

Unlocking Japanese Corporate Value

The road to a more efficient business model

23rd March 2016

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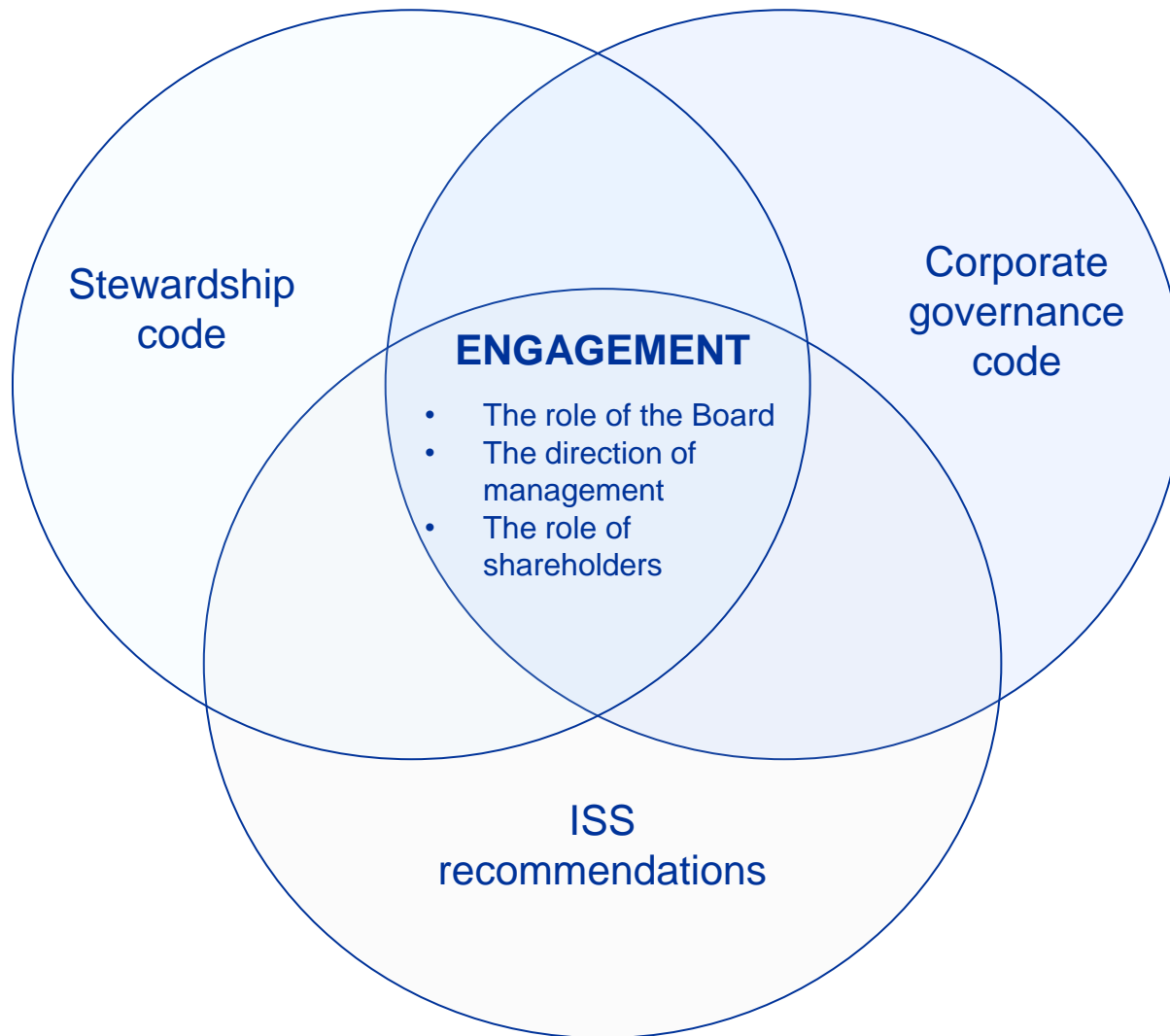
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Please read the "Important Information" section on the last page of this presentation.

What will unlock the value?



