



Platinum Japan Fund

Fund in Focus

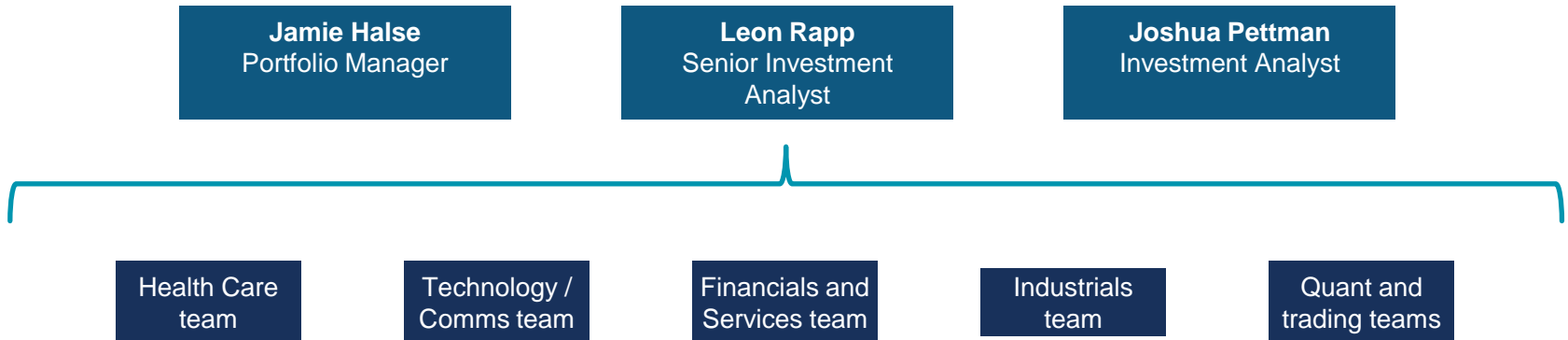
Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935



25 years' experience in investing in Japan

Dedicated Japan team

- ◆ The Japan strategy was launched in 1998; post Japan bubble bursting when we saw excellent value in the broad market
- ◆ The fund invests in companies in Japan and Korea
- ◆ Adheres to Platinum's investment approach: seeks neglect, index agnostic, seeks to protect capital
- ◆ Corporate governance reform leading to improved capital allocation, greater profitability and stronger shareholder returns



Specialist Japan regional team

In addition to drawing on the whole investment team



James Halse

- ◆ Portfolio Manager for Platinum Japan Fund (from 2021) and Platinum International Brands Fund
- ◆ Joined Platinum in 2011
- ◆ Previous experience as an equity analyst at CP2 and as a tax consultant for Deloitte.
- ◆ CFA, BA, LLB Hons, LLM Hons (Auckland)



Leon Rapp

- ◆ Senior Investment Analyst in the Japan regional team at Platinum
- ◆ Joined Platinum in 2011, left in 2015 to return to Japan and re-joined in January 2022.
- ◆ Previous experience as an equity analyst in Tokyo and sales roles in Tokyo and New York
- ◆ BA (Asian studies) and fluent Japanese speaker



Josh Pettman

- ◆ Investment Analyst in the Japan regional team at Platinum
- ◆ Joined Platinum in 2022
- ◆ Previous experience at Oxley Capital Partners and portfolio analyst at Boston Private Wealth
- ◆ BCom / BEcon (University of Queensland)



Our investment approach drives everything we do

We seek to produce strong absolute returns

- ◆ Our investing edge is our recognition of mental biases
- ◆ We exploit mispricing of companies due to unappreciated structural change
- ◆ We are index agnostic, therefore, our portfolios are very different to peers and the index

Whilst protecting the downside

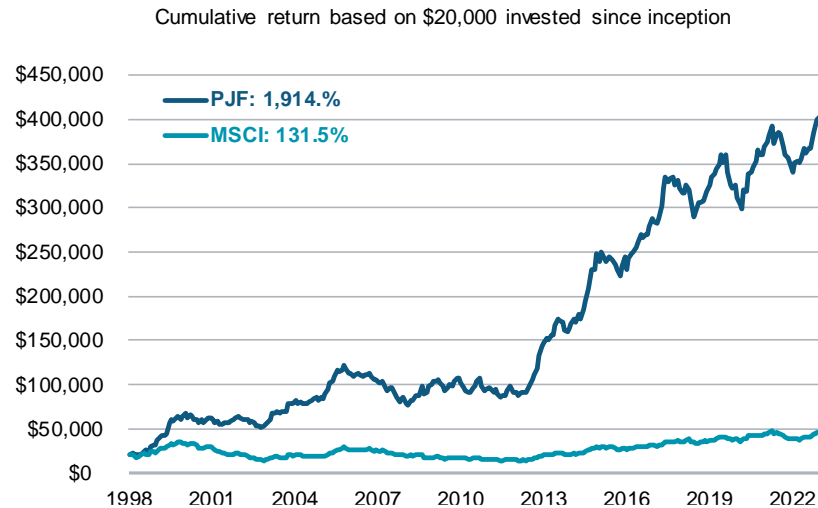
- ◆ We view risk as the prospect of losing our clients' capital
- ◆ We employ rigorous, fundamental analysis to understand the businesses we own
- ◆ We adjust our net exposure to markets via short selling and cash holdings
- ◆ We actively manage currency exposure



