



Summary Report of the 3rd Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities

1. Purpose of the Survey

The Government Pension Investment Fund, Japan (GPIF) conducted the third survey targeting listed companies in order to evaluate stewardship activities carried out by the institutions serving as GPIF's external asset managers. The survey also sought to ascertain the actual status of purposeful and constructive dialogues (engagement) between these companies and institutions, as well as the changes that have been observed since the revision of Japan's Stewardship Code in May 2017. Until last year, previous surveys were conducted targeting JPX Nikkei Index 400 companies; however, the scope of this year's survey was expanded to companies listed on the First Section of the Tokyo Stock Exchange (TSE) to obtain opinions from a broader range of companies.

We have held interviews and dialogues with our external asset managers on an ongoing basis regarding their stewardship activities. However, taking this approach alone could result in gathering information from only one side, which might be less objective. Accordingly, we have made it another purpose of this survey to gather information from the other side, with a focus on how business operating companies consider institutional investors' stewardship activities, thereby raising the overall level of such activities.

2. Outline of the Survey

- Subjects: 2,052 companies listed on the First Section of the Tokyo Stock Exchange (TSE) (as of December 15, 2017)
- Number of respondent companies: 619
- Response rate: 30.2%
- Survey period: From January 10, 2018 to February 23, 2018

3. Summary of the Survey Results

■ Opinions and Requests of Companies Regarding Stewardship Activities of Institutional Investors

- With regard to changes in the attitude of institutional investors at IR meetings, etc. since the revision of Japan's Stewardship Code in May 2017, 40% of companies considered such changes to be desirable. The number of companies that observed desirable changes slightly increased from the previous survey.
- While approximately 70% of companies presented their long-term vision in dialogues with institutional investors, many of them considered the period of the medium-term management plan as the period of long-term vision, with the majority of companies indicating their assumption period as approximately three to five years.
- In terms of institutional investors' timeframe for discussion at IR meetings, more than half of companies pointed out that institutional investors tend to adopt a mid- to long-term viewpoint for their business strategies. Compared to the results of the previous survey, the number of those that cited institutional investors' tendency to adopt short termism concerning capital efficiency, etc. fell significantly.

■ Companies' IR and ESG Activities and Status of Disclosure (preparing Integrated Reports, holding presentation meetings)

- While more than half the companies selected the enhancement of corporate value and risk mitigation effects as the objectives of ESG and CSR, responses significantly varied depending on the size of the company. Generally speaking, larger companies tended to focus on the enhancement of corporate value (ESG reasons), while companies classified into small caps tended to select social contribution (CSR reasons).
- As for major themes in ESG/CSR activities, most companies listed the common issues faced by companies and society, such as (i) corporate governance, (ii) diversity, and (iii) climate change. However, a broader range of themes other than those listed above were also identified in accordance with the characteristics of the companies.
- Companies that prepare Integrated Reports or equivalent reports account for more than 40% of all companies. In addition, more than half of the companies that have not prepared such reports yet stated that they are planning to prepare or are considering their preparation, which indicates a rapid expansion of Integrated Reports.

■ Evaluation by Companies Concerning Three ESG Indices Selected by GPIF

- More than 60% of companies considered the selection of ESG indices positively. Since most of the companies that are classified into small caps have not been included in the evaluation universe (parent indices), many of them selected “Don’t know” for the rating of the index selection. As for reasons for their positive evaluations, many companies cited that the evaluation is based on public information, constituent companies have been announced publicly, positive screening has been adopted, etc.
- Among companies that are included in large caps, the ratio of companies that selected “There have been changes in ESG awareness, organizational structures, activities within the company” was higher for companies that have not been included in ESG indices.
- Companies that conduct dialogues with MSCI and FTSE accounted for a quarter of all companies.

