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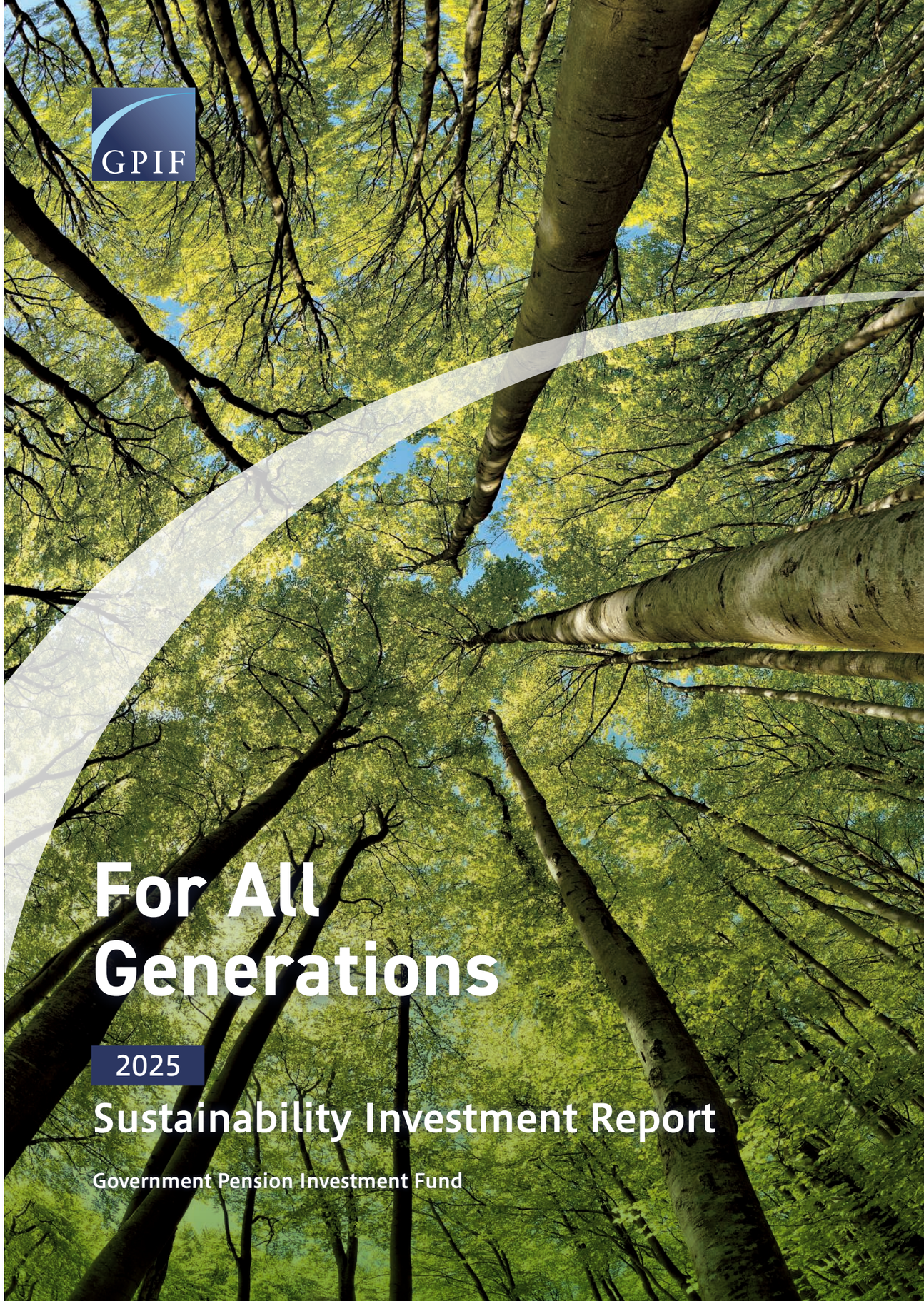

For All Generations

2025

Sustainability Investment Report

Government Pension Investment Fund

For All Generations

GPIF is committed to fulfilling its fiduciary duty to secure adequate retirement funds for both current and future insureds.
We believe that the long-term growth of the corporate value of investee companies —leading to the sustainable and stable overall growth of capital markets and the economy—is crucial for GPIF to earn stable investment returns over the long term.
In this context, it is essential to mitigate the negative impact of any environmental or social issues on capital markets.
At GPIF, we promote sustainability investment based on this belief.

To Our Readers

This Sustainability Investment Report represents our first report on the results of our initiatives since the establishment of GPIF's Sustainability Investment Policy in March 2025. For this purpose, we have significantly revised the report's composition. Please refer to the "Want to know" topics below when reading this report.

Want to know GPIF's approach to sustainability investment, an overview, and highlights of this year's activities	Chapter 1 (P.3) Conclusion (P.85)

Want to know more deeply about sustainability investment at GPIF

Want to know about GPIF's ESG investment initiatives, performance, and research on impact investing	Chapter 2 (P.23)
Want to know about GPIF's policy on stewardship activities and main initiatives this year	Chapter 3 (P.37)
Want to know about sustainability-related risk analysis at GPIF, including GHG emissions measurement and Climate VaR analysis	Chapter 4 (P.51)
Want to know about this year's public communications efforts and GPIF's dialogue and collaboration with domestic and international asset owners, initiatives, and others	Chapter 5 (P.73)

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Chapter 1

What Is Sustainability Investment at GPIF?

At GPIF, we pursue sustainability investing with the aim of securing long-term returns for the sole benefit of insureds. In Chapter 1, we will focus on presenting the basic approach, overall framework, and history of sustainability investing at GPIF, as well as internal initiatives such as the establishment of an organizational structure and the creation of workplace environments that foster sustainable growth.

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GPIF in Numbers

Investment Performance Since Launch of Market Operations

Cumulative returns ¥196.9 trillion

Rate of return (annualized) 4.67%

GPIF Portfolio As of March 31, 2026

Portfolio Asset Allocation

Domestic Equities	Domestic Bonds
23.81%	26.91%
25%(±6%)	25%(±6%)

Foreign Equities	Foreign Bonds
24.80%	24.48%
25%(±6%)	25%(±5%)

Breakdown of Passive and Active Funds

Passive funds 79.77%

Active funds 19.13%

Others 1.09%

Universal Owner

Asset size

¥293.64 trillion

Sustainability Investment

Sustainability integration

¥293.64 trillion

Cross-Generational Investor

Investment horizon

100 years

Number of GPIF-Owned Securities

Equities 5,756 holdings

Bonds 15,155 holdings

Long-Term Investment Performance

Cumulative returns ¥196.9 trillion (FY2001 - FY2025)

Rate of return 4.67% (annualized) (FY2001 - FY2025)

External Ratings

Assessment by PRI[1] ★★★★ (As of March 31, 2026)[2]

Responsible Asset Allocator Initiative (RAAI) ranking[3] Leaders

Number of employees[4]

Employees 217

Specialist personnel[5]

Securities analysts	MBA graduates, etc.	Lawyers
69	19	4
CPAs	**Real estate appraisers**	**Ph.D. graduates, etc.**
3	1	9

1 Assessment by PRI: Four stars in all categories
2 The most recent assessment was in FY2023.
3 New America, the American think tank, analyzes sovereign wealth funds and pension funds on their responsible investing practices based on the Responsible Asset Allocator Initiative (RAAI) index, developed in partnership with the Fletcher School at Tufts University, every two years.
4 Number of full-time employees: As of April 1, 2026
5 Specialist personnel: As of April 1, 2026 (some are counted in more than one category)

The pursuit of sustainability investment is a key mission of GPIF. GPIF aims to improve the long-term performance of its entire portfolio through more sophisticated asset management and stewardship activities, to achieve, on the one hand, mitigating sustainability-related risks and enhancing market sustainability, and, on the other hand, securing market-average returns.

Government Pension Investment Fund

President UCHIDA Kazuto

Q Fiscal 2025 was your first year in office as President, as well as the first year following the formulation of GPIF's Sustainability Investment Policy, which represents an evolution of ESG investing. Please share with us the progress made by GPIF in the area of sustainability investment.

Last year, we established GPIF's Sustainability Investment Policy. In retrospect, I believe this was a pivotal year for GPIF, in which we were able to articulate the goals and conceptual framework of our sustainability investment, outline specific initiatives, and take a step forward in evolving our previous ESG investment approach.

GPIF's engagement with ESG investment dates back to September 2015, when we became a signatory to the UN-supported Principles for Responsible Investment (PRI). Our overarching aim has been to mitigate long-term investment risks and pursue improved returns by investing with consideration for climate change and other environmental risks (E), human rights and other social issues (S), as well as legal compliance and sound corporate governance (G). ESG investment, which integrates non-financial elements with conventional financial metrics, has grown significantly in prominence in recent years. ESG has now widely been regarded as a cornerstone of sustainable corporate management. It was in this context that we established GPIF's Sustainability Investment Policy last year, evolving our perspective from a narrower ESG focus to a more comprehensive sustainability investment paradigm. Sustainability investment is a broader overarching concept that encompasses investment considering ESG and impact, among other approaches. Along with this redefinition, we adopted an investment policy aimed at improving the long-term performance of our entire portfolio by achieving, on the one hand, mitigating sustainability-related risks and enhancing market sustainability, and, on the other hand, securing market-average returns.

Over the past year, based on this policy, we have advanced a range of initiatives aimed at enhancing the effectiveness of our sustainability investments. For example, we conducted a thorough reevaluation and review of our ESG index-based investments. With the objective of securing stable market average returns, we have integrated these investments into our portfolio rebalancing process and adjusted our asset allocations accordingly. We also began to seek applications for the adoption of new ESG indexes and ESG funds, and are actively working to broaden our investment strategies. These efforts are designed to contribute to the mitigation of sustainability-related risks and support greater market sustainability, all while maintaining market average returns. In pursuing these objectives, we do not aim to expand the scale of investment considering ESG. Rather, we are committed to rigorously verifying the effectiveness of each investment strategy as we go along, with a clear focus on enhancing long-term investment returns.

Enhancing our stewardship activities was another key theme. At GPIF, we have long required asset managers to conduct substantive and meaningful engagement. In 2025, we established priority issues during the 5th Medium-term Objectives period. Specifically, in alignment with the Tokyo Stock Exchange's call for management that is conscious of the cost of capital and stock price, we have more clearly articulated the importance of enhancing corporate value over the medium to long term. This is to be achieved through the appropriate allocation of management resources that will underpin future cash flows. We also believe that sustainability initiatives should not be regarded as an end in themselves. Rather, we believe it is essential to focus on their connection to the enhancement of corporate value—that is, to pursue initiatives grounded in a clear focus on financial materiality. Moreover, we recognize that effective governance is a fundamental prerequisite for the sustained and consistent implementation of these initiatives. Based on this approach, we have engaged in ongoing dialogue with asset managers—including through interviews and surveys—and have worked to promote more effective stewardship activities.

We also commissioned research on "investment considering impact," as set forth in our Sustainability Investment Policy. While GPIF does not regard the resolution of social issues as an investment objective in itself, we recognize that the impact of our investee companies' business activities on society and the environment may, over the long term, influence investment returns through changes in corporate value and the overall sustainability of the market. Accordingly, for this research, we instructed the research provider to gather information from multiple perspectives, including interviews with overseas pension funds, in addition to an extensive review of the academic literature.

We have consistently emphasized sharing GPIF's sustainability investment approach with other market participants, hoping to foster a virtuous cycle throughout the investment chain. Personally, I have spoken as an asset owner at events both in Japan and abroad, and engaged in repeated dialogue with market participants, to articulate why GPIF places such importance on

sustainability, as well as how we intend to link sustainability investment to the enhancement of long-term investment returns. I feel that there is a growing acceptance of the idea that improving the sustainability of the market as a whole leads to long-term benefits for GPIF. At the same time, I sense that market participants look to GPIF for leadership in this regard.

Q Looking ahead, what is the future direction of sustainability investing, and what initiatives does GPIF plan to pursue as an asset owner?

The ultimate objective of GPIF's sustainability investment initiatives is to contribute to the long-term performance of our overall portfolio, for the sole benefit of insureds. We believe that the "reduction of sustainability-related risks and improvement of sustainability of markets"—which are essential to achieving this objective—are key drivers of long-term corporate value. This belief underpins our decision, beginning this year, to place greater emphasis on sustainability initiatives and disclosures grounded in a materiality-based approach.

Prior to the formulation of the Sustainability Investment Policy, "investment considering ESG" at GPIF was centered on ESG index-based investing, which commenced in fiscal 2017. Over the past decade, corporate ESG activities have advanced considerably, and ESG ratings have exhibited an overall upward trend. We believe that the initial aim has been achieved to a certain extent. Based on these past efforts, we believe that engagement by institutional investors will assume even greater importance going forward. Such engagement can encourage companies to focus on sustainability management linked directly to the enhancement of corporate value, thereby contributing to the long-term objectives of GPIF as an asset owner.

In this regard, at GPIF, we focus on promoting a virtuous cycle within the investment chain. Our objective is to contribute to the sustainable growth of investee companies and the market as a whole—and thereby fulfill our responsibilities as an asset owner—by engaging with the entire investment chain, from asset managers to investee companies and index providers.

To this end, we will actively communicate GPIF's sustainability investing approach and initiatives, while also advancing dialogue with asset managers and exchanging views and information with stakeholders, including companies, relevant organizations, and other asset owners. Furthermore, as a universal owner with massive pension assets and diversified global investments, we aim to promote these sustainability investment initiatives not only within Japan but also internationally.

Q GPIF has been running an "Excellent Disclosures Selected by GPIF's Asset Managers" series, including categories such as "Excellent Integrated Reports" and "Excellent TCFD Disclosures." Last fiscal year, these were consolidated into a single category: "Excellent Sustainability Disclosures from the Perspective of Materiality." What was the background and purpose of this move?

We believe that initiatives such as the "Excellent Integrated Reports" and "Excellent TCFD Disclosures"—which we implemented with the cooperation of our external asset managers—have positively contributed to improving the quality of corporate disclosures. At the same time, sustainability-related disclosure systems and frameworks have evolved rapidly in recent years, with companies required to provide an increasingly diverse range of disclosures.

In this context, GPIF places a high priority on financial materiality in its stewardship activities. We believe that the key consideration is not sustainability per se, but rather how sustainability affects each company's medium- to long-term corporate value and future cash flows. This led to our decision, last fiscal year, to consolidate our previous series on excellent corporate disclosures and publish them as "Excellent Sustainability Disclosures from the Perspective of Materiality." This change also conveys a clear message: over and beyond compliance with specific disclosure frameworks, our focus is on how the key issues that contribute to enhancing corporate value are positioned within each company's management strategy, and whether they are explained to investors in a clear and accessible manner.

Japan is gradually moving forward with the introduction of standards for sustainability disclosure. At GPIF, we plan to use this as an opportunity to encourage companies—from the perspective of an asset owner—to integrate materiality with their business strategies and communicate this to investors in a clear and accessible manner. We anticipate that as such disclosure practices become more widespread, the quality of dialogue between companies and investors will improve, thereby fostering a virtuous cycle throughout the investment chain. Ultimately, this is expected to promote medium- to long-term value creation by companies, and lead to enhanced long-term investment returns for GPIF.

Q How do you view the sustainability of GPIF itself?

When considering the sustainability of GPIF itself, the first key point to note is that our mission is to manage pension reserves stably for the benefit of insureds, particularly future generations, and to secure long-term investment returns. In that sense, for GPIF, sustainability means nothing less than our ability as an organization to continue fulfilling our mission on a sustainable basis.

We consider human resources to be particularly important in this regard, and we established the new Human Resources Department in January 2026. As the investment environment and sustainability challenges become increasingly complex, it is essential to attract and develop highly specialized talent and accumulate expertise within the organization. We also aim to foster a working environment in which staff with diverse backgrounds and areas of expertise can thrive, enabling higher-quality decision-making across the organization (see pages 21 to 22).

We communicate a guiding message—referred to as the GPIF WAY—to all managers and staff across the organization. GPIF brings together colleagues with diverse career backgrounds and life experiences, and we continue to evolve as a group of financial and investment professionals united by a strong sense of public mission. With a grand vision and a spirit of ambition, all of GPIF's managers and staff are committed to moving forward together, as one team, in the same boat. Together, we will embrace the challenge of achieving what has never been accomplished before in asset management and finance: a venture into the unknown.

What Is Sustainability Investment at GPIF?

What Is Sustainability Investment at GPIF?

In March 2025, we formulated GPIF's Sustainability Investment Policy in line with the spirit of the Japanese government's Asset Owner Principles,[1] under which we promote investment considering sustainability (hereinafter referred to as "sustainability investment"). We believe that the long-term growth of the corporate value of investee companies—leading to the sustainable and stable overall growth of capital markets and the economy—is crucial for GPIF to earn stable investment returns over the long term. Based on this belief, we evolved GPIF's existing approach to investment considering ESG into the new Sustainability Investment Policy, aimed at improving the long-term returns from our entire portfolio by achieving both a "reduction of sustainability-related risks and improvement of sustainability of markets" and "securing of market average return."

Why Does GPIF Promote Sustainability Investment?

We consider the sustainable and stable growth of capital markets and the broader economy to be of importance because of GPIF's distinctive characteristics as both a "cross-generational investor" and a "universal owner."

At GPIF, we manage and invest a portion of the pension premiums contributed by the current working generation, holding these funds as reserves to ensure that the burden of pension premiums does not become excessively heavy for future working generations. The pension reserves entrusted to GPIF will ultimately fund future pension benefits. For this reason, we have adopted a 100-year investment horizon, to fulfill GPIF's role as a cross-generational investor dedicated to stabilizing pension finances—not only for today's working generation but also for the generations to come.

GPIF manages and invests approximately ¥300 trillion in pension reserves. To achieve stable investment returns while managing such a massive pool of assets, we invest broadly across global capital markets. As a result, our investment returns are heavily dependent on the performance of capital markets as a whole—and, by extension, the economy at large. Investors with these characteristics are commonly referred to as "universal owners."

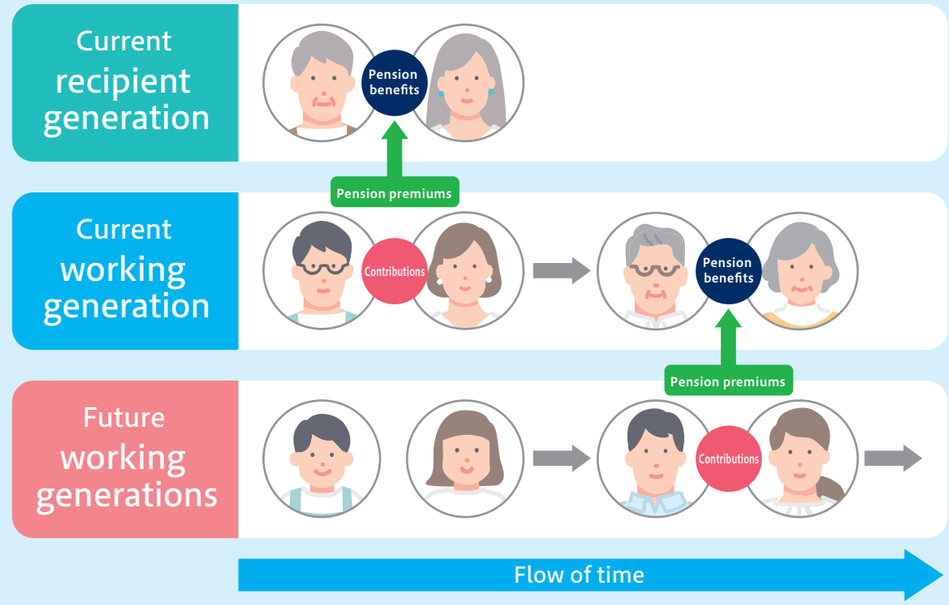
As previously mentioned, we believe that the sustainable and stable overall growth of capital markets and the economy is crucial for GPIF to earn stable investment returns over the long term. Over the long term, capital markets are inevitably subject to sustainability-related risks such as environmental and social issues. For GPIF to pursue portfolio-wide investment returns in the long term, it is essential to reduce the negative impact of sustainability-related issues on capital markets.

Based on this belief, we promote sustainability investment—which aims to achieve both a "reduction of sustainability-related risks and improvement of sustainability of markets" and "securing of market average return"—with a view to securing long-term investment returns for the benefit of our insureds.

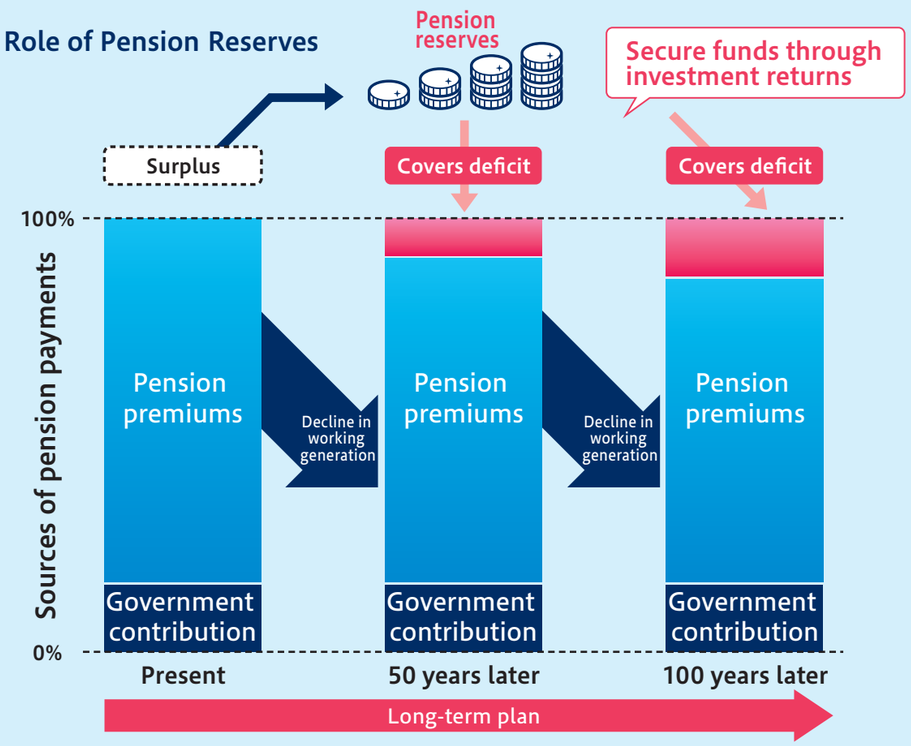
This approach is fully consistent with the spirit of the Employees' Pension Insurance Act and the National Pension Act, which stipulate the safe and efficient management and investment of pension reserves from a long-term perspective, to the sole benefit of insureds.

1 Regarding sustainable investment, the Asset Owner Principles state that "by promoting the growth of investee companies and achieving sustainable growth and development of the overall economy, asset owners can aim to improve their long-term investment returns."

In Japan, the Working Generation Supports the Elderly through the Pension System

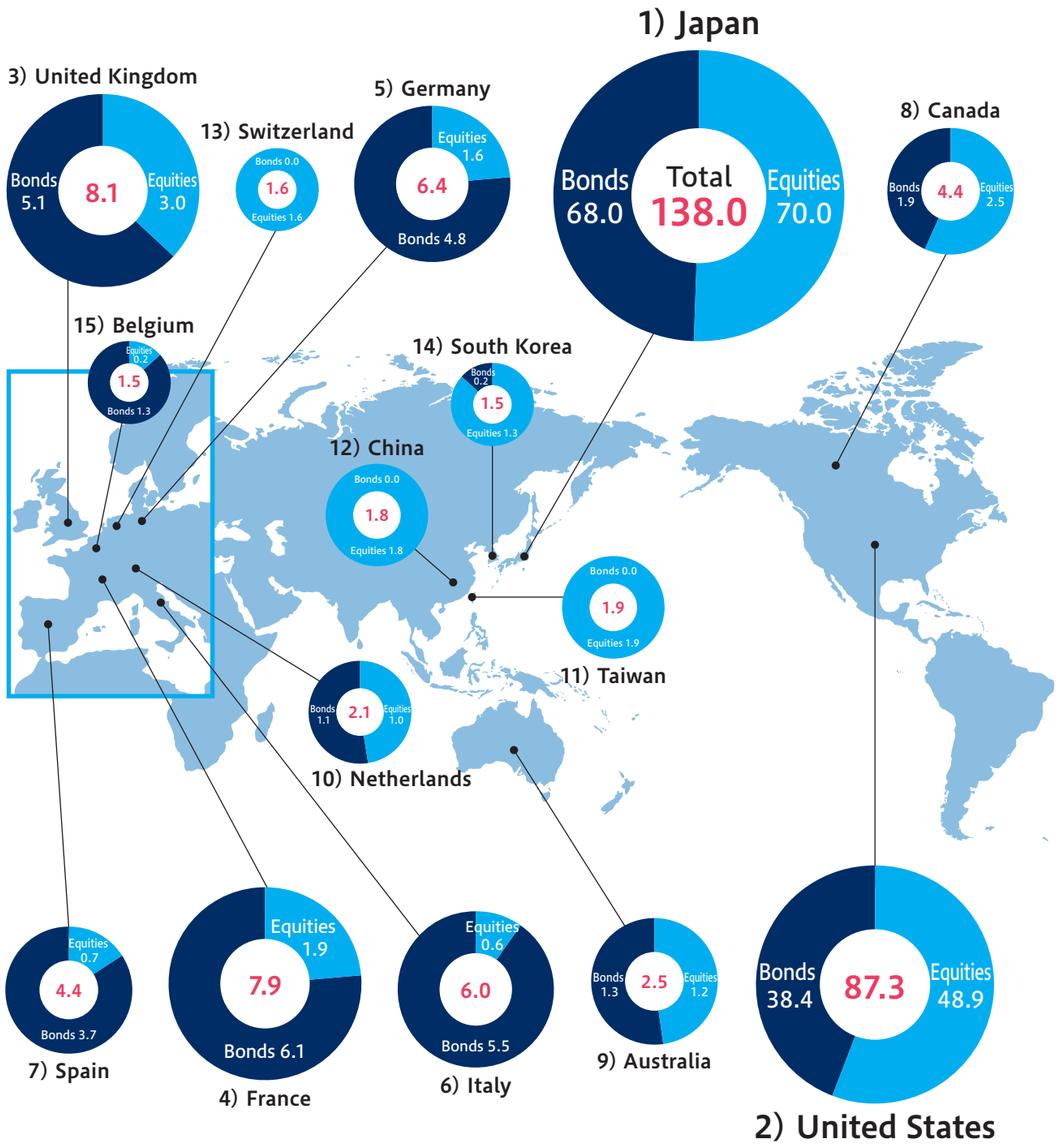


The Role of Pension Reserves



Investment Amounts by Country/Region (Trillions of Yen)

The top 15 countries and regions by investment amount as of March 31, 2026 are as follows.



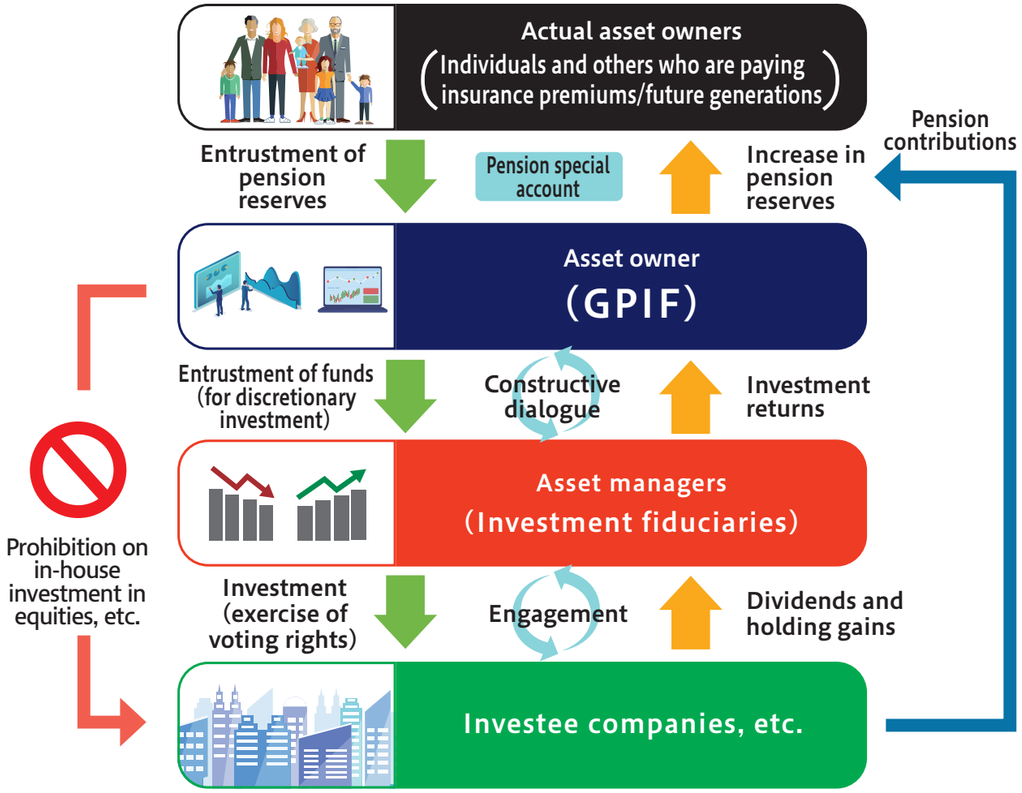
(Note 1) As a general rule, equities are aggregated primarily based on the country where the issuer is incorporated or where the security is primarily listed (MSCI index country classification), while bonds are aggregated primarily based on the country where the issuer or its parent company is headquartered (Bloomberg index country classification).
(Note 2) These figures exclude cash and money market funds (MMFs) held temporarily.
(Note 3) These figures include alternative assets. Infrastructure and private equity investments are classified and aggregated based on the country where the investee company primarily conducts its business, while real estate investments are classified and aggregated based on the country where the investee property is registered.
(Note 4) Due to rounding, the sum of the individual values may not match the total.

Toward a Virtuous Cycle throughout the Investment Chain

The concept of the "investment chain" is key to GPIF achieving its sustainability investment goals. The investment chain refers to a cyclical structure in which, on the one hand, funds are invested from investors (beneficiaries) into investee companies that require capital, and on the other hand, profits are returned from the investee companies to the investors. More specifically, pension reserves—which are funded by pension premiums paid by insureds (individuals and others)—are invested in listed companies and other investees through a chain that includes these insureds (who are the actual asset owners), GPIF (which acts as the "asset owner" managing and investing the pension reserves on behalf of the actual asset owners), and the asset managers (investment management firms) selected by GPIF.[1] After investments are made, profits are returned from the investee companies to the asset managers in the form of dividends and capital gains. These investment returns are then passed from the asset managers to GPIF, the asset owner, and ultimately reflected in the pension reserves of the insureds, who are the actual asset owners.

Given this structure, a virtuous cycle in the investment chain is crucial for increasing GPIF's long-term investment returns. The Asset Owner Principles also state that "asset owners play an important role in the investment chain through the financial and capital markets, directly or indirectly, in bringing financial returns enabled by corporate and economic growth to beneficiaries." As an asset owner, GPIF has a role to play in promoting a virtuous cycle throughout the investment chain.

