

19 March 2020

**ISS Supports AVI Dividend and Share Buyback Proposals to Teikoku Sen-i**

- Recommends Vote **FOR** JPY 76/Share
- Recommends Vote **FOR** JPY Two Billion Share Buyback Program
- Recommends Vote **AGAINST** Re-Election of President Tsuyoshi Shiraiwa

LONDON--Asset Value Investors (“AVI”) welcomes the support of Institutional Shareholder Services (“ISS”) for its shareholder proposals at the upcoming Annual General Meeting (“AGM”) on 27 March 2020 at Teikoku Sen-i (“Teikoku Sen-i” or “the Company”) (TSE: 3302).

Based on an independent assessment, leading global proxy advisor ISS has issued recommendations fully supporting AVI’s shareholder proposals that (a) Teikoku Sen-i distribute a dividend of JPY76/share and (b) engage in a share buyback of up the JPY two billion.

In addition, ISS recommends that shareholders vote against re-election of President Tsuyoshi Shiraiwa.

ISS recommends voting in favour of AVI’s JPY76 per share proposal based on the following considerations:

- The dividend is achievable without affecting the Company’s financial health
- The Company has failed to show that any possible benefits are outweighed by the disadvantages of a balance sheet heavily weighted with investment securities and other financial assets
- The Company’s cash position and excess investment in Hulic worsen capital efficiency and create unnecessary risk

ISS elaborates: “It is difficult to explain how cross-shareholdings benefit shareholders. From investors’ perspective, cross-shareholdings cannot be regarded as an appropriate way of deploying shareholder capital since the funds tied up in cross-shareholdings are neither used in capital investment and M&As which can contribute to improvements in efficiency or business expansion, nor returned to shareholders.”

ISS also recommends voting in favour of AVI’s JPY 2 billion share buyback program for the following reasons:

- The buyback can be achieved without affecting the Company’s financial health
- The Company has failed to demonstrate that any possible benefits are outweighed by the disadvantages of tying cash up in investment securities and other financial assets
- The Company’s high level of net cash and excess investment in Hulic worsen capital efficiency and create unnecessary risk

Finally, ISS recommends that shareholders vote against re-election of President Tsuyoshi Shiraiwa to assign responsibility for the Company’s poor capital efficiency:

- As Company president since 2012, Tsuyoshi Shiraiwa should be held responsible for the Company's questionable capital management and its [lack of] responsiveness to shareholder concerns

AVI urges all shareholders of Teikoku Sen-i to vote in favour of AVI's dividend and share buyback proposals, not only in order to improve the Company's poor capital management, but as means of demanding accountability from Teikoku Sen-i's senior management.

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Full details of AVI's proposals and a presentation can be found on AVI's dedicated website [www.TransformingTeikoku.com](http://www.TransformingTeikoku.com).

### **About Asset Value Investors**

Asset Value Investors (AVI) is a specialised investment manager in London that has been investing in Japan for over two decades. AVI was founded in 1985 and has been investing in high quality companies that are under-valued by the stock market for over three decades. AVI's investment team engages with managements and boards of companies to improve long-term corporate value.

### **Contacts**

info@assetvalueinvestors.com