



An Introduction to the
**MUFG Japan Value
Creation Strategy**

December 31, 2024

Mitsubishi UFJ Trust and Banking Corporation

1 All data as of 12/31/24 unless otherwise noted. **FOR INSTITUTIONAL INVESTOR USE ONLY. NOT FOR PUBLIC DISTRIBUTION.**



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1. Strategy Overview and Investment Team



Regional expertise and heritage

- We have a unique heritage and expertise in Japanese equities
- We conduct meticulous and rigorous on-the-ground research. This enables us to provide unique insights into economic trends and undervalued assets, and have access to a differentiated pool of investment opportunities
- We are proud of our consistent performance in Japanese equity investing; especially in the small- and mid-cap space



Client oriented

- When designing a product, we always start with the client. We strive to understand their requirements and build the right solution to meet their financial goals and objectives



Team structure

- Our approach is supported by a collaborative culture of effective teamwork, with teams built around a 'home-grown' chief fund manager. Our fund managers come through a long-term development program that allows them to build deep roots in our approach to investing in the Japanese market

Key Fund Information

- **Value Investment:** Selectively search for undervalued companies that have sustainable businesses with competitive advantages.
- **Engagement:** FM adopts a private equity mindset and engages constructively with investee companies to unlock their intrinsic value.
- **Concentrated Portfolio:** Invests in approximately 30 to 40 companies that are willing to enhance value alongside the investment community.

Take Away:

The MUFG Japan Value Creation team currently manages approximately \$264M USD*

*Including \$232 Million (USD) as of 12/31/2024 in the Equity Value Creation Strategy – (123F) Composite

The Investment Team and Investment Platform

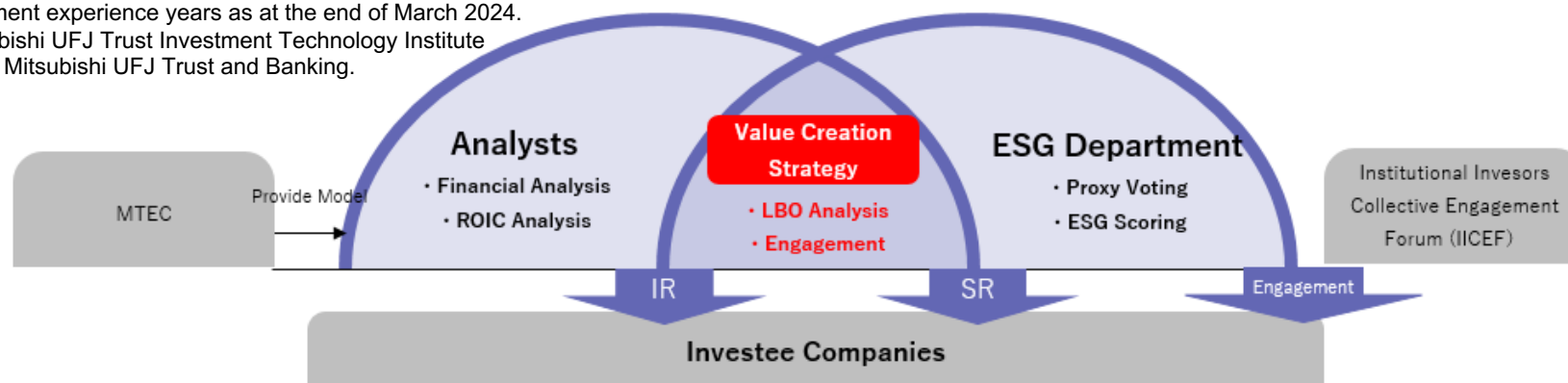
- We focus on improving corporate value over the medium- to long-term, emphasizing dialogue with companies.
- Works closely with the ESG department who are responsible for exercising voting rights.

Organization



*Investment experience years as at the end of March 2024.

** Mitsubishi UFJ Trust Investment Technology Institute
 Source: Mitsubishi UFJ Trust and Banking.

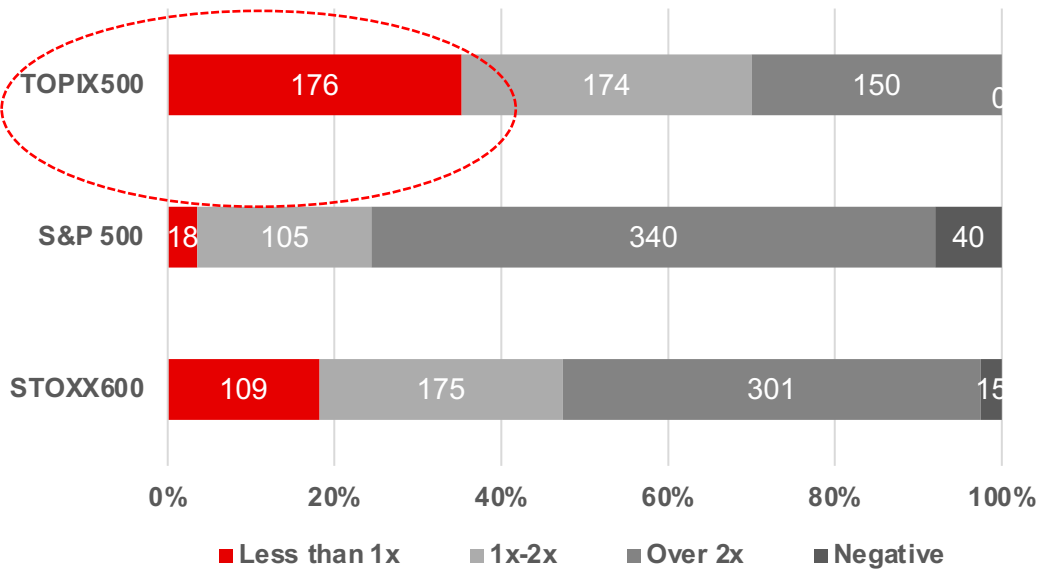


2. Why Japan Value

Many Japanese Companies are Still Discounted from Book Value

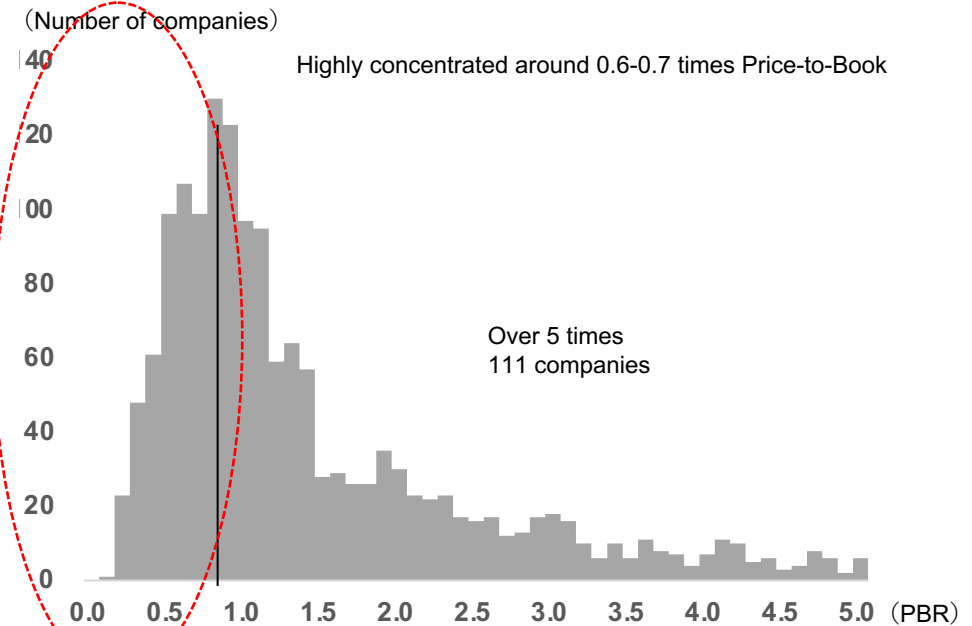
- The Japanese companies with a PBR of less than 1 stands out
- These companies may be superior in technology and generating earnings, but are not well managed

Price to Book : TOPIX500, S&P500, STOXX600



Source : Bloomberg, December 2024

Price to Book : Corporates listed on JPX Prime Market



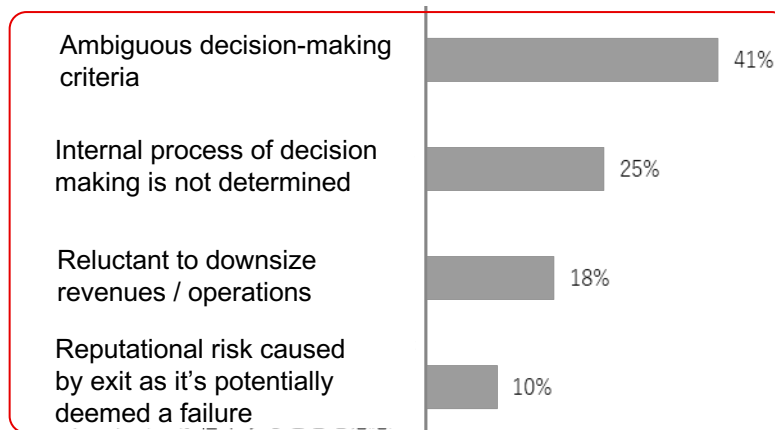
Source : Bloomberg, December 2024

Inefficiencies Lead to Share Price Discounts

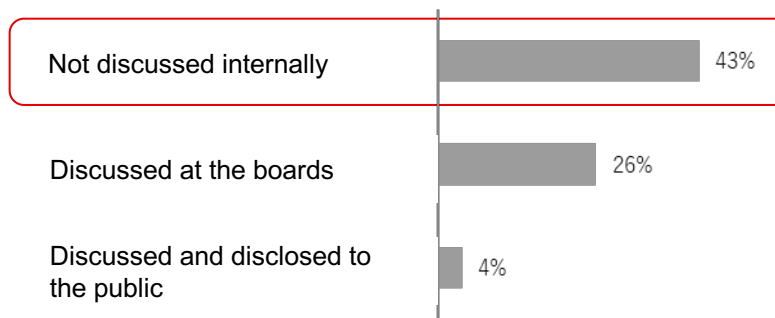
- The Japanese companies are faced with inefficiencies due to stereotypes or human behavioral principles as shown below
- However, we see opportunities with companies that can unlock inefficiencies through our engagement

Inefficiencies Observed in Japanese Companies	
Industry Consolidation / Control Premium	<ul style="list-style-type: none"> ➤ Poison Pill still in use ➤ Listed subsidiary companies still seen ➤ Protected from hostile takeover by cross-shareholdings especially by financial institutions
Business Portfolio	<ul style="list-style-type: none"> Quote box represents what Lead FM has experienced through dialogue with Japanese companies Size of Revenue and Profit determine the enterprise value M&A decision solely based only on "Corporate Culture" Hold onto business that lacks synergy unless loss making Can't sell a business unless consented from retired seniors A company belongs to the community
Balance Sheet	<ul style="list-style-type: none"> Shareholder Equity is free lunch Equity Cost equals to Dividend Cost Credit Rating is utmost priority than enterprise value Relying on commercial banks as last resort CFO obsessed to firm's earnings results and accountings
Governance	<ul style="list-style-type: none"> Don't want to bother a cross-shareholding counterpart ➤ Limited number of independent board member ➤ Lack of governance caused by cross-shareholdings

Q: Why is it difficult to exit non-performing business ?



Q: How does your company evaluate Cost of Equity / WACC ?



Source: Ministry of Economy, Trade and Industry (2020)

Japanese Companies Follow in U.S. Companies Footsteps



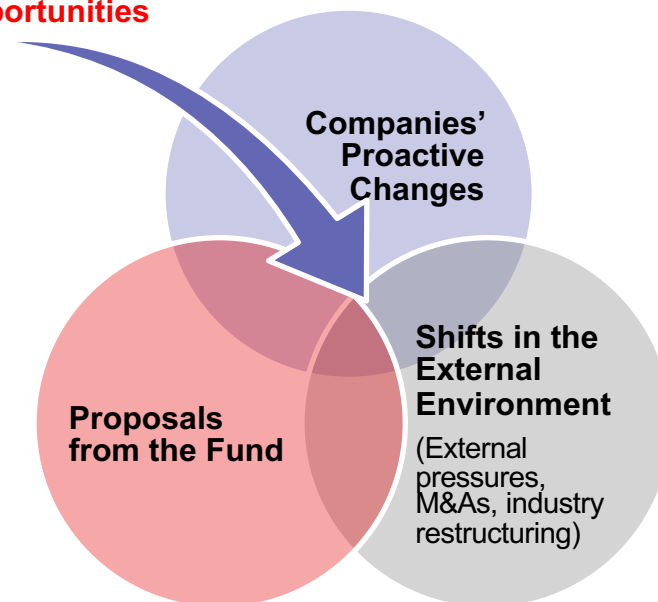
Source : DataStream, Bloomberg, Nikkei, Citi, Mizuho

Engagement: Our Competitive Advantage

- **A Leading player of recent Japan Equity Market Reform:** MUFG, one of the leading players in the Japanese equity market, have extensive resources to access all market capitalization companies and have deep expertise in leading equity market reforms. We have been a pioneer in the industry by raising the standards for exercising voting rights.
- **We hold casting votes:** MUFG manages numerous portfolios invested in Japanese equities, including passive investments, and thus have a significant share of voting rights.
- **Unparalleled intensity:** Unlike typical activist funds, MUTB have excellent access to companies and have more frequent face to face discussions with them, which gives investee companies greater trust in us.

