

**FOR PROFESSIONAL
INVESTORS ONLY**

**Asian Business
Dialogue on Corporate
Governance 2016**

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Investment Specialist
Capital Group**

16 November 2016

Capital Group is represented by its member
Capital International, Inc.



**CAPITAL
GROUPSM**

We believe
high-conviction
investing and
diverse perspectives
mean better results.

Multiple Perspectives. One Approach.SM

Capital Group by the numbers

US\$ 1.4 trillion
assets under management

US\$ 1.2 trillion
equity assets managed

US\$ 258 billion
fixed-income assets managed

US\$ 332 billion*
Multi-asset assets managed

* Represents a proportion of the
total equity and fixed-income
assets

About Capital Group

Focused on the long-term interests of our clients

- We are focused: investment management is our only business.
- We are stable: being a privately held company allows us to make decisions with a long-term focus, yet we have the rigorous accountability of a publicly held company.

Why it matters: We are able to focus on the long-term interests of our clients.

1930s

1931

Founded during the
US Great Depression

1934

Began managing The Investment
Company of America®, the first
mutual fund
of what will become the American
Funds¹ family

1950s

1953

Began investing globally

1958

Began managing assets using
The Capital SystemSM

1960s

1962

Opened our first European office
in Geneva

1965

Developed international indices
that become the MSCI indices²

1970s

1973

Began managing fixed-income
assets for institutional clients

1979

Opened our London office

1980s

1982

Opened our Tokyo office,
followed by Hong Kong (1983)
and Singapore (1989)

1986

Began managing the world's first
emerging markets
equity fund

1990s

1992

First global private equity funds
are created

2000s

2008-2009

Opened our Beijing and
Mumbai research offices

2010s

2011-2014

Expansion in Europe and Asia
with 7 new offices opened

2015

Began introducing our long-
standing and proven mutual
funds from the American Funds¹
family for European and Asian
investors

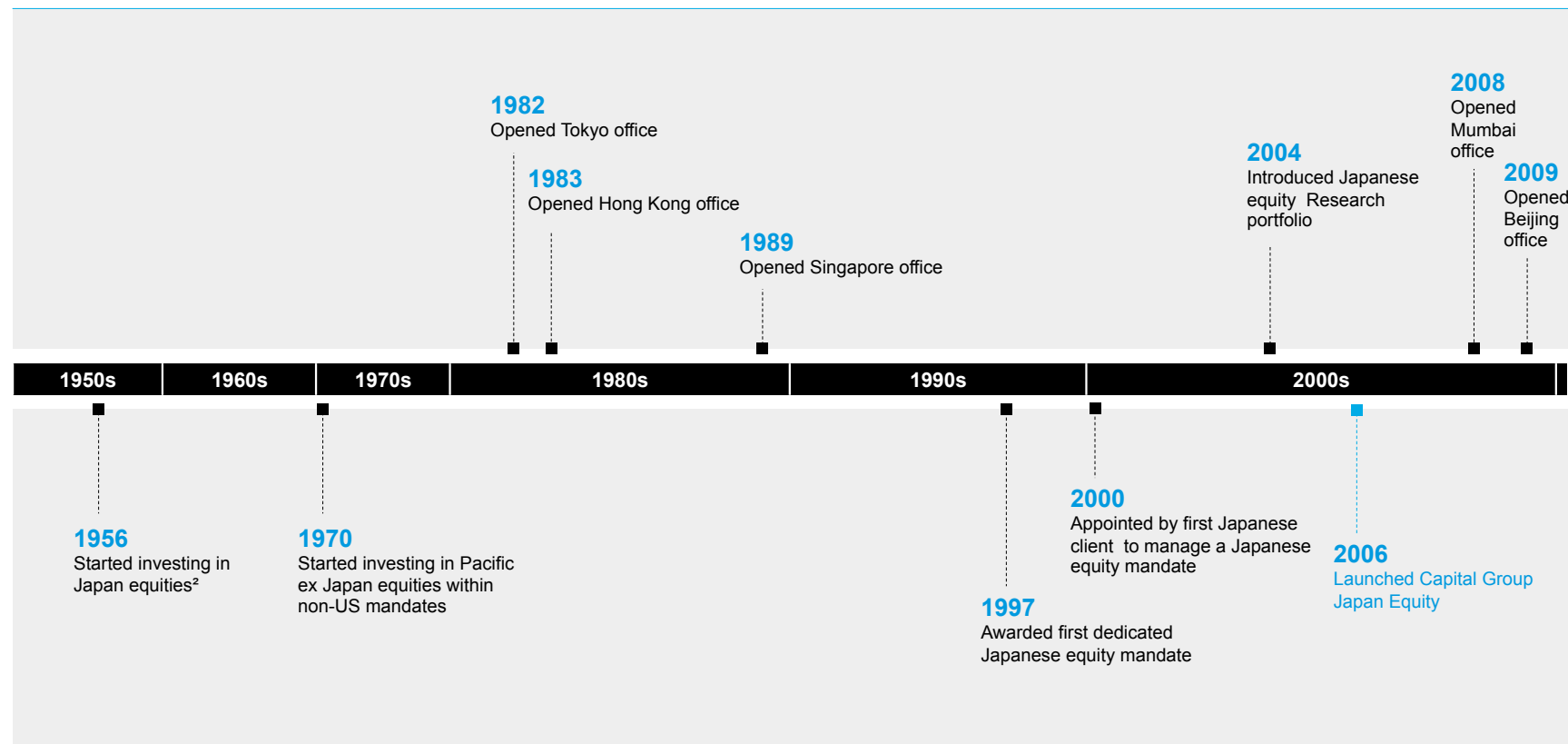
Data as at 30 June 2016. Figures may not reconcile due to rounding.