We have built an excellent track record investing in Japan

Platinum Japan Fund: Performance summary as at 30 June 2023 (net of fees)

	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	7 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Platinum Japan Fund	4.4	11.6	18.3	8.9	4.9	8.4	10.5	12.8
MSCI Japan net index (AUD)	7.1	15.1	22.0	6.9	5.3	8.0	8.6	3.4
Relative return	(2.7)	(3.5)	(3.8)	2.0	(0.4)	0.3	1.9	9.3

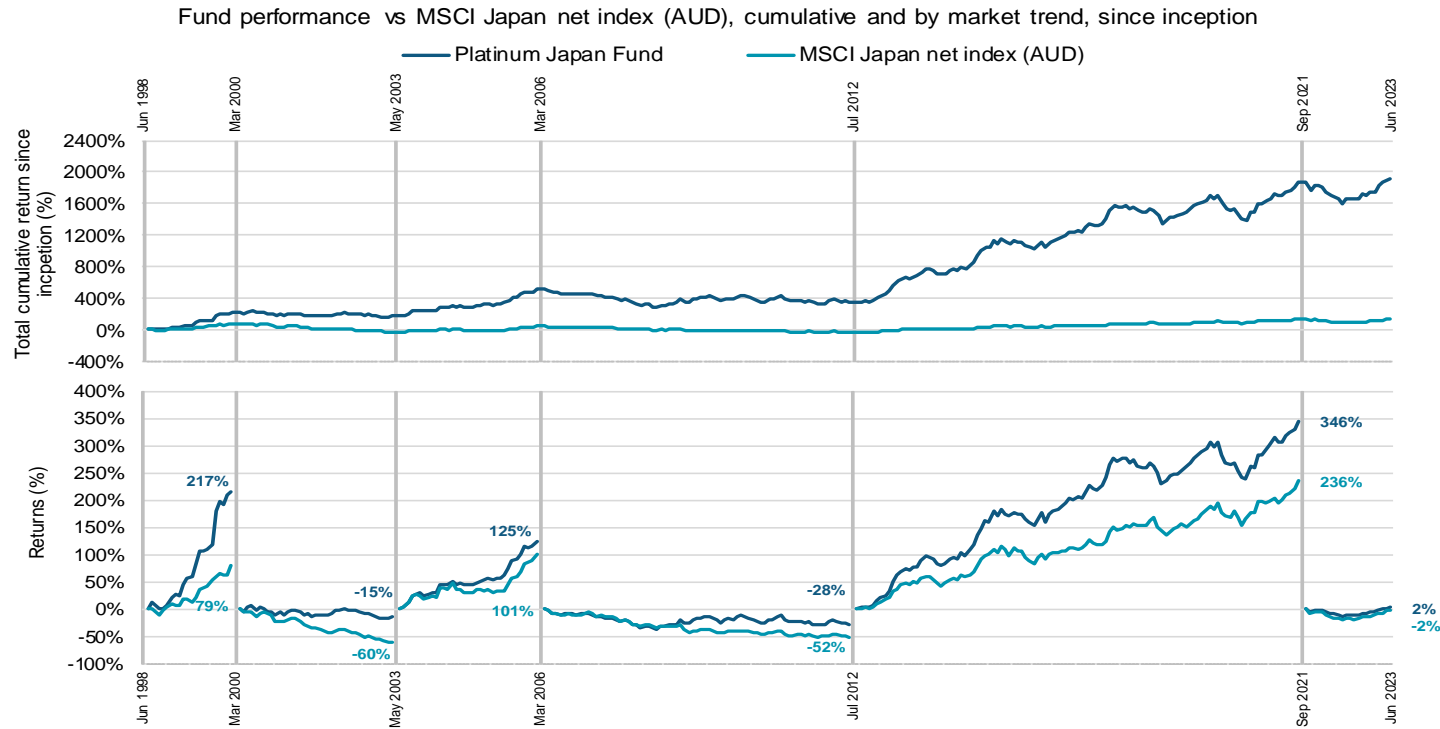


Calendar Year/s	Fund (%)	Index (%)	Relative (%)
1998-2002	179.4	(12.8)	192.2
2002-2007	95.6	22.4	73.3
2007-2012	(21.4)	(45.2)	23.9
2013	71.7	47.6	24.1
2014	11.0	4.9	6.1
2015	25.0	23.2	1.8
2016	11.5	2.9	8.6
2017	22.1	14.8	7.3
2018	(10.0)	(3.2)	(6.8)
2019	18.9	19.8	(0.9)
2020	(3.4)	4.3	(7.7)
2021	13.4	7.9	5.5
2022	(6.3)	(10.6)	4.3
2023	11.6	15.1	(3.5)



We have outperformed in both up and down markets

Investment performance: bull & bear market view since inception to 30 June 2023



Why you should be excited about Japan

The common wisdom regarding investing in Japan is outdated

Decades of reforms now driving real change

The Holy Grail: An active market for corporate control



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Investing in Japan: the common wisdom

Investing in Japan is a bad idea because:

- ◆ It has an ageing population;
- ◆ No immigration;
- ◆ No hit product since the Walkman;
- ◆ Deflation;
- ◆ Japanese companies don't care about profitability; and
- ◆ Is losing competitiveness to its Asian neighbours!



