

February 16, 2024

2023 Activity Report Summary (October 2022 - September 2023)

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 long-term 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, Disclosure of Non-financial Information 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. We also made efforts, such as conducting lectures jointly with the Japan Stewardship Forum.

- December 20, 2022: Mr. Shohei Yamai (Industrial Finance Division, Ministry of Economy, Trade and Industry): "Value Competition Guidance 2.0 and Ito Report 3.0" (jointly with Stewardship Study Group).
- April 17, 2023: Mr. Sadakazu Osaki (Nomura Research Institute): "Perspectives on Review of Tender Offer and Large Shareholding Reporting System" (jointly with Stewardship Study Group).
- August 22, 2023: Ms. Kuniko Takahashi (Board HR Initiative), Ms. Chiharu Izawa (Ajinomoto): "Considering Human Capital - From WICI Human Capital Subgroup Report" (jointly with Stewardship Study Group).

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. Regarding letters addressed to presidents, etc., we mailed the letterhead and body of the letter to IR contacts, aiming to facilitate information sharing within the target company.

After sending the letter, we communicated with IR contacts via email and phone and held preliminary meetings between the Secretariat and the target companies. Then, we held meetings mainly via online under the facilitation of the Secretariat, attended by the Participating Investors to engage in direct dialogue with responsible executives, outside directors, and heads of relevant departments.

For agendas that did not require meetings and sought responses only, the Secretariat received explanations either through interviews or via explanatory documents sent by email or postal mail. The content was then reported and shared to participating investors, and their feedback sent to the responding companies.

(Figure) Overview of each agenda

A) Disclosure of Non-financial Information

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
Target companies	As materiality has become more widely recognized among companies, momentum is building on the corporate side for disclosing non-financial information. Disclosure frameworks are converging and becoming more standardized. In response, we have begun sending letters requesting the disclosure of key non-financial information that investors consider likely to affect future financial performance, and encouraging companies to present such information as part of a story aimed at enhancing corporate value. These letters were sent to all 1,836 companies listed on the Tokyo Stock Exchange Prime Market, with content tailored to both companies that publish integrated reports and those that do not.
Achievement	3 companies: - 2 meetings held with the Secretariat - 1 presentation at a Board of Directors meeting

	1 meeting scheduled [Subsequent Event]
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B) Response to Misconduct Occurrence

Case	Quality misconduct issue
Lead investors	Meiji Yasuda Asset Management Co., Ltd. Sumitomo Mitsui DS Asset Management Company, Limited,
Letter timing	October 31, 2022
Target Company	Toray Industries, Inc.
Meetings	<p>A letter was sent to outside directors to encourage governance reform and corporate culture reform.</p> <ul style="list-style-type: none"> - Explanation of the situation by Mr. Suga, Senior Managing Executive Officer (General Manager of Corporate Planning Department, General Manager of Quality Assurance Division, Head of HS Business Division), and Mr. Hirabayashi, Managing Executive Officer (General Manager of CSR & IR, General Manager of General Affairs & Communications Department) (January 17, 2023). - Collective engagement meeting with Mr. Ito (Outside Director), Mr. Kaminaga (Outside Director), Mr. Futakawa (Outside Director), and Mr. Jono (Outside Audit & Supervisory Board Member) (February 20, 2023).

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	February 2, 2023
Target companies	17 companies that had 20% or more dissent against top executive appointment proposals at their May/June 2023 shareholder meetings, including those that were sent letters in the previous term.
Responses	<p>Meetings: 3 companies Response through documents: 8 companies No Response: 7 companies</p>

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	March 13, April 27, 2023 (companies expiring in 2023), July 12, 2023 (companies introduced in 2023).
Target companies	Among companies listed on the Prime Market: 57 companies with ongoing takeover defense measures as of 2021 1 company newly adopted such measures in 2023
Achievement	Among 57 companies whose takeover defense measures were set to expire in 2023, 7 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
Lead investor	Sumitomo Mitsui Trust Asset Management Co., Ltd.
Letter timing	Nil
Target companies	Implemented since 2021: A total of 8 companies, including 7 parent companies from prominent corporate groups with parent-subsidary listings, and 1 company that has announced a plan to list its subsidiary.
Achievement	Among the 6 parent companies to which letters were sent in 2021 and which participated in collective engagement in 2022, 1 company fully acquired a listed subsidiary in 2022, and another fully acquired 2 listed subsidiaries in 2023. Additionally, 1 company announced a plan to fully acquire a listed subsidiary. Major parent companies have deepened their understanding of investors' perspectives regarding the responsibilities of parent companies toward minority shareholders of listed subsidiaries.

