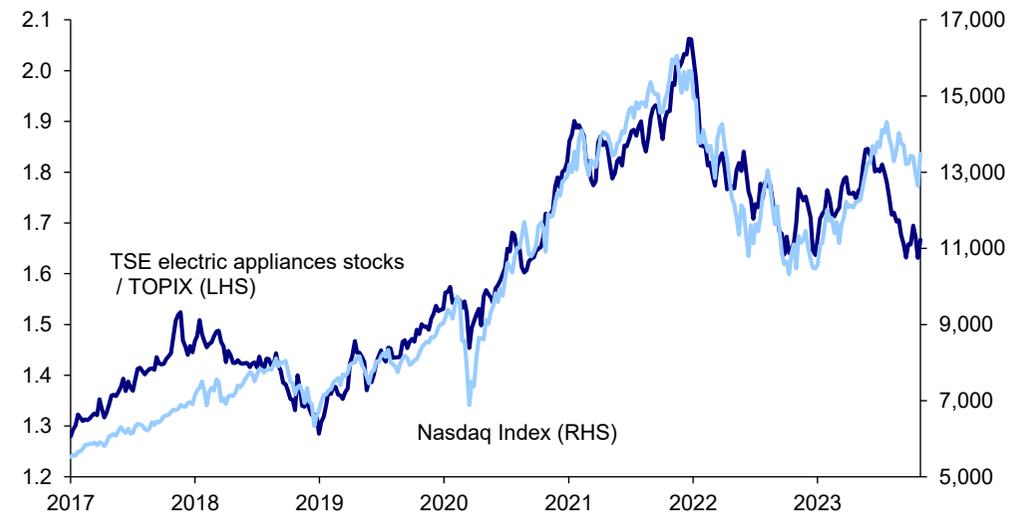
Overweight on electrical equipment: Expect inventory adjustments

Change in electronic parts & devices shipments and inventories and net buying of Japanese stocks by foreign investors



Note: As of the fourth week of October for net buying of Japanese stocks by foreign investors
 Source: Mizuho Securities Equity Research, based on METI data

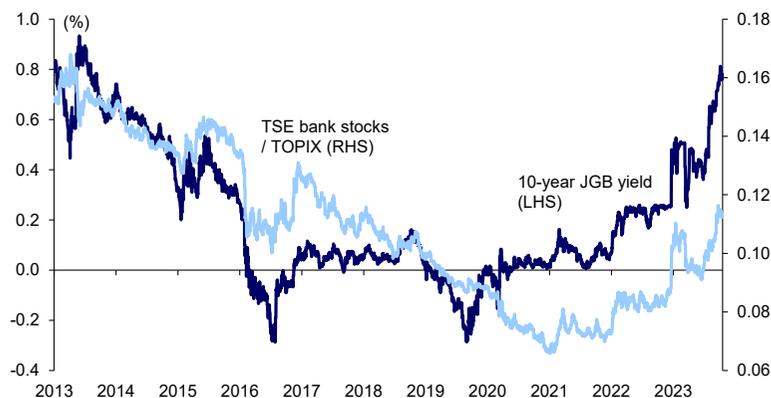
Relative performance of TSE electric appliances stocks to TOPIX vs. Nasdaq



Note: As of 7 November
 Source: Mizuho Securities Equity Research, based on Bloomberg

Overweight on banks: Focus on regional bank reform

10Yr JGB yield and performance of TSE bank stocks relative to TOPIX



Note: As of 7 November

Source: Mizuho Securities Equity Research, based on Bloomberg

Regional bank stocks in which SBI Holdings and activists are major investors

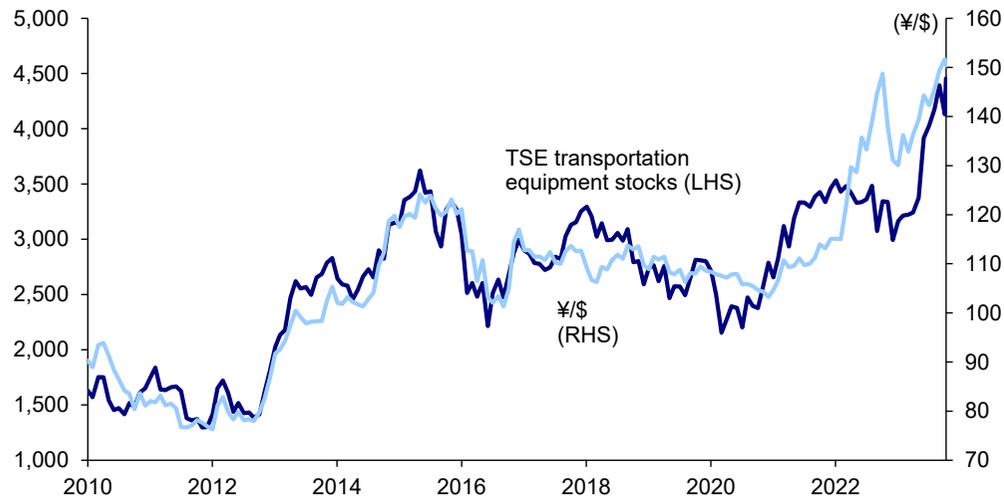
Code	Company	HQ place	Share price (¥)	Market cap (¥b)	ADV: 60D (¥m)	YTD price change (%)	FY22		Toyo Keizai forecasts for FY23			Latest	Major shareholder	End-Mar 2023		Ownership as of the end Mar-22 (%)		Change of end Mar-21→ End Mar-22 (ppt)	
							Actual PBR (X)	Actual ROE (%)	Shareholders' equity ratio (%)	Forecast PER (X)	NP change (%)	Foreign ownership (%)		Shareholder rank	Ownership (%)	Total of major banks	Total of major life insurers	Total of major banks	Total of major life insurers
7150	Shimane Bank	Shimane	550	8.4	9.3	18.5	0.46	2.7	3.4	14.0	-21.1	0.6	SBI Regional Banks HD	1	20.76	0.0	0.0	0.0	0.0
8537	Taiko Bank	Niigata	1,466	14.2	41.7	17.8	0.19	1.7	4.5	13.3	-16.4	4.7	SBI Regional Banks HD	5	2.83	0.9	2.8	-0.4	-0.1
7161	Jimoto HD	Miyagi	478	32.3	19.7	8.1	0.59	NA	2.9	7.6	Profit	1.4	SBI Regional Banks HD	1	17.00	0.8	0.3	-0.1	0.3
8338	Tsukuba Bank	Ibaraki	298	45.5	171.3	25.7	0.44	2.1	3.3	7.5	57.5	7.4	SBI Regional Banks HD	9	0.70	0.0	0.4	-1.2	0.0
8364	Shimizu Bank	Shizuoka	1,692	19.7	26.6	9.2	0.27	1.9	3.9	16.4	-18.6	5.5	SBI Securities	10	1.54	0.0	0.0	0.0	0.0
8398	Chikuhō Bank	Fukuoka	1,478	9.2	2.4	6.7	0.28	1.8	3.7	11.3	36.0	0.0	SBI Regional Banks HD	4	2.92	0.9	0.0	0.0	0.0
8558	Towa Bank	Gunma	701	31.3	61.6	24.7	0.25	3.4	4.9	11.3	-43.8	10.4	SBI Regional Banks HD	8	1.00	0.0	0.0	0.0	0.0
8562	Fukushima Bank	Fukushima	276	7.7	53.6	7.0	0.32	3.4	2.9	15.4	-42.4	2.0	SBI Regional Banks HD	1	17.87	0.0	0.0	0.0	0.0
7381	Hokkoku Financial HD	Ishikawa	4,765	120.1	434.6	5.0	0.52	3.6	4.1	10.7	28.1	12.2	Ariake Master Fund	-	1.24	0.0	8.4	0.0	8.4
8358	Suruga Bank	Shizuoka	648	150.4	903.9	53.2	0.45	4.0	7.4	17.7	-19.6	14.8	Ariake Master Fund	-	6.10				
8418	Yamaguchi FG	Yamaguchi	1,391	326.4	975.8	61.5	0.51	2.9	5.0	13.6	34.1	16.5	Ariake Master Fund	-	1.08	0.0	4.9	0.0	-1.9
8541	Ehime Bank	Ehime	1,134	44.7	58.8	23.8	0.35	4.1	4.4	9.5	-12.8	10.3	Ariake Master Fund	-	1.69	0.0	1.5	0.0	0.0
8369	Chiba Kogyo Bank	Chiba	989	65.0	363.1	117.4	0.50	3.8	5.2	9.6	-1.2	10.6	Ariake Master Fund	-	13.64	15.4	1.9	0.0	0.0
8381	San-In Godo Bank	Shimane	1,042	163.6	364.6	34.1	0.51	4.6	4.5	10.1	4.8	14.8	Nippon Value Investors	-	3.66	0.6	8.4	0.6	-1.1