	Points	Advantages
1. Analyst Coverage	<ul style="list-style-type: none"> • Cover 800 names • 544¹ IR meetings with C-suite annually 	<ul style="list-style-type: none"> • Detecting signs of corporates' changes
2. Proxy Voting Platform	<ul style="list-style-type: none"> • A leading proxy voting institution in Japan, including passive AUM • 360¹ SR meetings annually • A member of Institutional Investors Collective Engagement Forum (IICEF) 	<ul style="list-style-type: none"> • (SR) Active approach from investee companies having issues • (IICEF) Collective engagement available with C-suite
3. Expertise from our Fund Managers	<ul style="list-style-type: none"> • Lead FM with experience of investment banking business for 15 years • Deep insight into Japanese corporates' way of thinking on capital strategy, M&A, consolidation and activists 	<ul style="list-style-type: none"> • Leveraging skillset and mindset of IB / PE business

Our Investment Opportunities

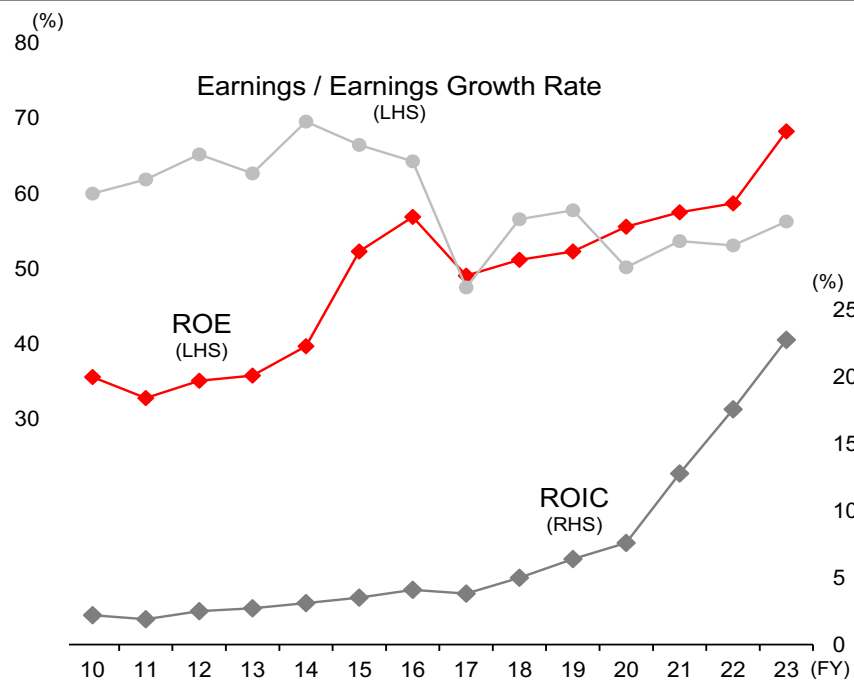


Footnote1: July 2021-June 2022.

ROE Reforms Supported by the Tokyo Stock Exchange's Restructuring

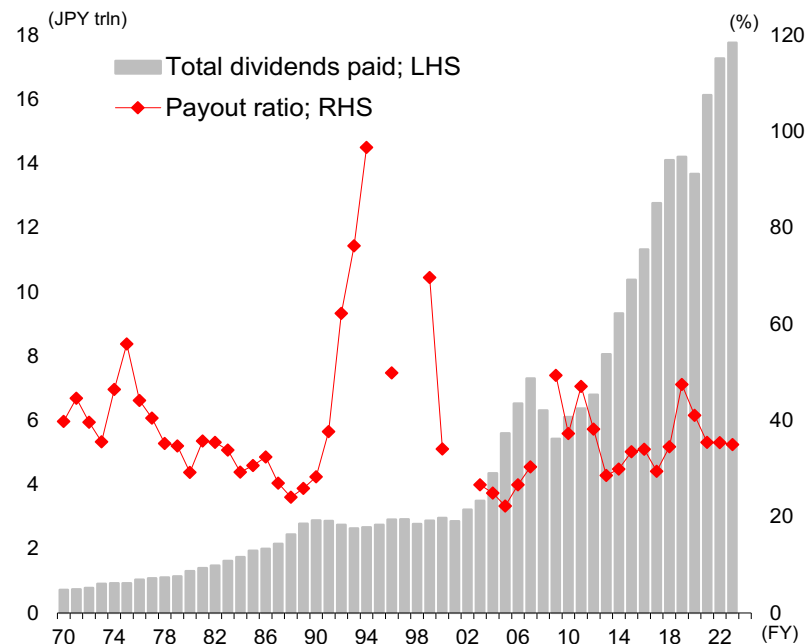
- Since 2015 Japanese companies have increasingly understood that improving capital efficiency (ROE and ROIC) is crucial for increasing corporate value
- Today many outside directors are aware that it is their responsibility to recognize the “Cost of Capital”
- Improving Balance Sheet efficiency is essential to increasing ROE. Total dividends paid by Japanese companies have increased significantly, but there remains room for dividend payout ratios to further increase in the future

KPI Listed in the Medium-term Business Plan



Note: Universe is 1,200 listed companies with largest market caps.
Source: Life Insurance Association survey, MUFG: Trust Bank

Total Dividend Payouts by Listed Companies



Note: Universe based on former TSE1 and Prime Market firms; dividend payout ratio not displayed for fiscal years when firms booked losses. FY2023 figures based on DPS forecasts and the number of common shares o/s (excluding treasury stock); Toyokeizai estimates..
Source: MUFG: Trust Bank, from Mitsubishi UFJ MS Securities, Toyo Keizai data

Japanese Institutional Investors (US Included) Support ROE Reform

Japanese domestic institutional investors, including MUFG AM, have raised ROE standards when voting - we believe it is one of the key reasons Japanese companies have begun to change their behaviour.

Our Criteria for exercising voting rights (If applicable, MUFG AM will oppose appointments of managing directors)

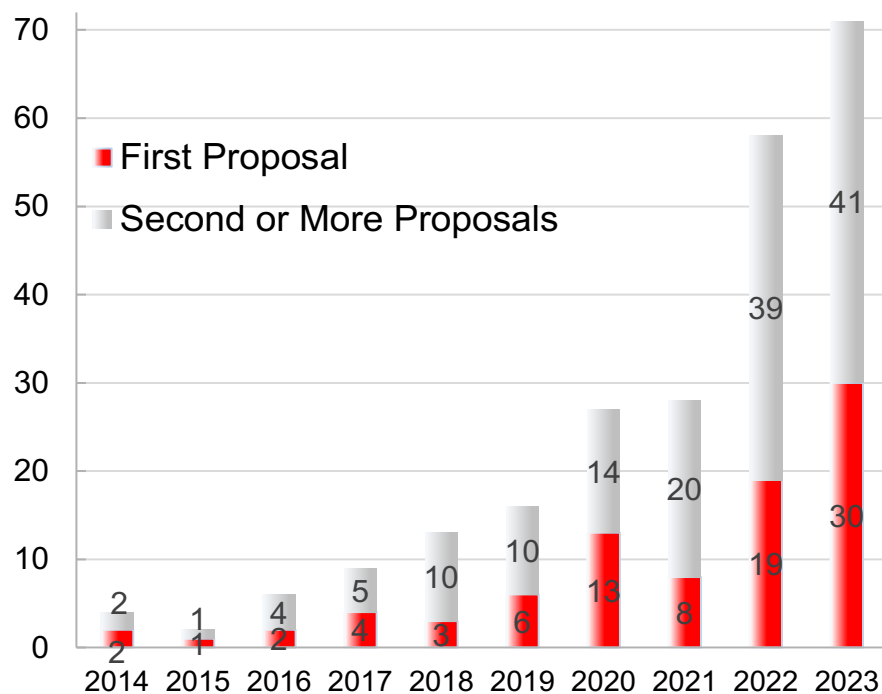
	- 2023	2024 -	2027 -
Earnings Results	<ul style="list-style-type: none"> In case ROE falls below 5% for 3 consecutive years (since 2015) In making decisions, exceptions are made for firms that have reasons such as industry-specific factors. 	<ul style="list-style-type: none"> However, exceptions for industry-specific considerations were eliminated. 	<ul style="list-style-type: none"> In case ROE falls below 8% for 3 consecutive years and PBR falls below 1x.
Cash Rich	<ul style="list-style-type: none"> (Cash & Cash Equivalent + ultra-short-term securities) / Total Assets \geq 50%, and in case 3-year average ROE and most recent ROE are less than 8%. 		
Cross Shareholdings		<ul style="list-style-type: none"> In case the cross-held shares exceed 20% of net assets. 	
Underpay-dividends	<ul style="list-style-type: none"> In case 3-year average ROE and most recent ROE are less than 8%, equity ratio of 50% or more secured and total shareholder return ratio $<$ 30%. 		
Takeover Defense	<ul style="list-style-type: none"> In case independent outside directors do not constitute a majority of the total number of directors 		
Board of Directors	<ul style="list-style-type: none"> In case more than one independent outside directors and 1/3 of the total number have not been appointed. Reduce tenure of outside directors to 12 years. (since 2023) 	<ul style="list-style-type: none"> In case no women directors have been appointed. 	

Note: This is a part of the whole MUFG AM criteria for exercising voting rights.

Japanese Companies Follow in U.S. Companies Footsteps

- Japanese institutional investors have raised their standards for exercising voting rights, and the number of shareholder proposals by activists has increased accordingly
- A number of companies with issues request Shareholder Relation[SR] meetings with MUFG AM in advance to prepare for investors' voting. The number of meetings is increasing, and we have numerous opportunities for positive engagement.

Shareholder Proposals by Activists have increased



of companies requesting SR meetings with MUFG: Trust Bank



Source: IR Japan HD, MUFG: Trust Bank

3. Investment Philosophy & Strategy

Investment Philosophy

- **Private Equity Approach:** The Fund adopts a unique private equity approach to assess the companies' intrinsic value.



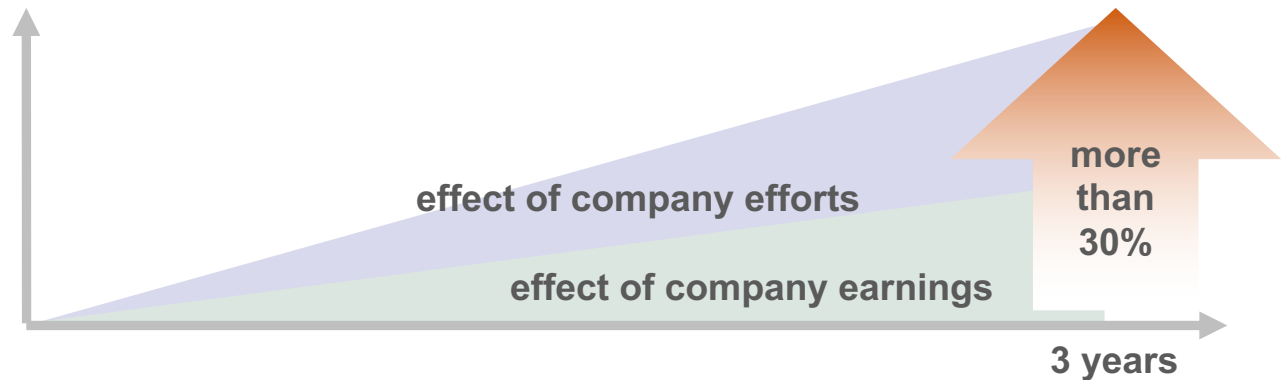
- **Unlocking Intrinsic Value:** The Lead FM urges the investee companies to unlock the discounted intrinsic value via valuation expansion through relentless engagement by means of B/S Optimization, Business Portfolio Optimization and Control Premium.



