

January 21, 2025

## 2024 Activity Report Summary (October 2023 - September 2024)

### 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, 2024, 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, 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. We also made efforts, such as conducting lectures jointly with the Japan Stewardship Forum.

- **August 20, 2024:** Ms. Kuniko Takahashi (Board HR Initiative) - "The State of Human Capital Governance - Insights from Japan-U.S. Corporate Research" (Jointly with Japan Stewardship Forum)
- **December 13, 2024 [Subsequent Event]:** Mr. Jun Katsunuma (NEC Corporate Executive, Chief Design Officer) - "About Design Management" (Jointly with Japan Stewardship Forum)

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 under the facilitation of the Secretariat, attended by the Participating Investors to engage in direct dialogue with top managements, 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) Identification of Materiality and Disclosure of Non-financial Information

Purpose	To promote awareness and enhance activities and disclosure of “ESG materiality” expected from investors
Lead investor	Resona Asset Management Co., Ltd.
Letter timing	Publication: October 12, 2022 Dispatch: November – December 2022
Target companies	In 2022, we began 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.
Meetings	<b>1 company</b>

B) Response to Misconduct Occurrence

Case	Quality control issues related to construction business
Lead Investors	Sumitomo Mitsui DS Asset Management Company, Limited, Sumitomo Mitsui Trust Asset Management Co., Ltd.
Letter timing	March 7, 2024 / August 8, 2024

Case	Subsidiary misconduct
Lead Investor	Meiji Yasuda Asset Management Co., Ltd.

Letter timing	July 29, 2024 / August 28, 2024
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[Subsequent Event]

Case	Product health damage issue
Lead Investors	Meiji Yasuda Asset Management Co., Ltd. Mitsubishi UFJ Trust and Banking Corporation
Letter timing	October 30, 2024

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 30, 2024
Target companies	12 companies that had 20% or more dissent against top executive appointment proposals at their May/June 2023 shareholder meetings, excluding those with special circumstances.
Responses	Meetings: 5 companies Response through documents: 2 companies No Response: 5 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	May 2024
Implementation Status	Letters were sent to all companies with takeover defenses in place, emphasizing that the significance of pre-warning type takeover defenses has diminished, in light of the Ministry of Economy, Trade and Industry's "Guidelines for Corporate Takeovers". As many companies have already abolished pre-warning type takeover defenses and awareness has spread among companies, the dispatch of letters for this agenda will conclude with this term. The situation will be monitored hereafter.
Target companies	Among companies listed on the Prime Market: 131 companies that continued to maintain takeover defense measures as of the end of March 2024, without having been delisted, changed market segments, or announced discontinuation of such measures

Discussions via email	6 companies
Meetings	1 company 1 company [Subsequent Event]
Achievement	Among the 131 companies sent letters, seven companies whose defenses were due to expire at the 2024 general meetings decided not to renew them, and one company whose defenses are due to expire at the 2025 general meetings announced non-renewal.

#### 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
Achievement	Investors' concerns about demanding parent companies' responsibilities towards minority shareholders of listed subsidiaries have been understood by major parent companies, leading to progress in resolving parent-subsidiary listings. While the future situation will be monitored, this agenda will be concluded for now, and a final report is planned.

#### F) Reduction in 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 become more aware of the cross-shareholding issues, and the unwinding of such holdings has progressed where feasible. Nevertheless, it remains difficult to even communicate intentions to sell to certain companies. Regulatory measures through laws and guidelines are needed, and we are focusing our efforts on explaining the current situation to the authorities

#### 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	386 companies from September to December 2023 348 companies from September 2024 [Subsequent Events]
Target companies	Among companies listed on the Prime Market: - Companies with PBR below 0.8, 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, - Excluding companies individually engaged by participating investors or designated as outside their investment scope.
Meetings	20 companies 7 companies [Subsequent Events]

(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 and case studies on IICEF's website. We also provided notifications via email to government agencies, market participants, related organizations, stock transfer agents, IR support firms, and report production firms. 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) Publication of "Management Conscious of Cost of Capital and Share Price" agenda

Website update (Japanese section)	October 3, 2023
E-mail notice sent	13 destinations: IR support firms, audit firms, government agencies, stock exchanges, public pension funds, etc.