GPIF's Role in a Typical Investment Chain



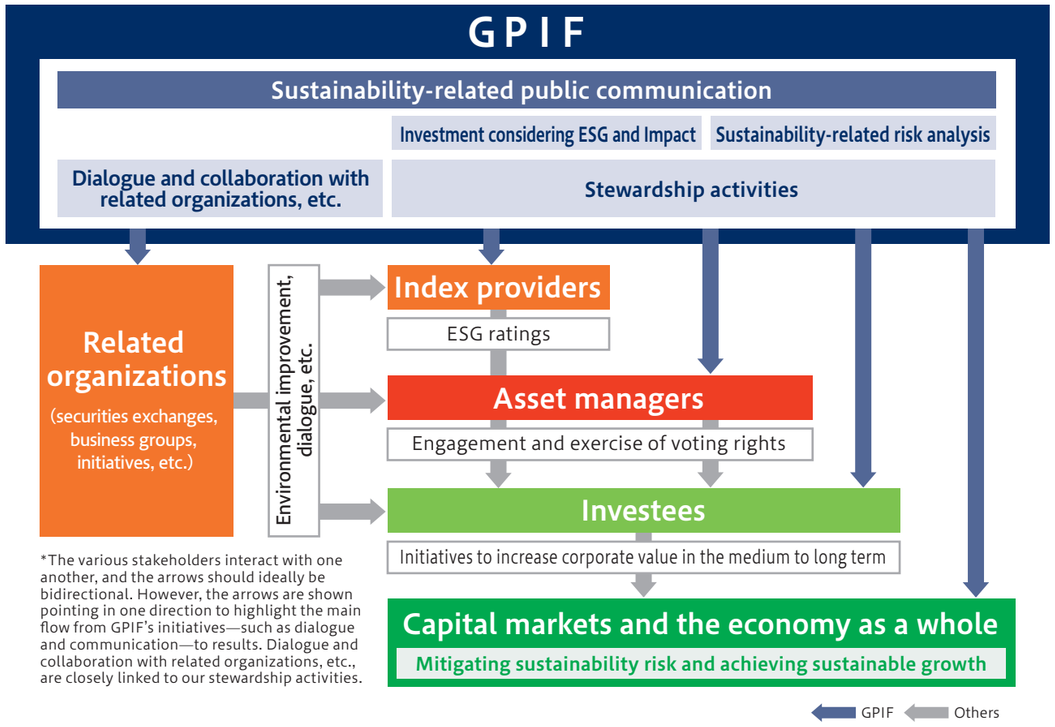
1 With the exception of a portion of its holdings, GPIF conducts daily trading through its external asset managers. It also entrusts the exercise of all voting rights associated with its equity holdings.

Main Sustainability Investment Initiatives

At GPIF, we are engaged in five main sustainability investment initiatives: (i) investment considering ESG and impact, (ii) stewardship activities, (iii) sustainability-related risk analysis, (iv) dialogue and collaboration with related organizations, etc., and (v) sustainability-related public communication.[2] Sustainability investment encompasses not only capital allocation—such as ESG index-based investing and ESG fund investing—but also a wide range of activities that contribute to the long-term enhancement of corporate value and the sustainable growth of the market.[3] These include GPIF's stewardship activities, sustainability-related risk analysis, dialogue and collaboration with related organizations, etc., and sustainability-related public communication.

We strive to contribute to the sustainable growth of investee companies and the market as a whole by taking a broader view of the entities involved in the investment chain. Through the combination of these initiatives, we engage with the entire investment chain, from asset managers to investee companies and index providers. For example, through initiatives such as "investment considering ESG and impact" and "stewardship activities," we encourage companies to adopt behavioral changes that contribute to long-term corporate value enhancement—such as reducing sustainability risks through climate change countermeasures—through corporate ESG ratings from index providers and engagement with companies by asset managers. As a result, we aim to contribute to the sustainable growth of capital markets and the economy as a whole, thereby improving GPIF's long-term investment returns and, ultimately, increasing the benefits for our actual asset owners.

How Sustainability Investment by GPIF Contributes to the Sustainable Growth of Capital Markets and the Economy as a Whole



2 Our Sustainability Investment Policy lists the following key initiatives: A) ESG integration; B) engagement and exercise of voting rights; C) ESG index-based investment and ESG active fund investment; D) investment considering impact; E) sustainability-related risk analysis (climate change, etc.); and F) collaboration with related organizations, etc. In addition to these, the policy stipulates the disclosure of information regarding sustainability investment. Here, we have reorganized these initiatives into five categories.

3 For example, our stewardship activities—part of our sustainability investment—highlight initiatives related to "management that is conscious of the cost of capital and stock price" as one of the key issues leading to the long-term enhancement of corporate value.

(i) **Investment considering ESG and Impact**
At GPIF, we have engaged in ESG index-based investment—which involves investing based on ESG indexes—and ESG integration through asset managers as part of our approach to investment considering ESG. Regarding ESG index-based investment, in particular, we allocate funds based on ESG indexes that reflect ESG ratings and other factors determined by index providers, and our asset managers then invest in the companies contained in these indexes. In fiscal 2025, for the first time, we began to seek applications for the adoption of new ESG funds, in addition to ESG indexes. Through ESG index-based investment and ESG fund investment, we aim to encourage companies to strengthen their ESG initiatives by investing broadly across the entire market. We expect that this will lead to an increase in these companies' long-term corporate value, enhance the sustainability of capital markets as a whole, and ultimately improve GPIF's medium- to long-term investment returns.

In addition, we believe that "investment considering impact"—which takes into account non-financial factors such as social and environmental impact—can lead to improved medium- to long-term investment returns in the same way as investment considering ESG.

(ii) **Stewardship activities**
With the exception of a portion of its holdings, GPIF conducts daily trading through its external asset managers, to which it entrusts the exercise of all voting rights associated with its equity holdings. For this reason, we encourage asset managers to engage in constructive, targeted dialogue (engagement) with investees that encompasses both financial and non-financial factors such as ESG and other sustainability considerations. Starting in fiscal 2025, we prioritize corporate management that is conscious of the cost of capital and stock price, sustainability management and disclosure based on materiality, and the establishment of effective corporate governance to achieve these goals. We believe that engagement by asset managers, by facilitating changes in the behavior of investee companies, will enhance long-term corporate value and, ultimately, improve the sustainability of the market as a whole.

(iii) **Sustainability-related risk analysis**
At GPIF, we analyze sustainability-related risks such as climate change, and publish the results in our Sustainability Investment Report. In particular, we have analyzed the risks relating to climate change annually since fiscal 2019, progressively refining our analysis each time. We believe that proactively assessing the future impact on GPIF's portfolio through this analysis forms the foundation for our efforts to reduce risks across the entire market. For this reason, the risk analysis is also relevant to our sustainability investment initiatives (i) and (ii), described above.

(iv) **Dialogue and collaboration with related organizations, etc.**
As an asset owner, GPIF takes a broad view of the entire investment chain and collaborates with various domestic and foreign initiatives and organizations to promote a virtuous cycle throughout the investment chain. These related organizations engage with asset managers, index providers, and investee companies, and maintain dialogue with each of these stakeholders. At GPIF, we believe that such collaboration is an effective way to promote sustainability investment.

(v) **Sustainability-related public communication**
We report on our initiatives (i) through (iv) in publications such as GPIF's annual Sustainability Investment Report and Stewardship Activities Report. By communicating our sustainability investment philosophy and initiatives to the entire investment chain—including investee companies—and promoting their adoption, we aim to further expand the impact of GPIF's sustainability investments. In recent years, we have been utilizing social media platforms such as X, YouTube, and Instagram to reach a broader audience, including the general public, in addition to industry professionals, corporate representatives, and academics involved in asset management.

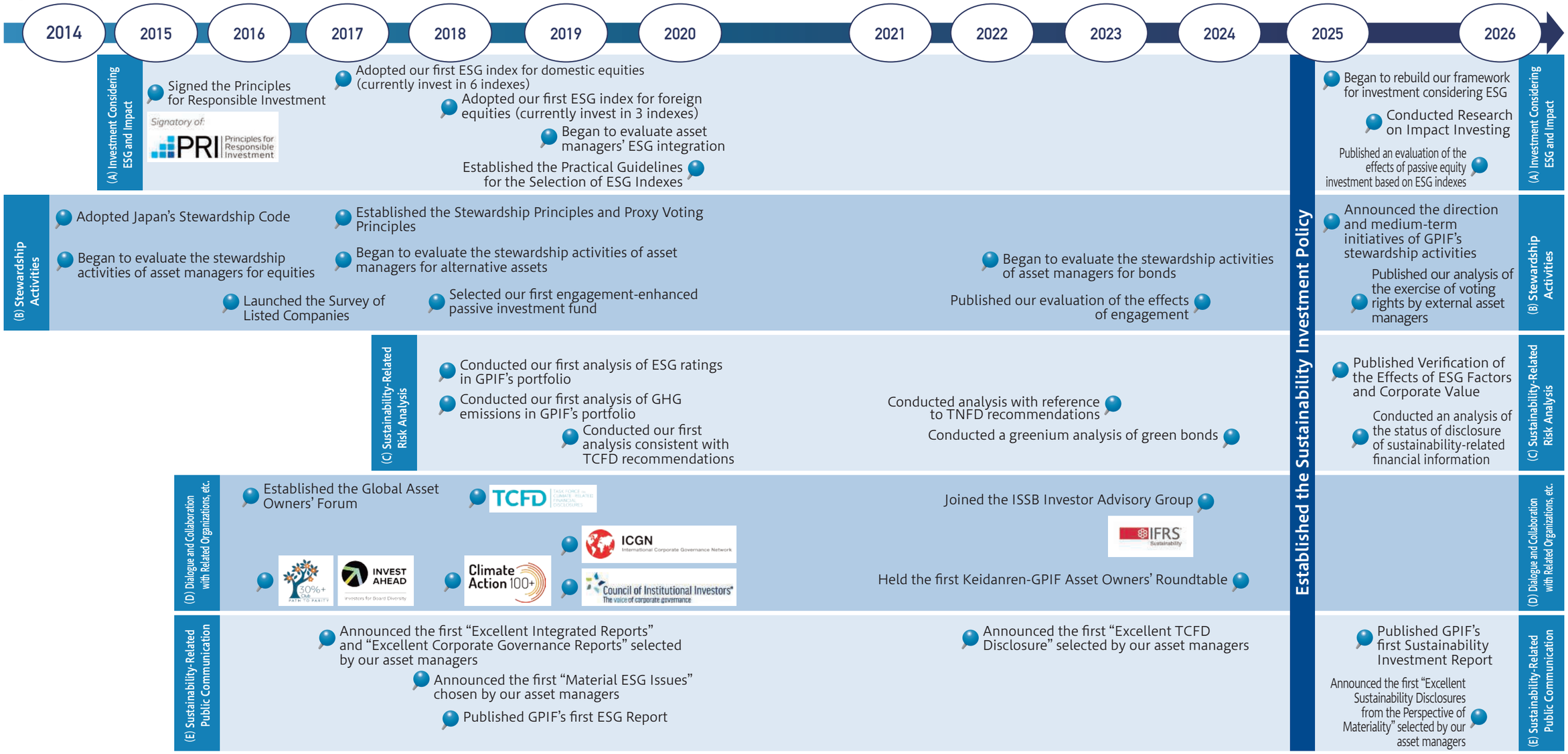
In its Sustainability Investment Policy, GPIF clearly states that it will implement the PDCA cycle in promoting sustainability investment. Sustainability investment is, by nature, investment with a long-term perspective, and we evaluate it from a long-term perspective. We will conduct ongoing evaluations, and if we determine that there is a high probability that the expected outcomes of an investment at the time it was made—specifically, the "reduction of sustainability-related risks and improvement of sustainability of markets" and "securing of market average return"—will not materialize as anticipated in the future, we will take decisive action to revise our strategy.

History of Sustainability Investment Initiatives at GPIF

Even before GPIF formulated its Sustainability Investment Policy at the end of fiscal 2024 and began advocating for sustainability investment, it was already engaged in a wide range of efforts that laid the groundwork for its current sustainability investment initiatives. These included adopting ESG indexes, promoting stewardship activities, and collaborating with related organizations. It also built the organizational structures necessary to support these efforts. At the root of these initiatives lies a long history of endorsing domestic and international initiatives and frameworks related to sustainability investment—such as the adoption of Japan's Stewardship Code in fiscal 2014 and the signing of the Principles for Responsible Investment (PRI) in fiscal 2015—as well as the establishment of the relevant basic policies.

In the area of sustainability investment, we will pursue a more effective approach by appropriately combining various initiatives based on the principles newly established in our Sustainability Investment Policy. The figure below summarizes GPIF's sustainability-related policies and initiatives to date.

Figure. History of Sustainability-Related Initiatives at GPIF



Governance and Organizational Structure Related to Sustainability Investment

The Board of Governors discusses and oversees approaches to sustainability investment at GPIF. The Executive Office advances sustainability investment initiatives through the ESG & Stewardship Department and other departments related to asset management, and reports on the initiatives to the Board of Governors.

Deliberations by the Board of Governors

The Board of Governors, established in October 2017, makes decisions concerning important matters such as the formulation of the policy asset mix and Medium-Term Plan by a council decision-making system, and oversees the execution of operations by the Executive Office.

In fiscal 2025, the Board of Governors held 14 meetings, and sustainability investment-related issues were discussed at four of those meetings. The Board of Governors discusses and oversees approaches to sustainability investment and the promotion of sustainability investment at GPIF. Details of the discussions by the Board of Governors are posted on the GPIF website in the form of a summary of the proceedings after a certain period of time.

Sustainability investment-related items discussed and reported on at Board of Governors meetings

Meeting number	Meeting date		Agenda item
109th	May 2025	Reported Item	2024 Sustainability Investment Report (Outline)
110th	June 2025	Reported Item	ESG Index-Based Investment Initiatives and Measures for the Future
113th	September 2025	Reported Item	2024 Sustainability Investment Report
116th	December 2025	Resolution	Change in Policy to Fulfill Stewardship Responsibilities
116th	December 2025	Reported Item	Change in Stewardship Principles

Composition of the Board of Governors
https://www.gpif.go.jp/en/about/board.html

Status of the Board of Governors
https://www.gpif.go.jp/operation/board/

Executive Structure for Sustainability Investment

The Executive Office implements sustainability investment initiatives in coordination with departments related to asset management, including the ESG & Stewardship Department, Investment Department and Private Market Investment Department. The Investment Committee, chaired by the Chief Investment Officer (CIO), deliberates and makes decisions on asset management-related issues, including sustainability investment-related initiatives. Important matters are deliberated by the Board of Governors after discussion in the Investment Committee. In addition to regular checks of the portfolio management by the Investment Committee, the status of sustainability investment is also monitored from a risk management perspective by the Portfolio Risk Management Committee, which meets monthly.

Key departments responsible for sustainability investment

ESG & Stewardship Department
Main Responsibilities: Promotion of sustainability investment, stewardship responsibility, and analysis and evaluation of the exercise of voting rights, etc.
Selecting ESG indexes and ESG funds (in coordination with the Investment Department), evaluating the stewardship activities of external asset managers, and promoting sustainability investment (including stewardship-related initiatives) across GPIF.

Investment Department
Main Responsibilities: Formulating investment strategy, selecting and evaluating external asset managers for equity and fixed income, conducting operations related to sophisticated investment, etc.
ESG index-based investment and ESG fund investment (in coordination with the ESG & Stewardship Department) and assessing ESG integration as a part of the external asset manager evaluation process.

Private Market Investment Department
Main Responsibilities: Selecting and evaluating external asset managers for alternative assets, etc.
Integrating sustainability into the selection and evaluation of external asset managers for alternative assets.

Sustainability Initiatives within GPIF

GPIF is committed to promoting investment considering sustainability, and internally conducts initiatives and analyses related to sustainability issues. Here, we present GPIF's initiatives, such as the creation of workplace environments and study sessions.

Initiatives to Create Workplace Environments for Sustainable Growth

Securing, developing, and retaining talent is a top priority for GPIF, which bears the important mission of contributing to the financial stability of the pension system. The number of employees at GPIF with diverse knowledge and experience is increasing in line with the growing diversity of our investment strategies, increasing sophistication of risk management, and advances in digital technology. It is essential that we create workplaces where all officers and employees respect and cooperate with one another and share a common understanding of the organization's purpose and vision, thereby enhancing the value of the organization as a whole and achieving sustainable growth.

In January 2026, we established GPIF's new Human Resources Department to systematically pursue ongoing initiatives related to recruiting, developing, and retaining talent. In addition to clarifying the desired employee profile, areas of expertise, and career paths to promote strategic recruitment, we are working to enhance employees' expertise and practical skills in line with their aspirations and individual characteristics, through initiatives such as employee interviews, systematic training, and support for obtaining professional certifications.

At the same time, we are creating workplaces where diverse personnel can maximize their potential. In addition to promoting women's participation in the workforce, supporting employee work-life balance to facilitate childcare and elder care, promoting the employment of people with disabilities, and establishing flexible working environments, we also ensure that each employee is provided with appropriate opportunities to achieve results based on their individual circumstances. In this way, we aim to leverage the diversity of our human resources for new value creation (innovation) and risk management.

In addition, we aim to improve employee engagement—defined as each employee's understanding of GPIF's social significance and role, and their motivation to act proactively to fulfill this role—to address organizational challenges. To this end, we conduct regular quantitative assessments of metrics such as the level of employee understanding and alignment with GPIF's philosophy and strategies, employees' pride in their work, their trust in management, and their perceptions of the organizational culture and work environment, and respond to these findings in a timely and appropriate manner.

Women in the Workplace at GPIF

As in fiscal 2024, we analyzed the differences in wages between men and women at GPIF (see (6) in Figure 1) and contributing factors thereof. With regard to the gender pay gap, the wages of female employees were 67.1% of those of male employees in fiscal 2025. We used GEM App, a gender wage gap diagnostic tool developed by UTokyo Economic Consulting Inc., to adjust these numbers for the various reasons behind the 32.9% gender pay gap (such as age, education and job category) through statistical processing based on economic insight, and compared the pay received by comparable male and female employees (Figure 2). Our estimates suggest that the major factors causing differences in wages include the relatively high number of younger female employees at GPIF, together with the low number of female employees among specialist personnel, whose wages are relatively higher. We believe that GPIF's gender pay gap and other issues relating to the recruitment and promotion of women are common to the entire asset management industry, but GPIF still appears to have room to improve its internal initiatives to address these issues.

Going forward, we will continue to strengthen our analysis of workplace-related issues at GPIF, as well as initiatives that we believe are effective in addressing these issues, and strive to enhance organizational sustainability.

Figure 1. Women in the Workplace at GPIF

	GPIF
(1) % Female New Hires	30.6%
(2) % Women in the Workforce	25.6%
(3) % Difference in Average Years of Employment Between Men and Women*	-44.1%
(4) % Women in Management Positions	12.4%
(5) % Women on Board**	16.7%
(6) % Gender Pay Gap (Average)***	-32.9%
[Reference] % Childcare Leave Uptake Rate Among Male Workers****	50.0%

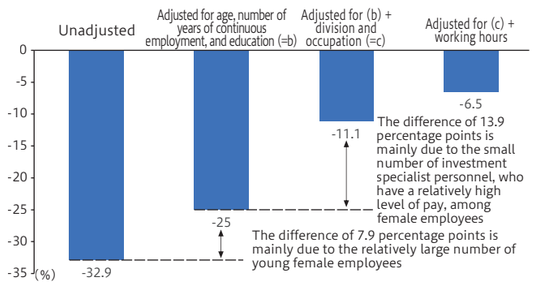
(Note 1) The data represents FY2025 results for (1), (6) and childcare leave uptake rate among male workers, and status as of March 31, 2026 for (2), (3), (4) and (5).

(Note 2) The data for (1) includes staff members who transitioned from regular employees to specialist personnel and excludes staff employed under a continuing employment scheme, seconded staff, temporary staff and contract workers. The data for (2) includes regular employees, specialist personnel, staff employed under a continuing employment scheme, seconded staff, temporary staff and contract workers, but does not include executive managing directors or part-time staff. The data for (3) includes only regular employees and excludes staff employed under a continuing employment scheme and seconded staff. The data for (4) includes regular employees, specialist personnel, staff employed under a continuing employment scheme, and seconded staff. (6) was calculated excluding executive managing directors, staff joining or leaving during the fiscal year, staff employed under a continuing employment scheme, seconded staff, staff seconded to GPIF, temporary staff, contract workers, and staff on leave.

(Note 3) (3) % Difference in Average Years of Employment Between Men and Women* = (Average years women employed – Average years men employed) / Average years men employed. (5) % Women on Board (Executives)** is the percentage of women among the officers stipulated in Article 6 of the Act on the Government Pension Investment Fund, Incorporated Administrative Agency. (6) Gender Pay Gap*** = (Wages of female employees – Wages of male employees) / Wages of male employees. Total annual pay for Gender Pay Gap includes basic salary, overtime pay, bonuses, etc., and excludes travel allowances.

[Reference] Childcare Leave Uptake Rate Among Male Workers**** = (Number of male workers who took childcare leave or equivalent) / (Number of male workers whose spouse gave birth) (This ratio fluctuates significantly from year to year due to GPIF's small workforce).

Figure 2. Analysis of Causes of the Gender Pay Gap



(Note) The definition of each adjustment category is shown below.
- Unadjusted: Gender pay gap among all 160 employees surveyed
- Adjusted for age, number of years of continuous employment, and education (=b): Gender pay gap adjusted to compare male and female employees of the same age with the same number of years of continuous employment and education
- Adjusted for (b) + division and occupation (=c): Gender pay gap adjusted to compare male and female employees in the same division with the same occupation, in addition to the adjustments in (b)
- Adjusted for (c) + working hours: Gender pay gap adjusted to compare male and female employees working the same number of hours, in addition to the adjustments in (c)

(Source) Prepared by GPIF using the GEM App developed by UTokyo Economic Consulting Inc.

GPIF Internal Study Sessions on Sustainability-Related Initiatives

Under GPIF's Code of Conduct, we have set forth our commitment to achieving "GPIF's mission" through initiatives such as "promoting communication and teamwork and nurturing a diversity of talents and capabilities." To advance initiatives that enhance the organization's value with a focus on sustainability, we conduct sustainability-related study sessions and other programs internally for all employees. In fiscal 2025, GPIF invited external experts to lead study sessions aimed at helping employees understand the latest trends in impact investing and natural capital disclosure. We also conducted training sessions to enable managers to learn the knowledge and mindset necessary to advance not only women's empowerment but also diversity, equity, and inclusion (DE&I) efforts, and to discuss these topics through group work and other activities.

We will continue to maintain and expand our training programs aimed at the advancement of women in the workplace.

Figure 3. GPIF Internal Study Sessions on Sustainability-Related Initiatives in FY2025

August 2025	Title: What Is "Investment Considering Impact"? Speaker: MIZUGUCHI Takeshi (President of Takasaki City University of Economics)
November 2025	Title: ISSB Update Speaker: KOMORI Hiroshi (Member of the International Sustainability Standards Board (ISSB))
February 2026	Title: Management Training (From Promoting Women's Advancement to Enhancing Organizational Strength—The Next Step Expected of Department and Section Heads) Speaker: KAWASHIMA Haruko (Founder, CEO, Institute of Women's Leadership Inc.)

(Note) The speakers' titles are those held at the time of the study sessions.

Chapter 2

Investment Considering ESG and Impact

In undertaking investment considering ESG, GPIF continually verifies whether its investments are effective in achieving both a "reduction of sustainability-related risks and improvement of sustainability of markets" and "securing of market average return," and strives to further improve its initiatives. In addition to these initiatives—including verification—Chapter 2 also presents the analysis results from the newly conducted Research on Impact Investing.

P.25 ESG Index-Based Investment at GPIF
P.27 Rebuilding ESG Investment
P.29 Performance of ESG Index Funds
P.31 Measuring the Effects of ESG Index-Based Investment
P.32 Sustainability in Equity and Fixed Income Mandate
P.33 Sustainability in Alternative Investments
P.35 Research on Impact Investing

ESG Index-Based Investment at GPIF

At GPIF, we engage in equity investments based on ESG indexes (ESG index-based investment) as part of sustainability investment. We have been adopting ESG indexes since 2017, and we have currently selected a total of nine domestic and international indexes. Our investments are managed with the aim of contributing to the long-term performance of GPIF's overall portfolio.

ESG Index-Based Investment

ESG index-based investment is characterized by its ability to improve the ESG characteristics of the overall portfolio by increasing the weighting of companies with high ESG ratings, while maintaining broad diversification across the entire market. Furthermore, by investing in a manner that reflects ESG ratings, this approach is expected to encourage companies to strengthen their ESG initiatives, which in turn is expected to lead to an increase in these companies' long-term corporate value and enhance the sustainability of capital markets as a whole. As a universal owner, GPIF invests broadly across the entire market; therefore, it is crucial that we adopt an approach that secures returns by improving the overall quality of the market. We believe ESG index-based investment is one effective means of achieving this.

In fiscal 2017, we selected a total of three domestic equity ESG indexes—two comprehensive indexes[1] that take overall ESG factors into account and one thematic index[2] focused on the advancement of women in the workplace—and began managing passive funds based on these indexes. In fiscal 2018, in response to the increasingly serious issue of climate change, we selected and adopted environmental equity indexes (one for domestic equities and one for foreign equities).[3] These indexes evaluate corporate carbon efficiency (in terms of greenhouse gas emissions per unit of net sales). In fiscal 2019, we launched Index Posting, a system that accepts index-related information on an ongoing basis, with the aim of further enhancing GPIF's investment management. In fiscal 2020, we established the Practical Guidelines for the Selection of ESG Indexes, which set out our basic policies for selecting ESG indexes, and adopted two new foreign equity ESG indexes[4] through the Index Posting System. Since then, we have continued to add new indexes[5] (for a total of nine as of the end of fiscal 2025) and have consistently worked to improve the quality of existing ESG indexes by changing their parent indexes and improving their methodologies through consultation.

At the end of fiscal 2024, in conjunction with the establishment of our "Sustainability Investment Policy," we published GPIF's "Initiatives for Sustainability Investment" and established a framework that includes ESG index-based investments in rebalancing, to ensure smooth asset management aligned with our policy asset mix into the future. Please see "Rebuilding ESG Investment" on page 27 for details. As of the end of fiscal 2025, we manage total assets of approximately ¥12.4 trillion based on ESG indexes.

1 MSCI Japan ESG Select Leaders Index (MSCI Nihonkabu ESG Select Leaders Index on and after February 8, 2024), FTSE JPX Blossom Japan Index
2 MSCI Japan Empowering Women Index
3 S&P/JPX Carbon Efficient Index, S&P Global Ex-Japan LargeMidCap Carbon Efficient Index
4 MSCI ACWI ESG Universal Index (ex Japan and ex China A-shares), Morningstar Developed Markets Ex-Japan Gender Diversity Index
5 FTSE JPX Blossom Japan Sector Relative Index, Morningstar Japan ex-REIT Gender Diversity Tilt Index

Domestic equities: Comprehensive ESG indexes

	FTSE JPX Blossom Japan Index	FTSE JPX Blossom Japan Sector Relative Index	MSCI Nihonkabu ESG Select Leaders Index
Concept and characteristics of index	・This index uses the ESG assessment scheme used in the FTSE4Good Japan Index Series, which has one of the longest track records globally for ESG Russell indexes. ・It is a comprehensive ESG index that selects stocks with high absolute ESG scores and adjusts industry weights to neutral at the industry level.	・Assessments are performed based on the same FTSE Russell's ESG rating as the FTSE JPX Blossom Japan Index. For the companies with high carbon intensity (greenhouse gas emissions/sales), management attitude toward climate-change risks and opportunities is also assessed. ・The index selects stocks with relatively high ESG ratings within each industry, and adjusts industry weights to neutral.	・The MSCI Nihonkabu ESG Select Leaders Index is a comprehensive ESG index that integrates various ESG risks into today's portfolio. The index is based on MSCI ESG Research used globally by more than 1,000 clients. ・The index is composed of stocks with relatively high ESG scores in each industry.
Index construction	Best-in-Class	Best-in-Class	Best-in-Class
Constituent universe (parent index)	FTSE JAPAN All Cap Index (1,368 stocks)	FTSE JAPAN All Cap Index (1,368 stocks)	MSCI Nihonkabu IMI (918 stocks)
Number of index constituents	406	662	454
Assets under management (Billion yen)	750.9	1,578.7	896.8

Domestic equities: ESG thematic indexes (women's advancement/climate change)

	MSCI Japan Empowering Women Index ("WIN")	Morningstar Japan ex-REIT Gender Diversity Tilt Index ("GenDi J")	S&P/JPX Carbon Efficient Index
Concept and characteristics of index	・MSCI calculates, from multiple perspectives, gender diversity scores based on information disclosed under the Act on Promotion of Women's Participation and Advancement in the Workplace and selects companies with higher gender diversity scores from each sector. ・It is the first index designed to cover a broad range of factors related to gender diversity.	・Domestic equities index that determines investment weighting based on assessment of companies' commitment to gender equality, using the Equileap Gender Equality Scorecard. ・Ratings are conducted in four categories: (1) gender balance in leadership and workforce; (2) equal compensation and work-life balance; (3) policies promoting gender equality; and (4) commitment, transparency, and accountability.	・Constructed by S&P Dow Jones Indexes based on carbon data provided by Trucost, a pioneer in environmental assessment. ・This index is designed to overweight, in each industry, companies that have lower carbon intensity (annual greenhouse gas emissions divided by annual revenues) and that actively disclose their carbon emissions information.
Index construction	Best-in-Class	Tilted	Tilted
Constituent universe (parent index)	MSCI Japan IMI Top 700 (693 stocks)	Morningstar Japan ex-REIT (828 stocks)	TOPIX (1,654 stocks)
Number of index constituents	344	828	1,610
Assets under management (Billion yen)	490.2	1,245.7	2,598.2

Foreign equities: Comprehensive ESG indexes and ESG thematic indexes (women's advancement/climate change)

	MSCI ACWI ESG Universal Index (ex Japan and ex China A-shares)	Morningstar Developed Markets Ex-Japan Gender Diversity Index ("GenDi")	S&P Global Ex-Japan LargeMidCap Carbon Efficient Index
Concept and characteristics of index	・One of MSCI's flagship ESG indexes, this comprehensive index adjusts the weight of constituents based on each issuer's current ESG rating and ESG trends to improve the overall ESG profile of the index. ・The index was developed for large investors seeking to enhance ESG integration while achieving the same level of investment opportunity and risk exposure as the parent index.	・Foreign equities index that determines investment weighting based on assessment of companies' commitment to gender equality, using the Equileap Gender Equality Scorecard. ・Ratings are conducted in four categories: (1) gender balance in leadership and workforce; (2) equal compensation and work-life balance; (3) policies promoting gender equality; and (4) commitment, transparency, and accountability.	・Constructed by S&P Dow Jones Indexes based on carbon data provided by Trucost, a pioneer in environmental assessment. ・This index is designed to overweight, in each industry, companies that have lower carbon intensity (annual greenhouse gas emissions divided by annual revenues) and that actively disclose their carbon emissions information.
Index construction	Tilted	Tilted	Tilted
Constituent universe (parent index)	MSCI ACWI (ex Japan and ex China A-shares) (1,928 stocks)	Morningstar Developed Markets Ex-Japan Large-Mid Cap (1,638 stocks)	S&P Global ex-Japan LargeMidCap (3,634 stocks)
Number of index constituents	1,866	1,635	2,369
Assets under management (Billion yen)	1,468.7	1,091.1	2,302.8

(Note) Data is current as of March 31, 2026.
(Source) Prepared by GPIF based on data from FactSet, etc.

Rebuilding ESG Investment

Under the new Sustainability Investment Policy established at the end of fiscal 2024, GPIF has clearly articulated the goal of improving the long-term performance of its entire portfolio by achieving both a "reduction of sustainability-related risks and improvement of sustainability of markets" and "securing of market average return." Based on this policy, as part of our efforts to optimize ESG index-based investments—which had previously been excluded from rebalancing—we have reviewed asset allocations and adjusted portfolio balances, and sought applications for the adoption of new ESG indexes and ESG funds.

Optimization of ESG Index-Based Investment

We established GPIF's Sustainability Investment Policy, which clearly articulates our basic stance on sustainability investment, and, separately, established GPIF's Initiatives for Sustainability Investment. GPIF's sustainability investments, including ESG index-based investments, are expected to achieve both a "reduction of sustainability-related risks and improvement of sustainability of markets" and "securing of market average return."

