

Webinar



# 2023 Proxy Season Preview Japan

April 11, 2023 – 4pm JST



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# Agenda

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- About Glass Lewis
- 2023 Guidelines Updates
- Shareholder Proposals
- Meetings to Watch
- Q&A

# About Glass Lewis

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# Company Overview

Leading proxy advisory firm supporting responsible investment activities of institutional investors

Owner	Peloton Capital Management Stephen Smith
Major Services	Proxy Paper Viewpoint: Industry-leading vote management platform
Coverage	Across approximately 100 global markets More than 30,000 meetings each year
Clients	1,300+ clients, including the majority of the world's largest pension plans, mutual funds and asset managers
Employees	More than 380 employees worldwide, more than half of whom are dedicated to research

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- New York
- Kansas City

United Kingdom - London

Ireland - Limerick

Germany - Karlsruhe

France - Paris

Australia - Sydney

Japan - Tokyo

# How to Reach Us

## How to access by purpose

- **Glass Lewis Proxy Voting Policies**
  - <https://www.glasslewis.com/voting-policies-current/>
- **Engage with Glass Lewis**
  - Applications can be submitted through our website at any time. However, please note that we cannot engage with a company during the period from the disclosure of the notice of meeting until the end of the general annual shareholder meeting, as well as the busy period from May 8 to June 23\*.
    - (English) <https://www.glasslewis.com/request-meeting/>
    - (Japanese) <https://grow.glasslewis.com/engagement-meeting-invite-jpn>
  - \* Our response to the inquiry received during the busy period will be sent after June 20.
- **Issuer Data Report (“IDR”) Program (Free of charge)**
  - IDR is a program whereby Glass Lewis discloses a report to IDR-registered companies that describes the key data points to be included in the report prior to Glass Lewis issuing a research report (Proxy Paper), which allows the companies to verify the data used by Glass Lewis before we publish our analysis and recommendations.
  - Registration required. Companies eligible for registration are those that disclose the notice of meeting on the Exchange's website or provide it directly to Glass Lewis at least 28 days prior to the date of the meeting. **(Even if the notice of meeting is provided directly to Glass Lewis, it must be disclosed on the Exchange website or the company's website).**
  - Contact: [japanidr@glasslewis.com](mailto:japanidr@glasslewis.com)
- **Report Feedback Statement (“RFS”) Program (Chargeable)**
  - RFS is a program where, after Glass Lewis issues a research report (Proxy Paper), feedback from a company a company that uses our service, Gov Hub, or a shareholder proponent is integrated into Proxy Paper and delivered directly via Viewpoint to our clients, which allows you to share unfiltered opinions on our research to the voting decision-makers at every investor client in time for voting decisions to be made or changed.
  - Contact: Amikura ([famikura@glasslewis.com](mailto:famikura@glasslewis.com))

[Process from Gov Hub application to sharing with our clients]





# 2023 Guidelines Updates

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# 2022 Guidelines Updates – Summary (Beginning from February 2023)

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1. Person Who Should Be Held Accountable (Mainly applies to companies with a two-tier board structure and a one-tier with one-committee board structure)
2. Board Independence
3. Board Gender Diversity
4. Excessive Strategic Shareholding
5. Board Accountability for Climate-related Issues

# 2023 Guidelines Updates - Person Who Should Be Held Accountable

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## 1. Person Who Should Be Held Accountable (Mainly applies to companies with a two-tier board structure and a one-tier with one-committee board structure)

### 【 GL Policy 】

- We will change a person who we will generally recommend voting against from the chair of the company to the chair of the board as the person who should be held accountable for governance issues\*
- We will generally recommend voting against CEO in the absence of a board chair