■ Opinions and Requests of Companies Regarding Stewardship Activities of GPIF as Asset Owner

- Many companies expect GPIF to: (i) encourage its external asset managers and securities companies through its external asset managers to conduct dialogues from a long-term viewpoint; (ii) implement measures to promote reforms of its external asset managers including personnel and evaluation systems from a mid- to long-term perspective; and (iii) to promote ESG investment and direct and indirect stewardship activities that will involve small cap companies.

4. GPIF’s Points of View

<Engagement; use of ESG and non-financial information>

We consider that carrying out engagement activities from a mid- to long-term viewpoint is important for enhancing mid- to long-term corporate value. We encourage those institutions serving as our external asset managers to act in line with this policy. In engagement, disclosure of ESG information, such as Integrated Reports, is extremely important for efficiently understanding not only the financial information but also non-financial information of investee companies, including their views and policies. We expect that institutional investors will conduct high-quality dialogues with investee companies that will be beneficial to both sides in light of the size of the company, industry characteristics, etc., based on information disclosure, including ESG information.

<Dialogues with Companies>

We will continue our efforts to improve our stewardship activities, as well as activities carried out by our external asset managers, by undertaking further surveys and interviews with investee companies.

End



Report of the 3rd Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities

Government Pension Investment Fund



April 2018

Outline of the Survey: Purpose and Results

1. Purpose

- To evaluate stewardship activities of the institutions serving as GPIF's external asset managers and to ascertain the actual status of their purposeful and constructive dialogues (engagement) with investee companies as well as the changes since the revision of Japan's Stewardship Code.

2. Subjects

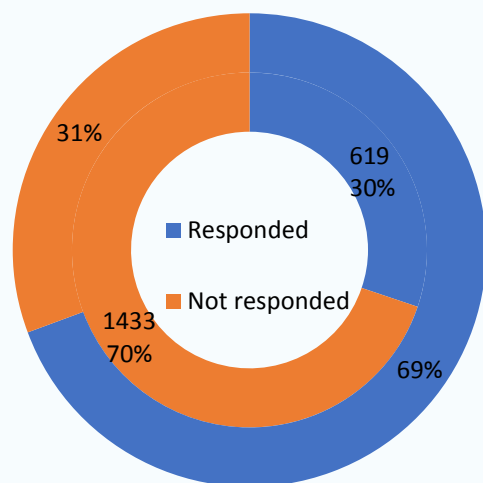
- Subjects: 2,052 companies listed on the First Section of the Tokyo Stock Exchange (TSE) (as of December 15, 2017*)

* The scope of this year's survey was expanded from JPX Nikkei Index 400 companies to companies listed on the First Section of the Tokyo Stock Exchange (TSE).

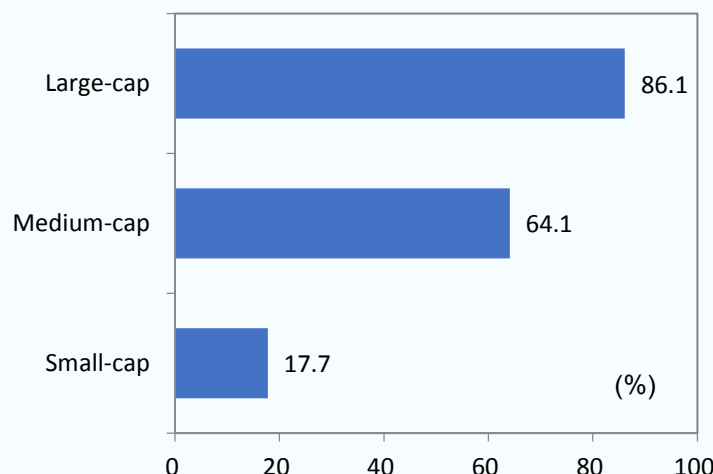
- Number of respondent companies: 619 (previous survey: 272)

