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Asia Quantitative Strategy

Asia Quant Strategy: Free Cashflow growth matters, especially in Tech...but the cycle is in late stages



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As AI capex started getting funded through debt, investor concerns around free cashflow generation increased and the interest in stocks with high FCF growth increased. YTD, high FCF growth stocks have generated 4%-8% alpha across Asia and Japan. *In this note, we look at FCF growth as a factor across Asia, Japan and the tech sector to see the long-term and near-term outlook.*

Free cash flow growth is a durable style that works across Asia, with the strongest payoff in Tech: Since 2000, Asia ex Japan, high FCF growth portfolios have delivered 2–3% annualized alpha while in last 10yrs, the alpha has been 1–2% p.a. In Japan, the factor has been weaker over the long run, generating only 1%pa alpha, though last 10yrs alpha has been at 2% annualized. The back test show that looking at 1yr FCF growth isn't a great way to identify strong companies. The free cash flow growth should be strong over the past 2yr or 3yrs to generate alpha. Picking high free cash flow growth stocks within tech has generated better alpha, though it has worked much better in the recent decade. Since 2000, high FCF growth stocks in Asia tech generated 11–13% CAGR vs. 8%/5% for market/sector and in recent decade,16–18% CAGR vs 14%/7% for tech/market. Within Japan tech, in the last 10yrs, high FCF growth stocks have given 14% CAGR vs. 12% for the sector. Within tech (across AxJ and Japan), only stocks showing growth in free cash flow over a rolling 3yr period have been able to beat the sector.

Where is the free cash flow growth in the region? How is it correlated to other styles: In the region, China, Korea and India are the three markets having the highest number of free cash flow growing companies. Till 2024, even Taiwan had decent representation which has gone down in the last few years. Sector-wise, Tech, Materials, Industrial, Discretionary and Healthcare, have the most number of high FCF growth companies, though compared to 10yrs back, the number of free cash flow growing companies from consumer discretionary has come down. For Japan, the same sectors have high FCF growth, though Industrial has been the biggest opportunity set. On an average, FCF growth style is quite mildly correlated with yield/value in Asia and with momentum/quality in Japan. However, it has near zero or negative correlation with most other styles, making it is an incremental, alternative alpha source.

Should investors chase free cash flow growth in the near-term? We believe the longevity of the trade is limited and only confined to small number of stocks. After the unwind in Jun-July, Asia high FCF growth portfolios have come down to average valuations, still seeing earnings upgrades with limited crowding. However, within tech, where the alpha has been stronger historically and where investors want to add more, we find that FCF growth portfolio has dropped from record high to only +1SD and the upward revisions are not too far from the record highs. In Japan, FCF growth portfolios are valued below historical mean and even crowding is not a problem. However, earnings upgrade cycle (which has been the key driver) is already at historical highs; raising risk of peak earnings revisions. Hence, we are a bit concerned on how long the alpha opportunity would persist. ***We show screens of what to buy (improving eps momentum) and what to avoid (negative eps momentum) in Exhibit 17-Exhibit 20.***

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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DETAILS

As AI capex started getting funded through debt, investor concerns around free-cashflow generation has increased. Has it been an important metric driving alpha over the long-term, or it is a cycle specific phenomenon? In this note, we look at free cash flow growth as a factor across Asia, Japan and the tech sector to see the long-term and near-term trends.

FREE CASHFLOW GROWTH - WORKS AS A FACTOR IN ASIA

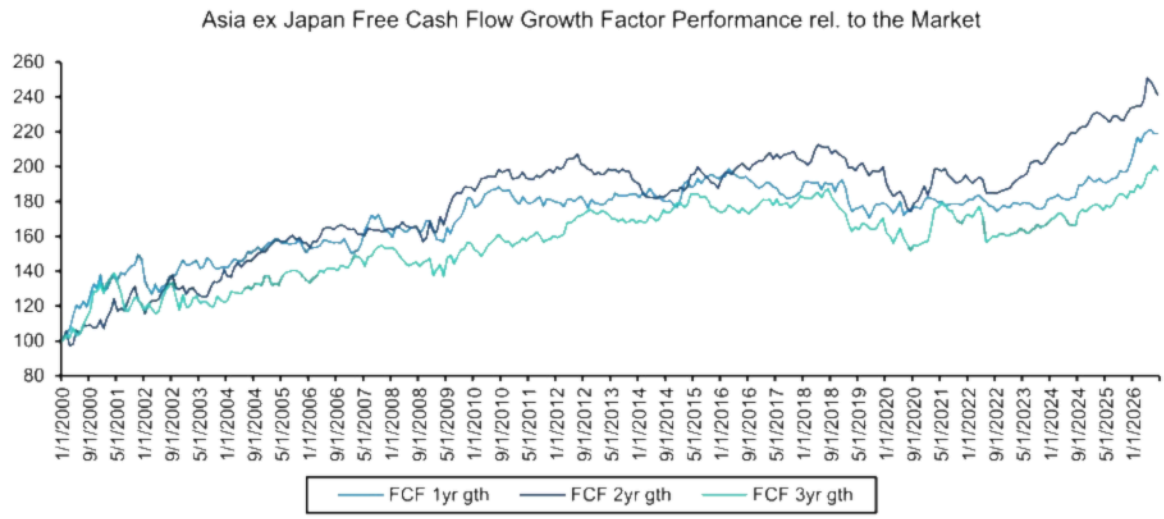
We use each company's free cash flow per share and take rolling 1yr, 2yr and 3yr YoY growth rate to find the highest free cashflow growth companies. For Asia ex Japan, we divided MSCI Apac ex Japan into deciles and for Japan, we divide MSCI Japan into quintiles. All the analysis below shows the top decile/quintile of the respective universe as the high FCF growth portfolios.

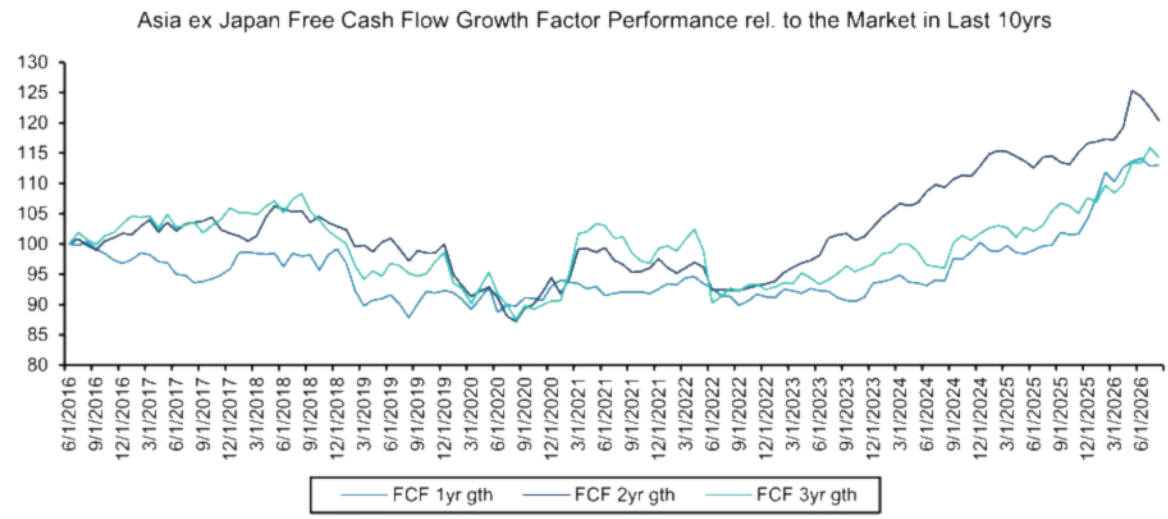
In Asia ex Japan, over the long-term, stocks with high free cashflow growth over the past 2yrs has done better than looking at fcf growth over the past 1yr or 3yr. Since 2000, the high free cash flow growth portfolios (1yr, 2yr and 3yr growth) have generated 2%-3% annualized alpha while in the last 10yrs, the alpha has been 1-2% p.a. YTD these stock portfolios have delivered 9%,3% and 6% alpha respectively. Within Asia ex Japan Tech, stocks with high free cash flow growth have outperformed the market and sector over the long-term (11%-13% CAGR vs. 8% by market and 5% by tech sector) and in the last 10yrs (16%-18% CAGR vs. 14% tech sector, 7% market). However, most of the alpha has come in recent 10yrs and from stocks with free cashflow growth over 3yrs. YTD, while the Tech sector outperformed the broader market (+39% vs. 10%), high FCF growth portfolios have outperformed significantly with 53%, 60% and 43% return respectively. Hence, looking at stocks with high free cashflow growth has been a stronger source of alpha within Tech than the broader market, both over the long-term and also more recently.

