

Japan - Debunking the Myths!

Inflation, Earnings Growth, and Supply/Demand

MUFG Asset Management
April 2024

Summary

Japanese Equities are Attractive from Structural Viewpoints

Inflation and Labor Markets

- ✓ In Japan, non-regular employment has been expanding for the past two decades in labor markets, fueled mainly by women, but this is reaching its limit. The stage may be set for price increases accompanied by wage growth, leading to an economy with greater overall growth potential. BOJ announced the end of quantitative and qualitative easing at the March Policy Board meeting.

Corporate Earnings

- ✓ In Japan, corporate earnings are likely to continue improving as management focuses resources on core businesses, with managers realizing the importance of capital costs. Japanese companies have improved their corporate governance, as they started paying attention to shareholder interests due to the unwinding of cross-shareholding over the last two decades.

Supply/Demand Conditions

- ✓ Domestic business corporations have been net buyers of Japanese equities since 2015, basically offsetting foreign investor's recent selling. A significant enhancement to NISA may accelerate the shift of household financial assets from savings to investment.

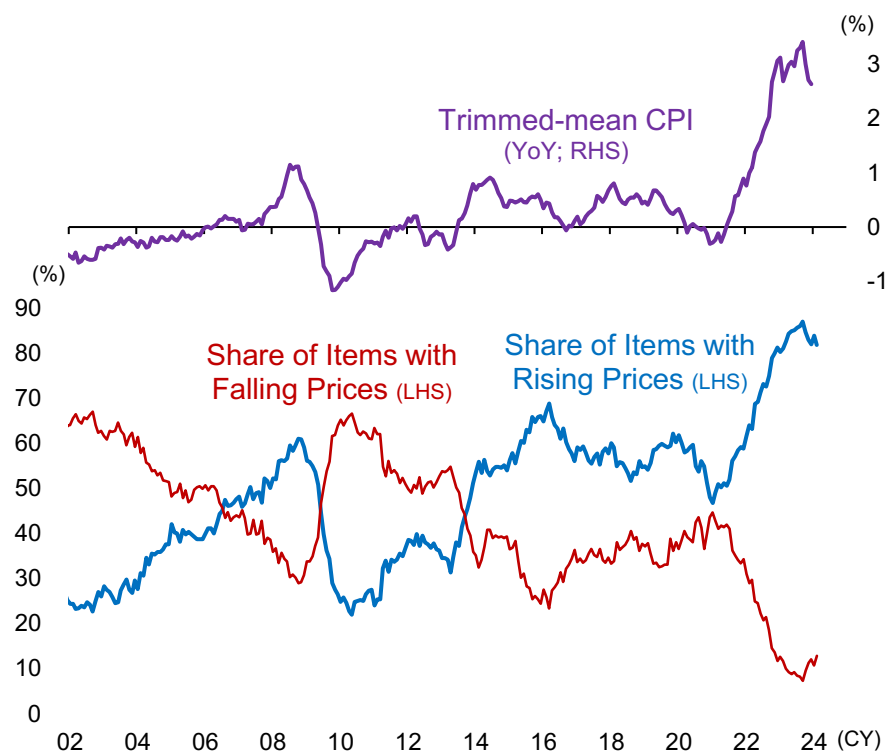
Small Caps

- ✓ Japanese small-cap stocks have good earning growth prospects and sound balance sheet, and are attractively valued from global viewpoints mainly because of high information gathering costs due to limited sell-side analyst coverage.

Inflation: Japanese Companies Revise Pricing Strategies

- Among the individual components of Japan's consumer price index (CPI), items with prices rising in YoY terms comprise 81.8% of the total in February, which exceeds the share of those whose prices are falling (12.8%).
- Companies have started to revise their pricing strategies in response to rising raw material and labor costs, because individuals have recently become more tolerant of price increases.

Trimmed CPI and Share of Rising/Falling Items



(Source) MUFG: Trust Bank, from BOJ data

(Note) Rising/falling CPI based on % of items that are rising or falling compared to the same month of the previous year; data as of February 2024.

Individual Reactions to Price Increase

“What would you do when the price of a familiar product at a familiar store goes up by 10%?”



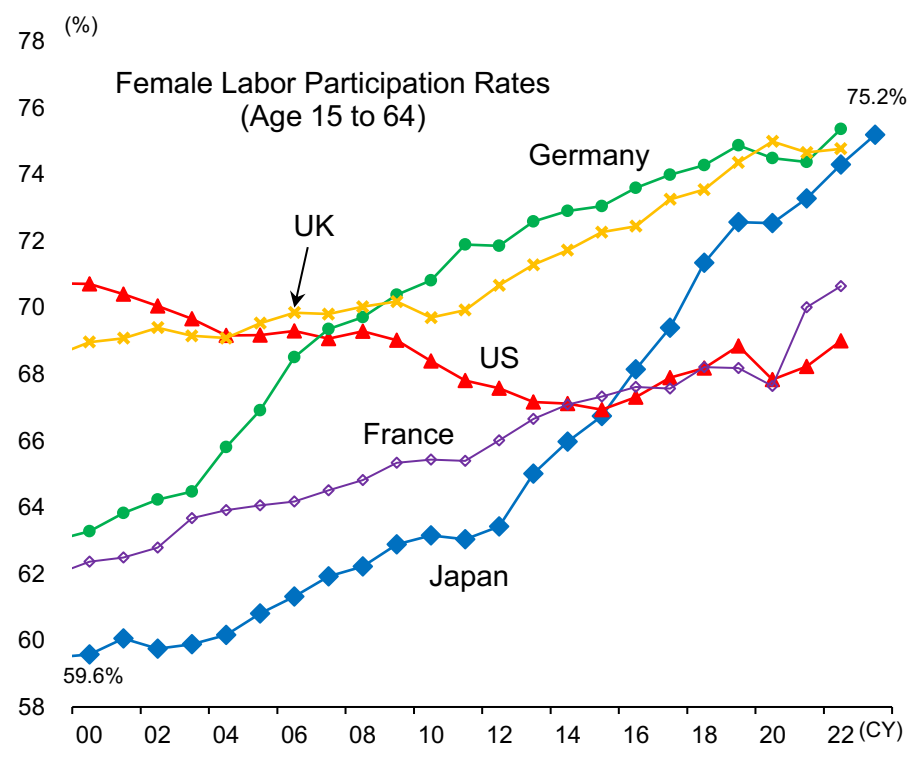
(Source) MUFG: Trust Bank, from research material of Prof. T. Watanabe

(Note) Question is “What would you do when the price of a familiar product at a familiar store goes up by 10%?”

Inflation: Significant Changes in the Labor Market

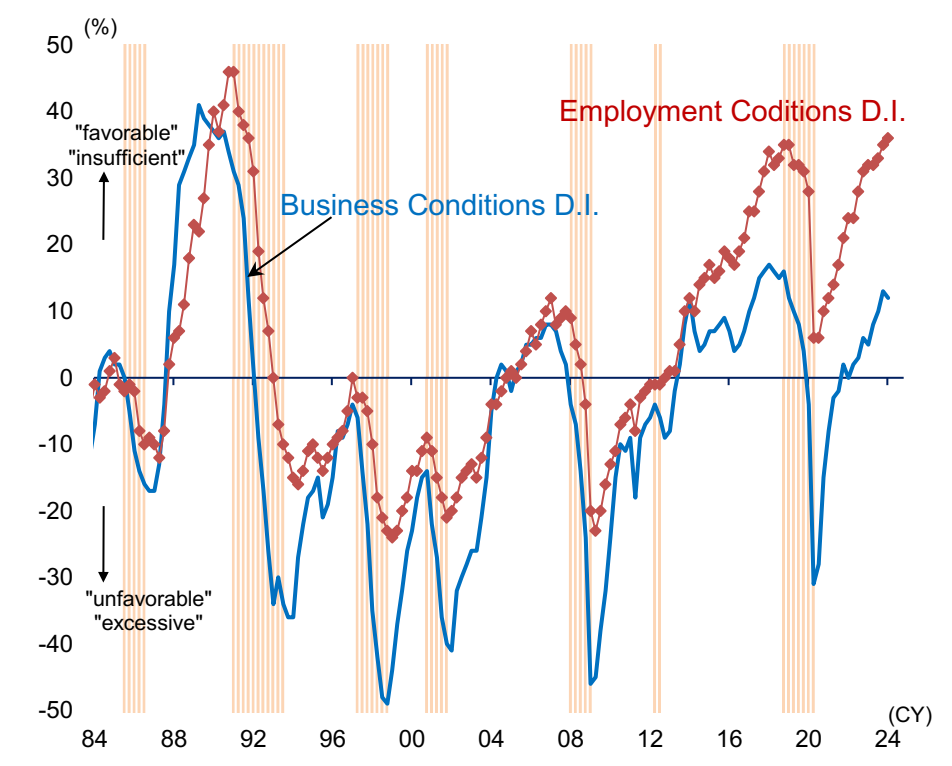
- In Japan, the labor participation rate for women in working-age (ages between 15 to 64) rose from 59.6% in 2000 to 75.2% in 2023, which is higher than those in the U.S. and France. Improved compensation packages appear to be a necessary precondition for a further increase in the participation.
- Japanese companies have been facing chronic labor shortages over the past several years.

Female Labor Participation Rates in Major Countries



(Source) MUFG: Trust Bank, from OECD data
 (Note) Data as of 2023 for Japan and as of 2022 for the other countries.

Business and Employment Conditions in "Tankan" Survey



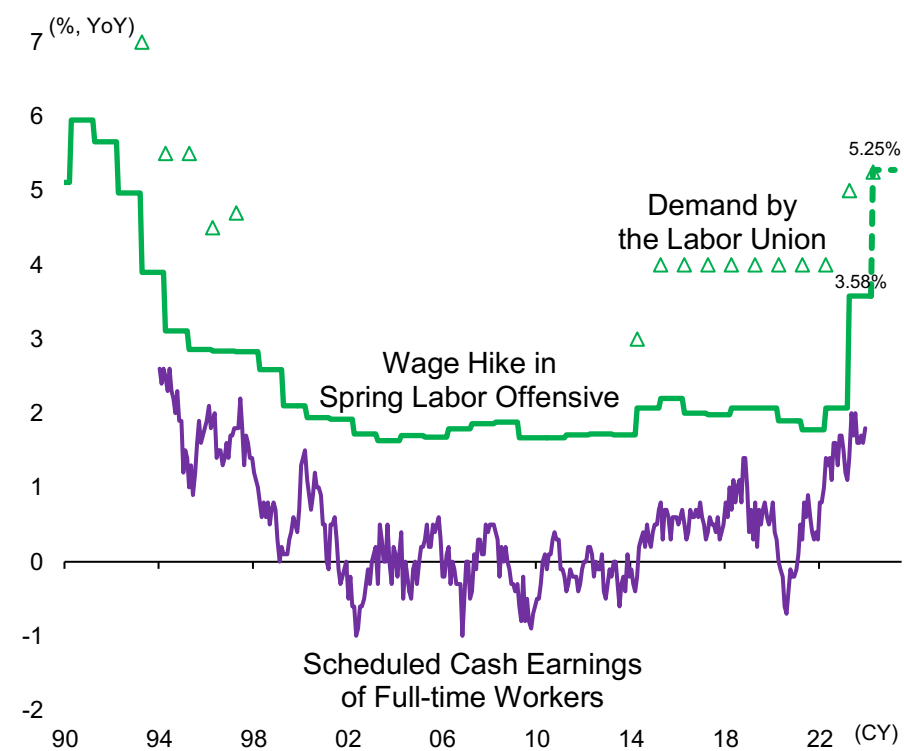
(Source) MUFG: Trust Bank, from BOJ data
 (Note) Universe is all industries, all enterprises; shaded areas indicate economic recessions; data as of March 2024.



Inflation: Wage Growth in a Tight Labor Market

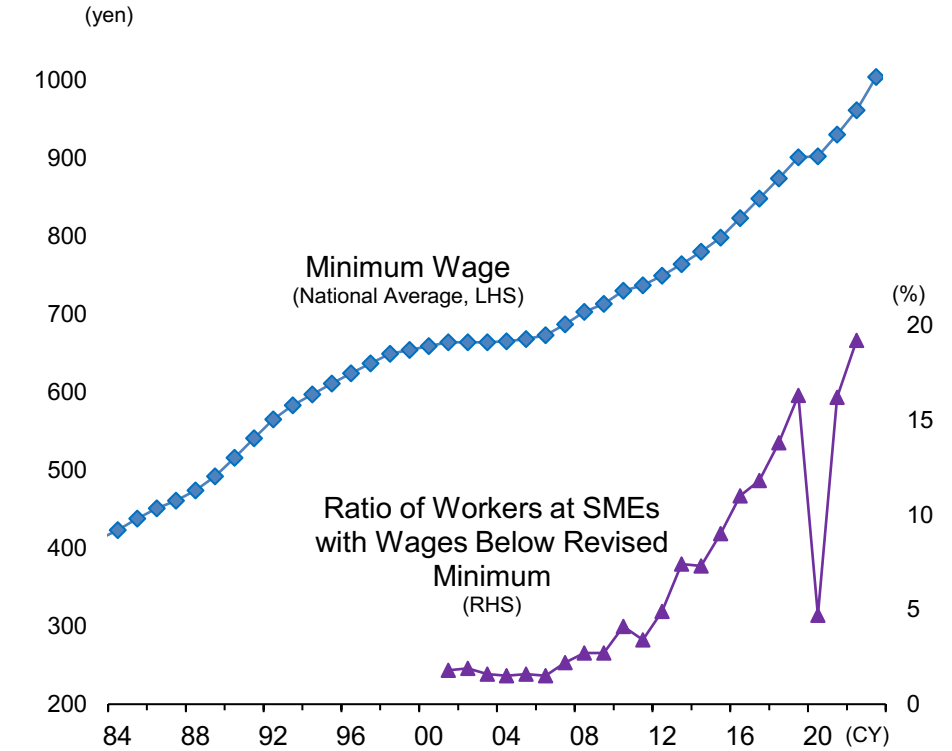
- The wage hike for 2024 in spring labor offensive is 5.25% (March 22), its highest level since 1991, and the scheduled salaries for full-time workers have been increasing, mainly because of tight labor market conditions.
- The national minimum wage was increased by 4.5% to 1,004 yen in 2023. Over the last decade, cash wage growth for full-time workers has been higher at SMEs than at large companies.

Wage Growth of Full-time Worker



(Source) MUFG: Trust Bank, from JTUC-RENGO, MIC data
 (Note) Wage growth includes regular salary increases; data for 2024 as of March 22.

Minimum Wage and Its Impact



(Source) MUFG: Trust Bank, from MHLW data
 (Note) Ratio impacted is the percentage of workers with wages below the minimum wage after its revision; SMEs are companies with 30 or fewer employees; data as of 2023.