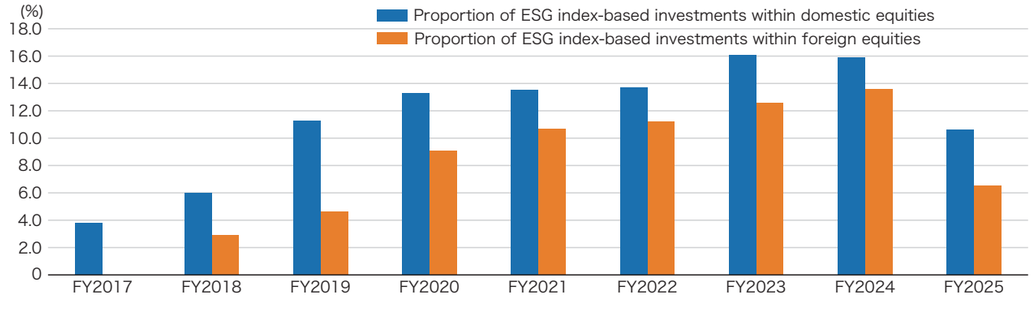
Under our previous investment approach, we excluded ESG index-based investments from rebalancing to avoid affecting the weightings of individual securities; however, this resulted in a significant increase in the proportion of ESG index-based investments within our overall equity portfolio. To ensure the continuation of asset management smoothly aligned with the policy asset mix, we have decided to include ESG index-based investments in the rebalancing process for both domestic and foreign equities, starting in fiscal 2025.

We are progressively optimizing investment amounts with the aim of consistently securing market average return in accordance with this policy. Specifically, we have reviewed the allocations to each ESG index and adjusted the balance among the indexes, as well as overall investment allocation. We began this review with domestic equities, followed by foreign equities during fiscal 2025.

As a result of this series of optimizations, as of the end of March 2026, the proportion of ESG index-based investments has declined to 10.6% for domestic equities and 6.5% for foreign equities.

In parallel with the formulation of this investment policy, we conducted a comprehensive review of GPIF's past ESG index-based investments and examined the methodologies underlying the indexes it employs. Through this review, we reconfirmed the original objectives and rationale that guided our introduction of index-based investment. As part of our examination of the methodologies used by the indexes we have adopted, we also made adjustments to certain indexes—including revisions aimed at reducing risk (tracking error relative to the policy benchmark). In this way, fiscal 2025 was a year in which we adjusted asset allocations and holdings while simultaneously undertaking a thorough review of existing indexes.

Figure. Proportion of ESG Index-Based Equity Investments



Outlook for ESG Investment

Furthermore, based on GPIF's Initiatives for Sustainability Investment, released alongside GPIF's Sustainability Investment Policy in March 2025, we restructured our ESG investments into a new framework, primarily to improve the long-term risk/return profile of our portfolio.

Specifically, in accordance with GPIF's Sustainability Investment Policy and related guidelines, we began seeking applications for new domestic and foreign equity ESG indexes through the Index Posting System, starting in July 2025. We expect the addition of these indexes to enable us to achieve both a "reduction of sustainability-related risks and improvement of sustainability of markets" and "securing of market average return." At the same time, in line with the same objectives as the ESG indexes, GPIF began seeking applications for domestic and foreign equity ESG funds through the Manager Registration System. Applications must meet the following requirements.

- Investments in the relevant index or fund are expected to reduce sustainability risks including climate change risks and challenges related to addressing social issues.
- Specific evaluation metrics (KPIs) for each ESG factor must be established to quantitatively and continuously track and measure these effects.
- The market average return is expected to be secured on a stable basis.

With regard to applications to adopt new ESG funds, we expect that the fund managers' engagement with investee companies will contribute to the "reduction of sustainability-related risks and improvement of sustainability of markets" from the perspective of enhancing the effectiveness of sustainability investment.

ESG index-based investments and ESG fund investments are investments from a long-term perspective, and we evaluate them from a long-term standpoint. We will continuously conduct multifaceted verification of the anticipated effects of these sustainability investments in the "reduction of sustainability-related risks and improvement of sustainability of markets." This includes the measurement of various sustainability KPIs, ESG factor return contribution analysis,[1] and evaluation of the effectiveness of engagement activities related to these KPIs by ESG fund managers.

At the same time, it is crucial that we continuously and consistently implement the PDCA cycle for each individual strategy. We will conduct ongoing evaluations, including annual evaluations, and if we determine that there is a high probability that the investment outcomes anticipated when we first made the investment—specifically, the "reduction of sustainability-related risks and improvement of sustainability of markets" and "securing of market average return"—will not materialize as anticipated in the future, we will take decisive action, including revising the adoption of the relevant index or fund and our investment methodology.

Through this PDCA cycle and ongoing dialogue with index providers, ESG rating agencies, and asset managers, we will strive to enhance the effectiveness of ESG index-based investment and ESG fund investment, to improve long-term investment performance.

1 A methodology for quantifying the impact of security selection in ESG indexes and ESG funds, and of ESG factors used to determine weightings, on investment performance.

Performance of ESG Index Funds

We evaluate the performance of passive funds based on the ESG indexes selected by GPIF by comparing these indexes with their parent indexes, after allowing for fund effects such as transaction costs. When we examine performance trends from the launch of each fund through March 2026, the ESG indexes show considerable fluctuations in excess return relative to their respective parent indexes. We will continue to evaluate and verify the performance of our ESG index-based investments on an ongoing basis.

Analysis of the Main Factors Driving the Performance of ESG Index Funds

The performance of ESG index-based passive funds (hereinafter, "ESG passive funds") for domestic and foreign equities selected by GPIF is shown in Figure 1.[1] The analysis covers the period from June 2017 (when the funds were launched) to March 2026 for domestic equities, and from September 2018 to March 2026 for foreign equities. The excess returns over the parent indexes[2] of the respective ESG indexes (hereinafter, the "parent indexes") were broken down into the "Benchmark Effect" and the "Fund Effect." In assessing the overall performance of the ESG passive funds, it is necessary to calculate a composite return, as each ESG index has a different launch date. This composite return is calculated using the daily returns of each ESG passive fund, weighted by the total amount of net assets.

As shown in Figure 1, the cumulative excess return of the ESG passive funds for domestic equities over the parent indexes was approximately 5.5%. The "Benchmark Effect" has trended upward since March 2023. The "Fund Effect" turned negative in March 2020 due to fund allocation and other factors, and has trended slightly downward since then, in part because of transaction costs.

The cumulative excess return of the ESG passive funds for foreign equities was approximately negative 4.4%. The 'Benchmark Effect' entered negative territory in fiscal 2025. The 'Fund Effect' has trended downward since fund launch, in part because of transaction costs.

In Figure 1, we calculate the historical tracking error of the ESG passive funds against the parent indexes using their daily excess returns over a period of 250 trading days from the end of each month. As of the end of March 2026, the tracking error of the ESG passive funds is approximately 0.7% for domestic equities and approximately 0.6% for foreign equities.

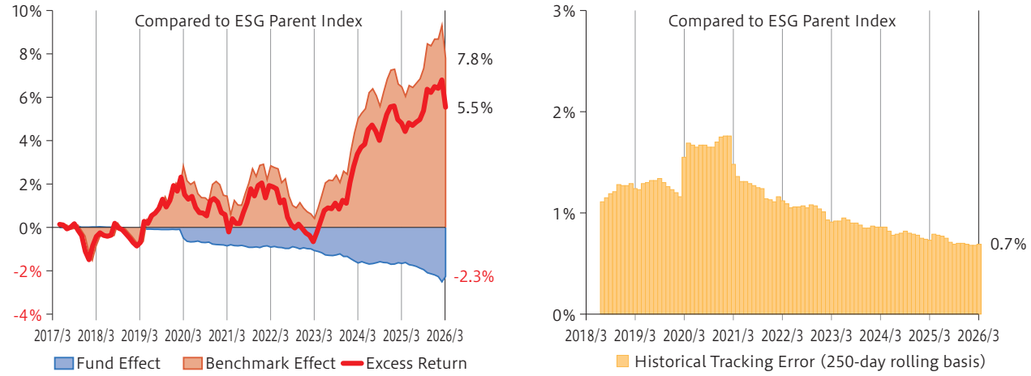
For reference, Figure 2 compares the returns of each ESG index selected by GPIF—for the period from launch through March 2026 and for the one-year period from April 2025 through March 2026—with those of the parent index and the policy benchmark, excluding the 'Fund Effect.'[3] In terms of cumulative returns since adoption, among all domestic and foreign equity ESG indexes, five outperformed their parent indexes, while four underperformed. In fiscal 2025, six indexes underperformed relative to their parent indexes.

As part of the PDCA cycle, we will continue to evaluate and verify the performance of our ESG index-based investments and ESG fund investments.

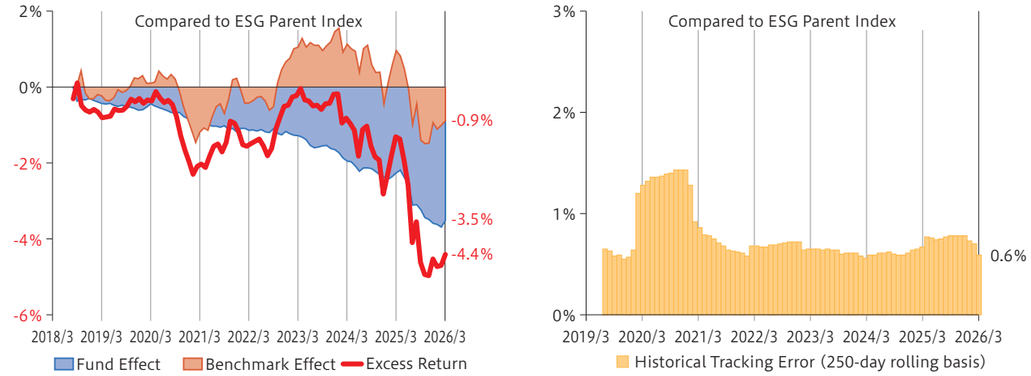
1 Figure 1 shows the actual investment performance considering investment timing, such as cash flow, etc. to each fund.
2 At GPIF, we established "risk adjustment funds" for our ESG passive funds for domestic equities in fiscal 2024, aimed at bridging the gaps that have arisen between each parent index and the policy benchmark. For this reason, we have chosen to represent excess return against the parent index.
3 Unlike Figure 1, the excess returns shown in Figure 2 represent the returns of each ESG index relative to its parent index or policy benchmark, excluding 'Fund Effect.'

Figure 1. Excess Return and Historical Tracking Error Trends of ESG Passive Funds for Domestic and Foreign Equities

Domestic equities



Foreign equities



(Note 1) Parent index return is the average daily return of the parent indexes weighted by the total amount of net assets for ESG passive funds.
(Note 2) The definition for 'Benchmark Effect' is the difference in return of ESG indexes on the one hand and ESG parent indexes on the other, while 'Fund Effect' is the difference in return of ESG passive funds and ESG indexes.
(Source) Prepared by GPIF based on data from FactSet.

Figure 2. Returns of Nine ESG Indexes Selected by GPIF

	The launch of each fund	The launch of each fund to March 2026 (annualized)			(Reference) April 2025 to March 2026		
		Rate of Return	Excess Return		Rate of Return	Excess Return	
		ESG Index	Parent Index	TOPIX	ESG Index	Parent Index	TOPIX
(1) FTSE Blossom	June 2017	13.81%	1.42%	1.63%	38.10%	2.93%	3.45%
(2) MSCI ESG Select Leaders*	June 2017	13.02%	0.63%	0.84%	34.32%	-0.81%	-0.33%
(3) MSCI WIN	June 2017	12.22%	-0.18%	0.04%	32.74%	-2.17%	-1.91%
(4) S&P/JPX Carbon	September 2018	12.28%	-0.20%	-0.20%	33.24%	-1.41%	-1.41%
(5) FTSE BlossomSR	March 2022	21.48%	0.90%	0.73%	35.69%	0.51%	1.04%
(6) Morningstar GenDiJ	March 2023	25.78%	0.34%	0.62%	34.61%	-0.59%	-0.04%
		ESG Index	Parent Index	MSCI ACWI ex Japan ex China A	ESG Index	Parent Index	MSCI ACWI ex Japan ex China A
(7) S&P Global Carbon	September 2018	16.10%	-0.05%	-0.00%	26.59%	-1.31%	-1.17%
(8) MSCI ESG Universal	November 2020	19.95%	0.17%	0.16%	27.86%	0.10%	0.10%
(9) Morningstar GenDi	December 2020	19.73%	-0.52%	0.22%	25.04%	-1.87%	-2.72%

(Note 1) Index returns include dividends.
(Note 2) The parent indexes for (1) to (9) (constituent universe) are as follows:
(1) (5) FTSE Japan All Cap Index ((5) was FTSE Japan until December 2020)
(2) MSCI Nihonkabu IMI
(3) MSCI Japan IMI Top 700 (MSCI Japan IMI Top 500 until November 2019)
(4) TOPIX
(6) Morningstar Japan ex-REIT
(7) S&P Global Ex-Japan LargeMidCap
(8) MSCI ACWI ex Japan ex China A
(9) Morningstar Developed Markets Ex-Japan Large-Mid
* MSCI Japan ESG Select Leaders Index through February 7, 2024; MSCI Nihonkabu ESG Select Leaders Index on and after February 8, 2024
(Source) Prepared by GPIF based on data from FactSet.

Measuring the Effects of ESG Index-Based Investment

At GPIF, we are working to enhance the sustainability of financial markets and improve risk-adjusted returns through stewardship activities and investments that incorporate ESG factors as non-financial information. To measure the effectiveness of these efforts, we have launched a series of impact evaluation projects, beginning in fiscal 2023. In this report, we summarize the findings of one such evaluation, focusing on ESG index-based investment. The quantitative analysis and the preparation of the report[1] for this project were conducted in collaboration with UTokyo Economic Consulting Inc. (UTEcon).

Analytical Approach

In this analysis, we quantitatively evaluate the effects on corporate behavior and market valuation of companies resulting from their inclusion in three ESG indexes[2] adopted by GPIF since 2017.

The inclusion of companies in an ESG index can be viewed as a two-stage process. The first stage is when companies strengthen their ESG initiatives with the goal of being included in the index. The second stage is when companies seek to further enhance and maintain the level of their ESG activities in order to retain their status after inclusion.

In this study, we began by analyzing the trends in each constituent company's activities before inclusion. Based on these results, we used econometric methods to examine whether inclusion in the index had the effect of stimulating further activity after inclusion (causal analysis of effects).

Figure 1. Illustration of the Hypotheses Examined in This Report

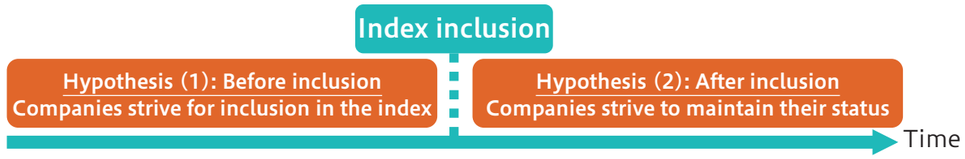
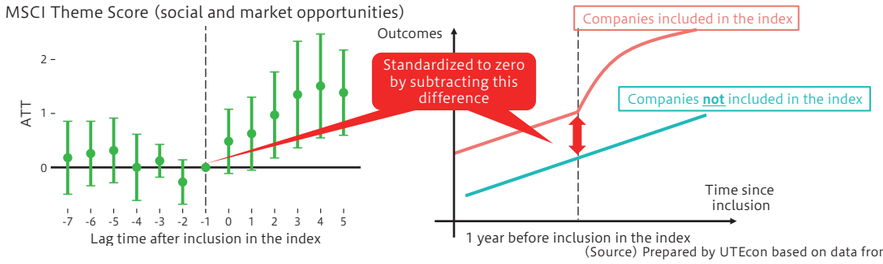


Figure 2. Illustration of the Event Study Interpretation



(Source) Prepared by UTEcon based on data from MSCI.

Overview of the Analysis Results

The analysis revealed that, in some cases, companies' ESG-related activities tend to intensify in the run-up to inclusion in an index. While this suggests that the existence of ESG indexes plays a role in promoting corporate activities, it also became clear that the effects are not uniform, as no clear trend was observed for some indexes.

The analysis also revealed mixed results regarding the effect of index inclusion in encouraging companies to maintain their high status and pursue ongoing ESG activities: some results suggested a positive trend, while others failed to confirm a significant effect. Thus, while an effect on corporate behavior was observed in some cases, the overall results regarding the effect of ESG indexes and ratings on corporate behavior remain limited.

Based on these results, we believe it is necessary to conduct further detailed, multi-faceted analyses of the impact of ESG index-based investment on the market as a whole.

1 We have published the report on Evaluation of the Effects of Passive Equity Investment Based on ESG Indexes (in Japanese only: https://www.gpif.go.jp/esg-stw/project_report/esg_index.html).
2 The indexes used were MSCI Nihonkabu ESG Select Leaders Index, MSCI Japan Empowering Women Index, and FTSE Blossom Japan Index.

Sustainability in Equity and Fixed Income Mandate

When GPIF evaluates its equity and fixed income managers, we examine their ESG integration and related practices in their asset management. We have also invested in green bonds and other ESG bonds.

Sustainability in Equity and Fixed Income Mandate

Most of GPIF's portfolio assets are managed by external asset managers in Japan and overseas. The Investment Department and ESG & Stewardship Department work together to select and evaluate asset managers. Asset managers are evaluated on their investment policies, investment processes, organizational structure and human resources. ESG integration is a key part of the investment process review.

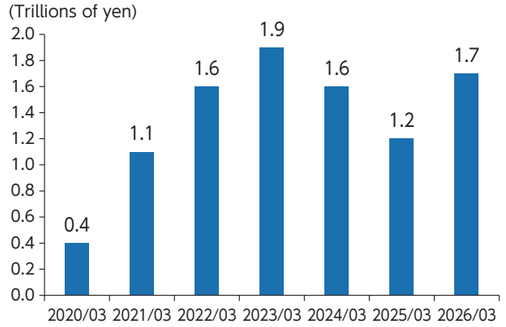
As a Principles for Responsible Investment (PRI) signatory, we defined ESG integration as "the explicit and systematic inclusion of ESG factors into investment analysis and investment decisions" in fiscal 2018 based on the definition provided by PRI.

In fiscal 2019, we established evaluation criteria for ESG integration based on the above definition and began comprehensive assessments of asset managers according to these new criteria. In addition to being used to evaluate external asset managers currently working with GPIF, the new ESG integration criteria are also used when selecting new external asset managers.

In the Sustainability Investment Policy announced in March 2025, ESG integration was clarified as one of our "principal initiatives" going forward. In July 2025, we began to seek applications for the adoption of new ESG funds that apply ESG integration methodology.

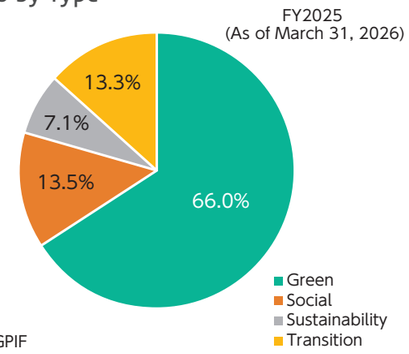
As of the end of March 2026, GPIF has invested around ¥1.7 trillion in ESG bonds, such as green bonds, an increase of ¥0.4 trillion[1] from the end of fiscal 2024 (Figure 1, Figure 2). This was due to an increase in assets under management in GPIF's domestic and foreign bond portfolios, as well as a rise in the weighting of ESG bonds within the benchmark indexes —specifically the NOMURA-BPI excluding ABS and the FTSE World Government Bond Index (ex Japan and China, yen-based). GPIF's ESG bond investments include Japan Climate Transition Bonds (GX Economy Transition Bonds by the Japanese government).

Figure 1. GPIF's Investment in ESG Bonds



(Source) GPIF

Figure 2. Breakdown of GPIF's ESG Bond Portfolio by Type



(Source) GPIF

1 The data in Figure 1 are rounded to one decimal place.

Sustainability in Alternative Investments

GPIF has been developing initiatives to appropriately integrate sustainability into the selection and post-selection monitoring process of alternative asset managers. For domestic infrastructure investments, we also measure the avoided GHG emissions from renewable energy projects.

Sustainability in Alternative Assets

The holding period for alternative assets (infrastructure, real estate, and private equity) is generally long, and the asset manager itself is often involved in the corporate management and business operations of the investee. As a result, asset managers place importance on considering sustainability, including ESG factors, in their investment processes, not only identifying the risks that may arise during the holding period but also finding opportunities for sustainable asset value growth and enhanced corporate value. This trend is particularly prominent among overseas asset managers.

Although we use the collective phrase "alternative asset management," ESG factors and their impacts vary by individual characteristics of assets and/or businesses. Approaches to ESG integration also differ depending on individual investment strategies. With an understanding of these differences, GPIF as an asset owner assesses asset managers' sustainability practices and monitors their investment activities.

Sustainability Evaluation in Selecting Asset Managers

Since GPIF began selecting alternative asset managers that adopt a multi-manager strategy in April 2017, we have included asset managers' sustainability initiatives in our assessment process. We assess their firm-wide sustainability policy, ESG integration in the investment process, and post-investment oversight and investor reporting from multiple perspectives, including questionnaire-based assessments and interviews with personnel responsible for promoting sustainability.

Post-Investment Monitoring

There are no standardized criteria for rating sustainability that can be applied to all alternative assets. Accordingly, each asset manager develops its unique sustainability rating criteria and scoring methodology based on the characteristics of the asset and the fund manager's investment strategy. GPIF monitors asset managers for any changes in their approaches to sustainability, whether the diversified funds in which they invest are managed by PRI signatories, and the status of their sustainability initiatives. Through sustainability reports issued by asset managers and dialogue with them, GPIF seeks to understand the status of sustainability across its portfolio and engage with the asset managers.

Real Estate Portfolio Initiatives: Global Real Estate Sustainability Benchmark (GRESB)[1]

In fiscal 2025, 81% of the funds in GPIF's real estate portfolio participated in the GRESB Real Estate Assessment, an increase of one percentage point from the participation rate in the previous fiscal year (based on the net asset value weighted average as of the end of the previous December for each year). The number of participating funds also increased by seven. Regarding climate change risks in GPIF's real estate portfolio, 87% of GRESB-participating funds have set emission reduction targets aimed at Net Zero (achieving zero emissions by absorbing or removing GHG from the atmosphere to offset GHG emissions), an increase of 11 percentage points from the previous fiscal year (based on the net asset value weighted average as of the end of the previous December for each year). The percentage of funds that have set Net Zero targets encompassing emissions not only from owner-managed areas but also from tenant-occupied areas (Scope 3) has also been rising year by year, reaching 51% in fiscal 2025. These results indicate that an increasing number of asset managers are promoting the reduction of greenhouse gas emissions from entire buildings—through measures such as improving energy efficiency in tenant-occupied areas and engaging with tenants—in order to actively address climate change.

Figure 1. Trends in GRESB Participation Rate

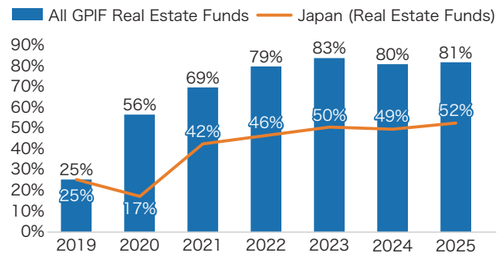
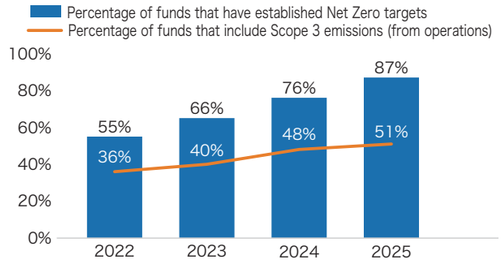


Figure 2. Trends in the Proportion of Portfolio Funds Setting Net Zero Targets



1 GRESB is an initiative, established mainly by European pension funds, that provides a standardized benchmark and validated data on the ESG performance of real assets including real estate and infrastructure. GPIF joined GRESB in fiscal 2019 as an investor member in the real estate sector. In fiscal 2022, GPIF became the first Japanese investor member in the infrastructure sector.

Analysis of Private Equity Using Climate VaR

For this year's climate-related financial disclosure, as in the previous fiscal year, we analyzed climate change risk in our private equity (hereinafter, "PE") portfolio. Specifically, we calculated the Climate Value-at-Risk (hereinafter, "CVaR") of the PE portfolio and compared it with our foreign equity portfolio. CVaR measures the impact of climate change on the value of companies and securities through future costs and revenue opportunities from low-carbon technologies.

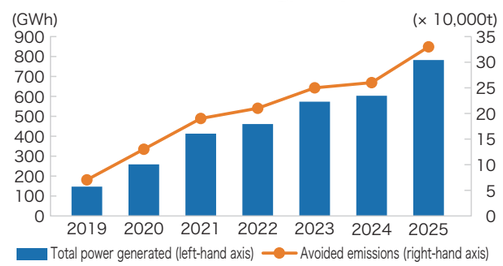
As a result of our analysis, we found that the CVaR trends for our PE and foreign equities portfolios were broadly comparable. However, in scenarios where decarbonization policies exert a substantial impact, the PE portfolio exhibited a lower negative CVaR than the foreign equities portfolio, attributable to its higher allocation to low-emission sectors such as IT and healthcare. Conversely, with respect to physical risks—another component of CVaR—the PE portfolio showed a slightly larger negative impact. Please refer to page 67 for details.

Analysis of Avoided Emissions from Domestic Renewable Energy Projects

We continue to analyze the avoided emissions from the domestic renewable energy investments in GPIF's infrastructure portfolio.

The total amount of electricity generated by domestic renewable energy projects in which GPIF invests through infrastructure funds amounted to approximately 782 GWh in 2025, a 30% increase from the previous year. The total power generated has increased since last year, mainly due to increased investment in solar assets. The theoretical amount of avoided emissions by switching to renewable energy-fueled power generation in 2025 was approximately 330,000 t, increasing 24% from last year. This figure is calculated based on the amount of power generated, using the Japan Photovoltaic Energy Association (JPEA) guidelines and other information such as the GHG emission factors published by domestic power companies. This is equivalent to the annual GHG emissions from electricity usage of approximately 190,000 households (up 25% year on year).

Figure 3. Total Power Generated and Avoided Emissions Through GPIF's Portfolio of Domestic Renewable Energy Projects



(Note) Total power generated and avoided emissions are calculated based on GPIF's holding percentage of end investees.

Research on Impact Investing

At GPIF, we have undertaken research to ascertain the current status of impact investment[1] and published the results of this research on our website, as the first stage of our "Examination of Investment Considering Impact" in GPIF's annual plan for fiscal 2025. For this research, we gathered information from multiple perspectives, including interviews with overseas pension funds, in addition to an extensive review of the academic literature. An overview is presented below.

Concept of Impact Investing and Related Activities

The Global Impact Investing Network (GIIN), an international organization, defines impact investments as "investments made with the intention to generate positive, measurable social or environmental impact alongside a financial return." In 2019, the GIIN published the "four core characteristics" of impact investing as practical implementation guidelines (see Figure 1).

In this research, "investor intent"—the foundation of impact investing—is classified into three distinct categories based on its objectives and approach: "instrumental," "universal owner-type," and "ultimate ends" (see Figure 2).[2] On this basis, we explore the differences in intent between asset owners and asset managers, as well as the various combinations that may arise from these differing intentions.

The contribution that investors can make to achieving positive outcomes is a key value in impact investing, often referred to as "additionality." In this context, the importance of dialogue (engagement) with investee companies, collaboration with other investors, market development through the provision of capital to underserved areas, and advocacy for policy reforms has become increasingly evident.[3]

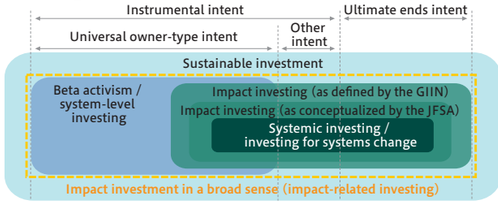
On the other hand, existing research on the investment returns of impact investing has yielded mixed results. While some studies suggest that these investments perform on par with conventional investments, others indicate possible underperformance. As such, further empirical research is required before a definitive conclusion can be drawn.

Figure 1. Core Characteristics of Impact Investing by the GIIN

Intentionality	Impact investing is marked by an intentional desire to contribute to measurable social or environmental benefits
Use of evidence and impact data in investment design	Impact investing needs to use evidence and data where available to drive intelligent investment design
Management of impact performance	Impact investing comes with a specific intention and necessitates that investments be managed towards that intention
Contribution to the growth of the industry	Impact investors share learnings where possible to enable others to learn from their experience

(Source) Prepared based on the GIIN (2019) "Core Characteristics of Impact Investing." Figures 1 to 6 are all presented in the research report "GPIF Commissioned Research on Impact Investing" by Nissay Asset Management Corporation.

Figure 2. Overview of the Relationships Among Intent and Investment Concepts



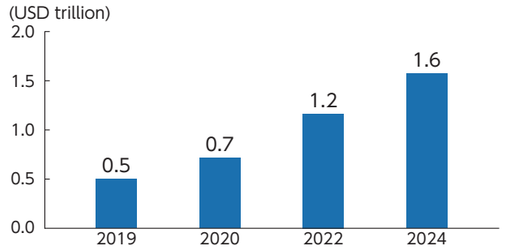
(Note) Please refer to the research report for a detailed examination of concepts such as beta activism and system-level investing.
(Source) Nissay Asset Management Corporation

The Impact Investment Market, Industry Organizations, and International Policies and Regulations

An analysis of market trends indicates that, amid the global expansion of impact investing, pension funds in particular have emerged as significant sources of capital (see Figures 3 and 4). In addition, we observed regional disparities in terms of investee sectors and asset classes. While overseas investments are distributed across a broad range of sectors—including finance, energy, and agriculture and food—investments in Japan are notably concentrated in climate change-related sectors, with a disproportionately high share allocated to loans and bonds (see Figures 5 and 6).

1 GPIF commissioned Nissay Asset Management Corporation to conduct this research.
2 While "instrumental intent" views impact creation as a means to achieve investment returns, "ultimate ends intent" regards impact creation itself as the ultimate goal of the investment process (including cases where it is a goal pursued in parallel with securing returns). "Instrumental intent" also incorporates the concept of "universal owner-type intent," where the investor seeks to generate impact to maintain and enhance the value of the entire portfolio as a universal owner.
3 In impact investing, the primary entity generating impact is the company, and a distinction is generally made between the company's contribution (impact resulting from its business activities) and the investor's contribution (impact resulting from the investor's involvement).

Figure 3. Trends in the Balance of Impact Investments (Global)



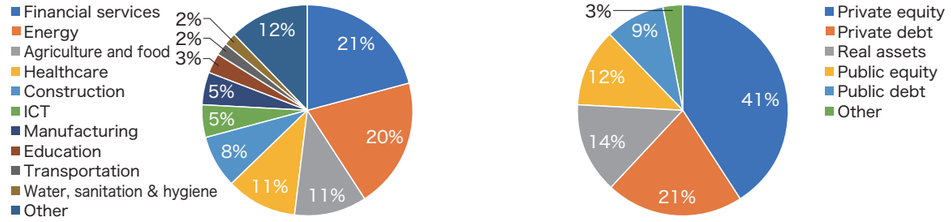
(Source) Prepared based on the GIIN (2019, 2022, 2024) "Sizing the Impact Investing Market" and the GIIN (2020) "Annual Impact Investor Survey 2020"

Figure 4. Sources of Capital (2024)

Sources of capital	Proportion
Pension funds	35%
Banks	14%
Insurance companies	12%
Governments and international organizations	11%
Family offices	8%
Foundations	3%
Others	17%

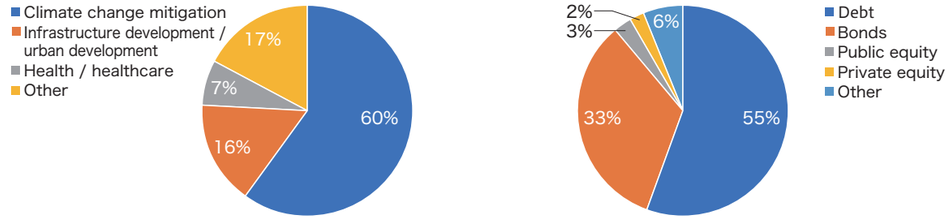
(Source) Prepared based on the GIIN (2025) "State of the Market 2025: Trends, Performance and Allocations"

Figure 5. Global Balance of Impact Investments (Left: By Sector; Right: By Asset Class; 2024)



(Source) Prepared based on the GIIN (2025) "State of the Market 2025: Trends, Performance and Allocations"

Figure 6. Japan's Balance of Impact Investments (Left: By Sector; Right: By Asset Class; 2024)



(Source) Prepared based on GSG Impact JAPAN National Partner (2025) "Current State and Challenges of Impact Investing in Japan"

Case Studies of Overseas Pension Funds

Interviews with overseas pension funds revealed that both the definition of "impact investing" and the strategic positioning of such investments vary significantly between funds, reflecting divergent interpretations of the three types of "intent" outlined above. On the other hand, the approaches adopted by all of these funds share one common aspect: prioritizing the risk/return balance in keeping with their fiduciary responsibilities. While comprehensive portfolio-wide impact measurement and the setting of clear numerical targets remain relatively limited at present, certain funds have implemented progressive initiatives that seek to visualize the positive contributions of their investments to local communities and their home countries.