2015 pivotal year: three initiatives



Role of the Board

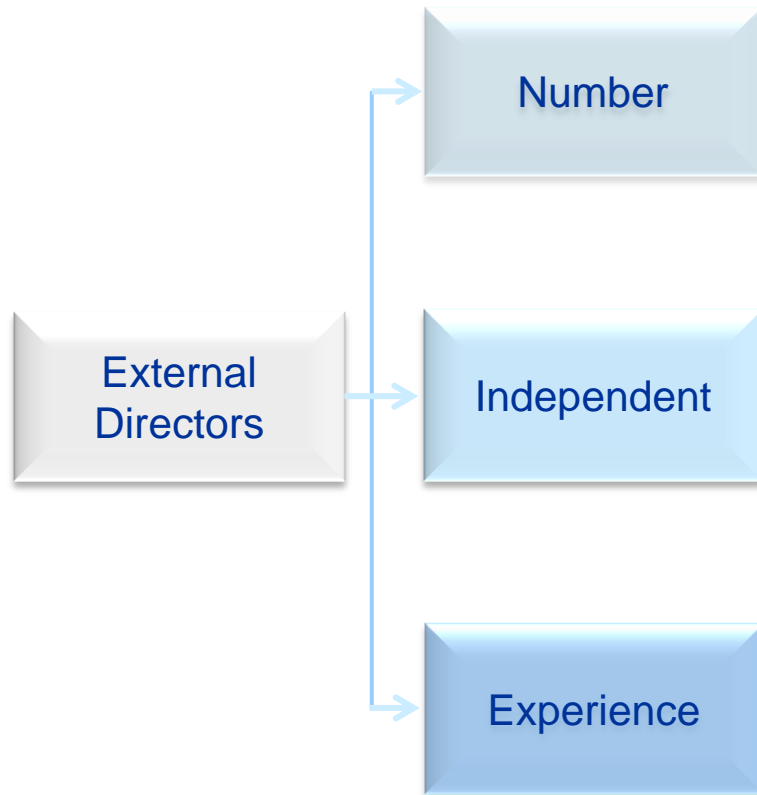
1. Direction of management

2. Engagement with investors

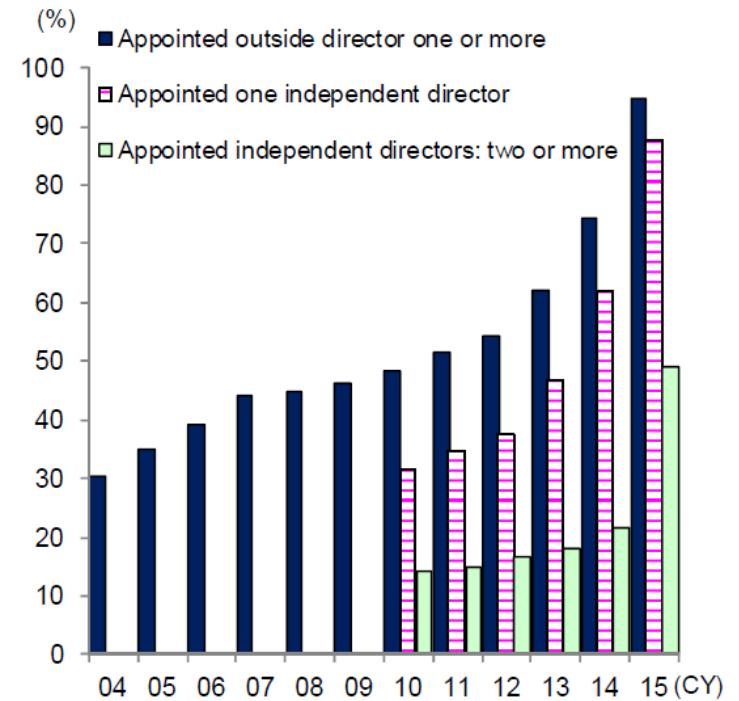
3. Improve capital efficiency and shareholder returns

The role is defined and the structure is changing

Structure of the Board



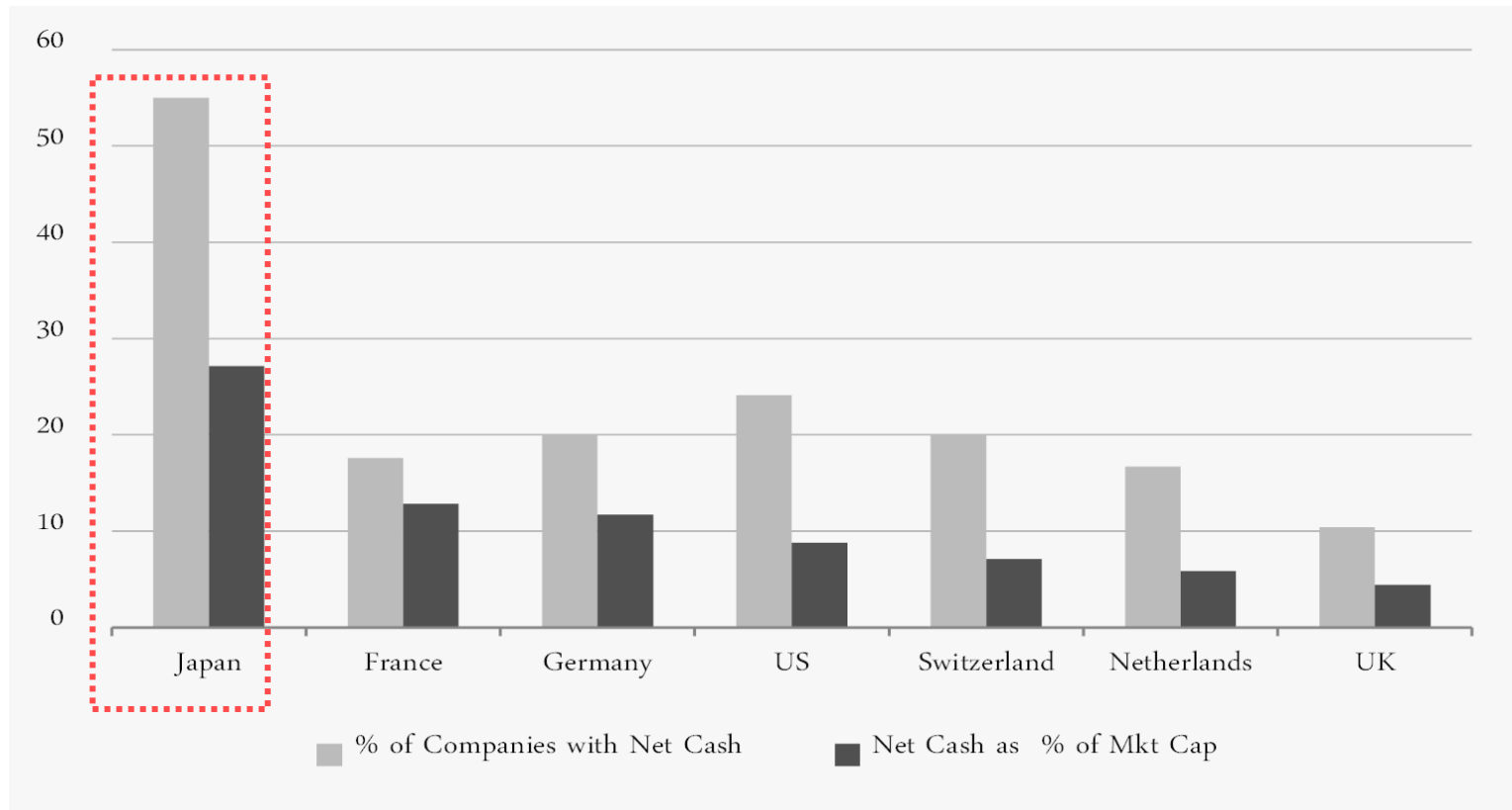
Companies appointing independent outside directors



Note: TSE1 firms; as of 1 August 2015

Source: MUMSS, from Japan Association of Corporate Directors materials.

Non-financial Companies: Net Cash Holdings



Source: Bloomberg, company data and Jefferies estimates.

Data for Japan is for companies within the TOPIX Index.

*Non-financial Companies.

Effectiveness of the Board

- Is there operational transparency?
- Is there balance sheet efficiency?
- Are shareholder returns improving?

