

Japan Insights | Market Strategy by Nozomi Moriya

Japanese Equities Today: What Our Overseas Investor Survey Reveals

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Nozomi Moriya – Chief Strategist (Institutional Clients)

In the final week of October, Tokyo draws a large number of market participants from overseas. Japan Weeks, an initiative organized by the Financial Services Agency since 2023, is once again marked by a series of events focused on Japan's financial and capital markets.

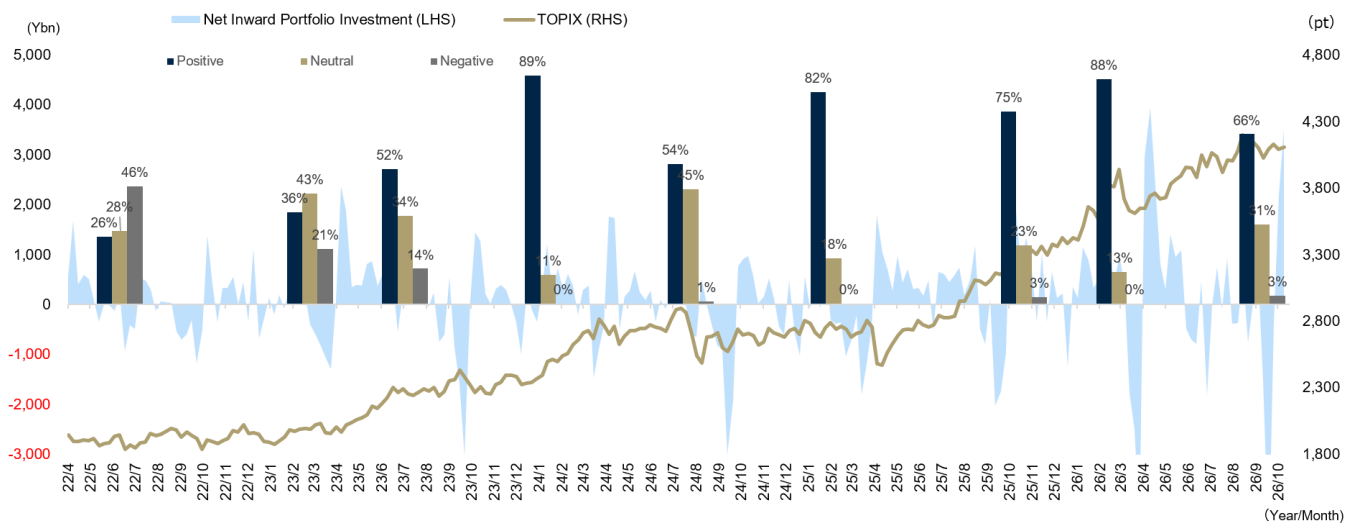
At a Nomura Asset Management event, we presented findings from Project Bridge's ongoing survey of overseas investors. After my recent report from Europe, I'm returning to the subject of overseas investors—this time to take a closer look at the survey and what it reveals about changing views of Japanese equities. Because each survey draws a different group of respondents, the results are not strictly comparable over time. Even so, they provide a useful read on shifts in investor sentiment.

Positive, but Increasingly Selective

The survey's findings on investors' stance toward Japanese equities offer a useful starting point. Bullish sentiment strengthened from the survey's launch in 2022 through the end of 2023. It then receded—perhaps in part in response to the sharp market sell-off in the summer of 2024—before rising again from 2025 onward.

In the latest survey, conducted in September and October 2026, two-thirds of respondents were bullish on Japanese equities, around 30% were neutral, and only a small minority were bearish. This is broadly in line with the sentiment I have encountered in recent conversations with overseas investors. The picture is not simply one of growing bullishness; investors appear to be taking a more selective view of the Japanese market. Some who turned bullish early on continue to regard Japanese equities favorably, but have since returned to a neutral stance.

Figure 1. Investment Stance on Japanese Equities



Source: Japan's Net Inward Portfolio Investment and TOPIX: Compiled by Nomura Asset Management using data from Bloomberg (period: April 1, 2022–October 16, 2026; weekly). Bar chart (from left): Based on survey results from overseas investor visits in May–July 2022; an online conference in January–February 2023; overseas investor visits in April–June 2023; an online conference in January–February 2024; overseas investor visits in July–September 2024; an online seminar in February 2025; overseas investor visits in September–November 2025; an online conference in February–March 2026; and overseas investor visits in September–October 2026. Compiled by Nomura Asset Management.