GPIF's Future Initiatives

The field of impact investing continues to evolve—from its conceptual underpinnings through to its practical implementation. As empirical research accumulates and analytical frameworks become more refined, we anticipate gaining deeper insights into how best to balance investment returns with measurable social impact.

At GPIF, we manage a portion of the assets designated for pension benefits with a view to alleviating the burden on future generations, and we place the highest priority on securing long-term returns. In this context, while striving to achieve market-average returns, we are actively exploring how to evaluate and integrate the social and environmental effects—the impact—generated by corporate business activities into our investment decisions, by treating this impact as one of the key non-financial elements essential to the sustainable growth of our investee companies.

This research represents the first step in our efforts to realize this approach. While making the fullest use of the insights gained here, and consistent with our Sustainability Investment Policy, we will continue to assess the definition, significance, specific content, and practical implementation of GPIF's investment considering impact.

Chapter 3

Stewardship Activities

GPIF has adopted the Asset Owner Principles. As an asset owner, it conducts activities to fulfill its stewardship responsibilities (stewardship activities) as part of its sustainability investment activities and from the perspective of securing long-term investment returns solely for the benefit of insureds. In Chapter 3, we present the direction of GPIF's stewardship activities and its main initiatives, focusing on fiscal 2025.

P.39 GPIF's Stewardship Activities
P.41 Dialogue with Asset Managers
P.47 Companies' Evaluation of Engagement by Asset Managers
P.49 Dialogue with Index Providers and ESG Rating Agencies

GPIF's Stewardship Activities

As an asset owner, GPIF engages in activities to fulfill its stewardship responsibilities[1] from the perspective of securing long-term investment returns for the sole benefit of insureds, through the improvement of the long-term corporate value and sustainable growth of investee companies, as well as the sustainable growth of the overall market.

Purpose and Significance of Stewardship Activities and Main Stewardship Initiatives

Stewardship activities are conducted by institutional investors to enhance the corporate value and promote the sustainable growth of investee companies for the benefit of their clients and beneficiaries. Key initiatives include constructive dialogue (engagement) with investee companies and proxy voting, which involves exercising shareholder voting rights on company proposals at general meetings of shareholders.

GPIF conducts daily transactions through its external asset managers, except for a portion of its assets. In addition, GPIF does not engage directly with investee companies with the aim of encouraging them to review their individual management practices and delegates all voting rights associated with its equity holdings.

For this reason, as part of its stewardship activities, GPIF encourages its asset managers to engage with investee companies and issuers while taking sustainability factors, including ESG, into consideration, as well as to exercise voting rights appropriately. GPIF will fulfill its stewardship responsibilities with the aim of promoting a virtuous cycle in the investment chain. Through engagement and other activities conducted by asset managers, GPIF seeks to contribute to the enhancement of long-term corporate value, which in turn will support the sustainable growth of capital markets and the economy as a whole,[2] ultimately leading to increased long-term investment returns.

GPIF, as an asset owner, will mainly engage in the following stewardship activities:

1. We engage in two-way dialogue with asset managers through evaluation of stewardship activities in line with each asset manager's investment strategies.

2. We actively communicate our approach and initiatives as an asset owner, informed by dialogue with asset managers and other relevant factors.

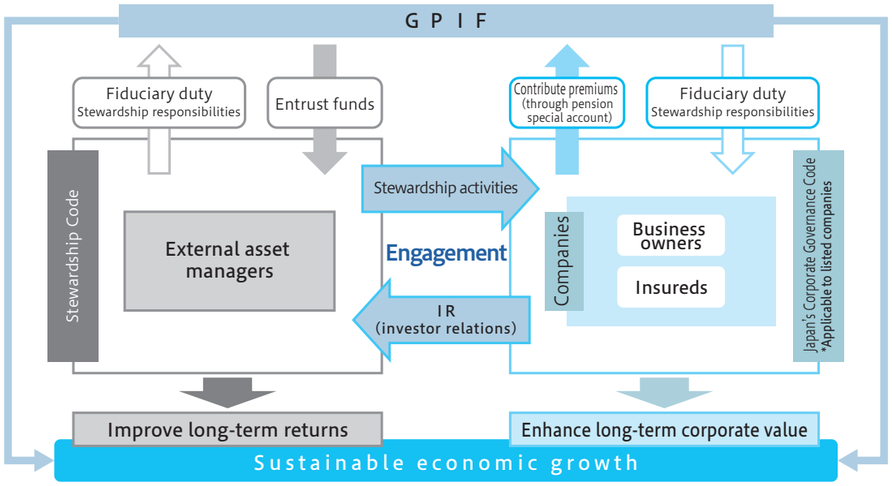
3. We exchange views and information with stakeholders, including investee companies, related organizations, and other asset owners.

1 "Stewardship responsibilities" refers to the responsibilities of institutional investors to enhance the medium- to long-term returns for their clients and beneficiaries (including the ultimate beneficiaries; the same shall apply hereafter) by improving and fostering investee companies' corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their business environment and consideration of sustainability (medium- to long-term sustainability including ESG factors) consistent with their investment strategies.
2 This is also linked to the "reduction of sustainability-related risks and improvement of sustainability of markets" set forth under GPIF's Sustainability Investment Policy.

Policy and Principles to Fulfill Stewardship Responsibilities

GPIF's stewardship activities began in earnest with its adoption of Japan's Stewardship Code (hereinafter, "Japan's Code") in May 2014.

GPIF's Stewardship Activities Based on Japan's Code



At GPIF, we have established a Policy to Fulfill Stewardship Responsibilities in line with Japan's Code, and conducted our stewardship activities based on this policy. In 2017, we established GPIF's Stewardship Principles and Proxy Voting Principles, which our asset managers are required to follow, based on our Policy to Fulfill Stewardship Responsibilities.

Japan's Code has been revised three times, in 2017, 2020, and 2025. We have revised our Policy to Fulfill Stewardship Responsibilities and other guidelines in line with these revisions to Japan's Code, and are expanding our stewardship activities accordingly.

i Policy to Fulfill Stewardship Responsibilities

Under the Policy to Fulfill Stewardship Responsibilities, we set forth GPIF's basic approach regarding stewardship, how it engages in stewardship activities, and how these activities align with each principle of Japan's Code.

ii Stewardship Principles and Proxy Voting Principles

The Stewardship Principles and Proxy Voting Principles are designed to clarify what GPIF, as an ultra-long-term asset owner, expects from the external asset managers it entrusts, including the exercise of voting rights, as part of its stewardship responsibilities.

The Stewardship Principles, specifically, cover five main areas: (1) Corporate Governance Structure of External Asset Managers, (2) Management of Conflicts of Interest by External Asset Managers, (3) Policy for Stewardship Activities, including Engagement, (4) Sustainability Consideration including ESG Integration into the Investment Process, and (5) Exercise of Voting Rights.

At GPIF, we require external asset managers to comply with the Stewardship Principles and Proxy Voting Principles. If an external asset manager determines that it is not appropriate to comply with any of the principles due to its specific circumstances, it is required to explain the rationale for its non-compliance to GPIF.

Dialogue with Asset Managers

The stewardship activities undertaken by its external asset managers, such as engagement with and proxy voting at investee companies, play a major role in GPIF's stewardship activities. To improve the effectiveness of these activities, GPIF engages in two-way dialogue with its external asset managers.

Overview of Dialogue with External Asset Managers

In our dialogue with external asset managers, we begin by presenting GPIF's approach to stewardship responsibilities. Specifically, we set out GPIF's Policy to Fulfill Stewardship Responsibilities and its Stewardship Principles and Proxy Voting Principles,[1] which external asset managers are required to follow. We also publish our expectations for external asset managers annually to communicate GPIF's priorities and values.

GPIF's Expectations for External Asset Managers

- Advancement of engagement
  - ✓ Establishment of engagement frameworks that contribute to enhancing corporate value
    - ➢ Setting engagement goals, managing milestones, and implementing effective escalation strategies
    - ➢ Organization of engagement performance data and verification of effects (At external asset managers with more advanced initiatives, efforts extend beyond merely managing stages of dialogue to outcome-based assessment and analysis of engagement results through confirmation of changes in corporate behavior, KPI measurement, statistical methodologies, and other approaches.)
  - ✓ Engagement to implement management that is conscious of cost of capital and stock price
  - ✓ Engagement with sustainability issues taking materiality into account (including response to new sustainability issues)
  - ✓ Exercise of voting rights reflecting the results of engagement and sustainability considerations
- Integration of investment and stewardship activities
  - ✓ Enhanced cooperation between the investment team and the stewardship team
  - ✓ Establishment and further advancement of stewardship-oriented passive investment models
  - ✓ Stewardship responsibilities in fixed income investment
  - ✓ Implementation of ESG integration tailored to investment styles
- Communication as an investor and messages to investee companies
  - ✓ Proactive communication of the following information through disclosure and dialogue with investee companies
    - ➢ Policies and approaches regarding stewardship activities (including sustainability-related activities), Proxy Voting Principles, and the results of exercising voting rights
    - ➢ Sustainability disclosures aligned with global standards such as the ISSB standards
    - ➢ Expressing views as an investor and exchange of opinions between domestic and foreign investors toward the sustainable growth of Japan's capital market

1 See "GPIF's Stewardship Activities" (page 40).

At GPIF, we emphasize two-way communication and assess the stewardship activities of our external asset managers as part of our annual comprehensive assessment of them.[2] We also conduct meetings and surveys with our external asset managers as necessary, depending on the thematic priorities at the time.

For example, in the stewardship assessment of our external asset managers for equities, passive investments are assessed based on whether they contribute to the long-term improvement of the corporate value of investee companies and, in particular, to the sustainable growth of the market, while active investments are assessed based on whether they contribute to increasing the long-term shareholder value of the investee companies.

Weight	Equities: passive	Equities: active
Investment policies, investment processes, organization, human capital, etc.	70%	90%
Stewardship responsibilities	30%	10%
Viewpoints of assessment of stewardship activities	Contribution to the sustainable growth of the market	Contribution to increasing shareholder value of the investee companies in the long term
Base for the assessment	(Common to both passive and active) Stewardship Code, GPIF's Stewardship Principles and Proxy Voting Principles	

Specifically, we assess the following points:

- Framework (organization, management of conflicts of interest)
- Endorsement status of Japan's Stewardship Code and the Principles for Responsible Investment (PRI)
- Stewardship activities (policies, status, implementation of engagement)
- ESG activities including responses to material ESG issues listed by the external asset manager
- Exercise of voting rights (topics, cases where judgements are divided among external asset managers, decision-making process on exercising shareholder proposals, etc.)
- Responses to GPIF's Stewardship Principles and Proxy Voting Principles, including disclosing the details of proxy voting records.

In addition to individual meetings with external asset managers, we also provide them with annual briefings. At these briefings, we provide thorough explanations of GPIF's objectives and initiatives, along with their backgrounds and rationale, including the issues and concerns that underpin GPIF's approach. We also strive to maintain two-way communication by exchanging views and providing feedback through question-and-answer sessions and subsequent follow-ups.

Regarding stewardship activities by external asset managers, the number of newly appointed external asset managers, mainly foreign asset managers, particularly relatively small firms that had not previously been entrusted by GPIF, has increased. As a result, there are variations in the level of stewardship activities conducted by asset managers. For this reason, we will continue to foster a deeper understanding and integration of GPIF's Stewardship Principles and Proxy Voting Principles among asset managers.

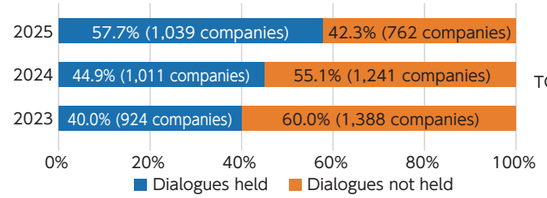
At the same time, we have also observed more committed and organized efforts among existing external asset managers, implemented through stronger stewardship structures. Among external asset managers with highly developed stewardship activities, the use of milestone management to enhance engagement effectiveness has become increasingly widespread (setting objectives for individual engagements and managing the progress of dialogue and company responses through multiple stages toward achieving those objectives). At GPIF, we will monitor the efforts of our external asset managers through stewardship assessments, based on the progress of their stewardship activities.

2 When we first adopted Japan's Stewardship Code in 2014, we began with stewardship assessments for our equity investments. We subsequently expanded the scope of these assessments to include alternative investments from fiscal 2017, and fixed income investments from fiscal 2022. Please refer to pages 14 to 16 of GPIF's Stewardship Activities Report 2025-2026 for details of our stewardship assessment for alternative investments and fixed income investments.

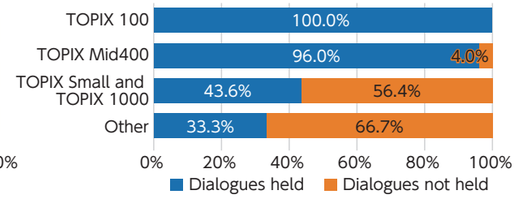
Status of Engagement by External Asset Managers Entrusted with Domestic Equity Investment

The total number of companies with which engagement was conducted by GPIF's external asset managers for domestic equities from January 2025 to December 2025 was 1,039. In terms of the number of companies, engagement was conducted with 1,039 companies, or 58% of the companies whose shares are held. In terms of market capitalization, engagement was conducted with 97% of the companies. Due to the review of TOPIX constituents, the number of companies whose shares are held has decreased during the past year. However, the number of companies with which the asset managers held dialogues has slightly increased, leading to a 13-percentage-point increase in the ratio of dialogues held.

Ratio of companies that held dialogues (based on the number of companies)



Ratio of dialogues held (by company scale)



Engagement-Enhanced Passive Investment Funds

Since fiscal 2018, we have adopted engagement-enhanced passive investment funds as one of GPIF's passive asset management models, emphasizing stewardship. (Our asset managers in this model for fiscal 2025 were Asset Management One Co., Ltd., FIL Investments (Japan) Limited, Sumitomo Mitsui Trust Asset Management Co., Ltd., and Resona Asset Management Co., Ltd.)

For the selected funds, we review and evaluate their progress in achieving the KPIs set forth in the engagement plans and confirm the milestones for the following fiscal year, with the aim of having the external asset managers conduct ongoing engagement with investee companies more deeply, intensively, and continuously than under their ordinary passive funds.

ESG Funds

In July 2025, GPIF announced that, in addition to seeking applications for ESG indexes, GPIF would also seek applications for ESG funds for domestic and foreign equities. These funds are defined as funds in which the asset manager constructs the portfolio based on ESG factors, but not necessarily in accordance with ESG indexes.[3]

For the ESG indexes and ESG funds to be adopted by GPIF, we will monitor trends in KPIs to assess whether the companies that constitute these ESG indexes and ESG funds are progressively reducing sustainability-related risks. In addition, with respect to ESG funds, we will assess, as part of stewardship evaluation, the engagement and other activities undertaken by external asset managers with investee companies in connection with the funds.

Proxy Voting

According to the Medium-term Objectives established by the Minister of Health, Labour and Welfare, GPIF is expected to "take appropriate measures regarding the exercise of shareholders' voting rights, etc., while giving due consideration to the impact on corporate management, etc." Based on this, GPIF's Medium-Term Plan states that for "the purpose of avoiding directly influencing corporate management, GPIF itself does not exercise voting rights and instead entrusts the external asset managers with the exercise of voting rights." However, from the perspective of further promoting GPIF's stewardship activities, it stipulates that "GPIF shall conduct effective engagement when entrusting an external asset manager, with an awareness of materiality of sustainability, including ESG (environmental, social, and governance) factors, that leads to long-term investment returns. When doing so, GPIF shall clarify that stewardship activities including the exercise of voting rights by external asset managers aim to improve long-term investment returns solely for the insureds."

Specifically, GPIF's external asset managers are required to submit their voting guidelines and report on proxy voting each fiscal year, and we hold meetings with them on these subjects. External asset managers' initiatives related to proxy voting form part of their stewardship responsibilities for the purposes of GPIF's overall assessment of each asset manager. These initiatives are assessed in terms of the preparation of guidelines, voting systems, and voting status.

We received reports on proxy voting for the period from April to June 2025 and held meetings to discuss them. As a result, we were able to confirm that asset managers' initiatives related to proxy voting are generally satisfactory.

3 Please refer to "Rebuilding ESG Investment" (page 27) for details of GPIF's initiative to seek applications for the adoption of ESG indexes and ESG funds.

The Status of Exercise of Voting Rights by External Asset Managers for Domestic Equities (from April 2025 to March 2026)
Number of external asset managers who exercised voting rights: 70 funds
Number of external asset managers who did not exercise voting rights: none

(Units: Number of proposals; Percentage)

Proposals		Proposals pertaining to company organization					Proposals pertaining to director remuneration, etc.				Proposals pertaining to capital policy (excluding items pertaining to changes to the Articles of Incorporation)			Proposals pertaining to changes to the Articles of Incorporation	Poison pill (rights plan)		Other proposals	Total
		Appointment of directors	Of which, outside directors	Election of company statutory auditors	Of which, outside statutory auditors	Appointment of accounting auditor	Directors' compensation	Directors' bonuses	Directors' retirement bonuses	Granting of stock options	Dividends	Share buybacks	Mergers, business transfers, acquisitions, company splits, etc.		Advance warning type	Trust-based type		
Total number of voting rights exercised		239,988	110,188	15,805	10,481	553	10,270	1,153	466	619	18,556	490	638	10,247	547	0	517	299,849
Management proposals	Total	238,990	109,446	15,784	10,460	553	9,988	1,153	466	583	18,047	1	638	5,739	547	0	442	292,931
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	213,064	98,929	14,706	9,437	547	9,639	1,063	9	456	17,720	0	627	5,653	23	0	380	263,887
		(89.2%)	(90.4%)	(93.2%)	(90.2%)	(98.9%)	(96.5%)	(92.2%)	(1.9%)	(78.2%)	(98.2%)	(0.0%)	(98.3%)	(98.5%)	(4.2%)	(0.0%)	(86.0%)	(90.1%)
	Opposed	25,926	10,517	1,078	1,023	6	349	90	457	127	327	1	11	86	524	0	62	29,044
		(10.8%)	(9.6%)	(6.8%)	(9.8%)	(1.1%)	(3.5%)	(7.8%)	(98.1%)	(21.8%)	(1.8%)	(100.0%)	(1.7%)	(1.5%)	(95.8%)	(0.0%)	(14.0%)	(9.9%)
Shareholder proposals	Total	998	742	21	21	0	282	0	0	36	509	489	0	4,508	0	0	75	6,918
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	19	19	0	0	0	17	0	0	0	89	59	0	279	0	0	20	483
		(1.9%)	(2.6%)	(0.0%)	(0.0%)	(0.0%)	(6.0%)	(0.0%)	(0.0%)	(0.0%)	(17.5%)	(12.1%)	(0.0%)	(6.2%)	(0.0%)	(0.0%)	(26.7%)	(7.0%)
	Opposed	979	723	21	21	0	265	0	0	36	420	430	0	4,229	0	0	55	6,435
		(98.1%)	(97.4%)	(100.0%)	(100.0%)	(0.0%)	(94.0%)	(0.0%)	(0.0%)	(100.0%)	(82.5%)	(87.9%)	(0.0%)	(93.8%)	(0.0%)	(0.0%)	(73.3%)	(93.0%)

(Note 1) If a proposal comprises multiple items, the number of votes for each item is listed.
(Note 2) The percentages of the total for each type of proposal are shown in parentheses.
(Note 3) The number of votes against proposals includes five abstentions.

The Status of Exercise of Voting Rights by External Asset Managers for Foreign Equities (from April 2025 to March 2026)
Number of external asset managers who exercised voting rights: 106 funds
Number of external asset managers who did not exercise voting rights: none

(Units: Number of proposals; Percentage)

Proposals		Proposals pertaining to company organization			Proposals pertaining to director remuneration, etc.				Proposals pertaining to capital policy (excluding items pertaining to changes to the Articles of Incorporation)			Proposals pertaining to changes to the Articles of Incorporation	Advance warning type poison pill	Other proposals		Total
		Appointment of directors	Appointment of statutory auditors	Appointment of accounting auditor	Directors' compensation	Directors' bonuses	Directors' retirement bonuses	Granting of stock options	Dividends	Share buybacks	Mergers, business transfers, acquisitions, company splits, etc.			Approval of financial statements and statutory reports	Other proposals	
Total number of voting rights exercised		201,664	9,155	20,337	41,929	660	244	8,692	14,194	9,114	15,638	14,034	284	17,168	85,846	438,959
Management proposals	Total	199,994	8,708	20,318	41,551	657	155	8,652	14,173	9,073	15,507	12,630	266	17,138	74,719	423,541
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
	Approved	170,188	8,273	18,019	32,813	577	147	6,663	14,007	8,738	13,090	11,474	234	16,718	65,874	366,815
		(85.1%)	(95.0%)	(88.7%)	(79.0%)	(87.8%)	(94.8%)	(77.0%)	(98.8%)	(96.3%)	(84.4%)	(90.8%)	(88.0%)	(97.5%)	(88.2%)	(86.6%)
	Opposed	29,806	435	2,299	8,738	80	8	1,989	166	335	2,417	1,156	32	420	8,845	56,726
		(14.9%)	(5.0%)	(11.3%)	(21.0%)	(12.2%)	(5.2%)	(23.0%)	(1.2%)	(3.7%)	(15.6%)	(9.2%)	(12.0%)	(2.5%)	(11.8%)	(13.4%)
Shareholder proposals	Total	1,670	447	19	378	3	89	40	21	41	131	1,404	18	30	11,127	15,418
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
	Approved	888	284	8	65	3	2	25	21	0	125	563	11	20	3,872	5,887
		(53.2%)	(63.5%)	(42.1%)	(17.2%)	(100.0%)	(2.2%)	(62.5%)	(100.0%)	(0.0%)	(95.4%)	(40.1%)	(61.1%)	(66.7%)	(34.8%)	(38.2%)
	Opposed	782	163	11	313	0	87	15	0	41	6	841	7	10	7,255	9,531
		(46.8%)	(36.5%)	(57.9%)	(82.8%)	(0.0%)	(97.8%)	(37.5%)	(0.0%)	(100.0%)	(4.6%)	(59.9%)	(38.9%)	(33.3%)	(65.2%)	(61.8%)

(Note 1) The total number of votes cast does not include the number of proposals for which voting rights were not exercised.
(Note 2) If a proposal comprises multiple items, the number of votes for each item is listed.
(Note 3) The percentages of the total for each type of proposal are shown in parentheses.
(Note 4) The number of votes against proposals includes 7,030 abstentions.

Three Priority Issues Concerning the Direction and Medium-Term Initiatives of GPIF's Stewardship Activities

We announced the "direction and medium-term initiatives of GPIF's stewardship activities" at the start of the 5th Medium-term Objectives period (fiscal 2025 to fiscal 2029). Under these initiatives, we outline the priority issues for the 5th Medium-term Objectives period as follows: (1) corporate action to implement management that is conscious of the cost of capital and stock price; (2) corporate sustainability management and disclosure based on materiality; and (3) effective corporate governance. We address these priority issues through engagement and other actions by our external asset managers.

In fiscal 2025, we engaged in the following initiatives to address these three priority issues:

Engagement interviews concerning "management that is conscious of the cost of capital and stock price"

In fiscal 2025, we conducted individual interviews with several of GPIF's external asset managers entrusted with domestic equity investment, focusing exclusively on the theme of "management that is conscious of the cost of capital and stock price" and centering on actual engagement case studies.

Through these interviews, we were able to confirm that over the past two to three years, companies' awareness and perceptions of this theme have changed significantly, making it easier for external asset managers to engage in meaningful dialogue. Among the companies cited as successful cases, relatively common changes observed included revisions to shareholder return policies, reductions in cross-shareholdings, clarification of the balance sheet policies, and improvements in disclosures related to ROE, ROIC, and the cost of capital.

On the other hand, we confirmed that actual dialogues have progressed a step further. External asset managers were addressing not only improvements in shareholder returns and disclosure, but also the quality of management decisions themselves that affect future cash flows, including investment discipline, business portfolio, capital allocation priorities, and monitoring by the Board of Directors.

The external asset managers were employing various approaches to make these dialogues more substantive. Rather than imposing conclusions, they designed discussion points and questions that encouraged companies to take initiative on their own, prepared materials and analyses that could be shared internally within companies and used examples from other companies to provide relative perspectives and raise management ambitions. They also sought to bring discussions to forums where internal deliberations and management decisions actually take place, including meetings involving CFOs, CEOs, outside directors, and the Board of Directors. They structured dialogues around important corporate milestones, such as the formulation of medium-term management plans and the periods before and after annual general meetings.

Through the interviews, differences also emerged between companies where change is more likely to occur and those where it is less likely. Companies where change tended to occur were often characterized by relatively strong financial foundations and top management's awareness of these issues.

GPIF particularly hopes to see substantive dialogue that extends beyond disclosure and addressing market valuation discounts and is more directly linked to future cash flows, such as business strategies and capital allocation. Since such dialogue is conducted over the long term, GPIF will continue to promote a virtuous cycle in the investment chain by carefully understanding developments taking place in practice and broadly sharing the related practices and innovations so that substantive dialogue can steadily progress.

Announcement of "Excellent Sustainability Disclosures from the Perspective of Materiality"

GPIF has conducted surveys with its external asset managers regarding corporate information disclosure and published the results as a series of excellent disclosures, such as "Excellent Integrated Reports." In 2025, in light of changes in the environment surrounding sustainability disclosures, including GPIF's Sustainability Investment Policy and integrated reports, we consolidated the excellent disclosure series into "Excellent Sustainability Disclosures from the Perspective of Materiality."[4]

As a result, we found substantial differences between Japanese and foreign companies in the proportion of selected disclosure documents that were mandatory or voluntary. Examples shown by foreign companies will provide useful references for Japanese companies, which are beginning phased disclosures under SSBJ standards, particularly in considering how to strategically differentiate between mandatory and voluntary disclosures going forward. At the same time, external asset managers are expected to explain how sustainability information is utilized by investors.

Dialogue with external asset managers entrusted with domestic equity investment on Japan's corporate governance reforms

In fiscal 2025, amid discussions concerning the revision of the Corporate Governance Code, GPIF held dialogues with its external asset managers entrusted with domestic equity investment regarding corporate governance reform.

Specifically, we solicited opinions from multiple external asset managers regarding the key revisions to the Code being considered: (1) streamlining and adoption of a principles-based approach, (2) the promotion of growth investment (appropriate allocation of management resources), (3) the disclosure of annual securities reports prior to general meetings of shareholders, and (4) enhancement of the functions of the board of directors' secretariat.

Among the external asset managers who participated in the dialogues, many expressed general support for the purpose and direction of the proposed revision of the Code concerning (1) streamlining the Corporate Governance Code and making it more principles-based, and (2) promotion of growth investment (appropriate allocation of management resources). On the other hand, regarding (3) disclosure of annual securities reports prior to annual general meetings, some managers expressed the view that, ideally, disclosures should be made before shareholder meetings and that, from a practical standpoint, the timing of annual general meetings should be postponed accordingly. At the same time, some managers commented that the current disclosures already allow sufficient preparation for shareholder meetings, and that disclosures made less than three weeks in advance would not be practically useful for such meetings. In addition, regarding (4) enhancement of the functions of the board secretariat, many managers emphasized the important role expected of outside directors from the perspective of ensuring the effectiveness of the board's oversight functions. For the board secretariat, some managers expressed expectations that it should support outside directors, including by facilitating dialogue between investors and outside directors.

In addition, we were able to confirm that some external asset managers have been exchanging opinions with regulatory authorities and economic organizations. At GPIF, we recognize the importance of institutional investors actively voicing their views on corporate governance reforms.

Going forward, GPIF will continue to conduct dialogue with external asset managers and others regarding engagement and proxy voting practices related to corporate governance in light of revisions to the Corporate Governance Code.

Dialogue with External Asset Managers in Fiscal 2026

GPIF will continue to promote understanding of its Stewardship Principles and Proxy Voting Principles among its external asset managers, recognizing that the increasing number of asset managers, including sub-delegated managers, may give rise to variations in the level of stewardship activities.

In addition, GPIF will conduct stewardship assessments based on the "Expectations for External Asset Managers" (please refer to page 41). In doing so, from a PDCA perspective, we will evaluate whether engagement activities suited to each investment strategy and investment style are contributing to the enhancement of corporate value. As engagement themes, GPIF will place particular emphasis on the following three priority issues: "Corporate Actions to Implement Management that is Conscious of the Cost of Capital and Stock Price," "Corporate Sustainability Management and Disclosure based on Materiality," and "Effective Corporate Governance."

In its dialogue with external asset managers, GPIF will conduct two-way dialogue, including listening to external asset managers' opinions and requests to GPIF.

Evaluation of the Effects of Engagement

From fiscal 2023 to fiscal 2024, GPIF conducted an evaluation project using statistical methods such as statistical causal inference to evaluate the effects of its stewardship activities and ESG investment. In this project, we collaborated with external consultants and others to conduct and publish an evaluation of the effects of engagement and analysis of the exercise of voting rights by external asset managers, with respect to stewardship activities.

GPIF will continue to evaluate and verify the effects of engagement from a PDCA perspective.

4 Please refer to page 77 for details.

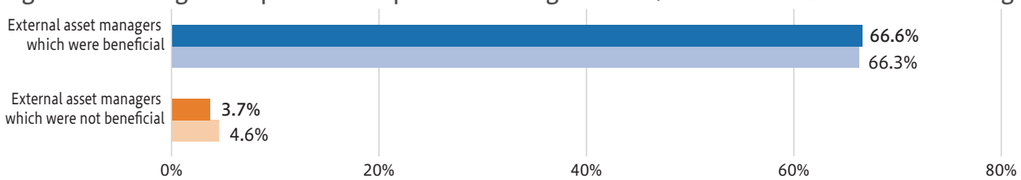
Companies' Evaluation of Engagement by Asset Managers

GPIF conducts an annual survey of companies in order to understand how they evaluate the stewardship activities led by delegated external asset managers and GPIF's own initiatives, in addition to their own efforts regarding sustainability. GPIF utilizes the findings to improve its stewardship activities through the PDCA (Plan-Do-Check-Act) cycle. In our 11th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities, conducted in fiscal 2025, we surveyed TOPIX constituent companies and received responses from 625 companies, representing approximately 70% of total market capitalization.