### \* Examples of governance issues

- Lack of board independence
- Board gender diversity



# 2023 Guidelines Updates - Board Independence

## 2. Board Independence

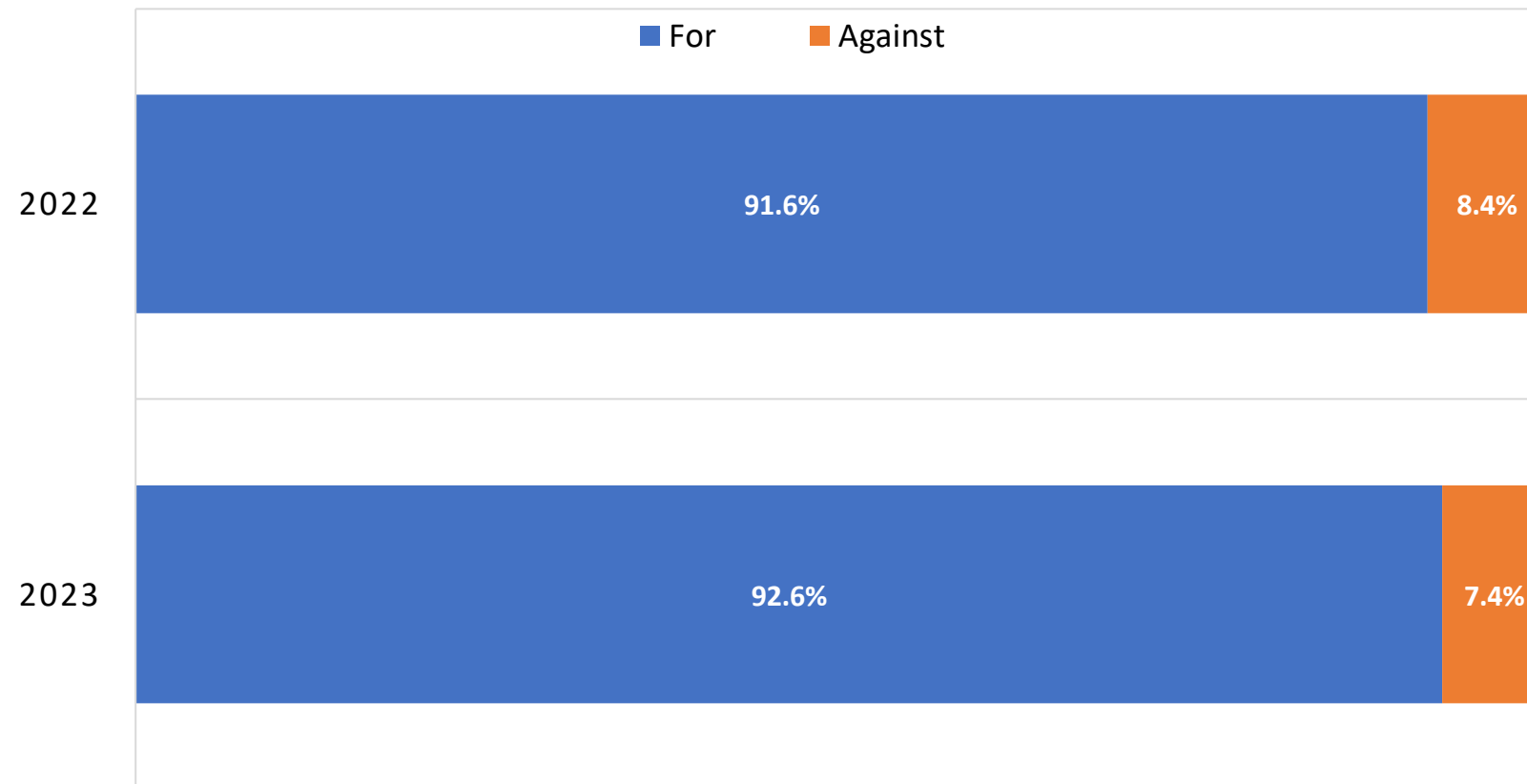
Glass Lewis Board Independence Requirements		Two-Tier Board		One-Tier Board (1 or 3 committees)	
Prime Market	w/ Controlling Shareholder				
○	○	<b>Updated</b>	Majority	<b>Updated</b>	Majority
○	-	<b>Updated</b>	One-third		One-third
-	○	<b>Updated</b>	One-third		One-third
-	-		A combined one-third independence of the board of directors and the board of statutory auditors, at least two independent outside directors		One-third

- If a company fails to maintain the Glass Lewis board independence requirements, we will generally recommend voting against
  - the chair of the board under a two tier or one-tier with one-committee structure; or
  - the nominating committee chair under a one-tier with three-committee structure.
- We continue to require a board of statutory auditors to have a majority of independent members.