Investing in Japan: the reality

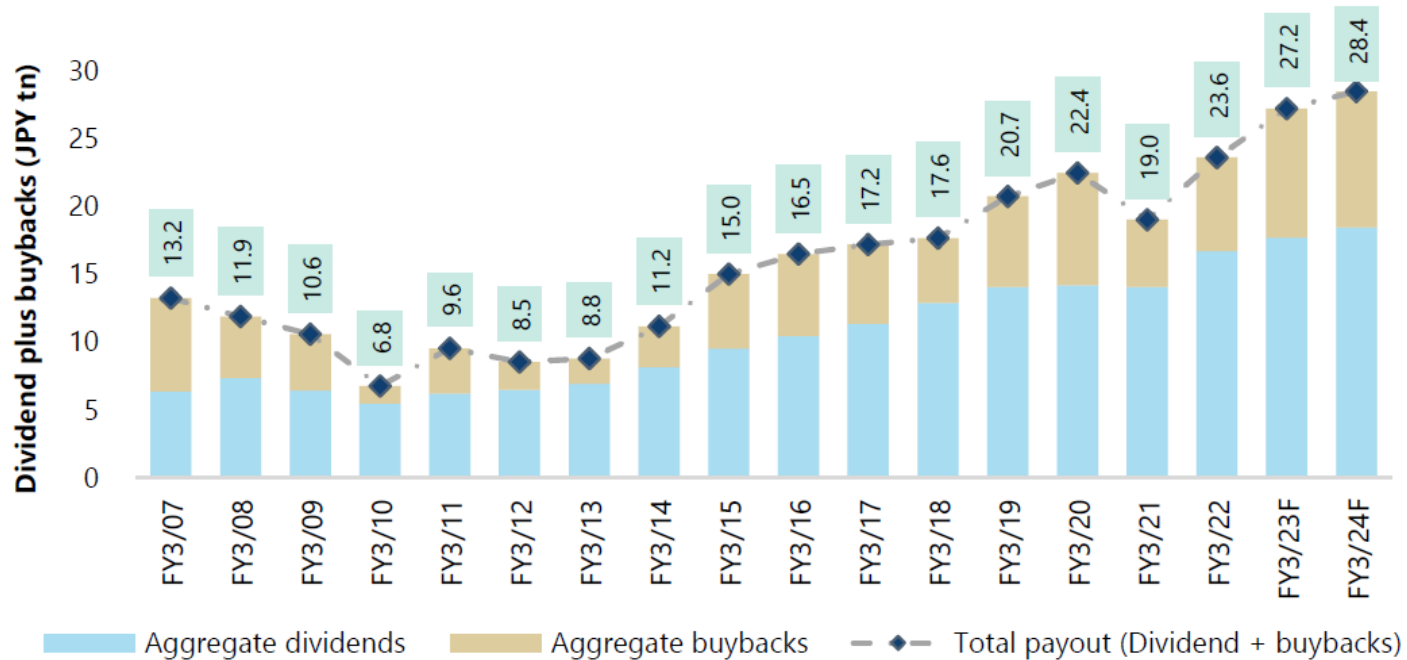
Change is well underway:

- ◆ Major governance changes drive improved cash returns to shareholders;
- ◆ Overlooked dominance of high-tech niches;
- ◆ Corporate profits are strong and inflation is returning;
- ◆ Reshoring of production drives investment;
- ◆ Stocks are still cheap but with a clear path to continue re-rating; and
- ◆ Investing in Japan is still contrarian but global investors are waking up to the story.



Improved cash returns to shareholders

Topix – Aggregate Dividend and Buybacks Trend Since FY3/07



Overlooked dominance of high-tech niches

- ◆ **Hoya: 60% market share in photomask blanks**
 - Essential to the production of high-tech computer chips
- ◆ **Fuso chemical: 90% market share in ultra-high purity colloidal silica**
 - Essential to the production of high-tech computer chips
- ◆ **DISCO: 70% market share in wafer grinders and dicers**
 - Essential to the production of high-tech computer chips