BOJ : End of Unconventional Monetary Easing

- The Bank of Japan announced the end of quantitative and qualitative easing at the March Policy Board meeting and returned to a conventional monetary policy based on a short-term interest rate as its primary tool.
- The Bank of Japan raised its core CPI inflation forecasts for FY24 and FY25 to 1.9%, indicating that the underlying trend of prices is approaching the 2% target level.

BoJ Calls an End to the Unconventional Monetary Easing

Previous framework		New framework - "ordinary" framework	
YCC	Negative interest rate policy	Short-term rate	Encourage the uncollateralized overnight call rate to remain at around 0 to 0.1 percent.
	Controlling 10yr JGB yield		
	Large amount of JGB purchases without limit	JGB purchases	Continue JGB purchases with broadly the same amount as before (about 6 trillion yen per month)
ETF and J-REIT purchases			
Asset purchases	CP and corporate bond purchases	⇒ Will discontinue the purchases in about one year.	

BOJ Outlook for Economic Activity and Prices

	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
FY23	1.8 < 1.6 ~ 1.9 >	2.8 < 2.8 ~ 2.9 >	3.8 < 3.5 ~ 3.9 >
Oct.	2.0 < 1.8 ~ 2.0 >	2.8 < 2.7 ~ 3.0 >	3.8 < 3.5 ~ 3.9 >
FY24	1.2 < 1.0 ~ 1.2 >	2.4 < 2.2 ~ 2.5 >	1.9 < 1.6 ~ 2.1 >
Oct.	1.0 < 0.9 ~ 1.4 >	2.8 < 2.7 ~ 3.1 >	1.9 < 1.6 ~ 2.1 >
FY25	1.0 < 1.0 ~ 1.2 >	1.8 < 1.6 ~ 1.9 >	1.9 < 1.8 ~ 2.0 >
Oct.	1.0 < 0.8 ~ 1.2 >	1.7 < 1.6 ~ 2.0 >	1.9 < 1.8 ~ 2.2 >

(Source) MUFG: Trust Bank, from Mitsubishi UFJ Morgan Stanley Securities

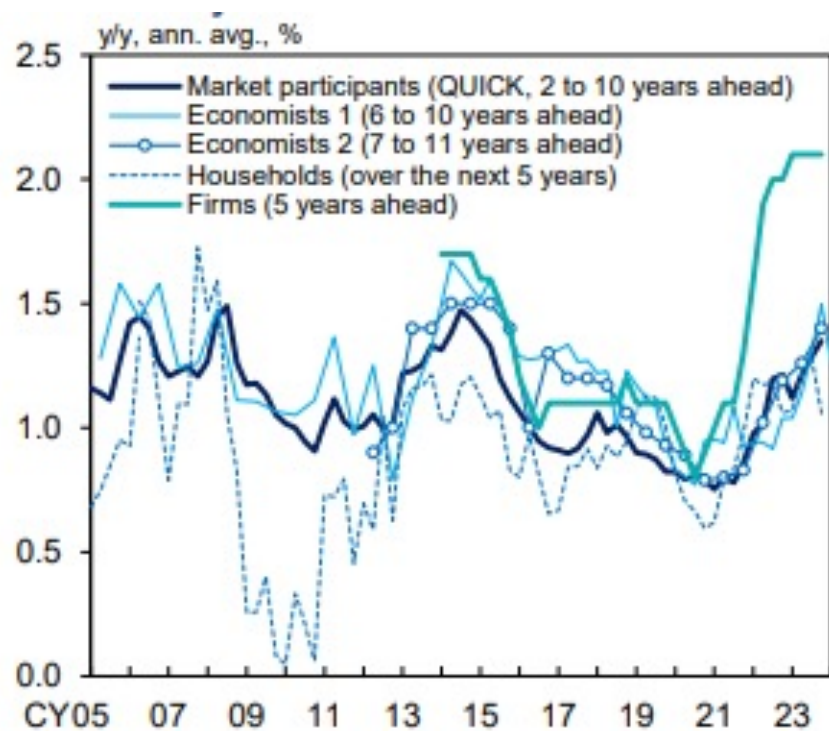
(Source) MUFG: Trust Bank, from Bank of Japan

(Note) Figures indicate median of the Policy Board members' forecasts; the forecast ranges of the majority members are in parentheses; data as of January 2024.

BOJ : Inflation Expectation and Economic Activity are Key

- The Bank of Japan is likely to keep an accommodative monetary policy, partly because inflation expectations in Japan are still in the process of climbing towards 2 %, which is different from those in the U.S. and Europe.
- The Bank of Japan is thought to be considering economic activity, exchange rates, and financial markets.

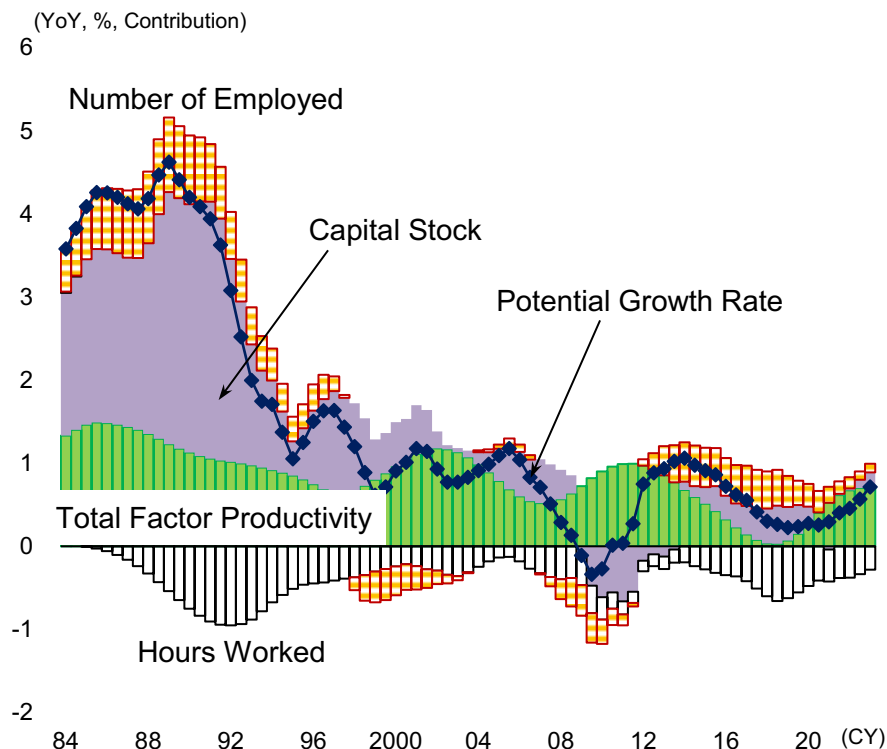
Inflation Expectation Surveys



(Source) Bank of Japan

(Note) Figures for "Economists 1, 2" are based on the Consensus Forecasts and the ESP Forecast; figures for households are based on the Opinion Survey on the General Public's Views and Behavior; figures for firms are based on the Tankan.

Potential Growth Rate and Contributions in Japan



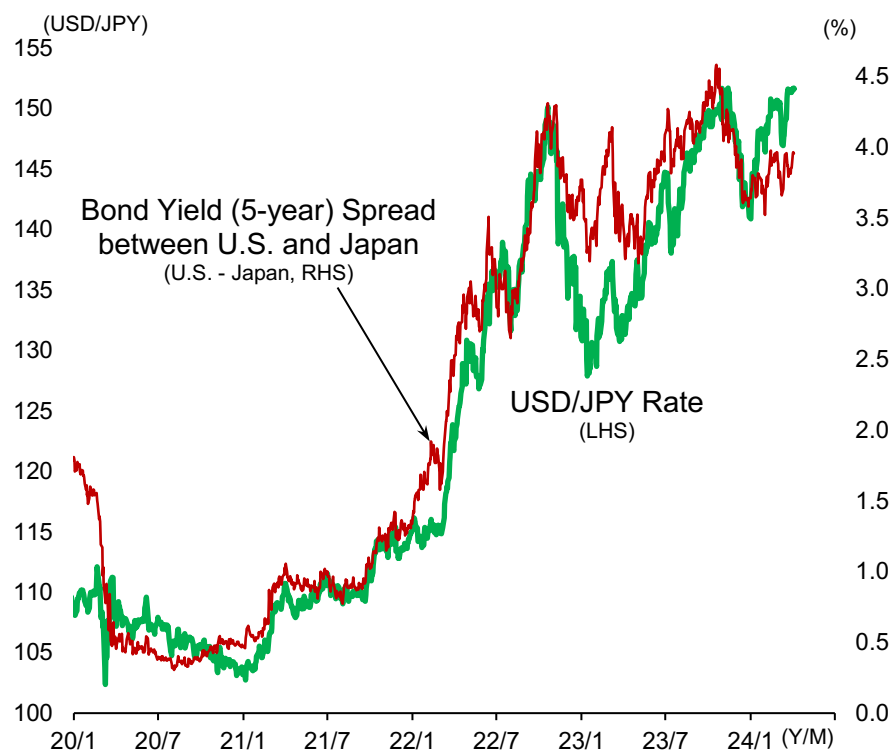
(Source) MUFG: Trust Bank, from Bank of Japan

(Note) Potential growth rate are estimated by Bank of Japan; data as of September 2023.

FOREX: Reasons for Yen's Depreciation

- The main reason for sharp yen's depreciation has been the interest rate spread between Japan and the U.S. since 2021, reflecting the difference in monetary policy between the two countries.
- The deterioration of Japan's trade balance was another factor for weak yen.

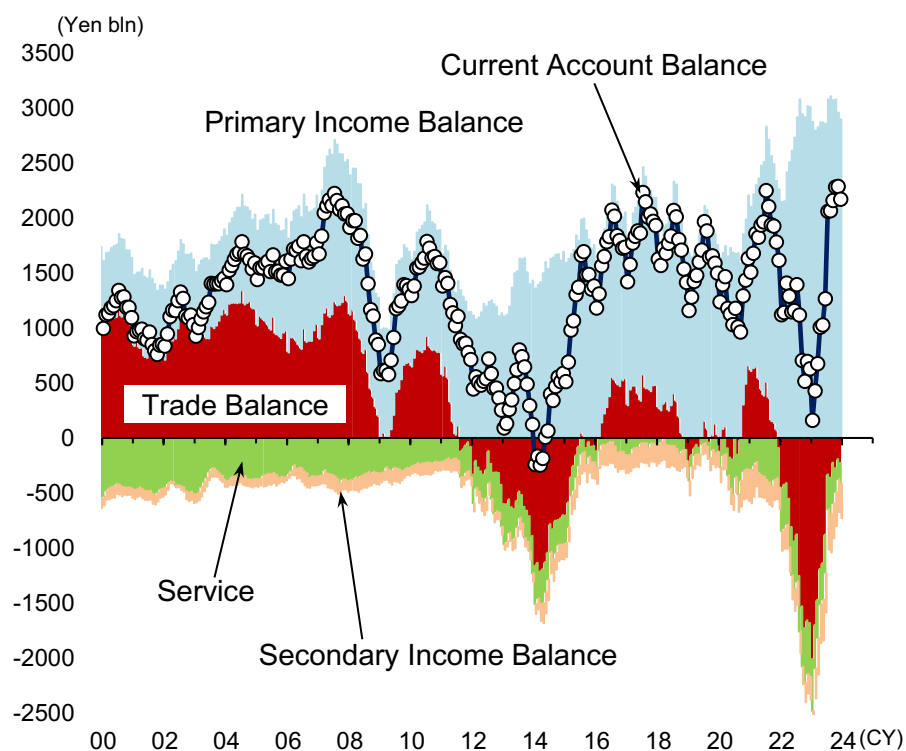
Dollar / Yen Rate and Bond Yield Spread



(Source) MUFG: Trust Bank, from FED, BOJ data

(Note) Data as of April 3, 2024.

Breakdown of Balance of Payments



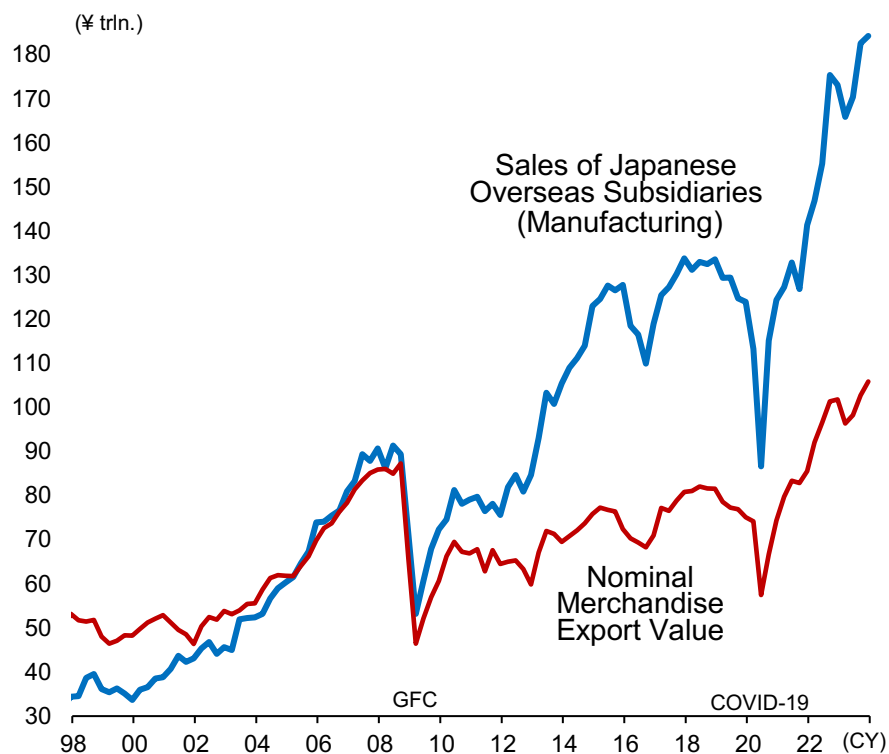
(Source) MUFG: Trust Bank, from FEB, BOJ data

(Note) Figures are 6-month moving average; data as of January 2024.

FOREX: Strong Yen is still a Drag on Profits, but ...

- Japanese manufactures have increased the ratio of overseas production consistently since 1990 in order to reduce the impact of exchange rate fluctuation on their earnings.
- However, as many Japanese companies have expanded their overseas operations, the strong yen continues to be a drag on their profits, although its impact is decreasing.