# 2023 Guidelines Updates - Election of Directors

Glass Lewis Recommendation on Election of Directors at February-March 2023 AGM

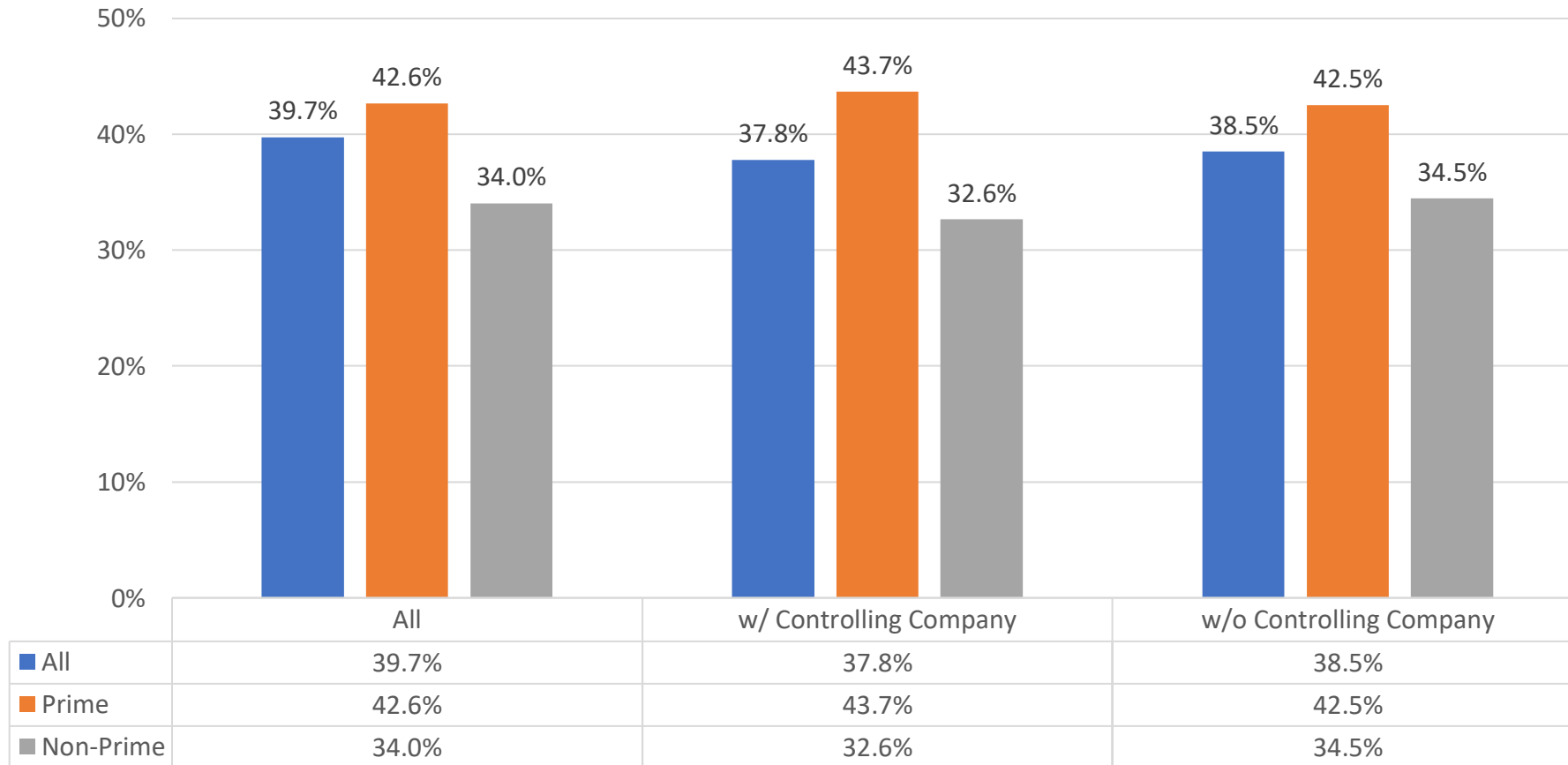
Election of Directors: GL Recommendation



# 2023 Guidelines Updates - Board Independence

## Board Independence at February-March 2023 AGM

Board Independence



# 2023 Guidelines Updates – Board Gender Diversity

## 3. Board Gender Diversity

[GL Policy]