Note: As of 6 November for share prices and earnings. Based on the latest large shareholders report for Ariake Master Fund and Silchester and Nippon Value Investors. Ownership of major banks and insurers is based on Toyo Keizai Large Shareholders' List for FY21. Major banks include Mizuho Bank, Sumitomo Mitsui Banking, Mitsubishi UFJ Bank. Major life insurers include Sumitomo Life, Dai-ichi Life, Nippon Life, Meiji Yasuda Life. This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on QUICK Astra Manager and Toyo Keizai

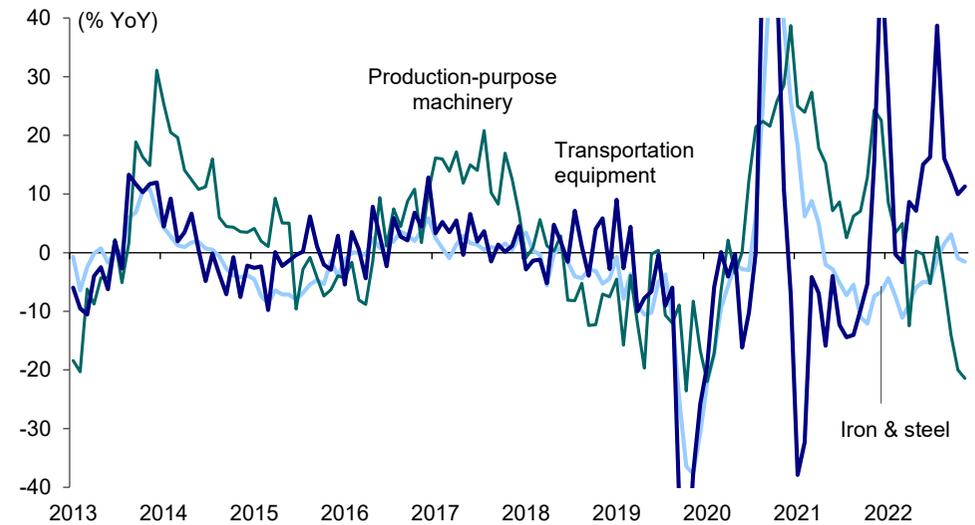
Neutral on autos: Not only weak yen but also recovery of production is positive for auto stocks

■ TSE auto stock index and ¥/\$ rate



Note: As of 7 November
Source: Mizuho Securities Equity Research, based on Bloomberg