Domestic investor pressure increasing, tangible improvement required

NTT

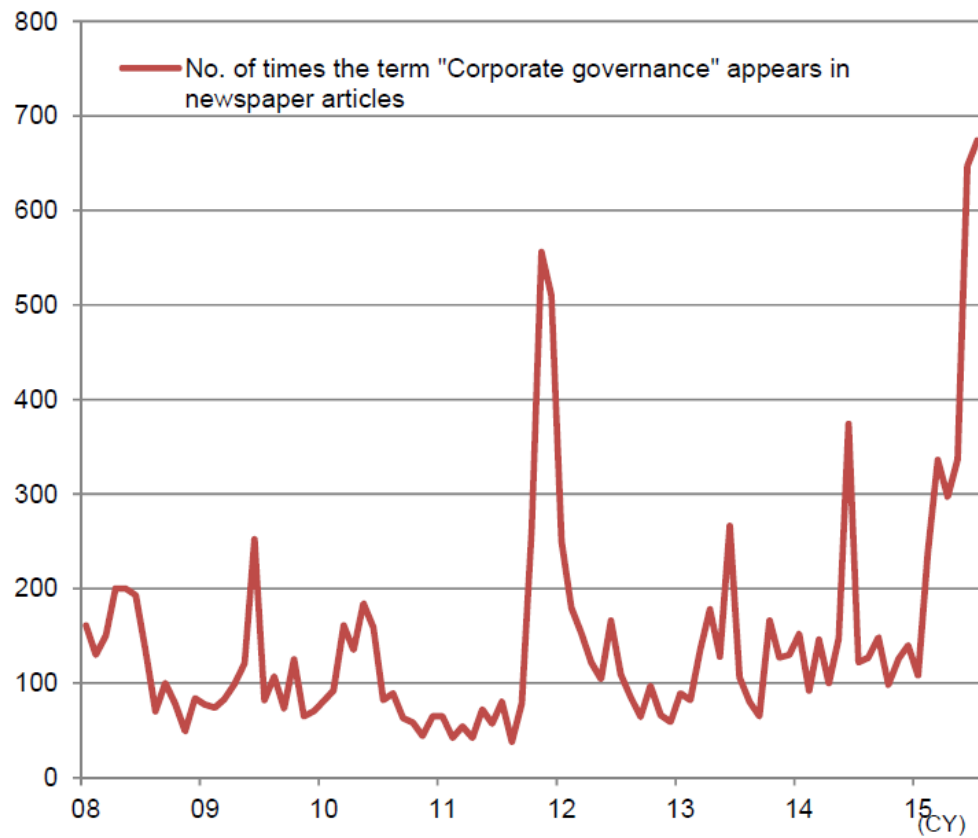
Toshiba

Role of shareholders

Engage with the board and management to:

- Increase transparency
- Increase capital efficiency
- Raise shareholder returns

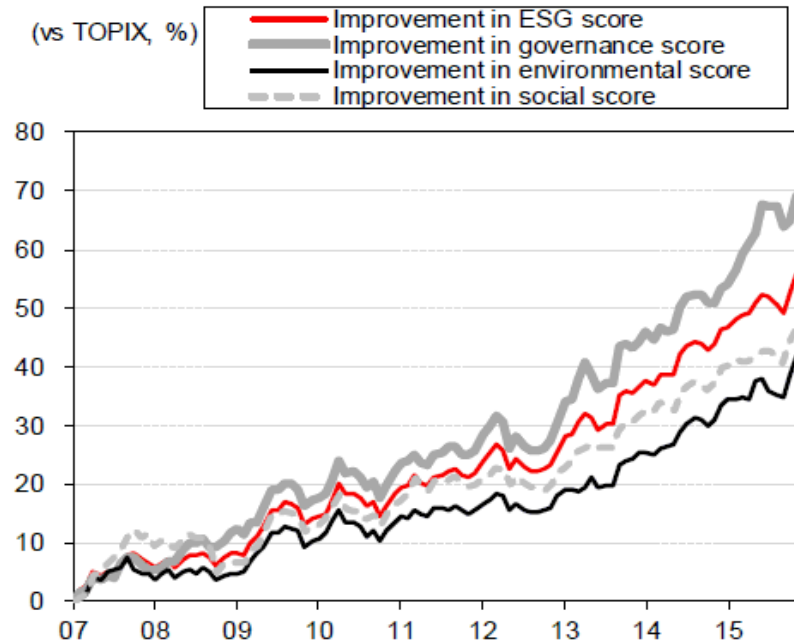
Use of the term "corporate governance" in newspaper articles



Note: July figure covers data to 28 July.
Source: MUMSS, from Nikkei Telecon data.

Environmental, social and governance

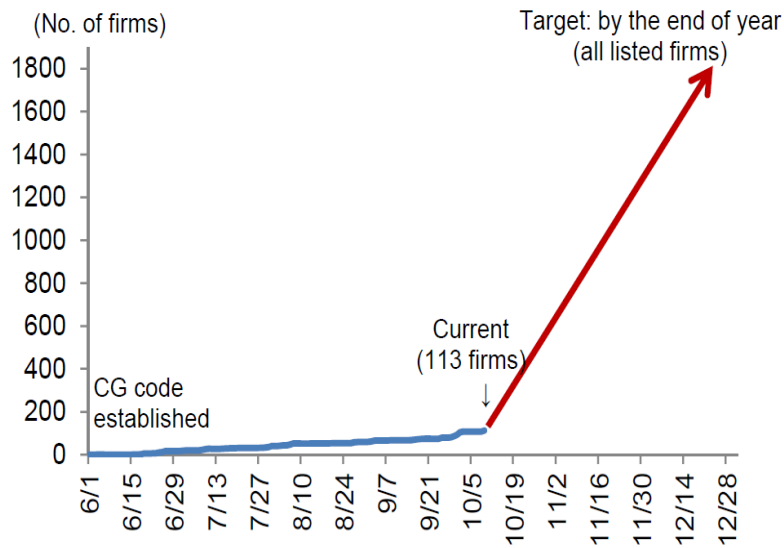
Cumulative returns over time for stocks with improving scores