Investment Strategy

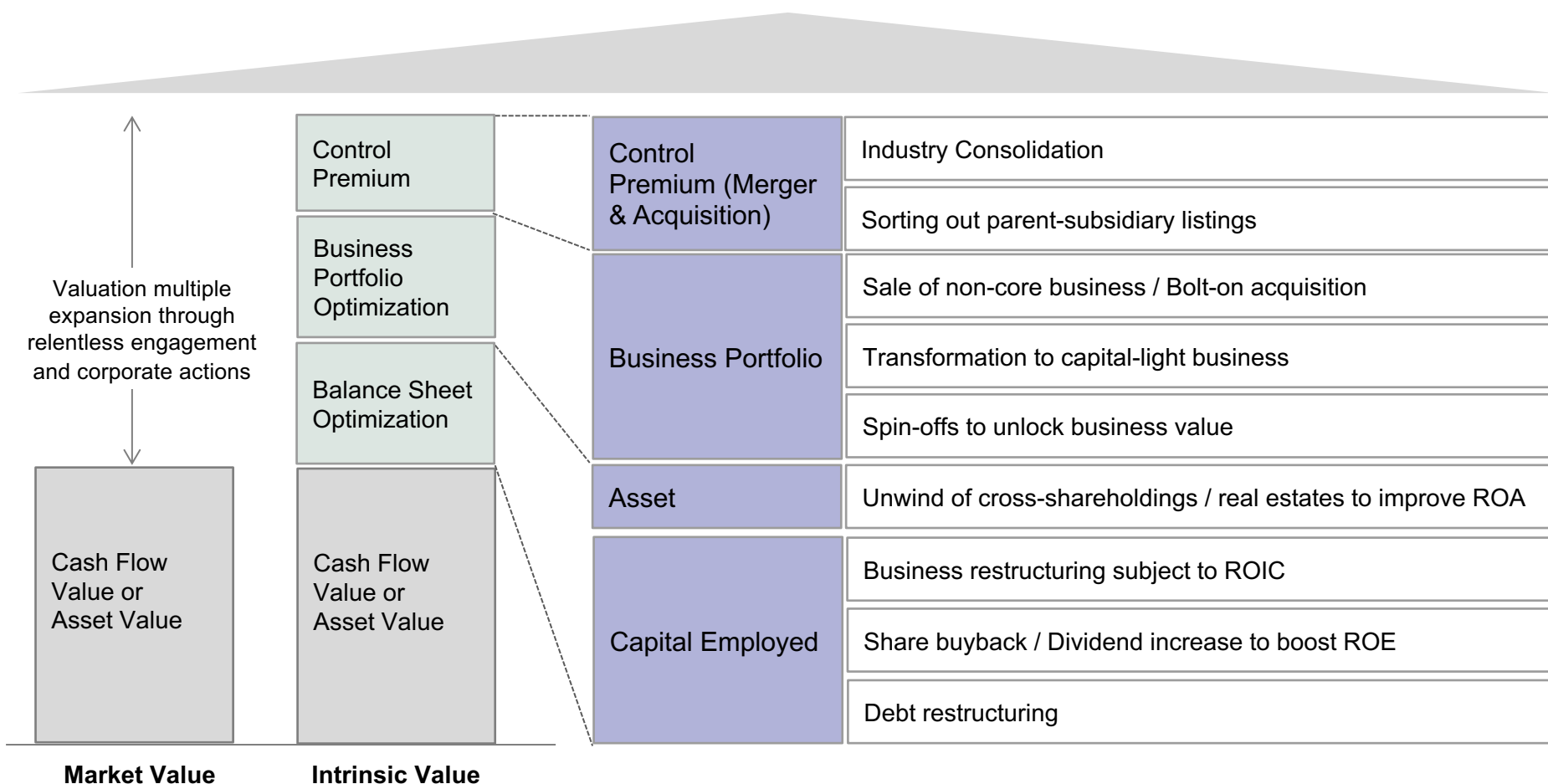


Target return (each stock):
+30% absolute return in a three-year period



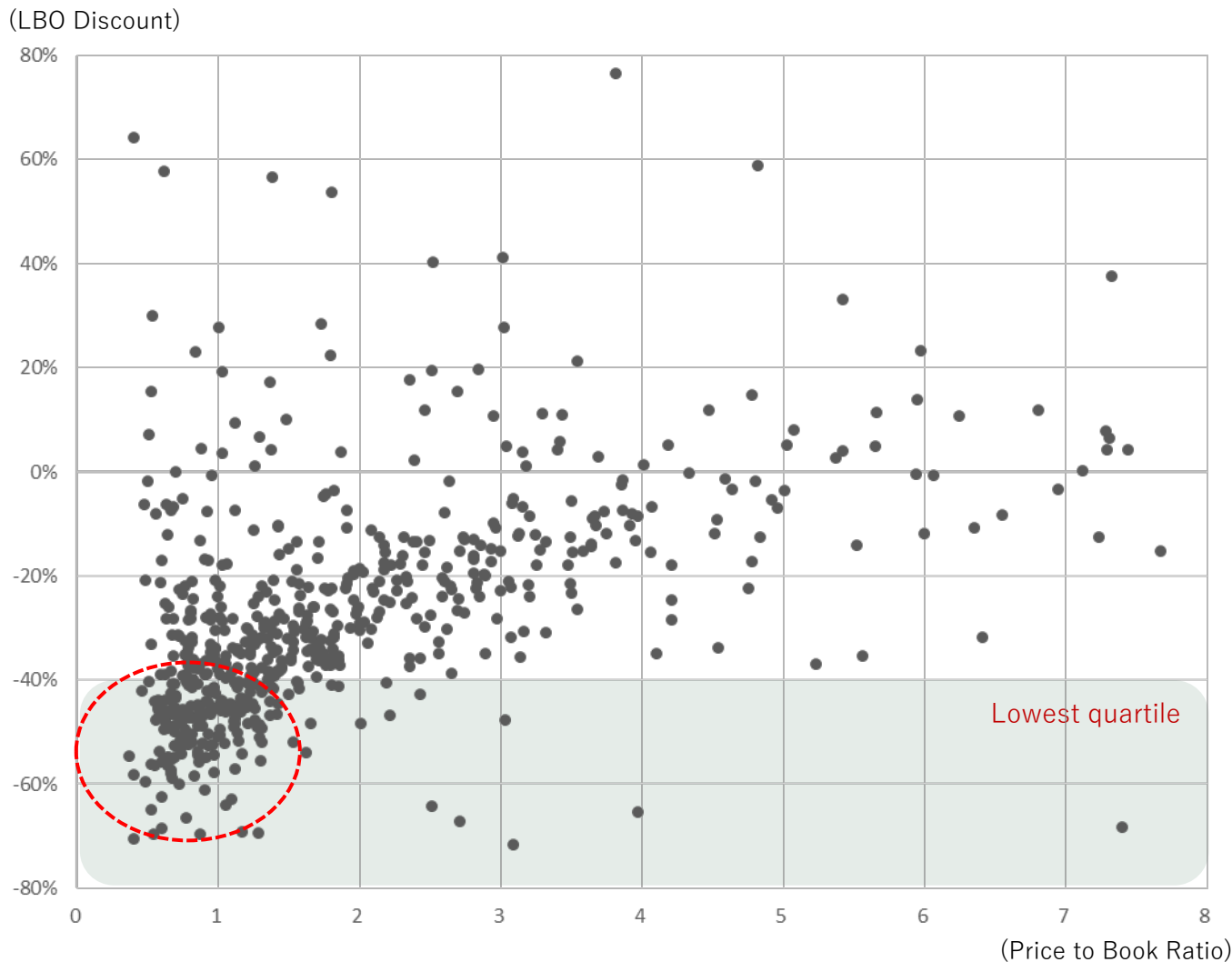
Investment Strategy: Options for Corporate Efforts

- Lead FM evaluates each and every company as to which corporate actions best fit the company while taking its **life-cycle** into consideration
- In the long term, a patient engagement is rewarded with gains in their valuation multiple



Investment Strategy: LBO Discount Distribution Shape

- The lowest quartile companies on LBO discount and Price to Book Ratio are the potential candidates

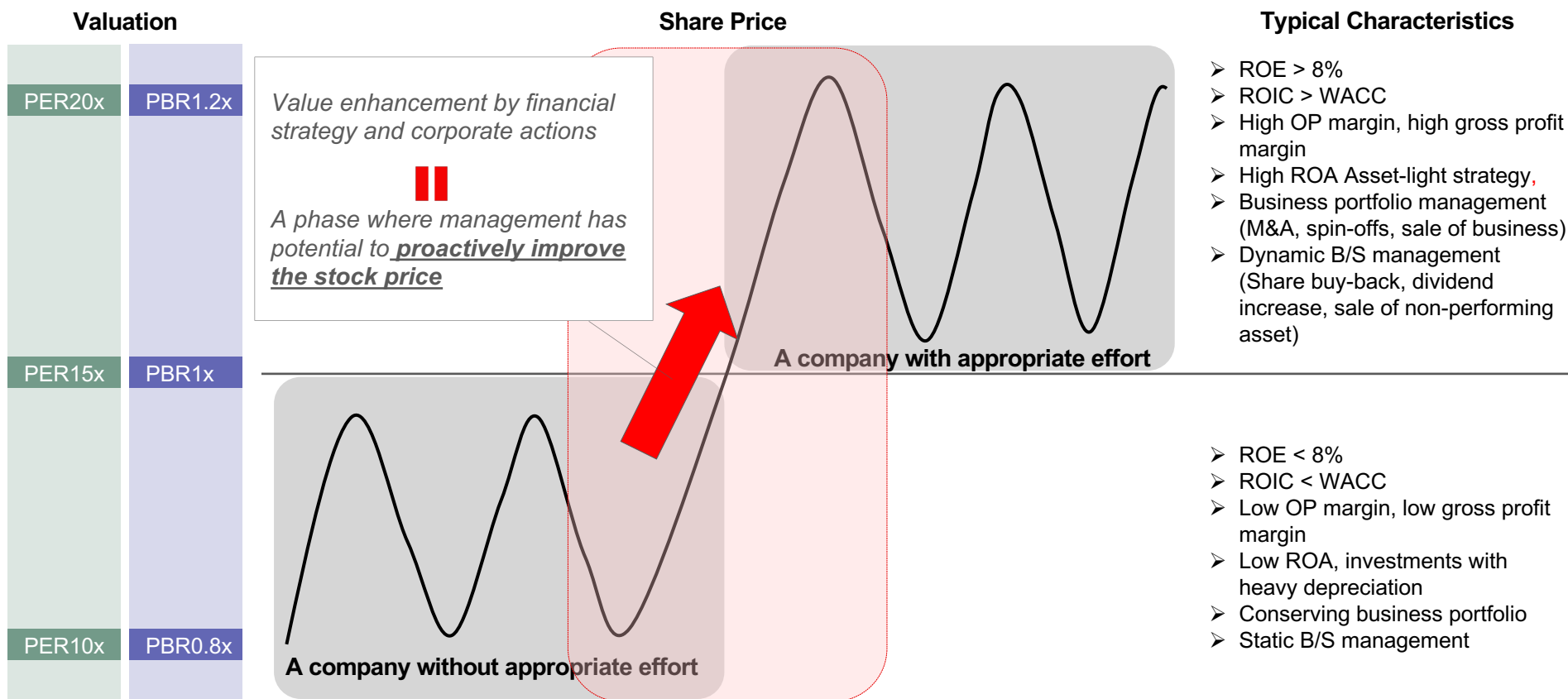


LBO discount:
The divergence between market value (share price) and theoretical price which is set when acquiring a company through a leveraged buyout

*Dots represent approx. 600 listed companies with market cap over JPY100bn, excluding financials / real estate / utilities sectors, as of June 2023.