(iv)-2 Case Studies

Website update (Japanese section)	2 times - Toray: "Collective Engagement with Outside Directors and Outside Audit & Supervisory Board Members Regarding Corporate Culture, Climate, and Governance Related to Inappropriate Cases" (January 11, 2024) - Resonac: "Collective Engagement on Human Capital Management" (January 11, 2024)
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(iv)-3 Seminar/Workshop

Seminar/Workshop	9 times - HR Governance (November 16, 2023) - PwC (November 16, 2023) - IRBP Study Group (December 5, 2023) - S&P Global (December 19, 2023, IR Excellence Award) - Nikkei Inc. (March 14, 2024, Integrated Report Award) - Mitsubishi UFJ Trust and Banking Stock Transfer Agency Study Group (March 22, 2024) - Japan Corporate Governance Research Institute (March 29, 2024) - Works Applications Co., Ltd (July 18, 2024) - NS Solutions Corporation (September 19, 2024)
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(iv)-4 Interviews/Article Contributions

Online media coverage/Contributions	3 articles - Pronexus "PRONEXUS SUPPORT" (June 2024) - e-Associates "IR Update" (10-part series from August to December 2024) - Shoji Homu No. 2348 (January 25, 2024) "Asking Institutional Investors (55) Institutional Investor Collective Engagement Forum"
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(iv)-5 Judge for Awards, etc.

Nikkei Integrated Report Award	First round screening of 20 companies (December 2023 - January 2024). Chairman Kimura served as a second-round judge for the same award in FY2024.
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(3) Visits/Online Explanations

We conducted in-person and online meetings with IR support firms and report production firms to share updates on IICEF’s activities, explain the agendas, and exchange views. In particular, we held focused discussions on the “Cost of Capital and Share Price” agenda to foster greater understanding and encourage mindset shifts among companies, in collaboration with IR/SR support firms.

Additionally, we engaged in dialogue with investors who had not yet participated in the Program.

Furthermore, we held discussions with experts who were regarded as having provided the theoretical foundation for Prime Minister Kishida’s “New Capitalism” initiative.

(Figure) Status of visits/online explanations

On-site explanations	16 times 1 time [Subsequent Event]
Dialogue with investors	2 times
Employee training session	1 company
Expert opinion exchange	1 time

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

Through a total of six meetings with government agencies, stock exchanges, public pension funds, international disclosure standard-setting bodies, and members of administrative committees, we reported on IICEF’s activities and exchanged views on collective engagement.

In February 2024, we issued a message welcoming the Financial System Council's “The Working Group on Tender Offer Rule and Large Shareholding Reporting Rule Report”.

In July 2024, we submitted comments on the public consultation draft of the SSBJ Universal Sustainability Disclosure Standard.

In December 2024, we submitted our opinions regarding the FSA’s draft amendments to the "Cabinet Office Order on Disclosure of Corporate Affairs" (in regard to corporate disclosure on cross-shareholdings), etc.

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

On-site Explanations/ Exchanges of views	16 times 1 time [Subsequent Event]
Message	A message welcoming the FSA's “The Working Group on Tender Offer Rule and Large Shareholding Reporting Rule Report” in February 2024.

Public Comment	<ul style="list-style-type: none"> <li>- Comments submitted to SSBJ on the public consultation draft of the Universal Sustainability Disclosure Standard in July 2024.</li> <li>- Comments submitted to FSA on the draft amendments to the "Cabinet Office Order on Disclosure of Corporate Affairs" (in regard to corporate disclosure on cross-shareholdings), etc. in December 2024. [Subsequent Event]</li> </ul>
Sponsorship Consideration:	1 time
Media Interviews	Nil

#### 4. Issues to Be Addressed

##### (1) Management Challenges

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 our most critical management challenge.