In Japan, the style works, though alpha has been slightly weaker - since 2000, only stocks with free cash flow 3yr growth has delivered 1% alpha p.a. In last 10yrs, only FCF 2yr growth has delivered alpha of 2% p.a. YTD, free cash flow 2yr and 3yr growth have outperformed the market by 5% and 1% while free cash flow 1yr growth has underperformed by -4%. The free cash flow growth factors within Japan Tech have been robust - since 2000, the free cash flow growth 1yr, 2yr and 3yr have generated 6%, 5% and 7% annualized return respectively, while the broader market and Tech sector have generated 6%. In last 10yrs, the free cash flow growth factors have delivered 11%, 12% and 14% returns respectively vs. the broader market of 8% and Tech sector of 12%. YTD, while the Tech sector outperformed the broader market with 25% vs. 20% returns, only FCF growth 1yr growth has outperformed with 29% while stocks with high FCF growth over the past 2yr and 3yr have delivered 25% and 20%. ie. in-line with the market/sector. Similar to Asia ex Japan, high free cashflow growth stocks have delivered stronger outperformance within tech sector vs. the broader market. (Exhibit 1 - Exhibit 4).

Few key takeaways from the long-term style analysis: 1) Looking at 1yr FCF growth isn't a great way to identify strong companies. The free cash flow growth should be strong over the past 2yr or 3yrs to generate alpha, 2) While high free cash flow growth companies have done better than the markets over the long-term, using free cashflow growth as a metric works much better within tech, 3) Tech companies with high free cashflow growth have mattered more in the recent decade than the previous one, 4) While the style works across Japan and Asia ex Japan, the alpha has been stronger in Asia ex Japan both at a broader market level and within tech, 5) Within tech (across AxJ and Japan), only stocks showing growth in free cashflow over a rolling 3yr period have been able to beat the sector on a persistent basis over the past 10yrs ie. looking at companies with free cashflow growth over 1yr or 2yr horizon is futile.

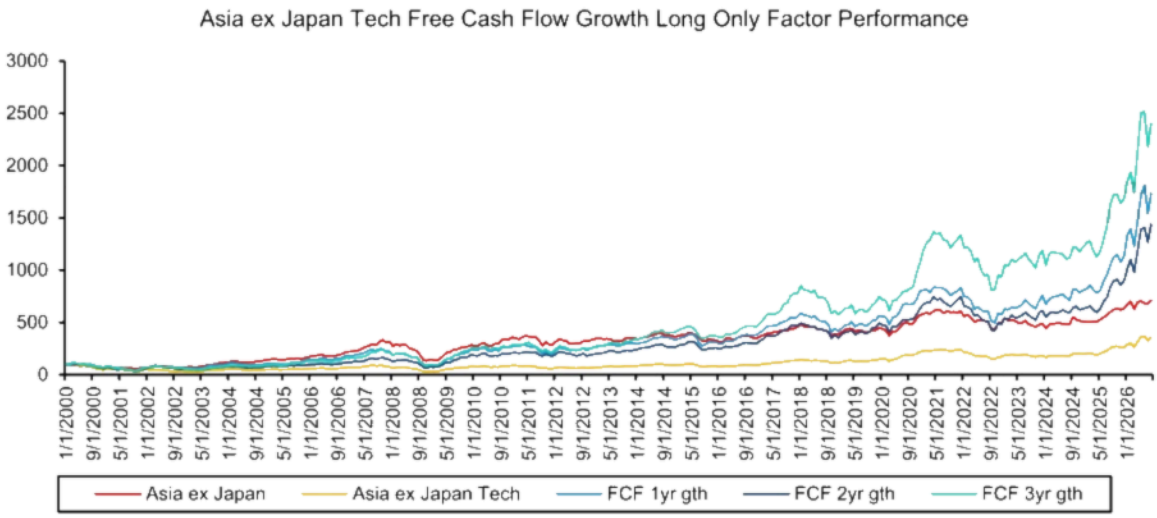
EXHIBIT 1: **Since 2000, the high free cash flow growth portfolios (1yr, 2yr and 3yr growth) have generated 2%-3% annualized alpha while in the last 10yrs, the alpha has been 1-2% p.a. YTD these portfolios hasve delivered 9% ,3% and 6% alpha respectively**

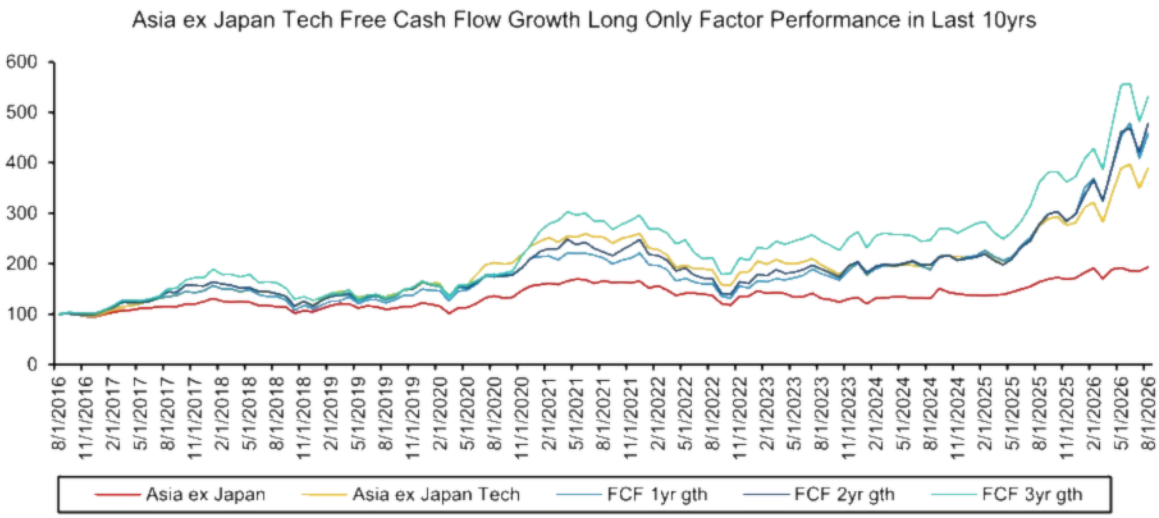




Data till Aug 13th 2026
Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 2: **Stocks with high free cash flow growth within Asia ex Japan Tech have outperformed the market and sector over the long-term (11%-13% CAGR vs. 8% by market and 5% by tech sector) and in the last 10yrs (16%-18% CAGR vs. 14% tech sector, 7% market). However, most of the alpha has come in recent 10yrs and from stocks with free cashflow growth over 3yrs. YTD, while the Tech sector outperformed the broader market (+39% vs. 10%), high FCF growth portfolios have outperformed significantly with 53%, 60% and 43% return respectively**





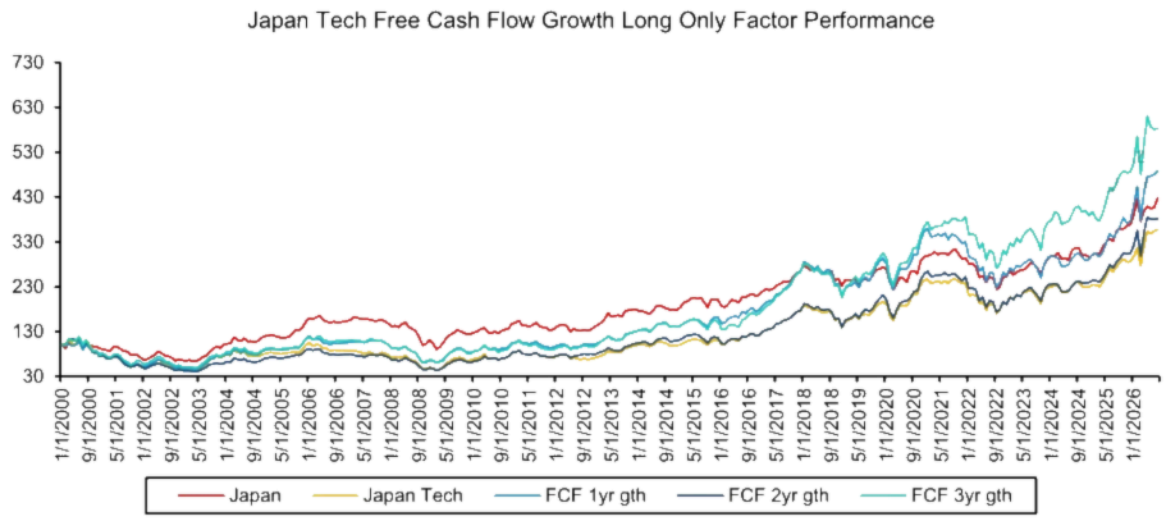
Data till Aug 13th 2026
Source: MSCI, FactSet, Bernstein analysis