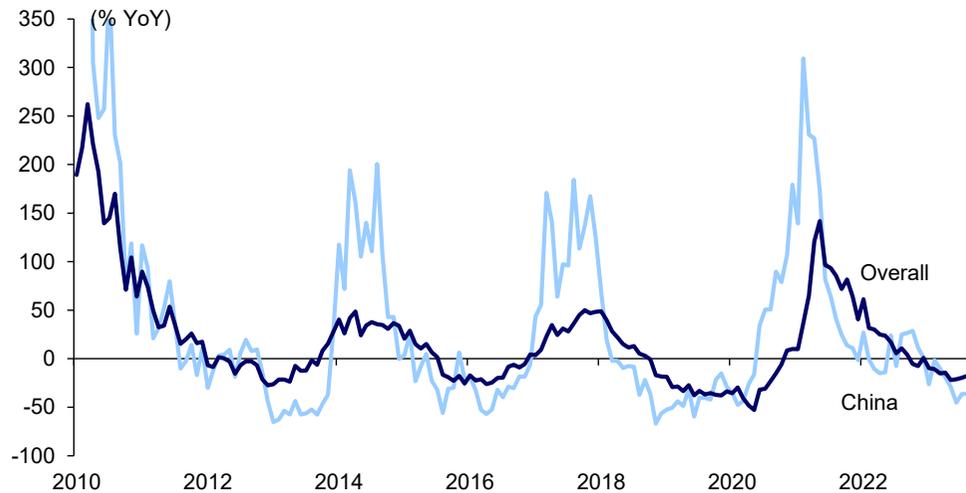
■ Industrial production by item



Source: Mizuho Securities Equity Research, based on METI

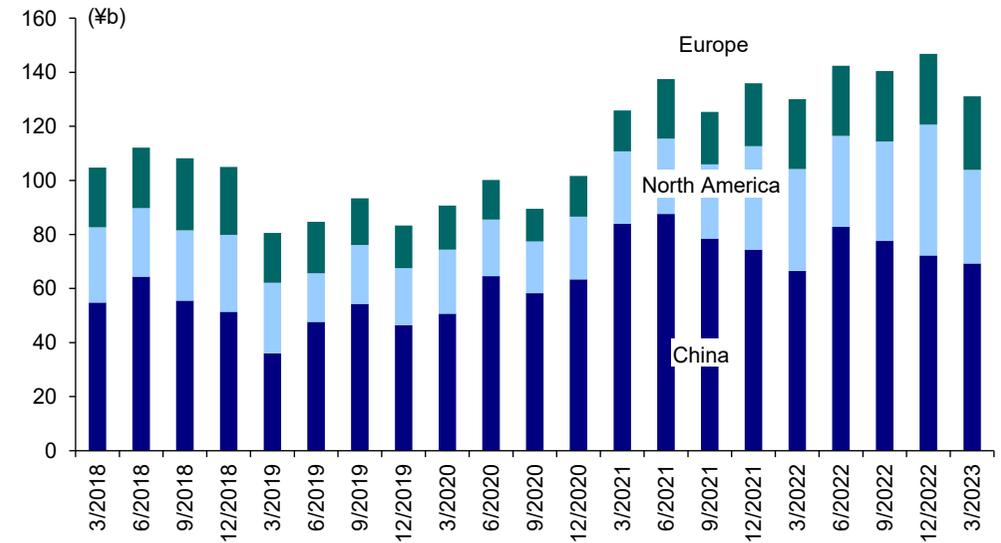
Underweight machinery: negative impact from slowing Chinese economy

Machine tool orders



Source: Mizuho Securities Equity Research, based on Japan Machine Tool Builders' Association

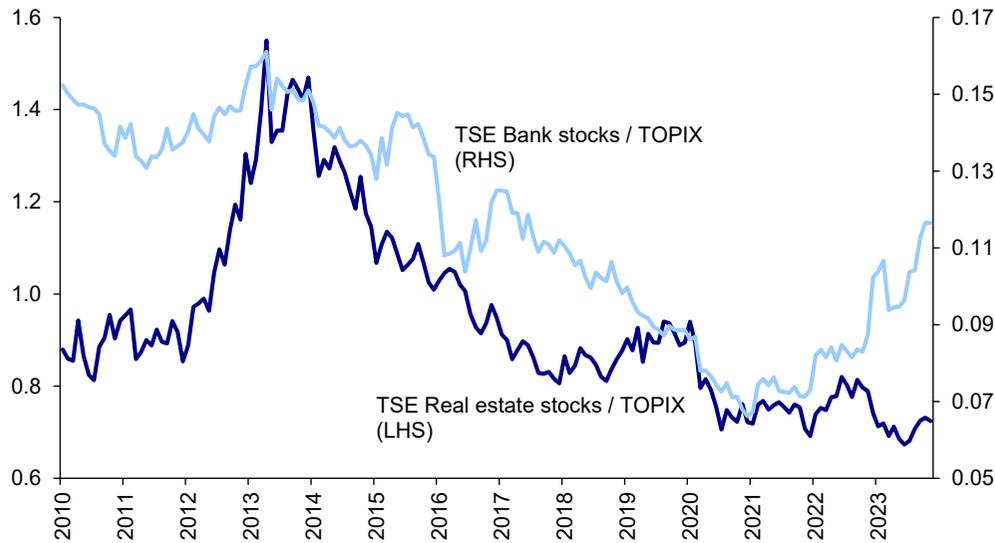
Japan's robot export value by region



Source: Mizuho Securities Equity Research, based on Japan Robot Association

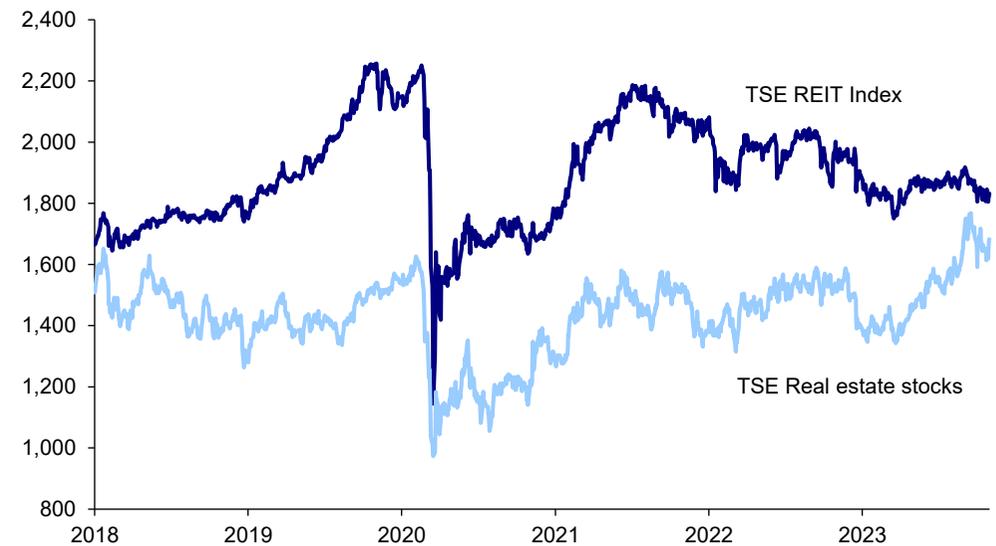
Underweight on real estate stocks: Rising JGB yield is negative

■ Relative performance of TSE real estate stocks and bank stocks to TOPIX



Note: As of 7 November
Source: Mizuho Securities Equity Research, based on Bloomberg

■ TSE real estate stocks and TSE REIT Index



Note: As of 7 November
Source: Mizuho Securities Equity Research, based on Bloomberg

