



Report of the 10th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities

May 2025

Government Pension Investment Fund

Note: This is a reference translation. In the event of any conflict between the original Japanese version and the English version, the text of the original Japanese version shall prevail.



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Summary of Survey

Outline of the Survey: Purpose and the Status of Responses

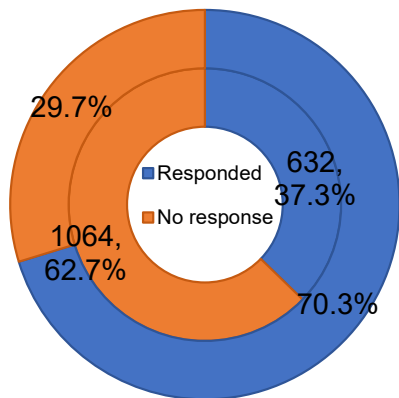
1. Purpose

- To evaluate stewardship activities carried out by GPIF's external asset managers, and to ascertain the actual status of "purposeful and constructive dialogue" (engagement) and changes observed in the past one year.

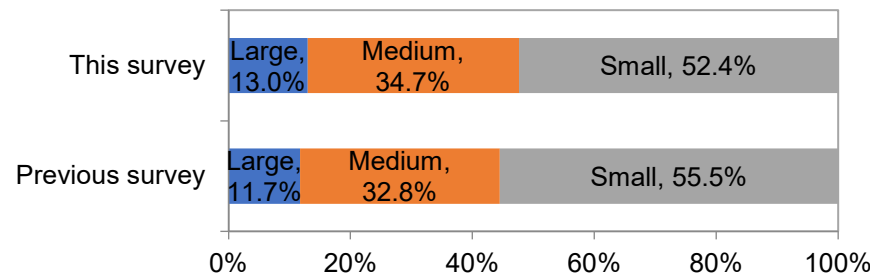
2. Subjects, etc.

- TOPIX component companies (as of January 31, 2025) : 1,696 (2,154 in the previous year)
- Number of respondent companies: 632 (717 in the previous year)
- Response rate: 37.3% (33.3% in the previous year)
- Survey period: From January 17 through March 21, 2025

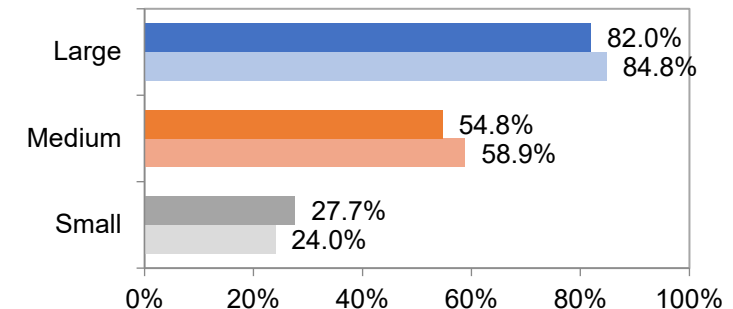
<Response coverage rate>



<Percentage of the number of respondent companies by company size>



<Response rate by company size>



*Inside: based on number of companies
Outside: based on market cap

* "Large" stands for companies included in TOPIX 100, "Medium" for those included in TOPIX Mid400, while "Small" represents other companies.
(Same shall apply to those mentioned hereafter by company size.)

*The upper row and lower row of figures by company size indicate those in this survey and those in the previous survey, respectively.

Summary of Survey: List of Questions

1. Current Situation and Changes Observed regarding Institutional Investors, including GPIF's External Asset Managers

- | | |
|---|------------|
| Q1: Current state of IR meetings and other forms of dialogue with institutional investors as a whole (p. 9) | New |
| Q2: Changes observed in institutional investors as a whole at IR meetings, etc. over the past year (p. 11) | Partly New |
| Q3: Changes observed in corporate behavior as a result of dialogue held with institutional investors (p. 13) | New |
| Q4: Status of conducting dialogue with institutional investors regarding company's long-term vision (p. 15) | |
| Q5: Status of the use of corporate governance reports by institutional investors (p. 17) | |
| Q6: Status of the use of integrated reports by institutional investors (p. 17) | |
| Q7: Status of conducting dialogue between institutional investors and outside directors and outside statutory auditors in the past one year (p. 18) | |
| Q8: Status of conducting collaborative engagement in the past one year (p. 20) | |
| Q9: Evaluation of engagement with GPIF's external asset managers entrusted with domestic equity investment in the past one year (p. 22) | |
| Q10: Status of conducting dialogue with fixed income investors (p. 24) | |
| Q11: Expectations for institutional investors to enhance corporate value and sustainable growth over the medium to long term (p. 25) | |

2. IR and ESG Activities of Companies

Q1: Responses to SSBF's draft of Sustainability Disclosure Standards (p. 27)

New

Q2: Explanations on non-financial information for institutional investors (p. 29)

Q3: Creation of integrated reports (p. 30)

Q4: Disclosure in accordance with the TCFD recommendations (p. 31)

Q5: Disclosure in accordance with the recommendations of the Taskforce on Nature-related Financial Disclosures (p. 32)

Partly New

Q6: Sustainability disclosure of Securities Report (p. 34)

New

Q7: Responses to TSE's Request Regarding "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" (p. 35)

Partly New

Q8: Objectives of the ESG activities (p. 39)

Q9: Main themes of the ESG activities (p. 40)

Partly New

3. GPIF's Initiatives (ESG Indexes)

Q1: Evaluation of the ESG indexes adopted by GPIF (p. 42)

Q2: Status of reviewing the methodologies for the evaluation of the ESG indexes (p. 45)

Q3: Views on inclusion of your company in the ESG indexes (p. 45)

Q4: Status of dialogue with ESG index providers and rating agencies (p. 46)

Q5: Opinions about the ESG indexes (p. 46)

4. GPIF's Initiatives (Overall Stewardship Activities)

Q1: Rating of GPIF's initiative for overall stewardship activities (p. 48)

Q2: Recognition and rating of GPIF's initiatives (p. 49) **Partly New**

Q3: Recognition of GPIF's public relations activities (p. 50)

Q4: Request for cooperation to ascertain the actual status of dialogue conducted by GPIF's external asset managers (p. 50)

Q5: Expectation for GPIF's stewardship activities as an asset owner (p. 51)

Q6: Opinions or requests for GPIF (p. 51)

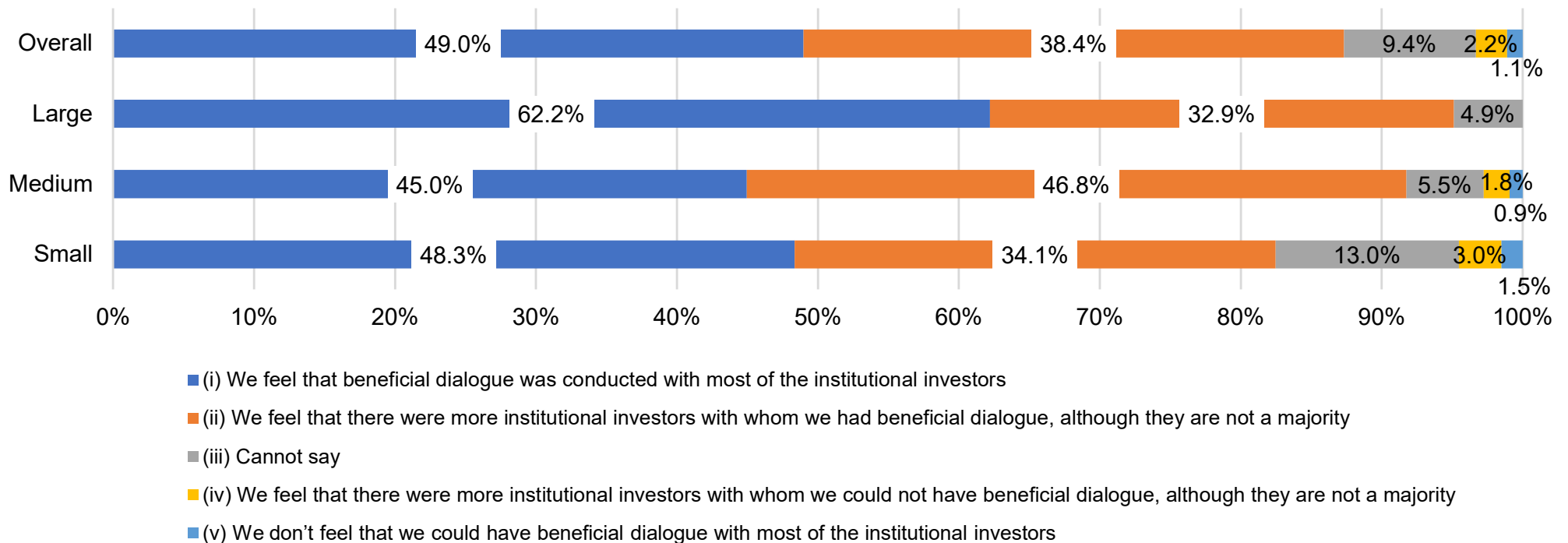


1. Current Situation and Changes Observed regarding Institutional Investors, including GPIF's External Asset Managers

<Institutional Investors Including GPIF's External Asset Managers>

New

Q1: Please select the answer that most closely matches the status of institutional investors in general at IR meetings etc. (dialogue).



- (i) We feel that beneficial dialogue was conducted with most of the institutional investors
- (ii) We feel that there were more institutional investors with whom we had beneficial dialogue, although they are not a majority
- (iii) Cannot say
- (iv) We feel that there were more institutional investors with whom we could not have beneficial dialogue, although they are not a majority
- (v) We don't feel that we could have beneficial dialogue with most of the institutional investors

Key points

- This question was added in this survey in order to properly understand how companies rate the current status of dialogue with institutional investors in general.
- Approximately 90% of all respondent companies feel that there were more institutional investors with whom we had beneficial dialogue (sum of responses (i) and (ii)).
- By company size, "Large" companies showed a strong trend that they felt that way, in contrast to "Small" companies that more often answered "(iii) Cannot say."

1-1: Please give us the reason for the answer to Q1.

[Excerpts of comments from the companies that selected (i) or (ii) (there were more institutional investors with whom we had beneficial dialogue)]

- We had beneficial dialogue with most of the investors based on their prior research concerning our business performance, long-term strategies and others.
- We often received questions concerning not only our quarterly figures but also their background and medium- to long-term strategies.
- Dialogue with institutional investors is an advantageous opportunity for us to directly learn from the standpoint of institutional investors about risks, issues, expectations, awareness of the market environment and trends of other companies, and unclear points in our explanations, relating to our management plans and its progress. Through the opportunity of dialogue, we make efforts to eliminate any gap in understanding, and reflect the content of dialogue in our management strategies by providing feedback to the management.
- We believe that we have been able to engage in highly professional dialogue, as institutional investors have provided information on industry trends both in Japan and abroad, as well as comparisons with industry peers, and their requests were sensible, with logical explanation based on facts.
- A discussion paper was prepared in advance by institutional investors, establishing an environment suitable for constructive dialogue. The dialogue covered a wide variety of themes such as the company's long-term vision, financial strategies and ESG activities, and the specific examples and proposed improvement measures presented to us contributed to the enhancement of our corporate value.
- Unfortunately, there still remain some interviews in which boxes were simply checked in accordance with the list of questions. However, most of the dialogue we had contributed to our actual activities by receiving useful opinions concerning disclosure and transmission of governance and climate change for feedback to our management.
- At the quarterly meetings, it is often the case that the central topic is concerning the latest business performance, but when we ask investors about the matters we would like to confirm, they usually express their opinions and views, many of which are useful for us.
- Since we have expanded our IR activities from this fiscal year, the opportunities of dialogue increased, and a variety of opinions were provided to us by investors. In reference to those opinions, we also reviewed our business strategies and shareholder return policy.

[Excerpts of comments from the companies that selected (iii) , (iv) or (v) (Cannot say, or there were less institutional investors with whom we had beneficial dialogue)]

- The IR meetings have been gradually decreasing, and the opportunities for dialogue are limited in the first place.
- While some investors seek a deeper understanding of the medium- to long-term trend of industry to which we belong and our medium-term strategy, etc., other investors focus only on confirmation of short-term business performance.
- While some institutional investors can conduct dialogue beneficial to us, other institutional investors seem to want to give input on the macro environment, etc., considering us as a competitor of their investee companies rather than from interest in us.
- In the regular interviews with some institutional investors, we feel that the central theme is the updating of the latest situation, rather than "dialogue." We consider that some improvement measures are necessary from our side.

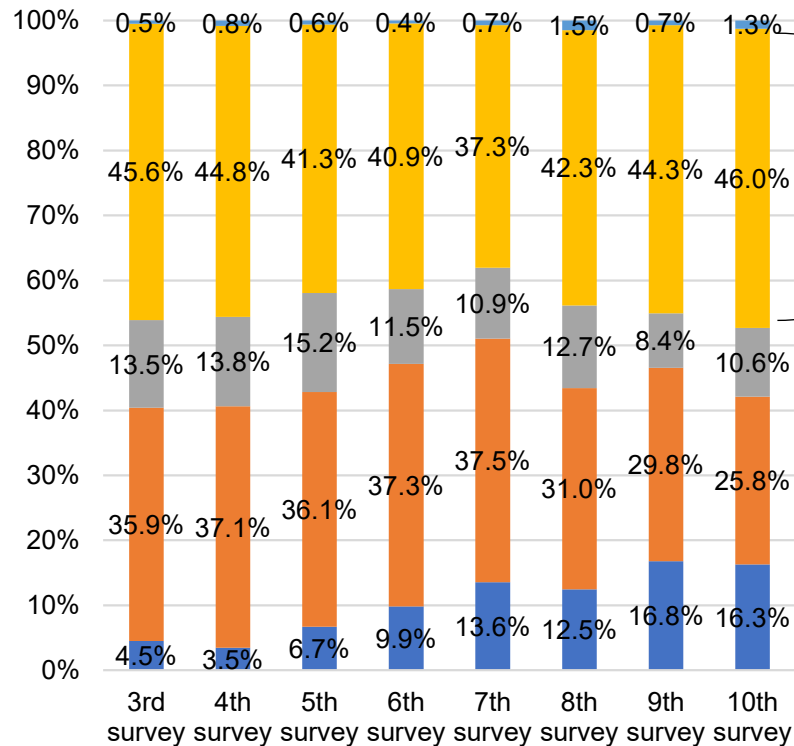
Key points

- There are many cases in which we often become aware when investors point out from their perspectives (regarding market environment, trends of other companies in Japan and abroad) and when they asked questions concerning medium- to long-term management strategies, etc.
- On the other hand, many companies feel that dialogue is not beneficial when investors only focus on the confirmation of short-term business performance without any explanation of the background to the questions, and one-sided and simple questions that use check boxes. (GPIF's stance is not negative against information gathering for the purpose of generating returns.) However, some companies made efforts to turn the dialogue into a meaningful one by asking investors questions in return about the matters they wanted to confirm.
- As to the companies that responded "(iii) Cannot say," many companies claimed the reason is that they have limited number of opportunities for dialogue.

*Options of responses: (i) We feel that beneficial dialogue was conducted with most of the institutional investors; (ii) We feel that there were more institutional investors with whom we had beneficial dialogue, although they are not a majority; (iii) Cannot say; (iv) We feel that there were more institutional investors with whom we could not have beneficial dialogue, although they are not a majority; and (v) We don't feel that we could have beneficial dialogue with most of the institutional investors.

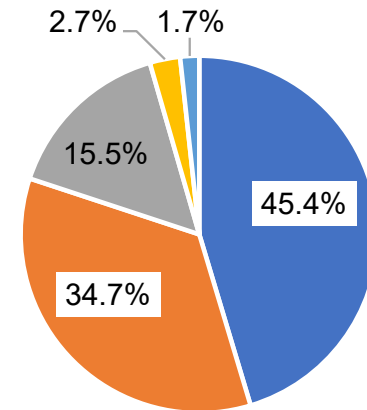
Q2: Please select the answer that most closely matches the changes in institutional investors in general at IR meetings, etc. over the past year.

- (v) Observed more undesirable changes in institutional investors
- (iv) Observed no significant changes in institutional investors
- (iii) Observed some changes but there are significant differences among institutional investors
- (ii) Observed desirable changes in some institutional investors
- (i) Observed desirable changes in all or a lot of institutional investors



*Changes from the 3rd Survey in which the subject companies of the survey were changed from JPX400 component companies to those listed on the TSE First Section.

Responses to Q1 by the companies that selected “(iv) Observed no significant changes in institutional investors”



- (i) We feel that beneficial dialogue was conducted with most of the institutional investors
- (ii) We feel that there were more institutional investors with whom we had beneficial dialogue, although they are not a majority
- (iii) Cannot say
- (iv) We feel that there were more institutional investors with whom we could not have beneficial dialogue, although they are not a majority
- (v) We don't feel that we could have beneficial dialogue with most of the institutional investors

- Over the past one year, the companies that responded “(iii) Observed some changes but there are significant differences among institutional investors” increased slightly, and the most selected response was “(iv) Observed no significant changes in institutional investors.”
- On the other hand, concerning the response to Q1 by the companies that responded (iv), approximately 80% responded “there were more institutional investors with whom we had beneficial dialogue (sum of responses (i) and (ii)).”

2-1: Please give us the reason for the answer to Q2.

[Excerpts of comments from the companies that answered (i) or (ii) (Observed desirable changes in some institutional investors)]

- The understanding of our company has been deepened, which makes the dialogue more meaningful.
- Since we have focused on improving the quality of our IR activities and disclosure, we feel that the quality of dialogue has also improved.
- I think that the opportunities for receiving comments on our management increased in addition to the interviews on our business performance alone.
- Whether it is favorable or not may depend on the way of thinking of companies, but we feel that the opportunities of engagement and receiving frank opinions from some investors, particularly concerning our financial and capital policies, have increased, following the publications of the TSE's "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," METI's "Guidelines for Corporate Takeovers," and movements such as disclosure by issuers in accordance with them and TOBs relating to Japanese companies.
- We can now talk about capital efficiency, profitability and other topics with a common understanding.
- Several topics that contribute to the improvement of corporate activities, such as advice on the content of disclosure and dialogue concerning sustainability, are also discussed with some investors at IR meetings.
- We received harsh comments on the incident that occurred in the previous fiscal year, but they provided us with useful advice for improvement.

[Excerpts of comments from the companies that answered (iii) or (v) (Observed some changes that are significantly different, or undesirable changes in institutional investors)]

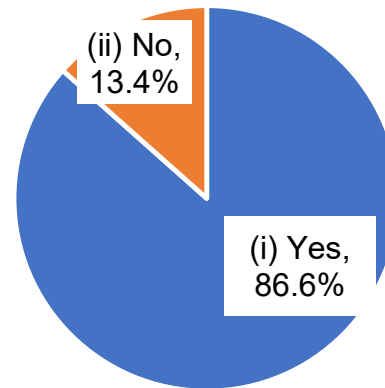
- It is observed that questions asked by investors are classified in two: investors who carefully try to ascertain the medium- to long-term growth strategies in the communication, and those who follow the trend of the current stock price.
- While investors who focus on growth and issues of the company have increased, there are also some cases in which the main theme of IR meetings are biased toward the macroeconomic environment outlook by focusing on the improvement of the external environment such as a rise in the policy rate.
- As a result of the rise in stock prices, the proportion of investors who hold our company shares by growth funds has increased due to an emphasis on value. With such a shareholder composition in the background, we feel that there is a mix of investors who want to strengthen shareholder returns and those who want to actively allocate capital to growth investments.
- Questions and discussions relating to capital efficiency, parent-subsidiary listing and governance have increased, leading to the sophistication of dialogue levels. While it is a meaningful opportunity, it can hardly be asserted that capital policy and growth strategy were substantially related to each other for discussions by the investor side and our side.
- The number of engagement opportunities has decreased compared with the previous year.

