Platinum Japan Fund

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Overview

- The Fund posted a 19% return for the past year, helped by a strong performance from the overall Japanese market, improving economic fundamentals and our positioning in companies in the 'physical AI' space. These are companies using the potential of AI to deliver efficiency and profit gains in areas such as manufacturing, logistics and factory automation.
- Two stocks, **Kioxia** and **Tokyo Electron**, delivered exceptional sharemarket returns this quarter as a result of their position in the AI supply chain.
- The Japanese government has committed to expanding both public and private investment in key segments like robotics, datacentres, semiconductors and gaming. We believe this strategy can support long-term growth for the Japanese economy with positive flow-on effects for wages and corporate profits.

Performance

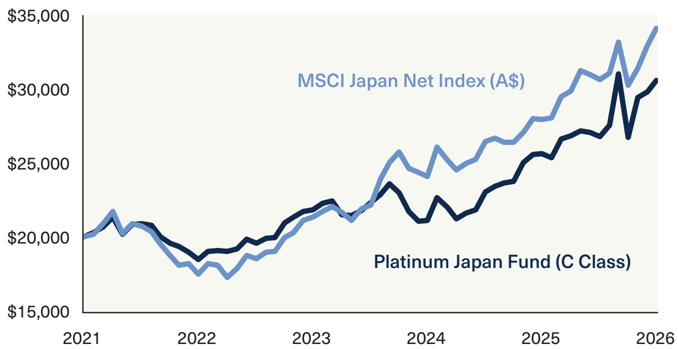
compound p.a.+, to 30 June 2026

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Japan Fund*	14%	19%	12%	9%	13%
MSCI Japan Index^	13%	22%	17%	11%	5%

+ Excludes quarterly performance.
* C Class – standard fee option. Inception date: 30 June 1998.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI Japan Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance.
See note 1, page 5. Numerical figures have been subject to rounding.

Value of $20,000 invested over five years

30 June 2021 to 30 June 2026



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems.
See notes 1 & 2, page 5.

The Fund returned more than 14% over the past quarter, 19% over the past year and averages a 12.7% annual return since inception.

The Fund benefited from the ongoing surge in semiconductor demand – semiconductor shipments from Japan were up more than 40% in the year to April (Source: Factset). A key portfolio holding, NAND memory stock **Kioxia**, was up 300% over the quarter. **Tokyo Electron**, another Japanese semiconductor stock, rose 90%.

Our holdings in factory automation/logistics and robotics companies **Keyence**, **DMG Mori** and **FANUC** were all up around 30% during the June quarter. We view these companies as attractive investments as they are key to the rebuilding of manufacturing capacity in both Japan and the US.

We made several new additions during the period. The first, **Food and Life**, runs Sushiro, a growing conveyor sushi restaurant chain that is now looking to expand overseas. Sushiro's approach mirrors that of the global success story – and Fund holding – Fast Retailing (UNIQLO). They deliver high quality at a value price which is repaid by high customer loyalty.

We bought into **Furukawa Electric**, a diversified wire and cable maker enjoying rising sales for its optical fibre products on the back of AI datacentre demand. Furukawa has also been raising capacity but industry wide shortages in the optical segment are likely to persist for some time.

We also took a stake in **Shin-Etsu Chemical**. They are the world's pre-eminent maker of silicon wafers used in semiconductor manufacturing. They also manufacture PVC for construction materials. The company is highly cost-competitive thanks to its US subsidiary Shintech which gives them access to a natural gas precursor. Both businesses appear set for further growth.

Softbank Group is a Japanese tech conglomerate which continues to place itself at the edge of the tech frontier and is priced at a significant discount to the value of its underlying investments, especially ARM, a key technology architecture for processor efficiency. With their acquisition of ABB Robotics, Softbank is also taking meaningful steps to build out a business portfolio centred on physical AI. This has the potential to develop into a key pillar for earnings.[1]

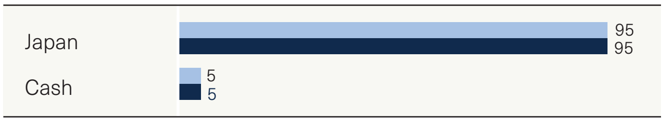
AI: winners and laggards

The bull run in Japanese equities accelerated during the quarter. At one point the tech-heavy Nikkei was up over 40% in local currency terms since the start of 2026. Index gains are largely carried by a relatively small number of AI "winners", mostly focused in the semiconductor value chain. These chains were built for a different era of PCs and smartphones and are now dealing with physical shortages and production bottlenecks given the sharp increase in demand. Even with the surge in expectations, the industry may take several quarters to catch up to the massive rise in hyperscale spending.

From a market perspective, this paints a strong picture for future Japanese earnings growth. Japanese firms are particularly well placed to capture value given their competitive position in key inputs of the semiconductor value chain. These firms are more than offsetting the AI "laggards" in the Japanese market whose stocks have derated sharply. The laggards include software companies perceived to be vulnerable to AI disruption and consumer electronics companies dealing with higher memory costs.

1 For more on Japan's leadership in physical AI see our Journal article: www.platinum.com.au/the-journal/japans-halo-stocks-quality-hiding-in-plain-sight/.

