

The Japan Opportunity Set Capturing Japan's Structural Shift

The Takaichi Mandate

The political landscape of Japan has undergone a seismic shift. Following the snap election on February 8, 2026, Prime Minister Sanae Takaichi and her coalition have secured a landslide victory, granting the Liberal Democratic Party (LDP) and its partner, the Japan Innovation Party (JIP), a commanding super-majority in the Lower House. This decisive mandate has effectively unlocked the legislative floodgates for "Sanaenomics" — a robust policy framework characterized by aggressive fiscal expansion, strategic industrial investment, and a reimagining of Japan's security posture.

Equities: Riding the "Risk-On" Wave

In stark contrast to the currency markets, Japanese equities are enjoying a "risk-on" renaissance. The Nikkei 225 recently set an all-time high, driven by foreign inflows that tripled in 2025 compared to the previous year. Investors have welcomed the removal of political instability and the administration's clear commitment to growth. The equity market is benefiting from a "virtuous cycle" where a weaker yen boosts exporter earnings, while corporate governance reforms unlock vast cash reserves held by Japanese companies. With inflation becoming entrenched and nominal GDP projected to grow by 3.4% in 2026¹, we believe the environment is ripe for double-digit earnings growth. In contrast to U.S. earnings growth in 2025, which remained heavily concentrated among large technology and AI-linked companies such as Nvidia and the rest of the Magnificent Seven, Japan's second-quarter earnings strength was far more broad-based across different equity sectors.

¹ Source: NumberNomics (GDP, Inflation, and Interest Rate Forecasts - Jan 29, 2026).

Four Pillars of the Takaichi Trade

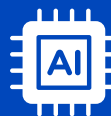
We believe Takaichi's policies create specific winners. We have identified four sectors driven by State Support and Macro Tailwinds.

1. Defense
2. AI and Semi Conductors
3. Financials
4. Exporters



Defense

- Core Argument: Takaichi is explicitly hawkish on national security. Her pledge to increase military spending transforms defense stocks into a “crisis-management investment” strategy.
- The Big Winners: Japanese defense stocks are currently trading at attractive valuations compared to their US peers, offering an arbitrage opportunity as government spending ramps up.



AI and SemiConductors

- Core Argument: The administration has explicitly singled out Artificial Intelligence and semiconductor chips for targeted government investment.
- The Big Winners: We believe these sectors are positioned to maximize returns through a combination of direct state support and robust global demand. This is a policy-driven growth trade.



Financials

- Core Argument: We believe financials are mispriced relative to improving fundamentals, trading at just 1x price-to-book despite deflation and policy normalization tailwinds.
- The Big Winners: Broader economic deflation and the eventual normalization of policy provide long-term tailwinds for financials.



Exporters

- Core Argument: The administration has explicitly singled out Artificial Intelligence and semiconductor chips for targeted government investment.
- The Big Winners: We believe these sectors are positioned to maximize returns through a combination of direct state support and robust global demand. This is a policy-driven growth trade.

WisdomTree Japan Hedged Equity Fund (DXJ)

Fund Overview

The WisdomTree Japan Hedged Equity Fund seeks to track the price and yield performance, before fees and expenses, of the WisdomTree Japan Hedged Equity Index.

Why DXJ?

- Gain broad equity exposure to Japanese dividend paying companies with an exporter tilt.
- Currency Hedge mitigates exposure to fluctuations of the Japanese yen
- Use to maintain Japanese equity exposure while neutralizing currency fluctuations of the Japanese yen relative to the U.S. dollar.
- Since their inception, TIPS have been viewed as an interest rate-hedged strategy. While these securities do help to mitigate the effects of inflation on rates, TIPS yields can still increase in a rising rate environment when the Federal Reserve, and not necessarily higher inflation, is the primary catalyst.

WisdomTree Asia Defense Fund (WDAF)

Fund Overview

The WisdomTree Asia Defense Fund seeks to track the price and yield performance, before fees and expenses, of the WisdomTree Asia Defense Index.

Why WDAF?