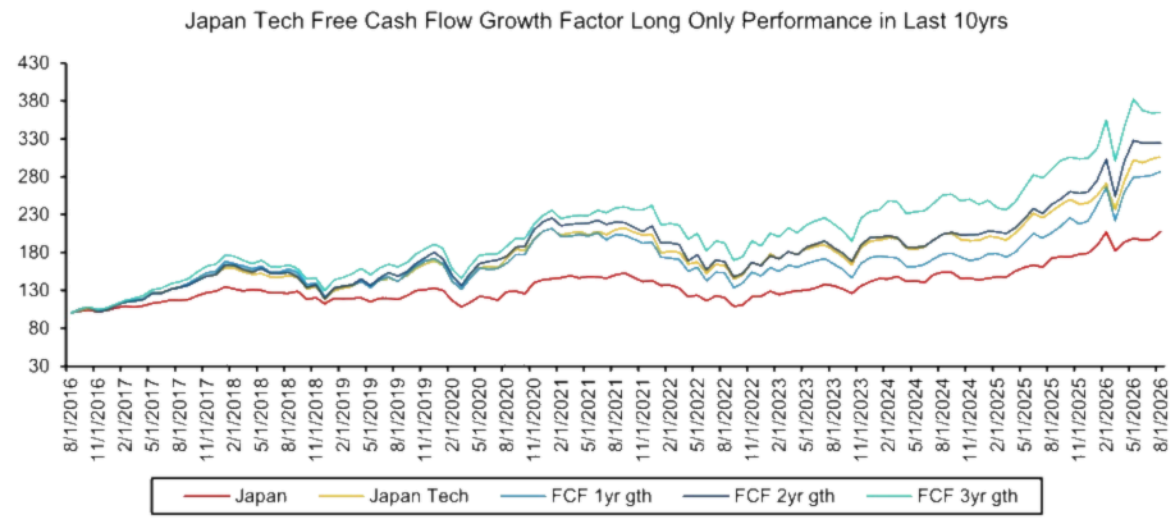
EXHIBIT 3: **The style works in Japan too, though alpha has been slightly weaker - since 2000, only stocks with free cash flow 3yr growth has delivered 1% alpha p.a. In last 10yrs, only FCF 2yr growth has delivered alpha of 2% p.a. YTD, free cash flow 2yr and 3yr growth have outperformed the market by 5% and 1% while free cash flow 1yr growth has underperformed by -4%**



Data till Aug 13th 2026
Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 4: **The free cash flow growth factors within Japan Tech have been robust - since 2000, the free cash flow growth 1yr, 2yr and 3yr have generated 6%, 5% and 7% annualized return respectively, while the broader market and Tech sector have generated 6%. In last 10yrs, the free cash flow growth factors have delivered 11%, 12% and 14% returns respectively vs. the broader market of 8% and Tech sector of 12%. YTD, while the Tech sector outperformed the broader market with 25% vs. 20%, only FCF growth 1yr growth have outperformed with 29%, FCF growth 2yr and 3yr have delivered 25% and 20%**





Data till Aug 13th 2026. Returns are eq-wtd, hence long term performance might be different from Japan Tech Strategy 3Q26: Tech leadership to broaden out...selectively rotate

Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 5: **The median FCF growth over the past 3yrs for Asia ex Japan Tech sector now stands at 15.6% (relatively lower number vs. history). For Japan Tech FCF 3yr growth seems to be showing a peak from 32%**

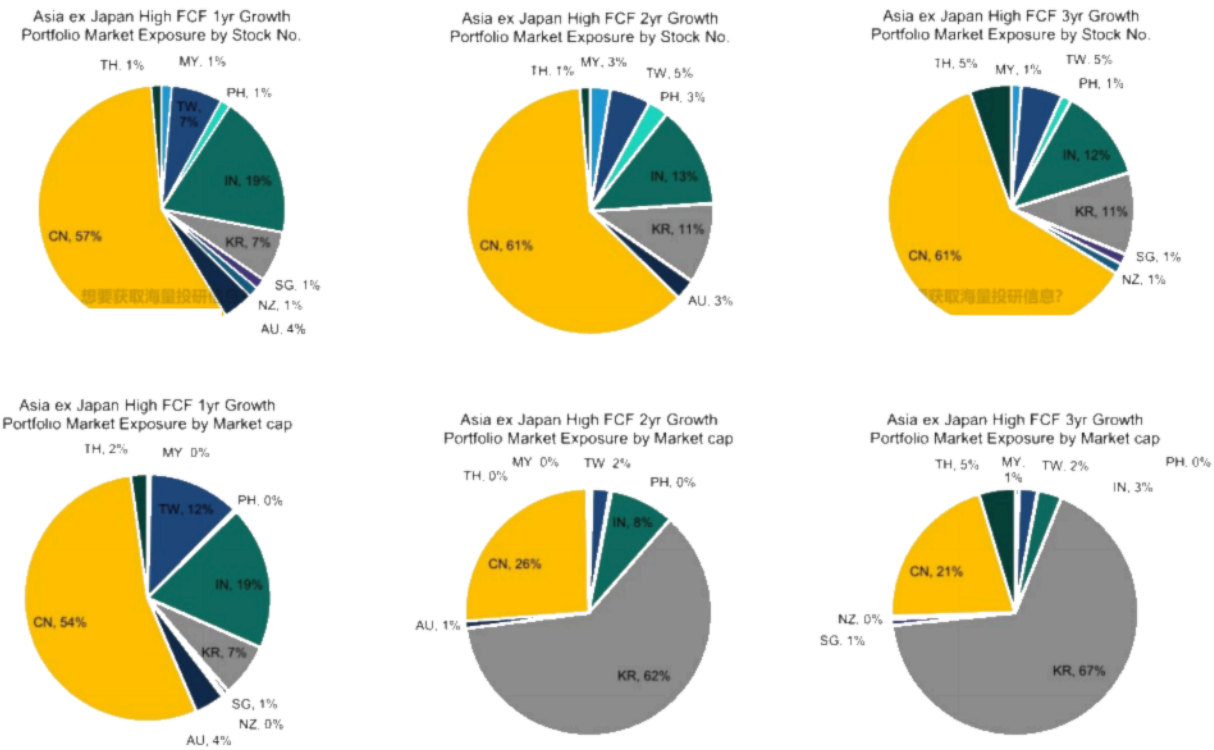


Data till Aug 13th 2026
Source: MSCI, FactSet, Bernstein analysis

WHAT ARE THE POCKETS OF FREE CASHFLOW GROWTH

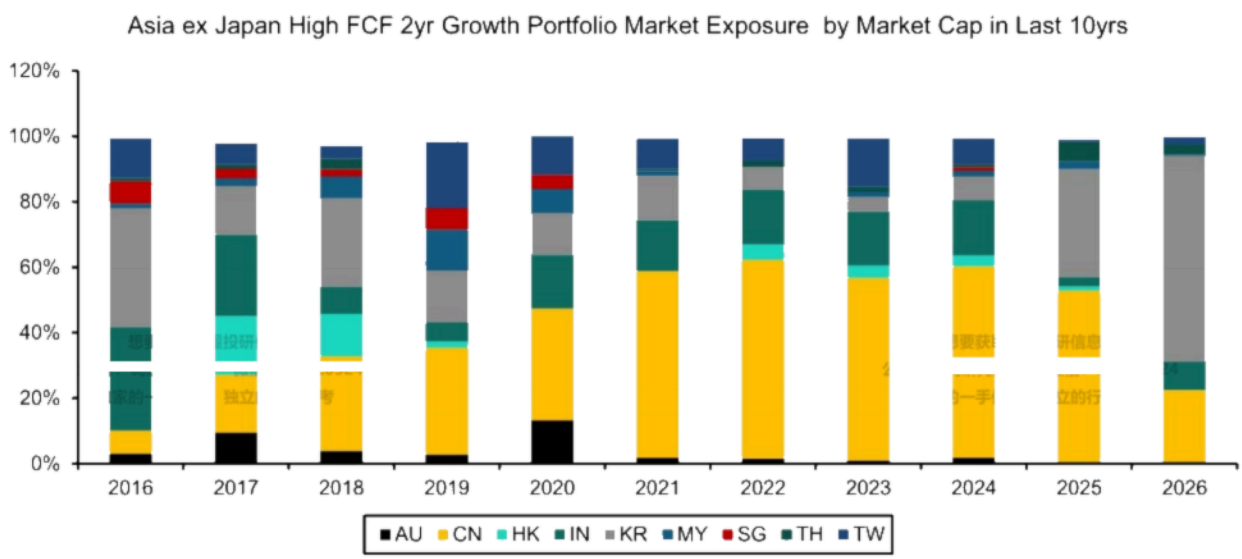
In the region, China (57% -61%), Korea (7% - 11%) and India (12% - 19%) are the three markets having the highest number of free cash flow growing companies, though China leads by a big margin, especially on stock count. On cap-wtd. measure, Korea (60%+) has the highest representation in portfolios showing free cashflow growth over the past 2yr or 3yr. Interestingly, TW is not having too many such names currently. Looking at historical market exposure in high FCF growth portfolio, we see there was high representation from China, India and Taiwan till 2024 but in the last couple of years, Korea has taken up bulk of the portfolio along with China. AU/SG/MY used to have companies showing high free cashflow growth till 2020 but post that we don't see many companies coming from these markets. (Exhibit 6- Exhibit 7). In Asia ex Japan, high free cashflow growth has the highest representation from Tech, Materials, Industrial and Discretionary, though compared to 10yrs back, the number of free cash flow growing companies from consumer discretionary has come down. If we consider free cashflow growth over the past 3yrs, then even Healthcare shows high number of such companies. For Japan, the sector exposures dynamics have been consistent - Industrial, Materials, Tech and Discretionary, among which Industrial tend to represent the most opportunities especially with FCF growth over the past 2yrs throughout last 10yrs. (Exhibit 8 - Exhibit 9).