Companies' Evaluation of Engagement by Asset Managers

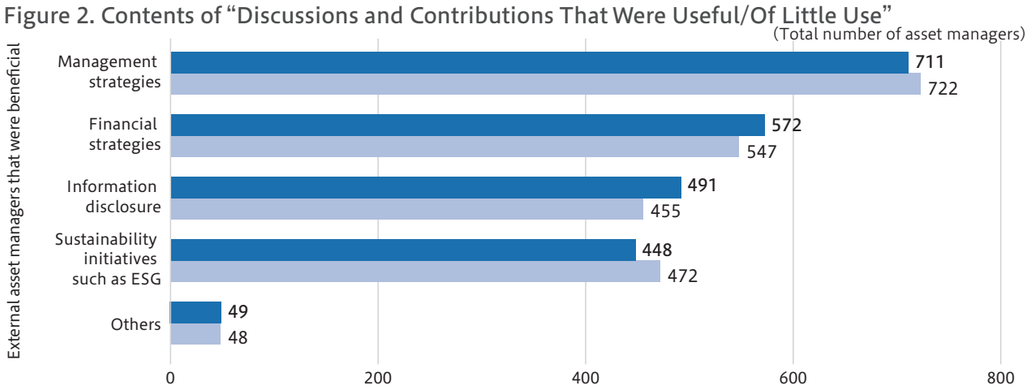
We asked investee companies to identify which external asset managers entrusted with domestic equity investment had engaged in "beneficial discussions or contributions"—for instance, cases that subsequently led to corporate initiatives—and which had not. More than 60% of the respondents identified specific asset managers with which they had beneficial discussions or contributions. By theme, "Management strategies" remained the most frequently mentioned area of constructive engagement; however, compared with the previous survey, an increased number of companies also cited "Financial strategies" and "Information disclosure," confirming that our asset managers conduct engagement across a broad range of topics. By publishing specific case studies from investee companies, we aim to promote more effective engagement by contributing to the dissemination of best practices among our external asset managers and providing appropriate feedback to the market.

Figure 1. Percentage of Respondent Companies Indicating Beneficial/Not Beneficial External Asset Managers



(Note) The number of asset managers entrusted with domestic equity investment was 20 as of the end of FY2024, in contrast to 23 in the previous survey. The upper row shows the data from this survey, and the lower row indicates those from the previous survey. The percentage indicates the ratio to the total of 625 respondent companies (632 in the previous survey). In this survey, 416 companies cited external asset managers which were beneficial (419 in the previous survey), whereas 23 companies cited external asset managers which were not beneficial (29 in the previous survey).

Figure 2. Contents of "Discussions and Contributions That Were Useful/Of Little Use"



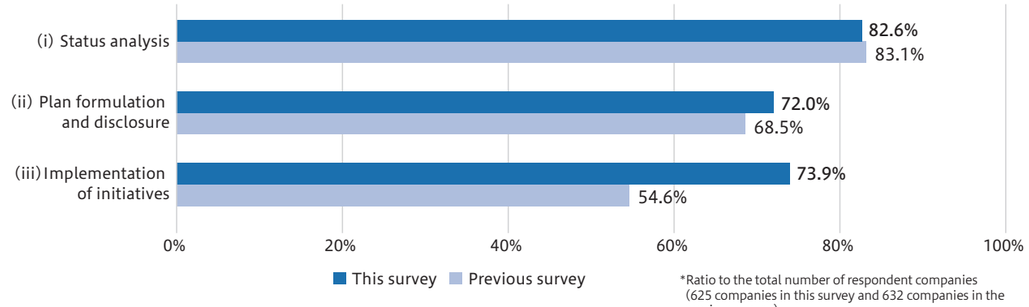
(Note) The upper row shows the figures in this survey; and the lower row indicates those in the previous survey, respectively. Multiple responses allowed

Corporate Initiatives Related to "Management that is Conscious of Cost of Capital and Stock Price"

We examined the status of companies' series of responses to one of GPIF's priority issues, "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," focusing on the cycle of (i) "Status analysis," (ii) "Plan formulation and disclosure," and (iii) "Implementation of initiatives." More than 80% of companies conducted (i) "Status analysis," while the percentage of companies that selected (iii) "Implementation of initiatives" increased by 19.3 percentage points from the previous survey, indicating that companies are making tangible progress.

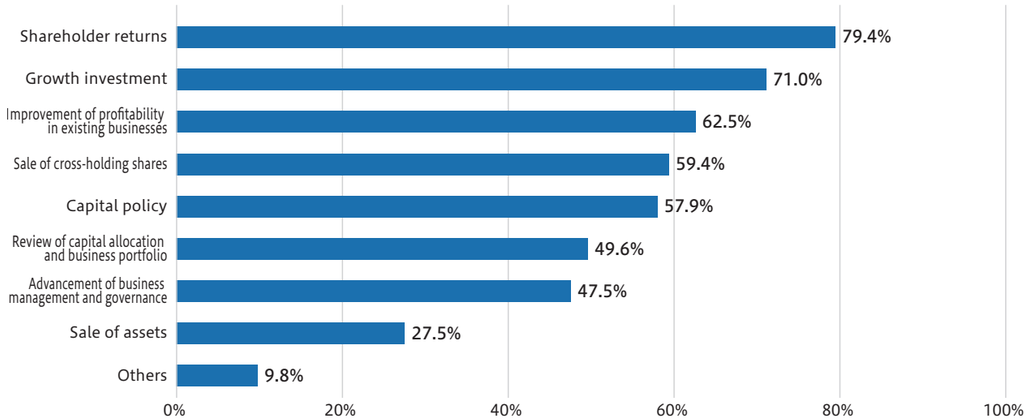
When we further inquired about the specific content of (iii) "Implementation of initiatives," the most frequently cited response was "Shareholder returns," followed by initiatives directly linked to the companies' future cash flows, such as "Growth investment" and "Improvement of profitability in existing businesses." In addition, when we looked into the challenges companies face in advancing these initiatives, many cited issues such as how to allocate capital to balance growth investments with shareholder returns, as well as how to cultivate internal awareness. This suggests that companies are considering longer-term and more complex factors, rather than merely pursuing short-term measures to improve capital efficiency.

Figure 3. Concerning the TSE's request to take "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," please indicate your initiatives, if any, after the request was issued.



*Ratio to the total number of respondent companies (625 companies in this survey and 632 companies in the previous survey).

Figure 4. Specific Cases of (iii) "Implementation of Initiatives"



*From this survey, the response method has been changed from open-ended format to multiple-choice format.

Regarding "Management that is Conscious of Cost of Capital and Stock Price," GPIF considers it critical for the improvement of the medium- to long-term corporate value of investee companies and ultimately, for the increase in GPIF's long-term investment returns, positioning it as one of the key issues for the 5th Medium-term Objectives Period. We will request our external asset managers to conduct substantial engagement on issues leading directly to future cash flow, such as management strategy and capital allocation in addition to the elimination of market valuation discounts through information disclosure.

Dialogue with Index Providers and ESG Rating Agencies

At GPIF, we have engaged in ongoing dialogue with index providers and ESG rating agencies since we first adopted ESG indexes for domestic equities in 2017. In addition, GPIF requires the index providers and ESG rating agencies whose ESG indexes are adopted by GPIF to actively engage in dialogue with companies regarding the methodologies and evaluation criteria used for their ESG indexes and ratings. Through our annual survey of listed companies, we also verify the status of dialogue with index providers and ESG rating agencies.

Dialogue with Index Providers and ESG Rating Agencies and Their Evaluation

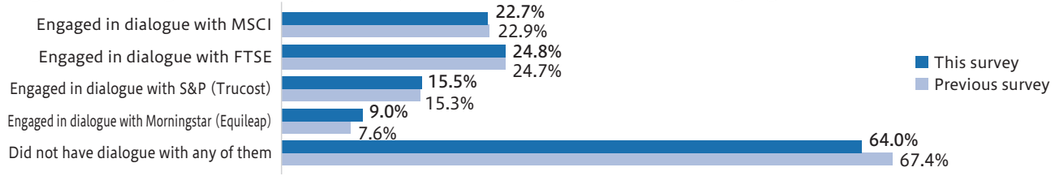
GPIF places importance not only on the ESG indexes and ratings themselves, but also on the organization and governance structure of index providers, as well as the transparency of ESG ratings and communication with companies, when selecting ESG indexes. GPIF also continues to engage in dialogue with index providers after adopting their indexes. GPIF believes that index providers should be responsible for establishing solid governance systems and implementing investor-oriented decision-making, since their role in the investment chain has become increasingly important year by year. We recognize that enhancing the accuracy of ESG ratings is contingent upon advances in corporate ESG disclosure. At the same time, we believe it is equally critical to ensure transparency on the part of index providers and ESG rating agencies—namely, clarity regarding evaluation methodologies and current assessments—so that companies can efficiently and appropriately address ESG issues and enhance their disclosure practices.

Meanwhile, Japan's Financial Services Agency (FSA) reported and announced its Code of Conduct for ESG Evaluation and Data Providers at the 15th meeting of the Expert Panel on Sustainable Finance, held in December 2022. The FSA calls for ESG evaluation and data providers to endorse the Code of Conduct and, if it is endorsed, to publish it on their websites and notify the FSA of it. In July 2023, the FSA published the first list of the ESG evaluation and data providers that notified the FSA of their intention to endorse the Code of Conduct for ESG Evaluation and Data Providers. As of June 2025, the number of such organizations that declared their endorsement was 29.

Dialogue with Companies by Index Providers and ESG Rating Agencies

In our 11th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities, conducted in fiscal 2025, we confirmed the status of dialogue with the ESG index providers and ESG rating agencies adopted by GPIF. The proportion of dialogue with MSCI and FTSE—both comprehensive ESG index providers—was higher. By contrast, the volume of dialogue with S&P and Morningstar—both thematic index providers—was limited. This disparity is largely attributable to the fact that ESG metrics for thematic indexes are narrowly focused on specific topics. In terms of feedback concerning index providers, numerous companies emphasized the need for clearer methodologies and evaluation criteria, more timely responses to inquiries, and the disclosure of information that would contribute to improvements in corporate initiatives. At the Keidanren-GPIF Asset Owners' Roundtable, we have observed that companies continue to show strong interest in index providers and ESG rating agencies. Accordingly, we will continue to promote initiatives that facilitate constructive dialogue with companies by index providers and ESG rating agencies.

Figure 1. Dialogue with Companies by Index Providers and ESG Rating Agencies



Chapter 4

Sustainability-Related Risk Analysis

Since GPIF declared its support for the "Task Force on Climate-related Financial Disclosures (TCFD)" in 2018, we have analyzed sustainability-related risks in our sustainability investment reporting each year and worked towards a more sophisticated approach. In Chapter 4, we present our measurements of greenhouse gas (GHG) emissions, along with an analysis of the financial impact on our portfolio from climate change-related risks and opportunities.

P.53 Portfolio ESG Ratings, ESG Rating Rankings by Country, and Correlation Between ESG Ratings

P.57 Support for Climate-Related Financial Disclosures

P.59 Analysis of Portfolio Greenhouse Gas Emissions — Characteristics of GPIF's Portfolio —

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Portfolio ESG Ratings, ESG Rating Rankings by Country, and Correlation Between ESG Ratings

At GPIF, we aim to assess the effects of ESG investment from various perspectives. To this end, every year since our FY2017 ESG Report, we have measured and monitored ESG ratings on a regular basis of our equity portfolio, the average and level of improvement of ESG ratings by country, and the correlation between ESG ratings of different providers.

Portfolio ESG Ratings

Figures 1 and 2 show the trends in each ESG score for GPIF's equity portfolios, as well as the ESG scores for the policy benchmarks as of March 31, 2026. The ESG ratings of GPIF's equity portfolios have improved for both domestic and foreign equities since the initial measurement in fiscal 2017.

FTSE's ESG scores have increased over the past year for both GPIF's domestic and foreign equities portfolios. All ESG sub-scores have increased for domestic equities, while E and S scores have both increased for foreign equities.

MSCI's ESG scores for the same period have increased for both domestic and foreign equities. ESG sub-scores E and G have increased for both domestic and foreign equities.

We also compared the ESG scores for GPIF's domestic and foreign equity portfolios to the policy benchmarks (TOPIX and MSCI ACWI ex Japan ex China A Special Tax) as of March 31, 2026. The result shows that both our domestic and foreign equities portfolios slightly outperformed the benchmarks.

Figure 1. FTSE ESG Ratings (2017 and Last Five Years)

	ESG	E	S	G	ESG	E	S	G
	GPIF (Domestic Equities)				GPIF (Foreign Equities)			
2017/3	2.43	0.86	0.77	0.80	3.03	0.88	0.95	1.20
2022/3	3.11	0.96	1.09	1.06	3.26	0.91	1.11	1.24
2023/3	3.29	1.09	1.11	1.09	3.42	1.06	1.12	1.25
2024/3	3.58	1.20	1.21	1.17	3.48	1.11	1.13	1.25
2025/3	3.69	1.22	1.27	1.21	3.44	1.09	1.10	1.25
2026/3	3.83	1.29	1.30	1.24	3.57	1.18	1.14	1.25
	Change in Score (GPIF Portfolio)				Change in Score (GPIF Portfolio)			
Past Nine Years	+1.40	+0.43	+0.53	+0.44	+0.53	+0.30	+0.20	+0.05
Past One Year	+0.14	+0.07	+0.03	+0.03	+0.12	+0.09	+0.04	-0.00
	TOPIX				MSCI ACWI ex Japan ex China A Special Tax			
2026/3	3.82	1.29	1.29	1.23	3.56	1.18	1.14	1.25
Excess Score	+0.02	+0.00	+0.01	+0.01	+0.00	+0.00	+0.00	+0.00

(Note 1) Among the stocks held by GPIF, we analyzed those with ESG ratings by FTSE.
(Note 2) ESG scores are calculated as the average ESG scores of companies weighted by their market capitalization in GPIF's portfolio (excluding stocks for which an ESG rating was not available).
(Source) Prepared by GPIF based on data provided by FTSE. FTSE Russell.

Figure 2. MSCI ESG Ratings (2017 and Last Five Years)

	ESG	E	S	G	Industry Adjustment	ESG	E	S	G	Industry Adjustment
	GPIF (Domestic Equities)					GPIF (Foreign Equities)				
2017/3	5.29	1.56	2.19	1.02	0.52	5.31	1.40	1.91	1.44	0.56
2022/3	6.37	1.22	2.18	1.79	1.18	6.47	1.17	2.19	1.87	1.24
2023/3	6.93	1.26	2.19	2.11	1.37	6.80	1.21	2.16	2.13	1.29
2024/3	7.07	1.26	2.17	2.14	1.51	6.78	1.19	2.13	2.16	1.30
2025/3	7.22	1.20	2.24	2.27	1.51	6.67	1.14	2.16	2.11	1.25
2026/3	7.33	1.27	2.08	2.41	1.58	6.79	1.17	2.09	2.22	1.32
	Change in Score (GPIF Portfolio)					Change in Score (GPIF Portfolio)				
Past Nine Years	+2.05	-0.29	-0.11	+1.38	+1.06	+1.47	-0.24	+0.18	+0.77	+0.76
Past One Year	+0.11	+0.07	-0.16	+0.14	+0.07	+0.12	+0.03	-0.07	+0.10	+0.06
	TOPIX					MSCI ACWI ex Japan ex China A Special Tax				
2026/3	7.30	1.27	2.08	2.40	1.56	6.78	1.17	2.08	2.22	1.31
Excess Score	+0.04	+0.00	+0.00	+0.01	+0.02	+0.01	-0.01	+0.01	-0.00	+0.01

(Note 1) Among the stocks held by GPIF, we analyzed those with ESG ratings by MSCI.
(Note 2) ESG scores are calculated as the average ESG scores of companies weighted by their market capitalization in GPIF's portfolio (excluding stocks for which an ESG rating was not available).
(Note 3) Industry adjustment: Difference between the final rating and the weighted average of each company's rating for environmental (E), social (S) and governance (G), arising due to the normalization of ratings by industry.
(Source) Prepared by GPIF based on data from MSCI. Reproduced by permission of MSCI Solutions (UK) Limited ©2026.

Ranking of ESG Ratings by Country

Figure 3 shows the ESG rating rankings by country, calculated based on the ESG ratings of companies from nine representative countries included in the major indexes provided by FTSE and MSCI. The ESG ratings of Japanese companies have improved steadily since fiscal 2017.

Figure 3. FTSE and MSCI ESG Rating Ranking by Country (2017 and Last Five Years)

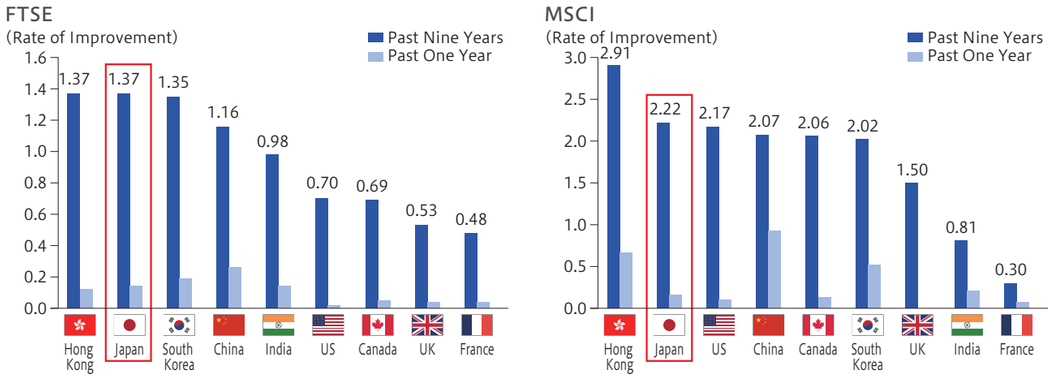
FTSE						
March 2017	March 2022	March 2023	March 2024	March 2025	March 2026	Latest Value
						3.87
						3.82
						3.39
						3.37
						3.30
						3.29
						3.23
						3.16
						2.31

MSCI						
March 2017	March 2022	March 2023	March 2024	March 2025	March 2026	Latest Value
France	UK	UK	UK	UK	UK	8.09
UK	France	France	France	France	France	7.37
Canada	Canada	Canada	Japan	Japan	Japan	7.34
Japan	Japan	Japan	Canada	Canada	Canada	7.19
US	US	US	US	US	US	6.73
South Korea	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Hong Kong	6.64
India	India	South Korea	South Korea	South Korea	South Korea	5.99
Hong Kong	South Korea	India	India	India	India	4.67
China	China	China	China	China	China	4.51

(Note 1) This figure shows the change over the nine years from the end of March 2017 to the end of March 2026 and over the most recent year.
(Note 2) ESG rating of constituents by country is calculated as the arithmetic average.

Figure 4 shows the rate of improvement in ESG ratings for each country analyzed. Japanese companies are among the biggest improvers over the past nine years based on the ratings provided by both FTSE and MSCI, despite only a slight improvement over the past year.

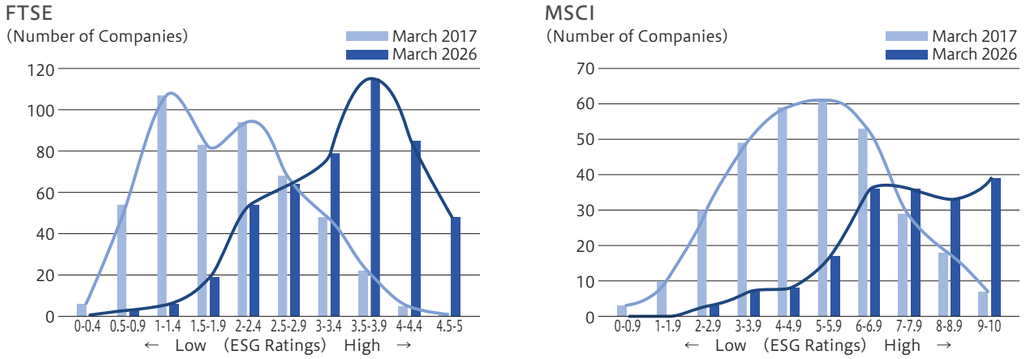
Figure 4. Rate of Improvement in FTSE and MSCI ESG Ratings by Country



(Note 1) This figure shows the change over the nine years from the end of March 2017 to the end of March 2026 and over the most recent year.
(Note 2) ESG rating of constituents by country is calculated as the arithmetic average.

Figure 5 compares the distributions of ESG ratings by FTSE and MSCI for Japanese companies as of March 31, 2017 and March 31, 2026. The distributions have shifted to the right, indicating a general improvement in the ratings of Japanese companies.

Figure 5. FTSE and MSCI ESG Rating Distribution for Japanese Companies



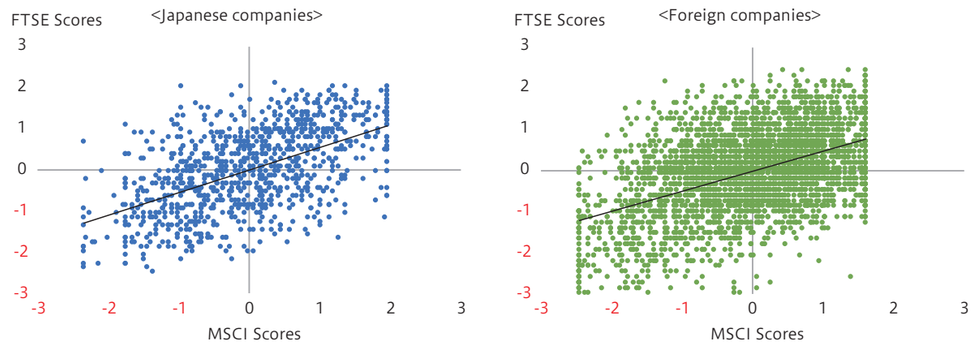
(Note) Among the companies included in FTSE's "FTSE All World Index" and MSCI's "MSCI All Country World Index," the analysis presented in Figures 3 to 5 focuses on companies for which an ESG rating is available.
(Source) Prepared by GPIF based on data from FTSE and MSCI. FTSE Russell. Reproduced by permission of MSCI Solutions (UK) Limited ©2026.

Correlation Between ESG Ratings

Unlike financial analysis, ESG ratings deal with a variety of non-financial information, and no standardized rating methodologies have yet been established. For this reason, there is considerable variation among ESG ratings by rating agencies.

The scatter plot in Figure 6 shows the ESG scores for the same target companies as of March 31, 2026, with scores by FTSE on the vertical axis and those by MSCI on the horizontal axis. Despite some dispersion, a certain degree of positive correlation is evident for both Japanese and foreign companies.

Figure 6. Distribution of FTSE and MSCI ESG Scores (as of March 31, 2026)



(Note) Normalized (mean 0, variance 1) and plotted ESG rating data from FTSE and MSCI.
(Source) Prepared by GPIF based on data from FTSE and MSCI. FTSE Russell. Reproduced by permission of MSCI Solutions (UK) Limited ©2026.

Figure 7 shows historical trends in the correlations between ESG score data from FTSE and MSCI. The correlation coefficients for Japanese companies have historically been lower than those for foreign companies. However, we have observed that recently, the correlation coefficients for Japanese companies have exceeded those for foreign companies.

Figure 7. Trends in Correlation Coefficient of ESG Score Data from FTSE and MSCI (2017 and Last Five Years)

<Japanese companies>

	ESG	E	S	G
Correlation Coefficient				
2017/3 (a)	0.37	0.47	0.11	0.04
2022/3 (b)	0.51	0.49	0.12	0.14
2023/3 (c)	0.53	0.45	0.07	0.15
2024/3 (d)	0.54	0.41	0.07	0.19
2025/3 (e)	0.54	0.40	0.09	0.27
2026/3 (f)	0.54	0.38	0.15	0.30
Change in Correlation Coefficient				
Past One Year (f-e)	+0.00	-0.03	+0.05	+0.04
Past Nine Years (f-a)	+0.17	-0.09	+0.03	+0.26

<Foreign companies>

	ESG	E	S	G
Correlation Coefficient				
2017/3 (a)	0.48	0.37	0.20	0.26
2022/3 (b)	0.59	0.44	0.27	0.37
2023/3 (c)	0.63	0.35	0.26	0.42
2024/3 (d)	0.59	0.33	0.24	0.42
2025/3 (e)	0.54	0.33	0.22	0.39
2026/3 (f)	0.49	0.33	0.22	0.33
Change in Correlation Coefficient				
Past One Year (f-e)	-0.05	-0.00	-0.01	-0.06
Past Nine Years (f-a)	+0.01	-0.05	+0.02	+0.07

(Note) Including stocks for which an ESG rating is available for FTSE and MSCI.
(Source) Prepared by GPIF based on data from FTSE and MSCI. FTSE Russell. Reproduced by permission of MSCI Solutions (UK) Limited ©2026.

Support for Climate-Related Financial Disclosures

GPIF views climate change risks as difficult to eliminate completely through diversification and such risks are highly likely to manifest over the long term. We therefore believe that, as an asset owner, GPIF should take the lead in addressing these risks, and engage in information disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Climate-Related Financial Disclosure Consistent with the TCFD Recommendations

For investors, climate change risks occur simultaneously across all asset classes and investee companies and cannot be completely eliminated through diversification. Moreover, it is highly likely that these risks will manifest at least in the long term, and we believe that GPIF, as an asset owner, should take the lead in addressing them. Accordingly, we declared support for the Task Force on Climate-related Financial Disclosures (TCFD)[1] in December 2018 and began disclosing information in accordance with the TCFD recommendations in the 2018 ESG Report, published in the following fiscal year.

The TCFD was disbanded in October 2023, before the IFRS Sustainability Disclosure Standards (S1 and S2) went into effect in January 2024. The IFRS Sustainability Disclosure Standards build on the four thematic areas of the TCFD recommendations (governance, strategy, risk management, and metrics and targets) and require companies to disclose information that contributes to investment decisions to investors. Although there is currently no disclosure framework in the IFRS Sustainability Disclosure Standards that is equivalent to the TCFD's Supplemental Guidance for the Financial Sector, we continue to disclose information in line with the TCFD recommendations for all aspects of our activities relating to sustainability investment, including investment and activities focused on addressing climate change risks.

In GPIF's Sustainability Investment Policy,[2] we state our aim to reduce sustainability-related risks, and position sustainability-related risk analysis as one of the key initiatives for achieving this objective. This analysis is conducted to promote continuous improvement based on a PDCA cycle aimed at reducing sustainability-related risks. Rather than limiting the analysis to regular monitoring and assessment of the current state, we also conduct time-series analysis to examine the factors driving changes over time. Based on the results of these analyses, GPIF will promote engagement with investee companies through its external asset managers, as well as dialogue and collaboration with market participants, with the aim of creating a virtuous cycle throughout the investment chain that leads to higher long-term investment returns through the sustainable growth of investee companies and the market as a whole.

Governance — Disclose the organization's governance around climate- and nature-related risks and opportunities.

- GPIF's Investment Principles, Sustainability Investment Policy, and Stewardship Principles clearly state that GPIF shall promote sustainability investment including ESG, such as climate change, and GPIF actively works to achieve this declaration.
- The Board of Governors, which oversees the Executive Office, receives reports on sustainability from the Executive Office as necessary (page 19).
- GPIF's Executive Office convenes Investment Committee meetings to make decisions on climate change and other sustainability-related initiatives. An organizational structure is in place to implement these initiatives (page 20).

Strategy — Disclose the actual and potential impacts of climate- and nature-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.

- GPIF proactively integrates sustainability including ESG across all asset classes. In equity investment, we incorporate external asset managers' sustainability activities into their evaluations as well as conduct investment based on ESG indexes (pages 25 – 26). We invest in ESG bonds through in-house operation of domestic bonds and through external asset managers (page 32). We also promote ESG integration in our alternative investments (pages 33 – 34).
- In relation to the environment (E) in particular, we use indexes for equity investment that focus on each company's carbon efficiency (pages 25 – 26) and invest in ESG bonds including green bonds, transition bonds, and similar instruments (page 32).
- In addition to measuring the carbon footprint of GPIF's portfolio (pages 61 – 64), we evaluate physical and transition risks and opportunities under various climate scenarios and estimate the impact on investment returns.

Risk management — Disclose how the organization identifies, assesses and manages climate-related risks.

- GPIF has developed a system for monitoring greenhouse gas (GHG) emissions (carbon footprint and carbon intensity) for its entire portfolio as well as for each fund to which we outsource the management.
- The Portfolio Risk Management Committee meets monthly to monitor the risk management status of ESG indexes and other investments (page 20). As well as requiring external asset managers to actively engage with companies on material ESG issues, GPIF engages with index providers to encourage improvement in the evaluation methods used within the methodologies of the ESG indexes that GPIF adopts (page 27).

Metrics and targets — Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

- GPIF aims to control portfolio risks and secure opportunities for investment return by contributing to curbing greenhouse gas (GHG) emissions across the entire economy, through dialogue with external asset managers and investment considering ESG (pages 25 – 26 and 39 – 46).
- GPIF measures Scope 1 to Scope 3 carbon footprints of its portfolio and compares these with each portfolio benchmark by asset class. We also calculate each portfolio's carbon intensity using weighted average carbon intensity (pages 61 – 64).
- Climate Value-at-Risk (CVaR) is a metric used to estimate climate change-related revenue opportunities in addition to transition and physical risks due to climate change (pages 65 – 69).
- Implied Temperature Rise (ITR) is a metric used to assess the potential impact on global warming (pages 70 – 72).

1 The Financial Stability Board (FSB) established the TCFD in December 2015. The TCFD released its recommendations on how companies and others can better disclose information related to climate change risks and opportunities in June 2017.
2 GPIF's Sustainability Investment Policy (https://www.gpif.go.jp/en/investment/26487392gpif/sustainablity_investment_policy_en.pdf).

Analysis of Portfolio Greenhouse Gas Emissions — Characteristics of GPIF's Portfolio —

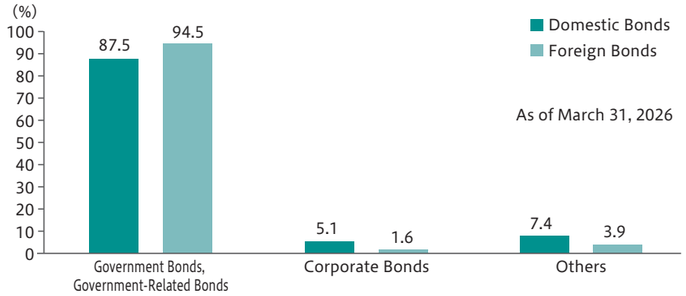
In Chapter 4, we measure greenhouse gas emissions from the assets in GPIF's portfolio and analyze the portfolio's climate change risks. As a preliminary step, this section presents the characteristics of GPIF's portfolio and our measurements of greenhouse gas emissions per million yen of sales for each industry sector in the equities portfolio.

Characteristics of GPIF's Portfolio

In Chapter 4, we measure greenhouse gas emissions (hereinafter "GHG emissions"), analyze transition risks[1] and physical risks,[2] and analyze the implied temperature rise for the domestic and foreign equities within GPIF's portfolio, based on data as of March 31, 2026. Because analysis results are heavily influenced by asset value and sector weighting, it is important to understand the characteristics of our portfolio prior to interpreting these results.

GPIF's portfolio is composed of roughly half bonds and half equities by overall market value. As of March 31, 2026, domestic equities accounted for 23.81% of the total portfolio, foreign equities for 24.80%, domestic bonds for 26.91%, and foreign bonds for 24.48%. The majority of our bond portfolio, both domestic and foreign, consists of government bonds and government-related bonds, with corporate bonds—GHG emissions are measured for this subset—accounting for a small proportion of the portfolio (Figure 1). For this reason, the bond portfolio has only a limited impact on the GHG emissions of GPIF's overall portfolio, and the following analysis only considers the equities portfolio.

Figure 1. Breakdown by Category in GPIF Bond Portfolio



(Note) "Others" includes securitized products.
(Source) GPIF

First, an examination of the composition of GPIF's equities portfolio by industry sector[3] reveals differences between domestic and foreign equities. The largest sectors in the domestic equities portfolio, in order of proportion, are industrials, financials, and consumer discretionary, whereas in the foreign equities portfolio, they are information technology, financials, and industrials (see the proportional weights in Figure 2).

Next, we examine the characteristics of GHG emissions by industry sector. The data shown here is for GHG emissions per million yen of sales. This metric is used to evaluate companies' GHG emissions efficiency while taking into account differences in corporate scale, enabling us to compare emissions efficiency across different industry sectors and companies. The scope of total GHG emissions used in the analysis includes not only direct emissions by the company itself (Scope 1) and indirect emissions related to purchased electricity (Scope 2) but also indirect emissions from procured products and services other than purchased electricity (Scope 3 Upstream) and indirect emissions from the consumption and use of sold products and services (Scope 3 Downstream) (Figure 3).

Similar trends are apparent in GHG emissions by industry for both domestic and foreign equities (see Scope 1+2 and Scope 1+2+3 in Figure 2). For both domestic and foreign equities, Scope 1+2 GHG emissions per million yen of sales are highest in the energy, materials, and utilities sectors. For Scope 1+2+3, the highest emissions per million yen of sales are observed in energy, materials, industrials, financials, and utilities. The energy, materials, industrials, and utilities sectors include companies with large direct and indirect emissions, while the financials sector includes the GHG emissions of investees and borrowers, which explains why emissions per million yen of sales tend to be high for this sector.

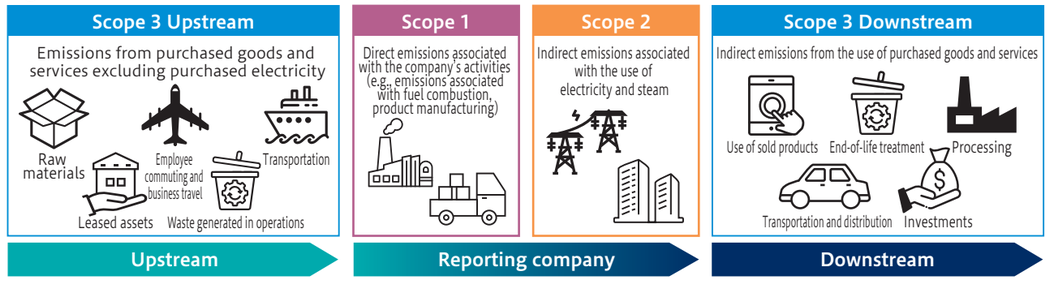
It is necessary to bear in mind both the sector composition and tendency of sector GHG emissions when understanding the results of the analysis presented in the following sections. Around 90% of domestic equities and 80% of foreign equities in GPIF's equities portfolio are held through passive funds, which means our investment is largely identical to the sector ratios of each benchmark.

Figure 2. Breakdown of GPIF Equities Portfolio by Sector Based on Total Market Value and Greenhouse Gas Emissions per Million Yen of Sales[4] (CO_2 Equivalent Tons)

	Domestic Equities			Foreign Equities		
	Proportional Weight	Scope 1+2	Scope 1+2+3	Proportional Weight	Scope 1+2	Scope 1+2+3
Energy	1.2%	1.68	19.27	4.9%	2.22	27.68
Materials	5.5%	4.41	10.66	3.9%	4.98	17.43
Industrials	27.4%	0.58	22.80	10.1%	0.69	21.84
Consumer Discretionary	15.3%	0.26	8.18	9.1%	0.26	4.27
Consumer Staples	5.3%	0.42	3.19	5.5%	0.32	3.57
Healthcare	6.0%	0.17	0.72	9.1%	0.07	0.53
Financials	16.9%	0.04	11.67	17.0%	0.12	9.38
Real Estate	2.2%	0.18	1.96	1.7%	0.49	2.87
Information Technology	12.4%	0.33	2.55	27.3%	0.27	2.19
Communication Services	6.2%	0.20	0.90	8.7%	0.22	0.65
Utilities	1.5%	4.52	11.32	2.9%	8.20	14.56

(Note) GHG emissions are apportioned based on the percentage of the stock holdings of the issuing companies. The apportioned amount is calculated using the size of the holding in stocks in the issuing companies at the time of analysis as the numerator and the enterprise value including cash (EVIC) as the denominator.
(Source) Prepared by GPIF based on data from S&P. S&P Global Sustainable1, S&P Trucost Limited Copyright © 2026 S&P Global Inc.

Figure 3. Greenhouse Gas Emissions by Scope



(Note) The above figure indicates the major categories included in each scope.
(Source) Created by GPIF based on the Greenhouse Gas Protocol, etc.

1 Transition risks are risks that arise from policy, technological innovation, demand change, etc. that accompany the transition to a low-carbon economy.
2 Physical risks are risks from direct damage to an asset, supply chain disruption, etc., caused by climate change.
3 Based on the 11 sectors of the Global Industry Classification Standard (GICS).

4 The year-to-year percentage changes in GHG emissions of the top and bottom 1% of companies have been excluded from calculations as outliers. Data is as of March 31, 2026 (GHG emissions are calculated from available data as of March 31, 2026).

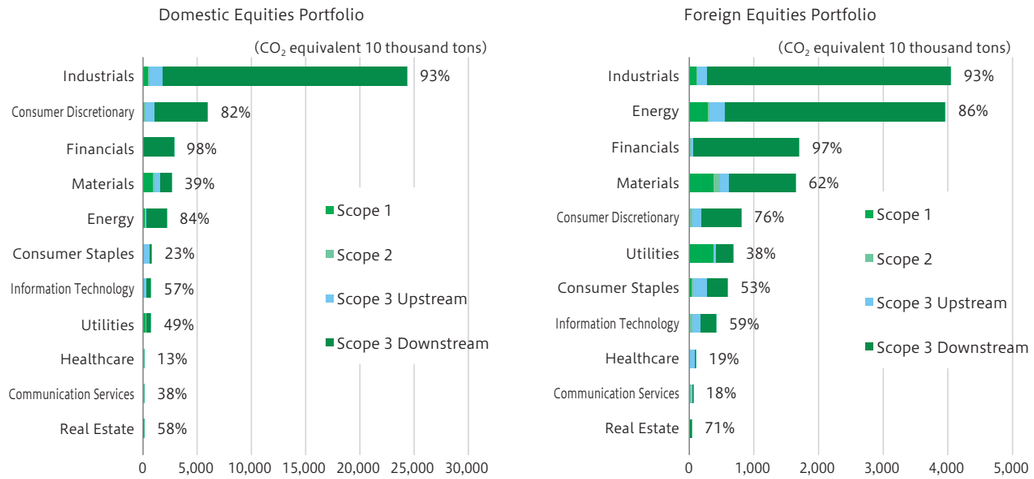
Analysis of Portfolio Greenhouse Gas Emissions
— Carbon Footprint and Carbon Intensity —

GPIF measures the carbon footprint and carbon intensity[1] of its portfolio each year as part of our climate-related financial disclosures in line with the TCFD recommendations. The changes in greenhouse gas emissions in each asset class are significantly affected by the changes in constituents and amounts held in GPIF's portfolio.

Greenhouse Gas Emissions by Sector Significantly Affected by Scope 3

Figure 1 shows greenhouse gas (GHG) emissions[2] for the equity portfolio at the end of fiscal 2025 by industry sector and by scope. This includes Scope 1, Scope 2, and Scope 3 GHG emissions. For both domestic and foreign equities, total emissions were greatest in the industrials sector. For foreign equities, total emissions were also high in the energy sector. Focusing on industry sectors with a particularly large proportion of Scope 3 Downstream emissions, we see that the proportion was notably high in the industrials, energy, and consumer discretionary sectors, as well as in the financials sector, which includes Scope 3 Downstream GHG emissions from investees and borrowers. Portfolios with a higher weighting of companies in these sectors require caution, as analysis results change significantly depending on whether or not Scope 3 is included in the calculation. In the analyses below, the top and bottom 1% of companies in terms of year-to-year percentage change in GHG emissions have been excluded from our calculations as outliers. Additionally, for Scope 3, many companies do not disclose their emissions, and results are highly dependent on model estimates. Therefore, Scope 3 has been excluded from our analysis of historical trends and analysis of the main causes of change (Figure 3 and Figure 4 on page 62, Figure 6 and Figure 7 on page 63).

Figure 1. Greenhouse Gas Emissions by Industry Sector and Scope



(Note 1) Data available as of March 31, 2026.
(Note 2) Numbers on the graph are the percentage of Scope 3 Downstream emissions to total emissions.
(Source) Prepared by GPIF based on data from S&P. S&P Global Sustainable1, S&P Trucost Limited Copyright © 2026 S&P Global Inc.

1 Carbon footprint, an indicator of the total GHG emissions of investee companies, is used to measure the volume of emissions. Carbon intensity indicates the volume of GHG emissions per unit of net sales. It is used to adjust for differences in corporate scale and compare between companies and portfolios.
2 GHG emissions are apportioned based on the percentage of the stock holdings of the issuing companies. The apportioned amount is calculated using the size of GPIF's stockholding at the time of analysis as the numerator and the enterprise value including cash (EVIC) as the denominator.

Carbon Footprint (GHG Emissions) Analysis

Figure 2 shows the measurement of Scope 1–3 emissions for GPIF's equity portfolio as of the end of fiscal 2025. Total emissions are higher for domestic equities than for foreign equities, with domestic equities at roughly the same level as the TOPIX, the policy benchmark for domestic equities, and foreign equities at roughly the same level as the MSCI ACWI (ex Japan ex China A after taking into account GPIF dividend tax factors), the policy benchmark for foreign equities. This result is influenced by the relative size and sector of holdings of each asset class within GPIF's portfolio as shown in Figures 1 and 2 on pages 59 – 60, as well as the proportion of the portfolio invested in passive funds. The breakdown of GHG emissions in domestic and foreign equities shows that Scope 3 accounts for the major proportion of total emissions.

Figure 3 shows the trends in GHG emissions (Scope 1+2), using 100 for fiscal 2016 emissions as a base. Emissions have generally been declining since fiscal 2016 for both domestic and foreign equities, a trend that has continued in the most recent data for domestic equities, while emissions in the foreign equities portfolio have risen slightly.

Figure 4 shows the main causes of the changes in GHG emissions (Scope 1+2) from fiscal 2024 to fiscal 2025. We have analyzed the causes of the changes in GHG emissions in terms of "investee emissions," which represents the change due to GHG emissions by investee companies, "portfolio weighting," which represents the change attributable to the ownership ratio, calculated by using GPIF's stockholdings in each company as the numerator and the company's enterprise value including cash (EVIC) as the denominator, and "compound factors," which represents other causes. While GHG emissions from domestic equities decreased by 2.23 million tons from the previous fiscal year, those from foreign equities increased by 0.17 million tons. In both cases, portfolio weighting was the primary cause of the change. (See Figure 8 on page 64 for the carbon footprint of the equities portfolio by industry sector and a factor breakdown by sector.)

Figure 2. Carbon Footprint by Scope

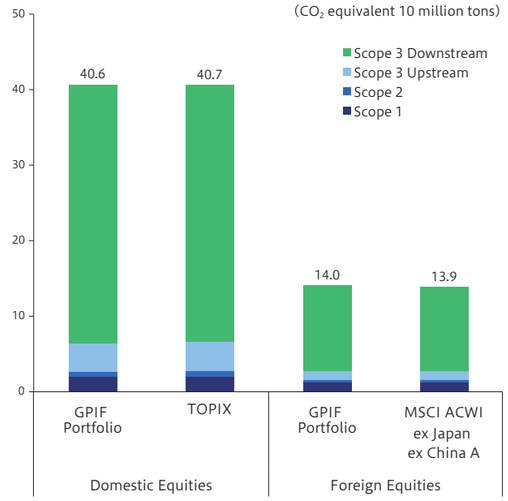
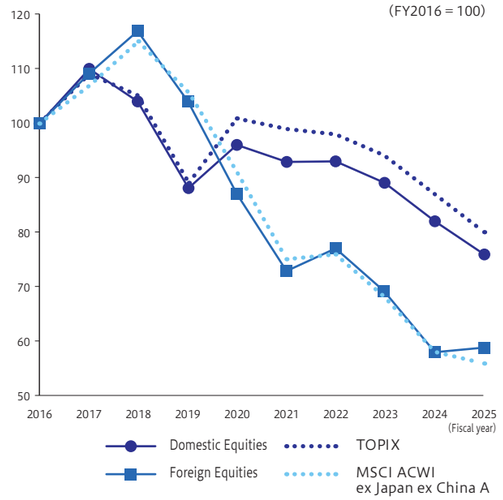


Figure 3. Carbon Footprint Trends



(Note) Data available as of March 31, 2026.
(Note) MSCI ACWI ex Japan ex China A refers to MSCI ACWI (ex Japan ex China A after taking into account GPIF dividend tax factors).
(Note) Carbon footprint is calculated based on Scope 1+2.
(Source) Figures 2 & 3: Prepared by GPIF based on data from S&P. S&P Global Sustainable1, S&P Trucost Limited Copyright © 2026 S&P Global Inc.

Figure 4. Analysis of Main Causes of Change in Carbon Footprint

(CO_2 equivalent 10 thousand tons)

	Domestic Equities					Foreign Equities				
	Emissions in FY2025	Change in emissions by factor				Emissions in FY2025	Change in emissions by factor			
			Investee emissions	Portfolio weighting	Compound factors			Investee emissions	Portfolio weighting	Compound factors
GPIF Portfolio	2,656	−223	+19	−206	−35	1,512	+17	+3	+16	−2

(Note) Carbon footprint is calculated based on Scope 1+2.
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Carbon Intensity Analysis

Figure 5 shows Scope 1 to 3 carbon intensity for the equity portfolio at the end of fiscal 2025. For this analysis, weighted average carbon intensity (WACI) was used as the basis for the calculation of carbon intensity. WACI is a weighted average of GHG emissions[3] per million yen of sales, weighted by the portfolio holdings. WACI is higher for domestic equities than for foreign equities, with levels roughly equivalent to those of the TOPIX, the policy benchmark for domestic equities, and the MSCI ACWI (ex Japan ex China A after taking into account GPIF dividend tax factors), the policy benchmark for foreign equities. The WACI breakdown by asset class shows that Scope 3 accounts for the major proportion in both domestic and foreign equities.

Figure 6 shows the trend of WACI (Scope 1+2), using 100 for fiscal 2016 as a base. WACI has generally been declining since fiscal 2016 for both domestic and foreign equities. The most recent data indicates a slight decrease for foreign equities and a slight increase for domestic equities.

Figure 7 shows the main causes of the change in WACI (Scope 1+2) from fiscal 2024 to fiscal 2025. We have analyzed the causes of this change in terms of "investee carbon intensity," which represents the change due to the carbon intensity (GHG emissions divided by net sales) of investee companies, "portfolio weighting," which represents the change due to each company's weighting in the portfolio, and "compound factors," which represents other causes. WACI increased by 0.02 tons for domestic equities and decreased by 0.02 tons for foreign equities. In both cases, WACI was decreased by investee carbon intensity and increased by portfolio weighting. In other words, the change in GHG emissions per million yen of corporate sales was the main factor driving WACI downward, while the change in GPIF's equities portfolio composition was the main factor driving it up. (See Figure 9 on page 64 for WACI by industry sector and a factor breakdown by sector for the equities portfolio.)

Figure 5.
Weighted Average Carbon Intensity (WACI) by Scope

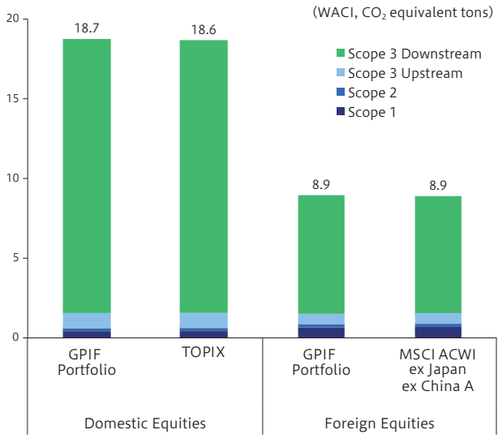
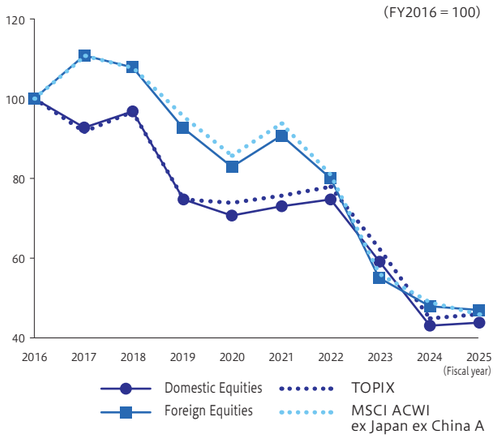


Figure 6.
Trends in Weighted Average Carbon Intensity (WACI)



(Note) Data available as of March 31, 2026.
(Note) WACI is calculated based on Scope 1+2.
(Note) MSCI ACWI ex Japan ex China A refers to MSCI ACWI (ex Japan ex China A after taking into account GPIF dividend tax factors).
(Source) Figures 5 & 6: Prepared by GPIF based on data from S&P. S&P Global Sustainable1, S&P Trucost Limited Copyright © 2026 S&P Global Inc.

Figure 7. Analysis of Main Causes of Change in Weighted Average Carbon Intensity (WACI)

(CO_2 equivalent tons)

	Domestic Equities					Foreign Equities				
	WACI in FY2025	Change in WACI by factor	Investee carbon intensity	Portfolio weighting	Compound factors	WACI in FY2025	Change in WACI by factor	Investee carbon intensity	Portfolio weighting	Compound factors
GPIF Portfolio	0.60	+0.02	−0.01	+0.02	+0.00	0.85	−0.02	−0.06	+0.05	−0.01

(Note) WACI is calculated based on Scope 1+2.
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3 Based on unallocated GHG emissions.

Analysis of the Main Causes of Changes in Carbon Footprint and Carbon Intensity in the Equities Portfolio by Sector

Figure 8 shows a breakdown by sector of the main causes of the change in GHG emissions (Scope 1+2) from fiscal 2024 to fiscal 2025, presented in Figure 4 on page 62. Figure 9 shows a breakdown by sector of the main causes of the change in WACI (Scope 1+2) from fiscal 2024 to fiscal 2025, presented in Figure 7 on page 63. No substantial changes are apparent in GHG emissions or WACI for either domestic or foreign equities, apart from a large decrease in GHG emissions in the materials sector for domestic equities due to portfolio weighting. The data in Figure 9 are shown in kilograms, as the amounts of WACI by industry sector are too small to display practically in tons.

Figure 8. Analysis of Main Causes of Change in Carbon Footprint (by Sector)

(CO_2 equivalent 10 thousand tons)

	Domestic Equities					Foreign Equities				
	Emissions in FY2025	Change in emissions by factor	Investee emissions	Portfolio weighting	Compound factors	Emissions in FY2025	Change in emissions by factor	Investee emissions	Portfolio weighting	Compound factors
Energy	190	-0	-12	+13	-1	317	+6	-0	+7	-1
Materials	1,088	-180	+38	-189	-29	471	+17	+3	+13	+0
Industrials	620	-8	+15	-23	+0	128	+0	+0	+0	-0
Consumer Discretionary	188	-6	+9	-15	+0	49	-3	-0	-2	-0
Consumer Staples	106	-26	-1	-24	-0	53	-3	+1	-4	-0
Healthcare	30	-4	+0	-4	+0	13	-3	-2	-1	+0
Financials	11	+1	+0	+0	-0	22	-1	-0	-1	-0
Information Technology	95	-20	-17	-4	+2	51	+3	+3	+0	-0
Communication Services	24	-4	+2	-5	-0	21	+1	+1	-0	+0
Utilities	295	+23	-18	+47	-6	381	-0	-4	+4	-1
Real Estate	10	+0	+2	-1	-1	6	-1	-0	-1	-0

(Note) Carbon footprint is calculated based on Scope 1+2.

Figure 9. Analysis of Main Causes of Change in Weighted Average Carbon Intensity (WACI) (by Sector)

(CO_2 equivalent kilograms)

	Domestic Equities					Foreign Equities				
	WACI in FY2025	Change in WACI by factor	Investee carbon intensity	Portfolio weighting	Compound factors	WACI in FY2025	Change in WACI by factor	Investee carbon intensity	Portfolio weighting	Compound factors
Energy	26	+8	-0	+9	-0	139	+12	-5	+18	-2
Materials	201	-3	+3	-6	+0	196	-2	-8	+7	-1
Industrials	157	+14	-1	+12	+3	63	-9	-8	-0	-1
Consumer Discretionary	37	-6	-3	-5	+1	31	-4	-3	-1	-0
Consumer Staples	22	-7	-2	-4	-0	16	-4	-1	-3	+0
Healthcare	15	-2	-2	-1	+0	10	-3	-2	-1	+0
Financials	10	-1	-2	+1	-0	15	-5	-2	-3	+0
Information Technology	41	+3	-3	+8	-2	67	+17	-7	+34	-10
Communication Services	12	-2	+0	-2	-0	19	+1	-1	+2	+0
Utilities	79	+13	+2	+10	+1	287	-21	-22	-2	+3
Real Estate	5	-0	+0	-0	-0	10	-3	-2	-1	+0

(Note) WACI is calculated based on Scope 1+2.
(Source) Figures 8 & 9: Prepared by GPIF based on data from S&P. S&P Global Sustainable1, S&P Trucost Limited Copyright © 2026 S&P Global Inc.

Financial Impact — Climate VaR Analysis —

Changes in policies and measures to address natural disasters resulting from climate change impose costs on companies, while also creating opportunities to increase revenues through increased demand for environmental technologies. GPIF measures the impact of climate change risks on corporate value using an analytical method called Climate Value-at-Risk (CVaR).[1] Using CVaR enables an integrated analysis of not only the negative impacts (risks) but also the positive impacts (revenue opportunities) on corporate value.

Analysis of Equities Portfolio Using Climate Value-at-Risk

This section uses Climate Value-at-Risk (hereinafter, "CVaR") to analyze climate change risk in our equities portfolio. CVaR is a metric for estimating the impact of climate change on corporate value under various scenarios published by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), which is composed of the central banks and financial supervisory authorities of major countries, and others. Specifically, it estimates risks and opportunities from three perspectives: (1) policy risks, which take into account the costs of reducing GHG emissions arising from regulations and other measures, the costs passed through to electricity prices, and the impacts on the supply chains, such as the passing on of costs from upstream suppliers and declines in downstream demand; (2) technology opportunities, which take into account revenues from current environmental technologies and future revenue opportunities arising from R&D investments, based on patent information; and (3) physical risks, which take into account the direct impacts of chronic and acute climate change on companies' operations, such as damage to factories. This fiscal year, we extended our analysis to "macroeconomic physical risks," capturing the broader economic implications of climate change in addition to the conventional assessment of physical risks.[2] In addition, to make the impact of these macroeconomic physical risks easier to understand, we have adopted a new analytical model that conservatively estimates the positive impact of technology opportunities.

Below, we present the results of the analysis of the impact on GPIF's equities portfolio under each NGFS climate change scenario, showing the results with and without macroeconomic physical risks taken into account.

An outline of the eight baseline scenarios is presented in Figure 1. These scenarios cover three major cases with temperature increases of +1.5°C, +2.0°C and +3.0°C. Variations are added to each of the three major cases to account for differences in factors such as the timing of policy introduction and the speed of technological change, resulting in the eight baseline scenarios.

Figure 1. NGFS Climate Change Scenarios

	Baseline Scenario	Temperature Increase	Scenario	Policy Introduction	Technological Change
①	1.5°C, disorderly transition	+1.5°C	Divergent Net Zero	Immediate but divergent across sectors	Fast
②	1.5°C, orderly transition	+1.5°C	Net Zero 2050	Immediate and smooth	Fast
③	1.5°C, orderly transition (low energy demand) (Note)	+1.5°C	Low Demand	Immediate and smooth	Fast
④	2.0°C, disorderly transition	+2.0°C	Delayed Transition	Delayed	Slow
⑤	2.0°C, orderly transition	+2.0°C	Below 2°C	Immediate and smooth	Moderate
⑥	3.0°C, hot house world (fragmented world)	+3.0°C	Fragmented World	Delayed and fragmented	Slow/fragmented
⑦	3.0°C, hot house world (NDCs)	+3.0°C	Nationally Determined Contributions (NDCs)	NDCs	Slow
⑧	3.0°C, hot house world (current policies)	+3.0°C	Current Policies	None (current policies)	Slow

(Note) Scenario assumes decline in energy demand due to reduced emissions, introduction of technology and behavioral changes.
(Source) Prepared by GPIF based on data from MSCI. Reproduced by permission of MSCI Solutions (UK) Limited ©2026.

Figure 2 shows the results of our CVaR analysis of GPIF's equities portfolio as of March 31, 2026, based on these eight scenarios, excluding the impact of macroeconomic physical risks. Our analysis indicates that in scenarios ① and ②, which approach Net Zero 2050, policy risks become increasingly negative because of the introduction of stricter environmental regulations on companies. Meanwhile, physical risks become less negative because the physical impacts of climate change will be mitigated under these scenarios. Additionally, technology opportunities become more positive due to increased revenue opportunities resulting from increased demand for environmental technologies. While a comparison of the CVaR of domestic and foreign equities for each scenario reveals a similar trend overall, the positive contribution of technology opportunities is relatively larger for domestic equities. (However, as noted above, this positive contribution was relatively limited compared with the previous fiscal year.) Focusing on aggregated CVaR, which combines CVaR for policy risks, technology opportunities, and physical risks, we observed that for both domestic and foreign equities, the "1.5°C, orderly transition" scenario (scenario ②) represents the greatest climate change risk (hereinafter "risk") among all scenarios.

Figure 3 presents the results of the scenario-based CVaR analysis shown in Figure 2, incorporating macroeconomic physical risks. The closer a scenario is to current policies that lead to continued global warming, the greater the impact of climate change on the macroeconomy, resulting in a larger negative effect from macroeconomic physical risks. This result is attributable to the fact that, within the model, the macroeconomic impact is quantitatively larger than the direct operational damage to companies caused by natural disasters. Under all of the +2.0°C and +3.0°C warming scenarios, in particular, we observe greater negative values of aggregated CVaR for both domestic and foreign equities when macroeconomic physical risks are included.

In the analysis excluding "macroeconomic physical risks," the "⑧ 3.0°C, hot house world (current policies)" scenario, which had the lowest level of risk, became, in contrast, the scenario with the highest level of risk among all scenarios for both domestic and foreign equities when "macroeconomic physical risks" were included. This contrast underscores the substantial differences in analytical outcomes depending on whether macroeconomic physical risks are taken into account.

Figure 2. CVaR of the Domestic and Foreign Equities Portfolios

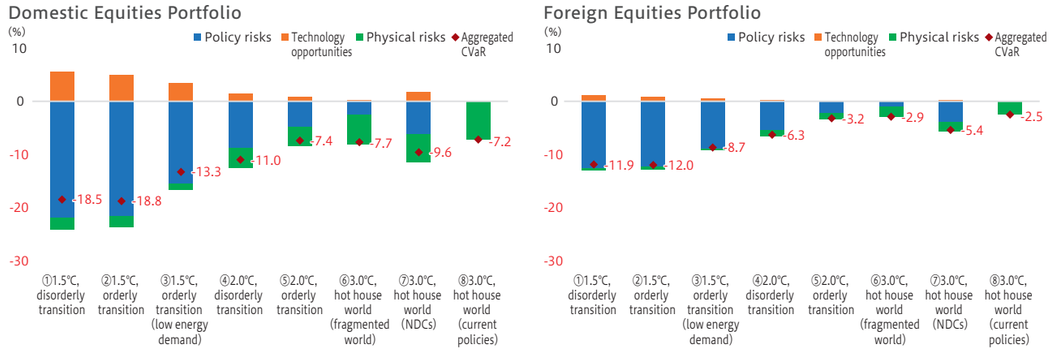
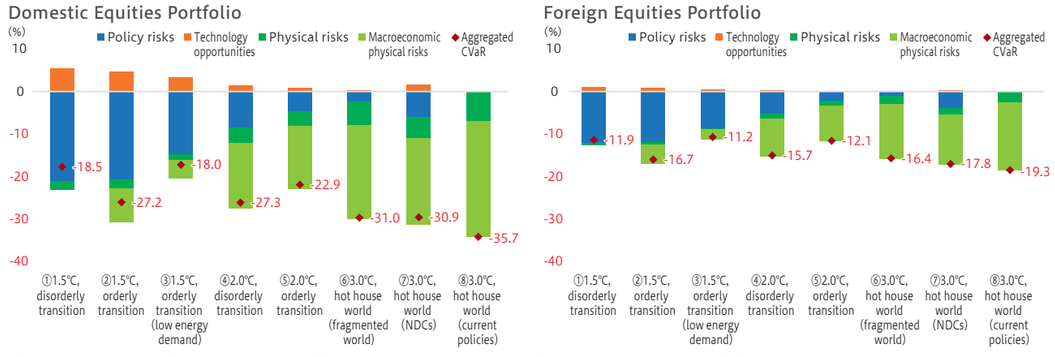


Figure 3. CVaR of the Domestic and Foreign Equities Portfolios (Including Macroeconomic Physical Risks)



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1 This section uses MSCI's Climate Value-at-Risk (CVaR) metric. Please refer to the following website for methodology and other information on this metric.
https://www.msci.com/legal/sustainability-and-climate-resources-and-disclosures/msci-sustainability-and-climate-methodologies
2 Each issuer's macroeconomic physical risks are calculated by multiplying the "country-specific macroeconomic damage intensity" by the issuer's country exposure. The country-specific macroeconomic damage intensity is calculated by deducting conventional physical risks in each country from the total estimated damage to the country based on each NGFS scenario.

Analysis of Private Equity Climate VaR

In this analysis, we estimate CVaR of each private equity (PE) investee to calculate the CVaR of GPIF's entire PE portfolio. An examination of the composition of the constituents of GPIF's PE portfolio by region reveals that over 60% are based in the United States,[3] a similar percentage to the foreign equities portfolio. Given this fact, we have analyzed the CVaR of the PE portfolio through a comparison with the foreign equities portfolio.

In GPIF's PE portfolio, the most negative aggregated CVaR was estimated for the "①1.5°C, disorderly transition" scenario, followed by the "②1.5°C, orderly transition" scenario, which also resulted in a large negative value (Figure 4). On the other hand, in the foreign equities portfolio, the most negative aggregated CVaR was estimated for the "②1.5°C, orderly transition" scenario, followed by the "①1.5°C, disorderly transition" scenario, although the difference was only slight (Figure 2). However, whereas the foreign equities portfolio recorded a larger negative aggregated CVaR for the 1.5°C scenarios, where the impact of policy risks was large, the PE portfolio recorded a larger negative aggregated CVaR for the 3.0°C scenarios (except for scenario ⑦), where the impact of policy risks was small.

Comparing the sector composition of the PE portfolio with that of the foreign equities portfolio, we see that energy, which has high GHG emissions, accounts for a relatively smaller percentage of the PE portfolio. On the other hand, information technology and healthcare, which have low GHG emissions, account for a relatively larger share. In other words, the composition of the PE portfolio is relatively weighted toward low-carbon industries (Figure 5). As a result, we infer that under the 1.5°C scenarios, where policy risks have a significant negative impact on sectors with high GHG emissions, the negative impact on aggregated CVaR is milder in the PE portfolio than in the foreign equities portfolio. At the same time, however, it should be noted that the negative impact of physical risks, another component of CVaR, is actually slightly larger for the PE portfolio.

Figure 4. CVaR of the Private Equity Portfolio

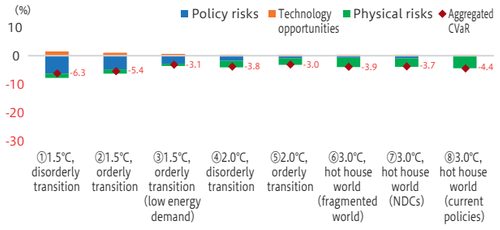

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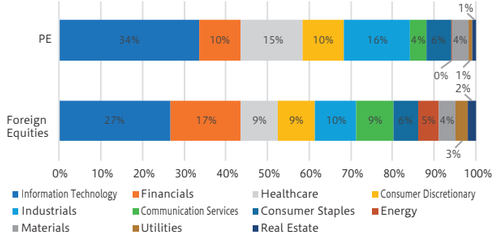
Figure 5. Portfolio Composition by Sector



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Climate Value-at-Risk by Industry Sector in the Equities Portfolio

Figures 6 and 7 present the results of our CVaR analysis by industry for the equities portfolio as of March 31, 2026 (including macroeconomic physical risks), as well as changes from the previous fiscal year (excluding changes in macroeconomic physical risks). All analyses have been conducted based on the scenario for achieving net zero by 2050 (scenario ②1.5°C, orderly transition).