- **Companies listed on the Prime Market: At least 10 percent gender diverse directors**
- Companies listed outside the Prime Market: At least one diverse gender director, statutory auditor (for a two-tier board structure) or executive officer (for one-tier with three-committee structure) as per current policy
- If the above criteria are not met, we would recommend voting against the appointment of the following candidates:
  - Two-tier board or one-tier with one-committee structure: Chair of the board
  - One-tier with three-committee structure: Nominating committee chair

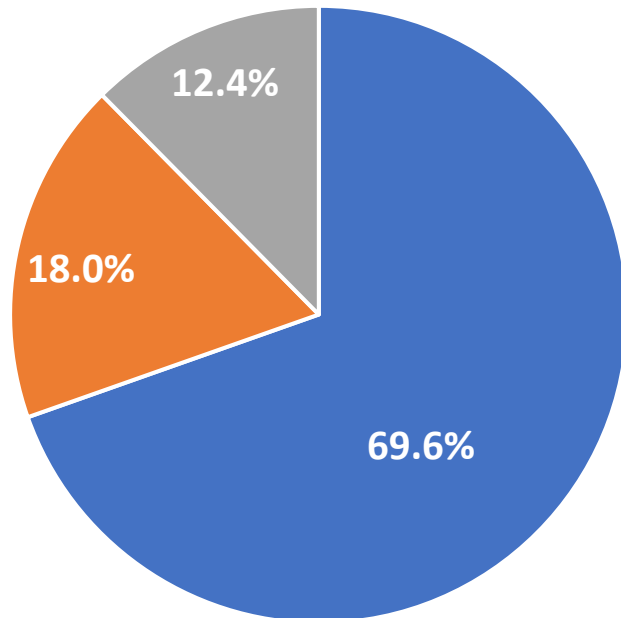
Note that when making these voting recommendations, we will carefully review a company's disclosure of its diversity considerations and may refrain from recommending that shareholders vote against directors of companies when boards have provided a sufficient rationale or plan to address the lack of diversity on the board.

- **Beginning with shareholder meetings held after February 1, 2024, we will not apply the above exceptions to Prime Market-listed companies.**

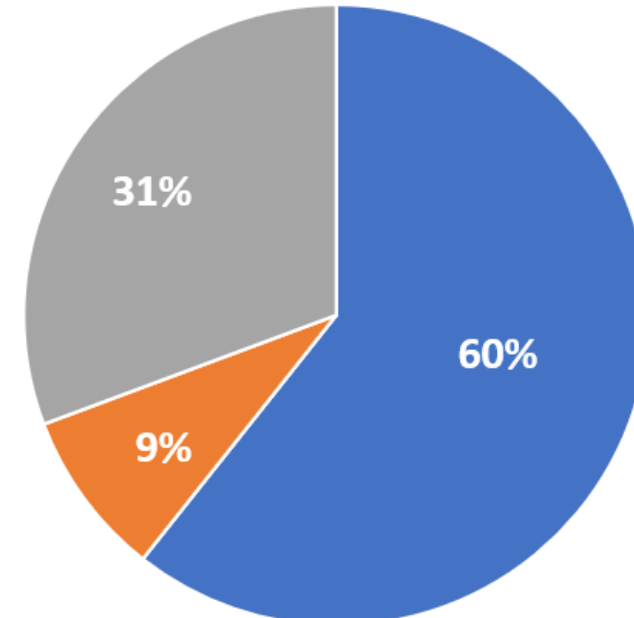
# 2023 Guidelines Updates – Board Gender Diversity

Result of the application of the updated policy on board gender diversity at the general meeting of shareholders in February and March 2023

Prime Market



Non-Prime Market



- (GL Rec "For") With 10% or more gender diverse directors
- (GL Rec "For") With less than 10% gender diverse directors but targets disclosed
- (GL Rec "Against") With less than 10% gender diverse directors and no targets disclosed

- (GL Rec "For") With 1 or more gender diverse directors
- (GL Rec "For") With no gender diverse director but targets disclosed
- (GL Rec "Against") With no gender diverse director and no targets disclosed

# 2023 Guidelines Updates – Excessive Strategic Shareholding

## 4. Excessive Strategic Shareholding

[GL Policy]

- Glass Lewis will generally recommend voting against the chair of the board when the size of strategic shares held by the company exceeds 10% or more of its net assets disclosed in the securities report for the previous fiscal year.