Investment Strategy: Sources of Alpha

- Potential investee companies tend to be undervalued, but should possess cash-cow business/growth potential
- Lead FM encourages relentlessly with the investee companies to enhance value through improvement in financial strategy and carrying out corporate actions



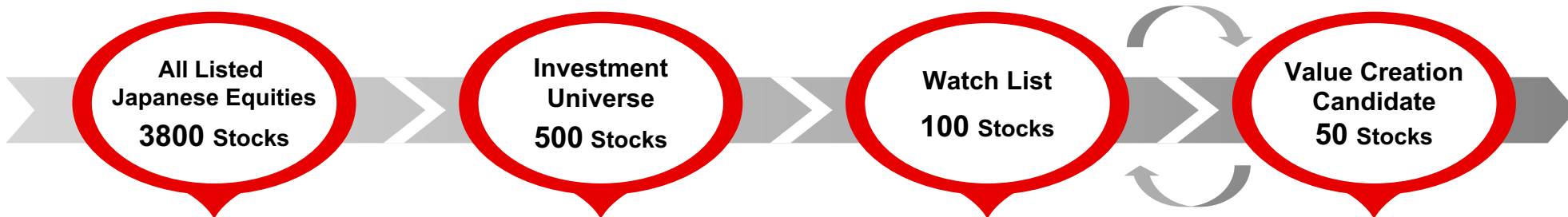
4. Investment Process

Investment Process: Portfolio Construction



Qualitative and Quantitative Screening

Corporate Access and Fundamental Research



1. Quantitative and LBO discount model Screening

- Screen out high credit risk stocks (B/S orientated)*
- *This process is applicable to all of MUFG investment strategies
- Using a LBO discount model, extract investment universe with the followings:
 1. Strong Cash Flow generation
 2. Sound B/S
 3. Lowly valued

>>Please see the Slide27

2. Investor Relation / Shareholder Relation

- Pick companies with room for improvement in corporate value
1. Input from internal sector analysts
 2. Proxy voting meetings held by ESG Development Office enhance the selection process

3. "6 Cs" Analysis

1. Capital compounding
2. Cash-flow generation
3. Crown asset
4. Continuous corporate actions
5. Competent management
6. CSV (Creating Shared Value): Resolution of ESG issues is compatible with sustainable earnings growth

5. Value Creation via engagement activity

- Financial strategy (Capital policy) / Business portfolio optimization
- Mid-long term business strategy / Corporate governance / Information disclosure

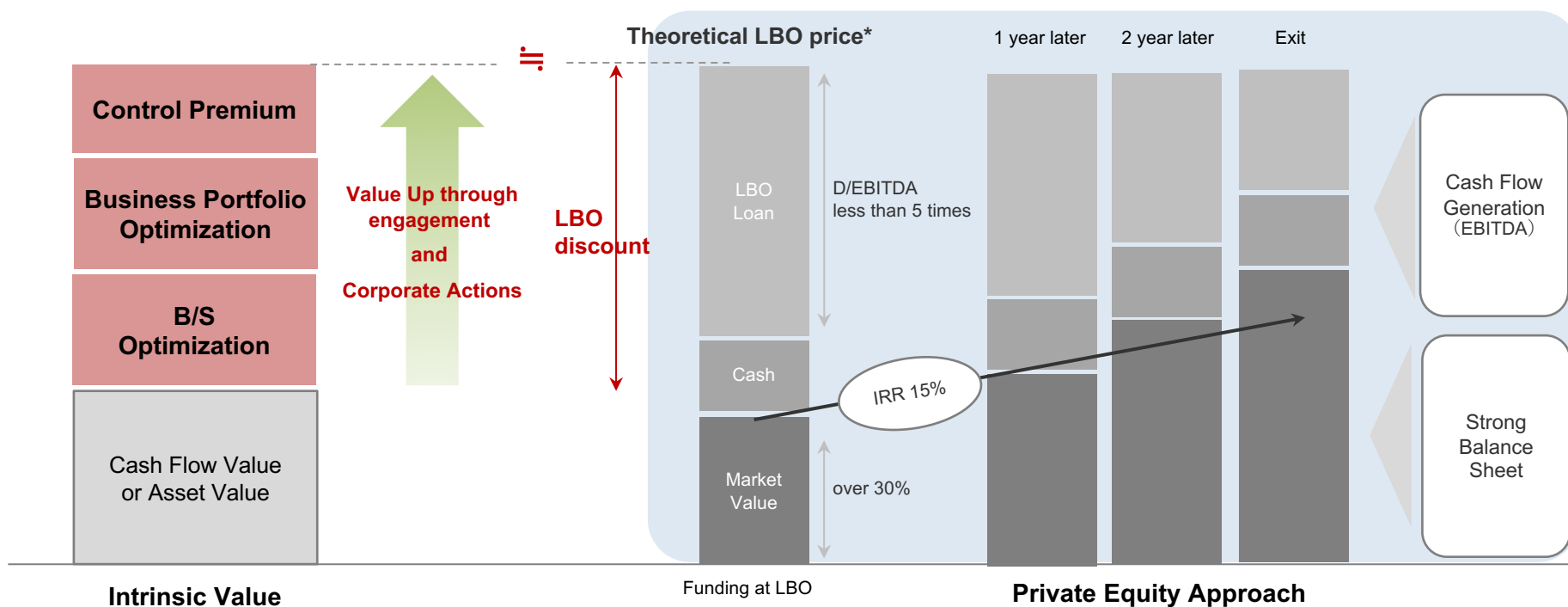
4. Portfolio Construction

Chief Fund Manager makes the final decision to pick 30± stocks for the portfolio

A member of Sustainability Investment Team supports engagement activity from time to time

Investment Process: Screening, LBO Discount Model

- A theoretical LBO price is estimated with a private equity approach. A company with ample cash flow and a strong balance sheet that has a potential of achieving an IRR target of around 15% would be deemed as a candidate
- Lead FM then proactively carries out engagement for corporate actions, depending on the investee company's life cycle



*Theoretical LBO price: a price that acquisition company or private equity estimates for acquiring the company

Investment Process: Portfolio Management Sell Discipline

When stock price goes up

- Target price is achieved (upper end of sector multiple / acquisition premium)

When stock price hovers/declines

- “+30% return in the next 3 years” is hardly achieved or becomes unrealistic
- Management’s motivation and passion to enhance corporate value decreases considerably
- Deteriorating business environment not allowing earnings to hit bottom despite management’s effort for value creation

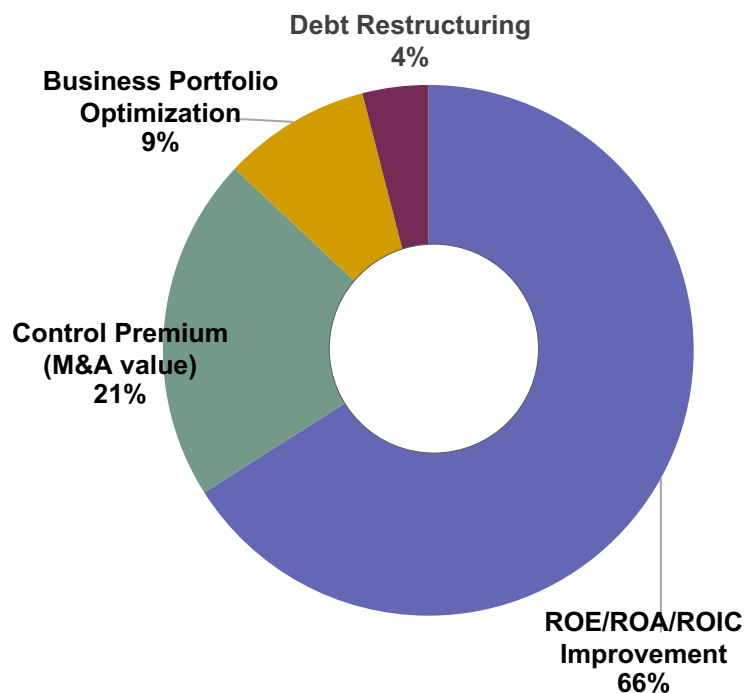
Backgrounds	Cases	Details
Target price achieved	Company A (Food) Company B (Chemical) Company C (Steel) Company D (Retail)	The share price achieved our target price reflecting portfolio optimization and share repurchase. The share price achieved our target price reflecting portfolio transformation. Although the share price was traded below TOB price, we think premium is reflected accordingly. TOB successfully completed.
Misconduct	Company E (Construct) Company F (Trade)	The company was fined by the misconduct related to anti-trust law. The company unexpectedly lead the major role in an incident related to anti-trust law.
Dismissed opportunities	Company G (Transport) Company H (Industries)	We lost conviction on improvement of ROE after it launched convertible bond to monetize treasury stock. Control premium disappeared as the parent company only partially unwound the company.
Deteriorating business environment	Company I (Rubber) Company J (Pharma)	The competitive landscape could become challenging as a competitor sold its business to a Chinese company. The company’s financial strength could turn out to worsen as a key pipeline failed to achieve requirements.

Continuous Corporate Efforts have Lead Fund's Performance

FY2020 Contributors / Detractors			
	Company	Attribution	Announced Corporate Efforts
Contributors	Shinko Electric (6967)	4.79%	(Fujitsu, a parent company of Shinko, suggested its intention to divest Shinko Electric)
	Mitsubishi Gas Chemical (4182)	3.54%	Business portfolio optimization including the consolidation of a listed equity-method company (Mar 2020)
	Shimachu (8184)	1.64%	TOB by Nitori (Dec 2020)
	Daiho (1822)	1.34%	Med term plan focusing on ROE (May 2020) / JPY8bn Convertible bond plus JPY2bn share buyback (Aug 2020)
	AGC (5201)	1.24%	Med term plan focusing on ROCE and portfolio transformation (Feb 2021)
Detractors	DNP (7912)	-1.65%	-
	Ajinomoto (2802)	-1.29%	Mid term plan focusing on Asset Light Strategy and ROIC (Feb 2021)
	Suzuken (9987)	-1.04%	-
	Shimizu (1803)	-0.97%	-
	Komeda (3543)	-0.82%	-

FY2021 Contributors / Detractors			
	Company	Attribution	Announced Corporate Efforts
Contributors	Shinko Electric (6967)	2.59%	JPY 140 bn capex for FCPKG, a semi-package mainly supplied to Intel (Oct 2021)
	Daiho (1822)	1.10%	Share repurchase equal to 48% of outstandings / Total shareholder return ratio to 90% for 3 years (Mar 2022)
	Ajinomoto (2802)	0.91%	Exit of European animal nutrition business (Apr 2021) / JPY40bn share repurchase (May 2021)
	Hitachi Metals (5486)	0.78%	TOB by Bain Capital (Apr 2021)
	T&D (8795)	0.75%	JPY40bn share repurchase (Nov 2021) / Additional investment into Fortitude (Mar 2022)
Detractors	Mitsubishi Gas Chemical (4182)	-1.18%	Med term plan focusing on ROIC and portfolio optimization (May 2021)
	Ichiko (7244)	-0.78%	-
	Asahi Kasei (3407)	-0.71%	Acquisitions of foreign companies in housing business and medical device business
	Resonac (4004)	-0.54%	JPY200bn of business divestment following the acquisition of Hitachi Chemical / JPY90bn Follow-on (Aug 2021)
	Sumitomo Riko (5191)	-0.52%	-

MUFG – Focus Areas of Engagement



	Our Focus Area of Engagement
Balance Sheet Optimization	• Companies with high ROE/ROA but overlooked by market
	• Companies with low ROE/ROA while generating FCF
	• Companies with low ROE/ROA while having sufficient cash equivalents
	• Turn around opportunities by restructuring loss making non-core business
	• Debt restructuring / Special Situation
Business Portfolio Optimization	• Conglomerate companies executing Asset Light Strategy
	• Business portfolio optimization following sizable acquisition
	• Business model transformation from tangible asset based to intangible asset based (asset light business model)
	• Fundamental business transformation
Control Premium	• Unwinding listed subsidiary companies
	• Industry Consolidation
	• Hidden jewels (technologies / contents / asset)

5. Performance and Portfolio Characteristics

Performance: Historical Return (USD)

Return (USD) % as of 12/31/2024	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	Since Incept.
Japan Value Creation Gross**	0.23	-3.36	3.04	9.96	9.96	7.30	13.73
Japan Value Creation Net***	0.17	-3.54	2.65	9.15	9.15	6.51	12.89
TOPIX Total Return Index	-0.60	-4.04	2.63	8.05	8.05	3.36	9.19
Excess Return (Net – TOPIX)	0.77	0.50	0.03	1.10	1.10	3.15	3.70
Excess Return (Gross - TOPIX)	0.82	0.68	0.41	1.91	1.91	3.94	4.54