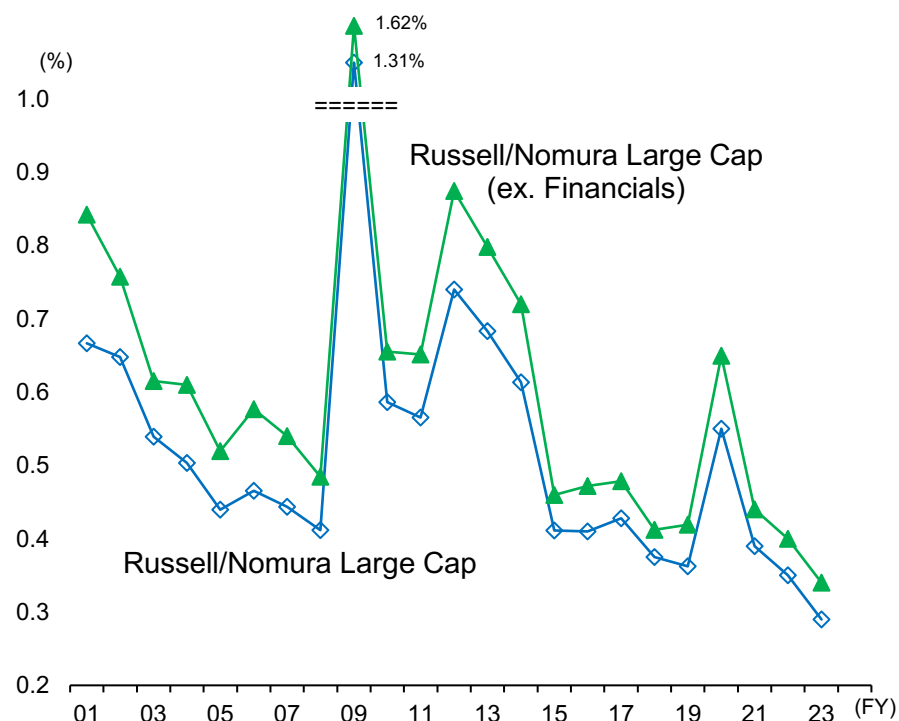
Exports and Sales of Overseas Subsidiaries



(Source) MUFG: Trust Bank, from METI, MOF data

(Note) Annualized quarterly data; data as of December 2023.

Dollar/Yen Rate Sensitivity of Recurring Profits



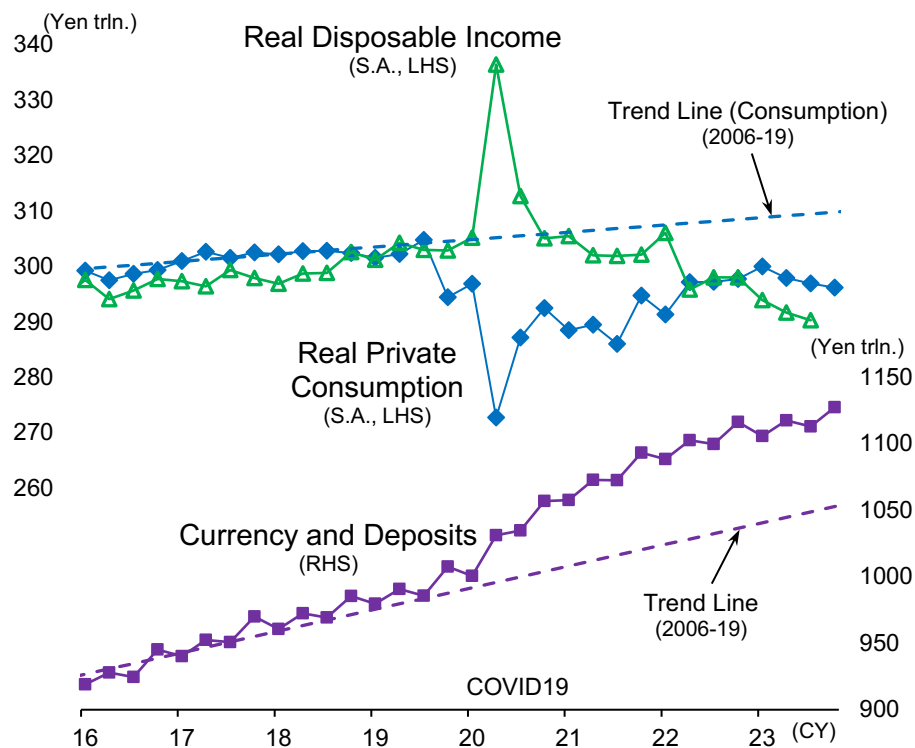
(Source) MUFG: Trust Bank, from Nomura Securities data

(Note) Changes in recurring profits of major companies when the dollar/yen rate fluctuates by 1 yen, based on interviews with analysts; data as of FY2023.

Japanese Economy: Revenge Consumption and Foreign Travelers

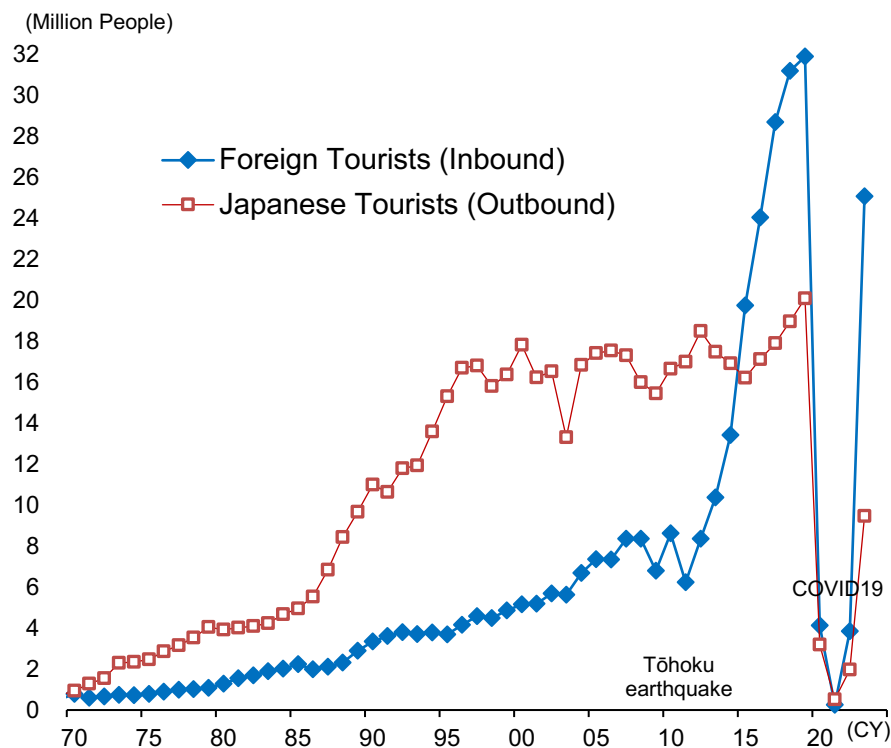
- The Japanese economy is expected to remain relatively steady in 2024. The desire for "revenge consumption" looks strong supported by accumulated savings during the COVID-19 restrictions.
- The number of foreign visitors has recovered to 80% of the peak level before the spread of the coronavirus infection. The amount spent by visitors is at an all-time high due to an increase in per capita spending.

Consumption, Disposable Income and Deposits



(Source) MUFG: Trust Bank, from Cabinet Office and Bank of Japan
 (Notes) Trend lines are based on 2006-19 data; data as of December 2023.

Inbound and Outbound Tourists

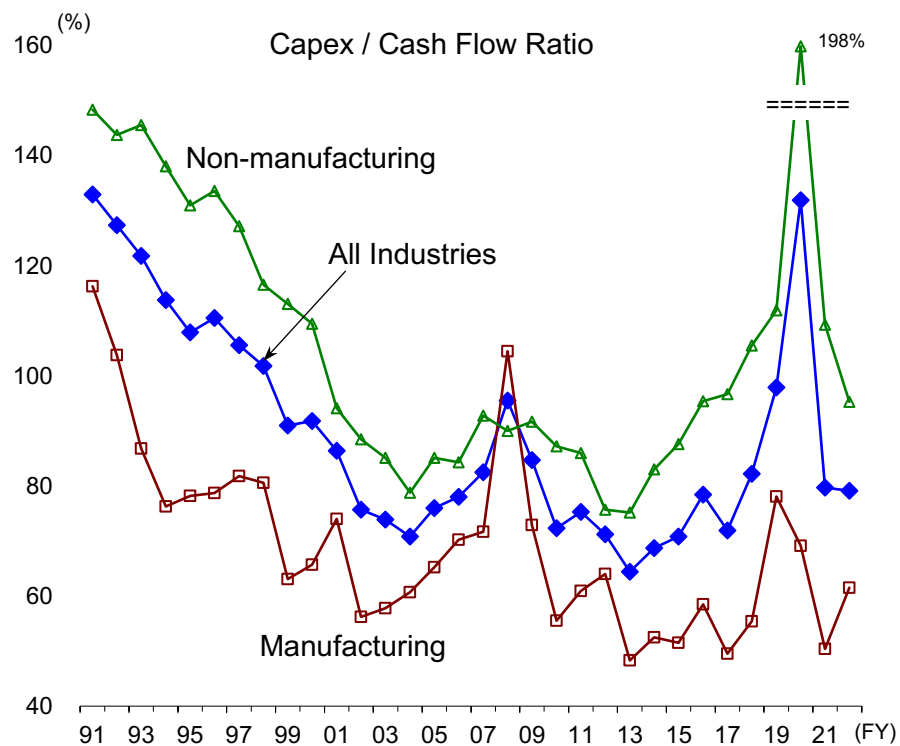


(Source) MUFG: Trust Bank, from MOJ
 (Notes) Data as of 2023.

Japanese Economy: Room to Increase Domestic Capital Investments

- Large companies in Japan are keeping capital spending within cash flow. They are likely to increase the spending going forward as profits improve and supply constraints ease.
- Over the past few years, software investment has grown faster at medium-sized companies than at large companies, partly because of investment aimed at rationalization and labor-saving.

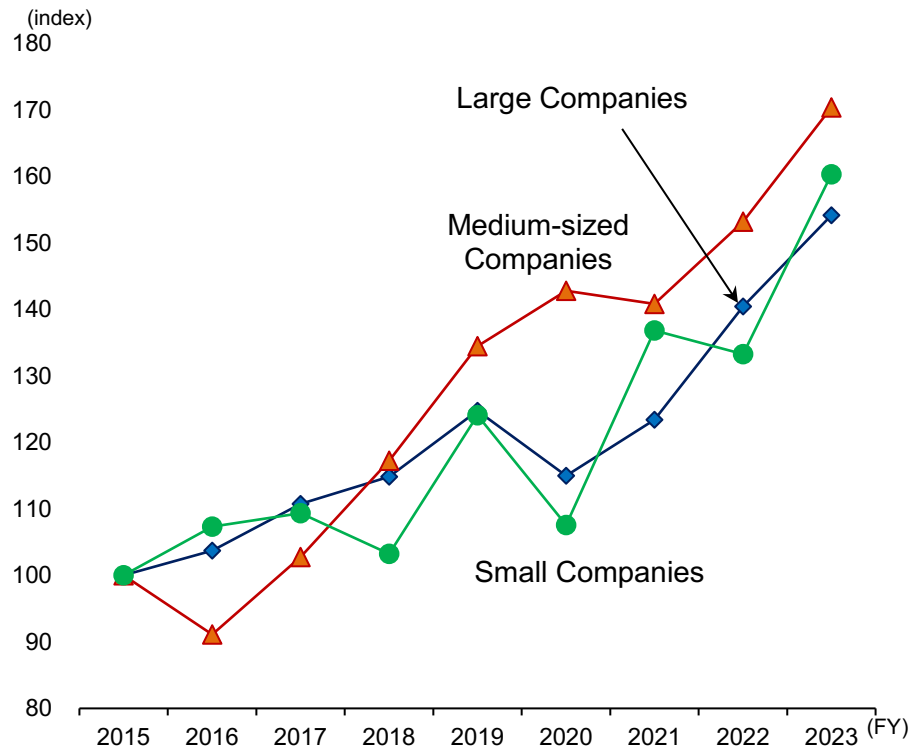
Capex to Cash Flow Ratio at Large Companies



(Source) MUFG: Trust Bank, from Development Bank of Japan

(Notes) Universe is 5,432 private corporations with capital of 100 million yen or more (excluding financials), all industries; capex to cash flow ratio = capex / cash flow * 100; data as of FY2022.

Software Investment by Size of Companies



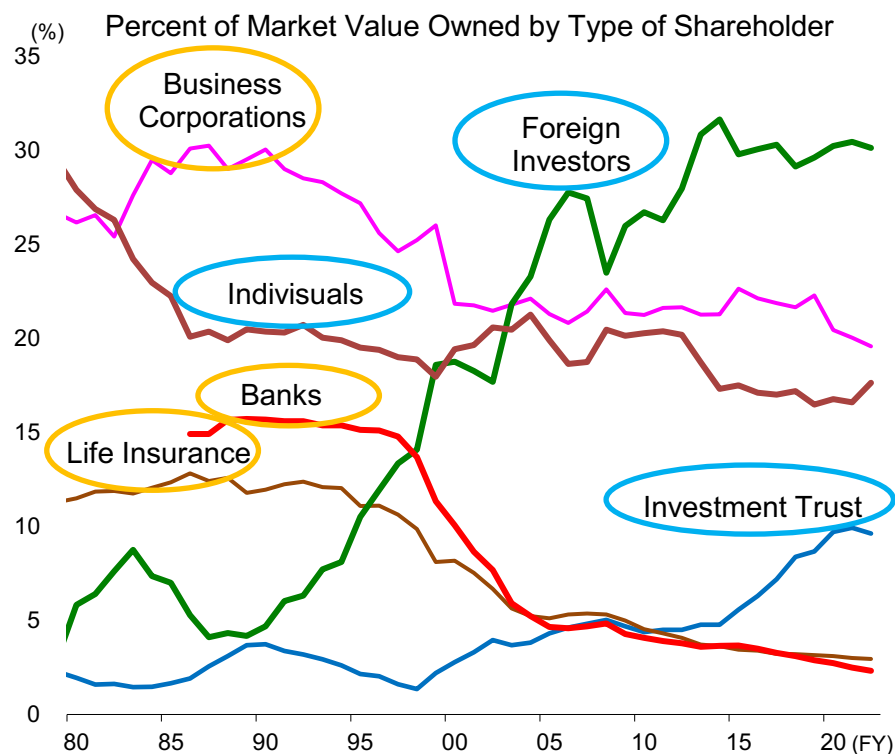
(Source) MUFG: Trust Bank, from BOJ

(Notes) Universe is all industries; figures are re-indexed at value of FY2015 = 100; figures for FY2023 are based on company forecast in March.

