

(Quick Translation)

## **Internal Rules on Proxy Voting Execution**

### **(Purpose)**

#### **Article 1**

INVESCO Asset Management (Japan) Limited (referred to as "INVESCO" thereafter) assumes a fiduciary responsibility to vote proxies in the best interest of its trustors and beneficiaries. In addition, INVESCO acknowledges its responsibility as a fiduciary to vote proxies prudently and solely for the purpose of maximizing the economic values of trustors (investors) and beneficiaries. So that it may fulfill these fiduciary responsibilities to trustors (investors) and beneficiaries, INVESCO has adopted and implemented these internal rules reasonably designed to ensure that the business operations of the company to invest are appropriately conducted in the best interest of shareholders and are always monitored by the shareholders.

### **(Proxy Voting Policy)**

#### **Article 2**

INVESCO exercises the voting right in the best interest of its trustors and beneficiaries not in the interests of the third parties. The interests of trustors and beneficiaries are defined as the increase of the value of the enterprise or the expansion of the economic value of the shareholders or to protect these values from the impairment.

### **(Voting Exercise Structure)**

#### **Article 3**

Please refer to the Article 2 of Proxy Voting basic Policy as per attached.

### **(Proxy Voting Guidelines)**

#### **Article 4**

Please refer to Proxy Voting Guidelines (Attachment 2).

### **(Proxy Voting Process)**

#### **Article 5**

##### **1. Domestic Equities**

- ① Notification on the shareholder meeting will be delivered to Operations from trustee banks which will be in turn forwarded to the person in charge of equities investment. The instruction shall be handled by Operations.
- ② The person in charge of equities investment scrutinizes the subjects according to the "Screening Standard" and forward them to the proxy voting committee ("Committee").

- ③ In case of asking for the outside counsel, to forward our proxy voting guidelines ("Guidelines") to them beforehand and obtain their advice
- ④ In either case of 2 or 3, the person in charge shall make proposal to the Committee to ask for their "For", "Against", "Abstention", etc.
- ⑤ The Committee scrutinizes the respective subjects and approves/disapproves with the quorum of two thirds according to the Guidelines.
- ⑥ In case where as to the subject which the Committee judges as inappropriate according to the Guidelines and/or the subject which cannot obtain the quorum, the Committee will be held again to discuss the subject.

## **2. Foreign Equities**

- ① As to the voting exercise of the foreign equities, we shall consider the manners and customs of the foreign countries as well as the costs.
- ② As to the voting process, the above process of the domestic equities shall be accordingly adjusted and applied.

### **(Disclosure of Information)**

#### **Article 6**

In case of the request from the customers, we can disclose the content.

### **(Voting Record)**

#### **Article 7**

- The Committee preserves the record of Attachment 1 for one year.
- The administration office is the Investment Division which shall preserve all the related documents of this voting process.
- Operations which handle the instruction shall preserve the instruction documents for 10 years after the termination of the ITM funds or the termination of the investment advisory contracts.

Article 8 and addendum are omitted.

## Proxy Voting Basic Policy

### 1. Basic Thought on Proxy Voting

- INVESCO makes efforts to maximize the entrusted assets in terms of fiduciary duties in investing the funds entrusted by the trustors (investors) and the beneficiaries.
- For the purpose of maximizing the invested assets and the value of the equities, INVESCO always monitors the invested companies to operate approximately as a shareholder in the best interests of the shareholders.
- From the above point of view, INVESCO has adopted and implemented this Proxy Voting Basic Policy and Proxy Voting Policy and Procedure to fulfill the proxy voting rights properly.
- In exercising the proxy voting rights, INVESCO fulfills the voting rights in the benefits of the trustors (investors) and the beneficiaries not in the benefits of the third parties.

### 2. Voting Process and Structure

- INVESCO establishes the Proxy Voting Committee (referred to as "Committee" thereafter) which executes the proxy voting rights
- The Committee is composed of the chairman who is designated by Japanese Management Committee (referred to as "J-Mac" thereafter) and the members appointed by the chairman. Persons in charge of Investment Division and Legal & Compliance Division shall be mandatory members.
- The Committee has been delegated the judgment power to execute the voting right from the J-Mac.
- The Committee has worked out the subjects according to the pre-determined "Screening Standard" in terms of benefits of the shareholders and executes the voting rights based on the "Proxy Voting Guidelines".
- The Committee is occasionally taken the advice from the outside parties according to the "Proxy Voting Guidelines".
- The Committee is held on a monthly basis and the result of the voting execution is to be reported to J-Mac on a monthly basis at least.

### 3. Screening Standard

For the purpose of efficient voting execution, INVESCO implements the following screening criteria. The companies fallen under this screening criteria shall be scrutinized according to "Voting Guidelines".