EXHIBIT 6: **China, Korea and India are top 3 market either by stock No. or market cap for high FCF growth portfolios**



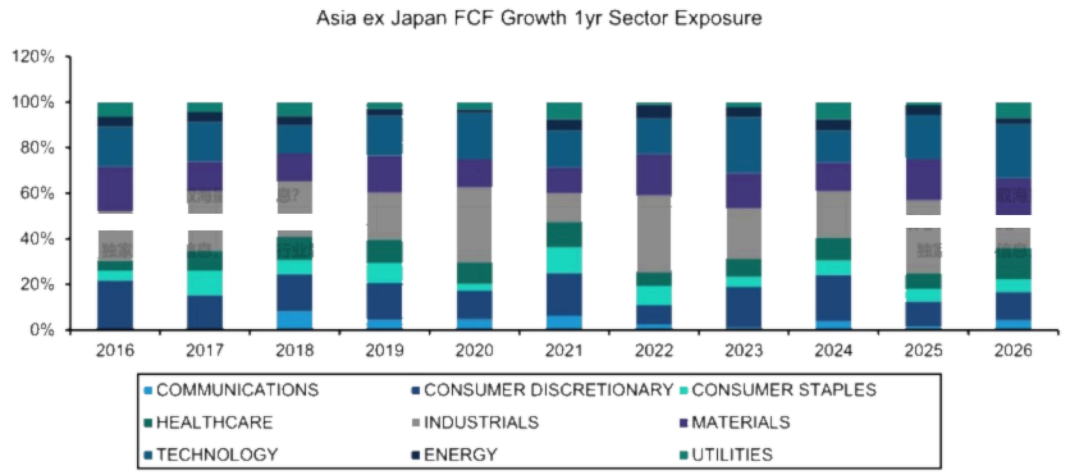
Data as of Jul 31st 2026
Source: MSCI, FactSet, Bernstein analysis

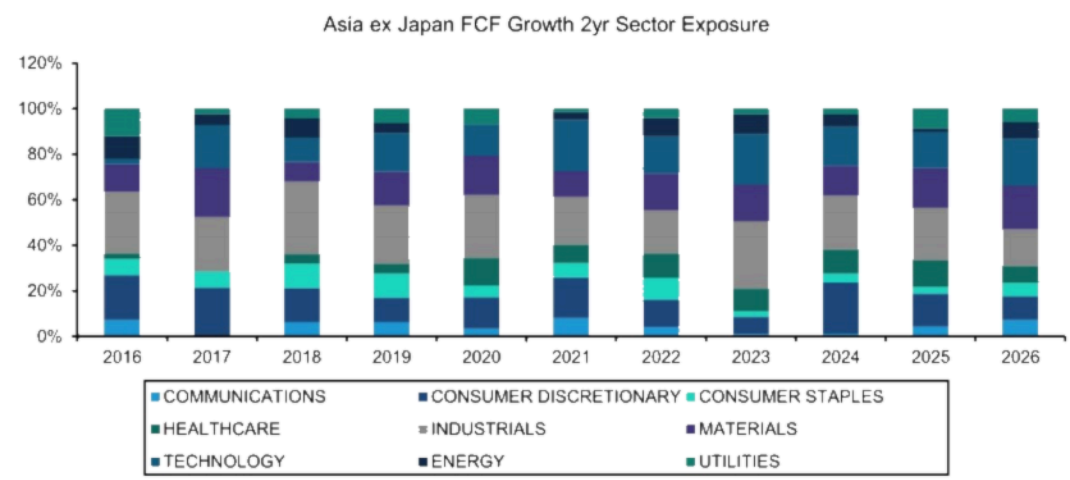
EXHIBIT 7: **High FCF growth portfolio had high representation from China, India and Taiwan till 2024 but in the last couple of years, Korea has taken up bulk of the portfolio along with China. AU/SG/MY used to have high FCF growth companies till 2020 but not since 2020**

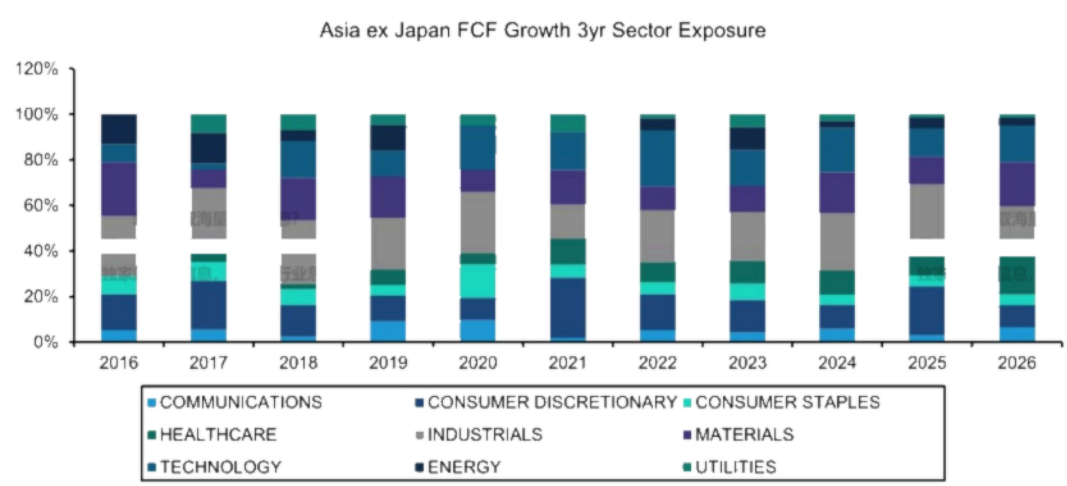


Data till Jul 31st 2026
Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 8: **In Asia ex Japan, high free cashflow growth has the highest representation from Tech, Materials, Industrial and Discretionary, though compared to 10yrs back, the number of free cash flow growing companies from consumer discretionary has come down. For FCF 3yr growth portfolio, we see Healthcare names also appearing along with Materials, Industrial and Tech**



