

February 28, 2021

2020 Activity Report Summary (October 2019 - September 2020)

1. Management Philosophy

“We help institutional investors conduct sound and appropriate stewardship activities, especially in collective shareholder engagements in which multiple institutional investors work together in an aim to hold constructive dialogues with listed companies in Japan.”

2. Organization, Operation and Major Activities

The Institutional Investors Collective Engagement Forum (hereinafter referred to as “IICEF”) will promote/organize the Institutional Investors Collective Engagement Program (hereinafter referred to as the “Program”). In this Program, IICEF serves as the coordinator/secretariat (hereinafter referred to as “Secretariat”). The participating institutional investors (hereinafter referred to as the “Participating Investors”) will discuss key issues of target companies and come up with common engagement agendas which reinforce ongoing constructive dialogues. For each agenda, the Secretariat sets up collective engagement meetings with target companies and facilitate the meetings (i.e. act as moderator and summarize the arguments), so that the dialogue between the companies and the Participating Investors is constructive. The Program is based on an individual agreement between IICEF and each Participating Investor, and Participating Investors are not in a mutual contractual relationship. Accordingly, there is no “agreement of joint holding and the like.” In addition, a conduct guideline is covenanted based on which no “act of making important suggestion” is allowed in collective engagement meetings. The Program aims to contribute to an increase in long-term corporate value and sustainable growth of companies, not to pursue short-term shareholder returns.

3. History and Achievements of Activities

(1) Operation of the Institutional Investors Collective Engagement Program

(i) Operation of IICEF, and Participating Investors

Since its establishment on October 2, 2017, based on the revision of Japan’s Stewardship Code (Guidance 4-4) *, IICEF initiated for the first time in Japan and has held collective engagement meetings between multiple investors and companies.

As of September 30, 2020, the seven institutional investors are participating, namely The Dai-ichi Life Insurance Company, Limited, Mitsui Yasuda Asset Management Company Ltd., Mitsubishi UFJ Trust and Banking Corporation, Pension Fund Association, Resona Asset Management Co., Ltd., Sumitomo Mitsui DS Asset Management Company, Limited and Sumitomo Mitsui Trust Asset Management Co., Ltd.(in alphabetical order)

(ii) Program Operation Meetings

We held 12 operation meetings in total (including one meeting held on paper) as a place for discussion by the Participating Investors, where we discussed methods of operating the Program, examined themes, set agendas, selected target companies and discussed methods of collective engagement meetings. We also reported the status of announcement and lobbying activities.

(iii) Setting Agendas and Sending Letters

We examined, from the perspective of superlong-term buy-and-hold investors, requests which test fundamental awareness and concerns of the management team are easier to gain the sympathy and support of government offices and market participants, rather than requests simply asking companies for superficial improvements, among themes such as governance, sustainability and capital efficiency which are issues commonly faced by Japanese companies as a whole, and set them as agendas.

When examining agendas, we organized logical views based on lectures by professionals knowledgeable about the themes or academic researchers, provided information and data, exchanged opinions, etc.

And then, we sent letters explaining the underlying views of investors and stating concrete requests to each target company, specifying president, outside director or others as addressee. When sending letters to president, etc., we sent an e-mail attaching the letter in the PDF format or mailed the letter to a person in charge or other contact point of IR in advance to ensure that the information was shared within the target company.

As a result of these activities, achievements have been gradually built upon for each agenda.

(Figure) Overview of each agenda

A) Materiality Identification and Disclosure Relating to Sustainability of Business Model

Purpose	To promote awareness and enhance activities and disclosure of “ESG materiality” relating to ESG issues expected from investors
Letter timing	October 15, 2019, and January 6 and 7, 2020

Target company	Companies with a market capitalization of ¥500 billion or above that disclosed materiality from a multi-stakeholder perspective rather than an investor perspective in the 2018 integrated reports, and that also presented materiality from a multi-stakeholder perspective in the 2019 integrated reports.
Achievement	In addition to the sending of letters, collective engagement dialogues were held upon the request of the companies. Approximately 30 percent of Japanese companies have identified and disclosed materiality expected by this agenda. The initially-set target (of identification and disclosure by 50 companies) was achieved.

B) Handling of Corporate Scandals

Purpose	To support to improve information disclosure and to reform corporate culture and governance by their outside directors at companies which have caused corporate scandals
Letter timing	No letters were sent in this term. [subsequent event] A request to a company for the establishment of an IR division and the holding of explanatory sessions for investors on November 16, 2020

C) Many “Against” Votes

Purpose	To analyze factors of company proposals electing directors for top management for which many “against” votes were cast at general meetings of shareholders and recognize awareness as governance issues
Letter timing	December 3, 2019 and January 7, 2020
Target company	16 companies at which “against” votes in a certain number or more were cast against company proposals electing directors for top management in their general meetings of shareholders in May and June 2020
Achievement	Received responses from 12 companies detailing analysis results and countermeasures. Some companies showed signs of improvement by fully addressing this issue and visiting investors to provide IR/SR explanations, among other efforts.

D) Takeover Defense Measures (Disclosure on necessities with sufficient attention given to possible negative reputation in capital markets)

Purpose	To recognize management issues through examination of the necessity to introduce and/or continue takeover defense measures
Letter timing	February 12 and March 3, 2020
Target company	29 companies with a market capitalization of ¥100 billion or above whose takeover defense measures were to expire in 2020
Achievement	15 out of 29 companies replied that they would conduct an examination. 13 companies decided not to continue with their takeover defense measures. (Among the companies that submitted proposals to continue with the takeover defense measures, there were no companies that were able to provide a reason satisfactory to the investors.)

E) Concerning Issues Related to Governance of Parent and Subsidiary Listed Companies

Purpose	To promote measures and designs for governance to reflect intention of minority shareholders
Hearing timing	November 7, 2019
Participating company	Five companies, with the cooperation of ICJ, participated and collective hearings were conducted.

[Subsequent events]

Letter timing	October 14, 2020
Target company	Parent companies and subsidiaries of typical corporate groups under parent-sub subsidiary listing
Progress	In addition to collective engagement dialogues and replies in writing, individual meetings were also held. There were some companies that were able to share the key points of issues regarding parent-sub subsidiary listings.

F) Policy for Cross-Shareholding

Purpose	To reform the mindset of companies against Cross-Shareholding and the Stable-Shareholder policy
Letter timing	September 10, 2020
Target company	Typical companies that claim compliance with the CG Code but do not disclose a clear policy or analysis results, and continue to hold a large volume of shares in cross-shareholdings or cause the counterparty to hold their shares in cross-shareholdings.
Progress	In addition to holding collective engagement dialogues, we received individual visits and held meetings. While some companies, despite their inadequate disclosure, were willing to work toward reducing their shareholdings, others had no intention of reducing their shareholdings and the issue remained unresolved. Engagement will continue going forward.

G) Demonstrating Governance in Post-COVID-19 Era and Measures for General Shareholders Meetings that Put Safety First

Purpose	To indicate methods of administrative work in response to COVID-19 and proactively demonstrate governance in post-COVID Era
Announcement method	Posting on the website and delivering messages from IR supporting companies, stock transfer agencies, and audit firms
Announcement date	April 10 and May 9, 2020
Target company	All listed companies

(iv) Meetings and Receipt of Responses

We made coordination with IR contact points at the target companies to which we sent letters through such means as e-mail and telephone and held pre-meetings with IICEF-Secretariat (IICEF Directors in charge). Then, we held not only face-to-face meetings but via the Internet under the facilitation by the Secretariat, attended by the Participating Investors to engage in direct dialogue with directors in charge, outside directors and department heads in charge at those companies.

For some agendas where we did not ask for meetings but instead asked for responses, the Secretariat received explanations through interviews or explanatory documents through e-mail or mail and reported and shared the responses to the Participating Investors.

At collective hearings regarding the parent-subsidary listings, with the cooperation of ICJ, Inc., we invited persons in charge at parent and subsidiary listed companies providing their opinions and had the hearings with attended multiple companies.

(v) Activities for Announcement, Seminars, etc.

The overview of the letters were publicly disclosed on IICEF's website in order to broadly disseminate the issues addressed in the agendas to Japanese companies as a whole, which are common among them. We also provided notices to government offices, market participants, relevant organizations, stock transfer agents, IR supporting companies, annual report production companies, etc. via e-mail.

Alongside with the above, we gave lectures at external seminars held by IR supporting companies, securities companies and various other organizations to introduce IICEF and explain the overview of the agendas.

(Figure) Status of implementation of specific activities for announcement, seminar, etc.

(v)-1 Distribution of e-mail

A) Status of Responses Concerning Materiality by Japanese Companies as of 2018 and Their Future Identification and Disclosure

Website update (Japanese section)	October 16, 2019
E-mail notice sent	10 destinations

B) Many "Against" Votes

Website update (Japanese section)	February 12, 2020
E-mail notice sent	11 destinations

C) Takeover Defense Measures (Disclosure on necessities)

Website update (Japanese section)	February 25, 2020
E-mail notice sent	11 destinations

D) Issues Related to Governance of Parent and Subsidiary Listing (Collective Hearing)

[Subsequent Events]

Website update (Japanese section)	October 8, 2020
E-mail notice sent	13 destinations

E) Policy Concerning Cross-Holding Shares (Collective Hearing)

Website update (Japanese section)	September 9, 2020
E-mail notice sent	14 destinations

F) Demonstrating Governance in Post-COVID-19 Era and Measures for General Shareholders Meetings that Put Safety First

Website update (Japanese section)	April 10, 2020 and May 8, 2020
E-mail notice sent	17 destinations

(v)-2 Lectures at Seminars

Seminar	7 times
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(2) Visits to IR Supporting Companies to Provide Explanations

We visited IR supporting companies to report IICEF's activities, provide detailed explanations on the agendas and exchange opinions.

(Figure) Status of visiting IR supporting companies to provide explanations

Visits to provide explanations	2 times
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[Subsequent events]

Visits to provide explanations	6 times
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(3) External Affairs (Lobbying Activities)

We interviewed government offices, foreign public institutions, institutional investors in and out of Japan, relevant organizations in and out of Japan, engagement proxies, etc. to introduce IICEF, report our activities and exchange opinions concerning collective engagement meetings.

(Figure) Status of external affairs (lobbying activities)

Visits to provide explanations	10 times
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[Subsequent events]

Explanations via the Internet	3 times
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(4) Other

On July 30, 2020, we expressed our acceptance of the Japanese Stewardship Code.

4. Issues to Be Addressed

Three years have passed since our launch as Japan's first organization to support collective engagement meetings by institutional investors. During the period, we set up seven agendas, conducted collective engagement meetings with more than 200 companies and worked on activities to broadly make announcements. On the back of attention from companies, institutional investors in Japan and overseas, government offices, various relevant organizations, etc., we have looked for and gradually advanced methods of collective engagement meetings unique to Japan. In other words, we act as an organization to conduct activities aimed at increasing long-term corporate value of Japanese companies as a whole,

rather than activities to pursue short-term shareholder interests.

As a result, we made achievements as described in “3. History and Achievements of Activities.” We continue to work on our agenda, which we began in our initial year, and continue to see achievements in our agenda from the previous fiscal year. Many Japanese companies have come to understand IICEF’s approaches as well as views and requests of the Participating Investors. We feel confidence about gradual changes in views of companies. Government offices, market participants, non-participating investors, relevant organizations overseas, etc. are also showing interest in our activities. We are gradually gaining influence over Japanese companies, and a circle of support and cooperation is expanding.

However, naturally there is a limit to the number of companies with which collective engagement meetings can be held, and at the same time, management resources are limited. Amid such circumstances, the issues lie in how we can increase the influence over Japanese companies as a whole. Among other issues, issues still remain in clarifying the advantages unique to collective engagement meetings which cannot be offered in non-collective dialogues and establishing methods of collective engagement meetings in line with the circumstances of Japanese companies and the stock market.

In addition, the COVID-19 pandemic has had a profound impact on our collective engagement meetings. Amid the drastic changes to the workstyles of the participating investors and companies, the Forum has also had to make sweeping changes to its operational methods based on a remote working style. Going forward we will need to devise appropriate methods in light of the advances in information technology and the changing responses of the companies.

To address these issues, we will leverage our experience and expertise to efficiently expand the scope of our activities as well as the number of participating investors from our fourth year onward.

Specifically, we will reinforce our capabilities to communicate our message to a greater number of companies by increasing the number of meetings taking advantage of the benefits of the Internet meetings, increasing the number of targeted companies and sending out letters that do not require meetings, and improving our announcements by obtaining the cooperation of outside organizations such as e-mailing newsletters. We will also continue to consider such efforts as holding workshops to acquire the insight of outside experts, in order

to improve our agenda and to enhance and deepen our common views.

At the same time, we will continue to invite the other investors to participate while deliberating schemes that will enable the participation of active investors, and implementing systems for receiving requests for collective engagement meetings from companies, as well as lobbying activities targeting government offices and public organizations and methods of providing explanations to asset owners.

Through these activities, we intend to increase the number of participating investors and build up our management resources in conjunction with the greater number of participating investors, thereby enhance the influence that collective engagement meetings have over Japanese companies, clarify the unique benefits of collective engagement meetings, while at the same time establish a sustainable management foundation

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*In Japan's Stewardship Code, Guidance 4-4 stipulates "Institutional investors should have a clear policy in advance on how they design dialogue with investee companies in various possible situations."