[Excerpts of comments from the companies that answered (iv) (Observed no significant changes in institutional investors)]

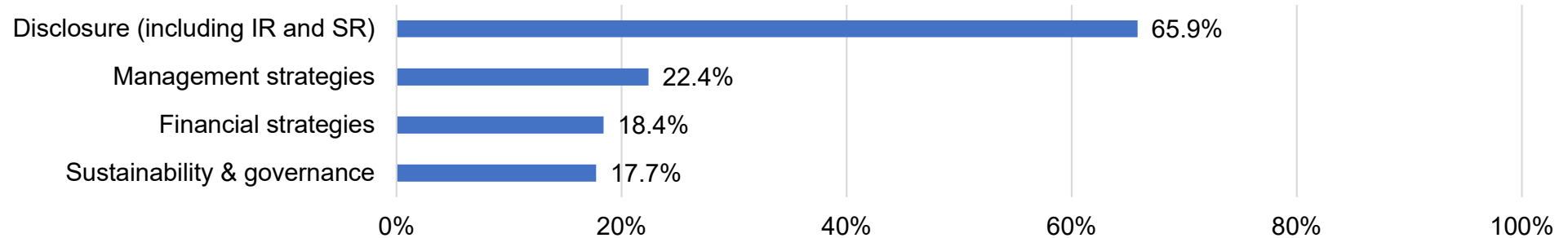
- We don't feel any significant increase or decrease, although we have had beneficial dialogue to date.

Key points	<ul style="list-style-type: none"> • There were many responses that the quality of dialogue has improved as the understanding on companies deepened on the back of continued dialogue and enhanced disclosure materials. In addition, it is observed that the content of dialogue has become more sophisticated in response to the changes in the external environment such as the TSE's requests and the guidelines issued by the Ministry of Economy, Trade and Industry (METI). • On the contrary, as dialogue with institutional investors has been sophisticated, a lot of companies find clear differences between the stance of each institutional investors. Furthermore, there were cases in which the current external environment and the changes in the shareholder composition had an impact on some companies, and other companies seemed to have difficulties in responding to the sophisticating content of dialogue. It was observed that a lot of companies claimed a decrease in dialogue as one of the reasons for undesirable changes.
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Q3: Do you have any cases where dialogue with institutional investors lead to changes in your company's actions?



3-1: If you selected (i) in Q3, please give us specific cases.



*Valid answer received (451 companies). GPIF classified them based on the content of the free descriptive answers. Multiple responses were individually counted. Cases in which dialogue could not judged as actually leading to changes of action, such as the case of an internal discussion in response to investors' comments, are excluded from the count.

Key points	<ul style="list-style-type: none"> New questions were asked if there are cases where dialogue with institutional investors led to changes in the actions of the company, in addition to whether dialogue with institutional investors was beneficial. Companies that answered "(i) Yes" accounted for approximately 90% (the number of companies was 525). This result shows that many companies have actually used the content of dialogue with institutional investors for their initiatives. Additionally, we asked about actual cases of changes in action, and responses were roughly classified into "Disclosure (including IR and SR)," "Management strategies," "Financial strategies," and "Sustainability and governance." (See next page for detail.) Among them, the main answer was "Disclosure (including IR and SR)." We have also confirmed that many companies have established a system to provide feedback of the content of dialogue to the management and the board of directors for consideration of the matters pointed out and propositions. This is not included in the count.
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3-1: If you selected (i) in Question 3, please give us specific cases. (continued)

[Excerpts of comments on disclosure (including IR and SR)]

- With respect to the integrated report, we could clarify good points and matters to be improved through dialogue with investors after publishing it. This contributes to the review of the content for the next disclosure.
- Disclosure of financial strategy has been enhanced. We have begun to disclose our capital allocation.
- Our case spans a wide range, but regarding (i) disclosure concerning human capital, for example, we have elaborated the content of disclosure after learning the investors' viewpoints. Regarding (ii) the skill matrix of directors, we have clarified the evaluation standard, and also showed the standard in the disclosure.
- Since institutional investors provided us with their opinions that we lack the awareness of stock markets, we organized a study meeting by a sector analyst for directors and the management on the theme "What stock markets expect of us." Our internal discussions on the improvement of cost of capital and ROE have become more active.

[Excerpts of comments concerning management strategy]

- We have provided the management with feedback on the suggestions and opinions received at interviews with investors, which we use as important reference information, when we formulate the management policy and KPIs, etc., to realize the Group's sustainable growth and enhancement of medium- to long-term corporate value.
- Formulation of management strategies based on the opinions received (establishment of outcome and materiality, focus on capital efficiency, introduction of ROIC management, review of hurdle rates, etc.)
- Since the previous fiscal year, we have received many questions and comments concerning the improvement of efficiency in the cost of capital. Thus, cost of capital-conscious initiatives have been put into practice, as seen in the setting of indicators using ROIC, by the management and internal sections.
- Bringing forward the schedule of the new business for the improvement of capital efficiency, and formulation of the reduction plan for cross-holding shares

[Excerpts of comments concerning financial strategy]

- We reviewed our capital policy and shareholder return policy through dialogue with institutional investors, based on which we announced measures.
- Although it is not necessarily true that we have moved forward just because we received suggestions from institutional investors, I think it is true that dialogue with institutional investors had an impact on payout ratio, sale of cross-holding shares and fixed assets that we disclosed in the Medium-term Management Plan this year.

[Excerpts of comments concerning sustainability and governance]

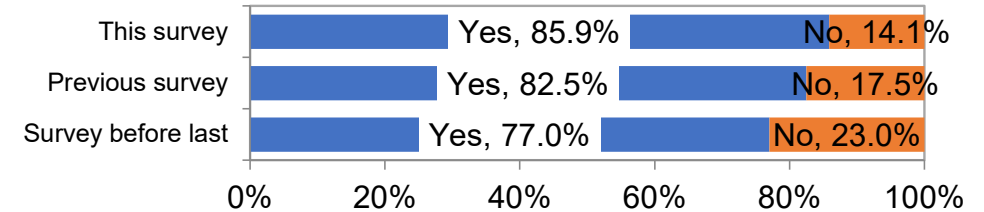
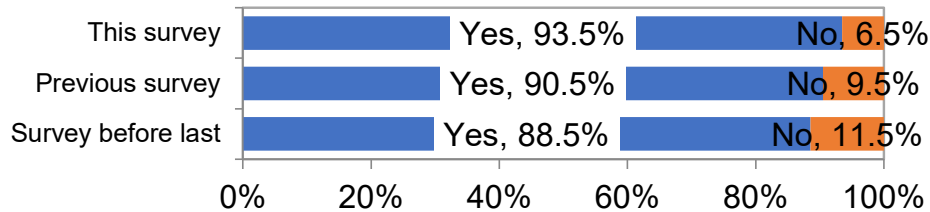
- We have revised our human rights policy in response to comments on our respect-for-human- rights measures provided by a department of an asset manager which supervises stewardship activities. At the same time, our response to climate change was pointed out. Subsequently, we formulated the "Declaration of Net Zero Greenhouse Gas Emission," clarifying and materializing our commitment to reduce CO2.
- Our governance system was enhanced. (Review of the chairperson/committee members of the Nomination Advisory Committee/Compensation Advisory Committee, review of the method of deciding directors' compensation, elimination of outside directors from concurrent positions as director of subsidiaries, etc.)
- Dialogue with an institutional investor led to the abolition of our takeover defense measures and an increase in outside directors.

Key points

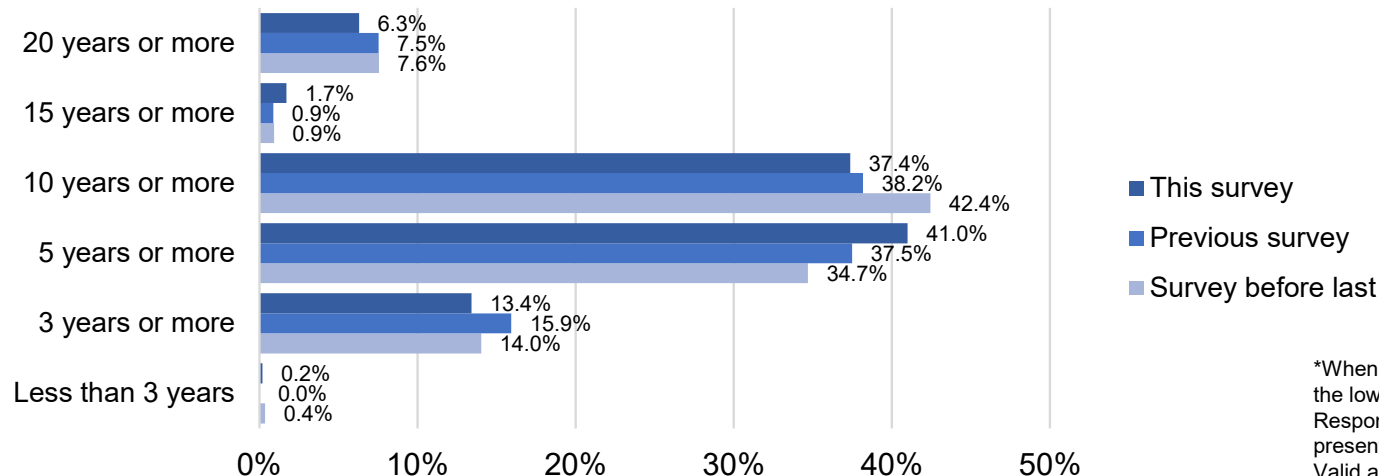
- "Disclosure (including IR and SR)" covers an extremely wide range of information. There are not only cases in which companies disclosed, upon request, their conventional activities that had been put into practice but also cases in which their initiatives have changed (if such case is recognized by their comments, we have added it into the count.)
- As to "Management strategies," there were a lot of comments that the dialogue contributed to the formulation of the company's management plans, and those concerning "Management that is conscious of cost of capital and stock price."

Q4: Has your company's long-term vision been on the agenda or a theme for the dialogue with institutional investors?

4-1: Is your specific long-term vision disclosed to institutional investors?



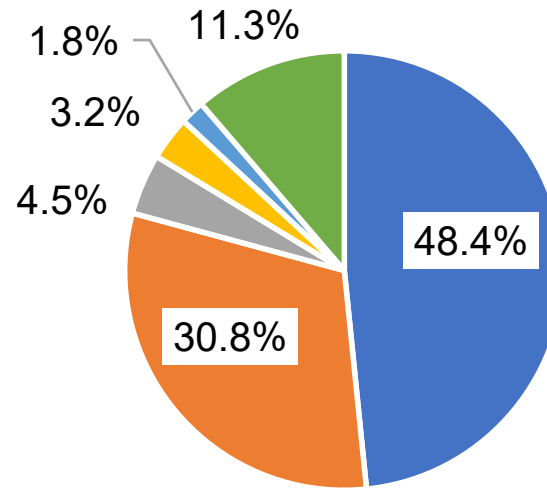
4-2: 2-2: If it is disclosed, what is the time frame for your long-term vision?



*When the responses are indicated in a time range, the low end of the range is used for aggregation. Responses stating that no specific time frame is presented have been excluded from aggregation. Valid answers were received from 522 companies this year (571 companies in the previous year).

- In the dialogue with institutional investors, it is now common that the company's long-term vision is one of the themes, and many companies present their long-term vision to institutional investors.
- Meanwhile, the time frame assumed for long-term visions has been slightly shortened. Since the same trend is observed even if the aggregation is limited to the companies that responded in the previous survey, it is likely that the number of years that elapsed from the formulation of the long-term vision may have had an impact.

4-3: Based on what criteria did you set the number of years indicated in 4-2?

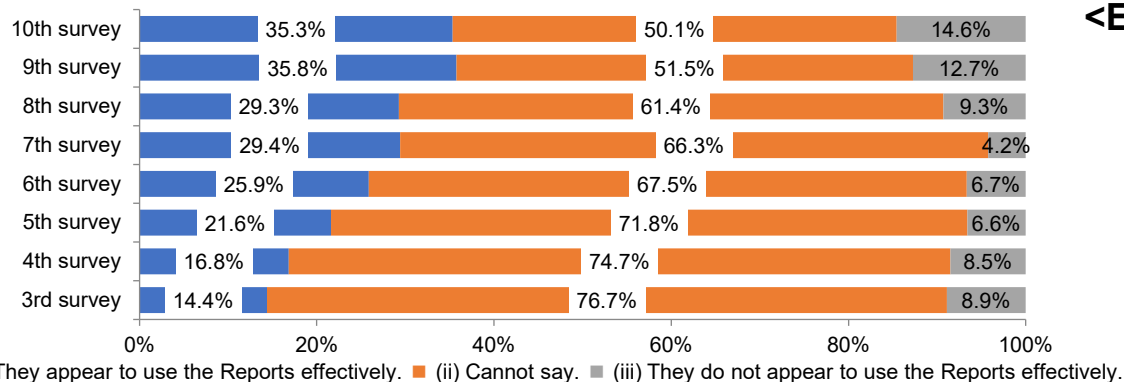


- (i) Long-term plan/vision
- (ii) Medium-term management plan
- (iii) Business span/Number of years foreseeable
- (iv) SDGs/The Paris Agreement
- (v) Number of years since company establishment
- (vi) Other

*Closed-ended questions

- In terms of the number of years assumed for the long-term vision, the companies that set it based on the “Long-term plan/vision” account for approximately 50%.

Q5: Choose the option that reflects your view of the efficient use of your company's Corporate Governance Report by institutional investors.

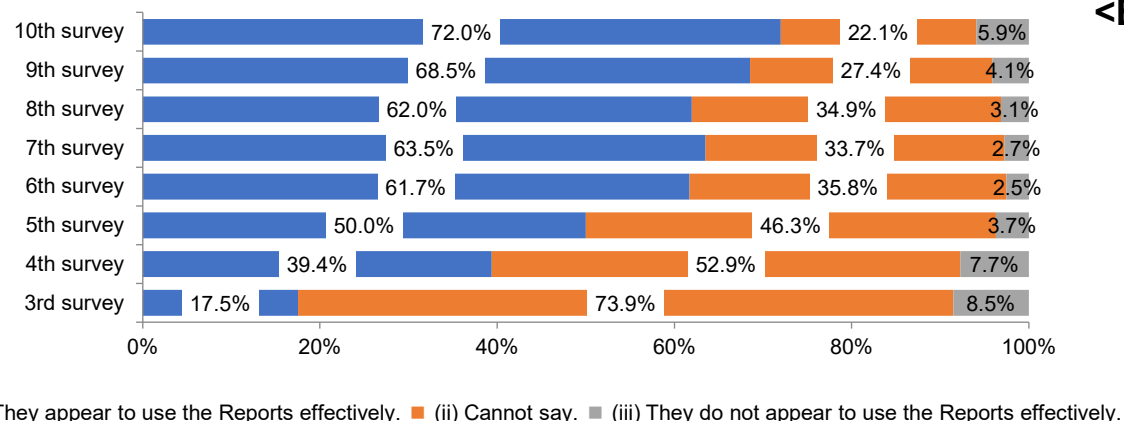


*Changes from the 3rd Survey in which the subject companies of the survey were changed from JPX400 component companies to those listed on the TSE First Section.

<Excerpts of companies' comments>

- In terms of the questions on ESG, we are sometimes asked about the content of the Corporate Governance Report.
- Questions on "Consciousness of Cost of Capital and Stock Price" as described in the Corporate Governance Report have increased.
- They often refer to our Corporate Governance Report when we talk about our institutional design, corporate officer system, the status of our cross-holding shares, etc.
- They sometimes tell us that they use our Corporate Governance Report for reference to decide on the exercise of voting rights.
- Actually, the descriptions of the Corporate Governance Report are seldom discussed at the meeting. Topics such as governance of listed subsidiaries, directors' compensation and successor plans are often discussed in the dialogue with investors based on the Integrated Report.

Q6: Choose the option that reflects your view of the efficient use of your company's Integrated Report by institutional investors. (Question applies only to those companies that publish the report.)



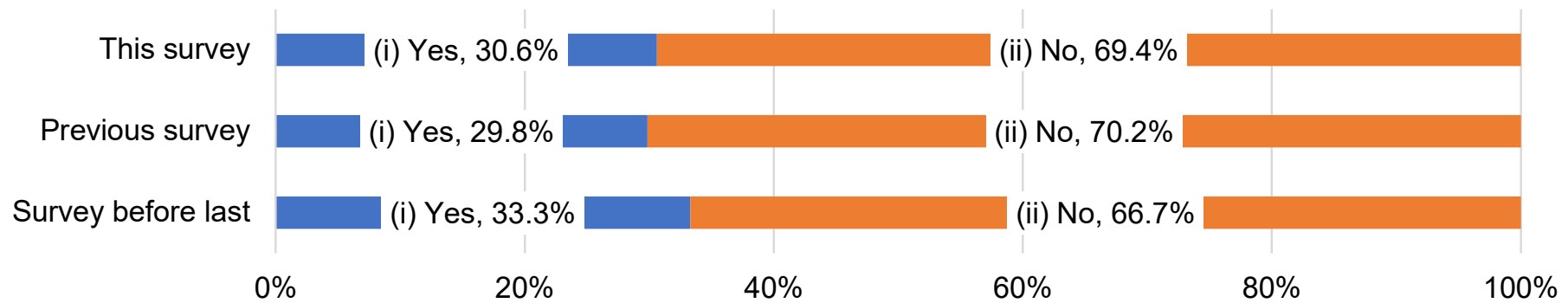
*Changes from the 3rd Survey in which the subject companies of the survey were changed from JPX400 component companies to those listed on the TSE First Section.

<Excerpts of companies' comments>

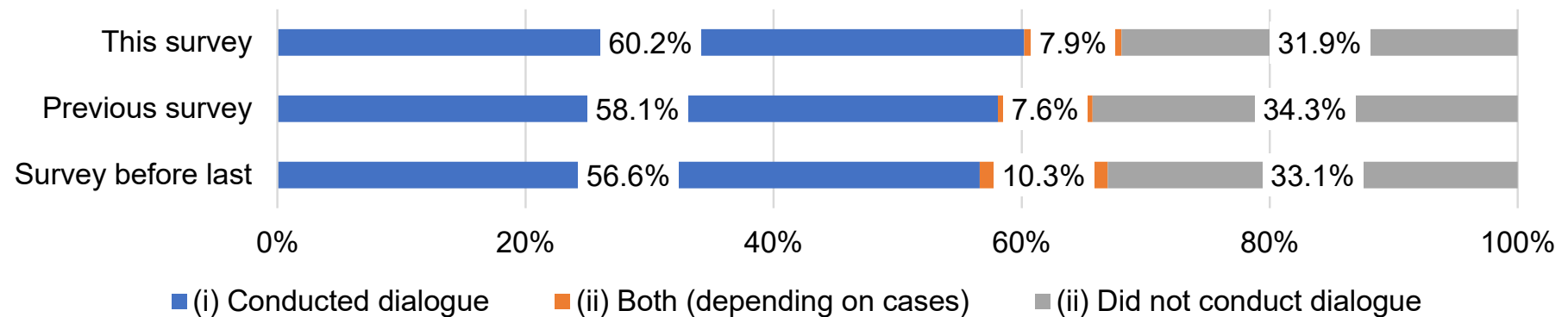
- In dialogues based on the Stewardship Code and dialogues for Shareholder Relations (SR) purposes, most discussions are conducted based on the content of the Integrated Report. It has become quite common for investors to read the Integrated Report in advance before starting dialogue. There are some cases in which investors provide us with feedback concerning the content of the Integrated Report.
- In particular, I feel that constructive dialogue could be conducted based on the content of the Integrated Report at the meetings with responsible investments sections and ESG meetings, and meetings with our management.
- While the persons in charge of the responsible investment-related departments of institutional investors have been reading our Integrated Report very carefully, I feel through the dialogue that more analysts of ordinary asset management departments which are not relating to responsible investment also read the report carefully.
- References to the content of the Integrated Reports have been increasing, and there have also been cases where such content is reflected in reports by institutional investors.
- Our report presents the views of the CEO, COO and CFO, which I feel contribute to enhancing understanding of our company.

