

February 10, 2023

## 2022 Activity Report Summary (October 2021 - September 2022)

### 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”) promotes/organizes 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”) discuss key issues of target companies and set common engagement agendas which are expected to be conducive to constructive dialogues. For each agenda, the Secretariat organizes collective engagement with the target companies and facilitates meetings to support constructive dialogue between companies and Participating Investors.

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. Progress and Achievements of Our Activities

#### (1) Incorporation and Operation of IICE

Since its establishment on October 2, 2017, based on the revision of Japan’s Stewardship Code (Guidance 4-6) \*, IICEF initiated for the first time in Japan and has held collective engagement meetings between multiple investors and companies.

#### (2) Operation of the Program

(i) Participating Investors

As of September 30, 2023, the seven institutional investors are participating, namely The Dai-ichi Life Insurance Company, Limited, Meiji 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 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 how we conduct collective engagement meetings. We also reported the status of announcement and liaison activities.

(iii) Agenda Setting and Implementation Status

We examined, from the perspective of superlong-term buy-and-hold investors, requests which do not seek superficial improvements of companies, but do test fundamental awareness and concerns of the management team, and which can be easily accepted by government offices and market participants, among themes such as governance, ESG and capital efficiency which are issues commonly faced by Japanese companies in general, 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.

< Themes of lectures >

- Shareholder proposals on environmental issues
- Human capital
- TOB and takeover defense measures
- Misconduct issues

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, we have made some achievements as below.

(Figure) Overview of each agenda

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

⇒ Disclosure of Non-financial Information (title of the agenda was altered)

Purpose	To promote awareness and enhance activities and disclosure of “Financial materiality” expected from investors
Lead investor	Resona Asset Management Co., Ltd.
Letter timing	Publication: October 12, 2022 Dispatch: November – December 2022
Discussion and Background	<p>Approximately 30–40% of companies issuing integrated reports have identified and disclosed their material issues. While many of these disclosures still reflect a societal materiality perspective, around 30% of companies have adopted an investor-oriented approach. Based on this outcome, we consider that this agenda has achieved a certain level of success.</p> <p>Meanwhile, as momentum builds among companies to disclose non-financial information, many express uncertainty about what should be disclosed. Disclosure frameworks are gradually converging, and regulatory developments are underway in regions such as Europe.</p> <p>In response, we have initiated the distribution of letters clarifying investor expectations regarding non-financial disclosure. These letters call for the disclosure of non-financial information that may materially affect future financial performance, and request that such information be presented as part of a coherent narrative aimed at enhancing corporate value. The letters have been sent to all companies listed on the Tokyo Stock Exchange Prime Market, with tailored content provided for both integrated report issuers and non-issuers.</p>

B) Response to Misconduct Occurrence

Case	Quality misconduct issue
Lead investors	Sumitomo Mitsui DS Asset Management Company, Limited
Letter timing	September 8, November 5, 2021
Achievement	The CFO explained that the company takes investor feedback seriously and is committed to responding appropriately.

Case	Governance failure issue
Lead investors	The Dai-ichi Life Insurance Company, Limited
Letter timing	January 27, 2022

Achievement	Ongoing discussions with outside directors and the board secretariat. Monitoring future developments closely.
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Case	Quality misconduct issue
Lead investors	Meiji Yasuda Asset Management Company Ltd. Sumitomo Mitsui DS Asset Management Company, Limited
Letter timing	October 31, 2022 [Subsequent Event]
Achievement	Briefing from the responsible executive, with collective engagement meeting planned with outside directors.