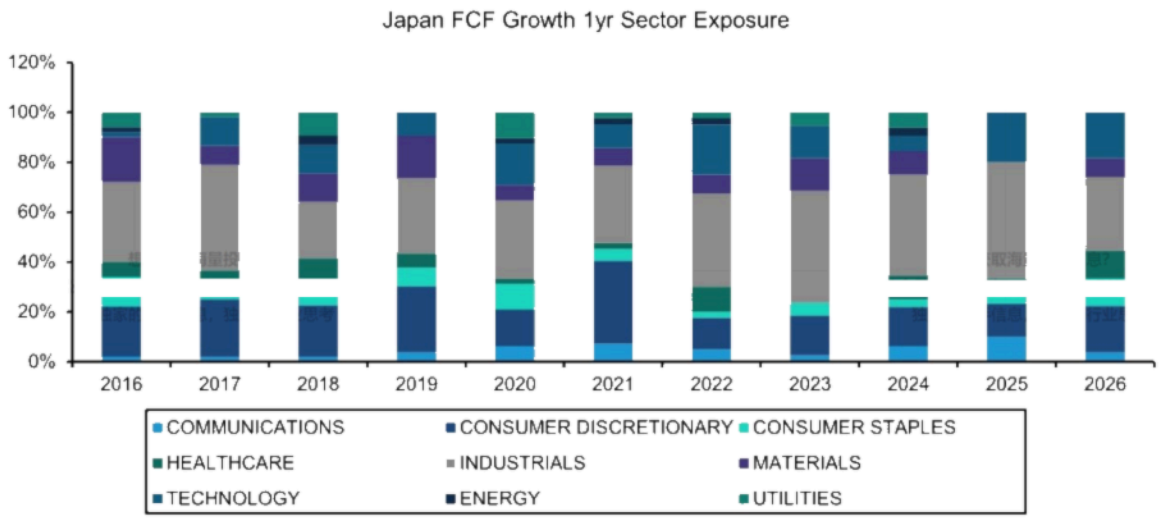


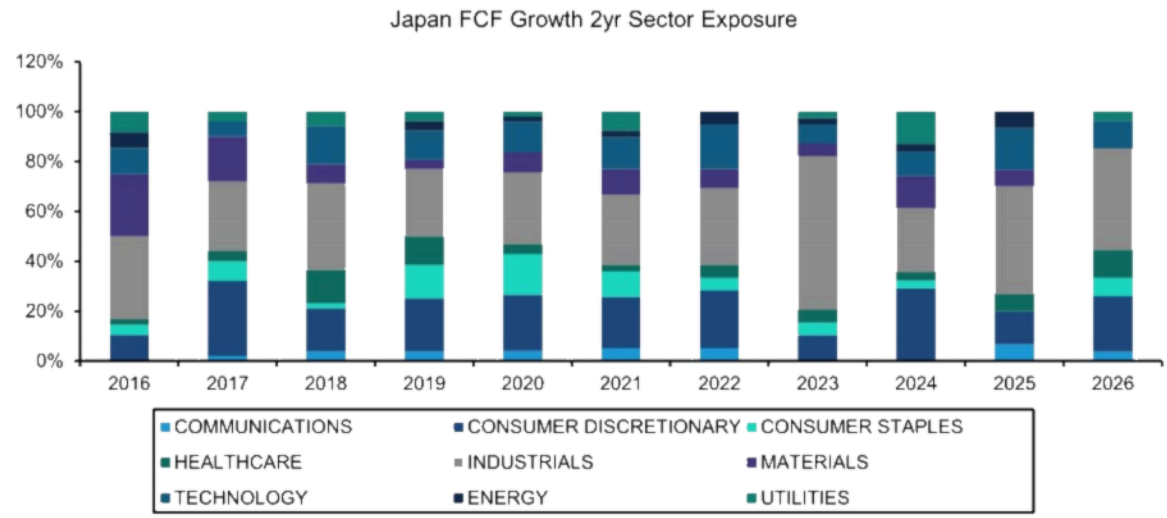


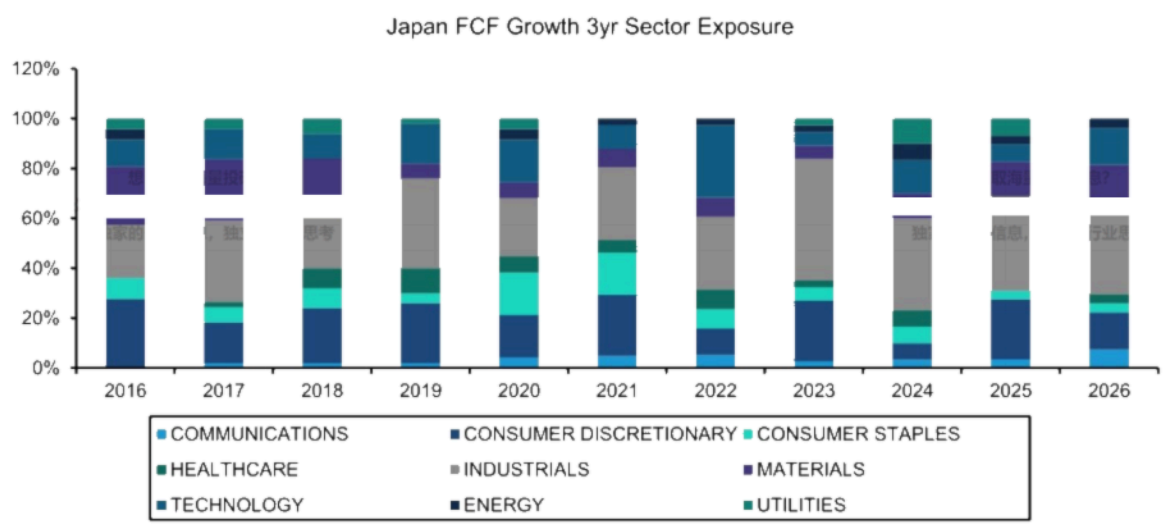
Data till Aug 13th 2026
Source: MSCI, FactSet, Bernstein analysis

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EXHIBIT 9: **In Japan, most number of high FCF growth stocks can be found in Industrials, Tech, Consumer Discretionary, Materials and Healthcare. 10yrs back, Materials had a higher representation in these portfolios**







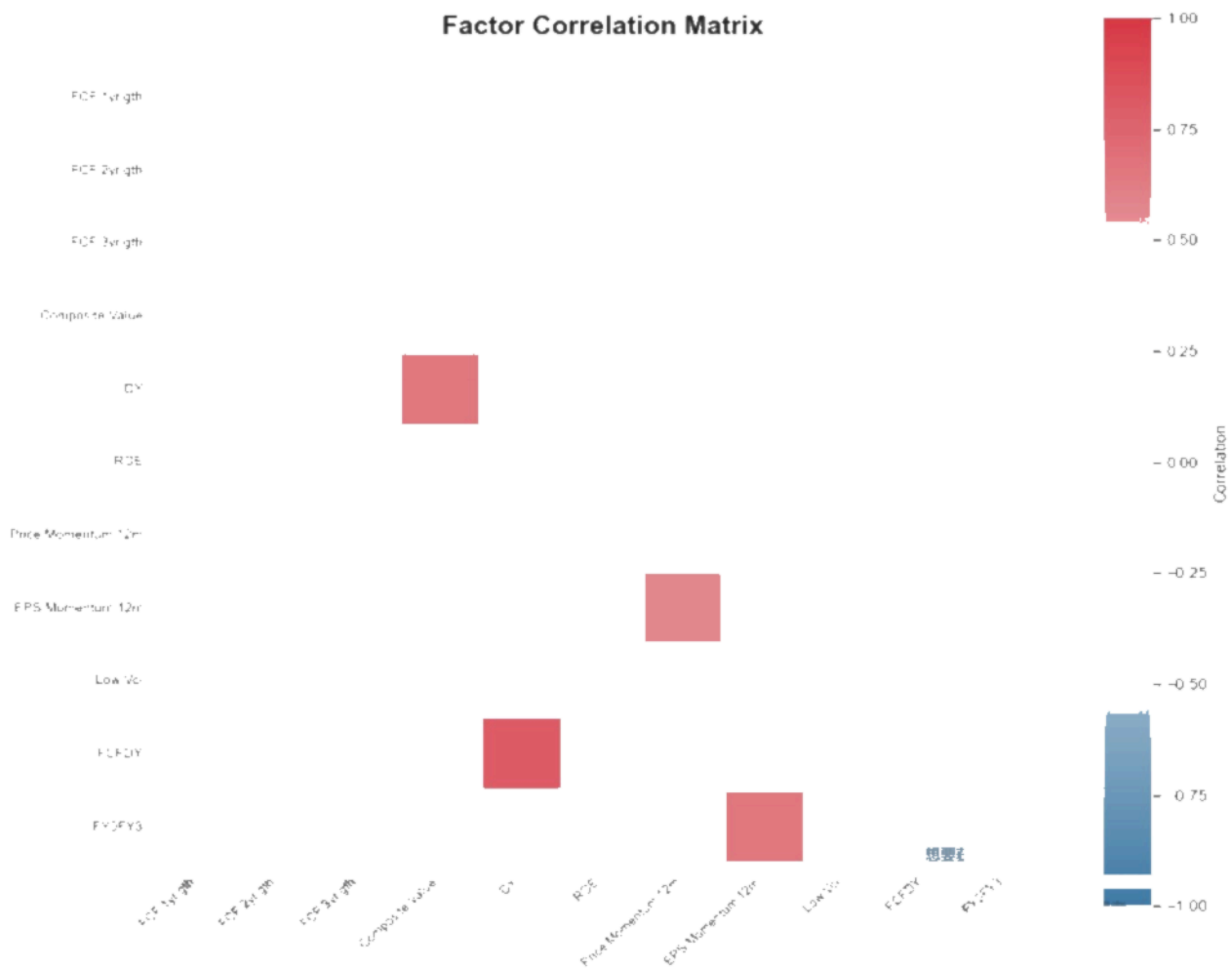
Data till Aug 13th 2026
Source: MSCI, FactSet, Bernstein analysis

FREE CASHFLOW GROWTH - A UNIQUE & NON-CORRELATED EXPOSURE

Can free cash flow growth factor provide differentiated exposure to the portfolio? For this we look at historical performance rel. to the market of free cash flow growth portfolios with our regular factors (value, yield, quality, momentum, vol) since 2000 and calculate Pearson correlations amongst them. While free cash flow growth portfolios (1yr, 2yr, 3y) tend to be inter-correlated among themselves, they are at best only mildly correlated with other styles. In Asia, free cash flow growth has been moderately correlated (~25%) with high yield and value while has negative or 0 correlation with other factors. In Japan, free cash flow growth tend to moderately correlate with momentum and quality only. (Exhibit 10-Exhibit 11). The findings reinforce the idea that on an average free cash flow growth portfolios can be an alternative source of alpha during portfolio construction. However, as with any factor, there are always cycles so we look at rolling correlation of these portfolios with other styles to see how trends have changed and where we are in the cycle now - we note that in this cycle, FCF growth stocks have been highly correlated to the momentum/growth/quality basket and have negative correlation to value and low vol.