Stocks that tend to outperform/underperform when the 10Yr JGB yield rises

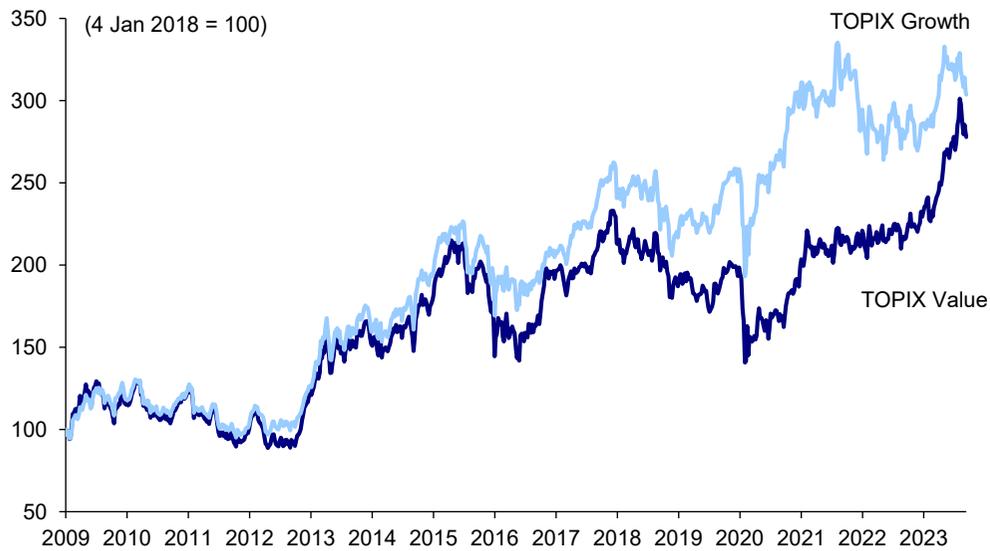
Stocks that tend to outperform when the 10-year JGB yield rises					Stocks that tend to underperform when the 10-year JGB yield rises				
Code	Company	Sector	Market cap (¥)	Bond yield sensitivity (t-value)	Code	Company	Sector	Market cap (¥)	Bond yield sensitivity (t-value)
8795	T&D HD	Insurance	920.6	5.8	3626	TIS	Info & Comm	928.0	-5.4
8750	Dai-ichi Life HD	Insurance	2,652.9	5.2	4739	Itochu Techno-Solutions	Info & Comm	766.8	-4.5
8369	Bank of Kyoto	Banks	406.5	4.6	8056	BIPROGY	Info & Comm	354.8	-4.1
4183	Mitsui Chemicals	Chemicals	613.3	4.3	8804	Tokyo Tatemono	Real Estate	386.5	-4.1
7167	Mebuki Financial Group	Banks	322.4	4.2	9719	SCSK	Info & Comm	646.9	-4.0
3405	Kuraray	Chemicals	392.5	4.0	6841	Yokogawa Electric	Electric Appl	650.9	-4.0
3099	Isetan Mitsukoshi HD	Retail Trade	516.6	3.9	9766	Konami Group	Info & Comm	878.2	-4.0
6471	NSK	Machinery	402.4	3.5	4704	Trend Micro	Info & Comm	913.8	-3.8
8331	Chiba Bank	Banks	672.8	3.5	7164	Zenkoku Hoshu	Other Finc Bus	342.6	-3.8
7186	Concordia Financial Group	Banks	573.4	3.3	6532	BayCurrent Consulting	Services	718.8	-3.7
6503	Mitsubishi Electric	Electric Appl	2,833.2	3.3	1721	COMSYS HD	Construction	341.8	-3.6
7182	Japan Post Bank	Banks	3,802.0	3.2	9086	Hitachi Transport System	Land Transprt	746.8	-3.5
7201	Nissan Motor	Transport Equip	1,948.3	3.0	2802	Ajinomoto	Foods	2,361.2	-3.5
8354	Fukuoka Financial Group	Banks	507.9	2.9	4385	Mercari	Info & Comm	465.3	-3.4
2784	Alfresa HD	Wholesale Trd	326.0	2.8	2897	Nissin Foods HD	Foods	1,075.9	-3.4
7267	Honda Motor	Transport Equip	5,912.5	2.8	8802	Mitsubishi Estate	Real Estate	2,436.7	-3.4
6273	SMC	Machinery	4,157.4	2.7	8830	Sumitomo Realty & Development	Real Estate	1,642.0	-3.3
7203	Toyota Motor	Transport Equip	31,626.6	2.7	3289	Tokyu Fudosan HD	Real Estate	503.9	-3.3
7261	Mazda Motor	Transport Equip	671.6	2.6	9468	Kadokawa	Info & Comm	359.0	-3.3
8601	Daiwa Securities Group	Sec&Cmnty Futr	921.2	2.5	4151	Kyowa Kirin	Pharmaceutical	1,657.8	-3.2
6481	THK	Machinery	338.8	2.5	8801	Mitsui Fudosan	Real Estate	2,491.5	-3.2
3861	Oji HD	Pulp & Paper	538.6	2.5	2412	Benefit One	Services	320.8	-3.1
5803	Fujikura	Nonfer Metal	317.2	2.4	2327	NS Solutions	Info & Comm	305.2	-3.0
8308	Resona HD	Banks	1,540.7	2.4	7832	Bandai Namco HD	Other Products	1,954.7	-3.0
5411	JFE HD	Iron & Steel	959.8	2.4	1928	Sekisui House	Construction	1,708.6	-2.9
5802	Sumitomo Electric Industries	Nonfer Metal	1,238.5	2.3	2282	NH Foods	Foods	376.3	-2.9
8031	Mitsui	Wholesale Trd	6,349.2	2.2	2871	Nichirei	Foods	379.7	-2.8
4004	Showa Denko	Chemicals	402.3	2.1	3923	Rakus	Info & Comm	309.2	-2.8
6976	Taiyo Yuden	Electric Appl	551.5	2.1	7936	Asics	Other Products	575.3	-2.7
8233	Takashimaya	Retail Trade	307.9	2.1	9613	NTT Data	Info & Comm	2,826.0	-2.7
6113	Amada	Machinery	380.3	2.1	2002	Nisshin Seifun Group	Foods	481.2	-2.7
9706	Japan Airport Terminal	Real Estate	586.8	2.0	6755	Fujitsu General	Electric Appl	342.8	-2.5
6201	Toyota Industries	Transport Equip	2,414.5	2.0	8591	ORIX	Other Finc Bus	2,717.9	-2.4
9202	ANA HD	Air Transport	1,413.2	2.0	4204	Sekisui Chemical	Chemicals	858.2	-2.4
6326	Kubota	Machinery	2,328.4	2.0					
7259	Aisin	Transport Equip	1,081.5	2.0					
3197	Skylark HD	Retail Trade	361.5	2.0					

Note: TSE Prime listed companies with market cap of at least ¥300b. Bond yield sensitivity (t-value) is a regression coefficient when the residual return estimated from the weekly returns of each stock is regressed on the interest rate change range of the same week. Estimated based on the latest 52 weeks of data. Companies that tend to outperform when 10-year JGB yield rise have a Bond yield sensitivity (t-value) of 2.0 or more (displayed in order of increasing t-value). Companies that tend to underperform when 10-year JGB yield rise have a Bond yield sensitivity (t-value) of -2.4 or less (displayed in order of decreasing t-value order). Data as of 8 December. This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on Nikkei and Toyo Keizai