(Source) Mitsubishi UFJ Trust and Banking Corporation, Bloomberg

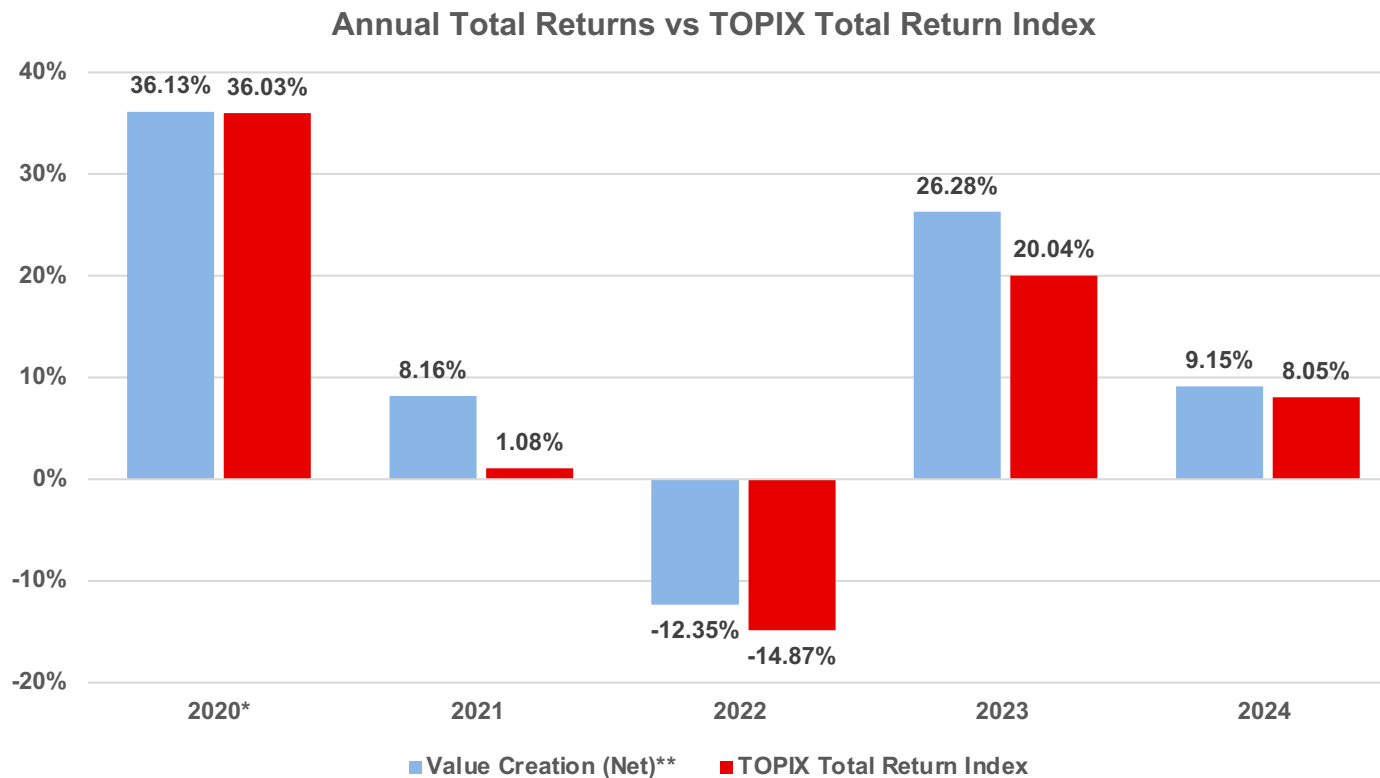
*Returns for periods under one year are not annualized.

**Gross returns are presented before management and custodial fees, but after all trading expenses, and reflect the reinvestment of dividends and other income.

***Net returns are net of investment management fees in effect for the respective time period and are derived using the maximum highest published rate.

The strategy was managed as a pilot fund from April 2020 to April 2023, and managed as an actual fund from May 2023.

Performance: Historical Return (USD)

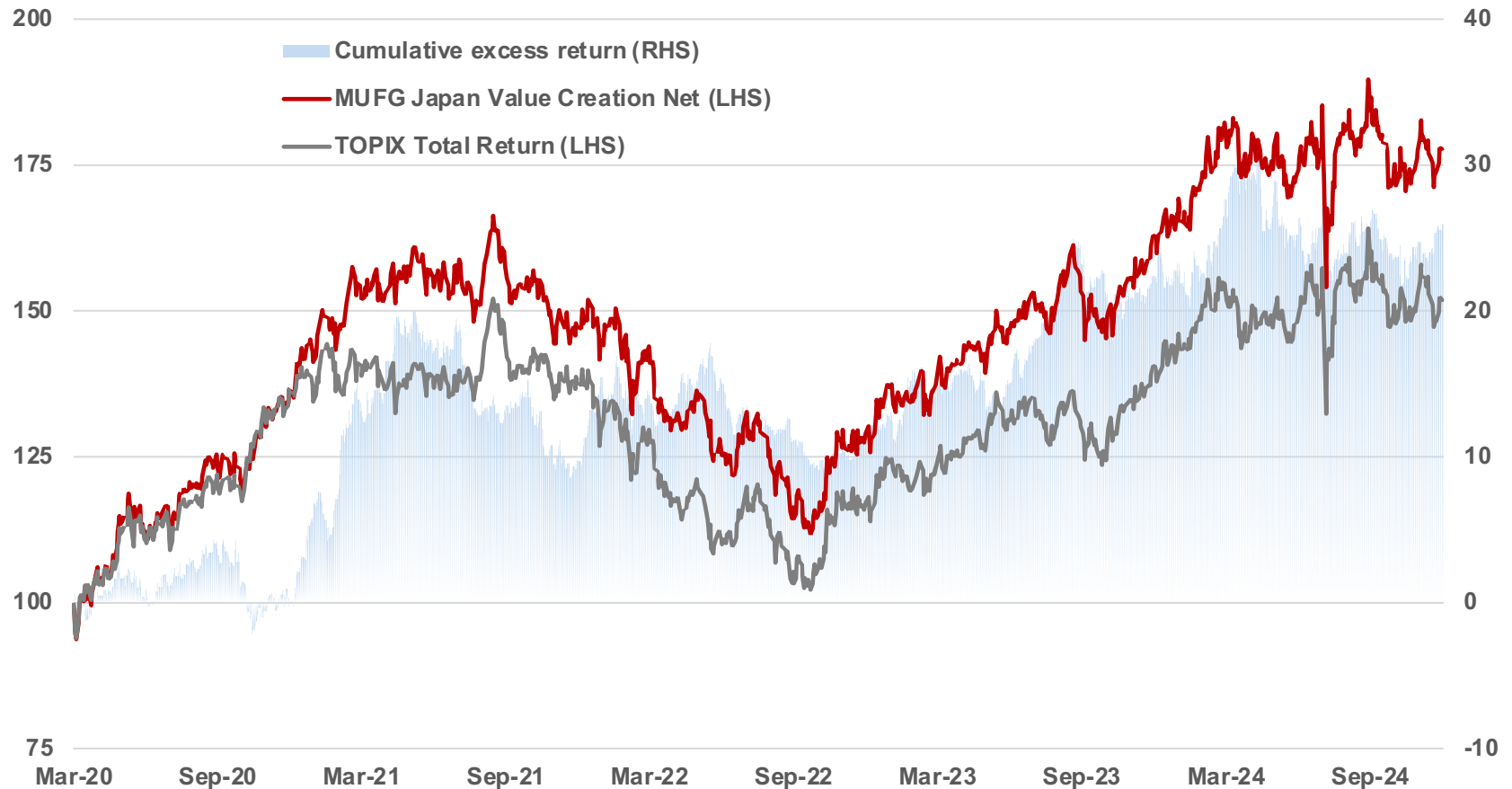


(Source) Mitsubishi UFJ Trust and Banking Corporation, Bloomberg

Net returns are net of investment management fees in effect for the respective time period and are derived using the maximum highest published rate. *Returns for 2020 are from April to December

The strategy was managed as a pilot fund from April 2020 to April 2023, and managed as an actual fund from May 2023

Performance: Historical Return (USD)



(Source) MUFG: Trust Bank, Bloomberg, Gross of Fees as of 12/31/24

Past performance is not a reliable indicator of future results. Past performance of the benchmark is not a reliable indicator of future results of the Fund. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

(Note) Inception date = 100, Strategy Inception: April 2020 (*Pilot Fund: April 2020 – Apr 2023, Commingled Fund (Gross of fees)): May 2023 to Date.

Return Based Statistics

MPT Statistics

Japan Value Creation Strategy vs. TOPIX Total Return Index (Net)

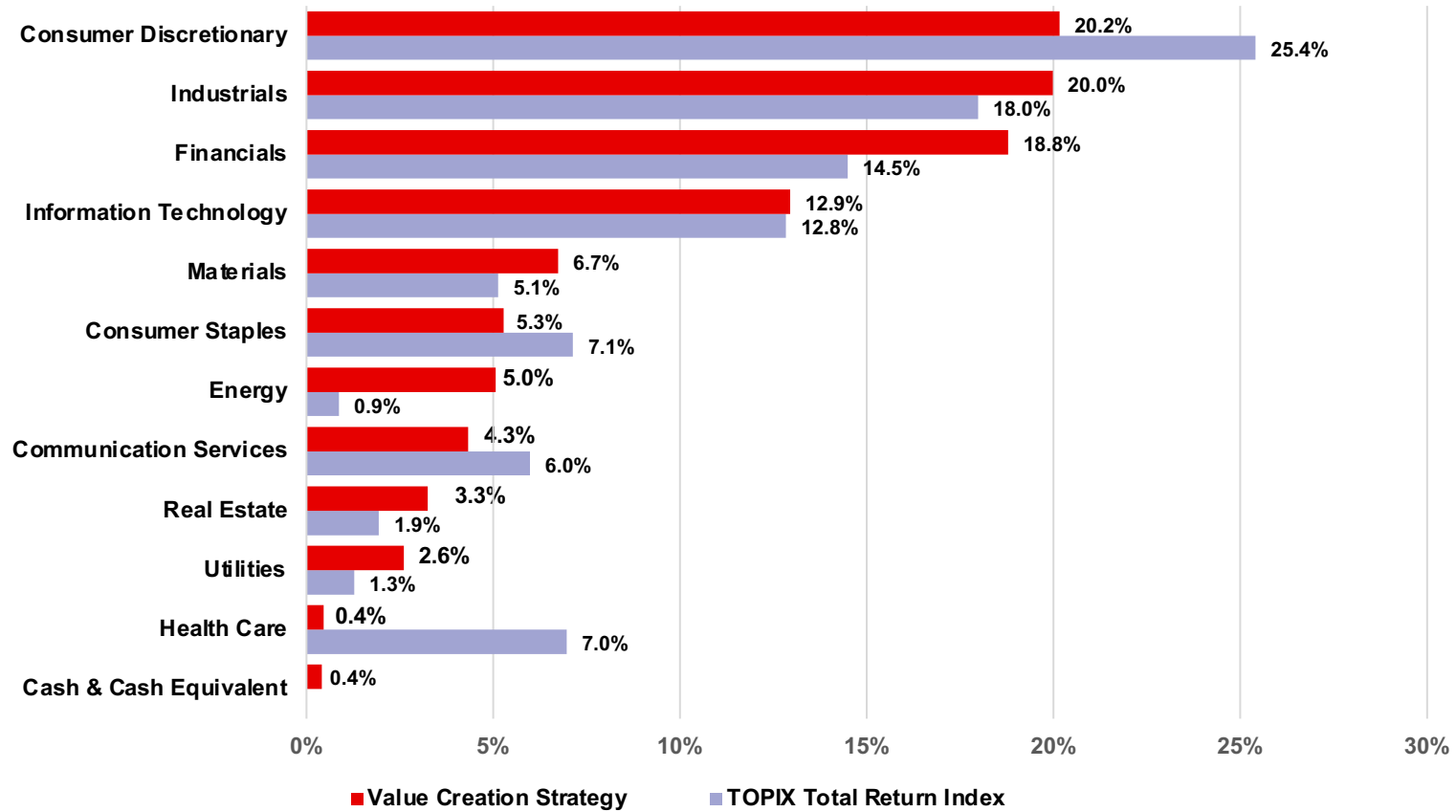
	1 Yr	3 Yr	Since Incept.
Excess Return (USD, Net) %	1.10	3.15	3.70
Beta	1.05	0.93	0.94
Information Ratio	0.24	0.66	0.67
Sharpe Ratio*	0.77	0.43	0.88
Tracking Error %	4.57	4.75	5.55
Standard Deviation (Portfolio) %	11.95	14.96	14.70
Standard Deviation (Index) %	10.57	15.23	14.53

Upside & Downside Capture Ratios

	1 Yr	3 Yr	Since Incept.
Upside Capture Ratio	106.80	99.05	102.62
Downside Capture Ratio	101.11	86.65	84.49

* Sharpe Ratio: the risk-free rate is not used in the calculation. The calculation shown here represents Portfolio Return divided by Portfolio Standard Deviation.