1. American Funds are not registered for sale outside of the United States.

2. MSCI indices are now maintained by MSCI, Inc.

Our experience in investing in Japan

- Investing in the region for more than 50 years
- 30-year commitment to the region with five research offices¹
- Relationships with Asia Pacific-based institutions for 27 years



1. With one office limited to macroeconomic research.

2. Capital Research and Management Company (CRMC).

The Capital Group companies manage equities through three investment divisions that make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organisation. However, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

As at 31 December 2015.

Capital Group

Our approach to company engagement in Japan

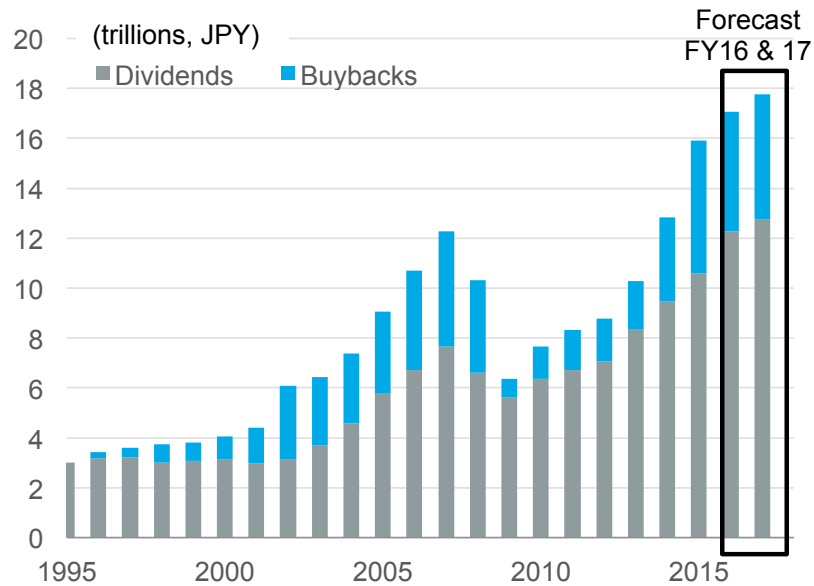
- Company engagement is an integral part of Capital Group's research process. It has been so since our founding in 1931, before the Stewardship Code was introduced in Japan.
- We continue to emphasise active dialogue with management. This is in line with our objective of helping companies achieve sustainable growth.

How we engage

- Adopt a partnership approach in discussing solutions to issues.
- Maintain a long-term perspective.
- Have constructive dialogue on dividend payouts; propose an acceptable pace of change.
- Engage not just with top management, but also with middle management and offices abroad.

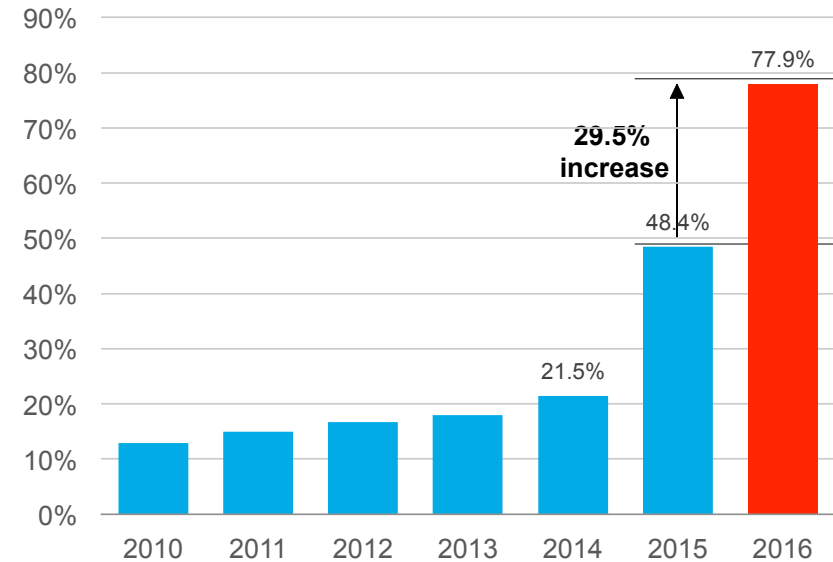
Is Japan's corporate governance improving? Yes...