EXHIBIT 10: **Free cash flow growth factors tend to be alternative alpha sources as as they are just mildly correlated with other factors. FCF 3yr growth tend to correlated with FCFDY and Div. yield but just below 50% correlation.**

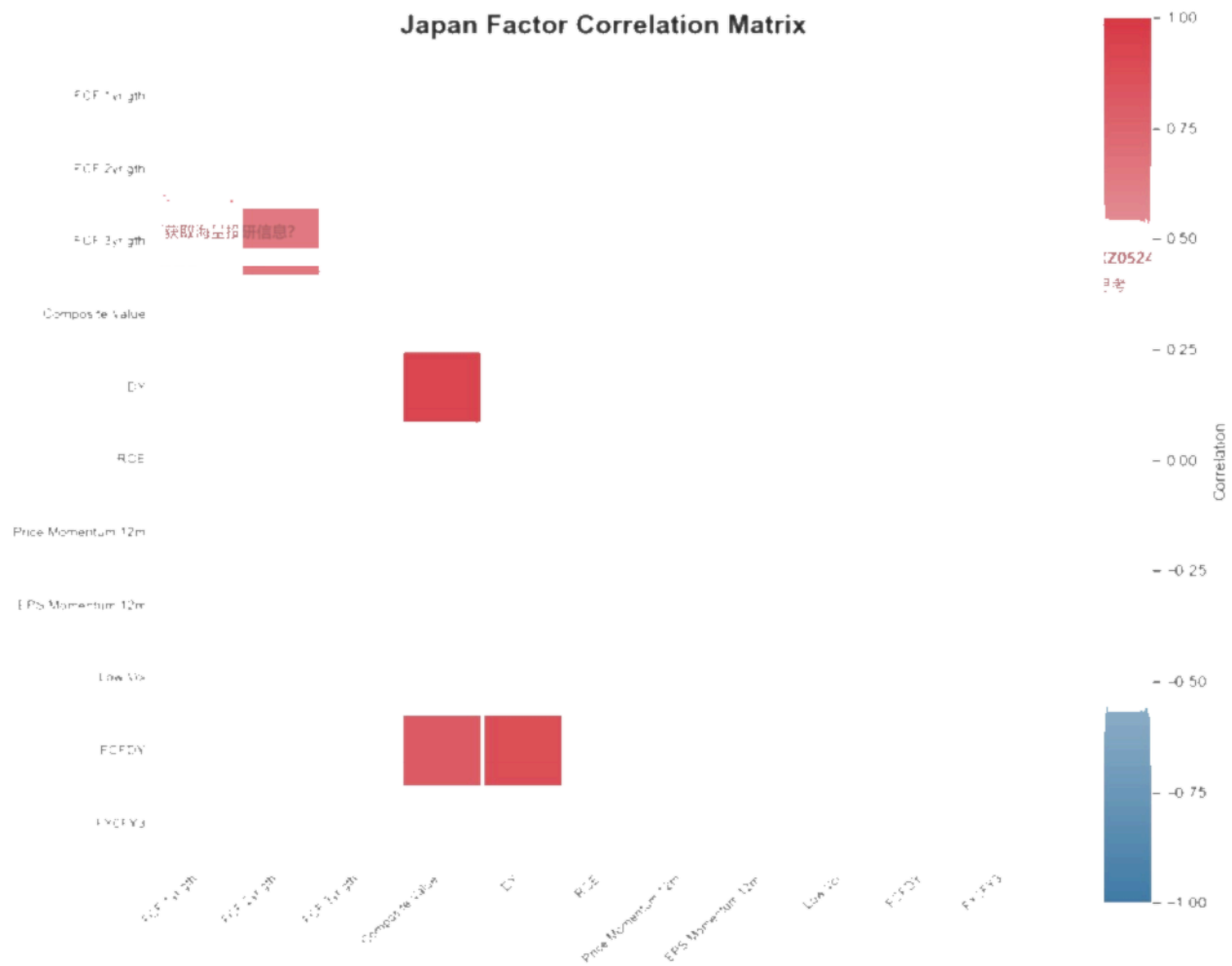
Asia ex Japan factor correlation - using rel. to the market monthly return since 2000



Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 11: **Simiarly for Japan, albeit strong inter-correlation among FCF growth factors, the cohort has moderate and low correlations with other regular factors. Only correlation with ROE is moderate**

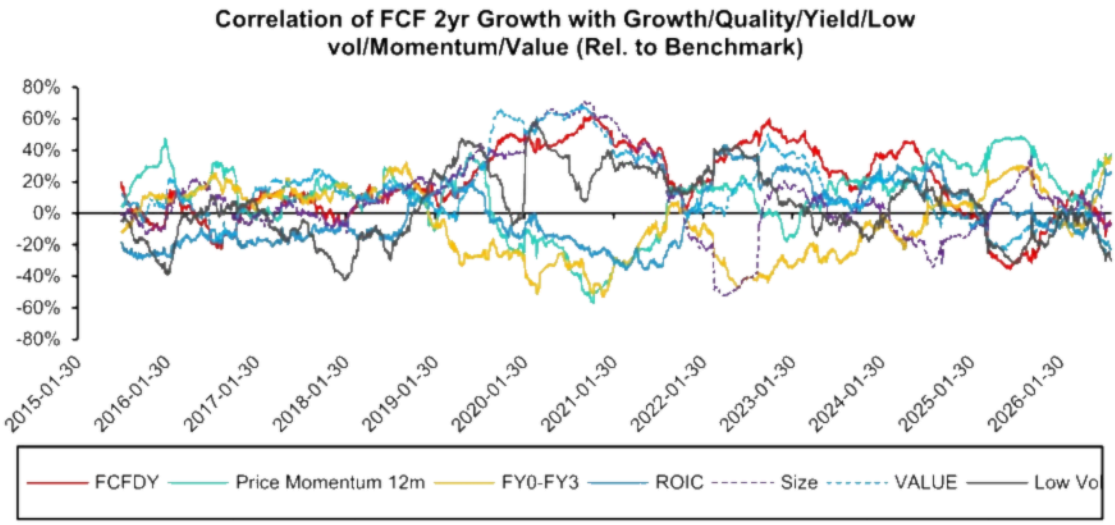
Japan factor correlation - using rel. to the market monthly return since 2000



Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 12: **Even consider rolling correlation, FCF growth factors are not highly correlated with other factors. We are recently seeing increasing correlations with momentum/growth/quality**

Asia ex Japan FCF growth factors 6m rolling correlations with other factors



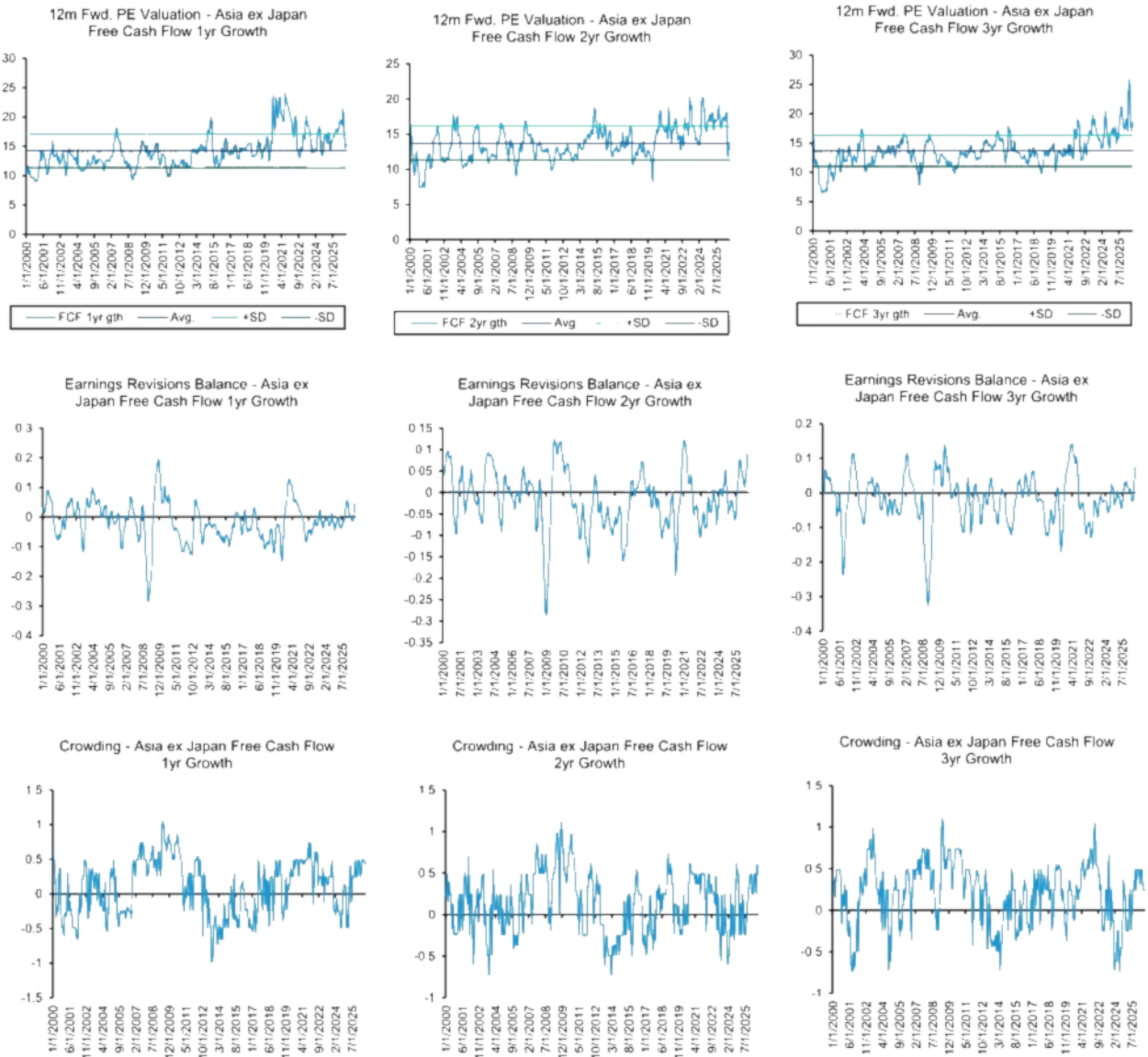
Data till Aug 25th 2026. The chart shows rolling 6m daily relative to the market return correlation of FCF growth factors with other regualr factors
Source: MSCI, FactSet, Bernstein analysis

TACTICAL CASE FOR FREE-CASHFLOW GROWTH - LONGEVITY OF THE TRADE LOOKS LIMITED

Asia ex Japan: Asia ex Japan FCF growth portfolios peaked in valuations in May 2026. While stocks with high FCF growth over past 3yrs is still expensive, the 2yr growth portfolio dropped to -1SD level and already showing valuation bottom. The earnings upgrade cycle is intact across all free cash flow growth portfolios. While there is a bit crowding, it is no where close to historical highs. Hence, high free cashflow growing companies are likely to do well led by both valuation and earnings upcycle. Within tech, all high FCF growth portfolios reached record high valuations and while they have seen significant de-ratings, but they are still trading closer to +1SD levels, except the portfolio with stocks showing growth over the past 1yr. While the earnings upgrades are intact, the pace of upgrades is not too far from the highs seen historically and crowding has already inflected. As long as the earnings upward revisions continue, the trade might do well, but the longevity of the trade is not high given the starting point is quite elevated.