- Regarding the use of the Corporate Governance Report by institutional investors, the response "They do not appear to use the Reports efficiently" has been increasing. In connection with that, there is a company's comment, "The information relating to governance is also discussed in the dialogue based on the Integrated Report." Therefore, it is not necessarily true that the importance of the dialogue concerning governance has been lowered.
- Regarding the effective use of the Integrated Report, the comment, "They appear to use the Report effectively," has exceeded 70% for the first time, indicating that the Report has steadily become a tool for dialogue.

Q7: In the past year, did you receive a request from institutional investors to conduct dialogue with outside officers (outside directors and outside auditors)?



7-1: If you selected (i) in Q7, did you conduct dialogue?



- The companies that received a request from institutional investors to conduct dialogue with outside directors remained at around 30%, showing no significant change.
- The companies that actually conducted dialogue upon request has been gradually increasing. Of the companies that responded “No,” many cited the reason that they are adjusting their schedules. Some other companies are exploring dialogue in a form of holding a briefing or a small meeting rather than conducting a one-on-one dialogue, thus indicating that the companies have been getting ready to accept dialogue.

7-2: If you selected (i) or (ii) in 7-1, please describe the outline or impression of the dialogue.

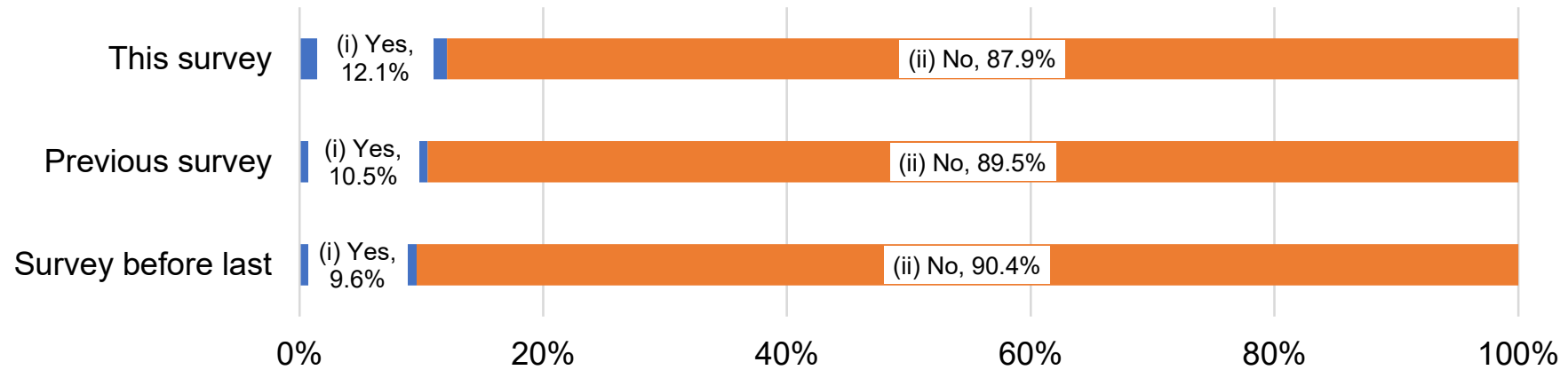
[Excerpts of comments]

- The dialogue was conducted in response to a request from institutional investors, but the dialogue provided us with many new insights. We also expect a favorable impact on the management of our company as a result of our outside directors directly hearing external opinions.
- We actively held group meetings of two or more outside directors (including the Chairman of the Board of Directors, Chairman of the Nomination Committee and the Chairman of the Compensation Committee) and institutional investors. Candid opinions were exchanged mainly on governance-related topics, and the meetings are well-received by institutional investors as meaningful opportunities. Other than those, there were some cases to respond to requests from individual institutional investors for dialogue with outside directors.
- We had dialogue concerning how they monitor companies. We received advice that we should more specifically disclose the initiatives of the Nomination and Compensation Advisory Committee because investors' concerns included our issues, governance and the successor plans for M&A.
- The dialogue was a good opportunity for direct transmission of investors' interests to our outside directors concerning the concept of a succession plan of the management to the next generation, supervisory function toward the execution side, etc. In addition, to make future dialogues more fruitful, we received feedback from several investors expressing a desire to see a concrete path, based on a backcasting perspective, that links the qualitative approach to management direction, which is close aligned with the disclosed corporate philosophy, to the medium-term management plan. We recognize this request as one of our issues.
- We held dialogue with outside directors concerning the issue in which we engaged in fraudulent accounting procedures in 2023. We exchanged opinions mainly on how the outside directors, on behalf of shareholders, accepted the issue from the third-party point of view, and how they consider the company's issues of governance and risk management. It seems that the dialogue was a good opportunity to deepen understanding of the expectations of the markets for the outside directors' duties.
- Recognition of the external environment and the concept of business portfolio that contributes to the Group's growth.
- During the management dialogue sessions with investors, regularly conducted by the CEO and CFO, the Chairman of the Board, an outside director, also joined the discussions. The dialogue focused on the long-term vision and role of the outside director in the development of the medium-term management plan. We were also asked about the nature and depth of the Board's discussions regarding portfolio management. Following our detailed explanation, we believe the investors gained a positive understanding of the effectiveness of the Board's deliberations.
- We held a meeting at which all outside directors came up to the podium. We didn't solicit advance Q&A or standardize the responses, instead, taking the form that outside directors answered questions in their own words on the spot. We received many positive evaluations from those who participated in the meeting, saying, "It was valuable to hear the unscripted opinions and usual discussions of the outside directors. It gave me an imagine of the Board meetings," and "There are limited opportunities in the sector to engage in open discussion and directly express opinions to all outside directors."
- The themes that overseas investors requested were discussed. In response to the questions about governance, climate change, etc., the outside directors explained our initiatives, the deliberations and monitoring status at the Board of Directors and others. The discussion could not go into detail because the time requested by the other party was very short, approximately 30 minutes.
- The benefit didn't seem to match the internal burden of organizing the dialogue. (The decision-maker on the investor side was insufficient of understanding, and seemed far from being in a position to make specific investment decisions. Thus I somewhat felt that this dialogue was conducted only for ticking the box of "A meeting with outside directors was held.").

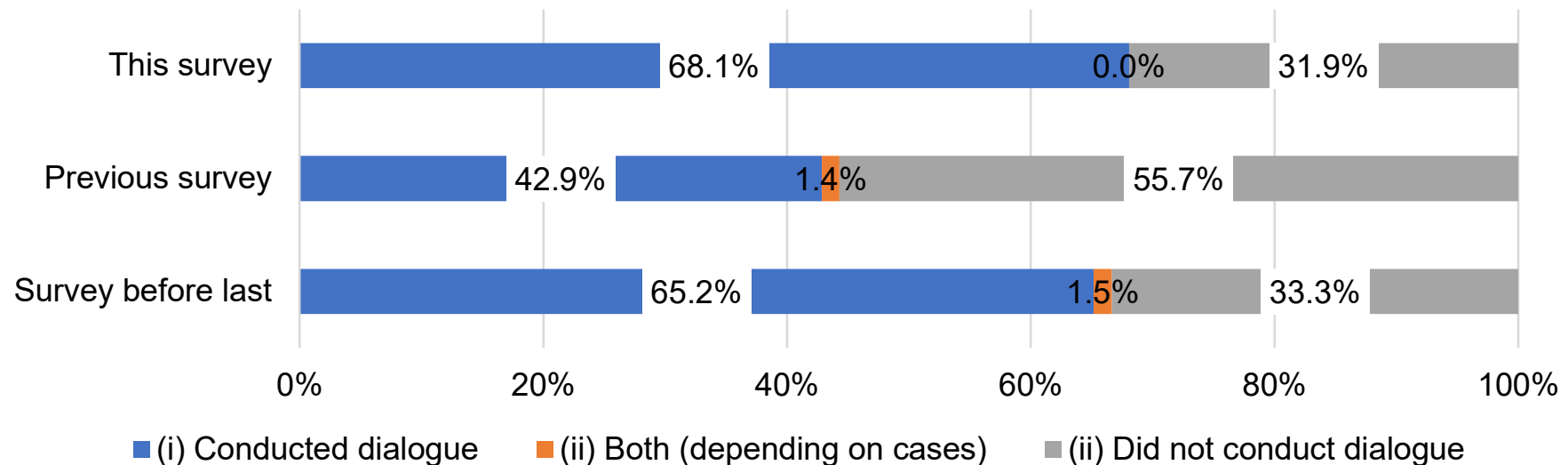
Key points

- As in the previous survey, most of the companies that conducted dialogue by outside directors felt advantages, and some companies positively organized meetings with outside directors.
- The topic focused on governance, confirming the status of fulfillment of duties by outside directors and the effectiveness of the Board of Directors.

Q8: In the past year, did you receive a request for collaborative engagement?



8-1: If you selected (i) in Q8, did you conduct dialogue?



Key points

- Companies that received a request for collaborative engagement account for approximately 10%. Generally speaking, collaborative engagement seems to be conducted by investors who narrowed the subject companies.
- Since the number of companies that have received request is limited, the ratio of whether or not dialogue was conducted tends to fluctuate significantly. However, recently, almost 70% of companies have conducted dialogue upon request.

8-2: If you selected (i) or (ii) in 8-1, please describe the outline of the dialogue (up to three).

<Major initiatives for having conducted collaborative engagement>

Institutional Investors Collective Engagement Forum

Climate Action 100+

ACGA (Asian Corporate Governance Association)

PRI-related initiative

<Major themes and impressions on collaborative engagement>

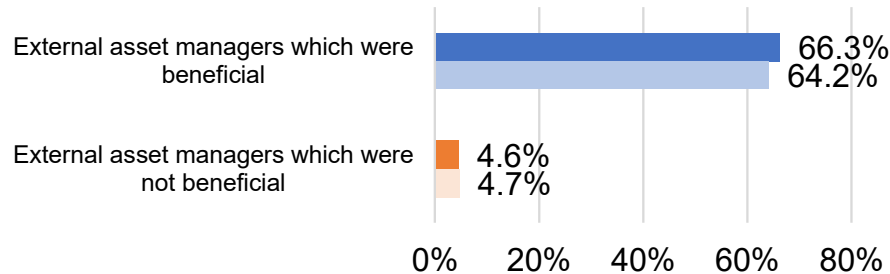
Toward management that is conscious of cost of capital and stock price	<ul style="list-style-type: none"> • Since the number of one-on-one meetings with institutional investors is limited, it was a valuable opportunity for dialogue with institutional investors, providing us meaningful insights. • We had dialogue concerning the background of the requirement for disclosure of cost of capital and how we can improve the content of disclosure, etc. • With respect to our business portfolio reform, we received a comment that we should disclose clear countermeasures based on ROIC by business segment. We received detailed explanations of the necessity of drastic reform back to our founding business. • We understood that we should disclose a clear policy for capital allocation from the financial aspect, and that time-series disclosure is required concerning human rights in which asset owners, in particular, are highly interested in these days. In terms of corporate governance, we understood that the process up to the description of disclosure and its issues should be clarified.
Response to climate change	<ul style="list-style-type: none"> • We explained our initiatives, while being given some examples of other companies' advanced efforts for disclosure. We feel that the dialogue was meaningful. • We conduct dialogue once or twice a year, making it a good opportunity for sharing information on the progress of our efforts for carbon neutrality. • We believe this was an opportunity for our company to gain a better understanding of its position — that by providing society with practical solutions to the energy transition through our technologies, products, and services, we can both contribute to addressing climate change and grow our business. • In addition to explaining the framework set out by this initiative, we discussed how our company, as a leading player in the industry, will move toward decarbonization (including strategies and specific initiatives for each business and region, lobbying activities, etc.) Regarding information disclosure, we also received comments on plans to obtain third-party certification, TCFD disclosure, and integrated reports.

Key points

- In the main initiative for having conducted collaborative engagement, the Institutional Investors Collective Engagement Forum is most cited in addition to Climate Action 100+.
- In many cases, the main themes included matters relating to the realization of management that is conscious of cost of capital and stock price, and climate change. Their impressions suggest that they conducted in-depth dialogue.

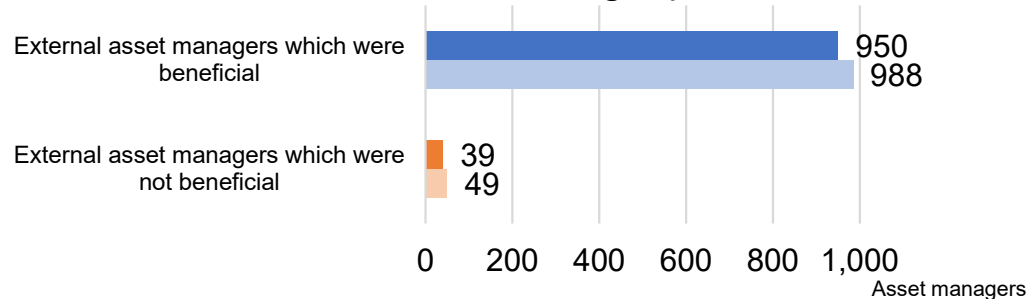
Q9: Among GPIF's external asset managers entrusted with domestic equity investment, please cite "those with which your company had useful discussions or those which made contributions" from the viewpoint of improvement of your company's medium- to long-term corporate value over the past one year, and indicate the reasons for citing such asset managers. Furthermore, please cite asset managers, if any, "with which the meeting was of little use," and provide the reasons for citing such asset managers. (Up to 3 asset managers for each question)

<Percentage of respondent companies indicating beneficial/not beneficial external asset managers>



*The upper row shows the figures in this survey; and lower row indicates those in the previous survey, respectively. The percentage indicates the ratio to total 632 respondents (717 companies in the previous survey). In this survey, 419 companies cited external asset managers which were beneficial (460 companies in the previous survey), whereas 29 companies cited external asset managers which were not beneficial (34 companies in the previous survey).

<Number of asset managers mentioned in responses (Total number of asset managers)>



*The upper row shows the figures in this survey; and lower row indicates those in the previous survey, respectively.

<Contents of "useful/of little use discussions and contributions">



*The upper row shows the figures in this survey; and lower row indicates those in the previous survey, respectively. Multiple responses allowed

- Among GPIF's external asset managers entrusted with domestic equity investment, more than 60% of the respondent companies mentioned "those with which the company had useful discussion or those which made contributions" whereas the companies that cited "those with which the company did not have a useful meeting" were limited, accounting for approximately 5%. The total number of "asset managers with which the company had useful discussions or those which made contributions" were 950, considering that they cited up to three asset managers. (*The number of subject asset managers entrusted with domestic equity investment was 23 as of the end of FY 2023, in contrast to 13 in the previous survey.)
- Among the themes on which the company had useful discussions or which contributed, management strategies were the most discussed theme, while other themes were also adopted at a high level, suggesting that a wide variety of topics contributed. Compared with the previous survey, the contribution of financial strategy themes increased. The increase in dialogue concerning financial strategies based on "Management that is conscious of cost of capital and stock price" appears to be one of the possibilities.

Q9 (continued): Reasons for citing “those with which your company had useful discussions or those which made contributions”

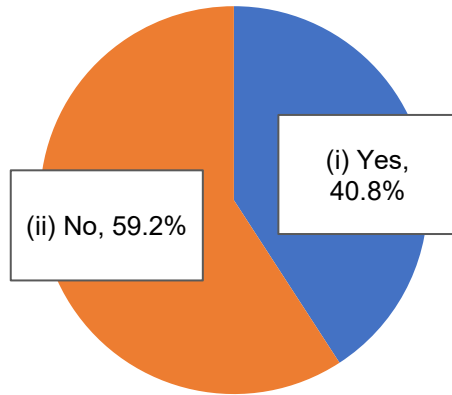
[Excerpts of comments]

- We were asked substantial questions such as our perspectives for future growth by business segment and the story of future growth on a consolidated basis. We feel that the dialogue was beneficial since we reconfirmed the importance of self-evaluation and explaining of our corporate value and value creation process through the dialogue with institutional investors.
- Regarding important management decisions, we were asked a series of substantial questions, which other asset managers would not ask, such as what was discussed by the Board of Directors, measures to improve employee satisfaction, preparation and rollout process of the medium-term management strategy. I realized what the TSE likely expects in terms of dialogue with shareholders and investors.
- We received many useful comments on our management such as the latest industry trend, the market trend and information regarding movements of our competitors. We also received specific advice for improving our management strategies and new business opportunities, which has contributed the enhancing our medium- to long-term corporate value. The dialogue have been helpflu for improving the quality of management decisions and establish a stronger management base.
- They pointed out inconsistency between the management policy for the improvement of capital efficiency and the financial policy. We received advice to strengthen the cooperation between the management planning and finance divisions.
- We were advised that ROIC be disclosed together with the concept of cash allocation, and be managed internally. We also received some examples of other companies for reference, and newly incorporated some of them into our new medium- to long-term vision as our financial goals.
- Rather than simply demanding an expansion of shareholder returns, recommendations were made based on our current status from the broader perspective of overall cash allocation.
- We Through questions and comments on sustainability management from an investors' perspective, we felt it valuable that it became clear that our company had issues in the continued medium- to long-term initiatives on DE&I, human rights issues, and environmental issues, as well as in disclosing of financial impact.
- In the dialogue focused on ESG, we received many specific and useful recommendations for the improvement of disclosure, in addition to the explanations on the matters to which they attach importance as investors, as observed in the engagement materials they prepared in advance based on careful analyses of information disclosed by individual companies.
- Seven or eight years ago, we were told that our EC system was too much out of date. Since then, we aggressively made investments in IT for the improvement of EC infrastructure, which contributed to a dramatic growth of EC business during the COVID-19 pandemic, accelerating the growth of our company.
- Last year when an incident occurred, we received advice to review measures to take care of employees, the leadership of the top management and the corporate culture. Then we shifted to the CxO system, changing from the former top-down decision-making system to team management. As a result, transparency increased within the company, changing the corporate culture to good labor-management relations.
- We were provided with an opportunity to feedback the results of the exercise of voting rights at the general meeting of shareholders, its concept and the results of verification at the Third-party Committee. As a result, we could also exchange opinions on the operation of the general meeting of shareholders.
- We have had highly useful and suggestive discussions ranging from management strategies to ESG, based on the analysis materials of our company prepared by the other party. We appreciate that our issues are frankly pointed out without reservation.
- We have continued dialogue on a regular basis, and they understand our business in detail. Furthermore, more than one fund manager joined the dialogue, and we conduct questions and answers concerning the status of the short-, medium- and long-term management from the viewpoint of each participant. As a result, a bias-free discussion is conducted, and they provide us when necessary with advice concerning points of view that we were not aware of.
- We can conduct dialogue from the viewpoints of participants consisting of analysts, fund managers, person in charge of exercise of voting rights.

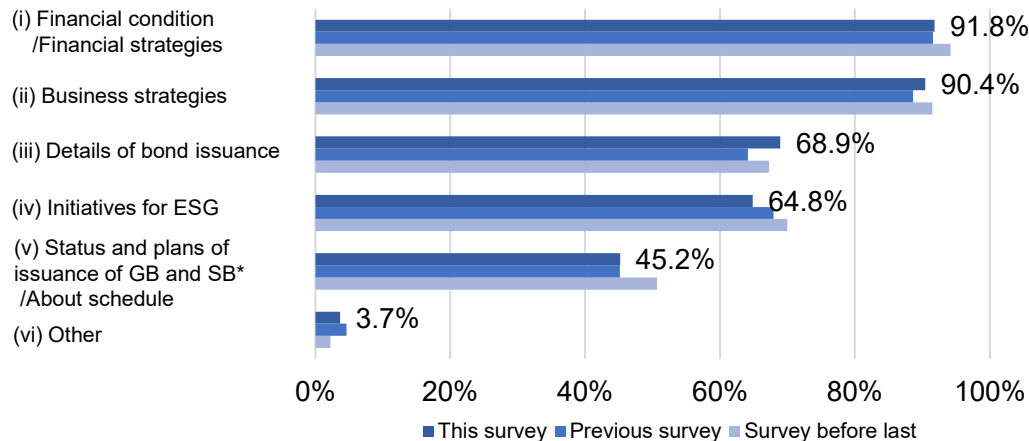
Key points

- Excerpts of comments considered as good examples are listed from the various points of view such as the themes of dialogues on management strategies, financial strategies, sustainability and disclosure, as well as advanced preparation and participants in the meeting.
- Considering the comments other than those listed above, it is likely that the external asset managers have made in-depth questions, indications and recommendations on the themes, and there are many companies that make the most of those comments for the improvement of management.