Response rate: 30.2% Survey period: From January 10 to February 23, 2018

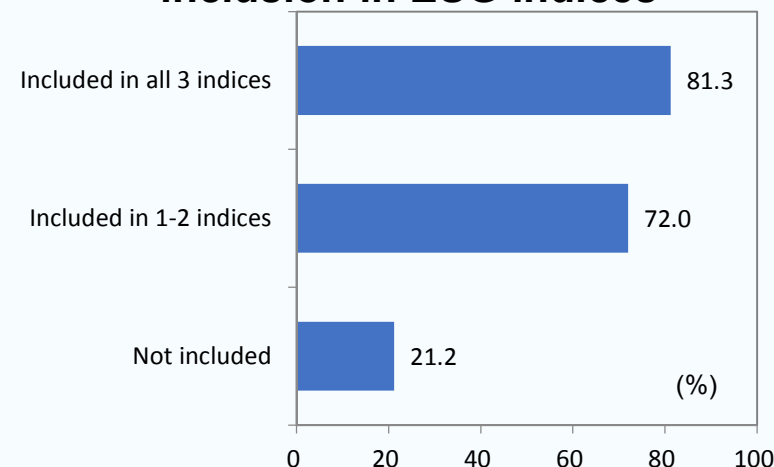
<Response coverage rate>



<Response rate by company size>



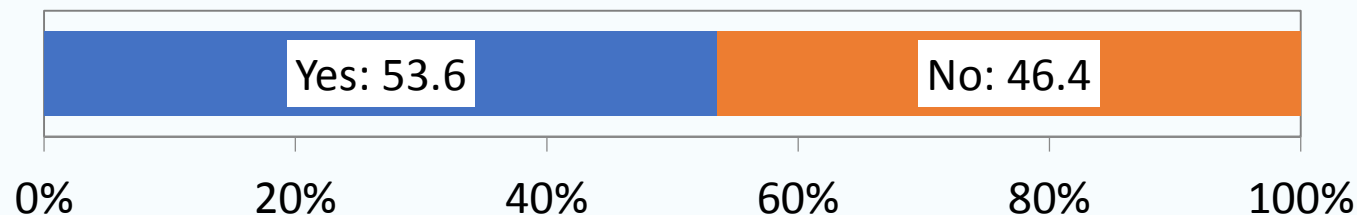
<Response rate by status of inclusion in ESG indices>



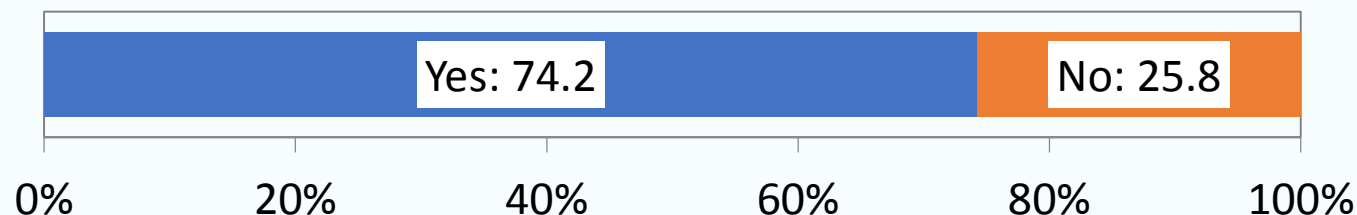
*Inside: based on number of companies, Outside: based on market cap

<Previous Survey (Conducted in January 2017)>

Q1: Did you know about the previous survey?



Q1-1: If you selected “(i) Yes” in the previous question, **did you look at the survey results which are available on GPIF’s website?**



Q2: **Select what you found useful among the results of the previous survey. (Multiple responses allowed)**

| | |
|--|-------|
| (i) Changes in the attitude of institutional investors since the previous survey | 24.4% |
| (ii) Voting at shareholder meetings | 22.1% |
| (iii) Expectation for institutional investors in pursuing enhancement of corporate value and sustainable growth over the mid- to long-term | 36.0% |
| (iv) Status of IR activities and preparation of Integrated Reports, ESG/CSR activities and actions taken to achieve SDGs by business operating companies | 40.1% |
| (v) Expectation for stewardship activities by GPIF as asset owner | 20.4% |

*The percentage indicates the ratio to total responses out of 619 companies.