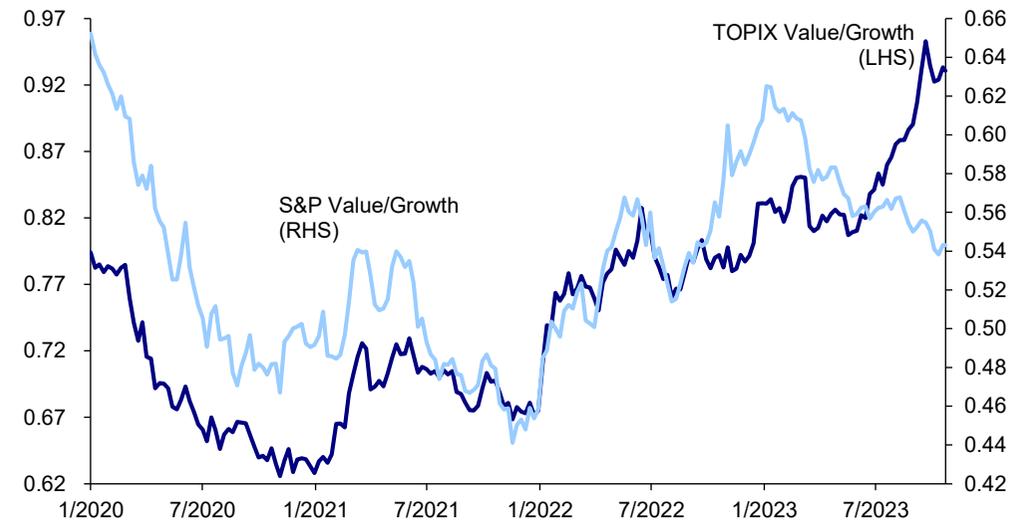
Factor analysis: Value to outperform over next five years

■ TOPIX Value and TOPIX Growth



Note: As of 7 November
Source: Mizuho Securities Equity Research, based on Bloomberg

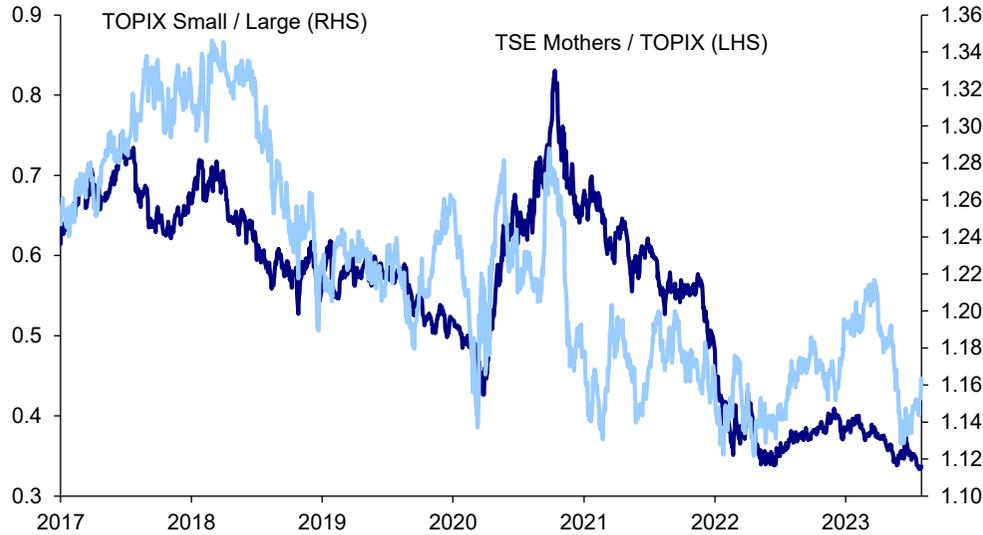
■ TOPIX and S&P500: Value / Growth



Note: As of 7 November
Source: Mizuho Securities Equity Research, based on Bloomberg

Underweight small- and mid-cap stocks in the short term

■ Relative performance of TSE Mothers to TOPIX, TOPIX Small index to Large index



Note: As of 7 November

Source: Mizuho Securities Equity Research, based on Bloomberg

■ Companies from "small- and mid-cap stock of the week"