Corporate Earnings: Sound Pressures from Pure Shareholders

- After the unwinding of cross shareholdings over the last two decades, sound pressures from pure shareholders force management at Japanese companies to pay more attention to the interests of minority shareholders.
- Activist shareholder proposals are no longer unusual occurrences for companies facing problems such as excessive levels of cash or securities.

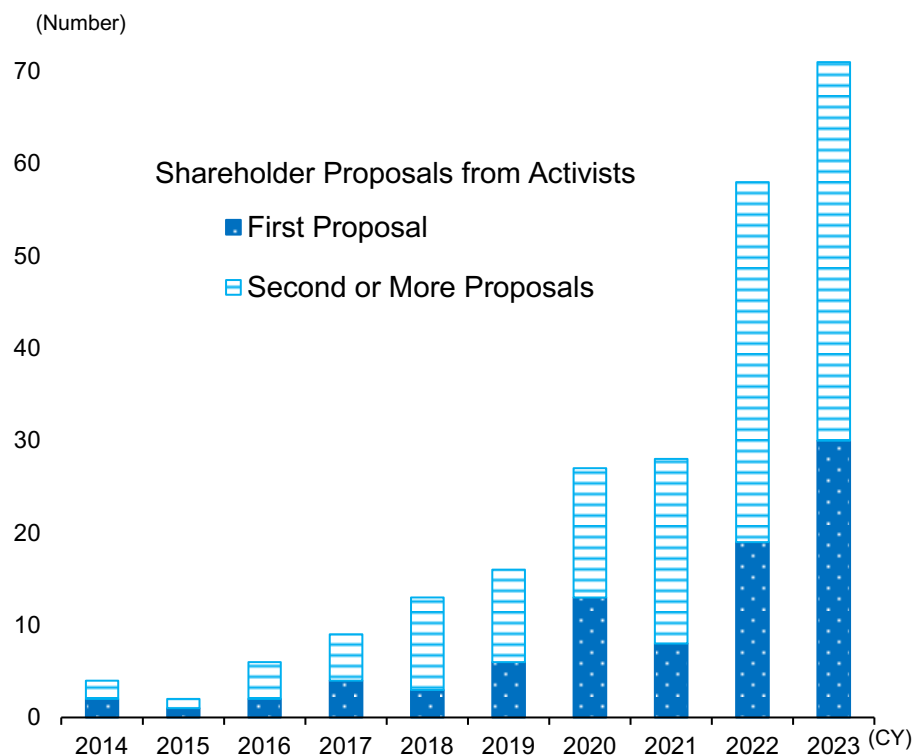
Cross-shareholding Stockholder and Pure Stockholder



(Source) MUFG: Trust Bank, from TSE data

(Note) Data as of FY2022.

Shareholder Proposals from Activists at AGM



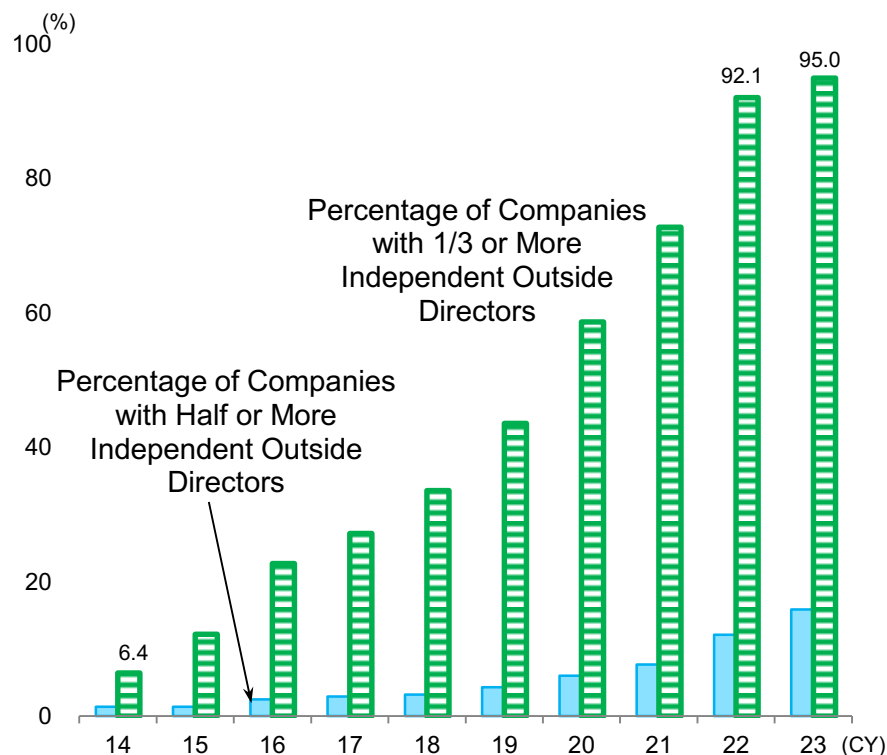
(Source) MUFG: MUFG: Trust Bank, from IR Japan HD data

(Note) Data as of 2023.

Corporate Earnings: Improving Corporate Governance

- Proportion of Japanese companies with one third or more independent outside directors have increased from 6.4% in 2014 to 95.0% in 2023.
- Japanese companies increased dividends significantly from FY2000 to FY2022, with the total amount of dividends paid rising at an annual rate of more than 8%.

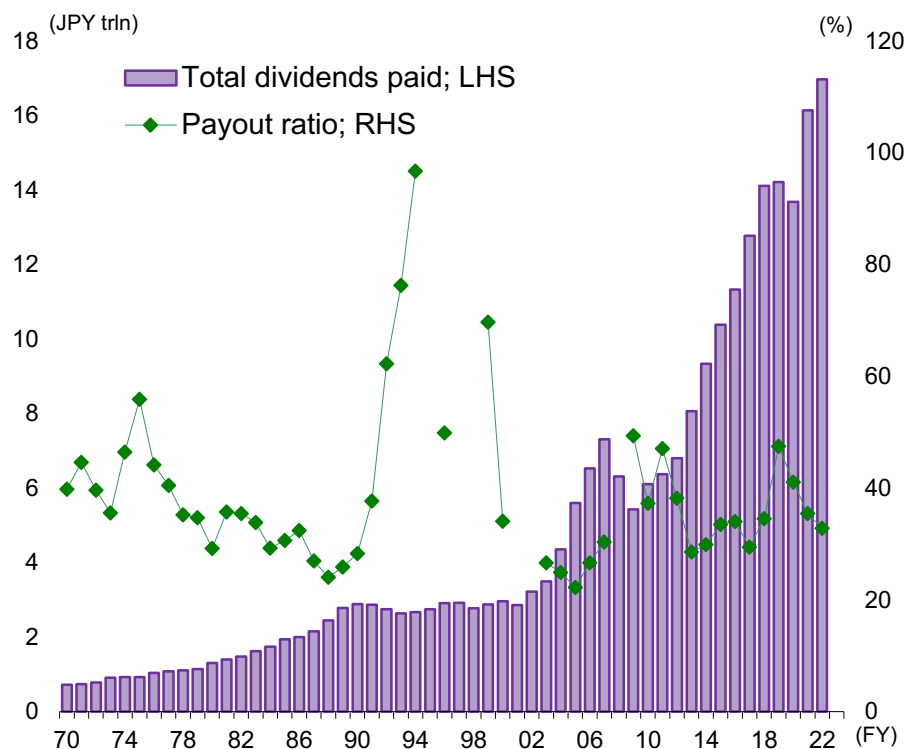
Percentage of Companies with Outside Directors



(Source) MUFG: Trust Bank, from TSE data

(Note) Universe based on TSE Prime and TSE1 listed firms; data as of July 2023.

Total Dividend Payouts by Listed Companies



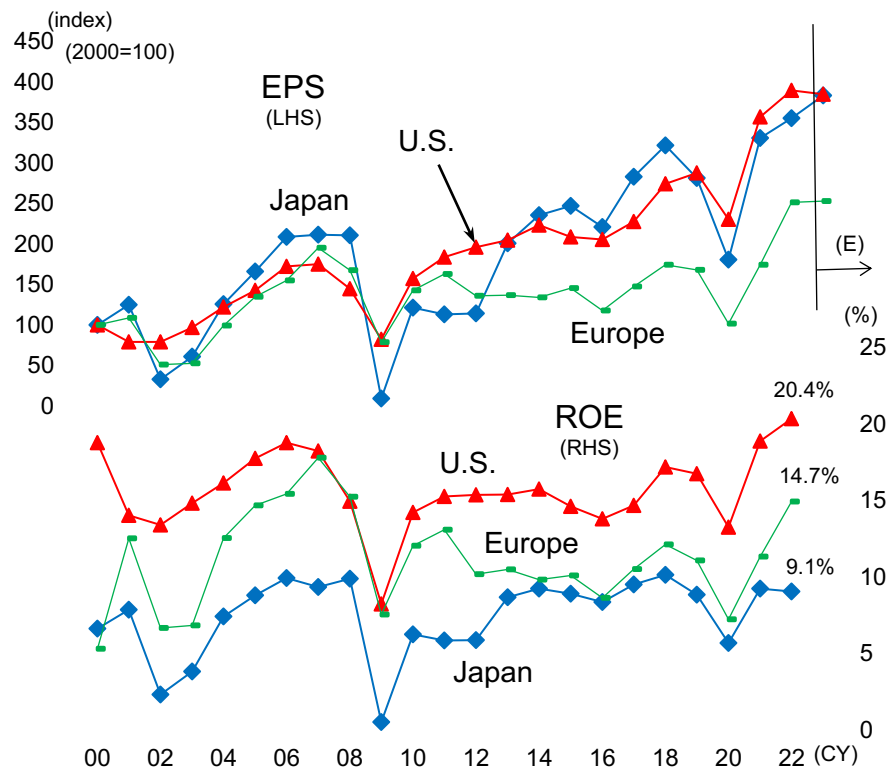
(Source) MUFG: Trust Bank, from Mitsubishi UFJ MS Securities, Toyo Keizai data

(Note) Universe based on TSE1 and Prime Market stocks; FY2020 figures based on DPS forecasts and the number of common shares o/s (excluding treasury stock); data as of FY2022.

Corporate Earnings: Diversified Companies have Lower Profit Margin, but ...

- Japanese major companies have lower ROE than American and European peers, even after their significant increase in corporate earnings. Especially, companies with diversified businesses have low profit margins.
- However, an increasing number of companies are paying attention to capital efficiency recently, leading to earnings improvements through the restructuring of their business portfolios.

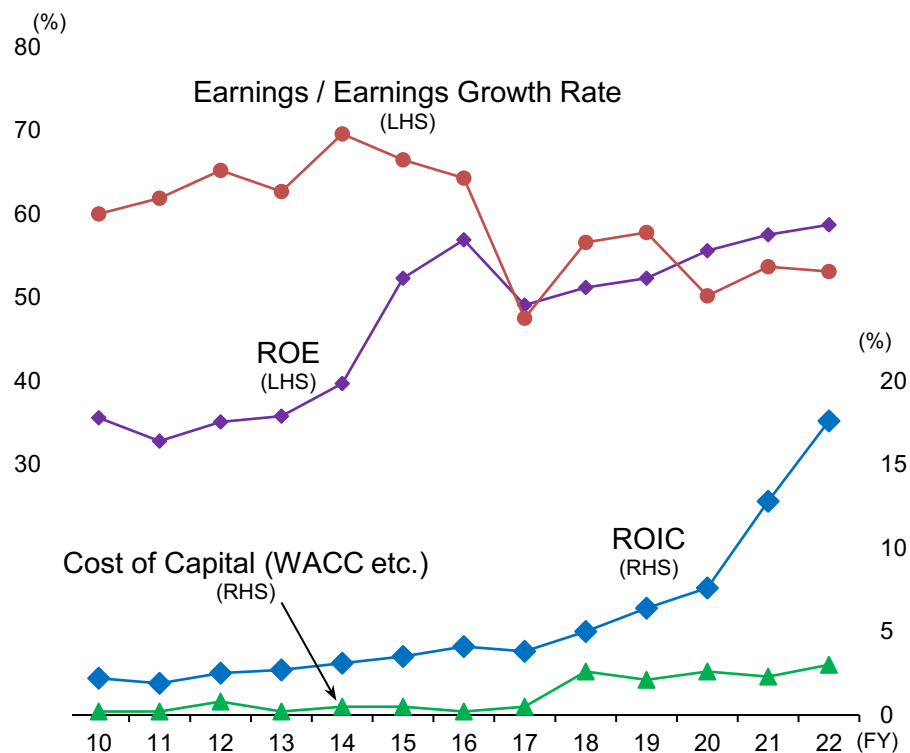
EPS and ROE in Major Region



(Source) MUFG: Trust Bank, from FactSet

(Note) : Universes are TOPIX500 for Japan, S&P500 for the U.S. and STOXX600 for Europe; data as of 2022.

KPI Listed in the Medium-term Business Plan



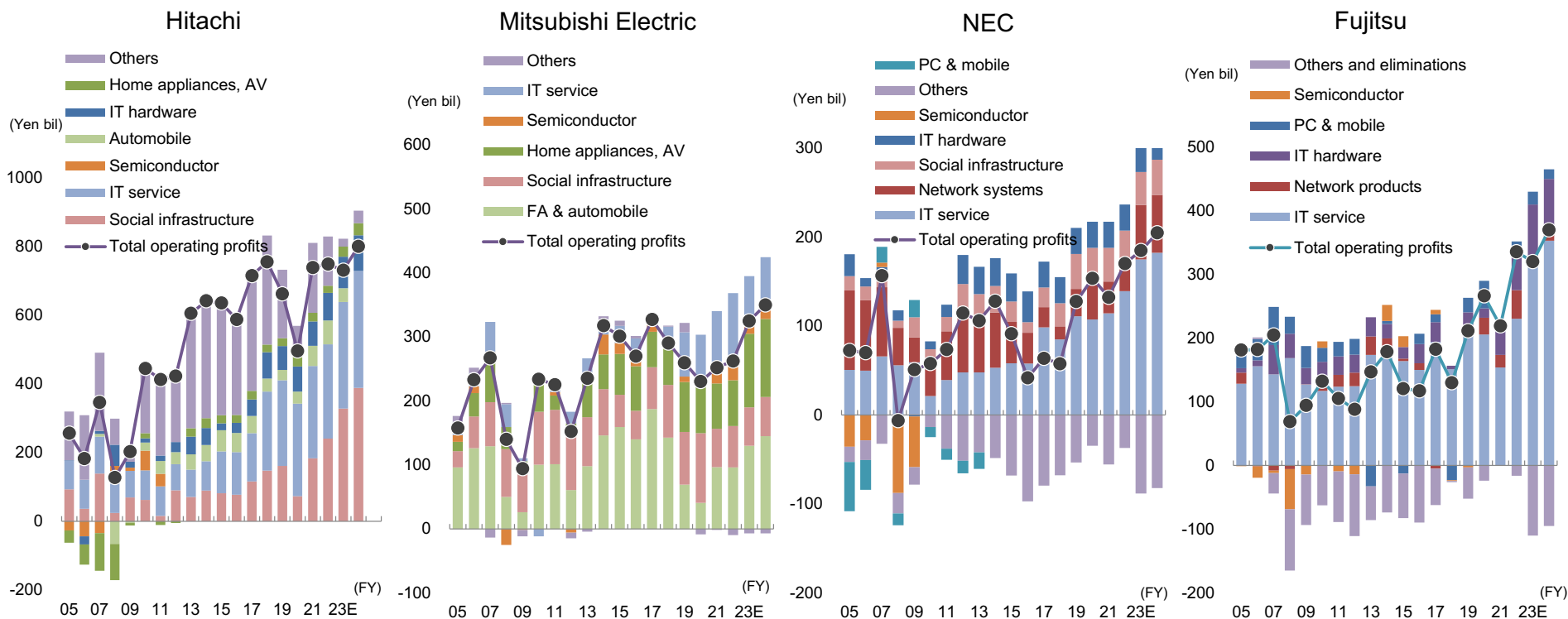
(Source) MUFG: Trust Bank, from Life Insurance Association

(Note) Universe is 1,200 listed companies with largest market caps; data as of FY2022.