- (1) Quantitative Standard
  - 1) Low profit margin of operational income and recurrent income for certain periods
  - 2) Negative Net Assets/Insolvency
  - 3) Extremely High Dividend Ratios or Low Dividend Ratios
- (2) Qualitative Standard
  - 1) In breach of the substantial laws or anti-social activities for the past one year
  - 2) Impairment of the interests of the shareholders for the past one year
- (3) Others
  - 1) External Auditor's Audit Report with the limited auditor's opinion
  - 2) Shareholders' proposals

### 4. Proxy Voting Guidelines

- (1) General Subjects

- 1) Any violation of laws and anti-social activities?
- 2) Inappropriate disclosure which impairs the interests of shareholders?
- 3) Enough Business Improvement Efforts?
- (2) Subjects on Financial Statements
  - Any reasonable reasons for Interest Appropriation/Loss Disposal?
- (3) Amendments to Articles of Incorporation, etc.
  - Any possibility of the limitation to the shareholder's rights?
- (4) Directors/Statutory Auditors
  - Appointment of the unqualified person, or inappropriate amount of payment/gifts to the unqualified person?
- (5) Capital Policy/Business Policy
  - Unreasonable policy in terms of maximization of the shareholders' interests?
- (6) Others
  - 1) Shareholder's Proposals
    - Contribution to the increase of the shareholders' economic interests?
  - 2) Appointment of Auditor
    - Any problem of independency?

Company Name :	Year	Month
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Screening Criteria / Quantitative Criteria (consolidated or (single))

	Yes	No
Consecutive unprofitable settlements for the past 3 years		
Consecutive Non-dividend payments for the past 3 years		
Operational loss for the most recent fiscal year		
Negative net assets for the most recent fiscal year		
Less than 10% <u>or</u> more than 100% of the dividend ratios for the most recent fiscal year		

Screening Criteria/Qualitative Criteria

	Yes	No
Substantial breach of the laws/anti-social activities for the past one year		
If Yes, describe the content of the breach of the law/anti-social activities:		
Others, especially, any impairment of the value of the shareholders for the past one year		
If Yes, describe the content of the impairment of the value of shareholders:		

Others

	Yes	No
External Auditor's report with the limited auditor's opinion		
Shareholder's proposal		

Person in charge of equities investment	Initial	Signature
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- If all Nos → No objection to the agenda of the shareholders' meeting
- If one or more Yes ↓ (Person in charge of equities investment shall fill out the blanks below and forward to the Committee)

Proposal on Voting Execution				
Reason for judgment				
Chairman	For	Against	Initial	Signature
Member	For	Against	Initial	Signature
Member	For	Against	Initial	Signature
Member	For	Against	Initial	Signature
Member	For	Against	Initial	Signature
Member	For	Against	Initial	Signature

**1. Purport of Guidelines**

Pursuant to Article 2 of Proxy Voting Policy and Procedure, INVESCO has adopted and implemented the following guidelines and hereby scrutinizes and decides the subjects one by one in light of the guidelines.

**2. Guidelines**

(1) General Subjects

- 1) Any violation of laws and anti-social activities?
  - To scrutinize and judge respectively the substantial impact over the company's business operations by the above subjects or the impairment of the shareholders' economic value.
- 2) Inappropriate disclosure which impairs the interests of shareholders?
  - To scrutinize and judge respectively the potential impairment of the shareholder's economic value.
- 3) Enough Business Improvement Efforts?
  - Although the continuous extremely unprofitable and the extremely bad performance, the management is in short of business improvement efforts. To scrutinize and judge respectively the cases.

(2) Subjects on Financial Statements

- 1) Interest Appropriation Plan
  - ① Interest Appropriation Plan (Dividends)
    - To basically approve unless the extremely overpayment or minimum payment of the dividends
  - ② Interest Appropriation Plan (Bonus payment to corporate officers)
    - To basically agree but in case where the extremely unprofitable, for example, the consecutive unprofitable and no dividend payments or it is apparent of the impairment of the shareholder's value, to request to decrease the amount or no bonus payment.
  - ③ To basically disagree to the interest appropriation plan if no dividend payments but to pay the bonus to the corporate officers without prior assessment.
- 2) Loss Disposal Plan
  - To scrutinize and judge respectively

(3) Amendments to Articles of Incorporation, etc.

- 1) Company Name Change/Address Change, etc.
- 2) Change of Purpose/Method of Public Announcement
- 3) Change of Business Operations, etc.
- 4) Change of Stipulations on Shareholders/Shareholders Meeting
- 5) Change of Stipulations on Directors/Board of Directors/Statutory Auditors
  - To basically approve however, in case of the possibility of the limitation to the shareholders' rights, to judge respectively

(4) Subjects on Corporate Organization

- 1) Composition of Board of Directors Meeting, etc.
  - To basically approve the introduction of "Committee Installation Company" or "Substantial Asset Control Institution"
  - To basically approve the introduction of the corporate officer institution. Provided, however, that in case where all directors are concurrent with those

committee members and the institutions, to basically disagree. In case of the above introduction, to basically disapprove to the decrease of the board members or adjustment of the remuneration.