Code	Company	Report release date	Listing date	Share price (¥)	Market cap (¥b)	Price change after release date (%)
8769	ARM	1-Apr-22	13-Dec-06	464	8.0	-23.7
8028	Techno Pro HD	8-Apr-22	15-Dec-14	3,250	352.4	-2.3
3328	BEENOS	15-Apr-22	8-Jul-04	1,619	21.3	-23.6
9260	Nishimoto Wismettac HD	22-Apr-22	29-Sep-17	4,885	70.1	82.2
6078	Value HR	6-May-22	4-Oct-13	1,270	33.9	-5.9
7366	LITALICO	13-May-22	1-Apr-21	2,101	75.0	-11.4
6035	IR Japan HD	20-May-22	2-Feb-15	2,306	41.1	-45.0
2130	Members	27-May-22	2-Nov-06	1,211	16.3	-60.3
2780	Komehyo HD	3-Jun-22	12-Sep-03	5,440	61.2	132.7
6358	Sakai Heavy Industries	10-Jun-22	24-Sep-04	5,420	23.9	78.6
6727	Toho Titanium	17-Jun-22	24-Apr-03	603	95.3	-25.7
5857	Asahi HH	24-Jun-22	1-Apr-09	1,945	155.0	-6.0
3010	Polaris HD	1-Jul-22	2-Oct-61	168	20.7	68.0
6104	Shibaura Machine	8-Jul-22	1-Aug-49	4,090	110.3	53.0
8130	Sangetsu	15-Jul-22	11-Nov-81	3,050	180.6	90.5
6328	Ebara Jitsugyo	22-Jul-22	9-Nov-98	2,822	36.5	21.7
3548	Baroque Japan	29-Jul-22	1-Nov-16	844	31.0	3.3
9214	Recovery International	5-Aug-22	3-Feb-22	2,427	3.4	16.3
4326	Intage HD	12-Aug-22	29-Nov-01	2,213	89.5	39.2
5031	MOI	19-Aug-22	27-Apr-22	334	4.7	-56.5
7550	Zensho HD	26-Aug-22	25-Aug-97	6,589	1,020.4	85.3
7140	PETGO	2-Sep-22	28-Apr-22	1,426	2.6	50.1
2162	nms HD	9-Sep-22	25-Oct-07	430	9.3	72.0
2998	Creal	16-Sep-22	28-Apr-22	3,900	22.8	228.3
3880	Daio Paper	30-Sep-22	4-Jan-69	1,297	219.2	11.8
8462	Future Venture Capital	7-Oct-22	10-Oct-01	699	6.2	9.9
2908	Fujico	14-Oct-22	25-Dec-90	1,937	58.2	0.9
9552	M&A Research Institute	21-Oct-22	28-Jun-22	3,300	191.3	69.8
3252	Jimushi	28-Oct-22	8-Nov-07	1,932	35.3	-4.2
7599	IDOM	4-Nov-22	11-Dec-98	734	76.5	1.0
7037	Teno. HD	11-Nov-22	21-Dec-18	588	2.8	10.3
4267	Lightworks	18-Nov-22	9-Feb-22	1,007	5.0	-9.7
2163	Artner	25-Nov-22	26-Oct-07	1,783	18.9	68.5
1377	Sakata Seed	2-Dec-22	11-May-87	4,395	208.4	-2.7
4263	Susmed	9-Dec-22	24-Dec-21	1,550	25.8	-14.4
3135	Market Enterprise	16-Dec-22	17-Jun-15	1,209	6.4	20.7
7180	Kyushu FG	23-Dec-22	1-Oct-15	819	379.6	84.9
4293	Septeni HD	6-Jan-23	9-Aug-01	378	79.8	12.5
7504	Kohsoku	13-Jan-23	2-Aug-96	2,050	43.0	20.5
3474	G-FACTORY	20-Jan-23	30-Sep-16	400	2.7	-12.3
7071	nms HD	27-Jan-23	9-Oct-19	2,842	258.9	-22.4
9562	Business Coach	3-Feb-23	20-Oct-22	1,350	1.5	-22.6
6069	Trenders	10-Feb-23	19-Oct-12	1,094	8.7	-42.7
2928	RIZAP	17-Feb-23	30-May-06	182	101.2	1.1
4177	i-plug	24-Feb-23	18-Mar-21	1,448	5.7	34.2
7373	AIDMA HD	3-Mar-23	23-Jun-21	2,103	32.0	-50.7
6567	SERIO HD	10-Mar-23	2-Mar-18	650	4.1	-0.5
2884	Yoshimura Food HD	17-Mar-23	4-Mar-16	1,229	29.3	9.3
9274	KPP Group HD	24-Mar-23	26-Jun-18	712	52.2	13.6
3224	General Oyster	31-Mar-23	19-Mar-15	1,892	7.6	68.9
6259	TAKAYOSHI	7-Apr-23	24-Dec-21	1,294	7.2	7.4
8057	Uchida Yoko	14-Apr-23	10-Jan-64	6,800	70.9	36.4
2585	LIFEDRINK	21-Apr-23	21-Dec-21	3,755	48.8	17.0
3661	m-up HD	28-Apr-23	14-Mar-12	1,194	43.6	-2.8
6094	FREAKOUT HD	12-May-23	24-Jun-14	1,004	18.1	-24.4
3900	Crowdworks	19-May-23	12-Dec-14	1,459	22.6	-3.1
9994	Yamaya	26-May-23	14-Sep-94	3,065	33.2	15.2
3501	Suminoe Textile	2-Jun-23	14-May-49	2,288	17.6	4.0
2475	WDB HD	9-Jun-23	16-Mar-06	2,056	41.2	-6.1
7043	ALUE	16-Jun-23	11-Dec-18	1,020	2.6	-16.1
3489	Faith Network	23-Jun-23	16-Mar-18	1,507	15.0	-7.1
8387	Shikoku Bank	30-Jun-23	2-Apr-73	1,068	45.8	24.9
9344	Axis Consulting	7-Jul-23	28-Mar-23	1,523	7.5	-25.0
7906	Yonex	14-Jul-23	22-Feb-94	1,626	152.2	16.0
3625	Techfirm HD	21-Jul-23	27-Mar-08	546	4.1	-7.5
5255	Monstarlab HD	28-Jul-23	28-Mar-23	303	10.4	-59.8
3486	Global Link Management	4-Aug-23	13-Dec-17	2,072	16.6	36.9
2726	PAL GROUP HD	10-Aug-23	14-Dec-01	1,921	177.8	-10.2
7068	Feedforce Group	18-Aug-23	5-Jul-19	1,022	26.7	8.6
4015	Arara	25-Aug-23	19-Nov-20	890	10.5	13.5
9337	Toridori	1-Sep-23	19-Dec-22	2,410	7.5	-23.6
3562	No. 1	8-Sep-23	25-Nov-22	1,026	7.1	-7.2
7114	Foodison	15-Sep-23	16-Dec-22	1,757	7.8	3.0
7931	Mirai Industry	22-Sep-23	21-Sep-06	3,260	83.5	0.0

Note: Share prices are as of 22 September. This is not a list of our recommendations