Corporate Earnings: Focus on Core Business

- In Japan, in addition to steady efforts with rationalization and headcount reductions, business portfolio revision and industry realignments have also contributed to higher profit margins.
- In the 1990s, Hitachi and other major electronics firms had considerable overlap between businesses such as consumer electronics and semiconductors. Now, each of these firms has focused on different business areas.

Business Portfolio of Major Electronics Companies in Japan



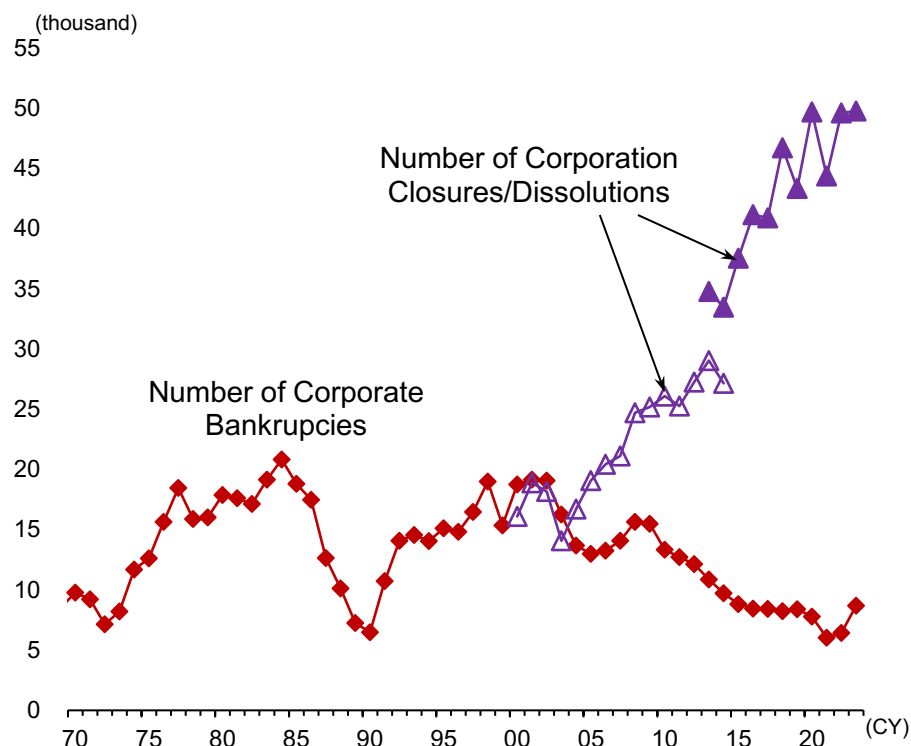
(Source) MUFG: Trust Bank, from Nomura Securities

(Note) Figures after FY2023 are Nomura estimate.

Corporate Earnings: Business Closures and Industrial Consolidation

- Looking at unlisted SMEs, while the number of corporate bankruptcies has remained at a low level, the number of business closures and dissolutions has significantly increased over the last decade.
- The ratio of loss-making corporation hit its peak in 2012 and has gradually decreased. There is a possibility that excessive competition in domestic industries will be corrected.

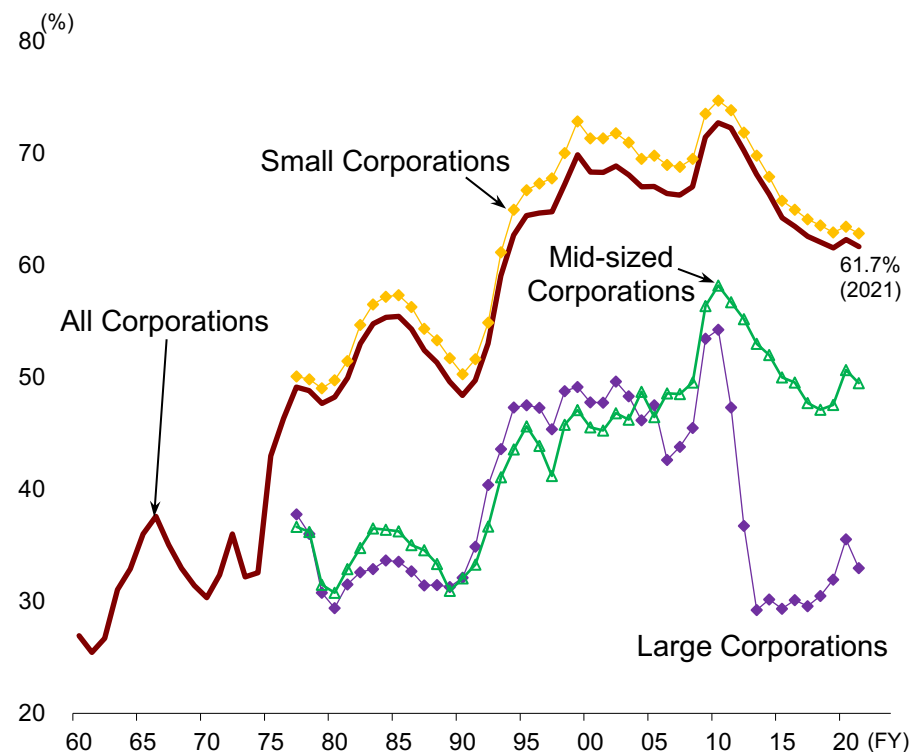
Corporate Bankruptcies and Closures



(Source) MUFG: Trust Bank, from Tokyo Shoko Research

(Note) Number of corporate suspension/dissolution is counted differently up to 2012; data as of 2023.

Ratio of Loss-Making Corporations



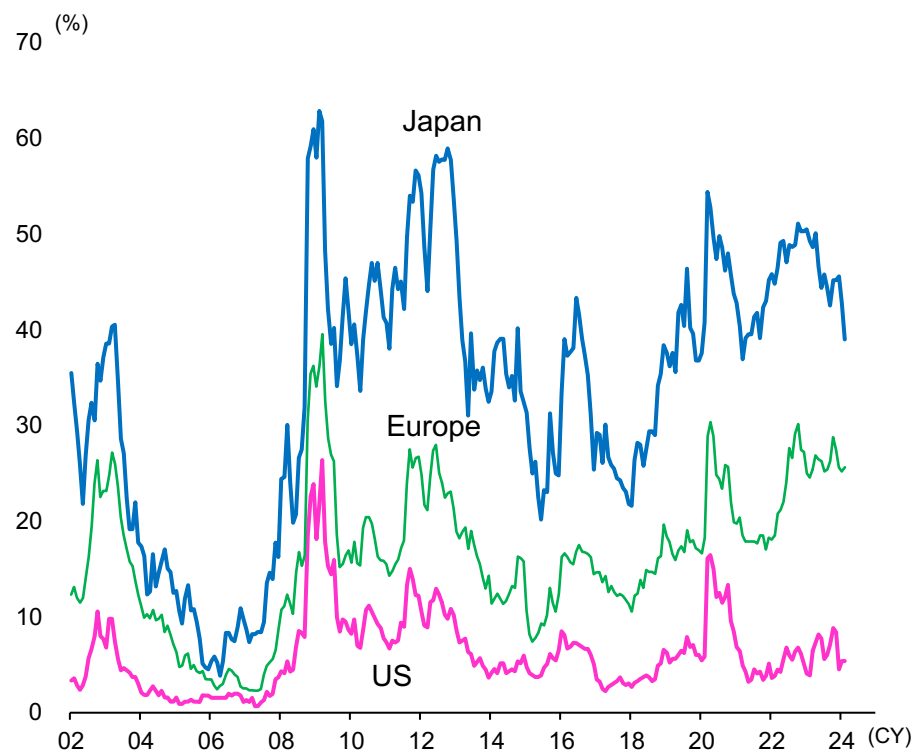
(Source) MUFG: Trust Bank, from the National Tax Administration Agency

(Note) Total number of corporations is 2.85 million in FY2021.

Requests by TSE for Cost of Capital-Conscious Management

- The TSE requested companies with price-to-book ratio below one to improve capital efficiency in March 2023, after restructured market segments to Prime, Standard, and Growth markets in April 2022.
- Japanese companies have been criticized for their conservative capital policies over the years, but the ratio of net cash companies has recently reached its peak.

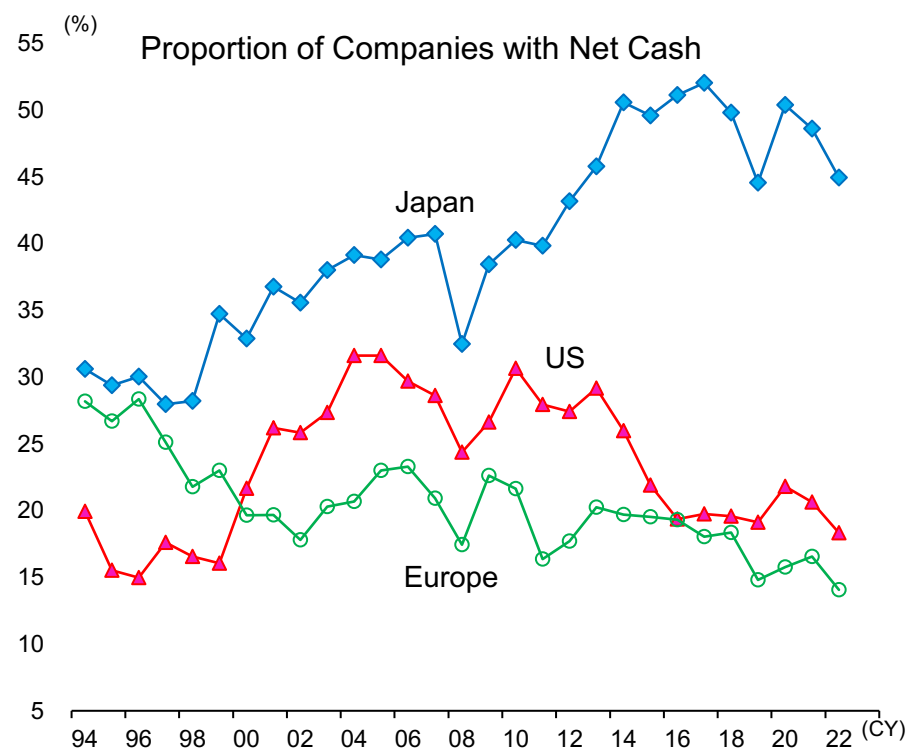
Ratio of Stocks with P/B under 1.0X in Major Region



(Source) MUFG: Trust Bank, from Bloomberg

(Note) Universe is companies included in S&P500 for the U.S., STOXX600 for Europe and TOPIX500 for Japan; data as of February 2024.

Companies with Net Cash in Major Region



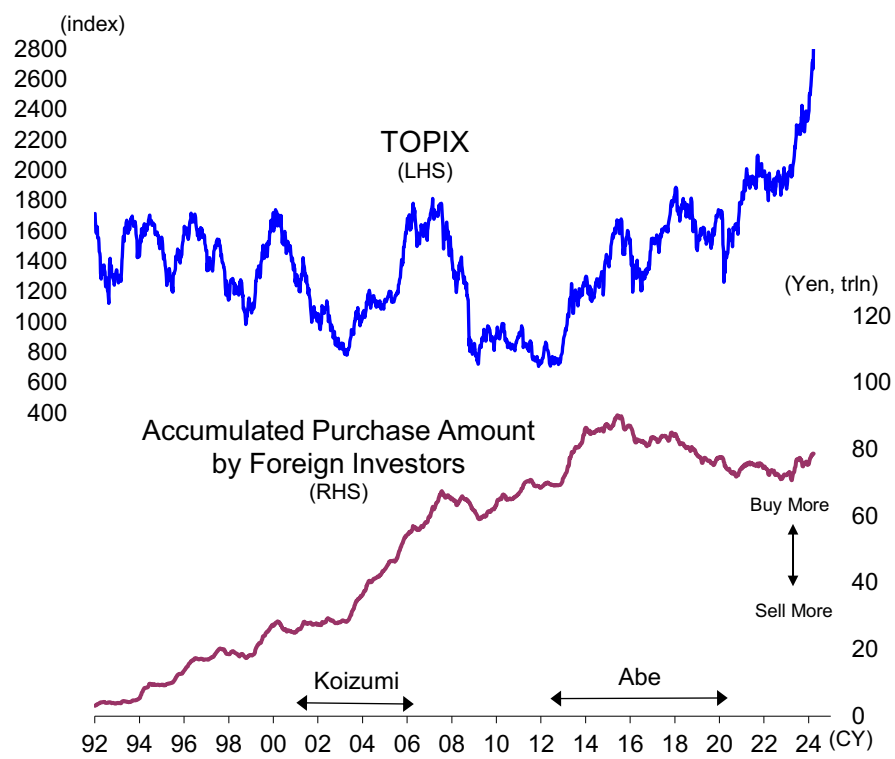
(Source) MUFG: Trust Bank, from FactSet

(Note) Universe is companies included in MSCI USA, MSCI Europe and MSCI Japan Index (excluding financials); data as of 2022.

Supply/Demand: Domestic Buyers Absorb Foreign Selling

- Foreign investors had been net sellers of Japanese equities from 2015 to the beginning of the last year, and domestic investors had absorbed their net selling.
- Net buying by business corporations, conducting share buybacks, amounted to ¥5.19 trillion and ¥4.90 trillion in 2022 and 2023 respectively. The value of share buyback implementation reached above 9 trillion yen.