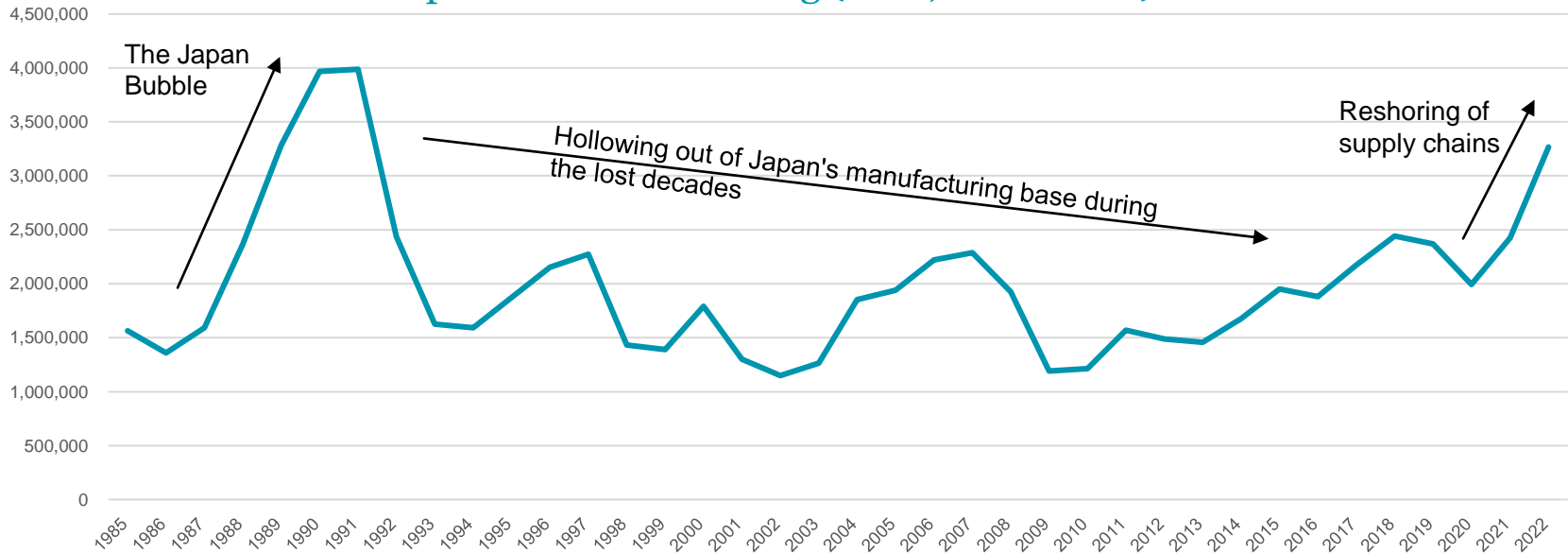


Corporate profits are strong



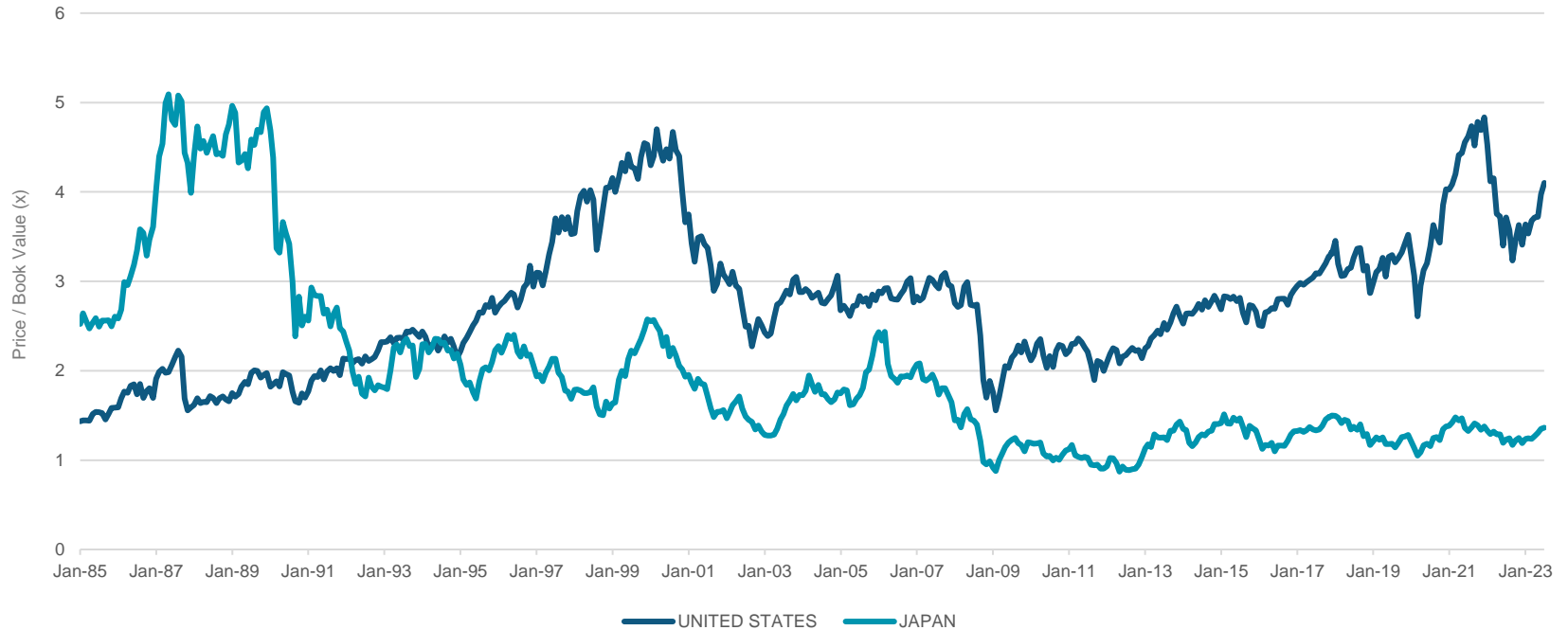
Significant investment in reshoring

Annual value of orders received for construction from domestic private manufacturing (¥mn, Fiscal Year)