Notes: Universe is TOPIX constituents. Figure shows cumulative returns for stocks whose scores improved in each year. We select stocks whose scores improved each year by obtaining scores as of the start of each year and comparing them to scores in the previous year. Sources: Bloomberg, QUICK, SMBC NIKKO

- Higher ESG score – reduces risk, improves long-term returns
- GPIF requires signatory of the United Nations Principles for responsible Investing
- Increasing attention by Japanese investors

Figure 1: Number of firms disclosing the new items required in the revised corporate governance report format



Note: TSE1-listed firms; data as of 9 October 2015

Source: MUMSS, from TSE Corporate Governance Reports

- Companies must produce corporate governance reports
- Must comply with the Corporate Governance Code or explain why not
- Accelerated change

Important, but not sufficient

What we look for

- Under-valued
- Under-researched
- Out of favour, neglected or misunderstood
- Improving governance

Where does it lead?

Attractively valued companies with:

- Good management
- Balance sheet strength
- Improving shareholder returns

Portfolio holdings

Portfolio holdings

Company	ROE<5%	≥2 outside directors	Shareholder returns	Net cash	Potential for restructuring equity holdings	Included in JPX Nikkei 400 Index
Chubu Electric Power		✓	✓			
Dai Nippon Printing	✓	✓		✓	✓	
Dai-ichi Life	✓	✓		N/A	✓	✓
Denso		✓	✓	✓	✓	✓
Fukuda Denshi	✓			✓	✓	
Hitachi		✓			✓	✓
Isetan Mitsukoshi	✓		✓			
JR East		✓	✓			✓
Komatsu		✓	✓			✓
Kyocera		✓		✓	✓	✓
Mitsubishi Corp.		✓	✓	N/A	✓	✓
MUFG		✓	✓	N/A	✓	✓
Nintendo	✓			✓		
Nitto Kohki		✓		✓		
Nishimatsu Constr.		✓	✓		✓	
Nomura		✓	✓	N/A	✓	✓
NTT		✓	✓		✓	✓
Secom		✓		✓	✓	✓
Sekisui House		✓	✓	X	✓	✓
Seven & I		✓		✓		✓
SMFG		✓	✓	N/A	✓	✓
TBS	✓				✓	
Toyota		✓	✓	✓	✓	✓
Ushio	✓	✓	✓	✓	✓	

Source: Oldfield Partners.

Company description

Holdings	Industry	Trailing P/BV	Trailing ROE	Net Debt (Cash)/Equity%
Chubu Electric	Utility	0.8	9.3	146
Dai Nippon	Electrical Machinery	0.7	3.0	(0)
Dai-ichi Life	Insurance	0.8	5.4	0
Denso Corp	Transportation Equipment	1.4	9.3	(17)
East Japan Railway	Land Transportation	1.9	9.1	127
Fukuda Denshi	Electrical Machinery	1.0	8.8	(26)
Hitachi	Electrical Machinery	1.1	8.7	26
Isetan Mitsukoshi	Retail	1.1	6.3	19
Komatsu	Machinery	1.2	9.4	26
Kyocera	Electrical Machinery	0.9	5.8	(18)
Mitsubishi Corp	General Trading Company	0.6	5.6	85
Mitsubishi UFJ	Bank Holding Company	0.7	7.4	0
Nintendo	Electronic Games	1.7	3.4	(78)
Nishimatsu Constr.	Construction	0.9	7.5	19
Nitto Kohki Co	Machinery	1.2	7.6	(52)
Nomura	Bank Holding Company	0.9	10.0	0
NTT	Information and Communication	1.2	6.9	30
Secom	Security Services	2.2	9.4	(31)
Sekisui House	Construction/Housing	1.4	10.4	25
Seven & I Holdings	Diversified Retail	2.1	7.7	(8)
Sumitomo Mitsui	Bank Holding Company	0.7	7.8	0
Tokyo Broadcasting	Media	0.8	2.7	(2)
Toyota	Transportation Equipment	1.4	14.2	(15)
Ushio Inc	Electrical Machinery	1.0	6.0	(27)
Portfolio weighted average		1.2	7.7	9.6
TOPIX		1.3	8.4	38

Per share data as at 31st December 2015.