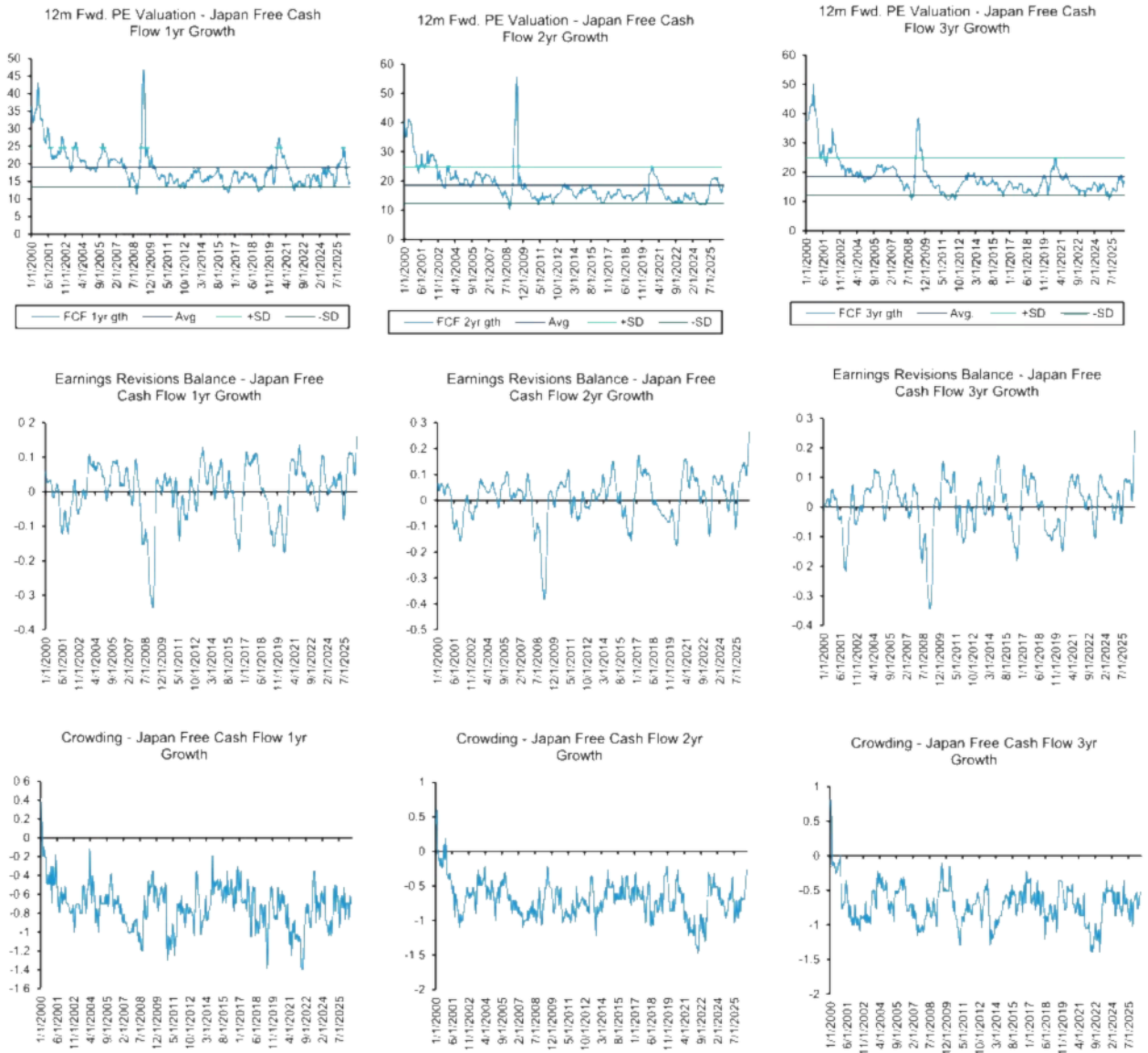
Japan: Japan FCF growth factors are valued below historical mean and even crowding is not a problem. However, earnings upgrades are now at historical highs leaving limited room for upward revisions to continue. We see similar trends in Japan tech high free cashflow growth stocks with no concerns on valuations or crowding but record high upward revisions, raising concerns of potential peak in upgrade cycle. Hence, we would not recommend investors chasing these high free cashflow growth names either at a market level or within tech sector as the risk of peak earnings upgrades is high.

EXHIBIT 13: **Asia ex Japan FCF growth portfolios peaked in valuations in May 2026. While stocks with high FCF growth over past 3yrs is still expensive, the 2yr growth portfolio dropped to -1SD level and already showing valuation bottom. The earnings upgrade cycle is intact across all free cash flow growth portfolios. While there is a bit crowding, it is no where close to historical highs. Hence, high free cashflow growing companies are likely to do well in the near-term led by both valuation and earnings upcycle. However, risk of earnings upgrades peaking is getting real**



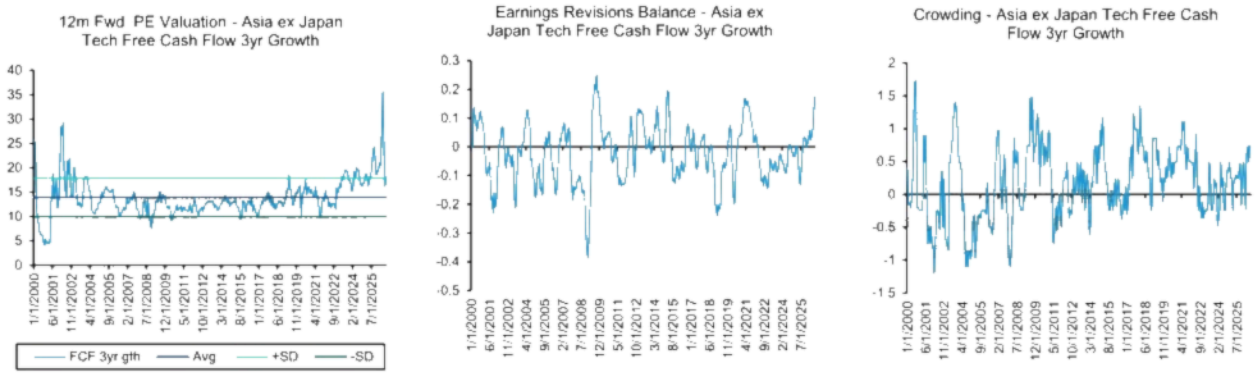
Data till Aug 13th 2026
Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 14: **Japan high FCF growth portfolios have dropped to below average valuations, however earnings upgrades are now at record high, making it vulnerable to potential peak. Do note crowding risk is limited**



Data till Aug 13th 2026
Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 15: **High FCF growth tech portfolios reached record high valuations in May26 and since then have come down to below +1SD levels (so not cheap per se). However, again the upward revisions continue to be supportive while crowding risk is not at record high yet. In near-term, the portfolio might give some alpha but the longevity of the trade is questionable given the starting point is already quite elevated**



Data till Aug 13th 2026
Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 16: **Japan Tech high FCF growth portfolios - valued below historical mean but earnings upgrades now at record high levels, though crowding not a concern. The risk of upgrades peaking is high now**



Data till Aug 13th 2026
Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 17: **Our preferred screen - Asia ex Japan High FCF Growth stocks where earnings momentum is improving**