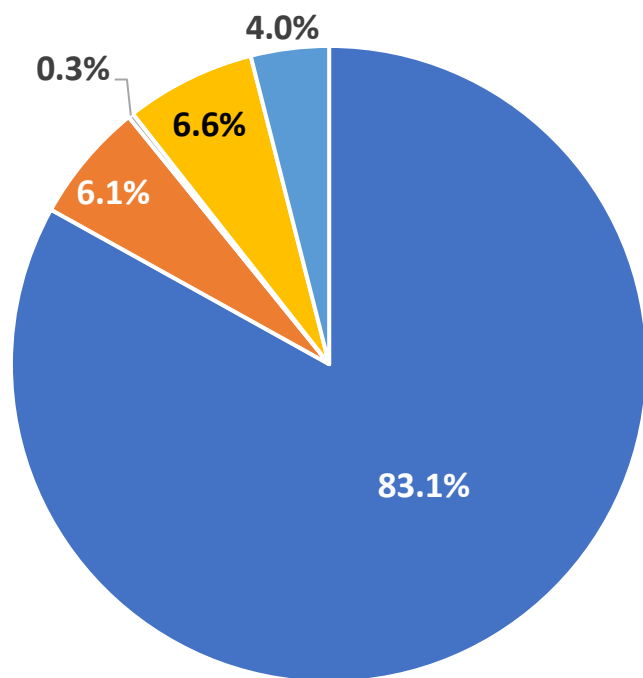
[Exception Clause Revised in 2023]

- We may refrain from recommending shareholders vote against directors for this issue alone only when the company has disclosed a clear plan for reducing the size of its strategic shareholdings including the specific amount of reduction and the timeframe for the reduction.
- Additionally, we may also refrain from recommending voting against directors when the company has posted an average return on equity (ROE) of five percent or more over the past five fiscal years even if the size of strategic shares held by the company falls in the range between 10% and 20% of its net assets.

# 2023 Guidelines Updates – Excessive Strategic Shareholding

Result of the application of the updated policy on excessive strategic shareholding at the general meeting of shareholders in February and March 2023

Excessive Strategic Shareholding



- (GL Rec "For") 10% or more of net assets
- (GL Rec "For") 10 to 20% & 5% or more 5 yr avg ROE
- (GL Rec "For") 20% or more & reduction targets disclosed
- (GL Rec "Against") 10 to 20% & less than 5% 5 yr avg ROE
- (GL Rec "Against") 20% or more & no reduction targets disclosed

- Results:
  - Less than 10% of consolidated net assets (GL Rec "For"): 83.1%
  - Exception clause applied (GL Rec "For"): 6.4%
  - GL Rec "Against": 10.6%
- What we would like you to consider:
  - Clear reduction plan (including scale and timeline of reduction).
  - Disclose the latest holding and reduction status in the notice of meeting.
  - Explain in detail the purpose of the holdings in the securities report.

# 2023 Guidelines Updates – Board Accountability for Climate-related Issues

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## 5. Board Accountability for Climate-related Issues

### [GL Policy]

- If a company subject to Climate Action 100+ does not disclose in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), or if we determine that the disclosure is materially inadequate, we will recommend against the appointment of directors who we believe are responsible.
- This is the new policy that Glass Lewis has introduced globally for 2023. As of April 2023, there are ten Japanese companies identified by Climate Action 100+.
- The number of companies subject to this new policy may be expanded in the future. As stated in the Corporate Governance Code, we would like to ask companies to improve the quality and quantity of their disclosures based on the TCFD or equivalent framework.