Looking at the aggregated CVaR for domestic equities as of March 31, 2026, it is evident that risk is larger in the consumer discretionary and industrials sectors, with policy risks being the primary contributing factor. With respect to technology opportunities and physical risks, the industrials sector has slightly higher exposure than the other sectors, which are at broadly comparable levels. In terms of the changes from the previous fiscal year (where a positive figure indicates a decline in risk and a negative figure indicates an increase in risk), physical risks have declined across all sectors, whereas policy risks have increased in most sectors, with the exception of a few. The total of policy risks, technology opportunities, and physical risks has also increased in all except a few sectors.

Aggregated CVaR for foreign equities shows that the energy sector has a higher level of risk than other sectors, in contrast to domestic equities, with policy risks being the primary contributing factor. For technology opportunities and physical risks, the levels are broadly similar across all sectors. The changes from the previous fiscal year show a pattern similar to that observed for domestic equities.

The CVaR figures as of March 31, 2025, used in Figure 6 to show the changes from the previous fiscal year, differ from the figures as of the same date that were disclosed in the 2024 Sustainability Investment Report. This is due to different model settings.

Figure 6. CVaR of the Domestic Equities Portfolio by Sector

	As of March 31, 2026 (%)					The changes since last FY (positive indicates decline in risk, negative indicates increase in risk) (%)				
	Policy risks	Technology opportunities	Physical risks	Macroeconomic physical risks	Aggregated CVaR	Policy risks	Technology opportunities	Physical risks	Macroeconomic physical risks	Aggregated CVaR
Energy	-1.2	+0.5	-0.1	-0.3	-1.2	-0.3	+0.0	+0.0		-0.2
Materials	-3.1	+0.6	-0.1	-0.6	-3.2	-0.2	-0.1	+0.1		-0.2
Industrials	-6.0	+2.9	-0.8	-2.1	-6.0	-0.6	-0.6	+0.2		-1.0
Consumer Discretionary	-5.5	+0.5	-0.3	-1.3	-6.7	-0.8	-0.1	+0.3		-0.5
Consumer Staples	-1.8	+0.0	-0.2	-0.8	-2.8	-0.2	-0.0	+0.1		-0.1
Healthcare	-0.4	+0.0	-0.1	-0.4	-0.9	-0.1	-0.0	+0.0		-0.0
Financials	-0.7	+0.0	-0.3	-1.7	-2.6	-0.1	+0.0	+0.2		+0.1
Real Estate	-0.2	+0.0	-0.1	-0.2	-0.4	-0.0	-0.0	+0.0		-0.0
Information Technology	-0.7	+0.1	-0.1	-0.4	-1.1	-0.1	-0.1	+0.1		-0.1
Communication Services	-0.3	+0.0	-0.0	-0.3	-0.6	+0.1	-0.0	+0.1		+0.2
Utilities	-1.5	+0.2	-0.2	-0.3	-1.8	-0.2	-0.1	+0.0		-0.3
Portfolio Total	-21.5	4.9	-2.2	-8.4	-27.2	-2.6	-0.9	1.3		-2.3

Figure 7. CVaR of the Foreign Equities Portfolio by Sector

	As of March 31, 2026 (%)					The changes since last FY (positive indicates decline in risk, negative indicates increase in risk) (%)				
	Policy risks	Technology opportunities	Physical risks	Macroeconomic physical risks	Aggregated CVaR	Policy risks	Technology opportunities	Physical risks	Macroeconomic physical risks	Aggregated CVaR
Energy	-4.3	+0.2	-0.1	-0.4	-4.6	-1.0	-0.1	+0.0		-1.1
Materials	-1.7	+0.1	-0.0	-0.2	-1.8	-0.3	-0.1	+0.1		-0.3
Industrials	-1.4	+0.2	-0.1	-0.4	-1.7	-0.4	-0.1	+0.0		-0.4
Consumer Discretionary	-0.9	+0.0	-0.1	-0.4	-1.4	-0.2	+0.0	+0.0		-0.1
Consumer Staples	-0.9	+0.0	-0.1	-0.5	-1.4	-0.2	-0.0	+0.0		-0.2
Healthcare	-0.4	+0.0	-0.0	-0.5	-0.9	-0.0	+0.0	+0.1		+0.0
Financials	-0.4	+0.0	-0.1	-1.3	-1.8	-0.1	-0.0	+0.1		+0.1
Real Estate	-0.0	+0.0	-0.0	-0.1	-0.1	-0.0	+0.0	+0.0		+0.0
Information Technology	-0.4	+0.0	-0.0	-0.5	-0.9	-0.1	-0.0	+0.0		-0.1
Communication Services	-0.1	+0.0	-0.0	-0.4	-0.5	+0.0	+0.0	+0.0		+0.0
Utilities	-1.6	+0.2	-0.1	-0.2	-1.6	-0.3	-0.3	+0.0		-0.5
Portfolio Total	-12.3	0.9	-0.6	-4.8	-16.7	-2.6	-0.5	0.5		-2.6

(Note 1) The figures for each sector as of March 31, 2026, represent their contribution to the total portfolio.
(Note 2) The changes from the previous fiscal year in aggregated CVaR do not include macroeconomic physical risks.
(Source) Prepared by GPIF based on data from MSCI. Reproduced by permission of MSCI Solutions (UK) Limited ©2026.

Physical Risks in the Equities Portfolio

Figures 8 and 9 present the results of our analysis focusing on physical risks within the CVaR of the equities portfolio as of March 31, 2026. We have analyzed a total of ten types of natural disasters comprising physical risks: extreme heat, extreme cold, extreme winds, extreme snowfall, extreme precipitation, tropical cyclones, coastal flooding, fluvial flooding, river low flows, and wildfires, and we assess the extent to which each sector affects CVaR for each type of natural disaster in the portfolio. As multiple types of natural disaster may occur simultaneously, the sum of the CVaR values for each type of natural disaster does not match the portfolio CVaR for physical risks.

Extreme heat and coastal flooding were the largest natural disaster risks, excluding river low

3 GPIF FY2025 Annual Report, P.61.

flows, for both domestic and foreign equities. While tropical cyclones and extreme precipitation tend to affect limited areas, extreme heat is a chronic natural disaster that can affect a wide area and potentially impact many companies simultaneously. Moreover, many major cities and industrial hubs around the world are located in coastal areas, where fixed assets are concentrated, making coastal flooding a potential risk to many companies. For river low flows, we have evaluated the impact on thermal and hydroelectric power plants operated by power generation companies, resulting in a relatively limited number of companies being affected. Since CVaR for physical risks is calculated as the market capitalization weighted average of the companies covered in the analysis, the portfolio total is not shown. The CVaR is positive for extreme cold and extreme snowfall for both domestic and foreign equities. This is because CVaR for physical risks evaluates not only direct disaster-related losses, such as reduced corporate earnings resulting from property damage, business interruptions, and productivity declines caused by climate-related natural disasters, but also the potential for such events to increase corporate earnings. For instance, rising temperatures may reduce the frequency of extreme cold or extreme snowfall, which could improve operating rates or lower heating costs in colder regions. These effects may contribute to enhanced corporate earnings and, in turn, act as a factor that pushes CVaR for physical risks into positive territory.

Among domestic equities, risks in the industrials sector tend to be elevated across many types of natural disasters. Among foreign equities, by contrast, no specific industry sector exhibits a consistently high risk exposure to particular types of natural disaster. This is also influenced by the sector composition of each asset class within GPIF's portfolio, as shown in Figure 2 on page 60. The data in Figures 8 and 9 are shown in basis points (bp: 1bp = 0.01%), as CVaR for each type of natural disaster is too small to display practically in percent.

Figure 8. CVaR of the Domestic Equities Portfolio for Physical Risks

As of March 31, 2026 (bp; 1bp = 0.01%)

	Extreme heat	Extreme cold	Extreme wind	Extreme snowfall	Extreme precipitation	Tropical cyclone	Coastal flooding	Fluvial flooding	River low flows	Wildfires
Energy	-5.3	0.4	-0.3	0.0	-0.4	-1.0	-6.0	0.0	0.0	0.0
Materials	-8.4	1.7	-0.1	0.0	-1.0	-1.3	-3.6	-0.2	0.0	0.0
Industrials	-30.8	10.0	-1.3	1.2	-8.3	-3.6	-42.2	-0.5	0.0	0.0
Consumer Discretionary	-19.6	3.6	-0.9	0.3	-3.8	-2.8	-8.2	-0.2	0.0	0.0
Consumer Staples	-7.8	1.4	-0.7	0.4	-4.1	-1.4	-3.9	-0.2	0.0	0.0
Healthcare	-3.6	0.9	-0.3	0.2	-2.0	-0.7	-1.9	0.0	0.0	0.0
Financials	-8.8	1.8	-3.6	0.2	-2.7	-1.4	-12.5	-0.3	0.0	0.0
Real Estate	-2.4	0.6	-0.2	0.0	-0.2	-0.7	-2.6	0.0	0.0	0.0
Information Technology	-3.9	0.7	-0.2	0.1	-0.7	-0.6	-0.6	-0.1	0.0	0.0
Communication Services	-1.9	0.6	0.1	0.1	-0.9	-0.4	-0.2	0.0	0.0	0.0
Utilities	-4.1	0.6	-0.5	0.2	-1.3	-0.5	-5.5	-0.1	-686.8	0.0
Portfolio Total	-96.6	22.2	-8.1	2.9	-25.3	-14.4	-87.3	-1.5	---	-0.1

Figure 9. CVaR of the Foreign Equities Portfolio for Physical Risks

As of March 31, 2026 (bp; 1bp = 0.01%)

	Extreme heat	Extreme cold	Extreme wind	Extreme snowfall	Extreme precipitation	Tropical cyclone	Coastal flooding	Fluvial flooding	River low flows	Wildfires
Energy	-5.6	1.1	0.0	0.0	-0.5	-0.5	-4.5	-0.1	2.7	0.0
Materials	-2.2	0.7	-0.1	0.0	-0.1	-0.2	-0.5	0.0	-0.8	0.0
Industrials	-4.8	1.9	-0.1	0.1	-0.6	-0.4	-1.4	0.0	0.0	0.0
Consumer Discretionary	-3.9	1.3	-0.3	0.2	-1.6	-0.3	-1.2	0.0	0.0	0.0
Consumer Staples	-4.4	1.5	-0.2	0.5	-2.5	-0.5	-1.0	0.0	0.0	0.0
Healthcare	-3.6	1.7	-0.1	0.4	-2.1	-0.4	-0.5	0.0	0.0	0.0
Financials	-4.2	2.4	-0.5	0.2	-1.8	-0.4	-3.7	-0.1	-1.3	0.0
Real Estate	-0.5	0.1	0.0	0.0	0.0	-0.1	-0.8	0.0	0.0	0.0
Information Technology	-2.7	0.6	-0.1	0.0	-0.4	-0.3	-0.4	-0.1	0.0	0.0
Communication Services	-0.9	0.5	0.0	0.0	-0.5	-0.2	-2.8	0.0	0.0	0.0
Utilities	-1.5	0.2	0.1	0.0	-0.3	-0.4	-3.5	0.0	-11.2	0.0
Portfolio Total	-34.4	12.1	-1.3	1.5	-10.4	-3.7	-20.2	-0.3	---	-0.0

(Note 1) The figures for each sector as of March 31, 2026, with the exception of river low flows, represent their contribution to the total portfolio. The figures for river low flows represent the impact on corporate value in each sector.
(Note 2) The size of the bars represents the relative size among all types of natural disaster.
(Source) Prepared by GPIF based on data from MSCI. Reproduced by permission of MSCI Solutions (UK) Limited ©2026.

Impact on the Environment and Climate — Implied Temperature Rise Analysis —

At GPIF, we use Implied Temperature Rise (ITR) to assess the potential impact on global warming. The ITR metric indicates the potential temperature increase based on companies' and portfolios' current emissions levels and future emission reduction plans, assuming that these conditions continue. By asset class, we found an implied temperature rise of 2.6°C for domestic equities and 2.9°C for foreign equities, indicating an overall rise exceeding 2°C.

Implied Temperature Rise Analysis of GPIF's Equities Portfolios

In this section, we use MSCI's Implied Temperature Rise (ITR) methodology to analyze the potential temperature increase of GPIF's equities portfolios. The ITR metric evaluates the projected temperature increase assuming the continuation of the current emissions trajectory. It takes into account not only the current greenhouse gas (GHG) emissions of the relevant company or portfolio but also projected future GHG emissions and emissions reduction targets, indicating which temperature rise scenario the portfolio is aligned with. The lower the ITR, the closer the emissions level is to consistency with the 1.5°C target set forth in the Paris Agreement.

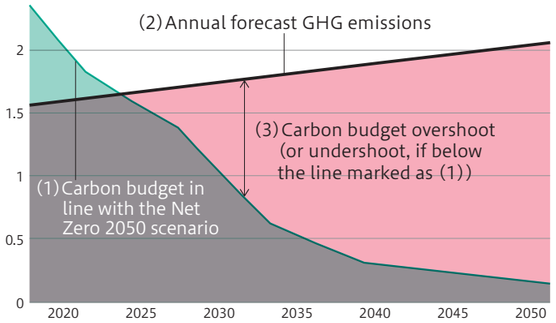
The ITR metric is estimated using the following steps.

(1) We calculate the carbon budget[1] available to individual companies based on the NGFS[2] Net Zero 2050 scenario. In doing this, we consider elements such as the company's present revenue, carbon intensity, the future emissions projections for each sector indicated in the NGFS scenario, and emissions reduction targets.
(2) We forecast future GHG emissions based on each company's current GHG emissions and a target credibility assessment[3] of its declared emissions reduction targets.
(3) We calculate the relative overshoot (or undershoot) from each company's allocated carbon budget by dividing the difference between (1) and (2) by (1).
(4) We then multiply the result of (3) by both the global-level carbon budget aligned with the 1.5°C target and the Transient Climate Response to Cumulative Emissions (TCRE) factor.[4] The TCRE factor represents the relationship between GHG emissions and temperature rise. This calculation helps convert each company's projected emissions into a measure of temperature increase (in °C). (See Figure 1, left panel.)

As of March 31, 2026, the ITR for the overall equities portfolio was 2.6°C for domestic equities and 2.9°C for foreign equities, with domestic equities showing a lower level. Compared with the previous fiscal year, the ITR increased by 0.1°C for domestic equities and by 0.3°C for foreign equities (Figure 1, right panel).[5] In the following analysis, we use the ITR of individual companies to examine their distribution across different ITR levels, their distribution by industry sector, and the changes from the previous fiscal year.

1 The carbon budget is the upper limit of allowable GHG emissions before the rise in global temperature reaches a specified threshold.
2 The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) is composed of the central banks and financial supervisory authorities of major countries.
3 MSCI conducts the target credibility assessment of GHG emissions reduction targets using four perspectives: (1) short-term targets set for each emissions scope, (2) third-party verification by the Science Based Targets initiative (SBTi), (3) past GHG emissions (results) were in line with the targets and (4) progress towards current targets.
4 This factor indicates the extent to which the release of 1Gt of GHG emissions contributes to temperature rise, based on scientific findings.
5 The ITR figures as of March 31, 2025, used for comparison with the previous fiscal year differ from those disclosed for the same date in the 2024 Sustainability Investment Report due to differences in the climate change-related data used.

Figure 1. Implied Temperature Rise (ITR) in GPIF's Equities Portfolios



(4) Converted to a measure of temperature rise

Domestic Equities	
March 31, 2026	YoY change
2.6°C	+0.1°C

Foreign Equities	
March 31, 2026	YoY change
2.9°C	+0.3°C

(Source) Prepared by GPIF based on data from MSCI. Reproduced by permission of MSCI Solutions (UK) Limited ©2026.

Distribution of Companies by Implied Temperature Rise (ITR)

Figures 2 and 3 present the distribution of individual companies by ITR level, as well as the changes from the previous fiscal year, for the companies in GPIF's equities portfolio as of March 31, 2026. For both domestic and foreign equities, the largest percentage of companies have an ITR of over 2°C and up to 3.2°C, which is not aligned with the 2°C target (shown in orange in Figures 2 and 3). In addition, over 20% of companies have an ITR exceeding 3.2°C, which is categorized as highly unaligned with the 2°C target (shown in red in Figures 2 and 3). A certain percentage of these companies are at the upper evaluation limit of 10°C or higher. On the other hand, the total percentage of companies with an ITR aligned with the 1.5°C or 2°C target (2°C or less; shown in blue and yellow in Figures 2 and 3) is slightly less than 40% for domestic equities and slightly more than 40% for foreign equities. In other words, a slightly higher percentage of foreign equities falls into this category.

Compared with the previous fiscal year, the percentage of companies aligned with the 1.5°C or 2°C target has declined for both domestic and foreign equities, while the percentages of companies evaluated as not aligned or highly unaligned with the 2°C target have increased. In particular, there has been an increase in the percentage of companies with an ITR of 10°C or higher.

Figure 2. Distribution of Companies in GPIF's Domestic Equities Portfolio (by Level of ITR)

Evaluation	ITR range	Percentage	YoY change
Aligned with the 1.5°C target	1.5°C or lower	10.3%	+1.3%
Aligned with the 2°C target	Over 1.5°C and up to 2°C	26.2%	-4.8%
Not aligned with the 2°C target	Over 2°C and up to 3.2°C	39.5%	-2.2%
Highly unaligned with the 2°C target	Over 3.2°C and below 10°C	19.8%	+3.3%
	10°C or higher	4.1%	+2.4%
Number of companies		1,190	

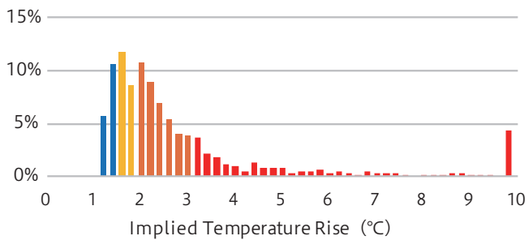
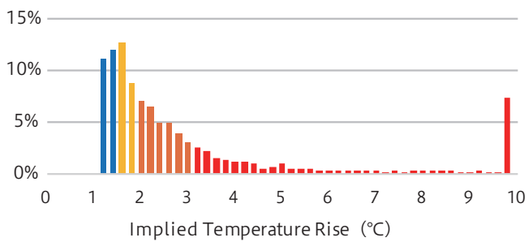


Figure 3. Distribution of Companies in GPIF's Foreign Equities Portfolio (by Level of ITR)

Evaluation	ITR range	Percentage	YoY change
Aligned with the 1.5°C target	1.5°C or lower	17.8%	-0.4%
Aligned with the 2°C target	Over 1.5°C and up to 2°C	26.4%	+0.1%
Not aligned with the 2°C target	Over 2°C and up to 3.2°C	30.2%	-2.9%
Highly unaligned with the 2°C target	Over 3.2°C and below 10°C	18.2%	-0.0%
	10°C or higher	7.4%	+3.2%
Number of companies		3,693	



(Note) Only companies for which ITR evaluations exist as of March 31, 2026 have been included.
(Source) Prepared by GPIF based on data from MSCI. Reproduced by permission of MSCI Solutions (UK) Limited ©2026.

Distribution of Companies by Implied Temperature Rise (ITR) and Industry Sector

Figures 4 and 5 present a breakdown of the data in Figures 2 and 3 by industry. In Figures 4 and 5, we present the median ITR by industry sector (hereafter "sector-specific ITR") in descending order, together with the percentage of individual companies in each ITR range to show the ITR distribution within each sector.

As of March 31, 2026, for both domestic and foreign equities, sectors with higher sector-specific ITRs tend to have a higher proportion of companies that are not aligned or highly unaligned with the 2°C target, while sectors with lower sector-specific ITRs tend to have a higher proportion of companies aligned with the 1.5°C or 2°C target. Specifically, the sector-specific ITR significantly exceeds 2°C in the energy and materials sectors for domestic equities, and the energy sector for foreign equities. In these sectors, more than half of the companies are either not aligned or highly unaligned with the 2°C target. On the other hand, the sectors with a sector-specific ITR of 2°C or lower are healthcare, finance, communication services, and information technology for both domestic and foreign equities. In all of these sectors, more than half of the companies are aligned with the 1.5°C or 2°C target.

In terms of the changes from the previous fiscal year, the sector-specific ITR has increased in almost all sectors for both domestic and foreign equities. The energy sector shows the largest rise, with an increase of 0.9°C for domestic equities and 1.3°C for foreign equities. The percentage of individual companies with an ITR of over 10°C has also increased significantly. Across all sectors, the percentage of companies aligned with the 1.5°C target has increased for domestic equities, while the proportion of companies with an ITR of over 10°C has increased for both domestic and foreign equities.

Figure 4. Distribution of Companies in GPIF's Domestic Equities Portfolio (by Level of ITR) by Industry

	March 31, 2026							The change from the previous FY					
	Number of companies	ITR (median)	Aligned with the 1.5°C target: 1.5°C or lower	Aligned with the 2°C target: Over 1.5°C and up to 2°C	Not aligned with the 2°C target: Over 2°C and up to 3.2°C	Highly unaligned with the 2°C target: Over 3.2°C and below 10°C	Highly unaligned with the 2°C target: 10°C or higher	ITR (median)	Aligned with the 1.5°C target: 1.5°C or lower	Aligned with the 2°C target: Over 1.5°C and up to 2°C	Not aligned with the 2°C target: Over 2°C and up to 3.2°C	Highly unaligned with the 2°C target: Over 3.2°C and below 10°C	Highly unaligned with the 2°C target: 10°C or higher
Energy	11	4.9°C	0.0%	36.4%	9.1%	18.2%	36.4%	+0.9°C	+0.0%	+9.1%	-9.1%	-9.1%	+9.1%
Materials	115	4.1°C	0.9%	7.0%	27.0%	53.9%	11.3%	+0.4°C	+0.0%	+1.9%	-11.2%	+1.4%	+7.9%
Consumer Discretionary	204	2.7°C	1.5%	9.8%	55.9%	29.9%	2.9%	+0.1°C	+0.5%	-6.3%	-6.4%	+11.3%	+0.9%
Real Estate	23	2.5°C	8.7%	13.0%	65.2%	13.0%	0.0%	+0.1°C	+8.7%	-21.7%	+17.4%	-4.3%	+0.0%
Consumer Staples	111	2.4°C	5.4%	22.5%	44.1%	24.3%	3.6%	+0.3°C	-0.7%	-9.1%	+6.4%	+1.5%	+1.8%
Utilities	20	2.4°C	10.0%	10.0%	70.0%	5.0%	5.0%	+0.3°C	+5.0%	-25.0%	+15.0%	+0.0%	+5.0%
Industrials	312	2.2°C	15.4%	26.9%	41.3%	10.6%	5.8%	0.0°C	+1.6%	-1.9%	-3.2%	+0.2%	+3.3%
Information Technology	157	2.0°C	8.9%	43.3%	29.3%	17.8%	0.6%	+0.1°C	-0.4%	-2.0%	-4.9%	+6.7%	+0.6%
Communication Services	63	2.0°C	12.7%	47.6%	38.1%	1.6%	0.0%	+0.1°C	+5.0%	-18.5%	+11.9%	+1.6%	+0.0%
Financials	105	1.9°C	16.2%	41.0%	30.5%	12.4%	0.0%	+0.1°C	-2.2%	+2.2%	-3.2%	+3.2%	+0.0%
Healthcare	69	1.7°C	31.9%	36.2%	21.7%	7.2%	2.9%	0.0°C	+11.3%	-11.7%	-2.9%	+0.4%	+2.9%
Portfolio Total	1,190		10.3%	26.2%	39.5%	19.8%	4.1%		+1.3%	-4.8%	-2.2%	+3.3%	+2.4%

Figure 5. Distribution of Companies in GPIF's Foreign Equities Portfolio (by Level of ITR) by Industry

	March 31, 2026							The change from the previous FY					
	Number of companies	ITR (median)	Aligned with the 1.5°C target: 1.5°C or lower	Aligned with the 2°C target: Over 1.5°C and up to 2°C	Not aligned with the 2°C target: Over 2°C and up to 3.2°C	Highly unaligned with the 2°C target: Over 3.2°C and below 10°C	Highly unaligned with the 2°C target: 10°C or higher	ITR (median)	Aligned with the 1.5°C target: 1.5°C or lower	Aligned with the 2°C target: Over 1.5°C and up to 2°C	Not aligned with the 2°C target: Over 2°C and up to 3.2°C	Highly unaligned with the 2°C target: Over 3.2°C and below 10°C	Highly unaligned with the 2°C target: 10°C or higher
Energy	167	5.4°C	3.0%	15.6%	15.0%	32.3%	34.1%	+1.3°C	-2.9%	-2.0%	+0.0%	-10.5%	+15.3%
Consumer Discretionary	395	2.8°C	4.1%	17.2%	40.0%	31.4%	7.3%	+0.1°C	-2.1%	+1.0%	-6.8%	+7.5%	+0.4%
Real Estate	231	2.7°C	1.7%	20.3%	50.2%	27.7%	0.0%	+0.1°C	-2.4%	+2.3%	-2.9%	+3.0%	+0.0%
Materials	308	2.6°C	29.5%	13.6%	18.2%	23.1%	15.6%	-0.4°C	+9.7%	+0.5%	-6.3%	-11.2%	+7.2%
Industrials	639	2.4°C	14.9%	21.1%	32.9%	20.0%	11.1%	+0.1°C	-0.5%	-4.7%	-1.9%	+0.1%	+7.1%
Consumer Staples	243	2.4°C	12.8%	24.3%	36.2%	21.4%	5.3%	+0.2°C	-1.4%	-2.7%	-1.1%	+1.1%	+4.1%
Utilities	181	2.2°C	26.0%	19.9%	22.1%	18.2%	13.8%	+0.1°C	+1.4%	-4.7%	+3.7%	-2.4%	+2.1%
Information Technology	378	2.0°C	14.3%	36.2%	33.6%	14.8%	1.1%	+0.1°C	-1.5%	-0.6%	-1.5%	+3.1%	+0.5%
Healthcare	322	1.9°C	22.4%	34.8%	29.2%	8.1%	5.6%	+0.1°C	+0.0%	-3.9%	+0.5%	+0.6%	+2.8%
Financials	644	1.8°C	30.0%	37.1%	22.7%	9.2%	1.1%	0.0°C	-0.7%	+8.1%	-8.0%	+0.2%	+0.4%
Communication Services	185	1.8°C	27.0%	40.5%	30.3%	2.2%	0.0%	+0.1°C	-4.8%	-0.9%	+4.1%	+1.6%	+0.0%
Portfolio Total	3,693		17.8%	26.4%	30.2%	18.2%	7.4%		-0.4%	+0.1%	-2.9%	-0.0%	+3.2%

(Note) Only companies for which ITR evaluations exist as of March 31, 2026 have been included.
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Chapter 5

Sustainability-Related Public Communication, Dialogue and Collaboration with Related Organizations, etc.

As a cross-generational investor that manages assets from a multi-generational perspective, GPIF strives to provide clear and accessible information and disclosure to a broad range of stakeholders regarding its investment activities and outcomes.
In fiscal 2025, we disclosed a range of information, including "Excellent Sustainability Disclosures and Most-improved Sustainability Disclosures from the Perspective of Materiality Selected by GPIF's Asset Managers Entrusted with Domestic Equity Investment" as well as our "Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities." In addition, in this chapter, we present our dialogue and collaboration with related organizations, including domestic and foreign asset owners and initiatives, institutional investor groups, and economic organizations.

P.75 GPIF's Public Communication
P.77 "Excellent Sustainability Disclosures" Selected by GPIF's Equity Asset Managers
P.79 Corporate Perceptions of Investors' Interests and Use of Sustainability Disclosures
P.81 10th Anniversary of Our Survey of Companies
P.83 Dialogue and Collaboration with Related Organizations, etc.

GPIF's Public Communication

GPIF publishes the Sustainability Investment Report annually and actively communicates its initiatives related to sustainability investment, in line with its Sustainability Investment Policy. We also disseminate information on our new initiatives and the results of various surveys, as well as insights we gain from these activities, through multiple channels such as presentations, contributions to journals, social media, and the GPIF website.

Figure. Major Speaking Engagements, Contributions, and Presentations Relating to Sustainability Investment in Fiscal 2025

April	Panellist at the Integrated Thinking and Reporting Conference held by the IFRS Foundation Speaker at the Investor Climate Transition held by the Asia Investor Group on Climate Change (AIGCC)
May	Speaker at the Japan Investment Conference 2025 held by the CFA Society Japan
September	Panellist at the Inaugural OECD Roundtable on Global Financial Markets held by the Organisation for Economic Co-operation and Development (OECD)
October	Speaker at the Japan Forum held by the Chartered Governance Institute (CGI Global) Speaker at MUSUBU! JAPAN DAY held by the Japanese Bankers Association
November	Speaker at the GGX Finance Summit 2025 held by the Ministry of Economy, Trade and Industry and the GX Acceleration Agency Keynote speaker at the Annual Conference of the Principles of the International Capital Market Association (ICMA)
December	Keynote speaker at Generating Engagement Synergy – Bridging Perspectives Between Japanese and Overseas Investors – held by the Tokyo Stock Exchange Speaker at ICGN Exchange: Governance & Stewardship in Japan – Progress to Date & Next Steps held by the International Corporate Governance Network (ICGN)

Communication Objectives

The disclosure of information on sustainability investment is a crucial way for GPIF to engage with its stakeholders. GPIF's Sustainability Investment Policy, announced in March 2025, declares our intention to proactively disclose information to insureds, investee companies, and capital market participants. GPIF also believes that proactively sharing information on sustainability investments will encourage effective initiatives and disclosures by a broad range of market participants, including asset managers, thereby contributing to a virtuous cycle throughout the investment chain.

Based on the Sustainability Investment Policy mentioned above, we publish the Sustainability Investment Report each year, which summarizes GPIF's initiatives related to sustainability investment.

Our officers and employees also deliver presentations and contribute papers to specialist journals, with 27 presentations and 4 contributed papers in fiscal 2025. Moreover, we actively communicate information about sustainability investment on social media platforms, such as YouTube and X (formerly Twitter). In addition, we post information about specific sustainability initiatives on GPIF's website. These include "Excellent Sustainability Disclosures and Most-improved Sustainability Disclosures from the Perspective of Materiality Selected by GPIF's Asset Managers Entrusted with Domestic Equity Investment," as well as our "Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities."

Clear Public Communication by Social Media

At GPIF, we engage in information dissemination via social media, aiming to reach a wide range of people. In fiscal 2025, we posted information relating to sustainability investment over 63 times on X (formerly Twitter). Of these, our posts calling attention to the announcement of 89 companies with "Excellent Sustainability Disclosures" and 66 companies with "Most-improved Sustainability Disclosures," each chosen by our domestic equity asset managers, attracted the most attention. On YouTube, we presented new commentaries on the "Results of the 10th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities" and the "2024 Sustainability Investment Report." For the survey of listed companies, we structured the explanation around three key points, to ensure clarity: (1) the current state of dialogue with institutional investors in general, (2) response to the request from the Tokyo Stock Exchange for "action to implement management that is conscious of cost of capital and stock price," and (3) plans for responding to the SSBJ Sustainability Disclosure Standards.

Most popular post on X (formerly Twitter) (in Japanese)

YouTube video "GPIF: What You Want to Know! Our 10th Survey of Listed Companies" (in Japanese)

"Company Interviews (Summary of Results)"

YouTube Videos
"How to Read GPIF's 2024 Sustainability Investment Report!"

"Evaluation of the Effects of ESG Elements on Corporate Value"

"Excellent Sustainability Disclosures" Selected by GPIF's Equity Asset Managers

In previous years, GPIF announced a series of four categories of "Excellent Disclosures," including "Excellent Integrated Reports," mainly through the cooperation of GPIF's domestic equity asset managers. In fiscal 2025, however, we integrated these into "Excellent Sustainability Disclosures." Another distinctive feature this time is that "materiality"[1] was set as the selection criterion. This has resulted in the selection of 89 companies with "Excellent Sustainability Disclosures" and 66 companies with "Most-improved Sustainability Disclosures," from a materiality perspective.