Source: Mizuho Securities Equity Research, based on Bloomberg

Investment themes: focus on low-PBRs, anime and inbound-related stocks

Theme	Details	Date of theme added	Code	Company	Date the company was mentioned in the report	Share price (¥)	Market cap (¥b)	Price change since the company was mentioned in the report (%)	1-month price change (%)
Climate change	Increasingly erratic weather makes stocks with environment narratives a theme over the longer term. Institutional investors are engaging more frequently with investees on climate change	24-Oct-19	1407	West HD	25-Jun-21	3,065	141.1	-17.6	-3.0
			8088	Iwatani	24-Jan-20	7,049	412.8	91.0	-9.8
			9517	eRex	24-Oct-19	725	43.1	-49.1	-6.9
			9519	RENOVA	24-Oct-19	1,046	82.8	9.4	-10.4
Positive action on cross shareholdings	TSE-listed companies as a whole are making slow progress in reducing cross shareholdings but changes to ISS's voting guidelines and asset managers' voting behavior may drive faster action	27-Aug-21	1803	Shimizu	27-Aug-21	1,037	771.2	30.9	-1.1
			6902	Denso	27-Aug-21	2,273	7,162.4	21.1	-10.6
			8801	Mitsui Fudosan	25-Aug-23	3,197	2,995.2	4.1	-4.7
			9006	Keikyu	25-Aug-23	1,251	345.0	-4.6	-5.4
Regional bank reform	Despite their lack of recent M&A activity, we are upbeat on the proactive approach of regional banks toward eliminating cross-shareholdings, as well as their concerted efforts to remedy low PBRs	26-Nov-21	7184	First Bank of Toyama	26-Nov-21	943	60.6	248.0	-4.4
			7186	Concordia FG	26-May-23	683	804.7	26.1	-4.2
			8337	Chiba Kogyo Bank	26-Nov-21	909	56.6	262.2	-2.4
			7384	Procrea HD	22-Apr-22	1,908	54.7	7.6	-8.2
Return of inbound tourism	In September, the number of foreign visitors to Japan recovered to 96% of the September 2019 level. On 10 August, China lifted the ban on group tours to Japan, Sino-Japanese relations are worsening	24-Jun-22	2222	Kotobuki Spirits	24-Jun-22	1,955	304.2	35.0	-16.6
			3088	MatsukiyoCocokara & Co.	28-Apr-23	2,583	1,107.8	6.6	-4.0
			9021	West Japan Railway	24-Feb-23	5,655	1,379.8	8.1	-13.4
			9706	Japan Airport Terminal	27-May-22	6,168	574.5	16.8	-2.6
Secondhand goods stocks	Mounting demand for secondhand goods driven by increased interest in sustainability especially among young people and efforts to reduce spending to combat inflation	23-Dec-22	2674	Hard Off	23-Dec-22	1,438	20.1	7.3	-6.6
			2681	Geo HD	23-Dec-22	2,228	88.3	7.5	-8.5
			3093	Treasure Factory	23-Dec-22	1,117	27.2	-10.5	-18.5
			7685	BuySell Technologies	23-Dec-22	3,310	48.3	-38.5	-3.2
Anime-related stocks	The number of Japanese anime titles available on services like Netflix and Amazon Prime is increasing. Strengthening intellectual property and intangible assets is a governmental priority as well, so we are upbeat on companies that are bolstering their IP businesses	27-Jan-23	4751	CyberAgent	27-Jan-23	769	389.1	-37.6	-3.9
			4816	Toei Animation	27-Jan-23	13,020	546.8	-4.8	-2.1
			7974	Nintendo	27-Jan-23	6,116	7,942.8	8.6	-2.3
			9468	Kadokawa	27-Jan-23	2,897	410.7	19.8	-5.2
Management reforms at low-PBR companies	As of mid-July, about 30% of Prime Market firms had responded to TSE requests regarding low PBRs. Management measures focused on capital costs and share prices will likely be unveiled at 1H results announcements and toward end-FY23	24-Feb-23	4183	Mitsui Chemical	24-Feb-23	3,658	734.7	14.3	-9.5
			5020	ENEOS HD	24-Feb-23	545	1,652.3	17.5	-11.3
			5201	AGC	24-Feb-23	5,029	1,143.8	-0.8	-5.9
			6925	Ushio	26-May-23	1,837	226.8	-3.7	1.6
Warren Buffett-related stocks	Warren Buffet visited Japan on 11 April and talked about increasing his investment stakes in five major trading companies. This not only pushed trading firms' share prices higher, but also lifted the Japanese stock market in general	28-Apr-23	6501	Hitachi	28-Apr-23	8,705	8,071.0	16.3	-10.7
			8035	Tokyo Electron	28-Apr-23	19,340	9,121.4	24.8	-4.1
			8306	MUFG	28-Apr-23	1,227	15,561.5	43.8	-6.4
			9432	NTT	28-Apr-23	174	15,710.5	4.5	-4.3
Stocks related to foreign workers	With Japan's labor shortage becoming more severe, the Technical Intern Training and Specified Skilled Worker programs may be revised, and if employment restrictions for exchange students enrolled in Japan are relaxed, this could benefit companies with businesses related to foreign workers	28-Jul-23	2146	UT Group	28-Jul-23	1,891	74.4	-32.2	-21.6
			2427	Outsourcing	28-Jul-23	1,075	135.5	-23.1	-7.8
			2462	LIKE	28-Jul-23	1,340	27.4	-18.4	-14.0
			4433	Hito Communications HD	28-Jul-23	1,196	21.4	-22.0	-14.3
AI-related stocks	Because Japan is not home to any major AI-related stocks on the scale of Microsoft and NVIDIA, investors focus on semiconductor stocks and other stocks that are positioned to benefit indirectly from the expansion of generative AI	28-Jul-23	4180	Appier Group	28-Jul-23	1,250	127.2	-23.8	-25.1
			4062	Ibiden	28-Jul-23	7,203	1,014.6	-15.5	-6.0
			6723	Renesas Electronics	28-Jul-23	2,106	4,124.5	-20.1	-4.9
			9984	SoftBank Group	28-Jul-23	6,044	8,884.7	-14.8	-5.1
Firms selecting Standard Market listing	Upbeat on firms that choose (toward end-September) a Standard Market listing, which makes sense given their size, and which frees up funds for capex, human resources and other investments by saving on corporate governance-related expenditure needed to retain Prime Market listings	29-Sep-23	1712	Daiseki Eco Solution	29-Sep-23	991	16.7	-15.6	-16.6
			2204	Nakamura	29-Sep-23	3,055	18.3	-1.0	-1.5
			4100	Toda Kogyo	29-Sep-23	1,690	10.3	-11.7	-12.1
			7455	Paris Miki HD	29-Sep-23	338	18.9	-12.4	-15.1
Companies with strong dividends/dividend growth	2024 expansion of NISA scheme to lead to greater focus on stocks with strong dividend yields and dividend growth among both retail and overseas investors	27-Oct-23	2914	Japan Tobacco	27-Oct-23	3,455	6,910.0	NA	0.6
			4502	Takeda Pharmaceutical	27-Oct-23	4,347	6,878.6	NA	-9.5
			5938	LIXIL	27-Oct-23	1,639	470.6	NA	-9.1
			8316	SMFG	27-Oct-23	7,117	9,519.2	NA	-7.2

Note: Share prices are as of 26 October. This is not a list of our recommendations
Source: Mizuho Securities Equity Research, based on Bloomberg