This suggests that Japanese equities have moved beyond the phase in which they were seen as an undervalued, under-owned market and have already been repriced to some extent. From here, the focus is likely to shift from a rising tide lifting all stocks to the companies themselves: which are transforming their businesses, growing earnings, and improving capital efficiency.

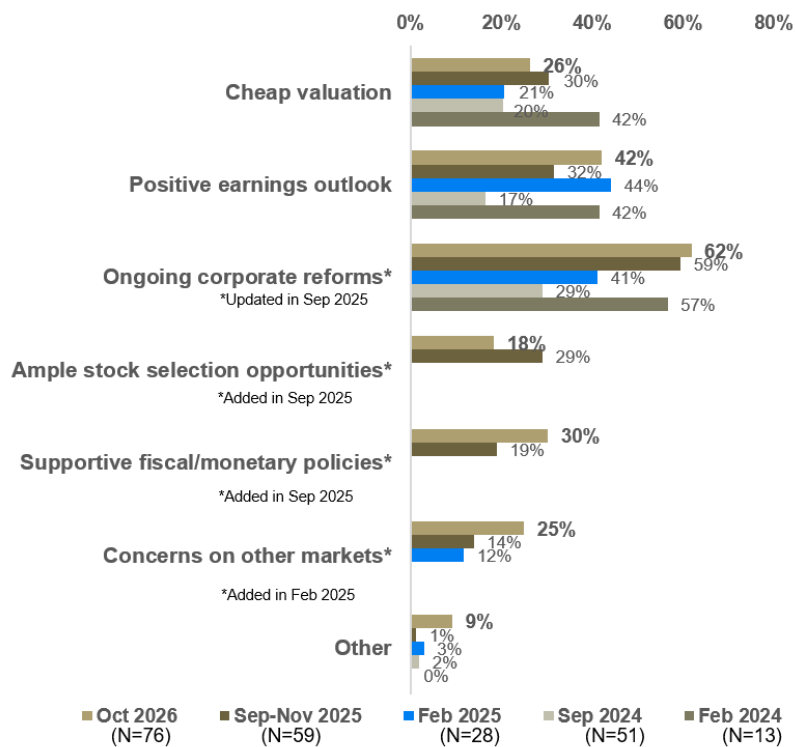
No Longer Just Cheap: The Focus Shifts to Transformation and Growth

Some of the current interest in Japanese equities reflects their place in the global AI trade. Japan is home to many companies that stand to benefit from AI investment, including semiconductor and data-center businesses. But the theme has also been a source of pressure: the recent correction in AI- and semiconductor-related stocks has weighed on the Japanese market. The AI trade, in other words, remains volatile.

The survey suggests, however, that expectations for Japanese equities extend beyond AI. The reasons most often cited for a bullish stance are corporate transformation, earnings growth, and fiscal and monetary policy. By contrast, fewer respondents than before point to low valuations.

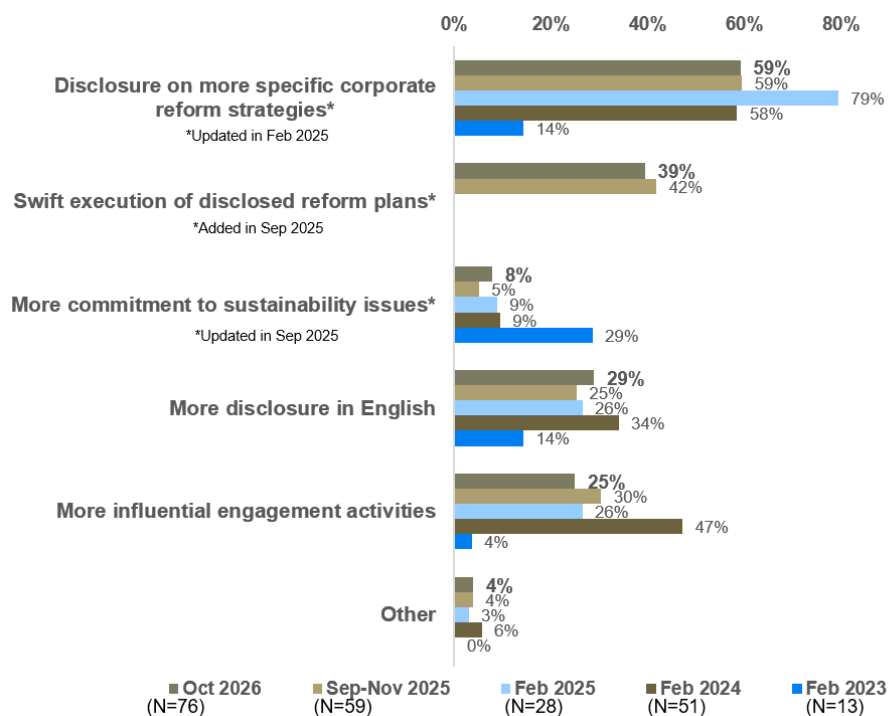
The reappraisal of Japanese equities began with relatively straightforward investment themes, including low valuations. Today, overseas investors appear to be looking beyond valuation alone. Their interest reflects not only a global growth theme such as AI, but also changes specific to Japan—among them corporate transformation and developments in fiscal and monetary policy.

