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

<table>
<thead>
<tr>
<th>1930s</th>
<th>1950s</th>
<th>1960s</th>
<th>1970s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1931</td>
<td>1953</td>
<td>1962</td>
<td>1973</td>
</tr>
<tr>
<td>Founded during the US Great Depression</td>
<td>Began investing globally</td>
<td>Opened our first European office in Geneva</td>
<td>Began managing fixed-income assets for institutional clients</td>
</tr>
<tr>
<td>1934</td>
<td>1958</td>
<td>1965</td>
<td>1979</td>
</tr>
<tr>
<td>Began managing The Investment Company of America®, the first mutual fund of what will become the American Funds® family</td>
<td>Began managing assets using The Capital System™</td>
<td>Developed international indices that become the MSCI indices²</td>
<td>Opened our London office</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1980s</th>
<th>1990s</th>
<th>2000s</th>
<th>2010s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opened our Tokyo office, followed by Hong Kong (1983) and Singapore (1989)</td>
<td>First global private equity funds are created</td>
<td>Opened our Beijing and Mumbai research offices</td>
<td>Expansion in Europe and Asia with 7 new offices opened</td>
</tr>
<tr>
<td>1986</td>
<td></td>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Began managing the world’s first emerging markets equity fund</td>
<td></td>
<td></td>
<td>Began introducing our long-standing and proven mutual funds from the American Funds® family for European and Asian investors</td>
</tr>
</tbody>
</table>

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.

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1956
Started investing in Japan equities²

1970
Started investing in Pacific ex Japan equities within non-US mandates

1982
Opened Tokyo office

1983
Opened Hong Kong office

1989
Opened Singapore office

1997
Awarded first dedicated Japanese equity mandate

2000
Appointed by first Japanese client to manage a Japanese equity mandate

2004
Introduced Japanese equity research portfolio

2006
Launched Capital Group Japan Equity

2008
Opened Mumbai office

2009
Opened Beijing office

2008
Launched Capital Group Japan Equity
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

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

Moderate increase in payout ratios

Source: Bloomberg, Quick, Capital Group
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.
Disclaimer

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