During this term, we have continued with the total of nine agendas launched by the previous term. We sent letters to and held collective engagement meetings with a cumulative total of 2,459 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.

To advance this management challenge, it is necessary to secure more human resources—both in terms of labor and working hours—than are currently available, and to increase operating funds to allow for the expansion of those human resources. Amid constraints on both financial and human capital, we have also been working to establish a management foundation that enables sustainable growth as a general incorporated association.

##### (2) Review of the Past Seven Years

Looking back, it can be said that the past seven years have been "seven years of permeation of sustainability and the Corporate Governance Code ". While corporate governance in Japanese companies is not yet fully sufficient, it has significantly improved. Many companies have adopted the practices advocated by the Corporate Governance Code, and their organizational awareness has begun to shift. Regarding sustainability, the identification of materiality, as advocated in the agendas we set, has been implemented by many companies, and the quality of integrated reports has shown remarkable progress. Furthermore, with the SSBJ, the formalization of non-financial disclosure is now underway. It is time to consider the conclusion for some of the agendas.

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”—have largely been clarified following the March 2024 amendment to the Financial Instruments and Exchange Act, with revisions to related cabinet orders still pending. Additionally, in the Expert Panel on the Stewardship Code convened by the Financial Services Agency, further enhancement of references to collective engagement within the Code is under consideration. Should the Code be revised in 2025, it will present an opportunity for changes in the behavior of many investors.

Considering these developments, time has come to significantly reassess our activities. If the past seven years are considered the first stage, we now stand at the threshold of entering the second stage in the next term.

### (3) Future Direction

The key strategic themes for Stage 2 are:

- To prompt companies constrained by old Japanese management thinking to change, encouraging a paradigm shift in management to overcome global competition.
- To evolve the quality of governance in Japanese companies, and to that end, support the improvement of governance quality through outside directors.
- To seize the opportunity of the Stewardship Code revision and deepen investors' understanding of the significance of collective engagement.

In the eighth term, we will focus on advancing the three key strategic themes through the following initiatives:

- (i) Reviewing and evolving agendas

- (ii) Transforming methods of collective engagement
- (iii) Strengthening the Secretariat's organizational capacity
- (iv) Expanding the introduction of case studies and outreach activities

(i) Reviewing and evolving agendas

First, we will review and evolve those agendas among the current nine that have shown effective results through collective engagement and have led to changes in corporate initiatives.

Regarding the agenda "Necessity of Takeover Defense Measures", the number of companies continuing such measures has declined significantly. Combined with the Ministry of Economy, Trade and Industry's establishment of "Guidelines for Corporate Takeovers", we sent final letters to the remaining companies based on those guidelines and the agenda was closed. A final report will be compiled, published on our website, and shared with IR support firms.

Regarding the agenda "Governance of Parent and Subsidiary Listed Companies," we held collective engagement meetings with major parent-subsidiary listed companies. As signs of dissolution of parent-subsidiary structures have emerged at several target companies, the publication of a final report and closing of the agenda will be considered.

Regarding the agenda "Disclosure of Non-financial Information," we sent letters to all Prime Market listed companies and held explanatory sessions with major disclosure report providers. As a result, there is a growing sense that the quality of integrated reports has improved, indicating tangible effects.

Regarding the agenda "Management Conscious of Cost of Capital and Share Price," the number of companies that held collective engagement meetings or received responses had been limited to approximately 10% of the companies to which letters were sent — equivalent to innovators and early adopters in the diffusion curve. However, since the reissuance of letters beginning in October 2024, we have started receiving more positive responses to hold meetings. It is expected that corporate understanding of investor perspectives will deepen through these meetings and letters.

