



Governance
for Owners



ACGA Tokyo: The Brave New World of Investor – Company Dialogue in Japan

Kenji Iwamoto, Director of Engagement

November 2016

GO Japan: Stewardship service & Engagement Fund

Engagement Overlay Services: Mid to Large cap.

- **Bespoke services** to global public pension / institutional clients' existing portfolio companies
- Flagship product: **“Japan Engagement Consortium” (JEC)**
- 7Y since May 2009, constructively engaged with more than **40** companies

Japan Engagement Fund: Mid to Small cap.

- **“TMAM-GO Japan Engagement Fund” (JEF)** with **Tokio Marine Asset MGT**
- Inception to Sept. 2016: **JEF 26.9% p.a. vs. TOPIX 12.1% p.a.** (JEF 198% vs. TOPIX 69%)
- 4.5Y since March 2012, AUM about USD 575M (JPY 60B)
- Long term (avg. 4-5Y), NOT event driven, highly concentrated portfolio (**10-15** portfolio companies)

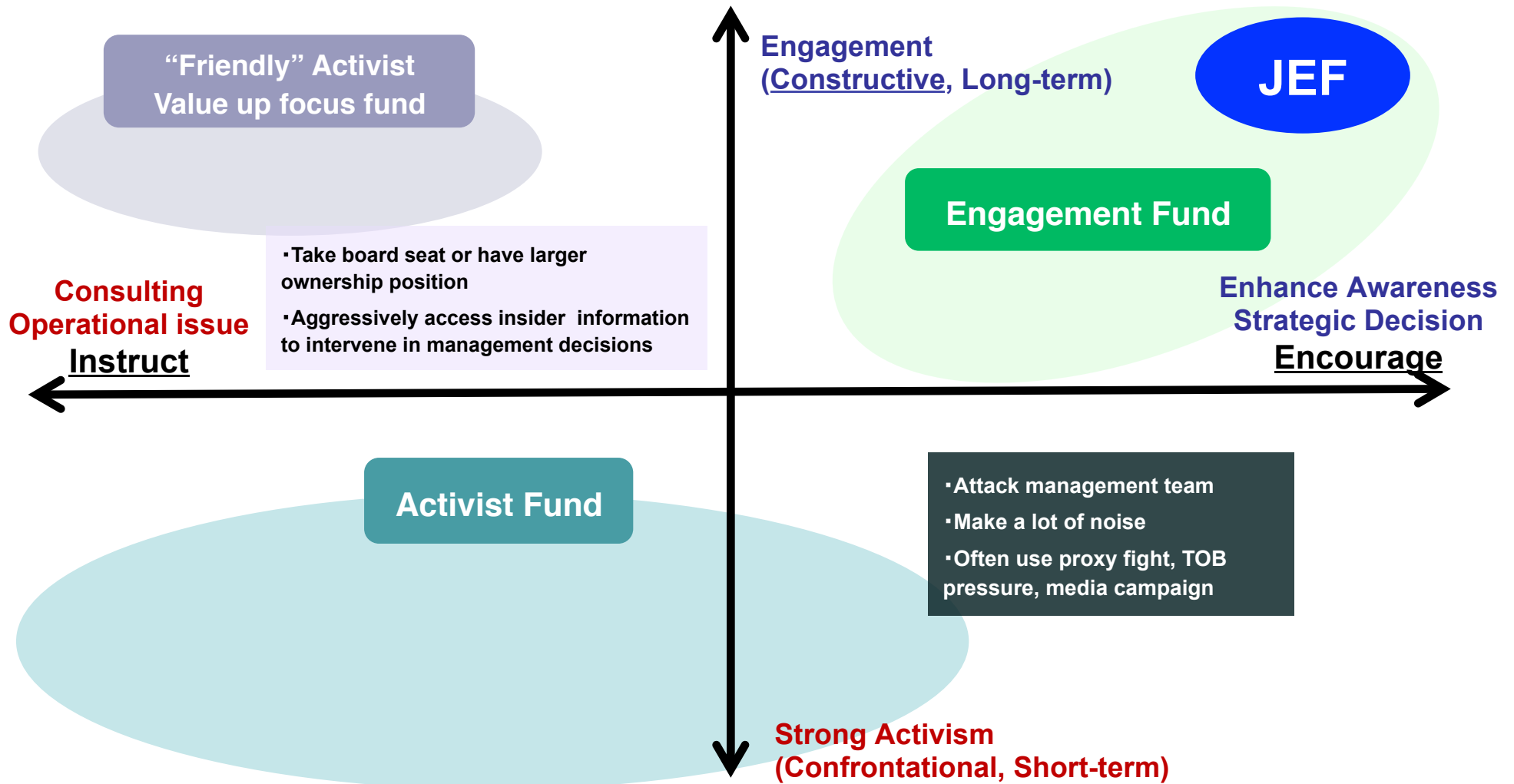


Key messages to international investors

CG/Stewardship Codes	<ul style="list-style-type: none">✓ GROWTH rather than MONITORING (i.e. minimize agency cost)✓ Obviously TAILWIND, but Don't expect too much in a day
Management Team	<ul style="list-style-type: none">✓ Limited number of "Professional Management"✓ Still lifetime (long term) employment is default
Opportunity	<ul style="list-style-type: none">✓ Lots of great quality companies on public market with small coverage✓ Lots of areas to collaborate with MGT
