

Strategist View:

Foreign Investors are Stepping Up Their Reassessment of Japanese Equities

Nomura Asset Management Co., Ltd. Published November 19, 2025

Hideyuki Ishiguro, Chief Strategist

Foreign buying of Japanese stocks has intensified

Net purchases (cash) by foreign investors in October amounted to ¥3,441.3 billion, exceeding the previous monthly record of ¥2,682.6 billion set in April 2013. Expectations of an end to deflation and progress in corporate reform, together with growing hopes for policies from the new Takaichi administration that took office in October, are seen as contributing factors.

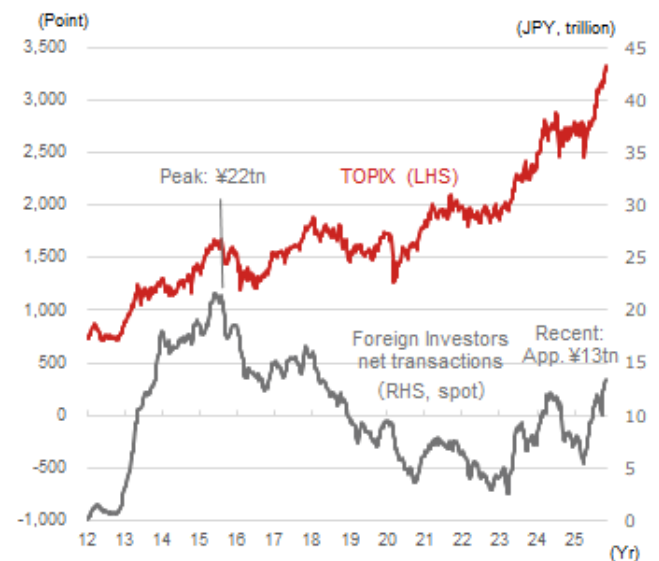
On a cumulative basis since 2012, foreign net purchases of Japanese stocks remain low compared with the peak of about ¥22 trillion, suggesting there is still substantial room for investors to increase their holdings. As nominal GDP and corporate profits reach record highs, expectations that the Takaichi administration's policies — including its pledge for responsible, active fiscal policy — will strengthen Japan are likely encouraging foreign buying.

Is there still substantial room to re-rate Japanese stocks?

On the other hand, a valuation comparison between Japan and the US shows limited signs of overheating in Japanese equities. During the Abenomics period, TOPIX's 12-month forward P/E was at times about 20% higher than the S&P 500. Currently, however, TOPIX is trading at nearly a 30% discount to the S&P 500, indicating limited overvaluation on a Japan–US basis. Unlike the Abenomics-led rally, which was driven mainly by yen weakness, the current move is accompanied by structural changes in the economy and corporate sector — such as wage increases and corporate reform — suggesting greater potential for revaluation.

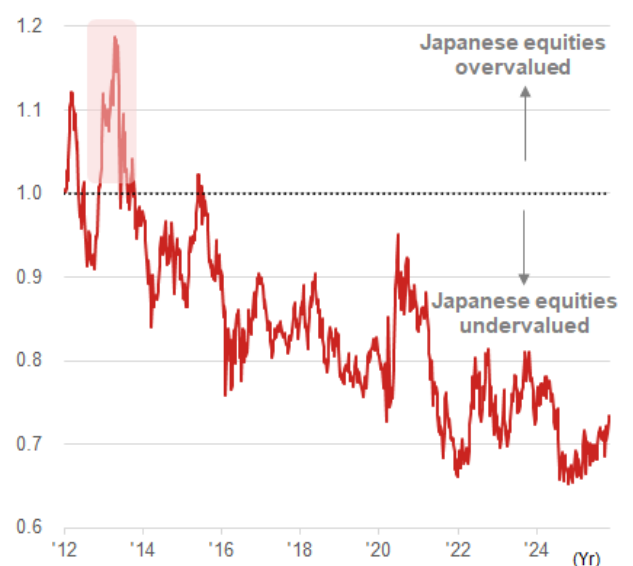
In discussions on revising the Corporate Governance Code in October, the Financial Services Agency indicated it would ask companies to verify whether their cash and deposits are being used effectively. If companies redirect those funds toward growth investments, this could become a driver of higher corporate value. As economic, corporate, and political changes advance in tandem, foreign investors' reassessment of Japanese equities is likely to continue.

Fig. 1. TOPIX (Tokyo Stock Price Index) and Cumulative Net Purchases by Foreign Investors



Period: (TOPIX) Weekly, Jan. 6, 2012–Nov. 10, 2025 (Cumulative net purchases by foreign investors) Weekly, 1st week of Jan. 2012–5th week of Oct. 2025. The cumulative net purchases by foreign investors are indexed to the 1st week of January 2012. Source: Prepared by Nomura Asset Management based on Bloomberg data.

Fig. 2. TOPIX vs. S&P500: Relative 12M Forward P/E



Period: January 6, 2012–November 10, 2025, weekly. Shaded area indicates the period of the "Abenomics" market when market expectations for Japanese stocks rose sharply. Source: Prepared by Nomura Asset Management based on Bloomberg data.

The commentary is based on personal views and does not necessarily reflect the house view.

Index Disclosure

Tokyo Stock Price Index (TOPIX): Index values, marks, and trademarks related to the Tokyo Stock Price Index (TOPIX) are the intellectual property of JPX Market Innovation & Research, Inc. and its affiliates (hereinafter referred to as "JPX"). JPX retains all rights related to the calculation of the index, releases of its values, and its usage, in addition to rights related to all relevant know-how, marks, and trademarks. JPX does not guarantee nor assume any responsibility for errors, delays, or interruptions in the calculation or release of TOPIX index values. This product is not offered, guaranteed, or sold by JPX. JPX shall not be liable for any damages arising from the establishment, sale, or promotion activities of this products.

S&P 500: All intellectual property rights and all other rights to the "S&P500" indices belong to Standard & Poor's Financial Services LLC.

Disclaimer

This report was prepared by Nomura Asset Management Co., Ltd. for information purposes only. Although this report is based upon sources we believe to be reliable, we do not guarantee its accuracy or completeness. Unless otherwise stated, all statements, figures, graphs and other information included in this report are as of the date of this report and are subject to change without notice. The contents of this report are not intended in any way to indicate or guarantee future investment results. Further, this report is not intended as a solicitation or recommendation with respect to the purchase or sale of any particular investment. This report may not be copied, re-distributed or reproduced in whole or in part without the prior written approval of Nomura Asset Management Co., Ltd. Registration Number: Director-General of the Kanto Local Financial Bureau No.373 Membership: The Investment Trusts Association, Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association.

<https://global.nomura-am.co.jp/risk/>