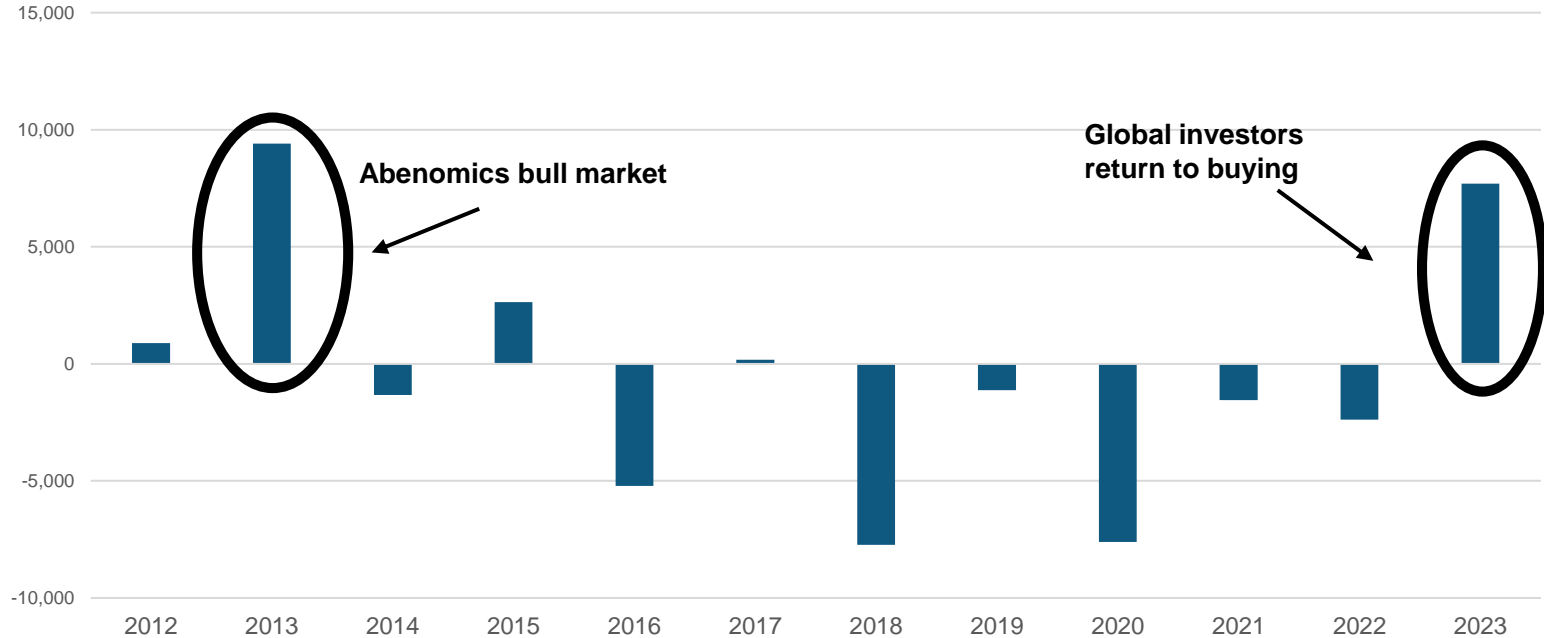
Stocks are cheap!

Price / Book: Japan vs. North America



Global investors return to buying Japanese equities

Net foreign buying of Japanese equities (¥, as of 14 July 2023)



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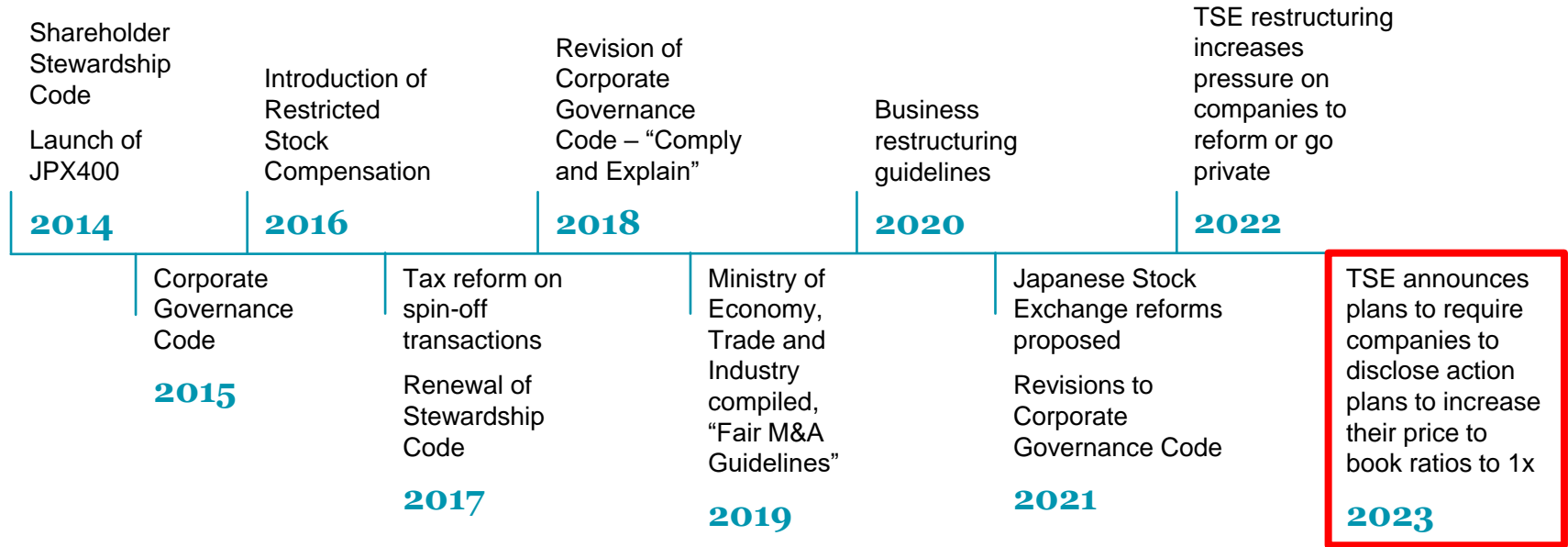
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The Holy Grail: An active market for corporate control

