

March 7, 2019

Engagement Agenda

Request for Engagement Meetings on Policy Concerning Cross-Shareholdings

While many companies have declared, in their “Corporate Governance Report” updated based on the revisions to the Japan’s Corporate Governance Code in 2018, that they comply with Principle 1.4 (Cross-Shareholdings)* of the Code, you may occasionally come across the cases of disclosure in which the purpose of holding remains general and abstract or no concrete reduction policy is provided in the descriptions.

As such, the Institutional Investors Collective Engagement Forum (hereinafter referred to as “IICEF”) has sent a letter requesting to have collective engagement meetings on cross-shareholdings with the five companies, namely Mitsubishi UFJ Trust and Banking Corporation, the Pension Fund Association, Resona Bank, Limited, Sumitomo Mitsui Asset Management Company, Limited and Sumitomo Mitsui Trust Asset Management Co., Ltd. (in alphabetical order; hereinafter referred to as the “Participating Investors”), to multiple leading companies.

Issues to be discussed about in the collective engagement meetings are as follows;

- (i) Whether a concrete reduction policy is set up or not, and the scale of and the process for the reduction
- (ii) Detailed analysis of each cross-shareholdings and simulation of impacts incurred on the business by the sales thereof
- (iii) Thoughts on legal concerns over cross-shareholdings as a condition in exchange for mutual business transaction
- (iv) Reasons why the shareholding is linked with enhancement and strengthening of business relationships
- (v) Way of thinking about “Stable(loyal) shareholder formation” through cross-shareholding, and its policy ahead.

The Participating Investors consider that maintenance and strengthening of business relationships and holding of shares should be recognized separately. However, because backgrounds and circumstances of companies regarding cross-shareholdings vary widely, the Participating Investors would like to first hold collective engagement meetings to listen to thoughts of leading companies, then reorganize the common views of the Participating Investors and proceed with collective engagement meetings with many more companies.

The realigned common views are to be disclosed on the IICEF's website.

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*Japan's Corporate Governance Code (excerpt)

Principle 1.4 Cross-Shareholdings

When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital.

The results of this assessment should be disclosed.

Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards