

May 8, 2020

[Urgent Message]

Measures of Investors to Place Highest Priority on Safety of  
Employees and Persons Concerned Who Are Engaged in Operations Related to  
Financial Closing, Audit and General Meetings of Shareholders

The Institutional Investors Collective Engagement Forum (hereinafter referred to as “IICEF”), together with the seven companies participating in the Forum, namely The Dai-ichi Life Insurance Company, Limited, Meiji Yasuda Asset Management Company Ltd., Mitsubishi UFJ Trust and Banking Corporation, the 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; hereinafter referred to as “Participating Investors”), which are long-term investors, would like to communicate the following as a messages of support to those companies which are struggling with the response to the COVID-19 crisis and making struggling efforts in such circumstances.

[To those who are engaged in operations related to financial closing, audit and general meetings of shareholders]

Relevant government offices have already presented legal measures including postponement and adjournment of general meetings of shareholders so that companies perform operations related to financial closing, audit and general meetings of shareholders while giving due consideration to securing of the safety. However, we hear that some companies are concerned about reactions of certain investors to postponement or adjournment of general meetings of shareholders, irrationally require employees and persons concerned to come to the office being fixated on operating the general meeting of shareholders in the same manner as in preceding years and thus causing a higher risk of infection. Given the situation, we explain the views of Participating Investors.

First of all, the Participating Investors consider securing of the safety of employees and parties who are engaged in operations related to financial closing, audit and general meetings of shareholders should be placed before anything else. Above all, even from the viewpoint of ESG, we believe that securing of the safety of stakeholders such as employees and persons concerned is a priority issue (materiality issue) common to every company.

Accordingly, we believe that measures different from the past are required for the general meetings of shareholders for this year. If the general meeting of shareholders is to be postponed due

to delay in financial closing procedures or audit operations, record dates for exercising voting rights and receiving dividends stipulated in the articles of incorporation may need to be changed. Such changes in record dates will have considerable impact on investors' practical operations due to, for example, a fund's financial closing operations being set up based on a year-end dividend the record date of which is the financial closing date. However, as we are facing an emergency this year, we intend to deal with the changes giving due consideration for circumstances of each company while gaining understanding of providers of funds (asset owners, etc.), because such changes will benefit us in such ways as enabling responsible exercise of voting rights based on finalized financial accounts and dispersion of the time to examine the proposals of general meetings of shareholders. For this reason, if a company intends to postpone the general meeting of shareholders, we would like the company to disclose the fact as soon as possible.

In addition, even if adjournment of the general meeting is required for financial statements, etc. and audit result reports, we intend to deal with such cases flexibly, as a general rule, for the general meeting of shareholders held by June 2020 in which no financial statements, etc. and audit reports are provided, as long as explanations on the operating results, future outlook, etc., including the special circumstances of fiscal year 2019, are appropriately provided in documents such as a quarterly report. We would like companies to promptly disclose the fact in such a case as well, upon determination of the adjournment of the general meetings, and to voluntarily include, among information to be included in the business report, information concerning the independence of outside directors and/or audit & supervisory board members (hereinafter referred as to "directors") and information concerning proposals to appoint directors such as the attendance rates to meetings of the board of directors and/or the audit & supervisory board members, in the reference documents.

When determining whether to approve proposals on dividends, investors make judgments based not only on the operating results for fiscal year 2019 but also on the past dividend payments, financial position, strategies, etc. Judgments on proposals to appoint directors are also made based on the past management performance, independence of outside directors, etc. and the same applies to proposals on directors' remuneration. Excluding cases of proposals requiring special judgments or the financial position requiring special attention, unavailability of audit reports, financial statements, etc. does not simply mean that determining whether to approve proposals becomes impossible for any investors without exception.

Meanwhile, even if the general meeting of shareholders is to be held in the same manner as in preceding years without being postponed or adjourned, the convocation notice is expected to be sent significantly later than preceding years due to delay in financial closing procedures and/or audit operations. In such cases, an excessive burden may be placed on practical operations of investors

and a risk of infection may also become higher, because work related to the exercise of voting rights gets concentrated in a shorter period of time than preceding years. As a result, persons concerned who are not in charge of the work may be required to come to office to deal with the situation. For this reason, companies are requested to consider making disclosure of the convocation notice on the website before mailing it, promptly after the board's resolutions of approval of the financial statements, etc. and convocation of the general meeting of shareholders as well as after the instruction to start printing the convocation notice.

Changes are expected to be observed in awareness and behavior of people across the globe after the pandemic. Not to mention heightened awareness of health and hygiene, we are expected to see a significant shift to the world where technology is utilized more than ever.\* Shareholders' awareness of and behavior toward financial closing, audit and general meetings of shareholders may also change, and in fact, investors are also reviewing the operations concerning general meetings of shareholders this year. We hope that companies make use of this opportunity to revise its operations and administration by introducing remote working, digital authentication, etc. and work to improve the efficiency and strength, leading these activities to enhancement and acceleration of information disclosure and promotion of dialogue. General meetings of shareholders receive attention not only from shareholders but also from all stakeholders including employees and business partners etc., and represent companies' stance on corporate governance. We hope to get through this emergency situation together and work to achieve more enhanced financial closing, audit and general meetings of shareholders.

Contact information:

Institutional Investors Collective Engagement Forum

Directors in charge: Yuki Kimura, Naomi Yamazaki and Ryusuke Ohori

Address: Tokyo Entre Salon, Sinmaki-chou Building Annex 1, 3-2-14, Nihonbashi, Chuo-ku,

Tokyo 103-0027 JAPAN

E-mail: [info@iiccf.jp](mailto:info@iiccf.jp)

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\* We have published "Urgent Engagement Agenda: Letter Requesting Proactive Demonstration of Governance With an Eye on Post-Pandemic Global Changes" dated on April 10, 2020. In this agenda, directors of Japanese companies are asked to take up bold challenges and make reforms to "create a new strong world and company," instead of "going back to the former world and

company,” by spotting changes in the management environment which are likely to occur after the pandemic.

(See: [https://www.iiccf.jp/pdf/jp/pdf\\_jp\\_20200410.pdf?20200410](https://www.iiccf.jp/pdf/jp/pdf_jp_20200410.pdf?20200410))