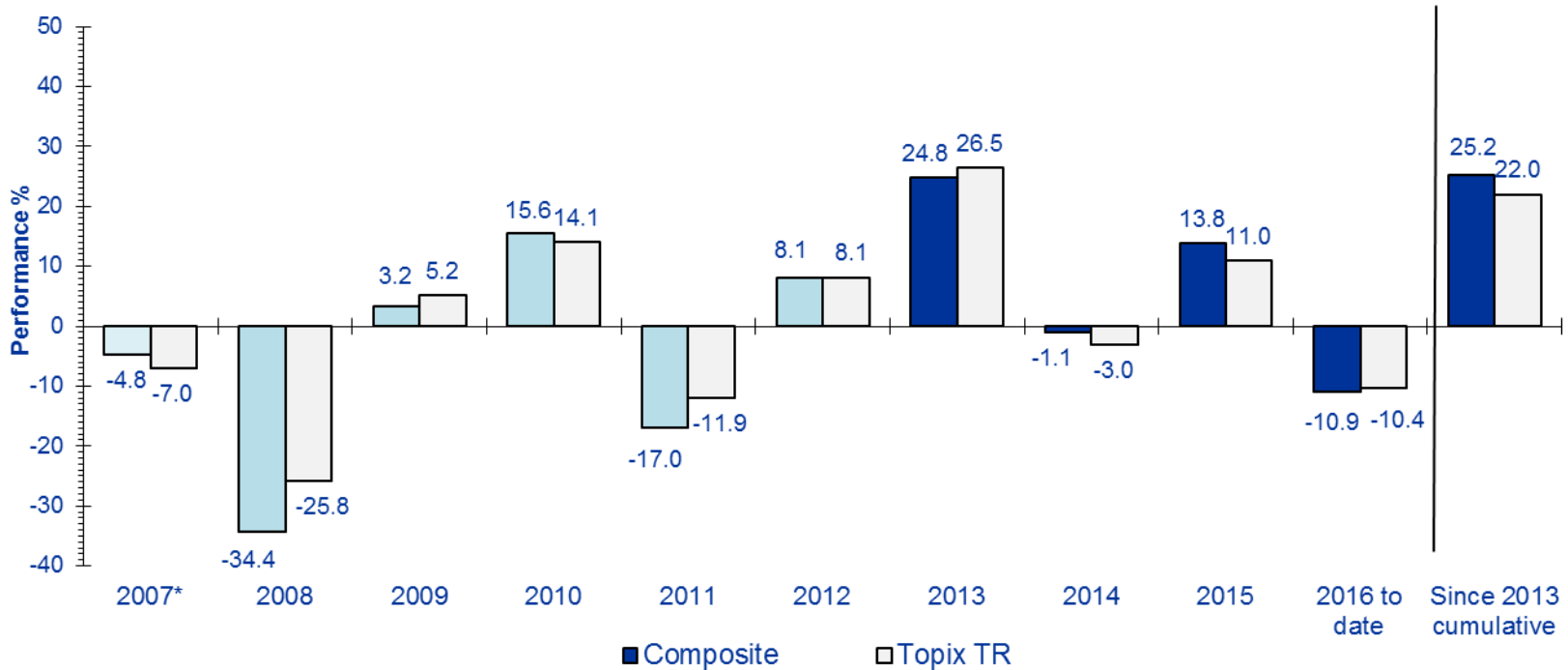
Source: Oldfield Partners, Bloomberg consensus numbers.

Overstone Japanese Equity Fund

- An Irish listed Qualifying Investor Alternative Investment Fund.
- AIFM - Oldfield Partners.
- The custodian, depositary and fund administrator - Northern Trust.
- Auditor – Deloitte.
- UK reporting fund status.
- Overstone investment management fees 1.25% per annum, reduced to 0.9% for institutional investors (>US\$3m).
- Other expenses (including legal, custody, administration, depositary) capped at 0.35% per annum. TER capped at 1.60% or 1.25% for institutional investors (>US\$3m).
- Daily dealing.
- Minimum investment is €100,000.