Q10: Has your company issued bonds (corporate bonds)?



10-2: If you selected (i) or (ii) in 10-1, what are the contents of dialogue with fixed income investors? (Multiple responses allowed)

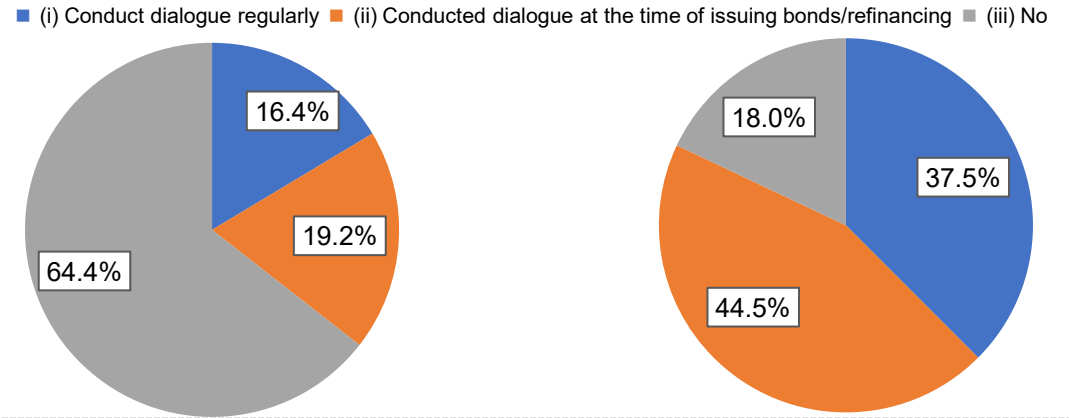


*GB: Green bonds; and SB: Sustainability bonds

10-1: Do you conduct dialogue with fixed income investors?

<Overall>

<Corporate bond issuers>



10-3: If you selected (i) or (ii) in 10-1, please describe the contents of dialogue with fixed income investors if you found them useful. (Up to three cases)

[Excerpts of comments]

- We were able to provide fixed income investors with a more in-depth understanding of our business and financial strategies.
- We gained an objective evaluations of the bonds issued by us in the overall corporate bond market.
- As a result of preparing for Q&A concerning indices of financial soundness and cash flows, which must be made from the different point of view from ordinary IR meetings for institutional investors, I could understand the status of our company again as a person in charge.
- As part of stewardship activities concerning our initiatives for sustainability, particularly for human capital, we received a request to hold a meeting, which turned out to be a useful meeting for exchanging information together with the person in charge of the Human Resources Department of the other party.
- At the issuance of ESG bonds, we received advice from asset managers that attach importance to ESG investments, that it is critical to consider to continue improvement and enhancement of the content of an impact report because they focus not only on the details of the framework before issuance but also the impact report after issuance (after the application of proceeds).

- Approximately 80% of companies that issued corporate bonds have engaged in dialogue with fixed income investors.
- Regarding the content of dialogue, financial condition, financial and business strategies account for extremely large numbers, and in some cases, the companies considered it as beneficial.

Q11: What do you expect from institutional investors as a whole to enhance your corporate value and sustainable growth over the medium to long term?

[Excerpts of comments]

- In addition to the themes concerning short-term business performance, which we consider necessary, we would like institutional investors to raise concerns with issuing companies regarding what we lack for medium- to long-term growth, risks, etc. together with examples of other sectors.
- While investors, who hold shares and organize quarterly meetings, tend to discuss based on a short-term basis (results of quarterly business performance), I think that more active dialogue can be realized by incorporating even a small degree of medium- to long-term perspectives into such discussions.
- Questions regarding measures for medium-term growth are increasing, but questions on current business performance remain the main theme of the dialogue. Furthermore, dialogue concerning initiatives for ESG is very limited. We regularly report the content of the dialogue to the management, and there is a possibility that the management perceives the interest of institutional investors as limited to short-term matters.
- We would like the institutional investors to indicate specific requests and recommendations regarding the announcement of the progress on the medium- to long-term visions and the new medium-term management plan.
- In the dialogue, please point out what kinds of gaps exist between the story our company wants to tell and the market's perception, and what expectations the market has of us. We believe that if we are facing the wrong direction, we should correct it, and if we are not understood properly although the direction is correct, we should implement appropriate disclosure. Furthermore, we would greatly appreciate it if information about overseas companies is shared with us, we are unable to follow them due to insufficient resources.
- We would like to receive challenging questions that are specific to each company, rather than general questions applicable to all companies. Based on the foregoing, we would like to seek beneficial relationships that will lead to future improvement of our company. Regarding ESG, we would appreciate it if our initiatives and the disclosure method could be evaluated separately, and feedback provided accordingly.
- We think that it would lead to meaningful information disclosure if institutional investors provide more details on how investors reflect our information in their corporate value assessment, as well as points of interest within our industry, amid the growing demand for information disclosure on sustainability.
- We will disclose not only short-term management strategies and business results but also our medium- to long-term vision. Therefore, we expect frank comments if any doubts arise from the prospect for our future growth. We would be grateful if investors agree to our purpose and visions, and if any doubts remain in these matters, we recognize that sustainable support would not be provided to us. We expect that both of us will mutually understand and achieve growth by continuing constructive dialogue and if we achieve transformation and development. With the aim of achieving transformation and development, we plan to provide feedback to related personnel of our company on the suggestions from institutional investors to use for the review and improvement of strategies. By implementing our medium- to long-term vision, growth strategies, sustainability management contributing to the enhancement of corporate value, and its implementation through constructive dialogues aimed at enhancing transparent information disclosure to benefit of institutional investors. The investments in our corporate growth based on these benefits will enable us to achieve growth. We expect a favorable cycle of this sustainable growth and support will be finally established.
- Bidirectional communication is needed. They should tell us exactly what they expect from their questions, for example, why they want to ask those questions, rather than asking us questions just because they want to ask.
- Since our market cap is small and the majority of institutional investors hold passive securities, it is difficult for us to have an opportunity of dialogue even if we request it. Our governance report clarifies that all internal directors will participate, in principle, in the IR dialogue with institutional investors and sell-side. Therefore, we expect to have opportunities for dialogue in the future.
- For the decision of exercising voting rights relating to the agenda of the general meetings of shareholders, we would like institutional investors to secure appropriateness of judging through dialogue with companies from the perspective of enhancement of medium- to long-term corporate value, rather than deciding based on the predetermined format criteria such as numerical criteria.

Key points

- The overall trend shows that there are many companies that expect stewardship activities based on not only the short-term business performance but also from the viewpoint of medium- to long-term growth.
- Furthermore, there were a lot of comments that companies would like to know how institutional investors use the disclosed information while the framework of sustainability disclosure is currently being expanded.



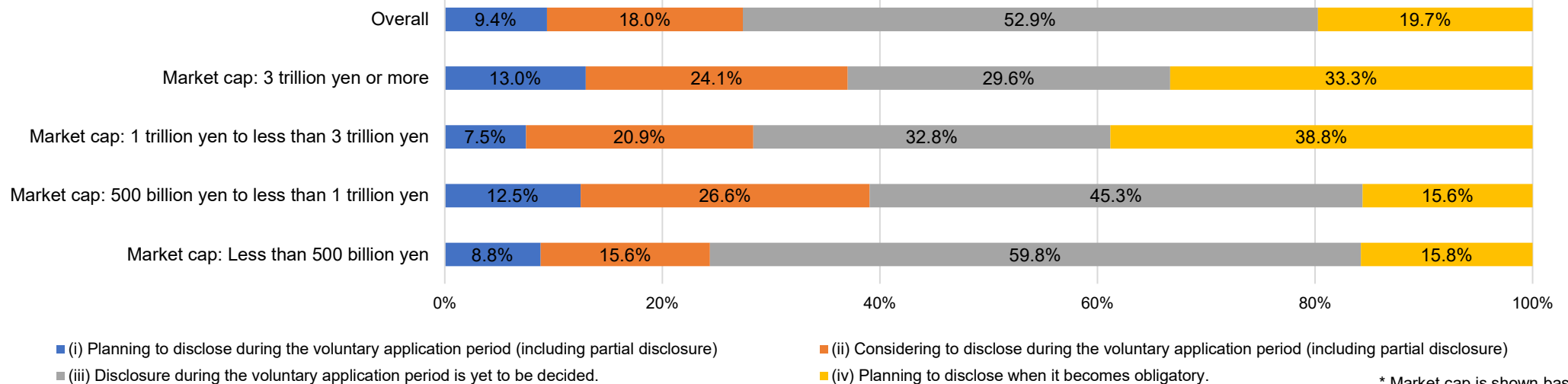
2. IR and ESG Activities of Companies

<IR and ESG Activities of Companies>



New

Q1: On March 29, 2024, the SSBJ's Draft of Sustainability Disclosure Standards was announced, and discussions are in progress for finalization. The subject companies and the application period are also being discussed. Please show your schedule, if possible.



New

1-1: Please show us what your company started to specifically prepare for disclosure.

[Excerpts of comments]

- We plan to clarify the department responsible for non-financial disclosure from the viewpoint of improving quality of disclosure and reorganizing our systems.
- We are reviewing and adjusting the content, timing, and assurance to be able to disclose one year earlier than scheduled.
- In addition to closely examining the content to be disclosed based on the SSBJ's draft, we implemented interviews with investors primarily on areas of uncertainty within the SSBJ's draft.
- We are considering some global non-financial data collection tools applicable to CSRD and SSBJ.
- Identification of the gap between the current disclosure and the draft disclosure standard; consideration of the content to be disclosed in order to eliminate the gap; and establishment of internal rules and systems
- Taking the whole schedule into consideration, we plan to start a project in the first half of this year to discuss what we should do with the organization, what the issues are, and when and what we should do, etc.
- Information sharing with the management and related departments, and formulation of a response plan
- Consideration of the content of disclosure based on the SSBJ's draft standard, selection of materiality, consultation with corporate auditors, etc.
- Selection of a third-party assurance organization and consideration of the application period

1-2: Please describe issues, if any, and expectations from investors including GPIF while your company is considering this issue.

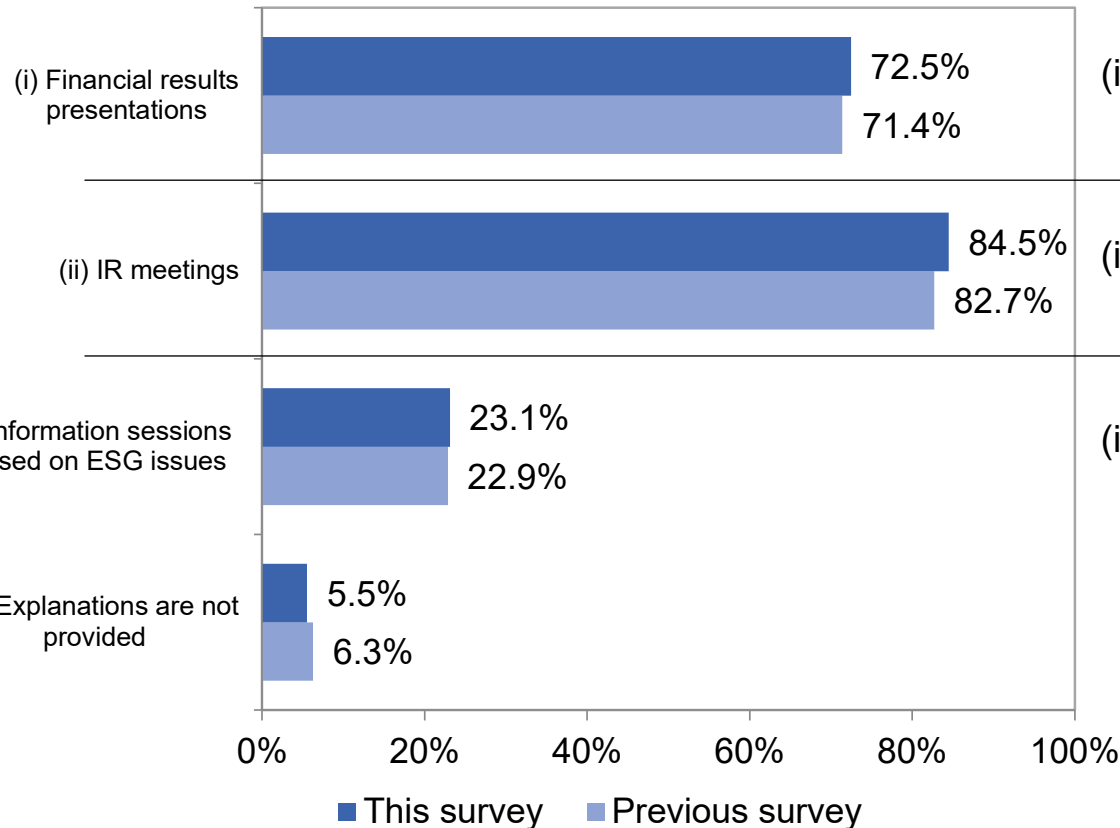
[Excerpts of comments]

- In our case, in addition to the SSBJ, it is likely that CSRD/ESRS of EC will be also applied to us. Therefore, we bear significant burdens in the company, and we feel that it will be difficult to obtain understanding and cooperation of our management and other related departments because we don't have any convincing explanations for the necessity or significance of response within the company. We would appreciate it if institutional investors will transmit to companies the necessity and significance of the statutory disclosure on sustainability more positively and continuously.
- We hope that the disclosure standards for non-financial information, the guidelines for third-party assurance, etc. will be globally standardized on a level that companies can handle.
- We assume that the issues will be how we should conduct communication with accounting auditors if a third-party evaluation is introduced.
- In order to comply with the new disclosure standards, we feel that there are issues related to organizations and systems, such as information collection systems on a consolidated basis (construction of processes that ensure accuracy) and inter-departmental collaboration (including the decision of responsible divisions to lead and coordinate.) The expectation for investors and others is that the detailed information disclosed by our company should clearly be indicated which parts are useful and how they are incorporated into investment decisions. By doing so, it will motivate disclosure including associated departments.
- It would be a great help for us if we are informed, among others, what information is important and of the highest priority for investors. As to the timing of disclosure, it is questionable whether it is appropriate to judge solely based on market cap. I would appreciate it if you could indicate the type or size of companies from which early disclosure is expected.
- The challenge is to engage not only with our company but also with the entire value chain, including the supply chain.
- We understand that the obligation of disclosure will be gradually applied to companies, but we would like to know the matters, if any, that should be prepared for by small companies to which the obligation is supposed to apply in 2030 and thereafter.
- As to climate-related disclosure, it seems that not a few companies need help from experts in calculating Scope 3 and others. The allocation of cost and personnel is a difficult issue within limited resources, and I feel that an obstacle seems to be to obtain in-depth understanding by the management until disclosure is made mandatory.
- Amid a wide variety of media to be used for company disclosure, it is our issue to decide how far and for what purpose we disclose information, and how we should organize the usage of media.
- We would be grateful, regarding disclosure of each company, if the priority could be indicated, for example, items on which importance is truly placed, if any, and also items on which less importance is placed.
- We expect that the content of disclosure will be reflected in the evaluation and selection of companies, as well as investment activities (a preference for investee companies with high quality disclosures, or a decline willingness to invest in companies with no or poor quality disclosure, etc.).
- We hope that the rules for audit of non-financial information will be clarified as soon as possible.
- As a whole, it is unclear and we are uncertain about the degree of details of the content to be considered as disclosure that meets the standards.
- With the changes in disclosure regulations, we expect that investors will engage in efforts to ensure that various forms of evaluation align with the expectations of investors and financial markets. Regarding the acquisition of third-party assurance on the non-financial information disclosure, we hope that investors' ways of thinking and desire for companies will be clearly adopted in the standard.
- Expectations for investors: Standardization of investment actions based on the Japanese Stewardship Code.

- The comments suggest that the issues of companies include their organizational systems, understanding by the managers, etc., not to mention how they should comply to CSRD, implement data gathering and third-party assurance.

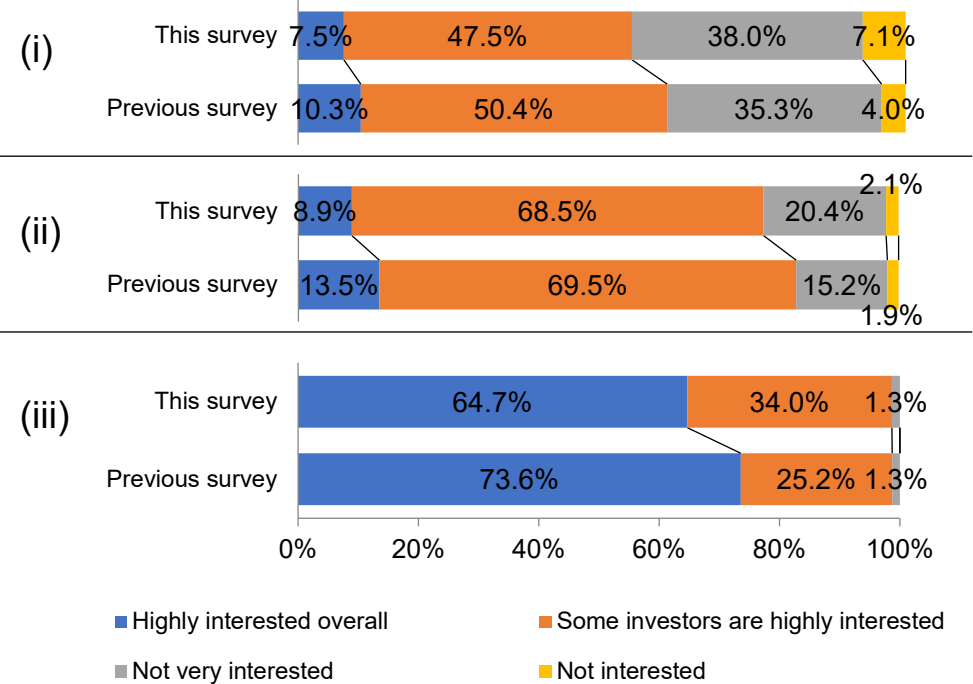
Q2: When do you provide explanations on non-financial information such as ESG to institutional investors? (Multiple responses allowed) If such explanations are provided, how do you rate the reactions of institutional investors?

<Sessions where explanations on non-financial information are provided>



*Ratio to the total 632 respondent companies (717 in the previous survey)

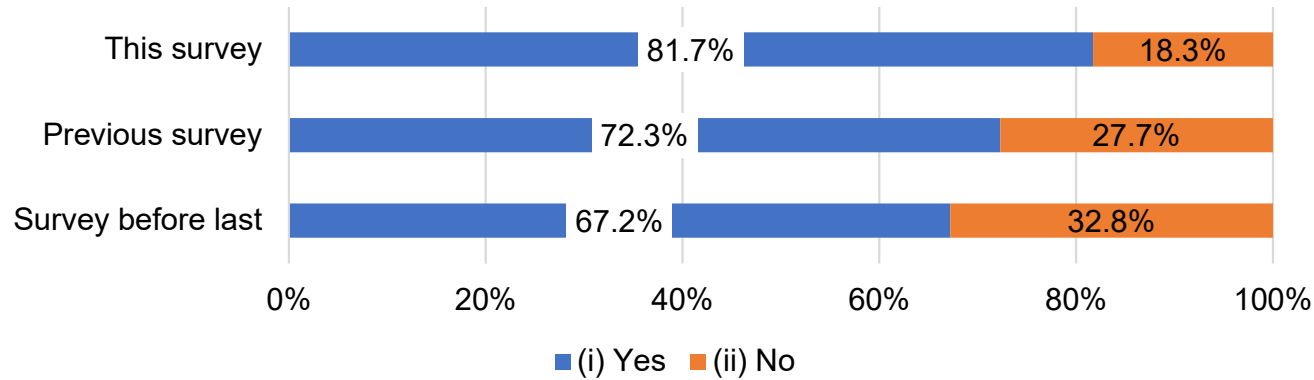
<Reactions of institutional investors>



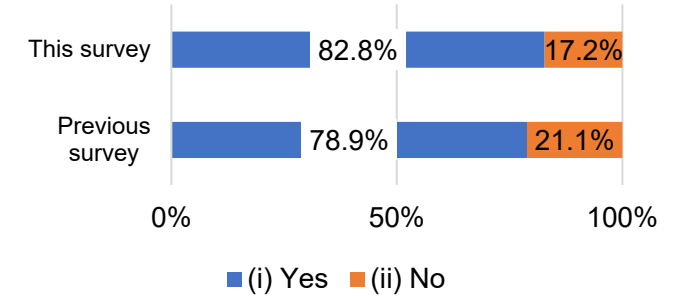
Key points

- As to the sessions where explanations on non-financial information are provided, no significant change was observed from the previous survey. There are still many companies that provide explanations at IR meetings and financial briefings.
- On the other hand, the degree of interest seems to have lowered a little.