Asia ex Japan - our preferred screen

SECTOR	CC	SEDOL	CO_NAME	Mcap (USD mn)	12m Fwd. PE	PEF_10yr_ zscore	Asia ex Japan Tech FCF 3yr growth	EPS 3m mom	EPS 6m mom	EPS 12m mom	Bernstein rating
TECHNOLOGY	CN	BG0ZMJ	XIAOMI CORP B	69,966	17x	-0.97	1	1%	-18%	-13%	O
HEALTHCARE	IN	670263	AUROBINDO PHARMA	9,872	19x	1.21		24%	20%	3%	M
COMMUNICATIONS	CN	BPYM74	DAMAI ENTERTAINMENT	1,999	13x	-0.84	1	18%	17%	21%	
COMMUNICATIONS	CN	BZ6C8R	WEIBO CORP	1,188	5x	-0.83	1	591%	561%	584%	
COMMUNICATIONS	CN	BD5CG5	ZHEJIANG CENTURY A(HK-C)	15,960	10x	1.62	1	4%	0%	0%	
ENERGY	IN	B409HQ	OIL INDIA	7,985	9x	2.56		46%	29%	9%	
HEALTHCARE	CN	BY9D3L	3SBIO	5,670	13x	-0.21		15%	-68%	-64%	
INDUSTRIALS	CN	665911	ORIENT OVERSEAS (CN)	12,463	22x	4.15		801%	548%	525%	
INDUSTRIALS	IN	B0DX8R	SUZLON ENERGY LIMITED	6,769	22x	-2.93		17%	12%	16%	
MATERIALS	IN	637494	SRF	8,095	30x	1.17		15%	11%	3%	
MATERIALS	IN	BPQWCZ	TATA STEEL	24,004	12x	-0.19		56%	48%	34%	
MATERIALS	IN	B0L0W3	UPL	4,980	12x	-0.81		30%	15%	8%	
TECHNOLOGY	CN	BP3R88	FIBERHOME TELECO A(HK-C)	8,238	29x	-0.61	1	39%	0%	0%	
TECHNOLOGY	TW	B6RV67	PARADE TECHNOLOGIES	1,426	14x	1.83	1	0%	-7%	-14%	
TECHNOLOGY	CN	BD5CCF	SHENZHEN SUNWAY A (HK-C)	9,801	48x	0.03		14%	0%	0%	
TECHNOLOGY	HK	622221	SUNEVISION HOLDINGS	1,529	16x	-1.12	1	11%	2%	14%	
UTILITIES	IN	613340	GAIL INDIA	12,050	11x	-0.18		11%	-2%	-16%	
UTILITIES	CN	609967	HUANENG POWER INTL H	3,441	9x	-0.87		17%	3%	22%	

Data as of Aug 13th 2026. We show names whose EPS 3m mom > EPS 6m mom and EPS 3m mom > 0. Analyst Ratings: O= Outperform, M=Market-Perform (Bernstein Brand)/N=Neutral (Autonomous Brand), U = Underperform rating. Further details of the research and important disclosures of the above covered securities are available on the Bernstein Research website: https://bernsteinautonomous.bluematrix.com/sellside/ Disclosures.action.

EXHIBIT 18: **Stocks that are vulnerable - Asia ex Japan High FCF Growth names where EPS momentum has been deteriorating and already turned negative**

Asia ex Japan - Stocks that are vulnerable

SECTOR	CC	SEDOL	CO_NAME	Mcap (USD mn)	12m Fwd. PE	PEF_10yr_ zscore	Asia ex Japan Tech FCF 3yr growth	EPS 3m mom	EPS 6m mom	EPS 12m mom	Bernstein rating
TECHNOLOGY	KR	677381	SAMSUNG ELECTRONICS PREF	110,727	4x	-1.19	1	-39%	8%	404%	O
CONSUMER STAPLES	MY	649744	KUALA LUMPUR KEPONG	5,955	17x	-0.63		-3%	-1%	20%	
HEALTHCARE	KR	698833	YUHAN CORP	4,703	32x	-0.27		-14%	18%	18%	
INDUSTRIALS	PH	B09JBT	AYALA CORP	5,157	6x	1.63		-7%	1%	1%	
INDUSTRIALS	CN	BP3R3H	SANY HEAVY IND A (HK-C)	23,565	13x	-0.62		-1%	22%	27%	
MATERIALS	TW	634871	FORMOSA CHEMICALS FIBRE	11,077	19x	-0.29		-6%	291%	1518%	
MATERIALS	CN	BD5M0H	HUNAN VALIN A (HK-C)	3,659	5x	-0.21		-9%	-5%	30%	
TECHNOLOGY	CN	BD761B	EOPTOLINK TECH A (HK-C)	92,478	20x	2.11	1	-31%	51%	97%	
TECHNOLOGY	CN	BD760S	INGENIC SC A (HK-C)	10,278	26x	1.76	1	-8%	0%	277%	
TECHNOLOGY	CN	BFFJRM	ZHONGJI INNO A(HK-C)	155,395	19x	-1.19	1	-4%	192%	277%	

Data as of Aug 13th 2026. Analyst Ratings: O= Outperform, M=Market-Perform (Bernstein Brand)/N=Neutral (Autonomous Brand), U = Underperform rating. Further details of the research and important disclosures of the above covered securities are available on the Bernstein Research website: https://bernsteinautonomous.bluematrix.com/sellside/ Disclosures.action.
Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 19: **Preferred screen- Japan high FCF Growth names where EPS momentum is improving**

SECTOR	SEDOL	CO_NAME	Mcap (USD mn)	12m Fwd. PE	PEF_10yr_zscore	Japan Tech FCF 3yr growth	EPS 3m mom	EPS 6m mom	EPS 12m mom	Bernstein rating
COMMUNICATIONS	649668	KONAMI GROUP CORP	19,644	22x	0.20	1	18%	17%	18%	O
HEALTHCARE	630720	EISAI CO	8,908	21x	-1.45		17%	15%	18%	O
CONSUMER DISCRETIONARY	643514	HONDA MOTOR CO	47,255	9x	0.01		417%	-28%	-41%	M
CONSUMER DISCRETIONARY	682150	SONY GROUP CORP	143,246	16x	-0.29	1	8%	0%	2%	M
TECHNOLOGY	625102	SCREEN HOLDINGS CO	17,122	19x	-0.66		26%	-37%	-42%	M
COMMUNICATIONS	BP2QN7	ANYCOLOR	1,066	10x	-3.07	1	5%	-4%	10%	
INDUSTRIALS	635670	FUJIKURA	63,230	32x	1.86		45%	-75%	-66%	
INDUSTRIALS	646698	IHI CORP	20,614	20x	0.08		24%	23%	-81%	
MATERIALS	664054	NIPPON SANSO HOLDINGS	16,720	18x	0.79		9%	9%	5%	
TECHNOLOGY	649670	KONICA MINOLTA	1,974	10x	-0.26	1	1%	-7%	27%	
TECHNOLOGY	664368	NOHMI BOSAI	1,619	17x	0.69	1	13%	12%	6%	
TECHNOLOGY	BD87BM	RAKUS	2,425	20x	-0.88	1	89%	89%	-3%	
TECHNOLOGY	B2Q4CR	TISI	5,395	14x	1.17	1	11%	9%	10%	
TECHNOLOGY	689430	TOKYO SEIMITSU CO	4,707	19x	1.16	1	27%	25%	20%	

Data as of Aug 13th 2026. We show names whose EPS 3m mom > EPS 6m mom and EPS 3m mom > 0. Analyst Ratings: O= Outperform, M=Market-Perform (Bernstein Brand)/N=Neutral (Autonomous Brand), U = Underperform rating. Further details of the research and important disclosures of the above covered securities are available on the Bernstein Research website: https://bernsteinautonomous.bluematrix.com/sellside/ Disclosures.action.
Source: MSCI, FactSet, Bernstein analysis

EXHIBIT 20: **Stocks that are vulnerable - Japan High FCF Growth names where EPS momentum is decling and already negative**

SECTOR	SEDOL	CO_NAME	Mcap (USD mn)	12m Fwd. PE	PEF_10yr_zscore	Japan Tech FCF 3yr growth	EPS 3m mom	EPS 6m mom	EPS 12m mom	Bernstein rating
CONSUMER DISCRETIONARY	690064	TOYOTA MOTOR CORP	299,921	9x	-0.61		-1%	3%	11%	O
INDUSTRIALS	635693	FANUC	37,608	26x	-0.62	1	-1%	15%	19%	O
HEALTHCARE	698538	ASTELLAS PHARMA	26,813	13x	-0.58		-6%	51%	76%	M
COMMUNICATIONS	608484	I Y CORPORATION	71,915	17x	-0.83		-5%	-4%	1%	
CONSUMER STAPLES	680526	SHISEIDO CO	8,946	29x	-0.93		-4%	190%	288%	
INDUSTRIALS	665640	OBAYASHI CORP	13,271	13x	0 60		-6%	11%	40%	
TECHNOLOGY	627792	CYBOZU	974	15x	-0.53	1	0%	20%	21%	
TECHNOLOGY	642938	MAXELL	677	10x	-0.32	1	-15%	-4%	1%	
TECHNOLOGY	673822	RICOH CO	5,714	13x	-0.39	1	0%	1%	2%	
TECHNOLOGY	BIYJG1	SANSAN	1,620	20x	-1.29	1	-4%	2%	7%	
TECHNOLOGY	660392	WACOM CO	658	10x	-0.72	1	-1%	4%	6%	

Data as of Aug 13th 2026. Analyst Ratings: O= Outperform, M=Market-Perform (Bernstein Brand)/N=Neutral (Autonomous Brand), U = Underperform rating. Further details of the research and important disclosures of the above covered securities are available on the Bernstein Research website: https://bernsteinautonomous.bluematrix.com/sellside/ Disclosures.action.
Source: MSCI, FactSet, Bernstein analysis

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