

Matthews Japan Fund

Investor

Commentary

Period ended September 30, 2025

Market Environment

- Japan delivered a robust performance during the quarter, returning 8.2%¹. Market gains were broad-based as a strengthening yen lifted returns in U.S. dollar terms, though it posed a headwind for local market performance.
- Japanese corporates demonstrated earnings resilience, although there were less stock-specific opportunities compared to the previous two quarters. Macroeconomic factors also played a role, as equity investors focused on the government's fiscal policy and the trajectory of interest rates.
- The main style beneficiary in the quarter was momentum, especially within the artificial intelligence (AI) space. The global AI buildout boosted enthusiasm toward Japan's semiconductor and hardware related stocks.

Contributors and Detractors

- For the quarter ended September 30, 2025, the Matthews Japan Fund returned 4.48% (Investor Class) and 4.47% (Institutional Class) while its benchmark, the MSCI Japan Index, returned 8.18% over the same period.
- On a sector basis, the top contributor to relative performance was health care due to an underweight allocation. The top three detractors were industrials, information technology (IT) and consumer staples due to stock selection.
- The largest contributors to absolute performance included Sony Group, a leading electronics company, Mitsubishi UFJ Financial Group, a leading financial firm, and Marubeni Corp., a Japanese industrials company. The top three detractors included Tokyo Electron, a chip equipment maker, Capcom, a game developer, and Nidec Corp., an industrials company.

Outlook

- Domestic politics, we believe, will play a key role in the market in the months ahead. The election of Sanae Takaichi as leader of the ruling Liberal Democratic Party signals a potentially more reformist and market-friendly agenda.
- Markets also expect Japan to avoid trade tensions with the U.S. following the trade agreement reached with the Trump administration in July, which includes a \$550 billion inward investment package for the U.S. Japan has a history of direct investing in the U.S. and an ability to dampen its trade surplus with defense spending and other moves.
- In this macro environment, we believe the focus should remain on domestic total returns and company-specific opportunities. We think returns will continue to be supported by robust earnings, ongoing governance reforms and dividend growth, and that it will be key to stay focused on fundamentals amid exuberance over AI themes.

¹Source: MSCI Japan Index, as of Sept. 30, 2025.

[View the Fund's Top 10 holdings](#) as of September 30, 2025. Current and future holdings are subject to change and risk.

Average Annual Total Returns - MJFOX as of 09/30/2025

1YR	3YR	5YR	10YR	Since Inception	Inception Date
13.07%	21.79%	5.99%	8.33%	6.45%	12/31/1998

All performance quoted is past performance and is no guarantee of future results. Investment return and principal value will fluctuate with changing market conditions so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. Returns would have

been lower if certain of the Fund's fees and expenses had not been waived. For the Fund's most recent month-end performance visit matthewsasiasia.com

Fees & Expenses

Gross Expense Ratio	1.15%
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