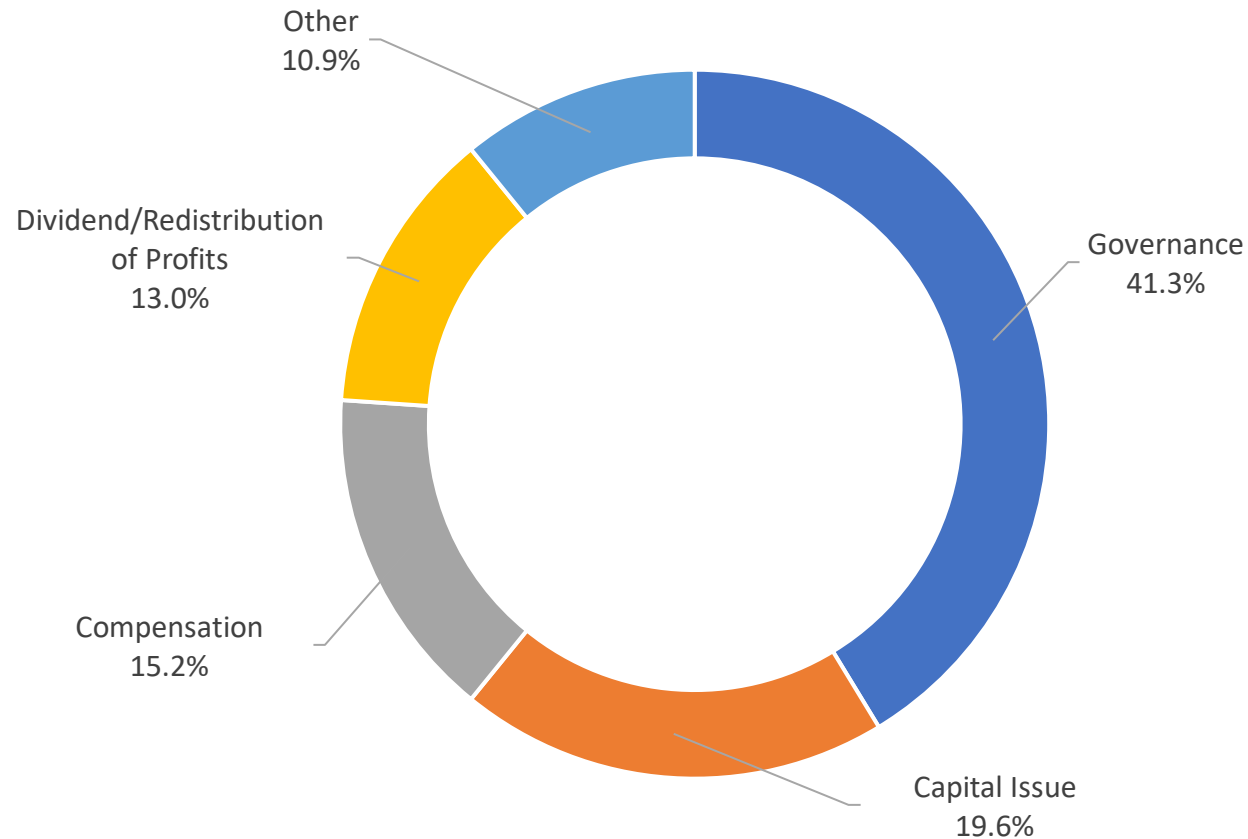
# Shareholder Proposals

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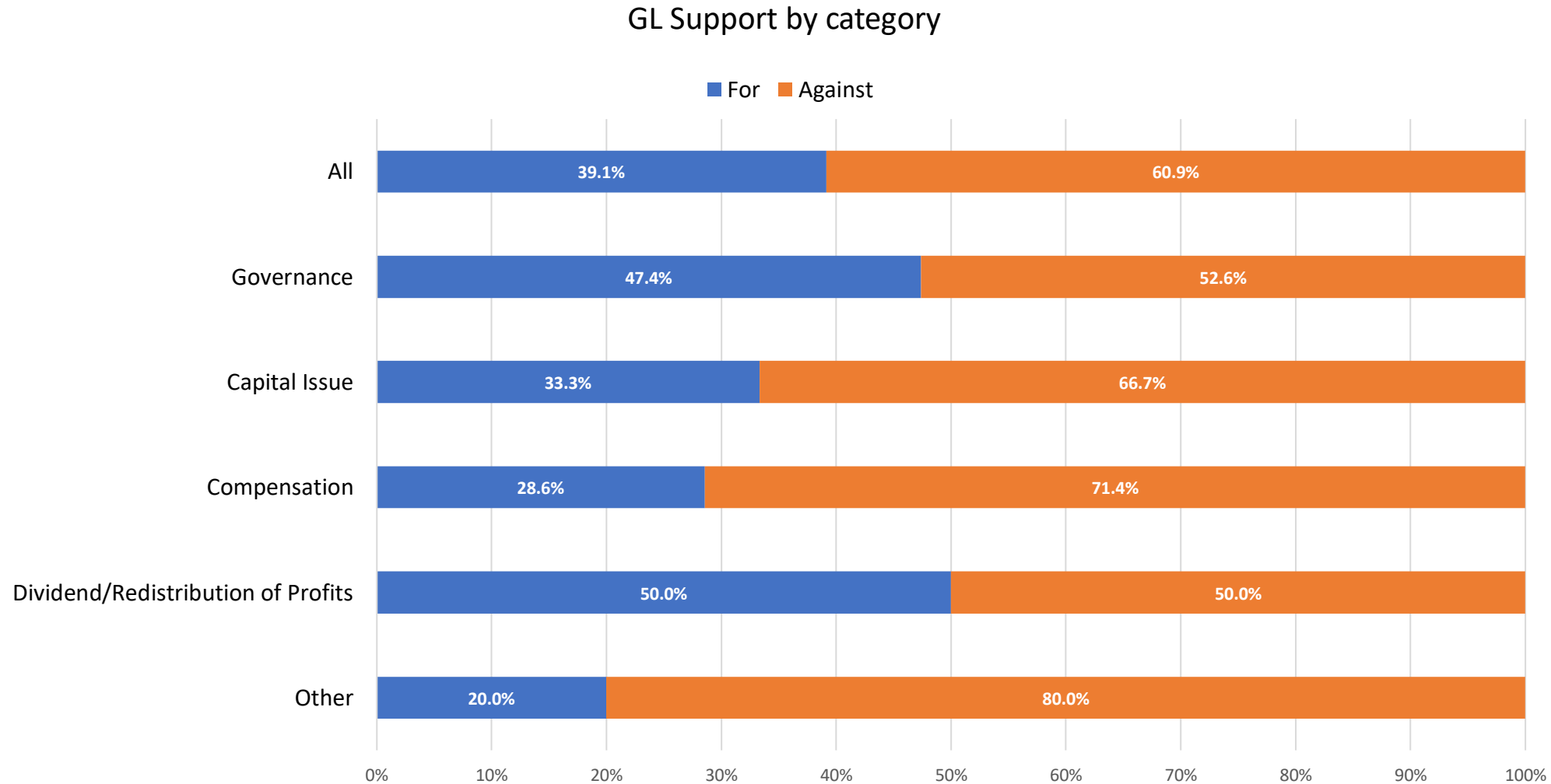
## Shareholder proposals at the general meeting of shareholders in February and March 2023

Shareholder Proposal by Category



- Number of companies with shareholder proposals submitted : 10
- Total number of proposals submitted : 32
- There was a proposal for the election and removal of board members that received just under 60% of the votes in favor, and a proposal for executive compensation that received a majority of the votes in favor and passed.
- While the proposal to abolish anti-takeover measures was rejected, it received a favorable vote of approximately 35%.
- No climate change-related proposals submitted.

# Glass Lewis Recommendations on Shareholder Proposals



# Shareholder Proposals

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## Shareholder activism remains active over the past year.

Inquiries regarding Glass Lewis' approach to shareholder proposals related to climate change, which are expected to receive even greater attention this year, are on the rise.

Glass Lewis will review each shareholder proposal on a case-by-case basis. Last year, we based our recommendation on shareholder proposals regarding climate change were determined on a status of companies' response and disclosure regarding this issue, taking into consideration the following points, among others.

- Management, oversight, and accountability by the board of directors
- Identification of GHG emissions and third-party certification
- Sustainability-related disclosures
- Disclosure in line with TCFD recommendations
- Scenario Analysis and Strategies
- Identification of emissions and reduction targets for each Scope
- Net Zero Declaration and Roadmap
- SBTi certification of reduction targets, etc.



# Meetings to Watch

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## Misconduct regarding the Tokyo 2020 Olympics

- AOKI Holdings Inc. (8214)
- KADOKAWA CORPORATION (9468)
- HAKUHODO DY HOLDINGS INCORPORATED (2433), etc.

## Electricity price cartel

- Chubu Electric Power Co., Inc. (9502)
- The Chugoku Electric Power Company, Incorporated (9504)
- Kyushu Electric Power Company, Incorporated (9508)

## Inspection irregularity

- HINO MOTORS,LTD. (7205)
- Mitsubishi Electric Corporation (6503)

## Shareholder Proposals

- Seven & i Holdings Co., Ltd. (3382)

## Others

- FUJITEC CO.,LTD. (6406)

# Q&A

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Public Companies | [ENGAGE@glasslewis.com](mailto:ENGAGE@glasslewis.com)



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# Thanks for Listening!

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