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	Nil
Achievement	Companies have come to recognize investors' opposition to cross-shareholdings, and the unwinding of such holdings has progressed where feasible. Nevertheless, it remains difficult to even communicate intentions to sell to certain companies. Further improvements through collective engagement have become increasingly difficult, and regulatory intervention through

	laws and guidelines is now anticipated, and we will focus our efforts on lobbying the relevant authorities
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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

H) Management Conscious of Cost of Capital and Share Price

Purpose	Reform of low-profit, low-growth small- and mid-cap companies
Lead investors	Sumitomo Mitsui Trust Asset Management Co., Ltd. Sumitomo Mitsui DS Asset Management Company, Limited.
Letter timing	385 companies from September 25, 2023
Target companies	Among companies listed on the Prime Market: - Companies with PBR below 1.0, excluding TOPIX 500 Index constituents and those with a free-float market capitalization of approximately 10 billion yen or less. - Those that are small- to mid-cap and seeking active dialogue with investors yet currently lack sufficient investor coverage or experience engaging with long-term investors.
Meetings	3 companies Coordinating with 16 companies (as of Jan 2024) [Subsequent Event]

In response to the growing interest in human capital following its inclusion as a mandatory disclosure item in securities reports, Participating Investors discussed the development of an agenda on this theme. During the process, Resonac proposed a meeting regarding its human capital initiatives, and a collective engagement meeting was held.

Collective Engagement Meeting on Human Capital Management

Participated investors	Sumitomo Mitsui DS Asset Management Company, Limited. Mitsubishi UFJ Trust and Banking Corporation Meiji Yasuda Asset Management Co., Ltd. Resona Asset Management Co., Ltd. Dai-ichi Life Insurance Company
Date	April 21, 2023
Target companies	Resonac Holdings Corporation
Achievement	With Imai CHRO serving as the main speaker, a presentation and Q&A session were held on “Resonac’s Human Capital Management” and

	“Resonac’s Approach to Talent Materiality and Non-Financial Targets.” A summary of the session was disclosed by both parties.
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(iv) Activities for Announcement, Seminars, etc.

We widely shared the issues addressed in the agendas that are broadly relevant to Japanese companies by publishing the overview of the letters on IICEF’s website. We also provided notifications via email to government agencies, market participants, related organizations, stock transfer agents, IR support companies, and report production companies.

We also gave lectures at various seminars and workshops to introduce IICEF and explain the overview of the agendas.

Furthermore, upon requests from corporate email magazines, we participated in interviews and contributed articles explaining the agenda contents.

In addition, we continued to serve as judges for the "Nikkei Integrated Report Award."

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

(iv)-1 Distribution of E-mail

A) Disclosure of Non-financial Information

Website update	October 3, 2023
E-mail notice sent	16 destinations: IR support companies, securities transfer agents, consulting firms, etc.

(iv)-2 Seminar/Workshop

Seminar/Workshop	4 times
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(iv)-3 Article Contributions

Online media coverage/Contributions	2 times
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(iv)-4 Judge for Awards, etc.

Nikkei Integrated Report Award	First round screening of 16 companies (December 2022 - January 2023). First round screening of 20 companies, and chairman of IICEF served as a second-round judge for the same award in FY2023. [Subsequent Event]
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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.

In addition, we 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. These sessions aimed to foster greater understanding and encourage mindset shifts among companies, in collaboration with the staff who support IR/SR and production of disclosure reports.

(Figure) Status of visits/online explanations

On-site explanations	9 times 1 time [Subsequent Event]
Dialogue with Investors	7 times
Briefing sessions at IR support companies etc.	12 companies

(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, the Working Group on Tender Offer Rule and Large Shareholding Reporting Rule of the Financial System Council, the Cabinet Office’s Intellectual Property Strategy Headquarters, and METI’s the Fair Acquisition Study Group. Through these dialogues, we sought to reflect the Forum’s perspectives in the revision of the Corporate Governance Code, relevant financial regulatory frameworks, and METI’s Guidelines for Corporate Takeovers.