Portfolio Characteristics – Sector Exposure (GICS)



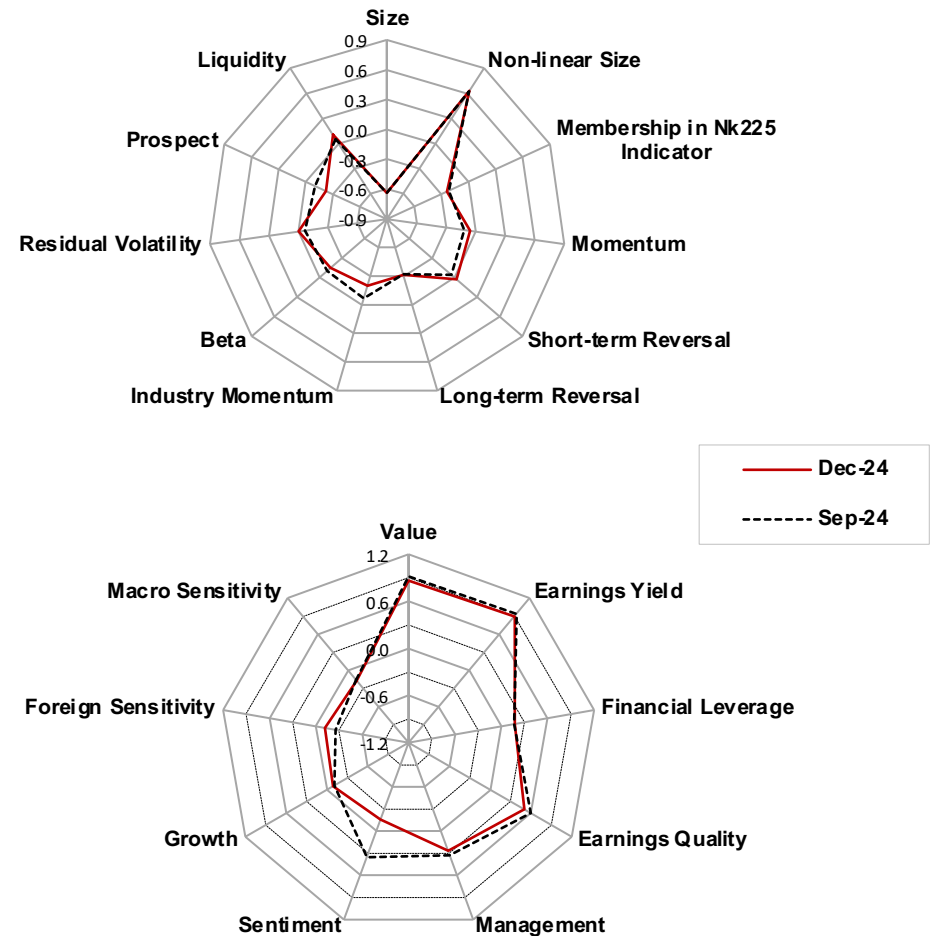
Source: Mitsubishi UFJ Trust and Banking Corporation, Bloomberg

Risk Profile

Risk Profile on Barra Model Relative to the TOPIX Total Return Index

Size	-0.64
Non-Linear Size	0.63
Membership in Nk225 indicator	-0.24
Momentum	-0.06
Short-Term Reversal	0.03
Long-Term Reversal	-0.31
Industry Momentum	-0.20
Beta	-0.15
Residual Volatility	0.00
Prospect	-0.22
Liquidity	0.10
Value	0.86
Earnings Yield	0.90
Financial Leverage	0.18
Earnings Quality	0.50
Management	0.27
Sentiment	-0.16
Growth	-0.09
Foreign Sensitivity	-0.12
Macro Sensitivity	-0.17

Source: Barra



6. Investment / Engagement Cases

Investment Case: Ajinomoto (2802)

Where We Focus

Improvement of "R" in ROIC / "IC" in ROIC / WACC

	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23E	
Sales (JPY bn)	1,115	1,114	1,100	1,072	1,149	1,339	not incremental
OP (JPY bn)	96	93	99	113	121	133	Less volatile
Restructuring cost (JPY bn)		-32	-50	-21	-10	-10	
ROE	9.6%	4.7%	3.3%	10.3%	11.6%	11.5%	
ROA	4.3%	2.1%	1.4%	4.3%	5.2%	5.5%	
ROIC	5.5%	3.7%	3.4%	7.1%	8.4%	8.2%	Improved

*Source: Nomura

- Sales volume has been stable (not incremental)
- Ajinomoto had been obsessed with technologies and they were reluctant to streamline business portfolio
 - (1) Stabilized "R" by exiting volatile & low margin business
 - (2) Decreased "IC" through unwinding cross-shareholdings and implement share repurchase

Ajinomoto's Response

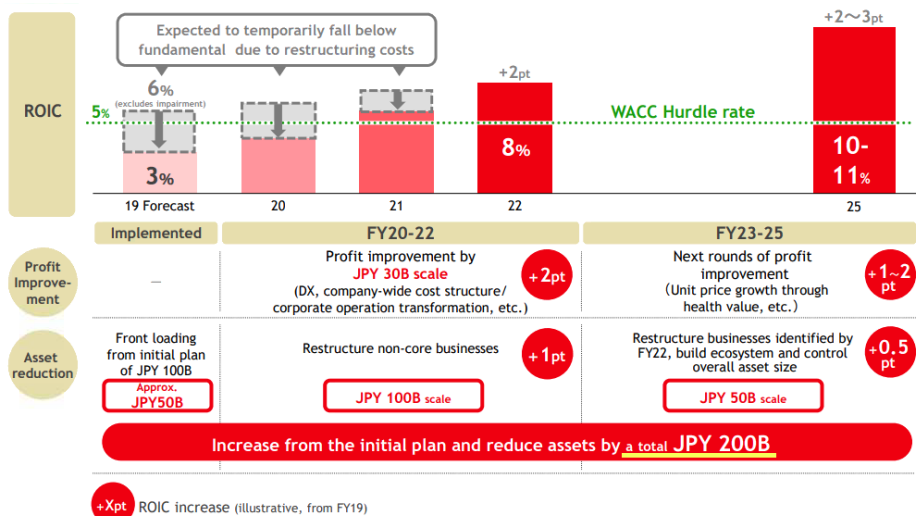
● Asset Light Strategy

- Animal Nutrition Business: Downsized asset by the exit of European operation
- MSG Business: Improved margin by downsizing external distribution sales
- Frozen Food Business: Improved margin by focusing on Asian food category in US and eliminating low margin products in Japan
- Unwound cross-shareholdings and idle assets

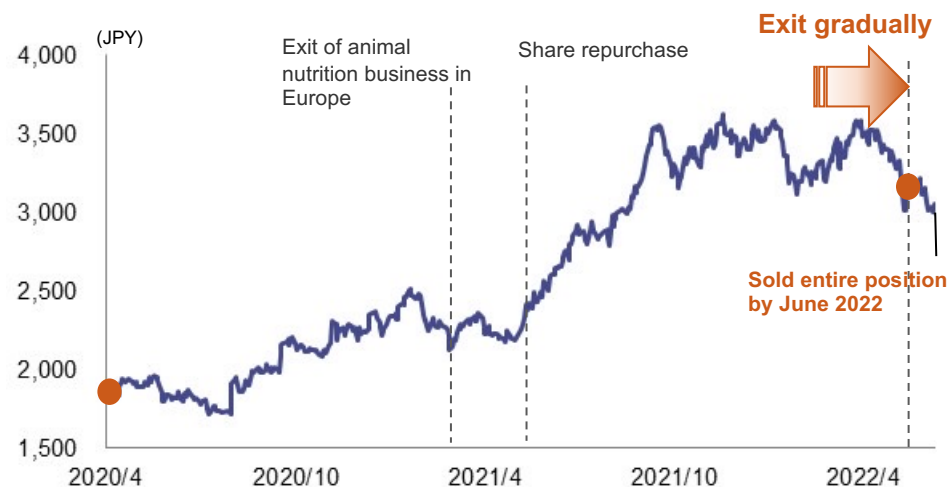
● Shareholder equity well managed by upgrading shareholder return policy

- Raised dividend payout ratio to 40%, total shareholder return ratio to 50%
- Announced JPY 40bn of share repurchase, equals to 4.6% of outstanding shares (May 2021)

ROIC Improvement Strategy (from Ajinomoto's disclosure)



Share Price Performance since the beginning of investment



Investment Case: JSR (4185)

Where We Focus

Improvement of "R" in ROIC / "IC" in ROIC / WACC

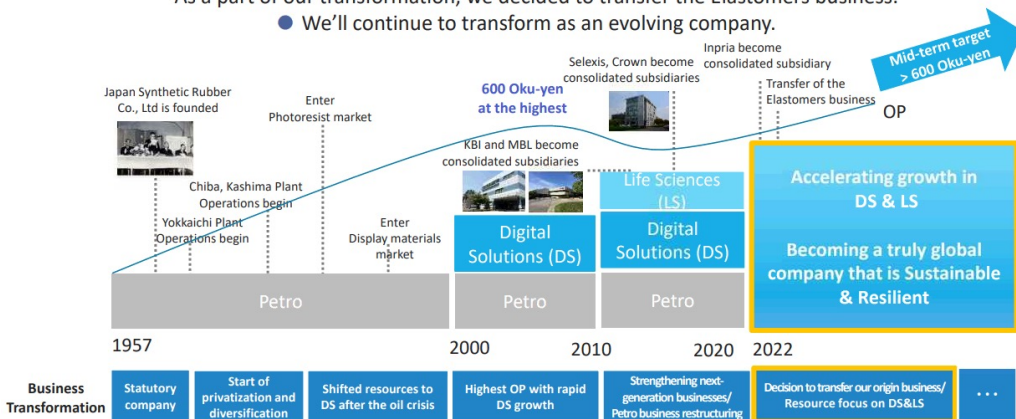
	Pre investment (Mar-24 E)	At Exit (Mar-24 E)	
"R" in ROIC (JPY bn)	56.5	53.3	not incremental
"IC" in ROIC (JPY bn)	674.8	561	downsized
ROIC	8.54%	9.68%	
WACC	7.58%	7.85%	
EVA spread	0.96%	1.83%	
Permanet Growth Rate	0%	5%	focus on growth
Expected Equity Value (JPY bn)	469.4	885.4	doubled

*Source: Mizuho

- "R" in ROIC had been expected to be flat
- Through the business portfolio optimization, the company
 - (1) Improved equity spread by boosting ROIC, mainly driven by decrease of injected capital
 - (2) Was re-rated at 5% of terminal growth rate by focusing on growing business

History of Business Portfolio Optimization (JSR's disclosure)

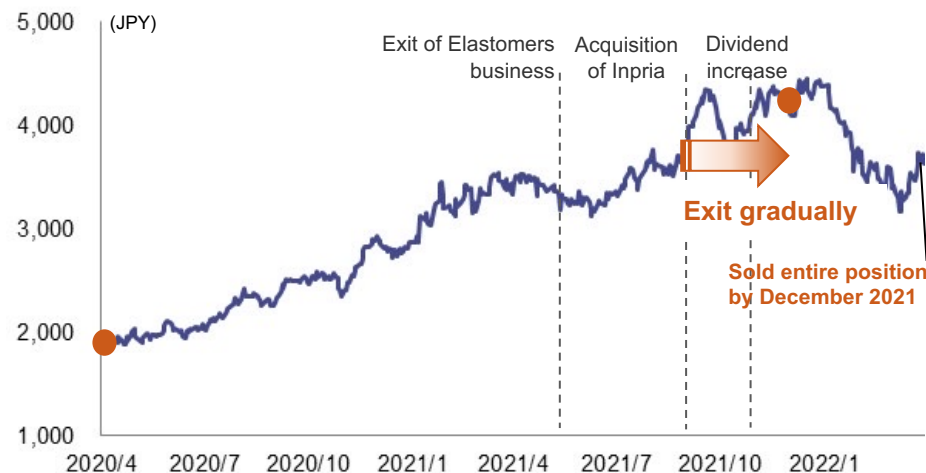
- Our company has been transforming since our founding. As a part of our transformation, we decided to transfer the Elastomers business.
- We'll continue to transform as an evolving company.