Total amount of share buybacks and dividends by Japanese companies



Share buybacks are based on common stocks excluding purchases from Resolution and Collection Corp and repurchase of preferred shares.
 FY 2016 and FY 2017 are forecasts by Nomura Securities.
 Source: Nomura Securities, based on companies' disclosures and Toyo Keizai's materials
 Past results are not a guarantee of future results.

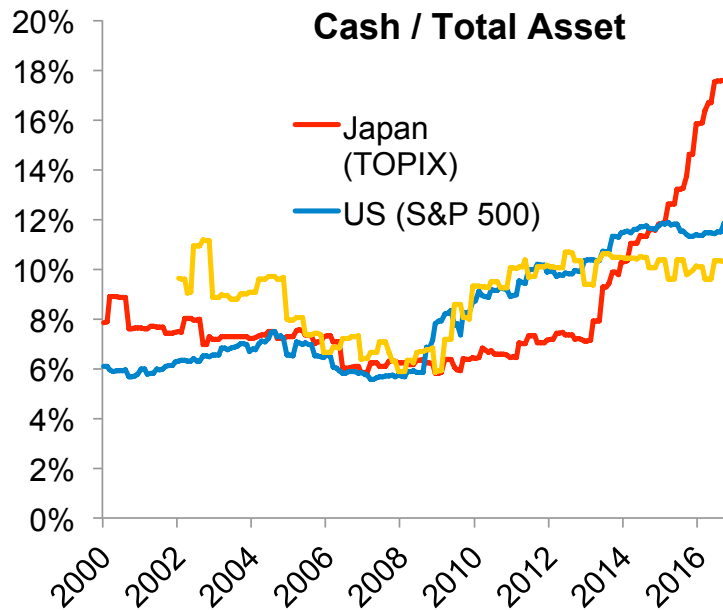
Appointment of two or more independent directors



Note: Figures for years prior to 2016 are based on corporate governance reports. The figure for 2016 incorporates information in independent directors/auditors notifications submitted by listed companies on or before 16 June 2016. An outside director is designated as an independent director under the TSE listing rules. To protect the interests of general shareholders, TSE requires listed companies to file highly independent outside directors/auditors as independent directors/auditors.
 Source: TSE

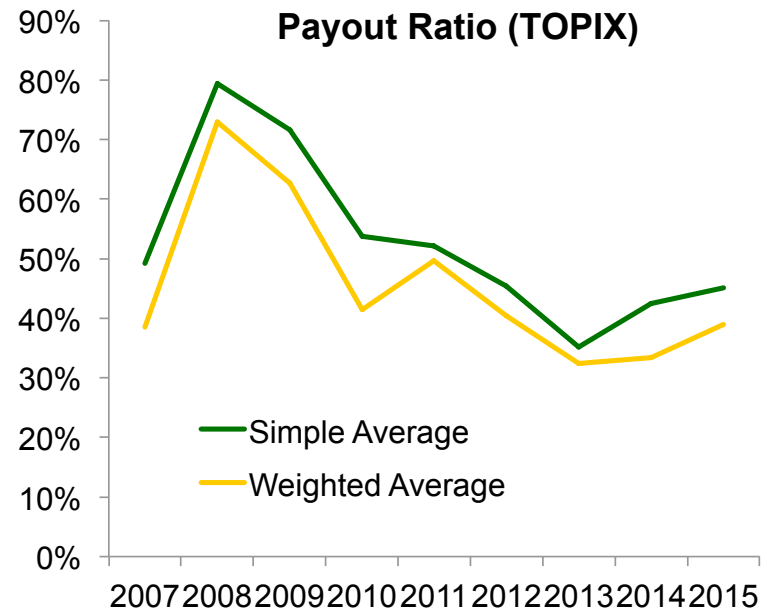
... but there is still some way to go

Increasing cash holdings in Japanese companies



Source: Bloomberg, Quick, Capital Group

Moderate increase in payout ratios



Source: Bloomberg, Quick, Capital Group

What is needed?

Patience

Ongoing dialogue

Long-term view

1. Sensitivity to corporate culture is crucial

- Japanese management tends to consider the interests of multiple stakeholders, including shareholders, employees and customers.

2. Maintain dialogue with management, with an eye on the long term

- Strong relationships and trust facilitate discussions on challenging issues.
- Deep discussions on company fundamentals help to build trust.

3. Soft pressure from multiple parties is key

- The experience through difficult decades has led some companies to hoard cash. That conservative mindset will take time to change.
- That said, there are signs of progress. We have noticed a slight change in attitudes after managements' increased interactions with institutional investors and pension funds.
- Parallel efforts from asset owners and investment managers could have an impact.

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