Background to the Change to "Excellent Sustainability Disclosures"

At GPIF, we undertake a range of activities to promote engagement between our asset managers and investee companies. As part of these efforts, with the aim of promoting corporate disclosure—an important tool for engagement—we previously announced a series of four "Excellent Disclosures" categories selected by our external asset managers. These included "Excellent Integrated Reports," "Excellent Corporate Governance Reports," "Excellent TCFD Disclosures," and "Excellent TNFD Disclosures."

Meanwhile, GPIF established its Sustainability Investment Policy in March 2025, and aims to contribute to the enhancement of the long-term performance of its entire portfolio by achieving both "reduction of sustainability-related risks and improvement of the sustainability of markets" and "securing of market average return." Amid these developments, GPIF has been promoting various sustainability-related activities with an emphasis on materiality, in line with the Sustainability Investment Policy and its Policy to Fulfill Stewardship Responsibilities. Accordingly, we have decided to place "materiality" at the core of this change.

Looking ahead, we anticipate the continued adoption of sustainability disclosure practices based on the ISSB standards around the world. For Japanese companies in particular, as mandatory disclosures under the SSBJ standards —which are aligned with ISSB standards—are gradually phased in, we have reached a point where sustainability disclosure is now being considered in an integrated manner rather than on a medium-by-medium basis. Taking these changes in the disclosure landscape into account, we have integrated the four categories of our "Excellent Disclosures" series into a single category: "Excellent Sustainability Disclosures."

Selection of 89 Companies with "Excellent Sustainability Disclosures" and 66 Companies with "Most-improved Sustainability Disclosures"

Reflecting these changes, for fiscal 2025, GPIF asked its domestic equity asset managers to nominate up to 10 companies providing "Excellent Sustainability Disclosures from the Perspective of Materiality" that were useful in the asset managers' engagement activities throughout the year. In addition to "Excellent Sustainability Disclosures," GPIF also requested the asset managers to nominate up to five companies that have provided the "Most-improved Sustainability Disclosures from the Perspective of Materiality."

This resulted in the selection of 89 companies with "Excellent Sustainability Disclosures" and 66 companies with "Most-improved Sustainability Disclosures," from a materiality perspective. The sustainability disclosures that were highly rated by four or more domestic equity asset managers are listed below.

Companies nominated by four or more asset managers for their "Excellent Sustainability Disclosures from the Perspective of Materiality"

◇ Ajinomoto Co., Inc.	8 votes	◇ SONY GROUP CORPORATION	6 votes
◇ ITOCHU Corporation	7 votes	◇ Sekisui Chemical Co., Ltd.	4 votes
◇ Hitachi, Ltd.	6 votes	◇ Tokio Marine Holdings, Inc.	4 votes

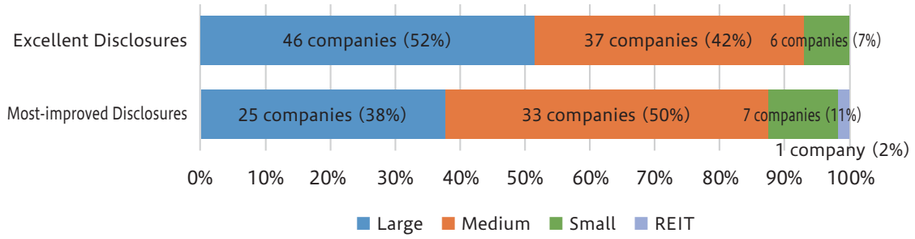
Companies nominated by four or more asset managers for their "Most-improved Sustainability Disclosures from the Perspective of Materiality"

◇ East Japan Railway Company 4 votes

*The names of the companies are listed in the order of their securities code in cases where the number of nominating asset managers is the same.

1 Materiality refers to matters that have a significant impact on corporate value.

Figure 1. Distribution of Number of Companies Selected by Our Domestic Equity Asset Managers by Company Size



(Note) Company size as of the time the selection was requested. "Large" refers to companies included in the TOPIX 100, "Medium" to those included in the TOPIX Mid400, and "Small" to all other companies.

Comparison of "Excellent Sustainability Disclosures" between Foreign and Japanese Companies

By consolidating the four categories of our "Excellent Disclosures" series into one, we have made it possible to compare "Excellent Sustainability Disclosures" on a global basis. This comparison reveals that the types of disclosure selected differ considerably between Japanese and foreign companies.

For Japanese companies, 95% of the disclosures selected as excellent sustainability disclosures were voluntary disclosures, and two-thirds of these were integrated reports.

For foreign companies, on the other hand, 58% of the selected cases of excellent disclosure are voluntary, while mandated disclosures account for 36%. Although differences in disclosure rules and requirements across countries and regions make direct comparisons with Japanese companies difficult, we have also found that the formats of disclosures are notably diverse. Among the selected disclosure documents, sustainability reports accounted for the largest proportion at 30% (selected as individual documents; the same applies below), followed by annual reports at 8%, and integrated reports and impact reports at 4% each. One notable characteristic of the selected foreign companies was that, in many cases, multiple disclosure documents covering both financial and non-financial information were selected together, rather than a single stand-alone disclosure document.

We believe that case studies of foreign companies can serve as useful references for Japanese companies as phased implementation of SSBJ-based disclosures begins, particularly in terms of how to strategically differentiate between mandatory and voluntary disclosure in the future. We will request our domestic equity asset managers to explain to companies how investors use sustainability information, and to engage in dialogue aimed at ensuring that disclosures become increasingly useful to investors.

Figure 2. Distribution by Type of Disclosure (Mandatory vs Voluntary Disclosure)

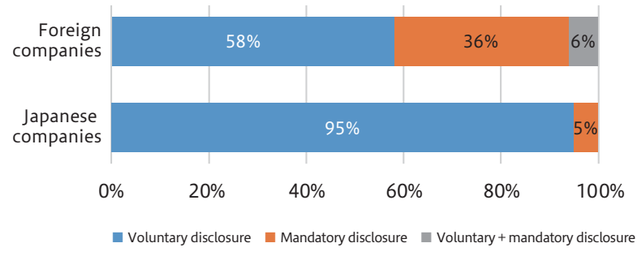
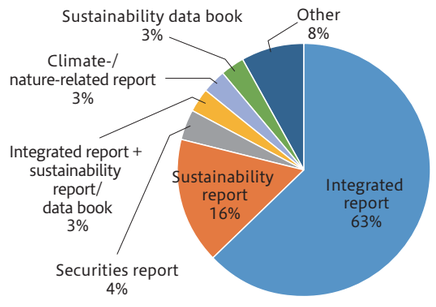


Figure 3. Excellent Sustainability Disclosures by Japanese Companies — Distribution by Disclosure Medium



Corporate Perceptions of Investors' Interests and Use of Sustainability Disclosures

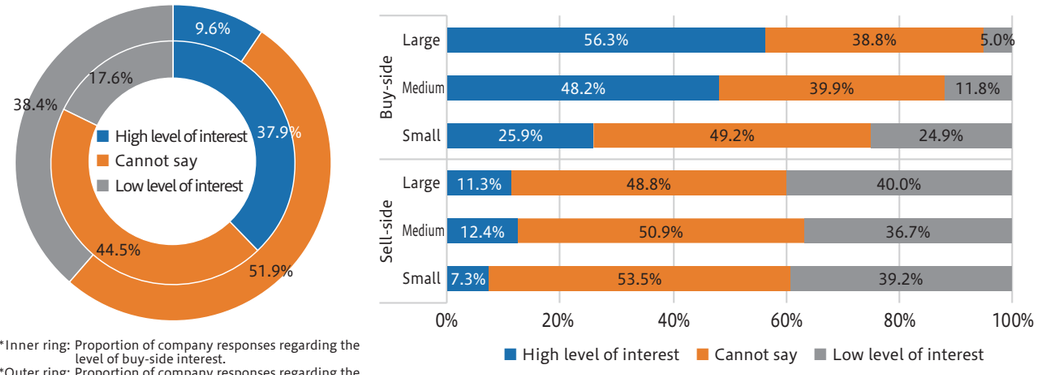
In Chapter 3, we introduced the "11th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities" (hereafter, the "Survey of Listed Companies") conducted in fiscal 2025. This survey examines how companies evaluate the stewardship activities of external asset managers, the current state of "purposeful and constructive dialogue" (engagement), changes observed in the past year, as well as companies' sustainability-related efforts and disclosure. In this section, we focus primarily on the level of investor interest in sustainability disclosures, as perceived by companies, based on the findings of our Survey of Listed Companies.

Corporate Perceptions of Investors' Level of Interest in Sustainability Disclosure

In the 2025 Survey of Listed Companies, we examined the level of interest that institutional investors show in the overall disclosure of sustainability, distinguishing between buy-side (asset managers, trust banks, life insurance companies, etc.) and sell-side (securities firms). Approximately 40% of responding companies indicated that buy-side demonstrated high interest, while only around 10% of companies reported the same for sell-side. When we analyzed the responses by company size, we found that the perceived level of buy-side interest varied significantly depending on the size of the company.

Among large and medium-sized companies (those in the TOPIX 100 and TOPIX Mid400, respectively; hereinafter the same throughout this section), we observed little difference in the perceived level of investor interest. However, the proportion of small companies (those outside the TOPIX 500; hereinafter the same throughout this section) that perceived a high level of investor interest was lower. This result suggests that, for small companies, investor interest and dialogue topics are more likely to center on business strategy and financial strategy rather than on sustainability. On the other hand, with regard to sell-side interest, we found little difference by company size, and levels remained low overall. These differences in the level of interest may be one reason why, from the perspective of companies, investors as a whole are perceived to have a low level of interest in the sustainability disclosures.

Figure 1. Institutional Investors' Level of Interest in Sustainability Disclosure in General



*Inner ring: Proportion of company responses regarding the level of buy-side interest.
*Outer ring: Proportion of company responses regarding the level of sell-side interest.

Corporate Perceptions of Investors' Level of Use of Sustainability Disclosures

In each annual Survey of Listed Companies until the previous year (fiscal 2024), we asked companies about their perceptions of investors' level of use of integrated reports and corporate governance reports. This time, however, in line with the consolidation of the four categories of our "Excellent Disclosures" series into one (see page 77), we have broadened our approach to examine—without limitation to any specific medium—companies' perceptions of the extent to which sustainability disclosure is utilized by institutional investors, as well as the type of disclosure media used. Nearly half of the responding companies feel that sustainability disclosure is being utilized. However, upon analysis by company size, we found that the level of perceived use differs considerably. While 70% of respondents from large companies and two-thirds of those from medium-sized companies feel that sustainability disclosure is utilized, only 30% of respondents from small companies feel that it is being utilized. We also examined which types of disclosure media companies perceive to be utilized, with integrated reports cited by 92.2% of respondents. Based on the reasons provided by respondents, it appears that institutional investors use integrated reports to understand the connection between non-financial information and companies' corporate value enhancement narratives. This was followed by annual securities reports at 41.2%, and corporate governance reports at 39.9%. Respondents feel that annual securities reports are utilized due to their high reliability as a form of mandatory disclosure. Other types of disclosure accounted for 27.8% of responses, with the most frequently mentioned items being companies' own websites, sustainability reports or sustainability data books, and financial results presentations.

The finding that many companies perceive integrated reports to be well utilized is consistent with the results presented in "Excellent Sustainability Disclosures" Selected by GPIF's Equity Asset Managers (see page 77), where, in the case of Japanese companies, a large proportion of the disclosures selected as excellent were integrated reports. Meanwhile, companies listed on the TSE's Prime Market and above a certain market capitalization will be required to apply the Sustainability Disclosure Standards in accordance with the SSBJ standards in phases from the fiscal year ending March 2027. We recognize this as a transitional period and will continue to monitor how the utilization of annual securities reports, which are part of statutory disclosure, changes as a result of these developments.

Figure 2. Level of Perceived Utilization of Sustainability Disclosure by Institutional Investors

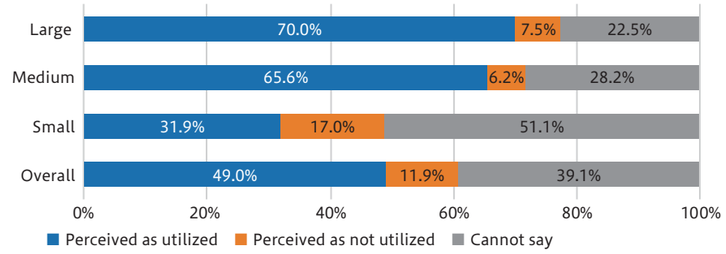
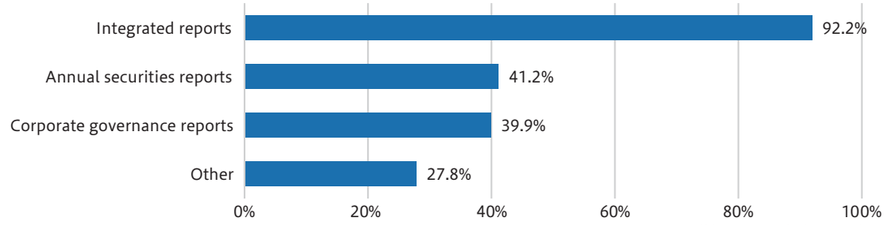


Figure 3. Types of Media Perceived as Utilized in Figure 2



*Valid responses: 306 companies

10th Anniversary of Our Survey of Companies

GPIF's Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities (for details, see page 47) was first conducted in January 2016. With the continued support of the participating companies, we were able to conduct the 10th annual survey in January 2025. In this section, to mark the 10th anniversary, we focus on the changes among companies and institutional investors over the past decade as revealed by the survey. Specifically, we highlight changes in the status of dialogue by institutional investors, as well as the expansion of non-financial information disclosure and changes in the extent to which this information is utilized by institutional investors.

Questions We Have Asked Consistently Over the Past 10 Years

The first survey, conducted in January 2016, covered companies included in the JPX-Nikkei 400 Index. From the third survey, conducted in 2018, the scope of the survey was expanded to companies listed on the First Section of the TSE in order to gather opinions from a broader range of companies. Starting with the eighth survey, conducted in 2023, the companies covered by the survey were changed to those included in TOPIX following the revision of the market classifications. The initial survey consisted of just five open-ended questions. While their wording has been slightly refined over time, four of these questions have been consistently tracked throughout the past decade. All of these questions relate to the core purposes of these surveys: evaluating the stewardship activities of our external asset managers and understanding the current state of engagement. They can be broadly divided into two categories: the status of dialogue by institutional investors (including desirable changes, undesirable changes, and useful cases for reference), and expectations for institutional investors in general. In particular, the first question in the initial survey, "Have you observed any changes in institutional investors at IR meetings and other interactions since the introduction of Japan's Stewardship Code? Please describe any 'positive changes' and 'negative changes' you have observed," has been included in every survey through the 10th round, asking about "changes over the past year since the previous survey." As the previous year serves as the benchmark for assessing changes in this question, respondents who experienced positive changes in the previous year but no further changes thereafter would answer that there had been no changes. As a result, a certain number of respondents inevitably report no changes. Nonetheless, as shown in Figure 1, since the 4th survey, the proportion of companies responding that they have "observed desirable changes in all or a lot of institutional investors" has been gradually increasing overall. In the 10th survey, we also reviewed the overall evaluation of institutional investors' stewardship activities to date. The results showed that approximately 90% of all responding companies felt that there were more institutional investors with whom they had beneficial dialogue (Figure 2).

Figure 1. Changes in Companies' Evaluation of IR Meetings, etc. with Institutional Investors

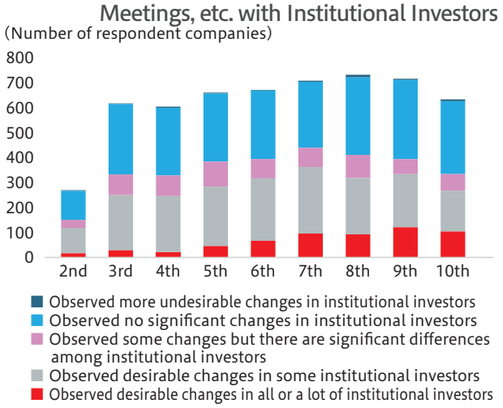
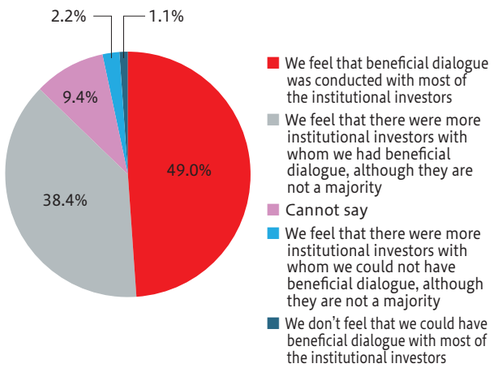


Figure 2. Companies' Evaluation of IR Meetings, etc. with Institutional Investors (10th Survey)



Greatest Change in Responses Over the Past Decade: Expansion of Non-Financial Information Disclosure and the Extent of Its Utilization by Institutional Investors

(1) Expansion of Non-Financial Information Disclosure by Japanese Companies

Over the past ten years, GPIF has consistently emphasized the importance of disclosure. Disclosure is critical for both companies and institutional investors to facilitate efficient dialogue between them. We have believed that the importance of sustainability disclosures, such as ESG, has grown, as the importance of non-financial information for enhancing corporate value has increased, in addition to financial information. For this reason, we have been monitoring the status of integrated reports, which serve as a means of disclosing non-financial information, since the 2nd survey (see Figure 3). (The scope of companies surveyed was limited to the JPX-Nikkei 400 Index until the 2nd survey; therefore, the graph is shown from the 3rd survey onward, when the scope was expanded to include companies listed on the First Section of the TSE.) In addition, with regard to TCFD disclosures, when GPIF endorsed the TCFD recommendations in 2018, only around 30 Japanese companies had endorsed the TCFD recommendations. Since then, driven by heightened attention to climate change and the June 2021 revision of Japan's Corporate Governance Code—which stipulated that companies listed on the Tokyo Stock Exchange Prime Market should enhance both the quality and quantity of disclosures based on the TCFD recommendations or an equivalent framework—the number of companies endorsing the TCFD recommendations and providing TCFD-aligned disclosures has grown significantly (see Figure 4). The survey results indicate that, over the past ten years, an increasing number of Japanese companies have been preparing integrated reports and providing TCFD-aligned disclosures.

Figure 3. Preparation of Integrated Reports

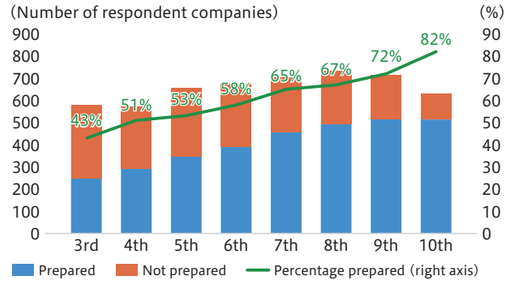
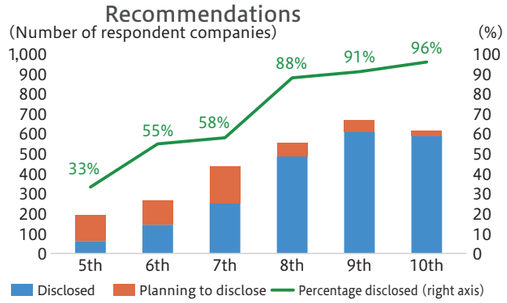


Figure 4. Disclosures in Line with the TCFD Recommendations



(2) Extent of the Utilization of Non-Financial Information Disclosures by Institutional Investors

The status of non-financial information disclosure by Japanese companies has also changed considerably. At the same time, there has been a significant change over the past ten years in the number of companies that feel institutional investors are making use of the non-financial information disclosed by companies. Each year, we have tracked the extent to which institutional investors utilize integrated reports and corporate governance reports (hereafter, "CG reports"). As shown in the figures below, an upward trend has been evident ever since the 3rd survey, when the scope was expanded to include companies listed on the First Section of the TSE. Comparing the results of the 3rd and 10th surveys, the percentage of companies that feel institutional investors are utilizing their integrated reports and CG reports has approximately doubled in both cases (see Figures 5 and 6).

GPIF has encouraged companies to enhance their non-financial information disclosure and institutional investors to make use of this information. The survey results from the past decade confirm positive developments on both fronts.

The disclosure of non-financial information is now entering a new phase, as companies anticipate the adoption of SSBJ standards. At present, both companies that provide disclosures and the institutional investors that utilize them tend to focus on the challenges and burdens they face. However, upon reviewing the major changes over the past ten years, we believe that we can overcome these challenges one by one and further develop disclosures that are useful to investors. GPIF will continue to promote sustainability initiatives focused on materiality that contribute to improving corporate value.

Figure 5. Extent of the Utilization of Integrated Reports by Institutional Investors

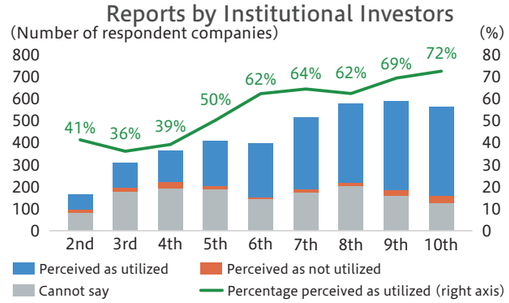
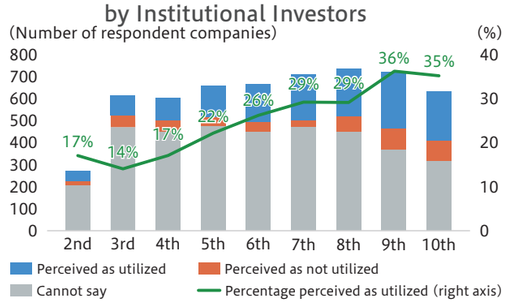


Figure 6. Extent of the Utilization of CG Reports by Institutional Investors



Dialogue and Collaboration with Related Organizations, etc.

At GPIF, we engage in dialogue and collaboration with related organizations and others in accordance with our Policy on Asset Owner Principles and our Policy to Fulfill Stewardship Responsibilities. We believe that, within the scope permitted by applicable laws and regulations, it is also important to engage in dialogue and collaboration with domestic and overseas asset owners, initiatives, institutional investor associations, and business organizations. Through ongoing dialogue and collaboration with a broad range of stakeholders, we aim to promote a virtuous cycle throughout the investment chain. Specifically, we have joined domestic and international initiatives since becoming a signatory to the Principles for Responsible Investment (PRI) in September 2015.

GPIF's Initiatives in Fiscal 2025

In fiscal 2025, President UCHIDA delivered a keynote speech on GPIF's sustainability investment initiatives at the Tokyo Stock Exchange-sponsored event, "Generating Engagement Synergy." In addition, GPIF's representatives participated in the annual meeting of the Council of Institutional Investors (CII), appeared at the International Corporate Governance Network's ICGN Exchange: Governance & Stewardship in Japan, and engaged in discussions with participants.

In September 2025, we held the 3rd Keidanren-GPIF Asset Owners' Roundtable with the Japan Business Federation (Keidanren). Following presentations on the initiatives undertaken by each asset owner in line with the Asset Owner Principles, we exchanged views on topics including engagement and proxy voting by asset managers, the use of ESG data in asset management, and engagement with ESG rating agencies. We had held regular exchanges of views with companies that are members of Keidanren. The Asset Owners' Roundtable was established in October 2024 as an initiative to further develop these efforts and promote more constructive dialogue between companies and investors, providing an ongoing platform for exchange of views with companies. We have also invited other public pension funds that, like GPIF, primarily entrust their investments to external asset managers to participate in the roundtable. The Federation of National Public Service Personnel Mutual Aid Associations, the Pension Fund Association for Local Government Officials, and the Promotion and Mutual Aid Corporation for Private Schools of Japan have participated since its inauguration.

Figure. GPIF's Collaboration with Initiatives and Organizations

Signatory of:

PRI Principles for Responsible Investment

30%+ Club PATH TO PARITY

INVEST AHEAD Investors for Board Diversity

Climate Action 100+

Council of Institutional Investors The voice of corporate governance

ICGN International Corporate Governance Network

IFRS Sustainability

JPX ESG Knowledge Hub

ESG Disclosure Study Group

GPIF's Global Initiatives

In addition to the Keidanren-GPIF Asset Owners' Roundtable, we are also working to strengthen communication and collaboration with overseas asset owners. To further fulfill our stewardship responsibilities, we established the Global Asset Owners' Forum in July 2016 as a platform for the ongoing exchange of views and insights with overseas public pension funds and other similar institutions. This forum is co-organized with the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS). Asset owners from various regions are invited to share their perspectives and engage in discussions at the forum. Beyond this forum, we also continue to hold one-on-one dialogues with overseas public pension funds. We will continue to engage in dialogue and collaboration with a wide range of market participants, including domestic and overseas asset owners, initiatives, institutional investor groups, and business organizations, with the aim of promoting a virtuous cycle throughout the investment chain.

Message from the CIO — Enhancing the Effectiveness of Sustainability Investments for Long-Term Investment Returns —

GPIF implements internationally diversified investment through its policy asset mix.[1] Internationally diversified investment enables us to capture the benefits of global economic growth across a broad range of assets, while generating stable returns. As a cross-generational investor pursuing diversified investments, GPIF recognizes that the stable growth of overall markets and the economy is essential to enhancing investment returns.

We have positioned ESG index-based investment as a core strategy and have actively promoted transparency in index inclusion criteria and ESG rating frameworks, while also engaging in proactive communication. We believe that this approach has contributed to progress in corporate information disclosure, the promotion of ESG initiatives, as well as improvement of ESG ratings. At the same time, however, significant changes are taking place in social and market expectations regarding sustainability. Neither disclosure nor organizational structure alone is sufficient; rather, there is growing demand for tangible outcomes that demonstrate how these efforts contribute to the enhancement of corporate value and sustainable growth.

Likewise, we believe that GPIF's sustainability investment has entered a stage that demands greater quality and effectiveness. Under the Sustainability Investment Policy established in March 2025, we have clearly articulated our goal for sustainability investment: to enhance the long-term performance of GPIF's entire portfolio by achieving both "reduction of sustainability-related risks and improvement of sustainability of markets" and "securing of market average return." We have also set forth our intention to pursue this objective through a combination of various approaches to sustainability investment, rather than relying on any single strategy. These approaches include investments that take ESG factors and impact into account, stewardship activities, sustainability-related risk analysis, dialogue and collaboration with related organizations, and public communication on sustainability-related matters.

Based on this approach, in fiscal 2025, we worked to optimize ESG index-based investment, one of the approaches to sustainability investment. GPIF had previously excluded ESG index-based investments from rebalancing. However, the proportion of such investments in the equities portfolio has increased due to factors such as rising stock prices, resulting in greater risk exposure relative to other active equity investments. With a view to ensuring the smooth implementation of investment in line with the policy asset mix and securing the market average rate of return, we have included ESG index-based investments in the scope of rebalancing and are adjusting the investment balances of domestic and foreign ESG indexes accordingly.

Both domestic and foreign ESG index-based equity investments generated negative excess returns in fiscal 2025. In particular, GPIF's foreign ESG index-based equity investments have continued to generate negative excess returns since their inception. As the portfolio consisted of only three indexes, making sufficient diversification difficult, we began selecting new ESG indexes and ESG funds to improve the portfolio.

In doing this, to enhance the effectiveness of the "reduction of sustainability-related risks and improvement of sustainability of markets," we established KPIs for both ESG indexes and ESG funds and began monitoring and assessing their sustainability-related impacts and progress on an ongoing basis. In addition, for ESG indexes, we will quantitatively assess how the ESG factors used in ESG ratings and index weighting decisions affect investment performance. For ESG funds, we emphasize our external asset managers' engagement with investee companies on issues related to the established KPIs, with the aim of encouraging improvements in their corporate initiatives. Going forward, we will also work to improve our domestic equities ESG index-based investment portfolio.

Beyond ESG index-based investments, we are also pursuing a range of initiatives across all asset classes, including engagement activities conducted by our asset managers. In fiscal 2025, we identified the following three priorities for enhancing the long-term corporate value of our investee companies: "management that is conscious of the cost of capital and stock price," "sustainability management and disclosure based on materiality," and "effective corporate governance."

As a specific initiative, for example, we conducted interviews with asset managers regarding their efforts to enhance the effectiveness of engagement relating to "management that is conscious of the cost of capital and stock price." As a result, we found that many companies have adopted a more positive attitude toward dialogue with investors and that, in some cases, this has led to tangible changes, such as stronger shareholder returns, reductions in cross-shareholdings, and the disclosure of capital allocation policies. We also found that asset managers' requests have evolved beyond simply calling for improvements in capital efficiency to addressing the quality of management itself, including the prioritization of capital allocation, including growth investments, and the use of management resources, with a focus on enhancing corporate value and achieving sustainable growth over the medium to long term. We have consolidated and synthesized the best practices and other insights obtained through the interviews, and published them together with GPIF's expectations of asset managers and asset managers' expectations of investee companies. Going forward, we will continue to encourage asset managers to engage with investee companies while engaging in two-way dialogue with asset managers ourselves. We will apply the insights gained and challenges identified through this dialogue to further improve sustainability investment.

As one of the world's largest asset owners, GPIF has a role to play not only in enhancing its own investment management but also in fostering a virtuous cycle throughout the entire investment chain. As a leading asset owner, we will not only engage with capital market stakeholders, such as external asset managers, investee companies, and index providers, but also collaborate with other asset owners as necessary.

Furthermore, to support this virtuous cycle over the long term, it is also important to deepen understanding of capital markets and management of pension reserve funds among people across generations. Specifically, we will provide financial and economic education that explains GPIF in an accessible manner, targeting the younger generations who will ultimately support the future pension system and become its beneficiaries. We believe that engaging with future generations is an essential part of GPIF's responsibility as a cross-generational investor.

Building on the cumulative results of our past efforts, GPIF will further advance its sustainability investment, shifting its focus from scale to quality and greater effectiveness. While maintaining consistency with the overall risk and return management of the portfolio, we will foster a virtuous cycle throughout the investment chain, ultimately contributing to the long-term interests of insureds.

Executive Managing Director / Chief Investment Officer (CIO) **YOSHIZAWA Yusuke**

1 In the context of long-term investment, we have formulated our portfolio based on the principle that it is more efficient and produces superior outcomes to determine a strategic asset allocation and maintain it over an extended period, rather than adjusting the portfolio asset allocation in response to short-term market fluctuations. For the 5th Medium-term Objectives period, our policy asset mix consists of 25% domestic equities (±6%), 25% foreign equities (±6%), 25% domestic bonds (±6%), and 25% foreign bonds (±5%). The percentages in parentheses represent the permissible range of deviation.

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Investment Principles

1 Our overarching goal is to contribute to the stability of the national pension system by securing the investment returns that it requires with minimal risk and from a long-term perspective, to the sole benefit of insureds.

2 Our primary investment strategy is diversification by asset class, region, and timeframe. While market prices may fluctuate in the short term, GPIF will take full advantage of our long-term investment horizon to achieve investment returns in a more stable and efficient manner, while simultaneously ensuring sufficient liquidity to pay pension benefits.

3 We formulate our overall policy asset mix and manage risks at the portfolio, asset class, and investment manager level. We utilize both passive and active management in order to achieve benchmark returns (i.e., average market returns) and seek untapped profitable investment opportunities.

4 We believe that sustainable growth of investee companies and the capital market as a whole is vital in enhancing long-term investment returns. In order to secure such returns for the benefit of insureds, therefore, we promote sustainability investment including those which take into account non-financial factors such as ESG and social or environmental effects (impact), in addition to financial factors.

5 In order to enhance long-term investment returns, we shall advance various initiatives (including those considering sustainability such as ESG) to promote long-termism as well as sustainable growth of investee companies and the capital market as a whole, and to fulfill our stewardship responsibilities.