The agenda "Response to High Dissent ratio Proposals at General Shareholder Meetings" was originally launched with the aim of raising awareness around capital efficiency. As

interest in cost of capital continues to grow, capital efficiency criteria—previously suspended during the COVID-19 pandemic—have been reinstated in institutional investors’ voting guidelines, leading to an increase in individual SR visits to participating investors. This term, we will continue sending letters and arranging collective engagement meetings as in previous terms. However, while monitoring how target companies respond, we intend to reconsider the meeting format in future terms.

Looking ahead, we are considering an agenda focused on empowering outside directors, who represent shareholder interests, through collective engagement meetings. This agenda would address cross-cutting issues such as responses to corporate misconduct and the reduction in cross-shareholdings, covering governance and capital efficiency challenges, tailored to each company.

(ii) Transforming methods of collective engagement

Until the previous term, we employed two approaches: one involved sending letters to selected target companies followed by collective engagement meetings; the other involved mass letter distribution to a wide range of companies followed by outreach activities such as seminars, lectures, and newsletters conducted through channels like IR support companies. Starting this term, we have adopted and implemented a hybrid approach: the combination of sending letters to a broad set of target companies, conducting more meetings by strengthening our capacity to conduct collective engagement meetings through internal task-sharing, and outreach activities.

Going forward, to hold meetings with more companies, we are considering having the Secretariat function as a proxy for collective engagement meetings. For the agendas such as “Necessity of Takeover Defense Measures” and “Response to High Dissent Rate Proposals,” some meetings have already conducted solely by the Secretariat. As requests for dialogue from companies are expected to increase, we are also considering handling meeting requests on other agenda items solely through the Secretariat.

We will continue to appear in media outlets as before, to strengthen the effectiveness of our messaging to a broader range of companies. In addition, to further enrich and deepen the shared views among Participating Investors, we will continue initiatives such as holding study sessions that incorporate insights from external experts.

Furthermore, we will intensify lobbying efforts toward relevant government ministries, stock exchanges, and pension funds to encourage solutions to collective engagement-related issues and address common corporate governance challenges faced by Japanese companies. These efforts will serve to reinforce investor perspectives through public engagement.

(iii) Strengthening the Secretariat’s organizational capacity

As Secretariat operations have expanded, such as through mass letter distribution to a large number of companies since the previous term—we reinforced the Secretariat’s organizational structure by adding one staff member as of August 21 in the current term.

(iv) Expanding the introduction of case studies and outreach activities

With a revision of the Stewardship Code expected and growing awareness (and concerns) around collective engagement, we will focus on providing case studies and outreach activities—including seminars and publications—for companies and investors.

5. Status of Officers

To enhance the organization’s activities, one executive director (Mr. Daiji Ozawa) was elected at the 10th Extraordinary General Meeting of Members held on August 21, 2024.

Name	Position	Status of Important Concurrent Positions
Yuki Kimura	Representative Executive Director, Chairman	Representative Executive Director, Japan Stewardship Forum Director, Japan Investor Relations Association Councilor, Pension Housing Welfare Association
Naomi Yamazaki	Representative Executive Director, Administration Manager	Representative Director, ESG Network of Shareholders & Companies
Ryusuke Ohori	Executive Director	Member of the steering committee, Forum of Investors Japan Outside Director, Maeda Road Construction Co.,Ltd. Outside Director, LIXIL Corporation.
Hiromitsu Kamata	Executive Director	Member of the steering committee, Forum of Investors Japan Member of the steering committee, Japan Stewardship Forum Director, NPO ARUN Seed

Daiji Ozawa	Executive Director	President, Office Hiroo Co., Ltd. Advisor, PRONED Co., Ltd.
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Contact information:

Institutional Investors Collective Engagement Forum

Directors in charge (the Secretariat): Yuki Kimura, Chairman; Naomi Yamazaki, Administration Manager; Ryusuke Ohori, Executive Director; and Hiromitsu Kamata, Executive Director

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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 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. "