Figure 2. Reasons Overseas Investors Are Bullish on Japanese Equities



Source: Nomura Asset Management

Figure 3. What Overseas Investors Expect



Source: Nomura Asset Management

At the same time, investors have specific priorities for Japanese companies. What they most want to see is the disclosure of concrete measures for corporate transformation—and their swift execution.

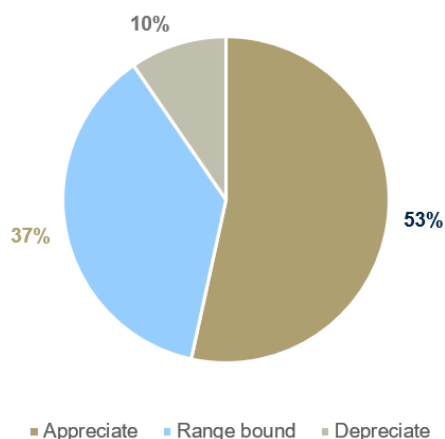
It is no longer enough for companies to state their intentions. Investors want to know what will change, by when, and how those changes will improve profitability and capital efficiency. They are looking for specific answers.

Overseas investors are looking beyond Japan's exposure to global themes such as AI. They are also assessing how far the country's own transformation can go.

A Different Read on the Yen

Asked about the yen's outlook, more than half of respondents expected it to strengthen. A move within a range was the next most common view, while only a small minority anticipated further weakness. The survey points to a stronger yen, though views in Japan are more mixed, with some still anticipating further weakness.

Figure 4. Overseas Investors' Views on the Yen (as of October 2026)



Source: Nomura Asset Management

The yen's impact on Japanese equities is not all one-way. A weaker yen can boost earnings at manufacturers and other exporters, which account for a sizeable share of the market. But for overseas investors, a stronger yen can lift returns on unhedged yen-denominated investments.

The survey's message is twofold: overseas investors remain engaged with Japanese equities, but the reasons drawing them to the market have grown more diverse. That reflects what I hear in my own conversations. For some, the draw is a global growth theme such as AI. For others, it is the search for diversification amid geopolitical risks and concentrated exposure to the United States. And for others still, it is the prospect of structural change in Japan—through corporate transformation and policy.

Investors are drawn to Japanese equities for different reasons. Going forward, the analysis will need to span both the market-wide forces shaping returns and the company-specific factors setting individual stocks apart.

Note: This material contains personal views and does not necessarily reflect Nomura Asset Management's house view. This article is not intended as investment solicitation, nor does it constitute a recommendation to buy or sell any specific security or imply any rise or fall in price.

Nozomi Moriya

Chief Strategist (Institutional Clients)

Nomura Asset Management Co., Ltd. ("Nomura AM")

Nozomi Moriya is Chief Strategist for Institutional Clients in Japan and overseas at Nomura AM. She joined the firm in September 2026 after more than two decades at UBS, where she worked as an equity analyst covering the Japanese consumer sector before becoming Japan Equity Strategist in 2023.

Drawing on her extensive experience analyzing Japanese companies and industries, she specializes in analyzing Japan's corporate reforms and connecting bottom-up corporate developments with broader macroeconomic and capital-market trends. She also actively shares her views on Japanese equities with audiences in Japan and abroad, highlighting their global appeal.

She graduated with a B.A. in Economics from the University of Tokyo in 2003.

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[Calculation formula] Assets amount under contract x fee rate (%) x length of the contract (days) / 365
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Fees and Expenses Associated with Investment Trusts October, 2026

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