

May 28, 2021

For Immediate Release

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## **The Company's View on the Dissenting Recommendation by ISS, the Proxy Advisory Company, Regarding Proposal No. 1 of the 7th Ordinary General Meeting of Shareholders**

With respect to the 7th ordinary general meeting of shareholders of IR Japan Holdings Ltd. (the “**Company**”) held on Thursday 10 June 2021, we have been told that the proxy adviser—Institutional Shareholder Services Inc. (“**ISS**”)—recommended that shareholders object against the proposal No.1 “to Amend the Articles of Incorporation to Allow Virtual Only Shareholders Meetings” which proposes to amend the Articles of Incorporation to allow the Company to hold a virtual only shareholders meetings (the “**Virtual Only Shareholders Meetings**”), subject to the amendment of the Act on Strengthening Industrial Competitiveness (the “**Law**” the “**Proposal**”).

We would like to provide you with supplementary explanation regarding this Proposal, and deeply appreciate your understanding and cooperation.

### **1. The Contents of ISS Report and Our Basic Opinion**

ISS recommends to object against the Proposal based on the following concerns. However, as we explain in Section 2 more in detail, we contend that Virtual Only Shareholders Meetings will promote meaningful interaction between managements and shareholders at shareholder meetings by allowing many shareholders, including those in remote areas, to attend the meeting. There is no reason for ISS to recommend to object against the Proposal.

- Concerns raised by ISS are as follows;
- (1) virtual Only Shareholders Meetings may impact shareholders’ ability to hold directors accountable, and may hinder meaningful exchanges among directors, managements, and shareholders;
- (2) interaction between a company and shareholders is crucial when the company receives shareholder proposals or is in a proxy fight, but it is doubtful that such interaction would be meaningful at Virtual Only Shareholders Meetings;
- (3) public debate on Virtual Only Shareholders Meetings has just started in Japan, and currently there is no consensus among shareholders and companies alike concerning best practices. Under the proposed

amendments to the Law, the companies can take advantage of the temporary deregulation for two years and hold Virtual Only Shareholders Meetings without amending their Articles of Incorporation, so there is no need to amend the Articles of Incorporation at this time. It will be sufficient to amend them after best practices are established.

## 2. Our Opinion

The purpose of the proposed amendment to the Law to allow Virtual Only Shareholders Meetings is not only that Virtual Only Shareholders Meetings are effective measures against infectious diseases, but also that they are effective in invigorating, streamlining, and facilitating Virtual Only Shareholders Meetings because; they

- (1) promote interaction between management and shareholders by opening the way for many shareholders, including those in remote areas, or currently have difficulty attending due to the health problems etc. (the “**Shareholders In Difficulty**”); and
- (2) eliminate the venue’s cost for shareholders meetings, which leads to save the cost of holding shareholders meetings, and increase shareholders’ right to choose a day to attend the meetings.

The current system of requiring shareholders to visit the venue not only burdens shareholders with time and cost, but also restricts the opportunity for Shareholders In Difficulty to freely ask questions at shareholders meeting and exercise their voting rights through a question and answer session. Unlike the current hybrid-type shareholder meetings, Virtual Only Shareholders Meetings are the system that assumes that all questions and motions will be made virtually, and greatly useful for Shareholders In Difficulty who wish to attend shareholders meeting.

ISS’s recommendation to oppose against the Proposal is merely based on groundless concerns, and as a result, it may hinder holding Virtual Only Shareholders Meetings, which contribute to the protection of shareholders’ rights and the enhancement of corporate value.

ISS’s concerns that the Proposal may prevent meaningful interaction between management and shareholders is groundless, as the Company plans to add Virtual Only Shareholders Meetings as just one of the methods of shareholder meetings, and the Company will choose the most appropriate method of shareholder meetings while respecting the situation of each fiscal year and the opinions of shareholders through IR activities.

We now explain that the reason why the concerns raised by ISS are ungrounded.

### **(1) Virtual Only Shareholders Meetings do not affect the shareholders’ ability to hold directors accountable and, in fact, promote meaningful interaction between management and shareholders.**

Virtual Only Shareholders Meetings will broaden the base of attending Shareholders In Difficulty and facilitate shareholders’ pursuit of directors’ responsibilities at shareholders meetings. They will not have any negative impact.

In the light of the current situation of web conferences, holding Virtual Only Shareholders Meetings, or without location constraints, will allow all shareholders to freely and openly ask and answer questions under the fair conditions given to them equally, and will not “prevent” but rather “promote” meaningful exchanges.