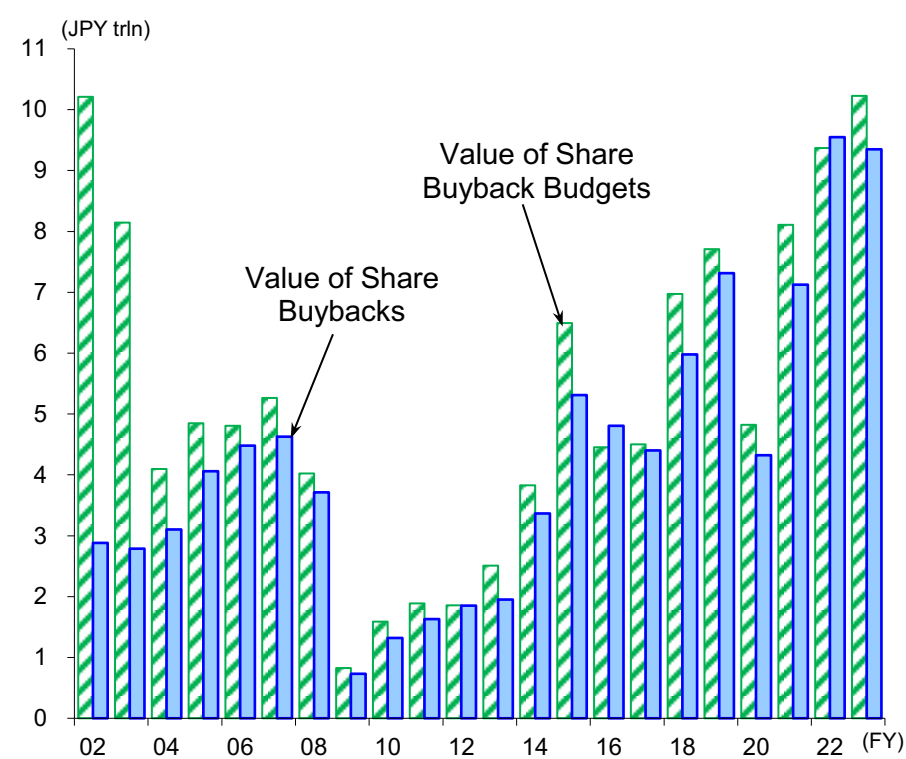
TOPIX and Accumulated Purchase by Foreign Investors



(Source) MUFG: Trust Bank, from TSE data

(Note) Purchase amount is accumulated value since the beginning of 1990; data as of March 22, 2024.

Value of Share Buybacks by Listed Companies



(Source) MUFG: Trust Bank, from I-N Information Systems data

(Note) Data as of FY2023.

Supply/Demand: Significant Enhancement to NISA

- The Kishida Cabinet decided on a major expansion of NISA to shift household financial assets from savings to investment, including an indefinite tax-exempt holding period and an increase in investment limits.
- The purchase amount for Jan.-Feb. 2024 has increased by more than three times compared to the amount from the previous year. Equities purchased under the Growth NISA were mainly domestic equities.

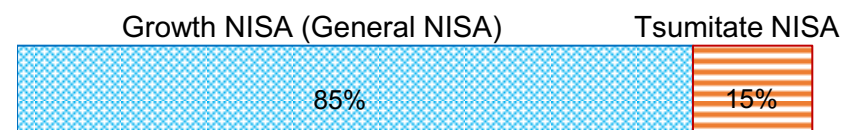
NISA (Nippon Individual Savings Account) Schemes

Type of NISA	New Schemes after January 2024	
	Growth Quata	Tsumitate Quaua
Annual limits	JPY 2,400,000	JPY 1,200,000
Combination allowed?	Yes. You can use both simultaneously	
Period of tax benefits	No limits	No limits
Lifetime limits	JPY 18,000,000 (Growth Quata limit: 12,000,000)	
Recycle of limits	Allowed (If you sell, that amounts free up limits)	
Investment options	Listed stocks, ETFs, Reits, and investment trusts; Ristrictions will apply	FSA selected investment trusts and ETFs

Type of NISA	Current Schemes	
	General NISA	Tsumitate NISA
Annual limits	JPY 1,200,000	JPY 400,000
Combination allowed?	No. You need to choose either of them	
Period of tax benefits	5 years	20 years
Lifetime limits	JPY 6,000,000	JPY 8,000,000
Recycle of limits	Not allowed	
Investment options	Listed stocks, ETFs, Reits, and investment trusts	FSA selected investment trusts and ETFs

Breakdown of NISA Purchase Amount (Jan. to Feb. 2024)

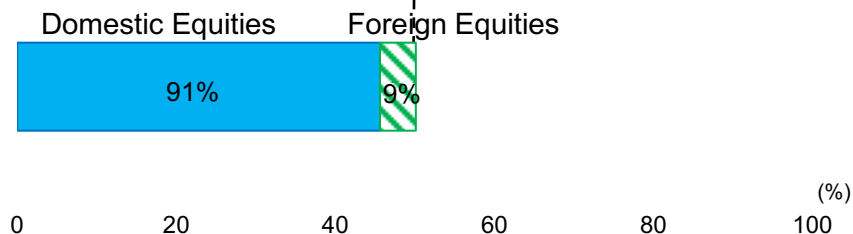
Breakdown of NISA Purchase Amount



Breakdown of Purchase Amount under Growth NISA



Breakdown of Equity Purchase Amount



(Source) MUFG: Trust Bank, from FSA and Fidelity Japan

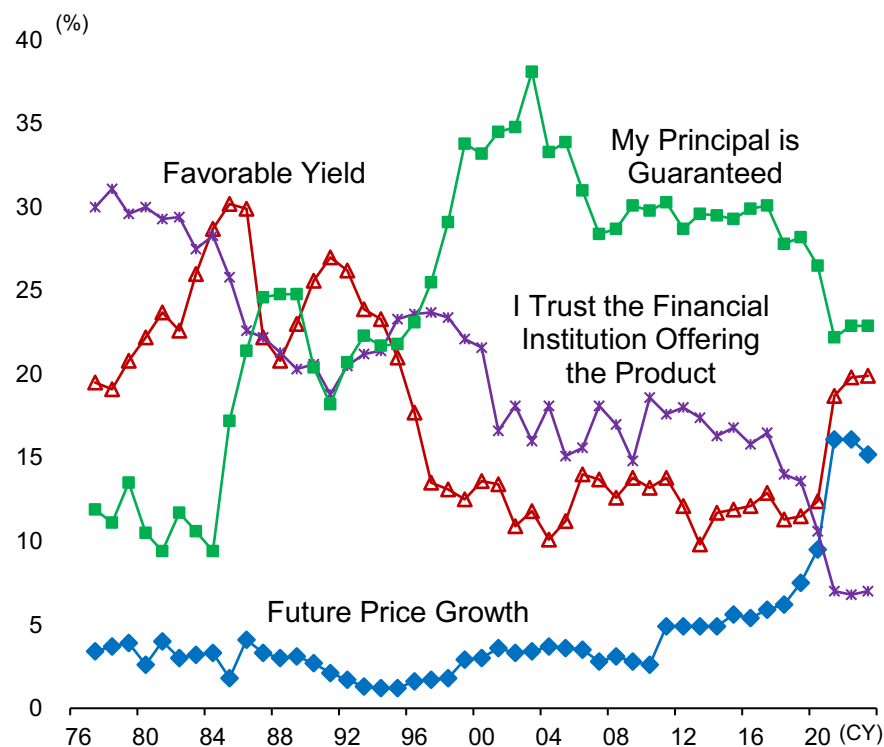
(Source) MUFG: Trust Bank, from Japan Security Dealers Association

(Note) "Equities" and "Domestic Equities" include ETFs and REITs; data as of February 2024.

Supply/Demand: Greater Interest in Risk Asset Investment among Individuals

- Since 2019, there has been a clear increase in the number of respondents who would say their priority is on capital gains (“future price growth”) when selecting a financial product. As individuals become more aware of inflation, they have shown greater interest in securities investments for the purpose of asset formation.
- In Japan, individuals took risks and built assets through real estate up until the 1980s.

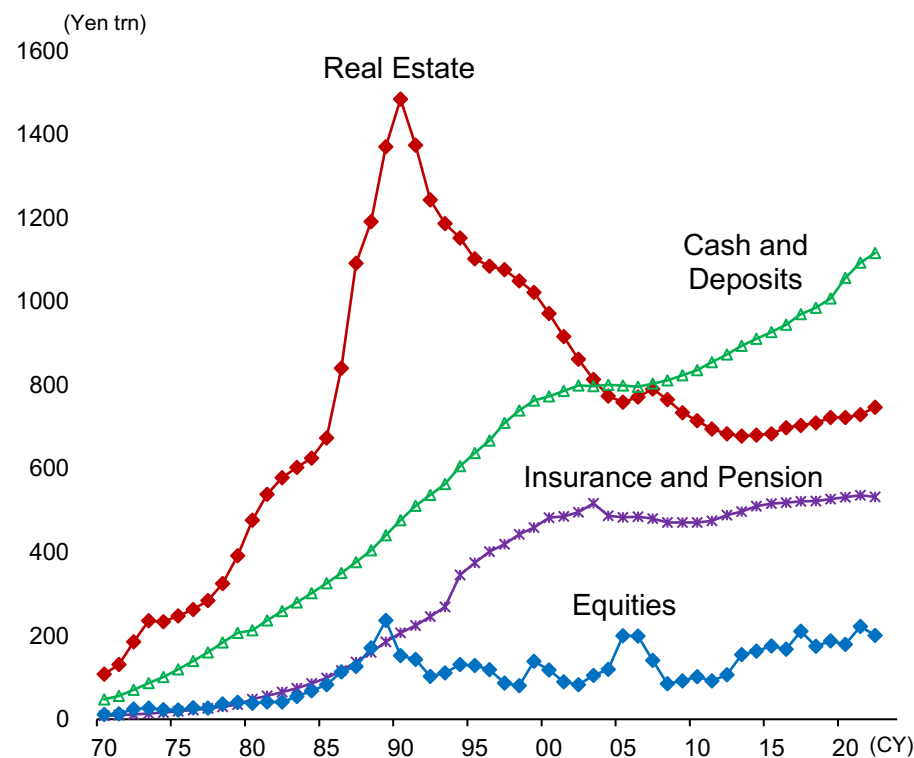
Financial Product Selection Criteria of Households



(Source) MUFG: Trust Bank, from Central Council for Financial Services Information data

(Notes) In the survey, there are other choice such as “easy to cash in” and “I can deposit and withdraw small amounts if needed”; data as of 2023.

Major Asset Balance in Household Sector



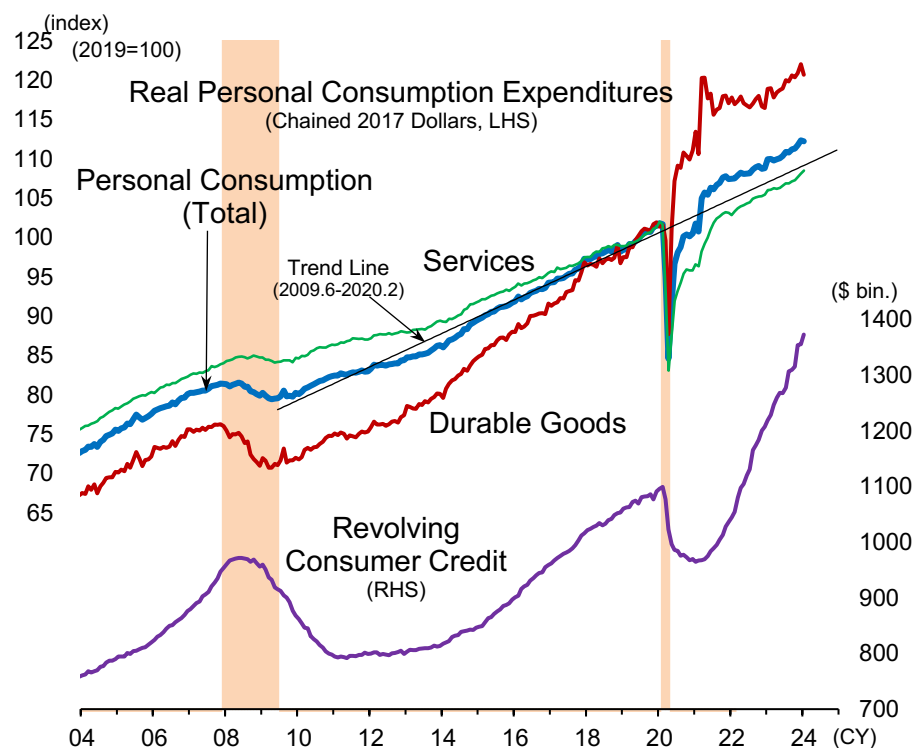
(Source) MUFG: Trust Bank, from Cabinet Office data

(Note) Equities based on market values; data as of 2022.

U.S. Economy: Will Economic Expansion Continue?

- In the U.S., real personal consumption expanded in 2021 to a level that exceeded the trend during the previous economic recovery, supported by huge benefits paid during COVID19 period.
- Banks' lending stance has clearly become stricter since mid 2022. In the past, after lending attitudes became stricter, capital investment tended to decline with a delay of about two quarters.

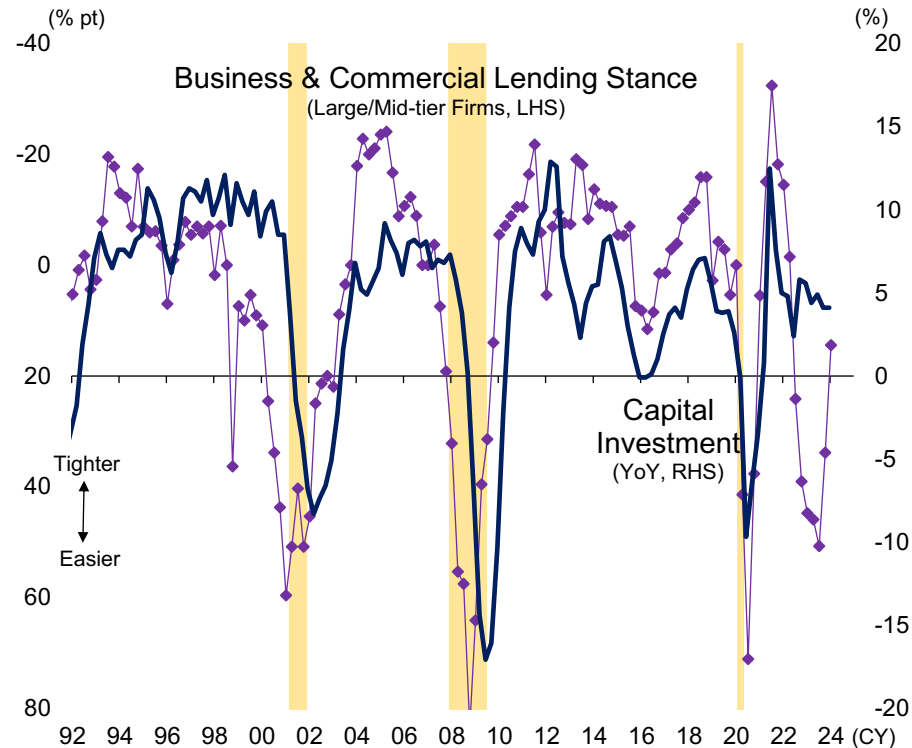
Personal Consumption and Consumer Credit in the U.S.