Performance summary

Japanese Equity Composite & TOPIX (Total Return) Annual Performance (US\$ terms)



Since January 2013 Robert White and Juliet Marber have worked together in managing the Japanese strategy.

Supplemental Information – this performance information is supplemental to the GIPS® compliant presentation and is for reference only.

Performance data as at 29th February 2016. Source: Oldfield Partners, Bloomberg and MSCI ©.

*Inception of composite 1st October 2007. Performance for 2007 represents the period from inception to 31st December 2007 only.

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Performance – Japanese Equity Composite

Oldfield Partners Japanese Equity Composite 1 October 2007 through 29 February 2016 Reported in US Dollar terms									
Calendar year	Composite gross of fees (%)	Composite net of fees (%)	TOPIX (TR) (%)	Composite gross 3-Yr St Dev (%)	TOPIX (TR) 3-Yr St Dev (%)	No. of portfolios in composite	Composite dispersion (%)	Total composite assets (\$m)	Total firm assets (\$m)
2007*	-4.8%	-4.8%	-7.0%			1	N/A	3	2652
2008	-34.3%	-34.4%	-25.8%			1	N/A	3	1586
2009	3.2%	3.2%	5.2%			1	N/A	3	2567
2010	15.6%	15.6%	14.1%			1	N/A	4	3400
2011	-16.7%	-17.0%	-11.9%	17.7%	16.7%	1	N/A	3	4236
2012	8.1%	8.1%	8.1%	15.5%	13.9%	1	N/A	4	5697
2013	24.8%	24.8%	26.5%	14.5%	14.3%	1	N/A	5	6602
2014	-1.1%	-1.1%	-3.0%	12.5%	12.7%	1	N/A	9	5155
2015	13.9%	13.8%	11.0%	12.1%	12.8%	1	N/A	9	4246
2016 to date	-10.9%	-10.9%	-10.4%					8	3902
3yrs per annum	7.0%	7.0%	4.9%						
5yrs per annum	1.8%	1.7%	1.9%						
Since inception per annum	-2.0%	-2.1%	-0.5%						
Since inception cumulative	-15.7%	-16.2%	-3.8%						

*Inception of composite 1st October 2007. Performance for 2007 represents the period from inception to 31st December 2007.

Disclosures

Compliance statement

Oldfield Partners LLP claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Oldfield Partners LLP has been independently verified for the periods 1st January 2001 to 31st December 2014. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Definition of the firm

Oldfield Partners LLP is an independent investment management firm established in December 2004, authorised by the FCA in January 2005, and beginning operations in March 2005. For the purposes of compliance with GIPS, the firm is defined as all assets managed by Oldfield Partners LLP. The firm also includes assets that were previously managed by Alta Advisers Ltd and were subsequently transferred to Oldfield Partners LLP. The historical performance record from Alta Advisers Ltd is linked to the performance of Oldfield Partners LLP.

List of composites

A complete listing and description of all composites is available on request.

Composite description

The Japanese Equity Composite includes all Japanese equity portfolios run with the following style: concentrated, index ignorant and anti-short term. The portfolio invests mainly in large and medium sized companies in Japan. There is no minimum account size and the benchmark for this composite is the TOPIX index, calculated on a total return basis.

Composite creation date

The composite was created in October 2007.

Ex-post standard deviation

The three year annualised standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months. Standard deviation measures are not required for periods prior to 2011.

Fees

Gross of fees performance is calculated gross of investment management fees and as a rule net of custodial and administrative fees. Net of fees performance is presented net of actual investment management fees. Investment advisory fees are described in Oldfield Partners LLP's Form ADV Part 2A.

Fee schedule

Oldfield Partners LLP currently charges a standard management fee of 1.25% per annum

Currency of results

The results are presented in US Dollar terms.

Exchange rates

Sources of exchange rates and share prices may differ between the benchmark and the individual portfolios contained within the composite.

Composite dispersion

Composite dispersion is only calculated if there are more than five accounts included in the composite for the full year. Dispersion is calculated as the highest return achieved for an account included in the composite minus the lowest return achieved for an account included in the composite. The calculation uses the gross of fees annual returns.

Leverage/Derivatives

The portfolios contained in this composite do not use leverage or derivatives.

Withholding and capital gains taxes

Performance of the composite is calculated net of all non-recoverable withholding taxes and where applicable, net of capital gains taxes.