ISS points out that questions and movements from shareholders that are not welcomed by

management may be conveniently handled in a way that favors management, but in a Virtual Only Shareholders Meetings, all questions from shareholders and responses to questions by management are recorded, so if management handles shareholders meeting unfairly everything will become clear. In fact, it is clear that handling questions at Virtual Only Shareholders Meetings will be more open and more fair than the one at poorly recorded shareholders meetings.

**(2) Virtual Only Shareholders Meetings help ensure smooth and fair interactions between management and shareholders and handling the motions in the event of a shareholder proposal or a proxy fight.**

Virtual Only Shareholders Meetings, including all shareholders' questions and motions, are conducted virtually and do not restrict shareholders' right to ask questions, make motions and exercise their voting rights, even in the event of shareholder's proposal or a proxy contest. Rather, it helps to reflect each shareholder's opinion at shareholders meetings in that it expands the opportunities for shareholders interested in other shareholders' proposals to attend the meeting, ask questions express their opinions, and exercise their voting rights at their own discretion while observing the status of discussion.

ISS has stated that it is doubtful that Virtual Only Shareholders Meetings would allow for meaningful interaction between management and shareholders in the event of a shareholder proposal or a proxy fight, but in Virtual Only Shareholders Meetings, all questions, answers, motions, and responses to shareholders' proposals are recorded. However, all questions, answers, motions and responses to shareholders' proposals will be recorded in Virtual Only Shareholders Meetings, and there will be no confusion in shareholders meeting room due to random comments, etc. Therefore, interaction between management and shareholders and handling motions in Virtual Only Shareholders Meetings will be smoother and more fair than in current shareholders meetings.

In addition, since Virtual Only Shareholders Meetings are merely one way to hold shareholders meetings, they do not interfere with proxy solicitation or interaction with other shareholders prior to shareholders meeting.

Therefore, ISS's concerns are no reasons, and it can be said that Virtual Only Shareholders Meetings are useful as a tool for smooth and fair deliberation of shareholder and company proposals, making appropriate resolutions based on the will of a wide range of shareholders.

**(3) The Company will contribute to the establishment of best practices and enhance our corporate value as a specialist in handling shareholder meetings by being the first among other companies to amend the Articles of Incorporation to promote Virtual Only Shareholders Meetings.**

Our equity consulting business, including support for shareholders meetings, is one of our main businesses, and remaining a specialist in handling shareholders meetings is the root of our corporate value.

ISS is right that the public debate on Virtual Only Shareholders Meetings has only just begun in Japan, however, this is the reason why we, as a specialist in handling shareholders meetings, are taking the lead in organizing Virtual Only Shareholders Meetings, exploring the benefits, finding

solutions to the problems, and becoming a leading case. By becoming a leading case, we can make a significant contribution to the establishment of best practices in Japan. Currently, public companies have great interest in Virtual Only Shareholders Meetings, and the Company's positive contribution to the establishment of best practices will enhance the Company's reputation and, ultimately, corporate value.

In order to realize, it is essential that we recognize that the effectiveness of Virtual Only Shareholders Meetings, actively adopt them by amending the Articles of Incorporation, rather than reluctantly taking advantage of the two-year temporary deregulation as described by ISS, and utilize the discussions at the shareholder meeting regarding this proposal in our future operations.

The Company acts also as an administrator of the shareholder registry, prepares the register of shareholder every quarter, and identifies institutional shareholders and the number of shares they hold that are not listed in the register of shareholder through a detailed investigation by our research department (the "**Shareholder Identification Survey**").

At our 7th ordinary general meeting of shareholders, we will introduce simultaneous interpretation to "eliminate the language barrier" and to "communicate without time lag." We will ask the domestic and overseas institutional shareholders (127 companies in total) identified in the Shareholder Identification Surveys to confirm their shareholdings, and if we recognize them as substantial shareholders, we will encourage them to participate as observers in the attendance-type hybrid virtual general meeting via the internet to promote active and meaningful exchanges.

The Company with a unique business profile as an investment bank with a thorough understanding of shareholders in addition to equity consulting and governance consulting, we strongly support the amendment of the Law, which aims to strengthen industrial competitiveness by leading to the activation, efficiency and facilitation of shareholders meetings. We believe that taking the initiative to amend the Articles of Incorporation at this ordinary general meeting of shareholders will enhance the corporate value of the Company.

#### Reference

- Results of interaction in the previous year

Implementation of quarterly financial results briefings

(Total number of participants: 212 companies, 299 people)

Individual engagement throughout the year

(Total: 222 companies, 306 persons)

End of release