In October 2022, we submitted our views to the Tokyo Stock Exchange regarding the restructuring of market divisions, and in August 2023, we submitted our comments to the METI on the draft of Guideline for Corporate Takeovers.

(Figure) Status of Liaison/Lobbying Activities, Submission of Public Comments

On-site Explanations/Exchanges of views	5 times
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Public Comment	<ul style="list-style-type: none"> - Comments submitted to the Tokyo Stock Exchange on the restructuring of market divisions in October 2022 - Comments submitted to the METI's on the draft of Guideline for Corporate Takeovers in August 2023
Media Interviews	1 time

4. Issues to Be Addressed

Six years have passed since our launch as Japan's first organization to support collective engagement meetings by institutional investors. During the period, we have been working on a total of nine agendas, including new agendas we launched this term. We sent letters and held collective engagement meetings with a cumulative total of 2,253 companies, while also conducting broad outreach activities. 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. We have demonstrated the benefits of collective engagement that cannot be achieved through one-on-one dialogue, such as enabling companies and multiple investors to engage in extended discussions around a single agenda and representing shared investor perspectives to a wide range of Japanese companies.

As a result, we made achievements as described in "3. Progress and Achievements of Our Activities." The agenda on materiality, which has been in place since the first year of our activities, has evolved into the Disclosure of Non-financial Information agenda in response to changes on the corporate side. In addition, as companies have advanced their efforts toward reform, some agendas are now approaching a stage where it is appropriate to consider their completion.

Given the constraints on management resources that limit the number of meetings we can organize, establishing an effective collective engagement method tailored to the circumstances of Japanese companies and the capital markets is one of material issues which we have to work on. In addition, amid constraints on both financial and human capital, establishing a management foundation that enables sustainable growth as a general incorporated association is another material issue.

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.” To advance the first initiative, it is essential to expand the pool of participating investors and strengthen the human and managerial resources we can deploy.

From the seventh term onward, we will revise and evolve our agendas while introducing changes to our collective engagement methods, to advance these two initiatives.

First, among the current nine agendas, some have demonstrated the impact of collective engagement, leading to changes in corporate initiatives. Accordingly, we will review and evolve these agendas, and for those that have yielded tangible outcomes, we will consider closing them. Notably, our organization’s initial agenda, “Materiality Identification and Disclosure Relating to Sustainability of Business Model,” has already been revised and renamed as “Disclosure of Non-financial Information.”

In this term, we began expanding target companies and increasing letters sent, with the aim of strengthening our influence across Japanese companies. Letters related to the agenda “Disclosure of Non-Financial Information” were sent to all 1,836 companies listed on the Prime Market, helping convey investor expectations regarding information disclosure to a broad range of listed companies and raising awareness of IICEF. Based on the impression that integrated reports issued by companies in 2023 are increasingly aligned with stories of enhancing corporate value, we believe this initiative has helped listed companies to understand investor perspectives. Given that the expansion of target companies and the increase in sending letters appear to have contributed to the dissemination of investor perspectives and the growing influence of collective engagement, we will continue these initiatives in the coming term and beyond. Furthermore, with the new agenda launched in September— “Management Conscious of Cost of Capital and Share Price”—we are considering expanding the scope of target companies going forward.

We will enhance announcement activities conducted in collaboration with external organizations that have resumed following the end of the COVID-19 pandemic. At the same time, we will increase outreach through media read by corporate executives and relevant personnel, to strengthen the effectiveness of our messaging and ensure it reaches a broader range of companies. To further enrich and deepen the content of our shared views, we will continue initiatives such as study sessions designed to learn from the insights of external experts.

In addition, legal obstacles to collective engagement—particularly concerns over violating regulations related to “act of making important suggestion” and “agreement of joint holding and the like”—are beginning to show signs of improvement, as the FSA has initiated discussions on potential revisions to relevant laws and guidelines. Going forward, We will continue to strengthen our lobbying efforts to resolve various issues related to collective engagement, including the clarification of laws and guidelines concerning important suggestions and joint holders, as well as to address corporate governance challenges commonly faced by Japanese companies. We will also continue to pursue public engagement by collaborating with domestic and international organizations to amplify investor voices.

Contact information:

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*In Japan’s Stewardship Code (Third revision), 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 option¹⁴. 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. “