JSR's Response

- Announced the exit of Elastomers business at JPY 100bn (May 2021)
 - A founding business for JSR. Sold to ENEOS
 - Half of employees belonged to the business segment
- Acquired Inpria Corp. at JPY 46.7bn (Sep. 2021)
 - Obtained metal resist technology, a key for next generation EUV(Extreme Ultraviolet Radiation for semi material)
 - Successfully subsidized the company and established moat while Tokyo Ohka, a competitor for JSR, was also a shareholder of Inpria
- Shareholder equity well managed through increasing dividend

Share Price Performance Since Inception of Investment



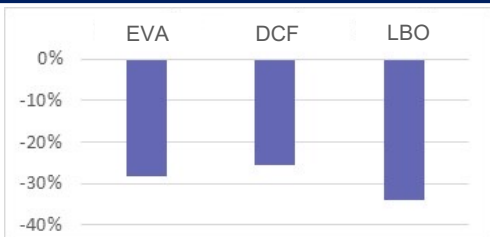
Engagement Case: DNP (7912)

Where We Focus

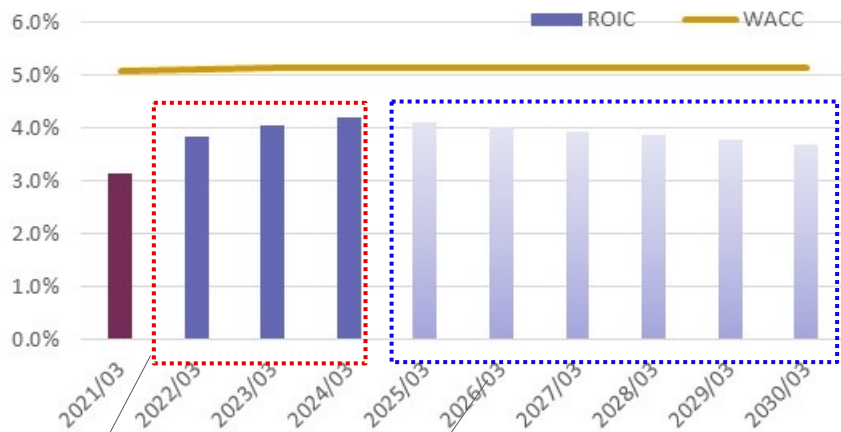
Improvement of "R" in ROIC / "IC" in ROIC / WACC

- Unwound a pile of cross-shareholdings, especially Recruit Co.Ltd.
- Unwound idle assets
- Reviewed three listed subsidiary companies
- Lower cost of equity through series of share repurchases

Expected Discount of Shareholder Value



ROIC implied from consensus and current share price thereafter



* Based on Quick consensus as of Apr. 2022

implied from consensus

implied from market outlook

DNP's Response

- Upgraded the commitment of ROE target, demonstrated actions based on tree model, and announced JPY30bn share repurchase (May 2021)

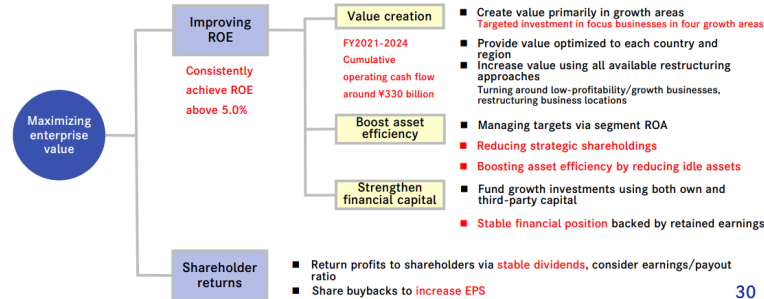
2 - 1. Strengthen financial and non-financial capital

Capital policy initiatives

Maximize corporate value by strengthening the business base that supports value creation and growth through "P&I innovation"

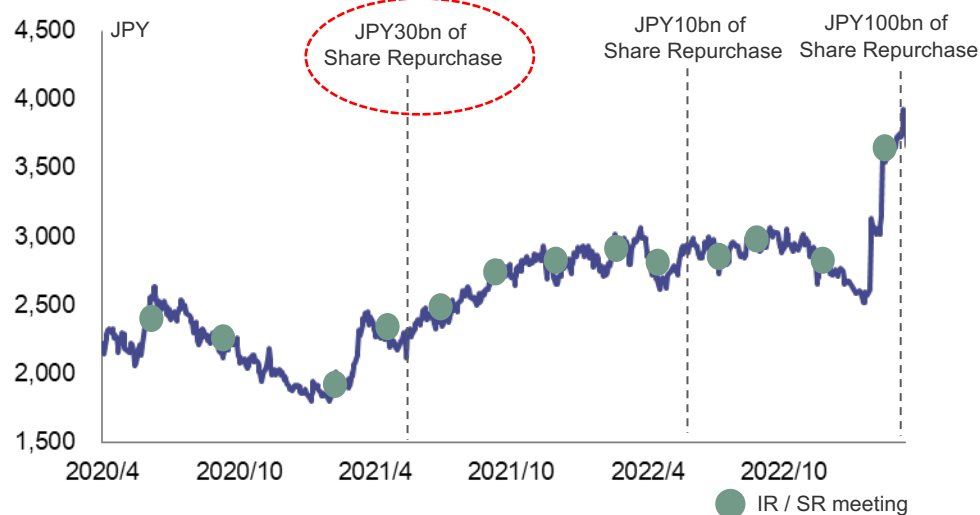


Measures to maximize enterprise value (through FY2024)



30

Share Price Performance Since Inception of Investment



Engagement Case: Expanding DNP

- Expanding successful case obtained through the engagement with invested company.
- Analyzing and identifying the essential factors for capital efficiency improvement.
- Promoting company's "Initiatives" by aligning to the capital markets requirements.

DNP (7912)

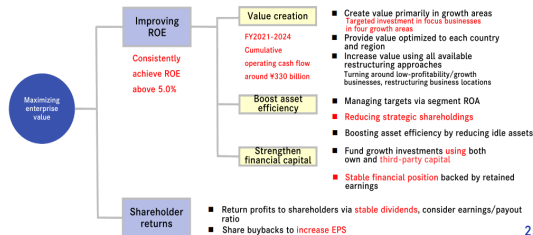
- Released the tree model for the enhancement of corporate value(May 2021)
- Released a management policy to achieve PBR 1x (Feb 2023)

2 - 1. Strengthen financial and non-financial capital

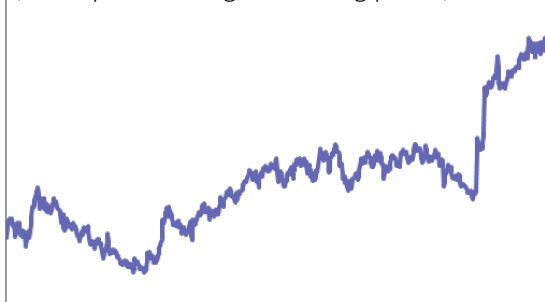
Capital policy initiatives

(1) Measures to maximize enterprise value (through FY2024)

Creating value through "P&I Innovations," strengthening business infrastructure to support growth, enhancing enterprise value



(Share prices during the holding period)

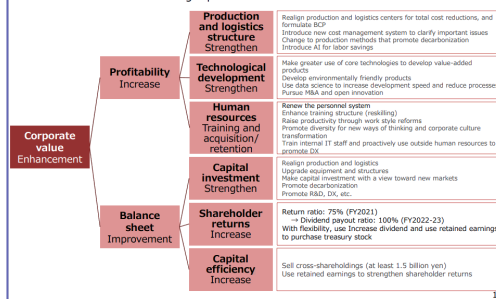


Mitsuboshi Belting (5192)

- Discussed the importance of ROE based on DNP's tree model
- Revision of Mid-term Business Plan (May 2022)

Positioning of capital policies

- Work to increase profitability and improve balance sheet to enhance corporate value
- Work to achieve FY2030 "target position"



(Share prices during the holding period)

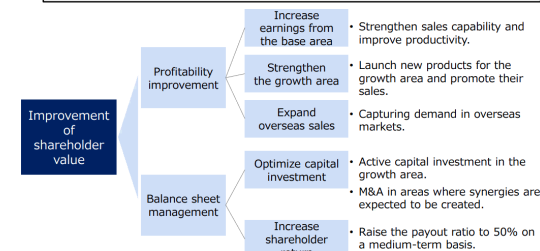


Shin-Etsu Polymer (7970)

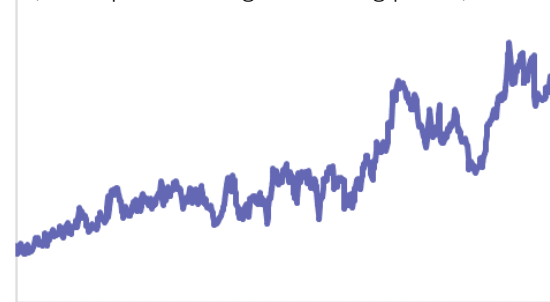
- Introduced DNP and Mitsuboshi's tree model as analogies
- Released the First Mid-term Management Plan (May 2023)

Initiatives to Improve Shareholder Value

We seek to enhance shareholder returns by increasing earnings from the base area and strengthening the growth area with a view toward improving corporate value.



(Share prices during the holding period)



Source: Quick, company websites

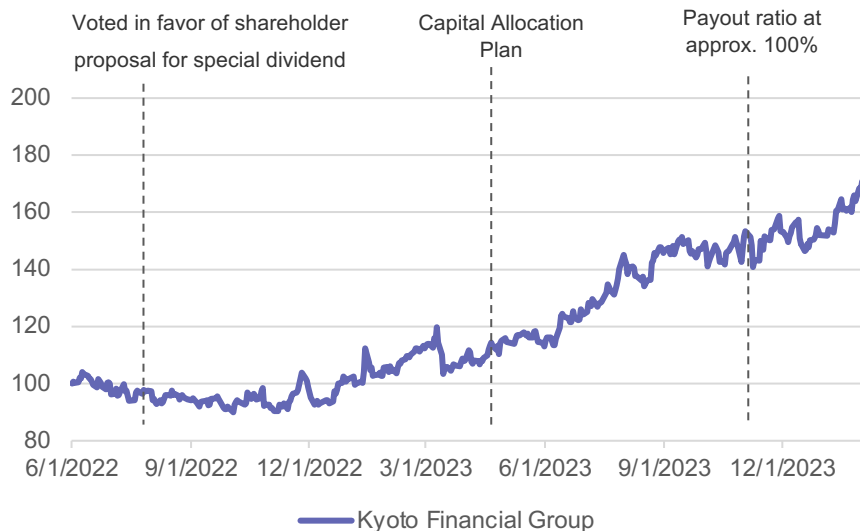
Engagement Case: Kyoto Financial Group (5844)

Where We Focus

- Breakaway from low ROE nature
- Review validity of cross-shareholdings
- The value of cross-shareholdings should be realized if dividends received from cross-shareholdings were passed-through as dividends to Kyoto Financial Group's shareholders. (As of June 2022 when we first purchased the shares, value of cross-shareholdings was 0.9 trillion JPY vs. market capitalization 0.4 trillion JPY.)
- We voted in favor of shareholder proposal for special dividend at the June 2022 AGM. Thereafter, continued engagement on specific initiatives through proxy voting

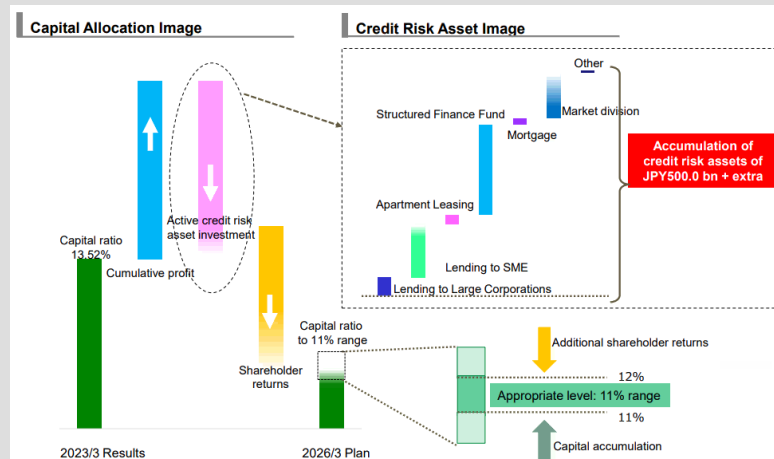


Share price performance since the beginning of investment

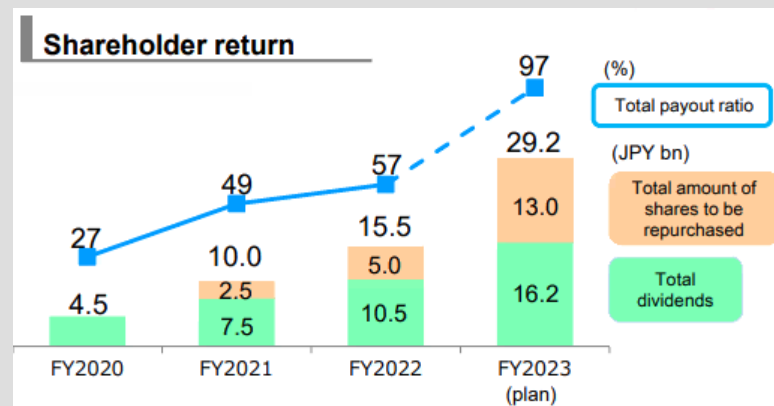


Kyoto FG's Response

Reviewed appropriate capital ratios and developed a capital allocation policy (May 2023)



In FY2023, raised total payout ratio to approximately 100% (Nov 2023). Market capitalization corrected to the vicinity of after-tax unrealized gains on cross-shareholdings.