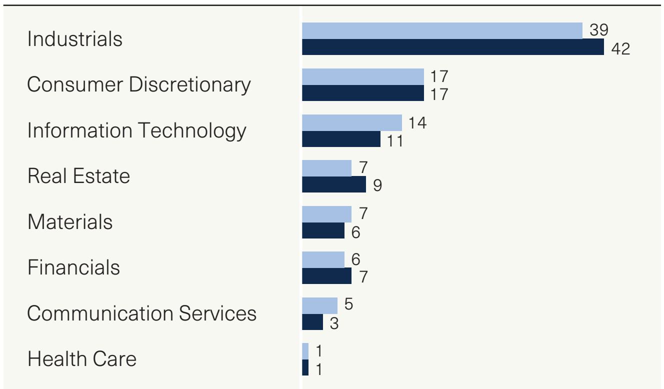
Disposition of Assets %



30 JUN 2026 31 MAR 2026

See note 3, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures %



30 JUN 2026 31 MAR 2026

See note 4, page 5. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
FANUC Corp	Japan	Industrials	5.9%
JX Advanced Metals Corp	Japan	Materials	5.3%
Kioxia Holdings Corp	Japan	Info Technology	5.2%
Mitsubishi Estate Co Ltd	Japan	Real Estate	5.1%
Mitsubishi Electric Corp	Japan	Industrials	4.9%
Keyence Corp	Japan	Info Technology	4.8%
Taisei Corp	Japan	Industrials	4.6%
Daifuku Co Ltd	Japan	Industrials	4.5%
DMG Mori Co Ltd	Japan	Industrials	4.5%
Mitsubishi UFJ Financial	Japan	Financials	4.1%

As at 30 June 2026. See note 5, page 5.
Source: Platinum Investment Management Limited.

Japan's new momentum

As we have written before, Japan's government is seeking to re-orient its economy to extract long term benefits from AI adoption. What a contrast this is with the slow, conservative Japanese policymaking of yesteryear.

Within six months of recording a resounding election victory, Japanese PM Takaichi is working through policies which primarily focus on long term economic growth. The details are spearheaded by the Growth Strategy Council which has identified a lack of corporate investment and cost cutting as a key contributor to Japan's weak economic growth over the past three decades. The government's new policies are seeking to reverse this, encouraging the mobilisation of both public and private sector balance sheets to raise investment levels, thus closing the supply-demand gap and underpinning economic growth.

We are impressed at the speed, scale and ambition of these initiatives. They represent a bold rethink of Japan's economic structure that should change the way the economy looks in coming decades, with the deployment of AI across robotics and semiconductors at its core.

Industrial policy: impure but effective

We are now returning to the more overt industrial policies which had developed a bad name in neo-liberal economic policy circles. The core arguments against such policies are that governments should not pick winners and it should be market forces that decide which industries survive and thrive.

Free market efficiency may work in theory. However, the geopolitical reality of 2026 is that Japan and the US are now crafting these policies based on strategic aims that prioritise reshoring and supply chain resiliency.

In late June, the Takaichi government unveiled its plan to invest a massive ¥370tr (US$2.3 trillion) through FY40 across 17 strategic sectors. These investments are largely through public-private partnerships and are targeting industries it regards as critical to the long-term prosperity of Japan such as semiconductors, datacentres, physical AI (robotics), quantum computing, advanced medicine and gaming. The bulk of this investment is expected to be driven by the private sector.

Implementing these initiatives is expected to boost Japan's potential growth. Nominal GDP is targeted to reach ¥1,100tr (US$6.8 trillion) by 2040, up from ¥700tr (US$4.3 trillion) currently, boosting Japan's potential growth rate by up to 1.8% by then, up from 0.4% currently. Higher growth is also expected to cut into the level of government debt.

Moreover, in a departure from traditional practice, Japan is now setting open-ended, multi-year government budgets for these strategic priorities rather than setting them on an annual basis. This is designed to give private firms the government reassurance they need to commit to long-term capital investments.

Building resilience and competitiveness

These policy steps are not merely encouraging, they confirm a real commitment by policy makers to an expansive fiscal roadmap that is explicitly designed to restore competitiveness, resilience and growth.

We think market expectations of Japan's economic and market prospects remain subdued and the current response to these policy moves is fixated on how they will be paid for rather than on their potential efficacy. Encouragingly, the government's approach is based on the idea that it is higher growth that will deliver fiscal sustainability – that is, higher tax revenues rather than higher tax burdens.

In our view, markets have yet to fully comprehend how transformative these initiatives could be.

The right policy settings should allow the benefits of AI to seep into all sectors of the economy. While corporate reforms and balance sheet efficiency remain front of mind, given a clear policy roadmap, we think corporate priorities will further shift to deploying excess capital into the latest technologies.

I've argued this before – and will again. We are in the early stages of a sustained investment-led economic boom, implying a multi-year rise in productivity that, in turn, is leading to higher growth, spilling over into higher real wages and therefore higher consumption. That's a true virtuous circle.

An economy growing at the pace policymakers are suggesting means the long-held forecasts of an ageing Japan inexorably doomed to perpetual economic decline can finally be replaced with optimism. That would be a welcome surprise for financial markets.

Notes: Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935).

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class of the Fund and represent the combined income and capital returns over the specified period. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. Where applicable, the gross MSCI index was used prior to 31/12/98. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, the Fund's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The Disposition of Assets and Revenue Exposure by Region charts (i.e. other than "cash" and "shorts") shows the Fund's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. Unless otherwise noted, country classifications for securities reflect Bloomberg's "country of risk" designations. "Shorts" show the Fund's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this graph includes cash at bank, cash payables and receivables and cash exposures through long derivative transactions.
4. The graph shows the Fund's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".
5. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.