- 2) Appointment of Directors
  - To basically disagree in case where the increase of the board members which is deemed to be overstuffed and no explanatory comments on the increase. In case of 21 or more board members, to respectively judge.
  - To basically disagree the re-appointment of the existing directors in case where the consecutive unprofitable settlement for the past 3 years and the consecutive 3 year no dividend payments, or the consecutive decrease in the net profits for the past 5 years.
  - To basically disagree the re-appointment of the existing directors in case where the scandal of the breach of the laws and the anti-social activities occurred and caused the substantial impact over the business operations during his/her assignment.
- 3) Appointment of Outside Directors
  - To basically agree after the confirmation of its independency based on the information obtained from the possible data sources.
  - To basically disagree the decrease in number.
  - to basically disagree the job concurrence of the competitors' CEO, COO, CFO or concurrence of the outside directors of 4 or more companies.
  - To basically disagree in case of no-independence of the company
  - To basically disagree the extension of the board of directors' term.
- 4) Appointment of Statutory Auditors
  - To basically disagree the appointment of the candidate who is appointed as a director and a statutory auditor by turns.
  - To basically disagree the re-appointment of the existing directors in case where the scandal of the breach of the laws and the anti-social activities occurred and caused the substantial impact over the business operations during his/her assignment.
- 5) Appointment of Outside Statutory Auditors
  - To basically disagree in case where the outside statutory auditor is not actually the outside auditor (the officer or employee of the parent company, etc.)
  - To basically disagree in case where the reason of the decrease in the number is not clearly described.
  - To basically agree in case where the introduction of the "Statutory Auditor Appointment Committee" which includes plural outside statutory auditors.

(5) Officer Remuneration/Officer Retirement Allowances

- 1) Officer Remuneration
  - To basically disagree the amendment of the officer remuneration (unless the decrease in amount or no payment) in case where the consecutive unprofitable settlements for the past 3 years and the consecutive 3 year no dividend payments, or the consecutive decrease in the net profits for the past 5 years.
  - To basically disagree and scrutinize respectively in case where no sufficient explanation of the substantial increase (10% or more per head), or no decrease of the remuneration amount if the number of the officers decrease.
- 2) Officer Retirement Allowance
  - To basically approve
  - To basically disapprove in case where the payment of the allowance to the outside statutory auditors and the outside directors.

- To basically disapprove in case where the officer resigned or retired during his/her assignment due to the scandal of the breach of the laws and the anti-social activities.
- To basically disagree in case where the consecutive unprofitable settlements for the past 3 years and the consecutive 3 year no dividend payments, or the consecutive decrease in the net profits for the past 5 years.

## 2. Capital Policy/Business Policy

- 1) Acquisition of Own shares
    - To basically approve
    - To basically approve the disposition of the own shares if the disposition ratio of less than 10% of the total issued shares and the shareholders' equities. In case of 10% or more, to respectively scrutinize.
  - 2) Capital Reduction
    - To basically disagree in case where the future growth of the business might be substantially decreased.
  - 3) Increase of the authorized capital
    - To basically disagree in case of the substantial increase of the authorized capital taking into consideration the dilution of the voting right (10% or more) and incentive.
  - 4) Granting of the stock options to Directors, Statutory Auditors and Employees
    - To basically approve
    - To basically disagree in case where the substantial dilution of the value of the stocks (the potential dilution ratio is to increase 5% of the total issued stock number) will occur and accordingly decrease of the shareholders' interests.
    - To basically disagree in case where the exercise price is deviated by 10% or more from the market value as of the fiscal year-end
    - To basically disagree the decrease of the exercise price (re-pricing)
    - To basically disagree in case where the exercise term remains less than 1 year
    - To basically disagree in case the scope of the option granted objectives (transaction counterparties) is not so closely connected with the better performance.
  - 5) Mergers and Acquisitions
    - To basically disagree in case where the terms and conditions are not advantageous and there is no assessment base by the third party.
    - To basically disagree in case where the content of the mergers and acquisitions can not be deemed to be reasonable in comparison with the business strategy.
  - 6) Business Transfer/Acceptance
    - To basically disagree in case where the content of the mergers and acquisitions can not be deemed to be reasonable and extremely unprofitable in comparison with the business strategy.
  - 7) Capital Increase by the allocation to the third parties
 

To basically analyze on a case by case basis  
 Provided, however, that to basically approve in case where the companies under the financial difficulties executes as the restructuring of the business.
- (7) Others
- 1) Appointment of Accountant
    - To basically approve
    - To basically disapprove on suspicion of its independency.

- To scrutinize the subjects in case where the decline of the re-appointment due to the conflict of the audit policy.
- 2) Shareholders' proposal
- To basically analyze on a case by case basis
  - The basic judgment criterion is the contribution to the increase of the shareholders' value. However, to basically disapprove in case where to maneuver as a method to resolve the specific social and political problems.