#### C) Response to High Dissent Rate Proposals at General Shareholder Meetings

Purpose	Analysis of factors for high dissent ratios on top executive appointment proposals at general shareholders meetings and recognition of issues
Lead investor	Mitsubishi UFJ Trust and Banking Corporation
Letter timing	January 27, 2022
Target companies	14 companies that had 20% or more dissent against top executive appointment proposals at their May/June 2022 shareholder meetings, excluding those that were sent letters in the previous term.
Responses	Meetings: 3 companies Response through documents: 5 companies No Response: 6 companies

#### D) Disclosure of the Necessity of Takeover Defenses

Purpose	To recognize management issues through examination of the necessity to introduce and/or continue takeover defense measures
Lead investor	Sumitomo Mitsui DS Asset Management Company, Limited
Letter timing	February 9, 15, 21, 28, March 11, 17, 24, 2022
Target companies	Among companies listed on the Prime Market: 53 companies with expiring takeover defense measures in 2022
Achievement	Among 53 companies, 8 chose not to continue them. (Of the companies that submitted continuation proposals to their shareholder meetings, none provided reasons that satisfied investors.)

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

Purpose	To promote measures and designs for governance to reflect intention of minority shareholders
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Lead investor	Sumitomo Mitsui Trust Asset Management Co., Ltd.
Letter timing	October 28, 2021, August 18, 2022
Target companies	8 companies
Achievement	<ul style="list-style-type: none"> <li>- Conducted collective engagement meetings with 6 companies.</li> <li>- 1 company is currently coordinating schedules; 1 under ongoing monitoring.</li> <li>- Communicated key investor concerns and clarified perceived issues.</li> <li>- Interim report disclosed (October 26, 2021).</li> <li>- Positive case example disclosed: Sumitomo Chemical (November 26, 2021).</li> </ul>

#### F) Policy of Cross-Shareholdings

Purpose	To reform the mindset of companies regarding cross-shareholdings and stable shareholder policies.
Lead investor	Pension Fund Association
Letter timing	September 15, 2022
Target companies	Conducted interviews with 7 companies implementing reduction measures, in light of continued holdings despite a declining trend.
Achievement	Meetings: 4 companies [Subsequent Events] Schedule coordination in progress: 1 company Under consideration for implementation: 2 companies

#### 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
Letters sent	Nil

#### (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 meetings mainly online 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 email or mail and reported and shared the responses to the Participating Investors.

(v)Activities for Announcement, Seminars, etc.

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

Alongside the above, we gave lectures at various workshops to introduce IICEF and explain the overview of the agendas.

(Figure) Status of Implementation of specific activities for Announcement, Seminars, etc.

(v)-1 Distribution of E-mail

A) Disclosure of Non-financial Information

Website update	October 12, 2022 [Subsequent Event]
E-mail notice sent	16 destinations [Subsequent Event]

(v)-2 Seminar/Workshop

Seminar/Workshop	4 times
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(3) Visits/Online Explanations

We conducted in-person and online meetings with IR support companies to share updates on IICEF’s activities, explain the agendas, and exchange views.

We also held briefing sessions for production staff at report production companies involved in integrated reports, sustainability reports, and corporate websites, focusing on the “Disclosure of Non-financial Information” agenda.

Furthermore, we engaged in dialogue with domestic and international institutional investors who are not participants in the IICEF.

(Figure) Status of visits/online explanations

On-site explanations	3 times 6 time [Subsequent Event]
Briefing sessions at IR support companies etc.	10 companies [Subsequent Event]
Dialogue with Investors	5 times

(4) Liaison/Lobbying Activities, Submission of Public Comments

Through the meetings with government agencies, stock exchanges and related overseas organizations and so on, we reported on IICEF’s activities and exchanged views on collective engagement.

We exchanged views with members of FSA’s the Council of Experts Concerning the Follow-up of Japan’s Stewardship Code and Japan’s Corporate Governance Code, communicated the investors’ opinions on the revision of the Corporate Governance Code. Then we submitted comments in response to the public consultation on the revision of the Corporate Governance Code.

In October 2022, we also submitted our views to the Tokyo Stock Exchange regarding the restructuring of market divisions.

(Figure) Status of liaison activities

On-site Explanations/Exchanges of views	3 times - Incl. 2 times of dialogue with FSA’s Follow-up Council member
Public Comment	2 times
Media Interviews	1 time

#### 4. Issues to Be Addressed

Five years have passed since our launch as Japan’s first organization to support collective engagement meetings by institutional investors. During the period, we have set up seven agendas, sent letters to a cumulative total of 2,122 companies and held collective engagement meetings with 65 companies. We have also conducted seminars and provided information to companies with the cooperation of securities firms, IR support companies, and stock transfer agencies. In addition, we have engaged in lobbying efforts directed toward government agencies and related organizations. Aiming to contribute to an increase in long-term corporate value and sustainable growth of companies not to pursue short-term shareholder returns, we have steadily developed a uniquely Japanese method to collective engagement.