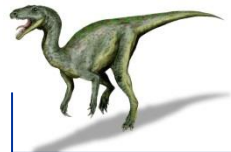
Additional information

Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Disclaimer

Source: Oldfield Partners LLP, Bloomberg and MSCI ©. The degree of underperformance in the future may be as great as or greater than the degree of past outperformance. Investment values may fall and investors may not get back the amount they invest. Income from investments may fluctuate, and both the value of and the income from investments may be adversely affected by exchange rate movements. © Oldfield Partners LLP 2016. This publication has been issued and approved for private circulation only by Oldfield Partners LLP which is authorised and regulated by the Financial Conduct Authority.

Portfolio manager timeline



1992 – Sir Adrian Cadbury stresses that corporate governance must not lapse into tokenism

2012 – Abe re-elected Prime Minister

2015 – Government Pension and Investment Fund sign up to the UNPRI



1976 - Robert White starts career in Japanese equities

1986 – Juliet Marber starts career in Japanese equities

2013 – Juliet Marber joins Oldfield Partners to help manage Japanese Equities

2007 – Robert White joins Oldfield Partners as PM of Japanese Equities

Important information

This document is issued by Oldfield Partners LLP ("OP") which is authorised and regulated by the Financial Conduct Authority in the United Kingdom (the "FCA"). The investment products and services of OP are only available to persons who are Professional Clients for the purposes of the FCA's rules. They are not available to Retail Clients. OP has taken all reasonable care to ensure that the information contained in this document is accurate at the time of publication, however it does not make any guarantee as to the accuracy of the information provided. Comparison to the index where shown is for information only and should not be interpreted to mean that there is a correlation between the portfolio and the index. While many of the thoughts expressed in this document are presented in a factual manner, the discussion reflects only OP's beliefs and opinions about the financial markets in which it invests and these beliefs and opinions are subject to change at any time.

The Overstone Fund PLC (the "Company") is an investment company with variable capital incorporated with limited liability in Ireland and is organised in the form of an umbrella Fund. The Company has been authorised by the Central Bank of Ireland (the "Central Bank") as an investment company pursuant to Part XIII of the Companies Act, 1990. Authorisation of the Company is not an endorsement or guarantee of the Company by the Central Bank. Authorisation of the Company by the Central Bank does not constitute a warranty by the Central Bank as to the creditworthiness or financial standing of the various parties to the scheme and the Central Bank shall not be liable by virtue of that authorisation or by reason of its exercise of the functions conferred on it by legislation in relation to this Company for any default of the Company.

The Company has been authorised by the Central Bank of Ireland as a Qualifying Investor Alternative Investment Fund ("AIF") pursuant to Chapter 2 of the Central Bank's AIF Rulebook. OP has been authorised and regulated by the FCA in the U.K. as a full-scope U.K. Alternative Investment Fund Manager ("AIFM") pursuant to Part 2 of the Alternative Investment Fund Managers Regulations 2013 and acts as the external AIFM of the Company.

The Company is an open-ended investment company incorporated with limited liability under the laws of Ireland and is organised in the form of an umbrella fund with segregated liability between Funds. Its share capital may be divided into a number of Classes each representing interests in a Fund. The distribution of Prospectuses relating to Funds established by the Company is restricted in certain jurisdictions and accordingly it is the responsibility of any person or persons wishing to make an application for Shares to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdiction.

United Kingdom: Funds established under the umbrella of the Company are not recognised collective investment schemes for the purposes of the Financial Services and Markets Act 2000 and the Funds may not be promoted to the general public. The Funds' Prospectuses may only be issued and the shares in the Funds may only be promoted in compliance with the Financial Services and Markets Act 2000 (promotion of Collective Investment Schemes) (Exemptions) Order 2001, as from time to time amended. Many of the protections provided by the United Kingdom's regulatory regime will not apply to investments in the Funds referred to in this communication including access to the Financial Ombudsman Service and the Financial Services Compensation Scheme.

United States: Shares in the Funds have not been and will not be registered under the Securities Act 1933 of the United States (as amended), the Investment Company Act (1940) or the securities laws of any of the States of the United States. Shares in the Funds may not be offered, sold or delivered directly or indirectly in the United States or to or for the account or benefit of any "US Person" as defined in Regulation S under the 1933 Act except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and any applicable State laws.

Ireland: The Funds will not be marketed publicly in the Republic of Ireland without the prior approval in writing of the Central Bank. The Funds have not been approved by, and are not regulated by, the Central Bank of Ireland.

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The foregoing summary list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective investors must read the entire Offering Memorandum of the Company and consult with their own legal, tax and financial advisers before deciding to invest in a Fund.

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