(Source) MUFG: Trust Bank, from FRB and Dept. of Commerce

(Notes) Figures for personal consumption are indexed as 2019 average = 100; shaded areas indicate recessions; data as of January 2024.

Lending Stance of Banks and Capex in the U.S.



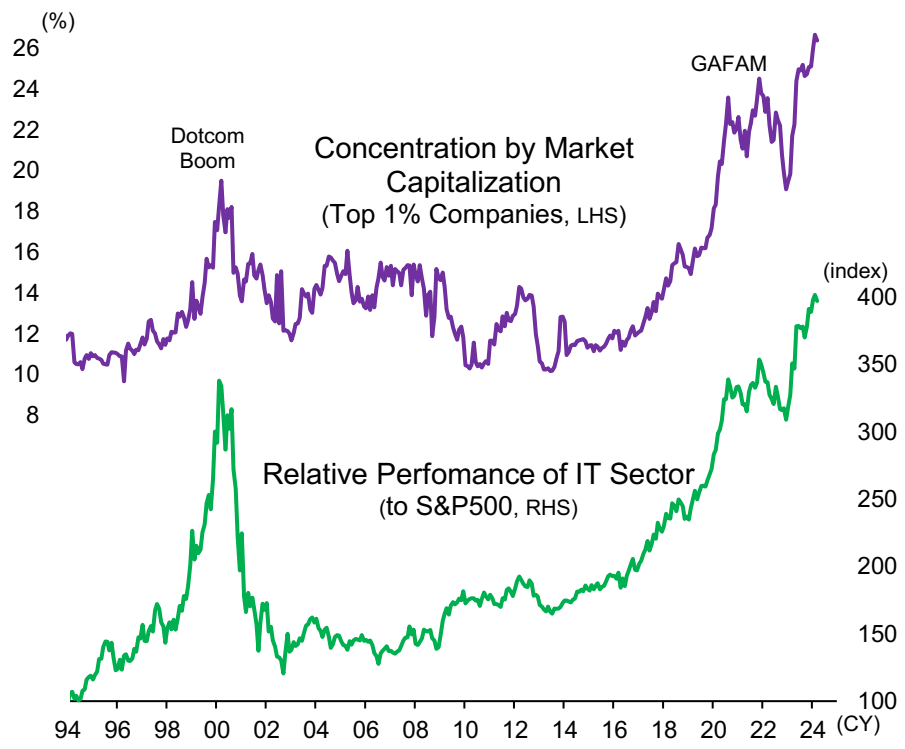
(Source) MUFG: Trust Bank, from FRB and Dept. of Commerce

(Notes) Data as of January 2024.

U.S. Equities: Similarities to the Market during Dot.com Bubble Era

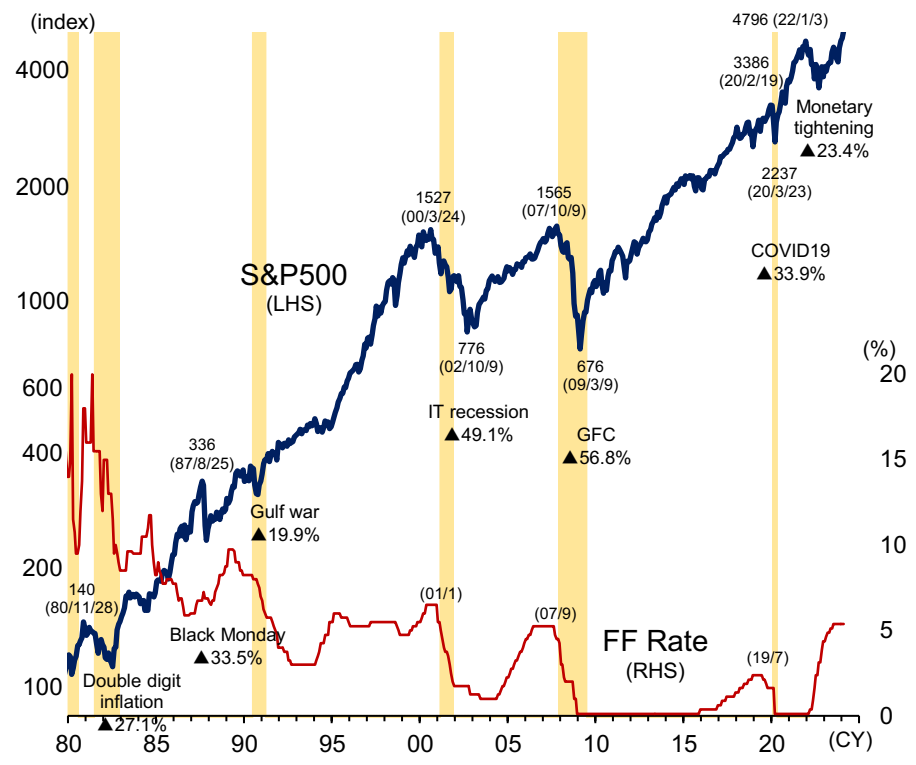
- The dot-com bubble of the late 1990s saw the market bidding up IT majors' share prices as tech companies garnered a reputation for future earnings growth amid economic uncertainty, leading to an increase in market capitalization concentration..
- US equities continued to fall during the tech wreck and GFC even after the Fed eased monetary policy.

Concentration by Market Cap. in the U.S.



(Source) MUFG: Trust Bank, from FactSet
 (Notes) Concentration shows the proportion of top 1% companies in the term of market capitalization, based on MSCI US Index companies; Relative performance is re-indexed to 100 at the end of 1989; data as of March 2024.

Equity Market and Recessions in the U.S.



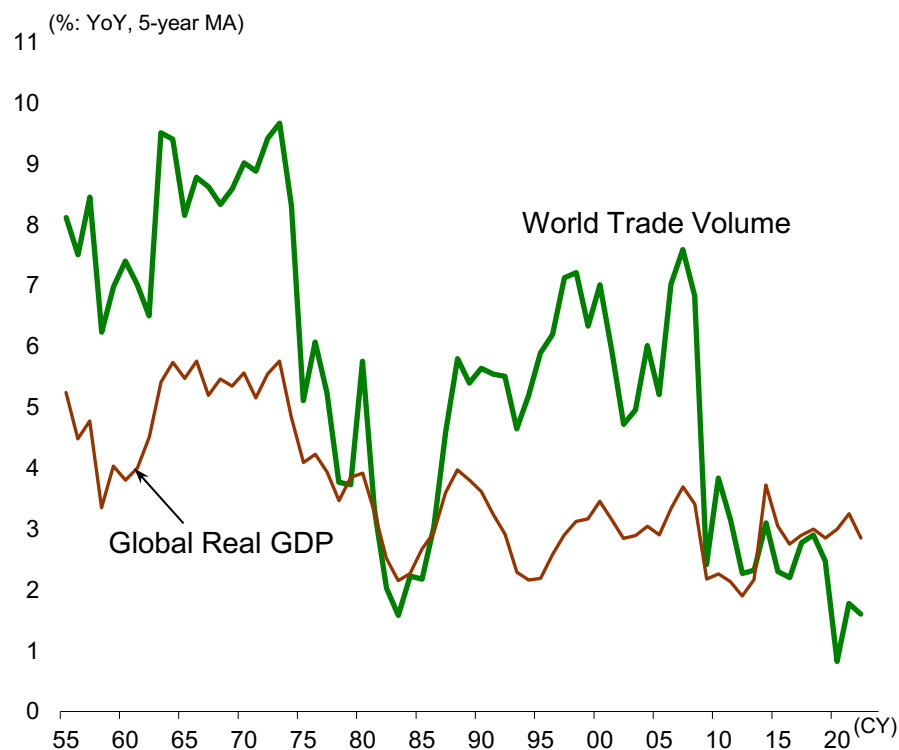
(Source) MUFG: Trust Bank, from Bloomberg
 (Notes) Rate of decline of S&P 500 is based on the closing price; shaded areas indicate recessions; data as of March 2024.



Global Economy: Return of the Inflation Era?

- Sluggish growth in international trade since the global financial crisis (GFC) and expansionary fiscal policies among major economies may lead to gradual inflation in the long term.
- Income disparities appear to have reached socially and politically unacceptable levels in some major countries. Therefore, narrowing the income gap has become a crucial objective for economic policy.

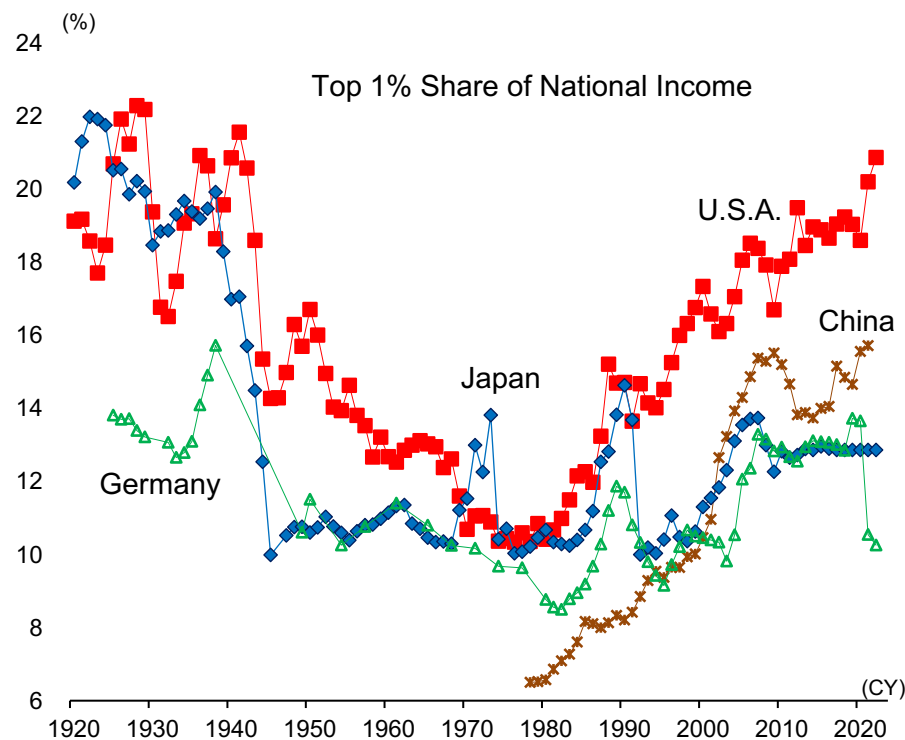
Global Real GDP and Trade Volume



(Source) MUFG: Trust Bank, from WTO

(Notes) Each figure is 5-year moving average; data as of 2022.

Income Shares for Affluent Classes in Major Countries



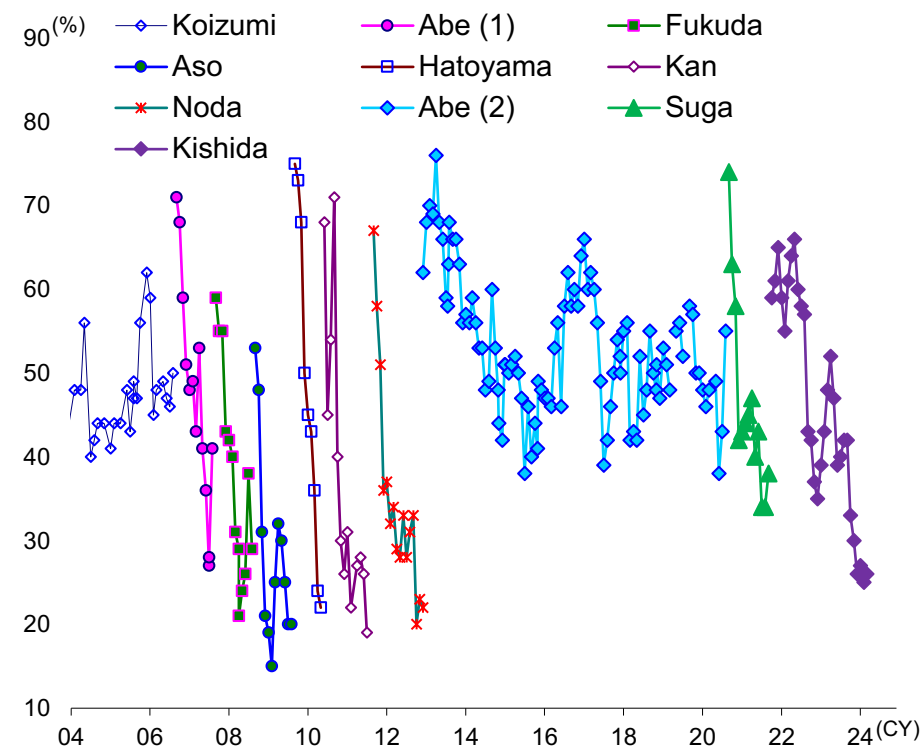
(Source) MUFG: Trust Bank, from The World Wealth and Income Database

(Notes) Data as of 2022.