As a result, we made achievements as described in “3. Progress and Achievements of Our Activities.” We have continued to work on our agendas since our inception, and we see achievements in some agendas. By leveraging the advantage of collaborative engagement—namely, the ability for companies and multiple investors to engage in extended discussions around a shared agenda—we were able to help participating companies gain a deeper

understanding of the investors' perspectives and logic, behind their expectations. We are confident that corporate mindset has started changing.

While continuing to conduct collective engagement with companies selected based on defined criteria, a key challenge remains: how to broaden our influence across the wider landscape of Japanese corporations. Establishing collective engagement methodologies that are well-suited to the specific characteristics of Japanese companies and the domestic capital market is one of our materialities. To date, we have pursued various outreach initiatives, including the issuance of letters, collective engagement meetings, and seminars. That said, for agenda items where there remains a significant divergence in perspectives between companies and investors—such as parent-subsidiary listings and policy of cross-shareholdings—further strategic refinement will be essential.

In addition, as we continue to pursue seven agenda items in parallel and expand the number of companies engaged in dialogue, establishing a robust management foundation to support sustained activities has emerged as a critical challenge. This represents another materiality for our organization.

In response to these two material issues, we have undertaken two specific initiatives. The first initiative focuses on “enhancing the influence of collective engagement and maximizing its unique benefits.” By setting effective and message-driven agendas, we aim to foster understanding, acceptance, and empathy toward investor perspectives among a broad range of companies through collective engagement and announcement activities. This approach is designed to promote internal awareness of key issues and drive management reform.

The second initiative is the “establishment of a sustainable management foundation within our organization.” This initiative aims to strengthen our financial and human resources in order to address the first challenge.

To address these two challenges, from the sixth term onward we will seek to further refine our collective engagement methodologies while evolving the agenda itself, and we will also work to expand the base of participating investors.

Firstly, among the seven agenda items we have pursued over the past five years, some have demonstrated tangible impact through collective engagement, leading to changes in corporate initiatives. In light of this, we will review and further develop these agenda items. Our

organization's initial agenda—"Materiality Identification and Disclosure Relating to Sustainability of Business Model"—has been revised to "Disclosure of Non-Financial Information," reflecting the fact that approximately 40% of companies issuing integrated reports now identify and disclose their material issues. In response to the evolving governance landscape and growing interest in intangible capital and assets, we are also considering the introduction of new agenda items.

Secondly, alongside efforts to expand our outreach—through letters that do not request meetings, sent to a broader range of companies—and to enhance announcements in collaboration with external organizations, we are exploring ways to strengthen the effectiveness of our messaging to a wider corporate audience. To further enrich and deepen the content of our shared views, we will continue initiatives such as study sessions that incorporate insights from external experts.

In addition, we will further strengthen our lobbying efforts beyond the fifth term, urging relevant government ministries to clarify laws and guidelines concerning key proposal actions and joint ownership agreements—critical elements in advancing collective engagement—and to address related regulatory challenges. We will also seek to reinforce investor advocacy by collaborating with domestic and international organizations. Furthermore, we will continue our efforts to encourage participation from long-term investors with broad portfolio coverage.

Through these initiatives, we aim to enhance the impact of collective engagement on Japanese companies, amplify the unique advantages that collective engagement offers, and establish a sustainable management foundation to support our ongoing efforts.

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\*In Japan's Stewardship Code (Third revision, published in 2025), Guidance 4-6 stipulates "In addition to institutional investors engaging with investee companies independently, engaging with investee companies in collaboration with other institutional investors (collaborative engagement) is also an important option<sup>14</sup>. When considering methods for dialogue, it should be kept in mind whether they will lead to constructive dialogue that contributes to the sustainable growth of investee companies. "