

Sustainability in Action

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For Professional Investors only

Unlocking value through governance engagements in Japan

In recent years, Van Lanschot Kempen Investment Management has intensified its active ownership approach with Japanese companies, aiming to boost capital efficiency, improve governance structures and enhance shareholder returns. Our engagements, conducted by members of the Kempen Global Small cap strategy, are centred on constructive dialogue, pressing for transparent communication and effective use of capital – a consistent theme across all cases.

Seria: Pursuing a share buyback

Our engagement with **Seria**, a retail company operating a chain of '100 yen' stores nationwide, illustrates both the challenges and breakthroughs in seeking to influence capital policy.

Good governance is about how companies make choices, use their capital resources and ensure their management is working for the long-term benefit of everyone involved. Therefore, the 'G' is as important as the other components of 'ESG' for sustainable investments. Effective and strong governance creates a solid base for responsible financial management, clear accountability and a focused strategy. Active owners, where mandated by the investors, can influence governance by engaging and encouraging companies to make better decisions about how they spend money, oversee operations and reward shareholders.

We focused particularly on the company's share buyback strategy and corporate governance. Initially, management was cautious about pursuing share buybacks due to liquidity concerns and the concentrated family ownership. However, through ongoing dialogue we highlighted the drawbacks of a longer approach to buying from the founder's descendants – resulting in the risk of prolonged underperformance.

A pivotal moment was our decision to vote against the CEO, signalling our conviction. Ultimately, our engagement has contributed to Seria approving a substantial 16% buyback, which balanced founder interests with shareholder value, not least by increasing earnings potential per share. Additionally, the company has indicated growing openness to higher dividends and continued cost discipline.

Kuraray: Strategic reshaping, improved communication

Our engagement with **Kuraray**, a diversified chemical manufacturer, extended beyond capital returns. Next to calls for increased capital efficiency, shareholder returns and better governance, we encouraged a strategic reshaping of the business portfolio: specifically reducing exposure to commoditised and less profitable segments, as well as divesting cross-shareholdings. We also advocated meaningful buybacks and called for improved communication, including English language materials and webcas results. In addition, at board level, we urged Kuraray to deepen capital markets engagement, diversify board composition and improve alignment of incentives with financial and ESG performance.

Our input, alongside other investors' feedback, helped prompt a significant JPY 30bn buyback and a reaffirmed commitment to raising return on equity. Importantly, Kuraray's board also responded to our plea for clear return on equity targets. The company's willingness to adjust its medium-term plan and boost buybacks reflected a new openness and adaptability.



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We encourage increased capital efficiency, shareholder returns and better governance.

Takuma: Significant increase in shareholder value

At **Takuma**, a plant engineering company, our engagement began with a call for action to address undervaluation, through an ambitious share buyback and a robust total shareholder return policy. We also recommended the elimination of cross-shareholdings and asked the company to raise the minimum dividend yield.

Takuma's response included a medium-term plan featuring a buyback and new return on equity targets, but after further engagement and a perception survey, the company went further, raising its buyback programme to over 11% of shares. Also, our main contact at Takuma, who was instrumental in these reforms, was promoted to CEO. This, in our view, reflected the company's recognition of the importance of investor relations and governance improvements.

The impact of the reforms was massive. The company's share price experienced a remarkable rally, rising 50% over 2025. A recognition by the market of better capital discipline and operational improvements.

Conclusion

Across all three engagement cases, we helped catalyse material progress in governance, capital allocation and shareholder returns. These outcomes underscore the role of active ownership in supporting sustainable value creation for all stakeholders. They also show that targeted and well-informed engagement can deliver meaningful shifts in Japanese corporate behaviour, reinforcing governance discipline and embedding capital allocation and shareholder value creation more firmly within the Japanese corporate agenda.

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Please note that all investments are subject to market fluctuations. Investing in a small-cap strategy may be subject to country risk, equity market risks and small cap company risk, which could negatively affect the performance. Under unusual market conditions the specific risks can increase significantly. Potential Investors should be aware that changes in the actual and perceived fundamentals of a company may result in changes for the market value of the shares of such company. Equities of companies with small capitalization can be more volatile than equities of mid and large companies and may also be less liquid.

Capital at risk

The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested. Past performance provides no guarantee for the future.

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