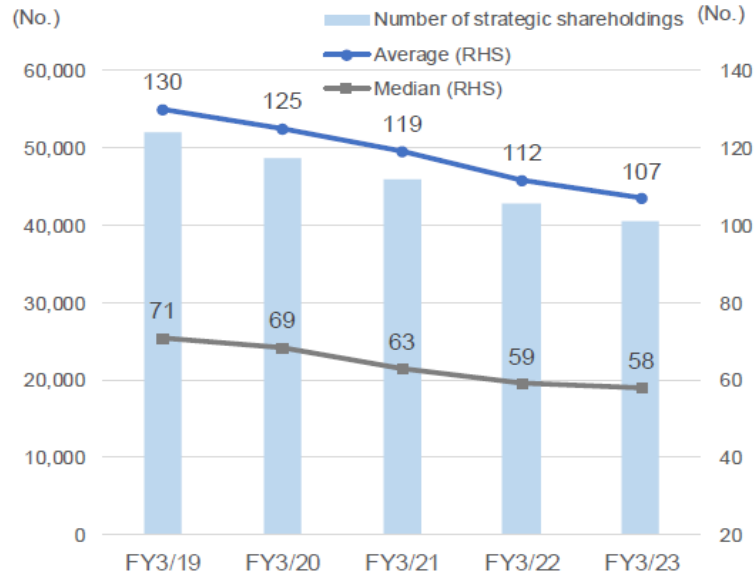


Governance improvements: a long time coming



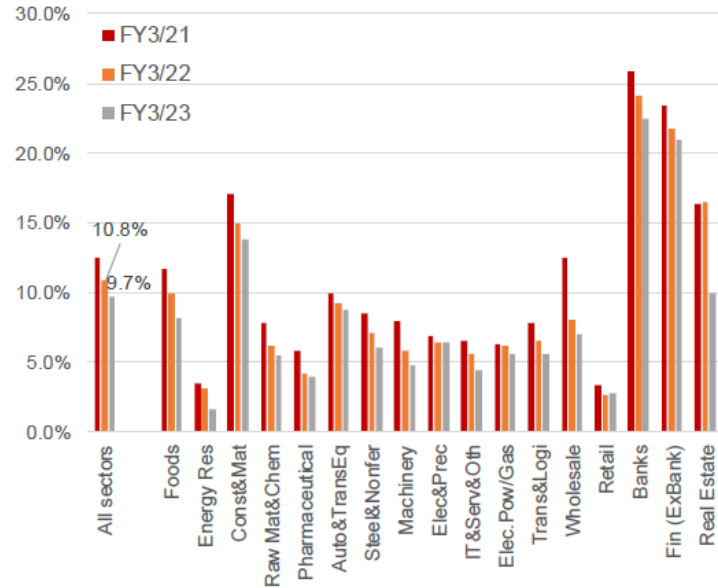
Cross-shareholdings are reducing

Number of strategic shareholdings



Note: TOPIX500 firms with March FY-ends. Figures for strategic shareholdings are totals for unlisted equity securities and other equity securities held by companies issuing annual securities reports and the companies with the largest holdings.

Ratio of strategic shareholdings to net assets on balance sheet by sector



Note: TOPIX500 firms with March FY-ends. Calculated based on total for net assets and for balance sheet carrying values for strategic shareholdings by sector.