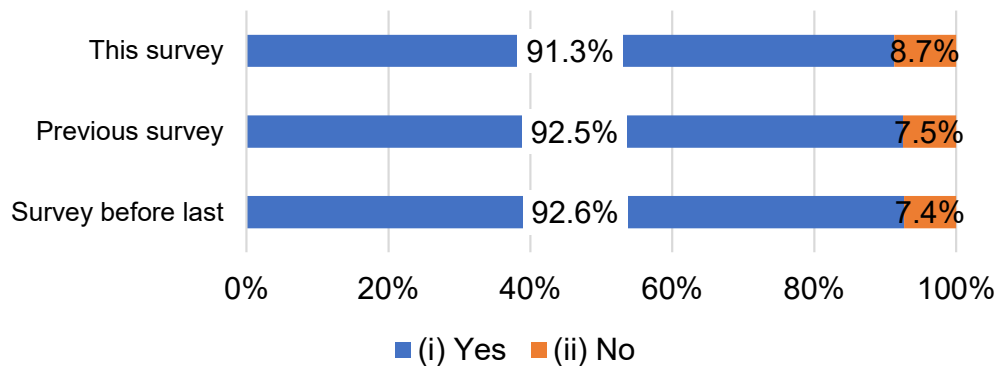
Q3: Do you publish Integrated Reports or equivalent reports for institutional investors?



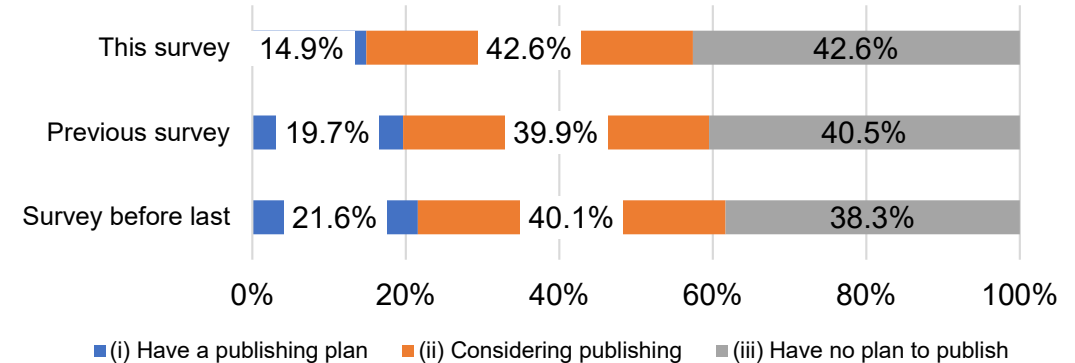
<Results by the respondent companies of the previous survey>



3-1: If you selected (i) in Q3, have you created an English version?



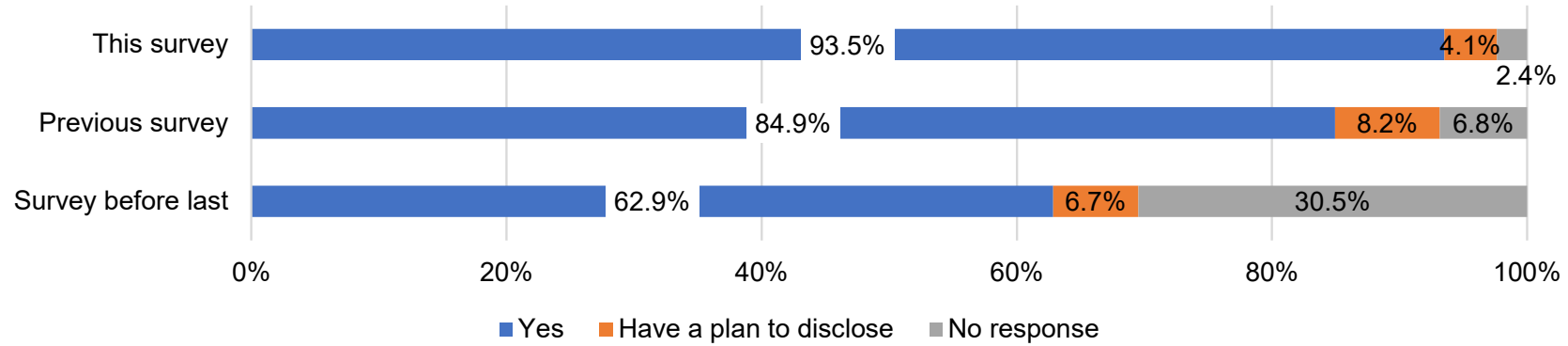
3-2: If you selected (ii) in Q3, please share your future plan to create such reports.



Key points

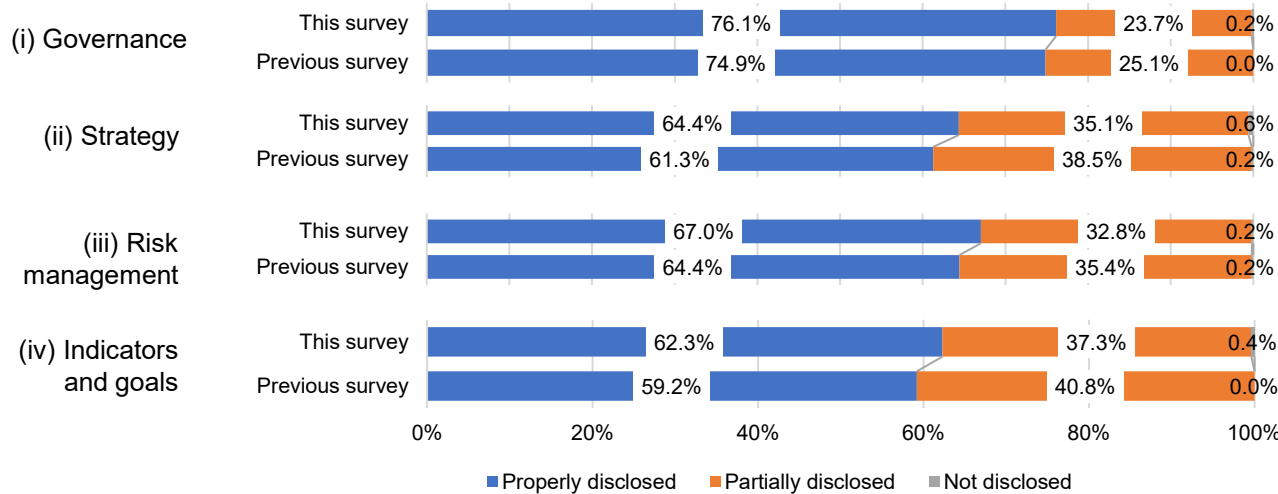
- The companies that answered that they published Integrated Reports exceeded 80%, although the Integrated Report is disclosed voluntarily and companies with internal resources tend to publish them.
- However, since the decrease in the number of subject companies of this survey, due to the review of TOPIX, may have significantly affected the result of the response to this question, we have provided a comparison with the previous survey. The result indicates that the upward trend remained although the increase in the ratio of companies responding Yes was slightly smaller.

Q4: Do you disclose information in line with the TCFD recommendations or based on an equivalent framework?

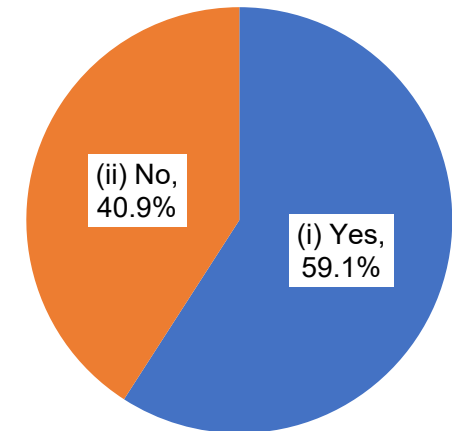


*The number of companies that answered Yes was 617 in this survey.

4-1: If you selected “Yes” in Q4, what is the disclosure status regarding the items below?



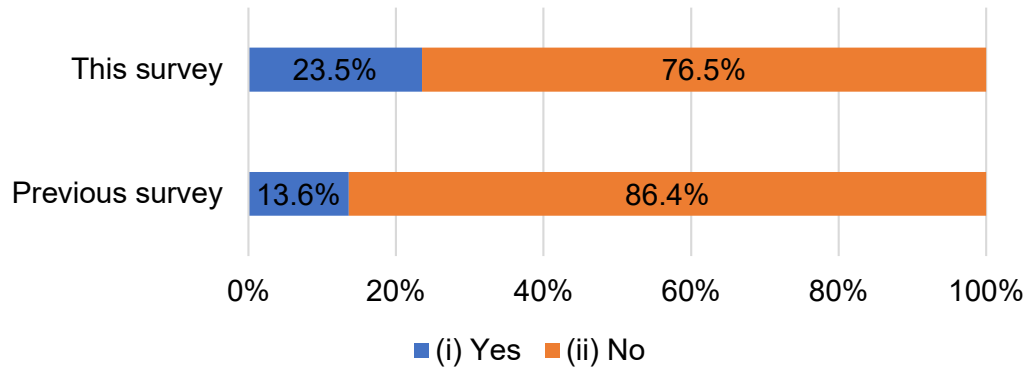
4-2: Have you had any dialogue on TCFD with institutional investors?



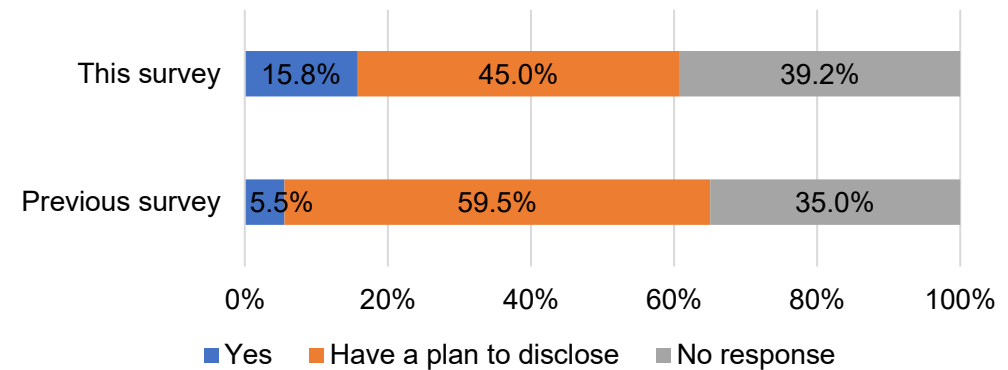
- As the TCFD disclosure advances, disclosure in line with the TCFD recommendations is implemented by almost all respondent companies.
- Furthermore, the ratio of responses of "Properly disclosed" in each of the four disclosure items (Governance, Strategy, Risk management, and Indicators and goals) increased.

Q5: Have you endorsed the Task Force on Nature-related Financial Disclosures (TNFD) recommendations?

5-1: Do you disclose information in line with the TNFD recommendations?

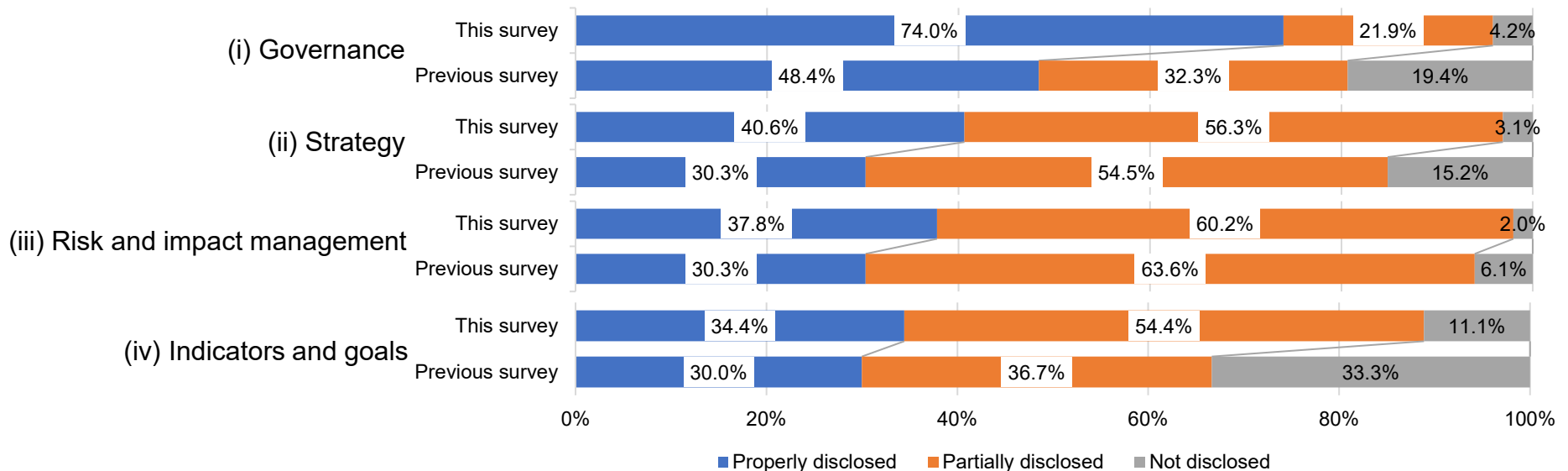


*The number of companies that answered Yes was 148 in this survey.



*The number of companies that answered Yes was 113 in this survey.

5-2: If you selected “Yes” in 5-1, what is the disclosure status regarding the items below?



- In the previous survey, we asked the status of TNFD disclosure for the first time, and found that the percentage of the companies that conduct TNFD disclosure increased significantly in this survey.
- From the viewpoint of the four items of disclosure, more companies prioritize disclosure concerning governance. This trend is the same as when TCFD disclosure started.

5-3: Please describe your issues, if any, to implement TNFD disclosures.

[Excerpts of comments]

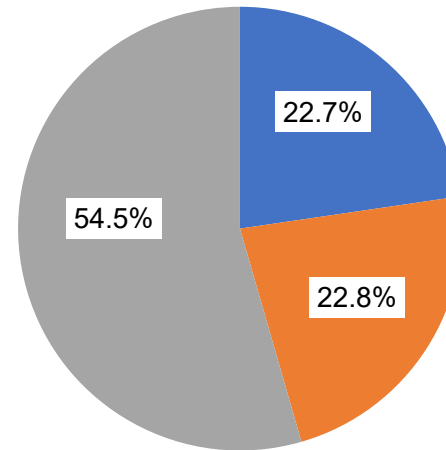
- Unlike the climate change-related disclosure, the indicators and goals are not clear (specific indicators such as GHG emissions do not exist). Therefore, we are uncertain of how we should establish them.
- The evaluation is difficult because natural capital has a lot of aspects to be considered unlike climate change. It is also extremely difficult to associate natural capital with our business on a quantitative basis. There are few scenario analyses centered on natural capital and information (documents) available for making forecasts, and the disclosure is left to each company's discretion.
- Since the conditions of natural capital in and around each business bases are different, we need to analyze each place in order to clarify the dependence, impact, risks and opportunities of our businesses. Therefore, it is difficult to conduct analyses covering the overall businesses. (We need to do them by prioritizing them.)
- Due to a shortage of internal resources, the processes (such as gathering internal information, analysis by LEAP approach, etc.) for disclosure have not advanced. Additionally, this matter is not given a high priority among various sustainability issues, it is not easy to allocate internal resources. Moreover, hiring an external consultant is expensive.
- It is difficult to gather nature-related information comprehensively by the company and our supply chains.
- With few desirable examples of other companies, we have no idea how to disclose effectively.
- The scope of analyses and the disclosure format vary by company, such as whole company and regions specific analyses. It is difficult for us to find the best practice of the appropriate analysis and disclosure, and the optimum disclosure method for us.
- We should secure consistency between our understanding of the disclosure framework and other disclosure frameworks.
- With increasing demand for disclosure by CDP, TCFD and SSBJ, etc., the increases in cost and disclosure obligations impose burdens on us.
- While we understand the significance of natural capital, there are several issues with disclosure in line with the TNFD recommendations. Since diversified factors are involved in the quantitative evaluation of natural capital risks, it is difficult to comprehensively ascertain them by a single method. Furthermore, as our business expands to multiple areas, we face differences in evaluation standards and data shortage, resulting in difficulties in implementing consistent risk evaluation and comparable information disclosure. Additionally, investors face difficulties comparing due to different indices used by companies. Since industry standards for the calculation of financial impact have not been established, we need to carefully consider whether the TNFD can be used as the framework contributing to investment decisions. In order to address these issues, we have been jointly studying with a university a method for appropriately evaluating the relationship between corporate activities and natural capital. In this initiative, we are working to quantify the relationship between corporate activities and nature by using environmental data. Going forward, we will strive to realize information disclosure which is useful for investors, by considering enhancement of scenario analysis and financial impact evaluation methods, taking into consideration the progress of TNFD and industry trends.

Key points

- This is a new question we asked regarding the issues for implementing TNFD disclosure. There were many comments that gathering information and conducting analysis is difficult and represent a heavy burden due to the absence of unified indicators for natural capital unlike climate change, and the strong regional characteristics.
- Furthermore, the issues cited included "There are not many useful examples of other companies," in addition to "The best practice of disclosure varies depending on the company." There was an advanced case in which a company is conducting a joint research with a university.

Q6: In accordance with the revised Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc. effective January 31, 2023, a new fill-in column of “Policies and Initiatives on Sustainability” was provided in the Securities Report, etc., requiring disclosure of sustainability information. Do you feel that the sustainability disclosure in the Securities Report is effectively used by institutional investors?

- (i) I feel it is efficiently utilized.
- (ii) I don't feel it is efficiently used
- (iii) Cannot say



6-1: Please describe your issues, if any, concerning disclosure of sustainability information in the Securities Reports.

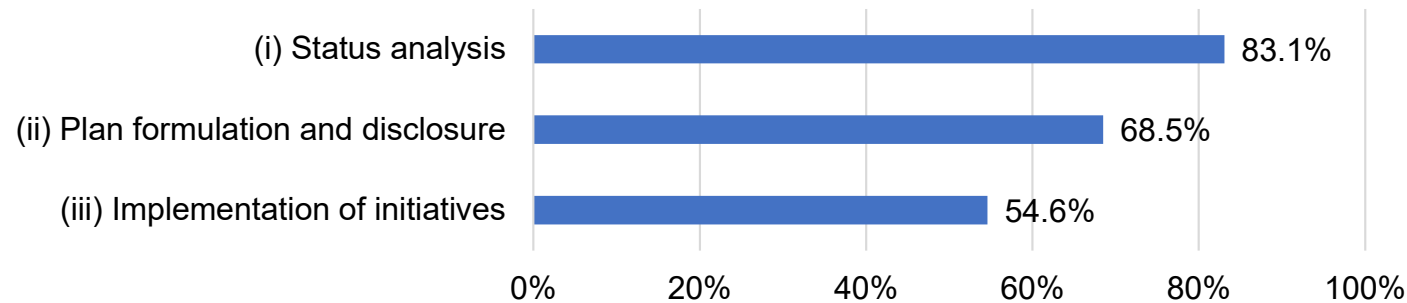
[Excerpts of comments]

- Selecting important information to be presented in the Securities Report
- Distinction of the positioning with other disclosure (example: Clearness of the text is required for Securities Reports whereas clearness focusing on visual materials is needed for Integrated Reports, etc.), and measures to avoid unnecessary duplication between disclosure materials.
- Establishment of a process and systems for precisely and swiftly gathering the figures of indicators and goals during the short period of time from the settlement of the financial results on March 31 to the disclosure of the Securities Report in June (Particularly, we are concerned about our capability to conduct the operation if assurance is required in the future.)
- Particularly, in terms of correctness, we are not as confident in the quantitative sustainability information as in the financial information. Therefore, it is likely that we will hesitate, to some extent, to describe such information in the Securities Report. We do not completely understand what kind of sustainability information is required by active and passive investors, and the level of information demanded from them.
- With few opportunities of talking about this topic with investors, we don't have a clear image of how this disclosure will be used.
- There are a lot of matters that cannot be achieved by the conventional silo management style, such as data gathering and documentation departments and approval process.