Source: Company websites

7. Appendix

Terms and Conditions

Japan Value Creation Strategy Facts	
Benchmark	TOPIX Total Return Index (incl. dividends)* for reference
Tracking Error	5.55% (since inception as of 12/31/2024)
Num. of Holdings	40 (as of 12/31/2024)
Portfolio Turnover	47.89% (Last 12M as of 12/31/2024)
Active Share	93.71% (as of 12/31/2024)
Advisor	Clearbrook Investment Consulting, LLC
Sub-Advisor	Mitsubishi UFJ Trust and Bank Corporation

Separately Managed Accounts	
Minimum Subscription	\$50 Million (Negotiable)
Management Fee	75 Bps**
Liquidation of Account	One week

** Management fee charged is at the discretion of Clearbrook Investment Consulting, LLC

* We use the TOPIX as a comparative index only

Shinichiro Hashimoto Lead Fund Manager



- Launched Value Creation Fund with **private equity mindset** in April 2020
- Over 19 years with deep knowledge **in the investment banking business** (formerly with UBS and Citi)
- The unique approach is genuinely in alignment with the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” issued by Tokyo Stock Exchange in March 2023
- Alumni University of Tokyo. Co-author of “Business Tax” (2005) and “The development of Japanese Tax Law” (2010)

Hashimoto’s noteworthy advisory experiences

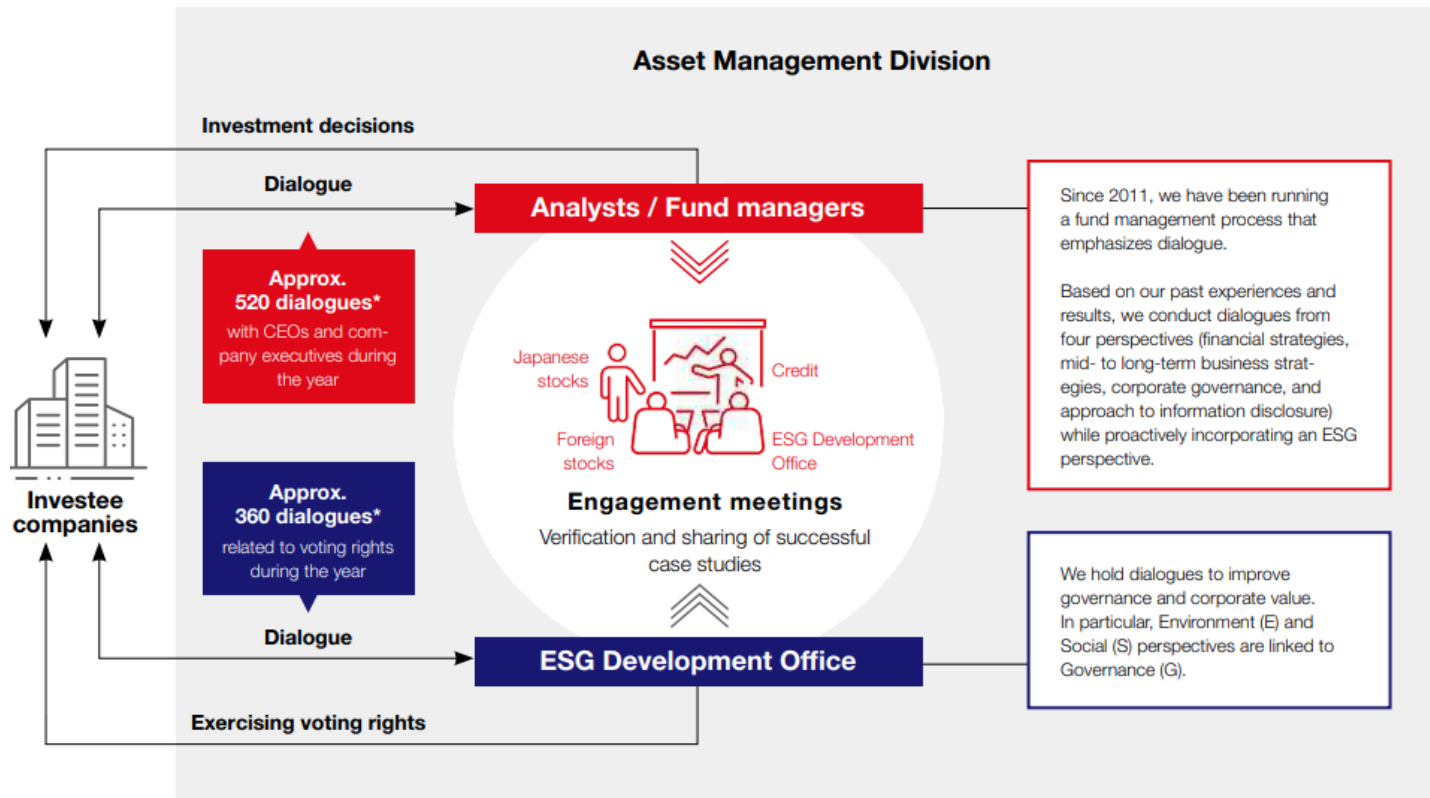
- ✓ The following transactions are examples handled by Lead FM Hashimoto. Along with his role, he **has broadly covered and has kept in close contact with Japanese companies** in the Industrials, Materials, Consumer Discretionary, Consumer Staples, Retails, Financials and Real Estate sectors throughout large cap to small cap equities.

- Follow-on by **Harmonic Drive Systems** (2018, JPY46bn)
- Convertible Bond by **Sapporo HD** (2018, JPY20bn)
- Block trade of **SUMCO** from **Nippon Steel** and **Mitsubishi Materials** (2017, JPY54bn)
- Advisor for **Mitsubishi Heavy Industries** on capital restructuring of **Mitsubishi Motors** (2014)
- Global IPO by **Suntory International** (2013, JPY400bn)
- Convertible Bonds by **Takashimaya** (2013, JPY65bn)
- Advisor for Deposit Insurance Corporation of Japan on capital restructuring of **Resona HD** (2010)
- Convertible Bond by **Fujitsu** (2007, JPY200bn)
- Convertible Bond by **Toray** (2007, JPY100bn)
- Convertible Bond by **Suzuki** (2006, JPY150bn)
- Moving Strike Convertible Bond by **Fuji Media HD** (2005, JPY80bn)
- Debt-Equity-Swap Preferred Stock by **Haseko** (2005, JPY70bn)



ESG Development Office

1. Dedicated to ESG strategies independent of the Investment Team
2. Engagement meetings and voting
3. Creation and management our ESG scoring model (annually reviewed)
4. Set the voting criteria for all portfolios (annually reviewed)
 - All criteria and exercised results for issuers of voting rights are published on our website.
 - Engagement with issuers regarding the exercising of voting rights and other matters exceeded 300 p.a.

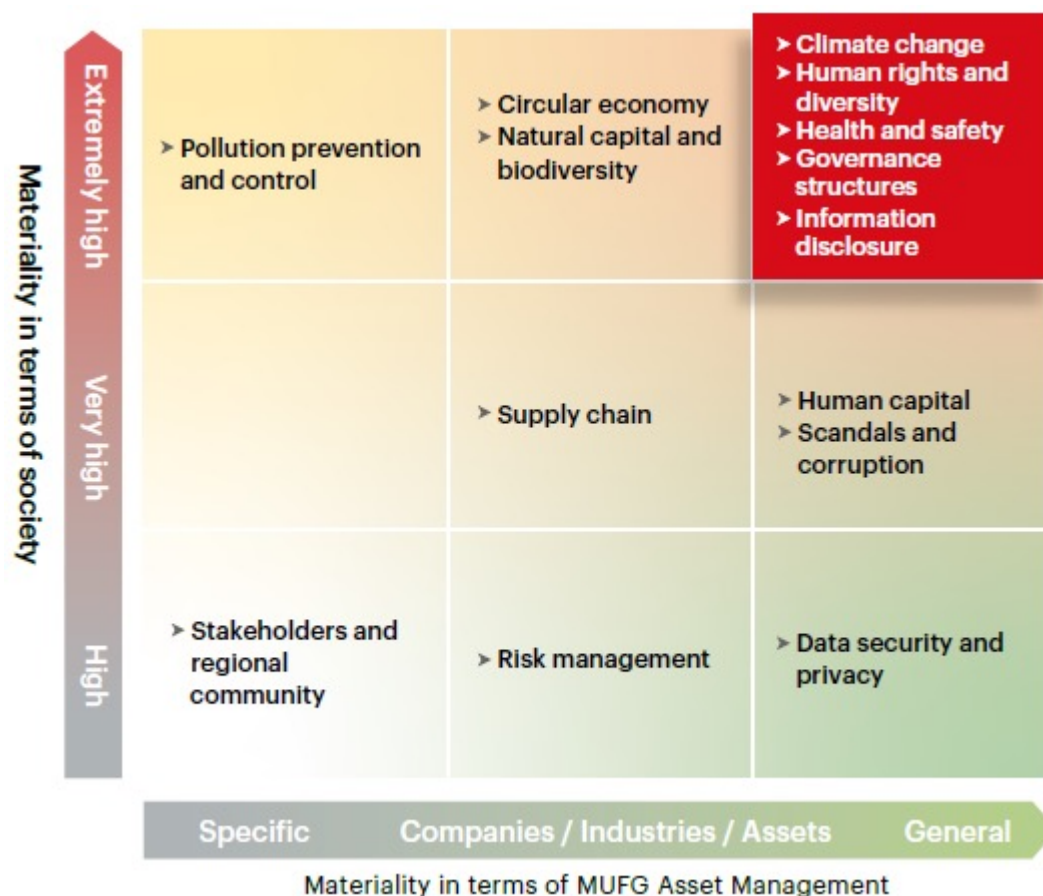


*Number of dialogues conducted between July 2021 and June 2022 for Japanese stock investments

Source: Responsible Investment Report 2022

Material ESG Issues

The Sustainability Committee identifies the material ESG issues from two perspectives; the **importance to society (vertical axis)** and the **importance to MUFG AM's investments (horizontal axis)** through research of global regulations and trends.



As of November 2023

ESG Scoring Methods – ESG Section in ESG Development Office

Examples of 11 “material ESG factors”, 53 “indicators”, and our “weight allocations”

Category	Materiality (11)	Indicator (53)	Manufacturing	Non-Manufacturing
E	Policy & Management system	Environmental Policy	3	4
		Environmental Management System	2	3
	Climate change	Organization’s strategy include a transition plan that aligns with a 1.5°C world	1	1
	Circular economy / natural capital / pollution	Water Management Programmes	1	0
S	Health & Safety	Lost Time Incident Rate (LTIR) Trend	2	2
		Occupational Health and Safety Management System	1	1
	Human rights & Diversity	Freedom of Association Policy	1	1
		Collective Bargaining Agreements	1	1
	Supply Chain	Policy Against Child Labor	1	1
		Human Rights Due Diligence Program	1	1
Human Capital	Human Capital Development	3	3	
G	Governance System	ESG Governance	3	3
		Board Diversity-Score	2	2
	Misconduct & Corruption	Bribery & Corruption Policy	2	3
		Whistleblower Programmes	2	3
	Risk Management	Consumer Privacy Data Protection Policy	2	2
	Disclosure	Verification of ESG Reporting	1	1

Total: 53 Indicators

Total: 100

Total: 100



Clearbrook Investment Consulting, LLC.

Clearbrook Investment Consulting, LLC. is the advisor to Mitsubishi UFJ Trust and Banking Corporation's MUFG Japan Value Creation Strategy

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- **Credit risk:** the risk of price fluctuations of invested securities due to the business and financial state of the issuer.

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