Model portfolio by Mizuho Securities Equity Research

Code	Company	Sector	Share price (¥)	Market cap (¥b)	Date of addition	Price change since addition (%)	Price change based on addition/deleti on	1-month price change (%)	Foreign ownership ratio (%)	FY2023 Mizuho Securities Forecast			
										Forecast PER (x)	NP change (%)	Dividend yield (%)	Forecast ROE (%)
1605	Inpex	Mining	2,138	2,964.0	29-Sep-23	-5.3	0.5	-8.0	28.7	7.6	-18.0	3.5	9.4
2502	Asahi Group HD	Foods	5,297	2,685.6	25-Aug-23	-2.9	2.2	-5.7	37.0	16.7	6.2	2.2	7.6
2802	Ajinomoto	Foods	5,533	2,885.1	27-Jan-23	30.1	30.1	-4.1	30.6	28.8	6.3	1.4	12.5
3088	MatsukiyoCocokara	Retail Trade	2,583	1,107.8	26-May-23	5.6	10.8	-3.4	35.0	22.0	21.3	1.4	9.9
4062	Ibiden	Electric Appl	7,203	1,014.6	28-Jul-23	-15.5	-7.3	-7.0	31.8	25.8	-25.3	0.6	9.0
4183	Mitsui Chemicals	Chemicals	3,658	734.7	30-Jun-23	-13.5	16.5	-7.0	30.6	8.3	0.6	3.8	10.2
4307	Nomura Research Institute	Info & Comm	3,669	2,180.0	26-May-23	3.9	-7.3	-9.0	34.9	26.0	8.1	1.3	20.5
4503	Astellas Pharma	Pharmaceutical	1,924	3,481.8	27-Jan-23	-0.7	-0.7	-7.9	43.3	23.2	50.8	3.6	9.5
4543	Terumo	Prec Instrument	3,945	2,949.6	27-Oct-23	NA	-25.1	0.4	33.8	27.3	20.1	1.1	9.3
4768	Otsuka	Info & Comm	5,816	1,105.1	26-May-23	12.9	1.6	-8.1	27.8	24.0	14.8	2.4	14.0
6479	MINEBEA MITSUMI	Electric Appl	2,279	973.3	27-Jan-23	1.5	1.5	-6.2	37.2	16.5	-26.6	1.2	8.6
6501	Hitachi	Electric Appl	8,705	8,071.0	27-Jan-23	26.0	26.0	-9.8	46.1	14.9	-16.8	1.8	10.6
6723	Renesas Electronics	Electric Appl	2,106	4,124.5	28-Jul-23	-20.1	-3.4	-5.7	38.7	11.5	28.5	0.0	18.5
6758	Sony Group	Electric Appl	12,245	15,441.9	27-Jan-23	5.3	5.3	0.2	57.5	17.0	-4.5	0.7	12.9
6841	Yokogawa Electric	Electric Appl	2,671	717.4	27-Jan-23	18.1	18.1	-7.5	39.8	14.7	23.3	1.3	12.3
6902	Denso	Transport Equip	2,273	7,162.4	27-Jan-23	30.7	30.7	-9.2	20.1	13.6	57.3	2.3	10.5
7203	Toyota Motor	Transport Equip	2,595	42,329.2	30-Jun-23	12.4	10.1	-4.1	18.2	9.3	53.3	2.5	12.7
7269	Suzuki Motor	Transport Equip	5,779	2,838.3	27-Jan-23	19.4	19.4	-4.6	35.5	10.3	22.3	2.2	12.4
7532	Pan Pacific International HD	Retail Trade	2,832	1,797.3	27-Jan-23	17.4	17.4	-8.8	56.9	23.6	8.1	0.7	14.8
8001	ITOCHU	Wholesale Trd	5,343	8,468.1	27-Jan-23	27.0	27.0	-3.6	36.7	9.4	2.4	3.0	16.2
8035	Tokyo Electron	Electric Appl	19,340	9,121.4	27-Jan-23	27.6	27.6	-2.9	39.7	28.5	-33.4	1.8	18.9
8306	Mitsubishi UFJ Financial Group	Banks	1,227	15,561.5	27-Jan-23	25.4	25.4	-5.5	31.1	10.9	20.9	3.3	7.6
8316	Sumitomo Mitsui Financial Group	Banks	7,117	9,519.2	27-Jan-23	22.7	22.7	-5.1	34.6	11.2	5.5	3.7	6.4
8795	T&D HD	Insurance	2,498	1,471.0	29-Sep-23	1.2	25.9	-2.2	39.0	14.5	-	2.8	9.3
8801	Mitsui Fudosan	Real Estate	3,197	2,995.2	27-Jan-23	31.5	31.5	-3.8	48.3	13.9	8.6	2.1	7.2
9021	West Japan Railway	Land Transprt	5,655	1,379.8	27-Jan-23	2.7	2.7	-10.1	26.7	16.7	-6.8	2.1	7.8
9432	Nippon Telegraph & Telephone	Info & Comm	174	15,710.5	27-Jan-23	11.9	11.9	-3.1	20.4	11.7	3.8	2.9	14.2
9503	Kansai Electric Power	Elec Powr & Gas	1,980	1,858.2	27-Jan-23	58.6	58.6	-9.3	19.9	4.9	1955.5	2.5	18.7
9983	Fast Retailing	Retail Trade	33,140	10,545.8	27-Jan-23	26.6	26.6	1.9	20.8	31.8	8.0	1.0	16.6
9984	SoftBank Group	Info & Comm	6,044	8,884.7	28-Jul-23	-14.8	-37.0	-4.0	24.0	4.1	-	0.7	21.6
Average						11.9	12.3	-5.7					
TOPIX change						12.2	12.2	-5.2					

Note: Data is as of 26 October. Taking a top-down approach, we select 30 stocks included in the MSCI ACWI with a market cap of at least ¥500b and a Buy rating by our analysts. Earnings forecasts are based on Mizuho Securities analysts' forecasts for FY23. Price change since addition/deletion is the change from previous day of the date of addition/deletion (TOPIX is change from 27 January 2023). 1-month price change is change from the previous report (28 September)

Source: Mizuho Securities Equity Research, based on Bloomberg

Companies Mentioned

Code	Company Name	Recommendation	Price 7/11
1605	Inpex	Buy	¥2,129.5
2502	Asahi Group Holdings	Buy	¥5,611
2802	Ajinomoto	Buy	¥5,371
3088	MatsukiyoCocokara & Co.	Buy	¥2,554.5
4062	Ibiden	Buy	¥6,742
4183	Mitsui Chemicals	Buy	¥3,901
4307	Nomura Research Institute	Buy	¥4,092
4503	Astellas Pharma	Buy	¥1,783
4543	Terumo	Buy	¥4,185
4768	Otsuka	Buy	¥5,837
6479	MinebeaMitsumi	Buy	¥2,647
6501	Hitachi	Buy	¥9,609
6723	Renesas Electronics	Buy	¥2,248.5
6758	Sony Group	Buy	¥13,155
6841	Yokogawa Electric	Buy	¥2,769.5
6902	Denso	Buy	¥2,339
7203	Toyota Motor	Buy	¥2,832
7269	Suzuki Motor	Buy	¥6,021
7532	Pan Pacific International Holdings	Buy	¥3,023
8001	Itochu	Buy	¥5,799

Code	Company Name	Recommendation	Price 7/11
8035	Tokyo Electron	Buy	¥21,215
8306	Mitsubishi UFJ Financial Group	Buy	¥1,260
8316	Sumitomo Mitsui Financial Group	Buy	¥7,288
8795	T&D Holdings	Buy	¥2,627.5
8801	Mitsui Fudosan	Buy	¥3,383
9021	West Japan Railway	Buy	¥5,877
9432	Nippon Telegraph and Telephone	Buy	¥174.9
9503	Kansai Electric Power	Buy	¥1,911
9983	Fast Retailing	Buy	¥34,400
9984	SoftBank Group	Buy	¥6,427

Note: NR = Not Rated

Source: Mizuho Securities Equity Research

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7. A member of the household of the research analyst covering Hitachi, Takeshi Tanaka, owns shares in Hitachi.
8. Share prices with dates shown in this report are the price at close of trading unless otherwise indicated. The recommendation history of Toyota Motor can be found at <https://mizuho.bluematrix.com/sellside/MAR.action>

Note: Percentage ownership calculation based on disclosure requirements stipulated by FINRA.

Calculations for companies within one month of a public listing of shares may be based on the Offering Memorandum.

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Ratings and price objectives are based on returns expected over the next 6 -12 months.

Buy:	Stocks for which our price objective, as of the date it is set, exceeds the share price by 10% or more.
Neutral:	Stocks for which our price objective, as of the date it is set, is within 10% of the share price (either above or below).
Underperform:	Stocks for which our price objective, as of the date it is set, falls below the share price by 10% or more.
RS:	Rating Suspended - rating and price objective temporarily suspended.
NR:	No Rating - not covered, and therefore not assigned a rating.

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