Key points

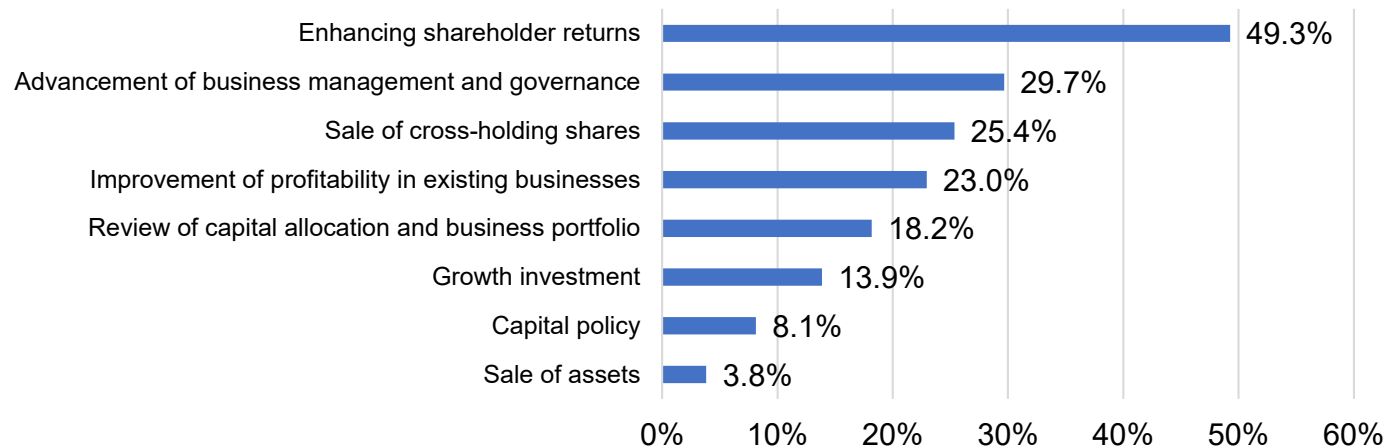
- They are facing issues in the division of items from other disclosure materials such as Integrated Reports and Corporate Governance Reports, the timing of disclosure, assurance and unclear status of use by investors.

Q7: Following the TSE's Request Regarding "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," please describe your initiatives, if any. (Multiple responses allowed)



*Ratio to total number of respondents.

7-1: If you selected (iii) in Q7, please give us specific cases.



*Ratio to valid responses (208 companies). GPIF classified them based on the content of the free descriptive answers. Multiple responses were individually counted. In the case of new investments only, such response is included in "Growth investment" rather than "Review of capital allocation and business portfolio." Content which is interpreted as (i) Status analysis or (ii) Plan formulation and disclosure, and which lacks concreteness, and dialogue with investors were excluded from the count.

- These new questions were asked about the status of companies' responses to the series of the TSE's requests (cycle of "Status analysis," "Plan formulation and disclosure," and "Implementation of initiatives"). "(i) Status analysis" is implemented by more than 80% of companies, and "(iii) Implementation of initiatives" is also conducted by more than 50%.
- Specific Details of "(iii) Implementation of initiatives" was also asked simultaneously (see next page for details). At present, Shareholder return, Advancement of business management and governance, and Sale of cross-holding shares are in descending order of the number of responses. This suggests that priority is given to initiatives for which the time span is relatively short from decision-making to implementation.

7-1: If you selected (iii) in Q7, please give us the specific content. (continued)

[Excerpts of comments]

- Revision (increase) in payout ratio, repurchase of own shares, cancellation of all shares repurchased, and sale of cross-holding shares.
- At Board of Directors meetings, we reported and discussed the actual full-year ROIC results by business and business base, and considering and implemented countermeasures for those where ROIC had declined. We monitored the quarterly progress of KPIs by item as shown in the ROIC tree. We also promoted company-wide ROIC management by conducting e-learning on ROIC to all employees of our Group companies in Japan.
- We newly adopted the “TSR Evaluation” for the introduction of a stock-based compensation system for directors.
- We introduced ROIC as an indicator for the performance evaluation of executives in site manager and higher posts.
- Measures for improving profitability are being implemented by each business, and some businesses have seen improvements. In particular, positive effects have emerged from pricing policies and structural reforms.
- Appropriate sales pricing and reduction of performance fluctuations due to changes in the main raw materials.
- Establishment of hurdle rates based on the cost of capital.
- We organized our business portfolio from the viewpoint of market growth and profitability (ROIC). We decided a policy to either restructure or withdraw from businesses if both indicators are low. Actually, withdrawal from a certain business has been decided. Meanwhile, regarding businesses where both indicators are high, we have practically begun to implement management that is conscious of cost of capital, by positively enhancing capital expenditure as strategic businesses.
- We have set KPIs for each growth stage, then evaluated the businesses and products. Based on the results, reallocation of resources is conducted to improve the capital efficiency of the entire company.
- Improvement of asset turnover through new businesses, and enhancement of cost of capital by reviewing financial leverage.
- Our explanations on the initiatives for improvement of corporate value are given by separating the initiatives contributing to the improvement of ROE from those contributing to the improvement of PER. Regarding the improvement of ROE, we implemented restructuring of business portfolio, reduction of cross-holding shares, optimum allocation of capital, implementation of cost controlling measures, promotion of fee businesses, etc. As to the improvement of PER, we expanded franchises in Asia, implementing business model reforms via digitalization, reinforcement of the management foundation, creation of social value, etc.
- We implemented growth investments for the purpose of improving our competitiveness, profitability and expansion of earnings scale.
- We restructured our portfolio not necessarily in response to the TSE’s request alone. We enhanced the examination of capital efficiency and profitability that are conscious of ROIC and ROE, and the selection of business, which we have already implemented before the TSE’s request was publicized.

7-2: In considering your response to the TSE's request regarding "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," please describe issues, if any, of your company. Please describe the content of such issues if there were changes in them during the past one year.

[Excerpts of comments]

- We are considering responses as specific disclosure and quantitative targets requests from investors have been increasing.
- Since we have received requests for measures requiring much greater urgency than initially expected, we constantly feel the need to improve our system and disclosure.
- We think our issue lies in the establishment of a growth story that will be valued by capital markets, in terms of strategies and appeals, such as PBR and PER, aimed at enhancing market valuation. Particularly, we are now in a phase of trial-and-error to find a way how to link the factors of sustainability to the financial matters.
- Based on our business portfolio, our challenge is how to gain the market's understanding and acceptance of the virtuous cycle between short- and medium- to long-term growth and the enhancement of our capital policy (shareholder return).
- We are thinking over how to update already disclosed capital cost recognition.
- While one of the means to effectively use surplus fund is growth investment, we feel it difficult to clarify the timing and amount because such investment is not for pure investment but we should decide depending on each project.
- Institutional investors have pointed out that they lack confidence in the continuity of our current business performance and future growth potential due to concerns over the risk of sales volume fluctuations arising from demand trends. In an interview, we explained to institutional investors that our performance volatility has declined compared to the past, and they acknowledged it. We now recognize the need to devise a way to prepare materials that clearly convey this message through disclosure documents alone.
- We are now in a changing stage from a cash-rich structure to a new capital structure, in which we are considering new financial strategies in line with our growth strategies by commencing a financial strategy project. In changing our business portfolio over the medium to long term, we recognize that it is our challenge how we should internally operate the investments, mechanisms of capital allocation and policies that are conscious of the cost of capital. We also feel that our issues include the formulation of strategies and its speed to disclose, which are demanded from the capital markets, as well as the difficulty to apply them to the field.
- It seems that the concept of cost of capital and ROIC has been understood to some extent by the chief person of each business and sales department. It is necessary to further disseminate it to the lower level. Furthermore, company-wide ROIC can be calculated easily, but it is our challenge how we should divide depreciation, assets and working capital to calculate ROIC by segment and business. At present, they are mainly calculated manually, but it is necessary to make it easier through digitalization. It is easy to present our goals to outside, but doing so in merely formal manner is meaningless. Therefore, we believe that such announcements should be accompanied by substantial content.
- The more disclosure and initiatives are required from the investors' point of view, the more expertise and financial knowledge are also demanded. Therefore, we have concerns about shortage of personnel resources.
- As standardized disclosures such as (i) Status analysis, (ii) Formulation and disclosure of plans, and (iii) Implementation of initiatives, are being recognized as good practices, there are increasing requests from the investor side to adopt similarly standardized formats for analysis, evaluation and disclosure. Even before such requests were made, some companies had already incorporated the concept of cost of capital into their company-wide systems and had established financial policies that took stock prices into account. For such companies, there is concern that increasing requests for disclosure may demand information from a perspective that does not align with their actual practices or initiatives.

Key points

- Many companies responded that they have issues in responding with the sense of urgency required from the markets, and in improving the understanding and conviction of the market regarding the company's policies and countermeasures.
- There were also many companies that had issues in the dissemination of understanding and operations within the company for proceeding with their actual initiatives.

7-3: Please tell us what you expect from institutional investors in the dialogue regarding this request.

[Excerpts of comments]

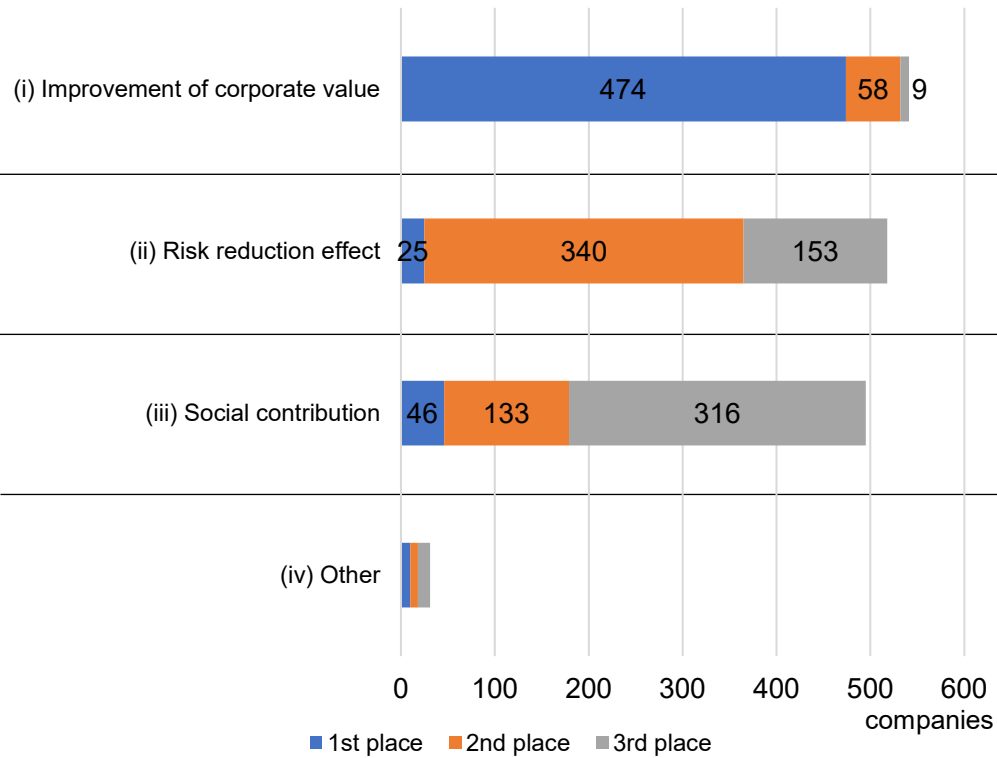
- We recognize to a certain degree that there are gaps between the disclosure expected from investors and the actual disclosure of companies. We would like to eliminate such gaps through dialogue by appropriately disclosing information expected by investors. On the other hand, we expect institutional investors to pay attention to a company's medium- to long-term growth as well, not limiting their interest to short-term fluctuations of business results, shareholder return and repurchase of own shares.
- We expect candid feedback concerning our disclosure and strategies after we disclosed our policy on capital efficiency, management indices and goals.
- We would like to hear candid opinions from their professional point of view. To date, considering that our awareness of cost of capital has been poor, we strongly want to hear feedback of what the stock markets feel about our disclosure. We particularly felt in the past one year that opinions from outside can be an accelerator of our management rather than the internal opinions.
- We will continue to strive to establish relationships with investors, which will enable us to enhance our corporate value by receiving not only the disclosure method but also feedback concerning management policy and strategies.
- We would like to conduct dialogue on the levels required of companies based on the industry characteristics and company's unique background.
- We would like institutional investors to clearly indicate, to a certain degree, the level of return (cost of capital) they expect from companies, based on sector or growth stage, when making equity investments, and the indices they place importance. As a result, we think we will be able to conduct more in-depth discussions specifically concerning the gaps between the actual and expected value.
- Naturally, we take investment efficiency into consideration, however we think that expanding the scale of our services contributes to enhancing our competitiveness and the added value of services. Therefore, we don't think that discussions focused only on investment efficiency are substantial. We would like to have discussions considering our industry and the nature of business.
- Taking this request as an opportunity, we would like to discuss what actions investors actually expect from listed companies regarding the theme of "Management that is conscious of cost of capital." More in-depth dialogues are desirable to avoid formalistic disclosure that simply fulfill responses and disclosure requirements made by the TSE.
- We expect advice and comments about any specific measures and examples relating to the methods for the dissemination of the management that is conscious of cost of capital and stock price to the fields.

Key points

- Based on the theme "Management that is conscious of cost of capital and stock price," the provision of professional perspectives on capital markets is demanded more than ever. Many companies ask for feedback and advice concerning not only the content of disclosure but also management strategies and specific initiatives.

Q8: What are the objectives of the ESG activities of your company? Please select “up to 3 items” below, and rank them in order 1, 2 and 3. (Duplication of rank is not allowed.)

<Number of respondents>



<Status of responses by company size>

	1st place			2nd place			3rd place		
	Large	Medium	Small	Large	Medium	Small	Large	Medium	Small
(i) Improvement of corporate value	65	176	233	7	13	38	0	1	8
Ratio (*)	90%	87%	83%	10%	7%	14%	0%	1%	3%
(ii) Risk reduction effect	2	11	12	56	128	156	11	48	94
Ratio	3%	5%	4%	79%	67%	56%	17%	27%	37%
(iii) Social contribution	1	12	33	6	43	84	51	118	147
Ratio	1%	6%	12%	8%	23%	30%	78%	67%	59%
(iv) Other	4	3	3	2	6	0	3	8	2
Ratio	6%	1%	1%	3%	3%	0%	5%	5%	1%
Total	72	202	281	71	190	278	65	175	251

* Ratio of the items in the ranking (e.g. Ratio of “(i) Improvement of corporate value” in 1st place of the purposes for ESG activities of large-size companies: 65 companies / 72 companies)

- The majority of the companies cited the Improvement of corporate value in 1st place, and Risk reduction effects below. Generally, many companies did not select Social contribution.

Q9: What are the major themes of the ESG activities of your company? (Multiple responses allowed, up to five)

Rank	Rank (previous survey)	Theme	This survey	Previous survey	Change	Rank	Rank (previous survey)	Theme	This survey	Previous survey	Change
1	1	Climate Change	86.2%	84.9%	+1.3	15	13	Environmental Opportunities	7.9%	8.1%	-0.2
2	2	Corporate Governance*	63.9%	67.6%	-3.7	16	15	Waste Management	6.3%	7.1%	-0.8
3	3	Diversity	48.3%	60.3%	-12.0	17	17	Labor Standards	4.9%	6.3%	-1.4
4	4	Human Rights & Community	46.4%	45.7%	+0.7	18	18	Water Stress & Water Security	4.7%	5.4%	-0.7
5	7	Supply Chain	29.7%	29.3%	+0.4	18	19	Social Opportunities	4.7%	4.3%	+0.4
6	6	Risk Management	29.0%	33.2%	-4.2	20	16	Pollution & Resources	3.8%	6.7%	-2.9
7	5	Health & Safety	28.8%	35.4%	-6.6	20	-	Privacy & Data Security ^{New}	3.8%	—	—
8	-	Human Capital Development ^{New}	25.5%	—	—	22	23	Anti-corruption	1.7%	1.3%	+0.4
9	9	Product Liability	23.9%	20.8%	+3.1	23	20	Deforestation	1.4%	1.8%	-0.4
10	8	Disclosure	18.8%	21.5%	-2.7	24	21	Minority Shareholder Rights (Cross-shareholding, etc.)	0.9%	1.5%	-0.6
11	11	Capital Efficiency	12.5%	13.2%	-0.7	25	24	Conflict Minerals (Problematic Mineral Procurement)	0.8%	1.0%	-0.2
12	10	Board Structure, Self-evaluation	10.8%	14.6%	-3.8	25	21	Misconduct	0.8%	1.5%	-0.7
13	12	Others	9.2%	9.2%	±0.0	27	25	Tax Transparency	0.0%	0.0%	±0.0
14	14	Biodiversity	8.4%	7.5%	+0.9						

*Ratio to total number of respondents. Companies selected up to five themes from the 27 themes listed above. "Human Resource Development" and "Privacy & Data Security" were newly added to the options in this survey. Furthermore, concerning "Corporate Governance," we clearly indicated the content as "Corporate Governance (Transparency & Fairness in decision-making, Remuneration and Succession, etc.)" for the choice of answer.