- Captures the Indo-Pacific's structural military modernization—an area of rising strategic tension and sustained defense investment—via a pure-play Asia defense ETF.
- Provides targeted exposure to leading defense innovators in Japan, South Korea, India, Taiwan, and beyond, with low overlap versus U.S. and European benchmarks.
- Complements global and U.S. defense allocations by diversifying geopolitical exposure and tapping Asia's indigenous innovation in hypersonics, space, cyber, and unmanned systems.
- Positions portfolios to benefit from policy-driven defense spending growth across some of the fastest-expanding procurement budgets in the world.

WisdomTree Japan Opportunities Fund (OPPJ)

Fund Overview

The WisdomTree Japan Opportunities Fund seeks to track the price and yield performance, before fees and expenses, of the WisdomTree Japan Opportunities Index.

Why OPPJ?

- Gain targeted exposure to stocks WisdomTree believes represent the best opportunities in Japan.
- Use to diversify exposure to the U.S. and other international markets.
- Use to optimize portfolios for shifting geopolitical risks and regional allocation trends.

GLOSSARY

Please see the [WisdomTree Glossary](#) for definitions of terms and indexes.

Nikkei 225 Index: A major Japanese stock market index representing 225 large, publicly traded companies on the Tokyo Stock Exchange.

Magnificent 7: Refers to the group of seven large U.S. technology companies: Apple, Microsoft, Amazon, Alphabet (Google), Meta Platforms, Nvidia and Tesla.

Price-to-Book: A financial valuation ratio that compares a company's market price to its book value.

WisdomTree Japan Hedged Equity Index: Designed to provide exposure to Japanese equity markets while at the same time neutralizing exposure to fluctuations of the Japanese Yen movements relative to the U.S. dollar.

WisdomTree Asia Defense Index: Tracks companies domiciled and listed in developed and emerging Asia-Pacific markets, including Australia, Japan, Singapore, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

WisdomTree Japan Opportunities Index: Designed to track the performance of Japanese companies.

IMPORTANT RISK INFORMATION

Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. For a prospectus or, if available, the summary prospectus containing this and other important information about the fund, call 866.909.9473 or visit [WisdomTree.com/Investments](#). Read the prospectus or, if available, the summary prospectus carefully before investing.

For the Fund's current holdings, click here: [DXJ](#), [WDAF](#), [OPPJ](#).

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty.

DXJ: The Fund focuses its investments in Japan, thereby increasing the impact of events and developments in Japan that can adversely affect performance. Derivative investments can be volatile and these investments may be less liquid than other securities, and more sensitive to the effect of varied economic conditions. As this Fund can have a high concentration in some issuers, the Fund can be adversely impacted by changes affecting those issuers. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit and the Fund does not attempt to outperform its Index.

WDAF: Funds focusing their investments on certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. Because the Fund invests primarily in the securities of companies in Asia, the Fund's performance is expected to be closely tied to social, political, and economic conditions within Asia and to be more volatile than the performance of more geographically diversified funds. Many countries in the region have historically faced political uncertainty, corruption, military intervention, and social unrest. To the extent that such events continue in the future, they can be expected to have an unpredictable effect on economic and securities market conditions in the region and may impact the ability of the Fund to buy, sell or otherwise transfer securities and cause the Fund to decline in value. Investments in non-U.S. securities involve political, regulatory, and economic risks that may not be present in investments in U.S. securities. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit. The Fund does not attempt to outperform its Index. The composition of the Index is governed by an Index Committee and the Index may not perform as intended.

OPPJ: The Fund focuses its investments in Japan, thereby increasing the impact of events and developments in Japan that can adversely affect performance. Derivative investments can be volatile and these investments may be less liquid than other securities, and more sensitive to the effect of varied economic conditions. As this Fund can have a high concentration in some issuers, the Fund can be adversely impacted by changes affecting those issuers. Due to the investment strategy of this Fund, it may make higher capital gain distributions than other ETFs. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit and the Fund does not attempt to outperform its Index. The composition of the Index is governed by an Index Committee and the Index may not perform as intended.

Please read each Fund's prospectus for specific details regarding the Fund's risk profile.

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