Beginning of the unwinding journey

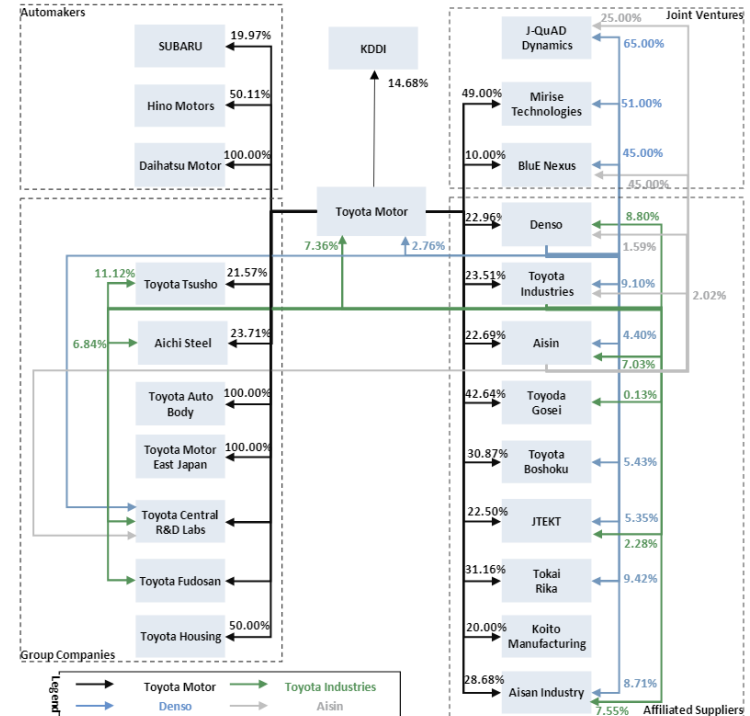
29 July 2023:

- ◆ Toyota sold ¥250bn worth of KDDI stock back to KDDI
- ◆ Could this herald a broader review of Toyota group cross shareholdings?

31 July 2023:

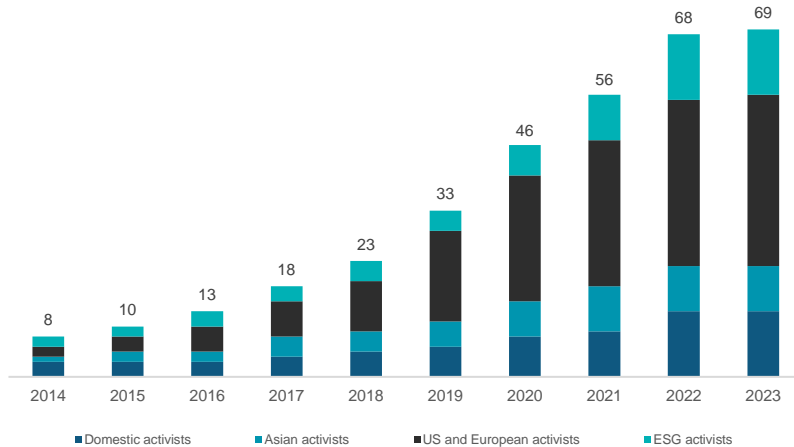
- ◆ Sekisui Jushi announced a 21% buyback of its stock
- ◆ Sekisui Chemical tendered its 20% stake of Sekisui Jushi

Toyota Group: Figures of Capital Relationships in FY23

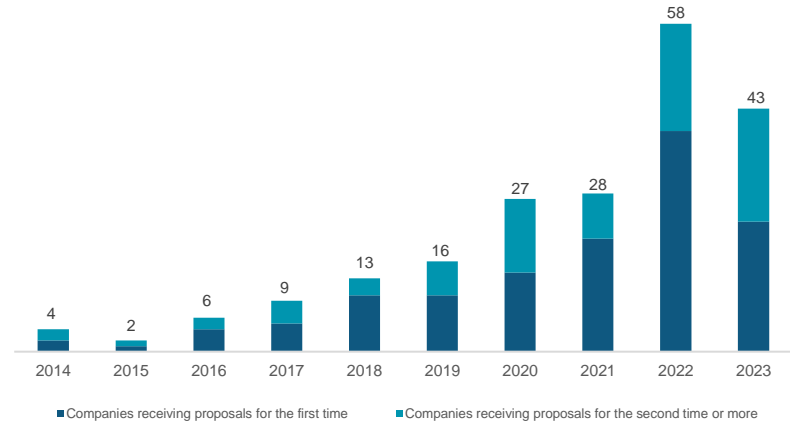


Rising shareholder activism

Number of activist funds that are active in Japan (as of 11 May 2023)



Number of shareholder proposals submitted by activists (as of 11 May 2023)



Toyo Seikan Group: returning >50% of market cap over 5yrs



What does the company do?

- ◆ Manufacturer of aluminium, plastic, and paper packaging, and can-making machinery.

What is the opportunity?

- ◆ History of poor management, lack of focus on capital allocation, and a very overcapitalised balance sheet.
- ◆ On 12th of May announced big increase in cash returns, profit and RoE targets.
- ◆ We've been engaging with the company for 2 years and we see further potential and will continue engagement.



Keisei Electric Railway: significant strategic shareholding



What does the company do?

- ◆ Keisei is a diversified rail operator and operates an express airport link between Narita Airport and downtown Tokyo.

What is the opportunity?

- ◆ A recovery of inbound tourism post COVID
- ◆ An expansion of Narita Airport capacity
- ◆ Keisei has a 22% stake in Oriental Land which represents 2.2x its market capitalization



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◆ PE carve-outs support conglomerate restructuring

- Bain buying Evident from Olympus
- KKR buying Hitachi Transport System from Hitachi
- Fortress buying Sogo & Seibu from Seven & I Holdings

◆ Corporate consolidation

- MinebeaMitsumi
- Nidec's hostile takeover bid for Takisawa

◆ Unsolicited bids by financial sponsors?