Politics in Japan: Approval Ratings of Kishida Cabinet and LDP

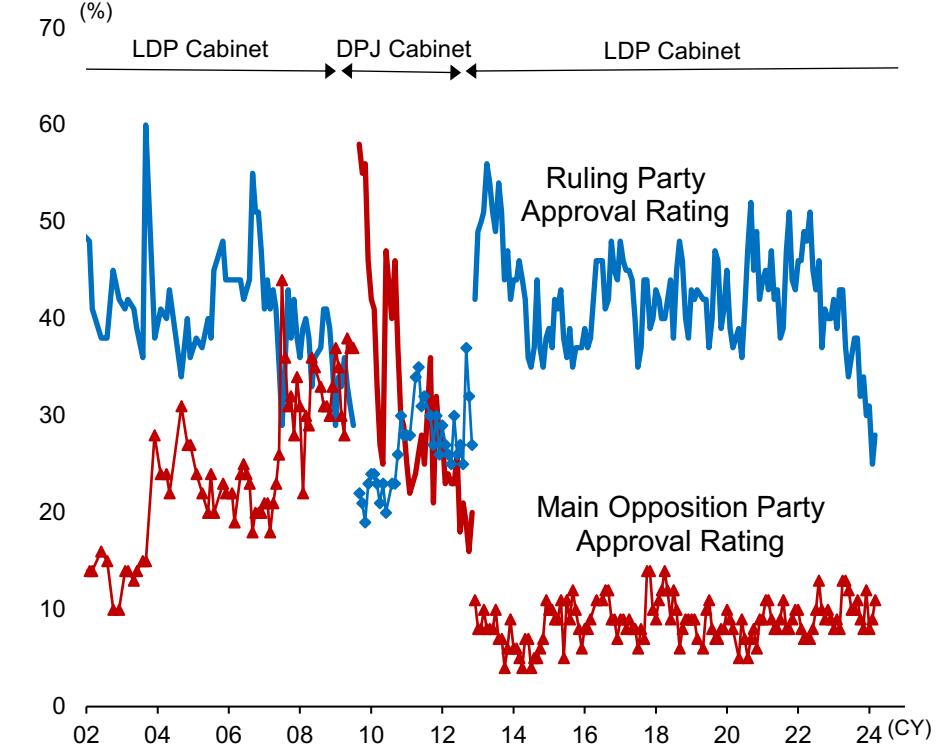
- Approval rating for the Kishida cabinet has fallen to its lowest level since its inauguration.
- The Liberal Democratic Party's approval rating has been decreasing since last fall, but the opposition parties remain fractured with low support.

Cabinet Approval Ratings



(Source) MUFG: Trust Bank, from TV Tokyo and Nikkei
 (Notes) Data as of March 2024.

Approval Ratings of Ruling and Main Opposition Parties



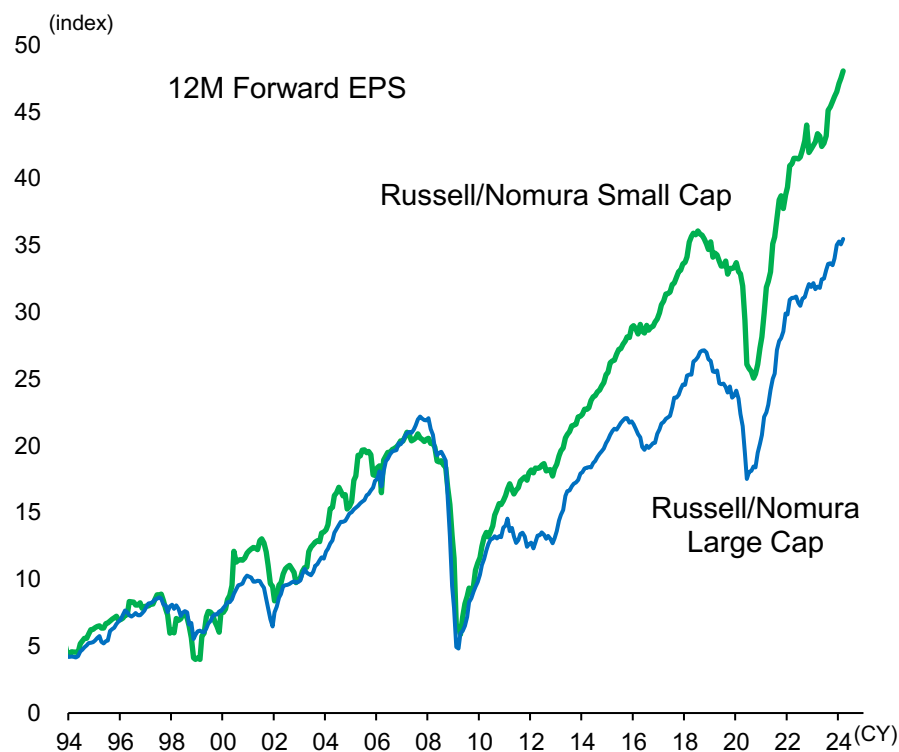
(Source) MUFG: Trust Bank, from TV Tokyo and Nikkei
 (Notes) Data as of March 2024.



Small Caps: Strong Earnings Growth Potential

- Small caps have provided stronger earnings growth than large caps in Japan, because of their unique business models, dominant positions in niche growing industries, and flexible decision making by visionary entrepreneur.
- Since 2010, IPOs of tech-related and service industry companies have increased, and more small-caps belong to industries where earnings are likely to grow, such as information & communication and services.

Comparison of EPS between Large Caps and Small Caps



(Source) MUFG: Trust Bank, from Nomura Securities

(Notes) Universe are Russell/Nomura Large-cap and Small-cap index; data as of March 2024.

Industry Make-up of Small Cap Companies in Japan

Industry	FY	Small Caps			Micro Caps		
		1996 (%)	2006 (%)	2021 (%)	1996 (%)	2006 (%)	2021 (%)
Construction		7.8	4.5	4.8	7.9	6.8	4.2
Foods		4.9	4.2	3.9	4.7	3.7	2.4
Chemicals		7.9	6.5	6.2	6.1	4.7	4.4
Machinery		8.2	7.0	6.8	8.3	6.2	5.5
Electric Appliances		9.1	9.1	6.7	7.6	6.5	5.0
Information & Communication		0.0	7.0	12.4	0.0	11.1	16.3
Wholesale Trade		8.8	9.0	8.3	12.8	12.0	9.5
Retail Trade		8.8	9.5	9.8	8.6	11.2	9.0
Banks		6.0	4.5	3.6	0.5	0.1	1.0
Land Transportation		1.9	1.6	1.6	1.8	1.3	1.0
Services		6.0	7.7	11.2	8.2	11.8	16.3

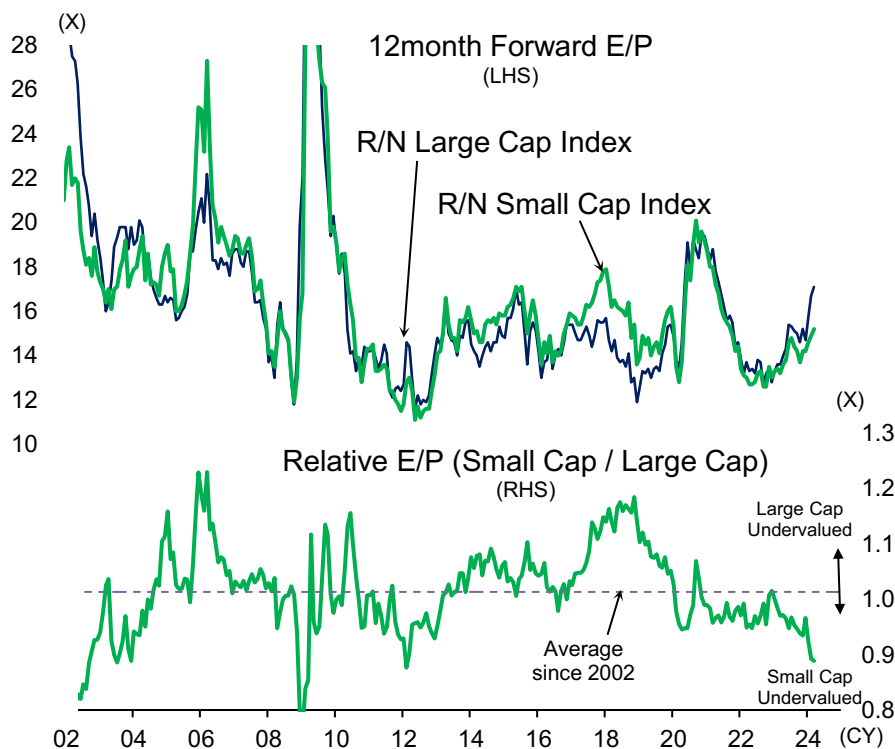
(Source) MUFG: Trust Bank, from Astra Manager

(Notes) Universes are all listed companies; small caps at JPY20bn to JPY200bn, micro caps at less than JPY20bn; industry categorizations are TSE 33 sectors; figures are calculated based on the number of companies in each group.

Small Caps: Attractive Valuation from Global Viewpoints

- Japanese small caps are cheaper than Japanese large caps and European or U.S. small caps based on P/E and P/B ratios.
- High information gathering costs due to limited sell-side analyst coverage hide away lots of attractively valued Japanese small caps.

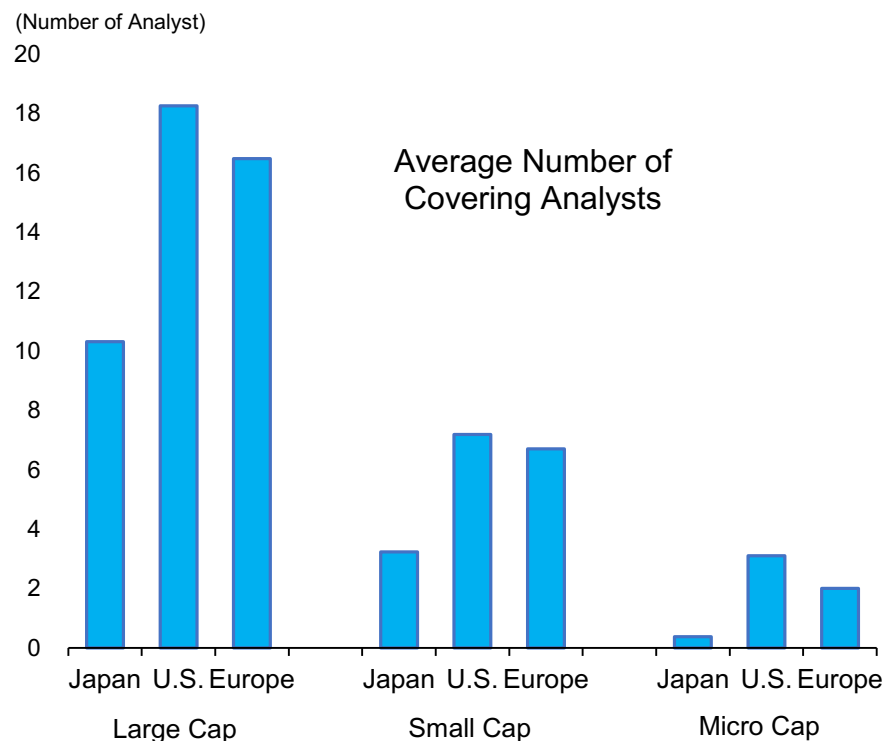
Forward P/E of Large Caps and Small Caps in Japan



(Source) MUFG: Trust Bank, from MSCI, Nomura Securities

(Notes) Universes are Russell/Nomura Large-cap and Small-cap index; Forward P/E is based on earnings forecast over the next 12 months; data as of March 2024.

Number of Covering Analysts by Size in Major Region



(Source) MUFG: Trust Bank, from FactSet

(Notes) Universes are companies in MSCI USA Index, MSCI Europe Index and MSCI Japan Index; as of February 2023.

Small Caps: Benefits of Diversification

- Many Japanese small caps are in domestic-demand industries, whose earnings are less affected by overseas economic conditions relative to large caps in Japan.
- Japan's small caps tends to have lower correlation with US equities, partly because they are not included in major equity indices and not heavily held by foreign investors.

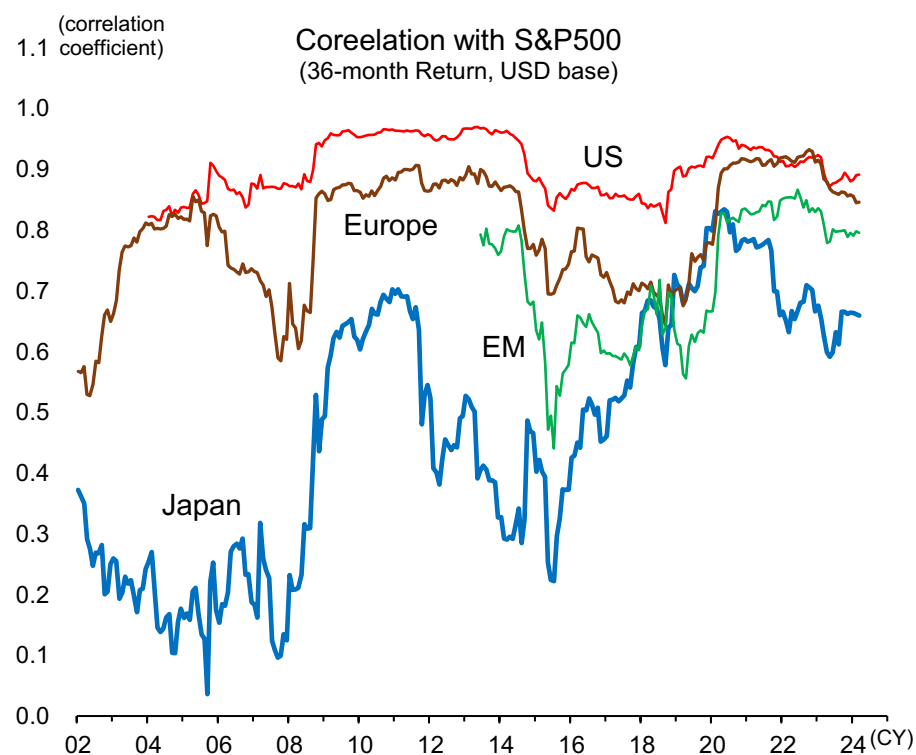
Revenue Exposure by Country/Region of Major Indexes

		(%)					
Country \ Index	Small Cap			Large Cap			
	Japan	U.S.	Europe	Japan	U.S.	Europe	
United States	6.4	76.6	12.8	17.2	59.2	23.7	
Japan	73.9	1.1	-	46.9	2.7	2.9	
China	5.7	3.0	3.3	9.1	7.1	6.5	
U.K.	0.6	1.7	18.8	1.4	2.3	7.8	
Germany	0.9	1.2	8.2	1.7	2.2	6.3	
France	--	0.8	4.4	--	--	5.2	
Italy	--	--	6.0	--	--	3.6	
Spain	--	--	--	--	--	2.9	
Sweden	--	--	4.4	--	--	--	
Switzerland	--	--	3.7	--	--	--	
Canada	--	2.0	--	--	1.9	--	
India	1.2	--	--	2.2	1.4	--	
South Korea	1.2	--	--	1.9	--	--	
Taiwan	1.0	--	--	1.3	1.5	--	

(Source) MUFG: Trust Bank, from FactSet

(Notes) Universes are stocks in MSCI Large Cap Index and MSCI Mid Cap Index for Large Cap, MSCI Small Cap Index for Small Cap in Japan, the U.S. and Europe; revenue exposures are based on FactSet estimate; data as of September 2023.

Correlation of Small Cap Index with S&P500 by Region



(Source) MUFG: Trust Bank, from Bloomberg

(Notes) Indexes are MSCI US, Europe, Japan and EM Small Cap Index; correlations are calculated based on monthly returns over 36 months; data as of March 2024.

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