Incentives	<ul style="list-style-type: none">✓ Majority still consist of FIXED salary✓ Lower incentives for sudden change / Companies are their "Home"
Long term	<ul style="list-style-type: none">✓ "No one washes a rent car": interest alignment is the key✓ Be Patient: need to understand big communication gap
Aggressive on LT returns	<ul style="list-style-type: none">✓ Constructive approach, but aggressive on continuous improvements✓ Encouragement rather than force to do something (event driven)



Japanese way of Engagement: make good companies even better

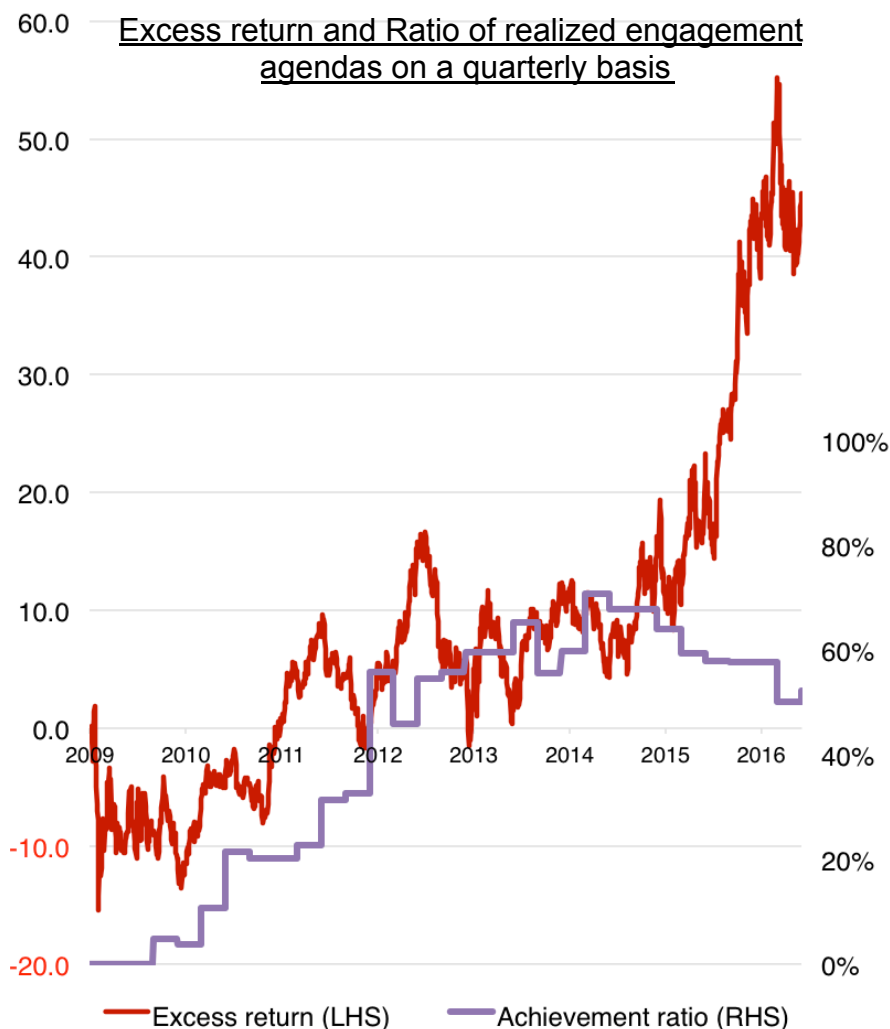


Engagement works: much better position without large ownership

How senior management see JEF: with less than 1% ownership Calbee official Annual Report 2014



Engagement works: High correlation excess return vs. progress



Key points

- **High correlation observed**
 - ✓ As achievement ratio increased, excess return got higher
 - ✓ **The confidence coefficient of direct correlation is more than 90%**
- 7Y excess returns of JEC 33 companies
 - ✓ All companies from clients' portfolio
 - ✓ Equally weighted virtual portfolio
 - ✓ Tried to eliminate stock selection effect as much as possible by doing so
- Engagement achievement Ratio
 - ✓ Objectives achieved / total # of objectives
 - ✓ Only took objectives where concrete improvements have been observed and shared with clients



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