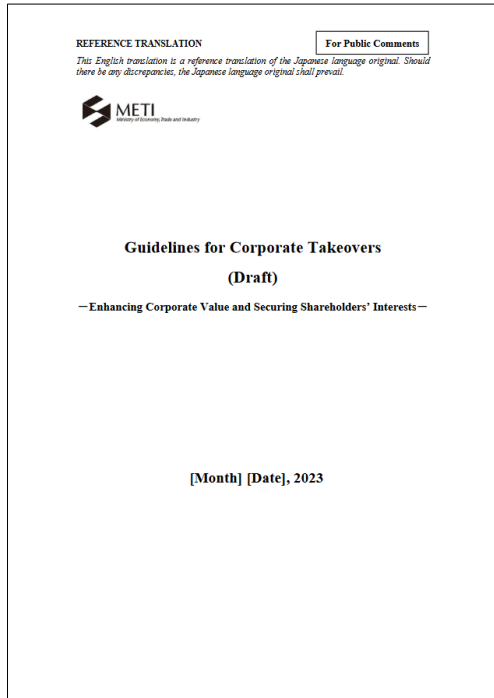
Boards are on notice

The Toyo Construction precedent:

- ◆ Toyo Construction's Board had agreed to a friendly deal with minority shareholder, Infroneer, at ¥770 per share
- ◆ Yamauchi-No. 10 Family Office (the family office of Nintendo's founding family) made an indicative proposal at ¥1,000 per share which the Board refused to consider
- ◆ Shareholders rejected the Infroneer offer
- ◆ Toyo Construction's Board still refused to engage with Yamauchi
- ◆ Yamauchi nominated a slate of directors at Toyo Construction's AGM that won control of the company



Governance improvements: defining ‘corporate value’



DEFINITION OF “CORPORATE VALUE”:

“**Corporate value**’ refers to a company’s assets, profitability, stability, efficiency, growth potential, and other company attributes that contribute to the interests of shareholders, or the extent to which they do so. Conceptually, corporate value is the sum of the present values of discounted future cash flows generated by a company.” (Section 1.4)

“Corporate value can be expressed as the sum of shareholder value (market capitalization as valued in the market) and net debt value.” (Section 1.4)



How the Platinum Japan Fund is positioned

Portfolio Themes as at 30 June 2023

Quality / growth cyclicals	Deep value with a catalyst	Digital transition	High quality consumer	Semiconductor supply chain
 <i>Passion to Create Value through Difference</i>				
				
				
				



Three key takeaways from today:

1. **Active management is especially important in Japan** and we have an excellent track record
2. **Japanese stocks are still cheap** and there is a clear pathway for further re-rating
3. Market for **corporate control is now opening** up



The Investment Specialist team is here to help



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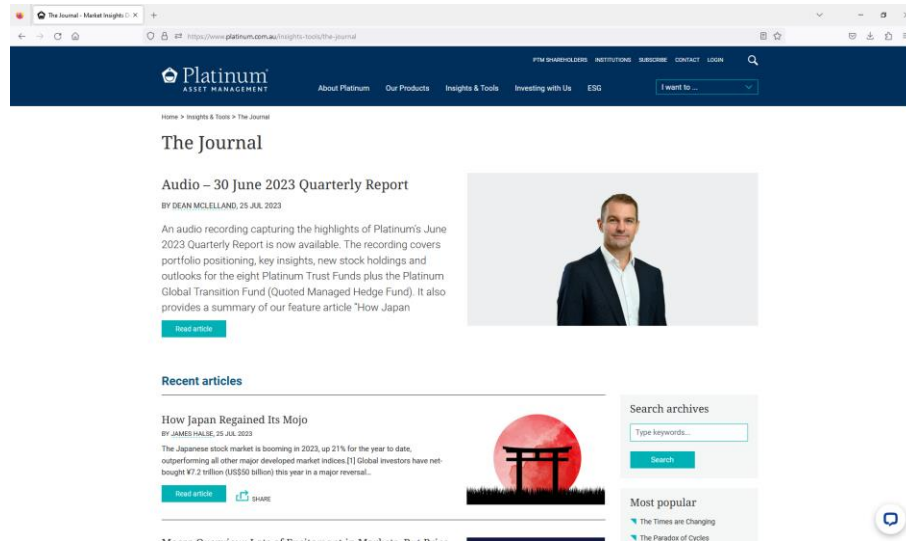
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<https://www.platinum.com.au/Insights-Tools/The-Journal>



Topical videos:

“Exciting Times for Japanese Equities”

Useful articles:

“How Japan Regained Its Mojo”

“Japan Dominating Highly Profitable Niches”

Fund in Focus Series (webinar recordings):

Platinum International Brands

Platinum Global Transition Fund

Platinum International Health Care





Thank you for joining

Platinum Investment Management Limited ABN 25 063 565 006 AFSL 221935



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Past performance is not a reliable indicator of future returns.

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