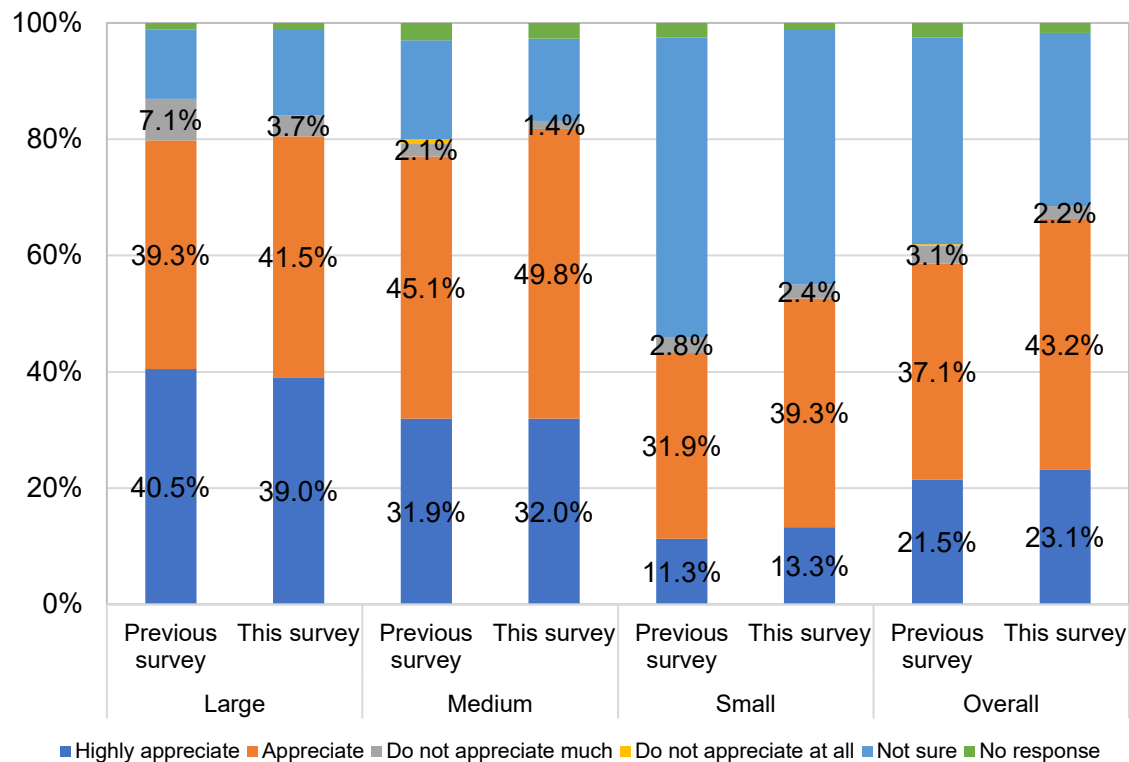
Key points	<ul style="list-style-type: none"> Based on the expansion of the ESG-related themes, we added "Human Capital Development" and "Privacy & Data Security" to the options in this survey. Climate change continued to be the most selected theme, and the ratio of responding companies also increased. In addition, we have found that 25.5% of companies selected "Human Resources Development," without a significant change in the ranking, whereas "Diversity," which is considered as related to it, declined significantly compared to the previous survey.
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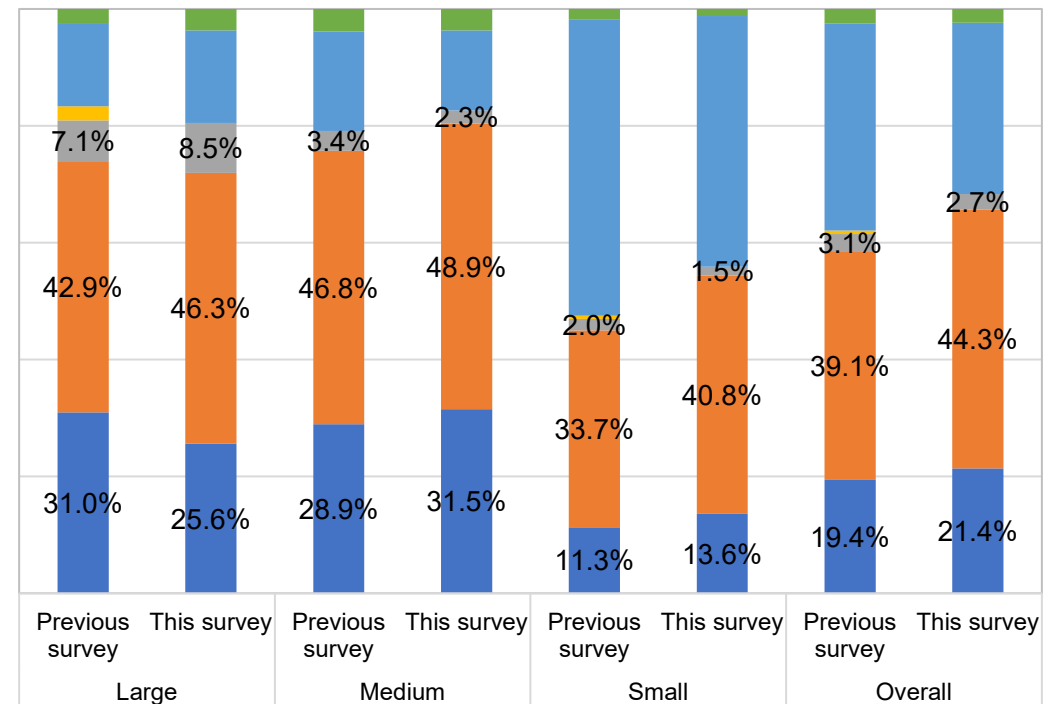
3. GPIF's Initiatives (ESG Indexes)

Q1: Describe your rating of each of the following six ESG indexes and reasons why.

FTSE Blossom Japan



FTSE Blossom Japan Sector Relative

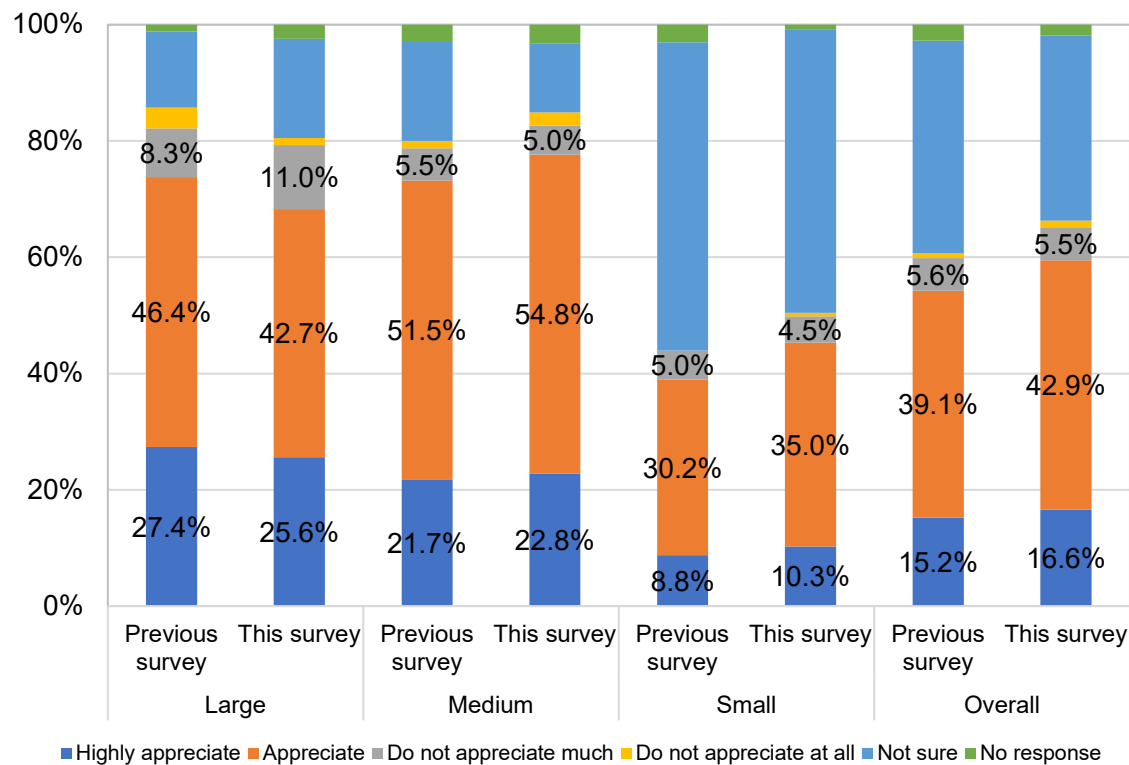


Key points

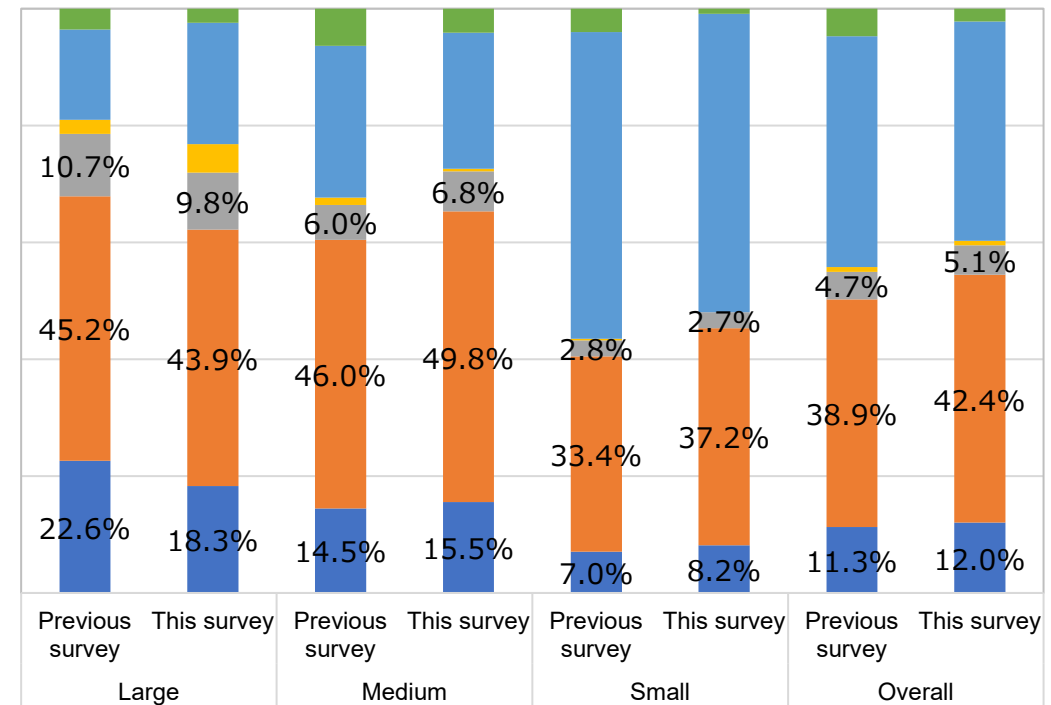
- Compared to the previous survey, the percentage of companies that responded “Highly appreciate” and “Appreciate” rose overall.
- By company size, the percentage of “Medium” and “Small” companies that responded “Highly appreciate” increased. Depending on the index, such trend is remarkable in “Small” companies. While the result may reflect the impact of the decrease in the number of subject companies of the survey, the same trend is also observed even if the respondents are limited to those who answered in the previous survey. Therefore, it is suggested that each ESG index has steadily permeated to small companies.

Q1 (continued): Describe your rating of each of the following six ESG indexes and reasons why.

MSCI Japan ESG Select Leaders Index

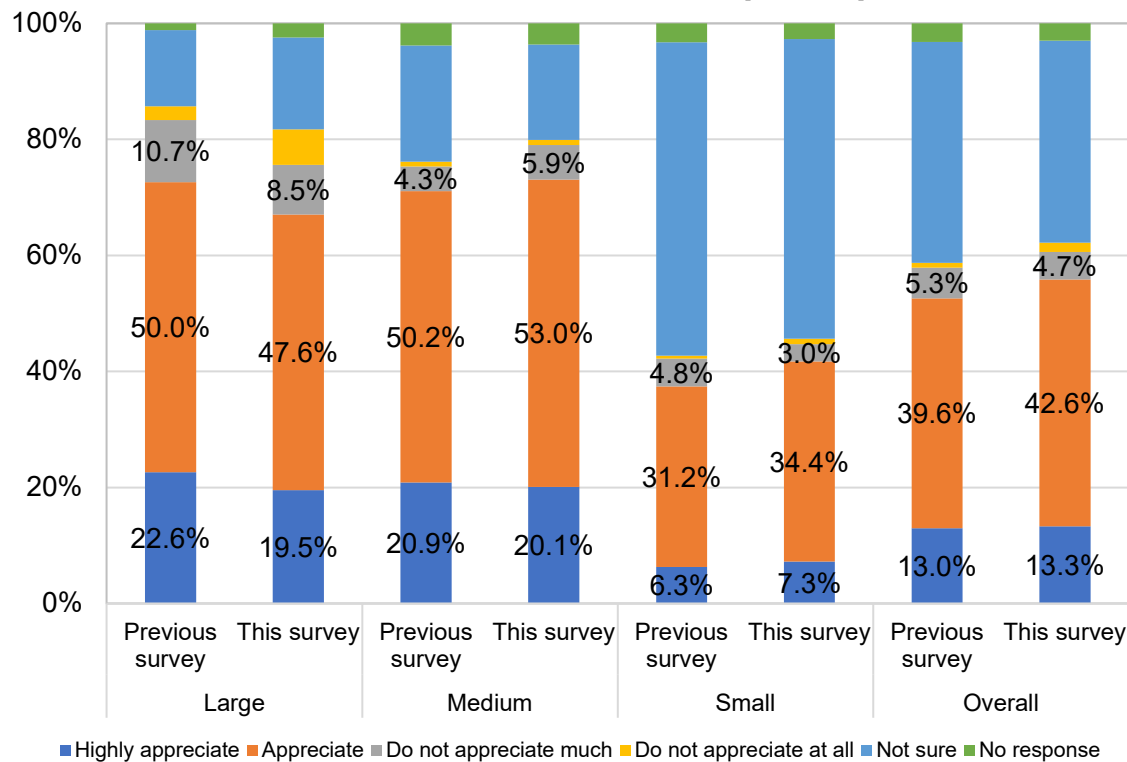


S&P/JPX Carbon Efficient Index

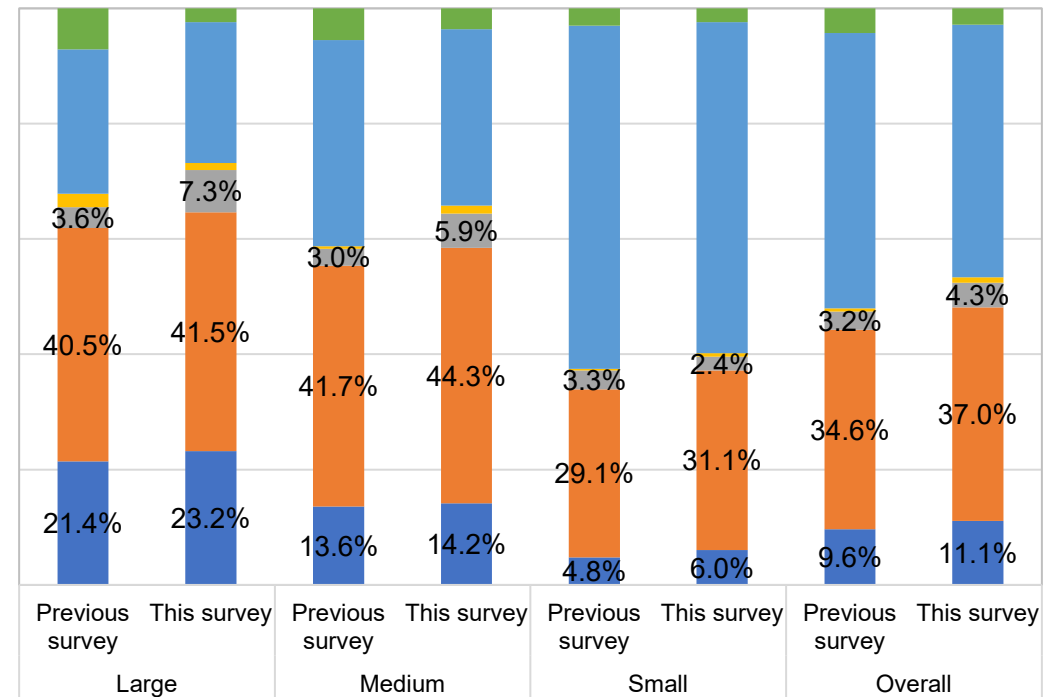


Q1 (continued): Describe your rating of each of the following six ESG indexes and reasons why.

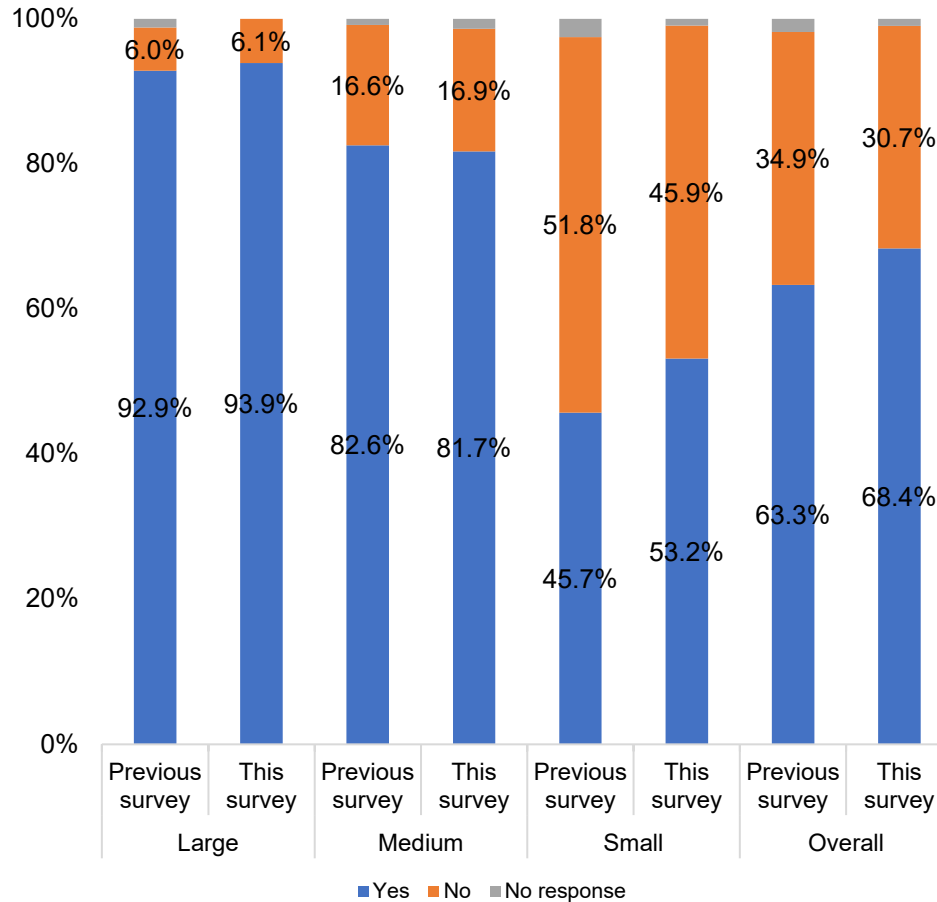
MSCI Japan Empowering Women Index (WIN)



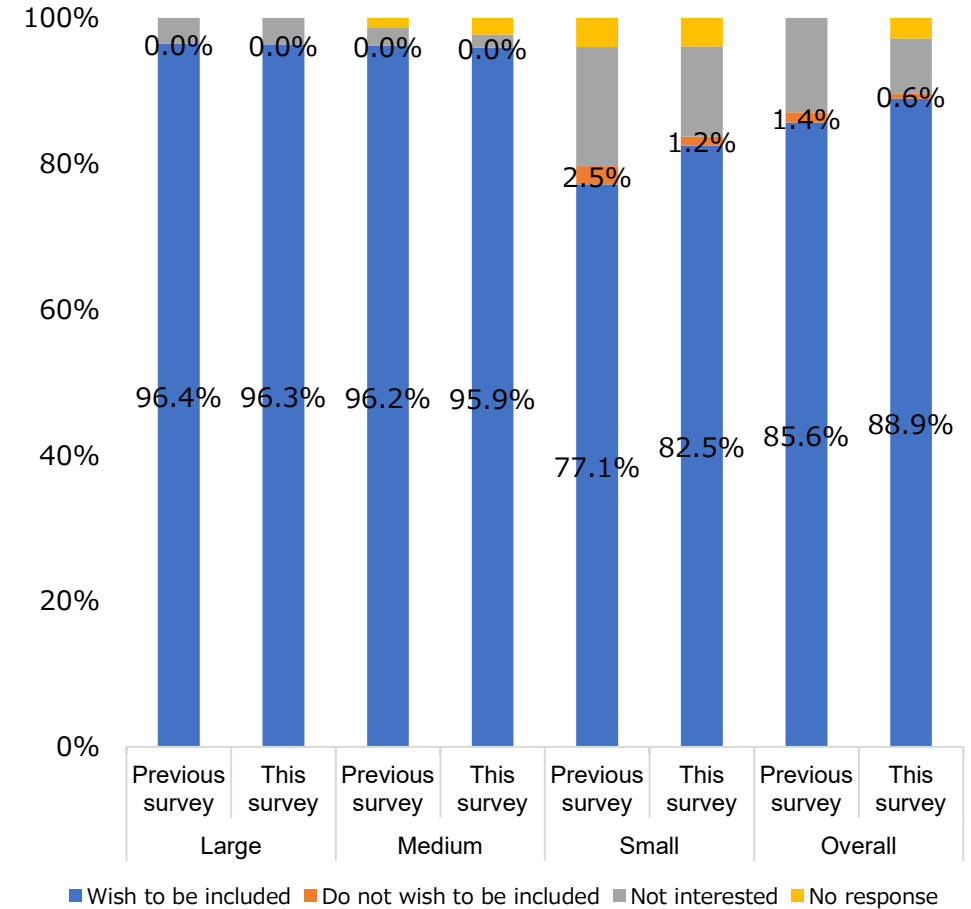
<NEW> Morningstar Japan Gender Diversity Tilt Index (GenDiJ)



Q2: Have you reviewed the methodologies for the ESG indexes selected by GPIF that index providers have disclosed?

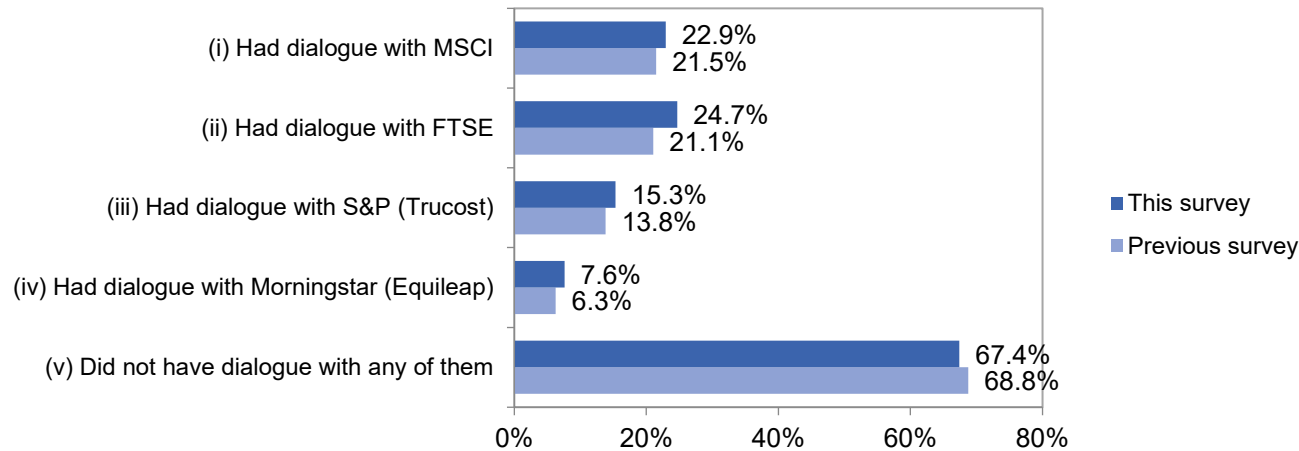


Q3: What are your views on inclusion of your company in these ESG indexes?



- The status of ascertaining the methodology and their wish to be included in the ESG indexes suggest that the attention paid to the ESG indexes is rising.

Q4: Did you have dialogue with MSCI, FTSE, S&P and Morningstar in the past one year with regard to the ESG indexes adopted by GPIF ? (Multiple responses allowed)



Main contents of dialogue

- Review of methodologies for evaluation
- Review and feedback of evaluations
- Responses to the survey

Q5: Please share your opinions concerning the ESG indexes selected by GPIF.

[Overview of opinions]

- We would like to request further clarification of the index/score evaluation criteria, evaluation process, evaluation schedule, and evaluation results (expecting information disclosure that will contribute to improvement of companies' efforts).
- Enhancement of communication between index providers and issuers (quick response, support in Japanese language, setting up opportunities for dialogue, holding briefing sessions).
- Enhancement of follow-up measures for companies lacking know-how and facilitation of access to information.
- We expect an increase in the number of companies subject to evaluation and inclusion in the index (relaxation of market capitalization standards).
- Since the evaluation varies depending on the evaluation method of index providers, the companies' burden for improvement is significant.
- Efforts to reduce the burden on companies (reducing the burden on companies of responding to questionnaires and checking evaluations, and facilitation of checking index inclusion status).

Key points

- As to dialogue with index providers (ESG rating companies) in the past one year, the number of responses "Did not have dialogue with any of them" was the biggest. Considering that the many companies responded the review of methodologies for evaluation as the content of dialogue, dialogue with index providers may not be needed every year.
- As to comments regarding ESG indexes, there were many responses including disclosure of information that helps companies improve their initiatives, enhancement of communication and measures to reduce the load on companies.

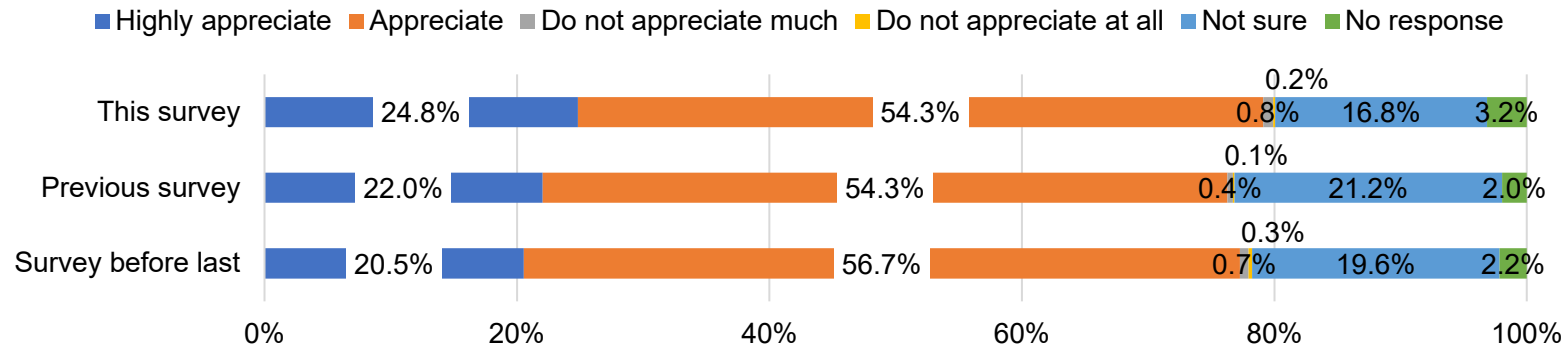


4. GPIF's Initiatives (Overall Stewardship Activities)



<GPIF's Initiatives (Overall Stewardship Activities)>

Q1: Please give your rating of GPIF's overall initiatives for stewardship activities and reason for your rating.



[Excerpts of comments by rating] *There were no comments to the response "Do not appreciate much."

- The enhancement of stewardship activities by GPIF, a global-scale asset owner, contributed to the promotion of dialogue between companies and investors, and the strengthening of initiatives for growth of companies and governance by Japanese companies as a whole. As a result, we believe that the degree of attention on the Japanese stock market has been improved.
- GPIF's promotion of business operations that focus on long-term perspectives and adoption of ESG standards will serve as an incentive for companies to formulate sustainable growth strategies. This will guide companies toward creating economic value while fulfilling their social responsibilities and contribute to Japan's national strength. ("Highly appreciate")
- GPIF has placed emphasis on dialogues between companies and investors by regularly evaluating the content of disclosure of both companies and investors as shown by "Excellent Integrated Reports," obtaining opinions from companies through this survey and other means, and disclosing information using YouTube. My response is based on the impression that GPIF is promoting identification and review of issues for its external asset managers, in addition to continuing this survey. ("Highly appreciate")
- GPIF has been vigorously working to ascertain the current status of stewardship activities of institutional investors and to strengthen engagement of institutional investors, and companies by conducting this survey and individual interviews with companies (issuers).
- Publishing the voting results and guidelines for judging the pros and cons of each institutional investor helps to select proposals for the general meeting of shareholders, and to strengthen governance. ("Appreciate")
- GPIF's stewardship activities has encouraged institutional investors to respond mechanically. Analysts understand the activities, but persons in charge of exercising voting rights tend to show strong attitudes of not listening. (Recently, we have not talked with them, though.) (Do not appreciate at all)
- We feel that we, as an issuer, can hardly see what impact GPIF's activities have on institutional investors. (Not sure)

Key points

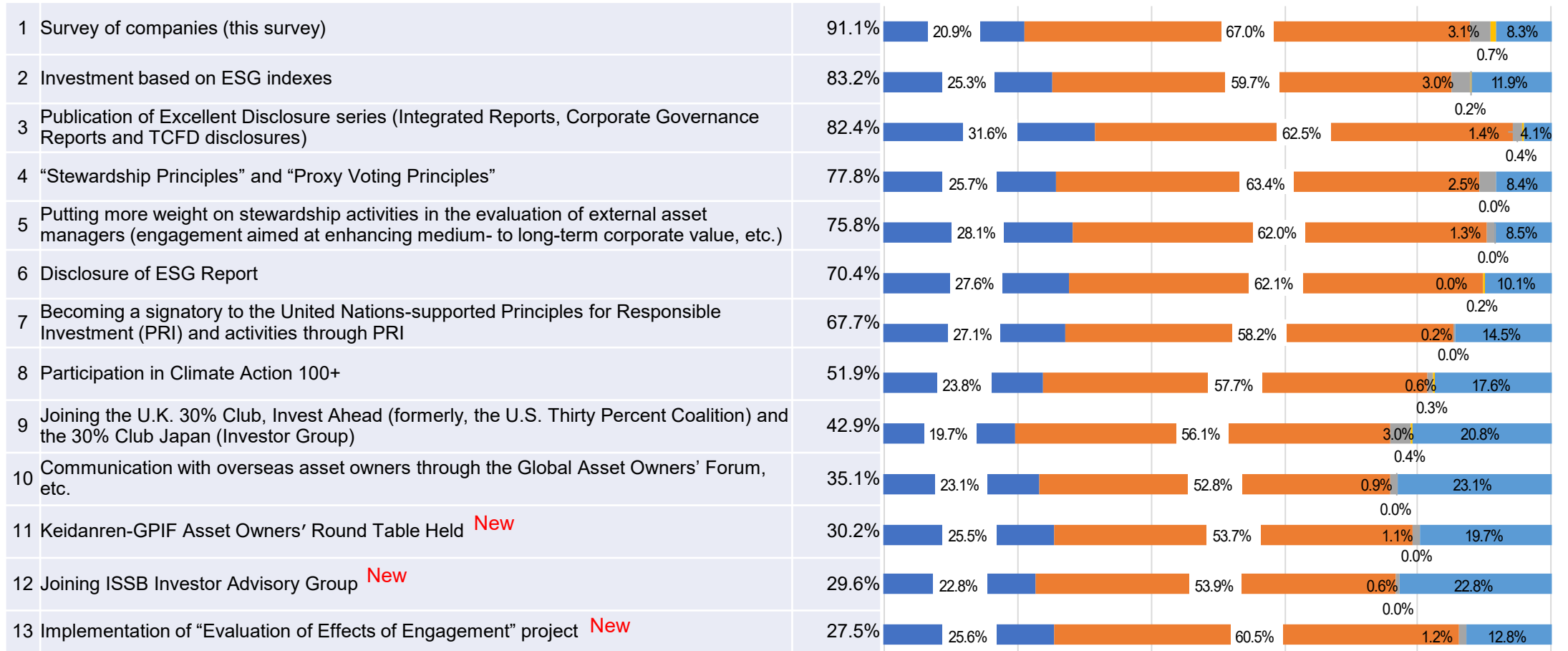
- As for the rating of GPIF's overall stewardship initiatives, approximately 80% of respondent companies selected "Highly appreciate" and "Appreciate." Many companies highly value the efforts to promote engagement between companies and investors, as well as its focus on long-term perspectives, including ESG. The transparency of those initiatives is also highly appreciated. In terms of the response "Not sure," many comments come from companies that had little direct contact with GPIF.
- Although the number was small, there were also comments stating "Do not appreciate at all," indicating a concern that GPIF's initiatives encouraged external asset managers to exercise voting rights mechanically. Regarding this indication, GPIF established the "Principles for Exercising Voting Rights," requesting its external asset managers to exercise their voting rights as part of engagement aimed at enhancing long-term corporate value. As a result of dialogue, we positively view the exercise of voting rights that may deviates from established standards, if such actions are deemed reasonable. We will continue to request the exercise of voting rights that contribute to the enhancement of long-term corporate value.



Q2. Are you familiar with the following recent initiatives of GPIF? (Multiple responses allowed) Choose all the initiatives you know, and describe your rating and the reason.

<Recognition of initiatives>

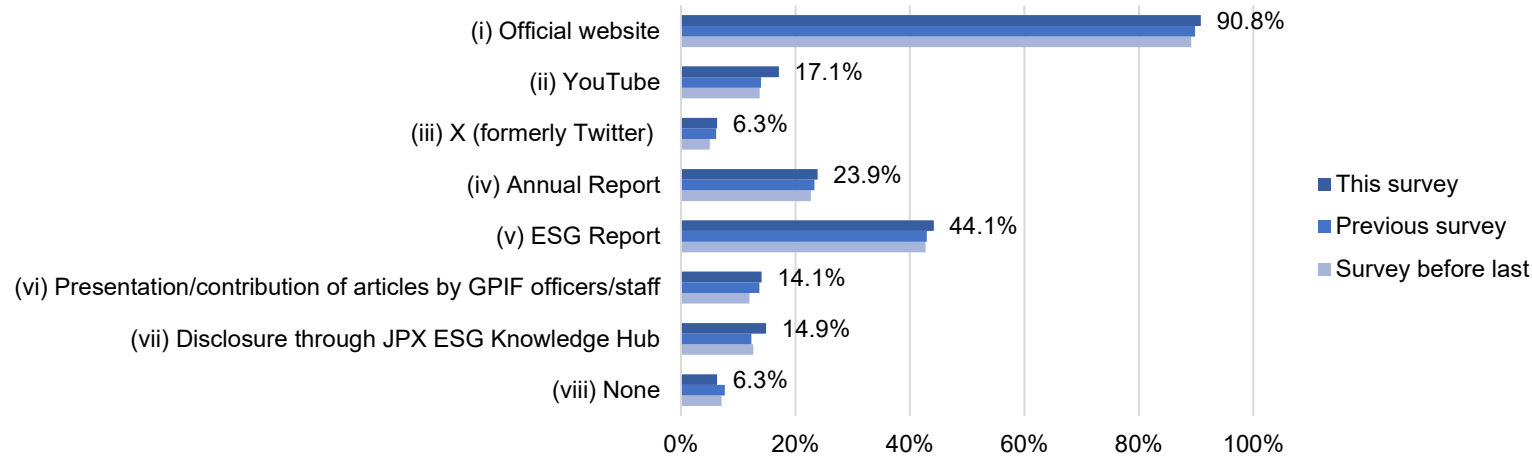
<Rating of initiatives>



(Note) The table on the left indicates the ratio of companies that recognize each initiative.
The chart on the right indicates the evaluation by the companies that recognize each initiative.

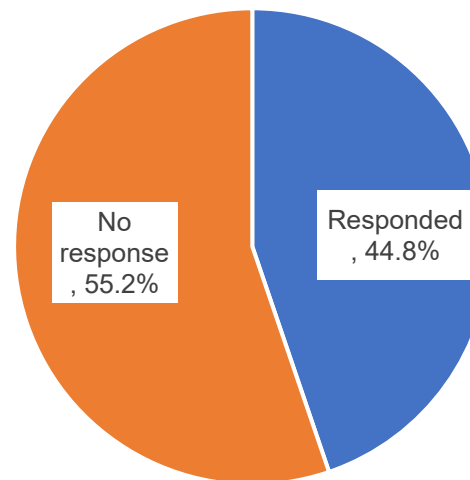
- Key points
- Concerning each GPIF’s initiative, recognition and evaluation for each initiative, including new ones, were confirmed. More than half of the initiatives were recognized by over 50% of respondents. The recognition and participation in new initiatives tends to be relatively low.
 - In general, almost all initiatives received high recognition, with the “Excellent Disclosure series” being the highest. While the percentage of responses “Not sure” tended to increase as it trend according to the recognition, the percentages of “Highly appreciate” and “Appreciate” were high for the “Verification of Effects of Engagement,” despite its lowest level of awareness.

Q3: Regarding GPIF's public relations activities, have you seen the following public relations activities? (Multiple responses allowed)



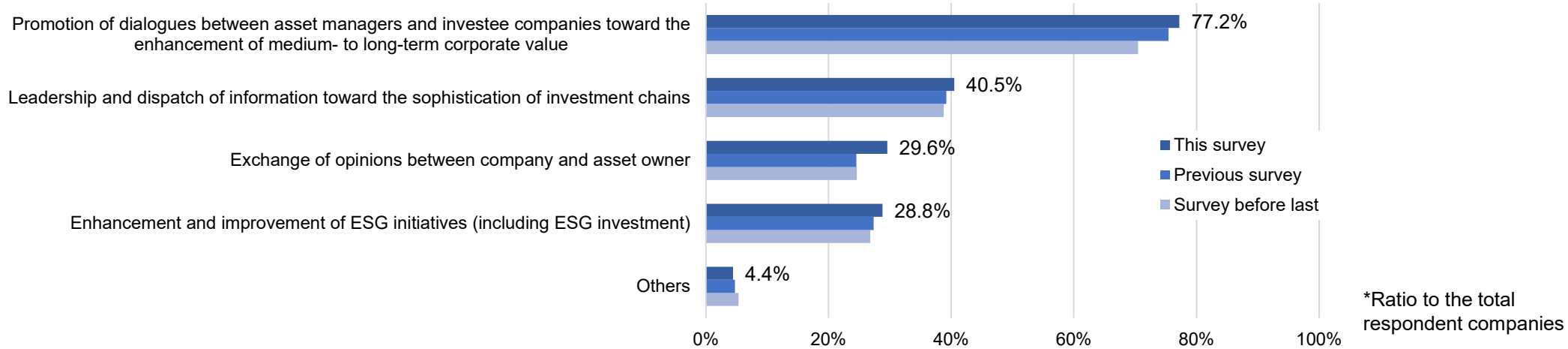
*Ratio to the total 632 respondent companies (717 in the previous survey and 735 companies in the survey before last)

Q4: Please let us know your contact point if you would like to cooperate with GPIF in surveys, etc., not limited to this survey, to ascertain the actual state of dialogue conducted by GPIF's external asset managers.



- As to GPIF's public relations activities, the companies that visited our website accounted for 90%, followed by ESG Report. In comparison with the previous fiscal year, the percentage of companies that view YouTube increased.
- In response to our additional request made to GPIF's external asset managers for cooperation aiming to ascertain the actual state, more than 40% responded.

Q5: What do you expect from GPIF's stewardship activities as an asset owner? (Multiple responses allowed)



Q6: Please share your opinions or requests, if any, concerning GPIF.

[Excerpts of comments]

- I would like GPIF, as an asset owner, to strive to build and maintain the continuous engagement environment by continuing to make approaches to each asset manager. Furthermore, I would like to request GPIF, as the largest asset owner in Japan, to continue to make approaches for the sound development of capital markets.
- As one of the global leading asset owners it is crucial to enhance your ability to disseminate information globally. In order to attract global investment money into Japanese companies, the promotion for corporate transformation alone is insufficient. It is crucial to transmit transformation. GPIF's powerful support is expected by all means.
- As an asset owner, it will be helpful for future activities if you have more contacts with companies and share the approach to ESG, etc. The information provided on GPIF's official website is very useful, we would greatly appreciate it if GPIF would continue to publish it, and accept inquiries about the content, discussions and consultations with us.
- It is wonderful that the overseas asset forum was resumed after the COVID-19 pandemic. For the time being, a backlash against responsible investment seems to be inevitable, but we would like GPIF to lead the world's responsible investment by enhancing its presence through providing advice to other public pension signatories to PRI, and engagement for asset managers, etc.
- We expect that GPIF will further urge exercising voting rights based on dialogues rather than formal exercise of voting rights based only on the policies of institutional investors. We would like to continue to ask GPIF to urge institutional investors to disclose the results of the exercise of voting rights.

- Key points**
- The respondents expect that GPIF will continue to promote engagement between investors and companies, and demonstrate leadership, including by enhancing its ability of communication.
 - Including the comment on our initiatives mentioned in Q2, we will efficiently use them as references for our future initiatives.