Summary of the Survey Results (i): Current Situation and Changes Observed for Institutional Investors including GPIF's External Asset Managers

- ❑ With regard to changes in the attitude of institutional investors at IR meetings, etc. since the revision of Japan's Stewardship Code in May 2017, 40% of companies considered such changes to be desirable (p. 5). The number of companies that observed desirable changes slightly increased from the previous survey (p. 36).
- ❑ While approximately 70% of companies presented their long-term vision in the dialogues with institutional investors, many of them considered the period of the medium-term management plan as the period of long-term vision, with the majority of companies indicating their assumption period as approximately three to five years (p. 5).
- ❑ In terms of institutional investors' timeframe for discussion at IR meetings, more than half of companies pointed out that institutional investors tend to adopt a mid- to long-term viewpoint for business strategy (p. 6). Compared to the results of the previous survey, the number citing institutional investors' tendency to adopt short termism concerning capital efficiency, etc. fell (p. 37).
- ❑ While the majority of companies stated that no significant changes had been observed with regard to institutional investors' preparation for IR meetings, use of Corporate Governance Reports, and use of Integrated Reports, respectively (p. 6, 7), the number of negative responses such as "preparation is insufficient" or "not effectively used" decreased compared with the results of the previous survey (P. 38). Looking exclusively at the companies that responded to both this time and previous surveys, 44% of them considered that institutional investors appear to use Integrated Reports more effectively than before (p. 39).
- ❑ In line with an increase in publicly disclosure of proxy voting records for each investee company and individual proposal item, 80% of companies confirmed the details of their proxy voting results (p. 8). Slightly less than 50% of companies received feedback from institutional investors concerning their decision to vote for or against and reasons for such votings (P. 10).
- ❑ In terms of collective engagement, only 7% of companies have experienced such approach. While "effective use of time" was named as a positive for collective engagement by the most companies, "Dialogues become difficult when opinions among institutional investors have not been coordinated sufficiently" was named as a negative for collective engagement by most companies (p. 11).

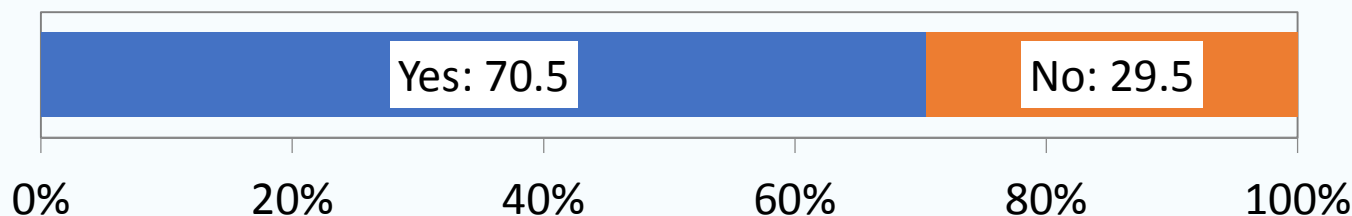
<Institutional Investors Including GPIF's External Asset Managers>

Q1: With regard to institutional investors as a whole, have you observed any changes in their attitude at IR/SR meetings since the revision of Japan's Stewardship Code in May 2017?

| | |
|---|-------|
| Observed desirable changes in all or majority of institutional investors | 4.5% |
| Observed desirable changes in some institutional investors | 35.9% |
| Observed some changes but there has been bipolarization among institutional investors | 13.5% |
| Observed no significant changes in institutional investors | 45.6% |
| Observed undesirable changes in more institutional investors | 0.5% |

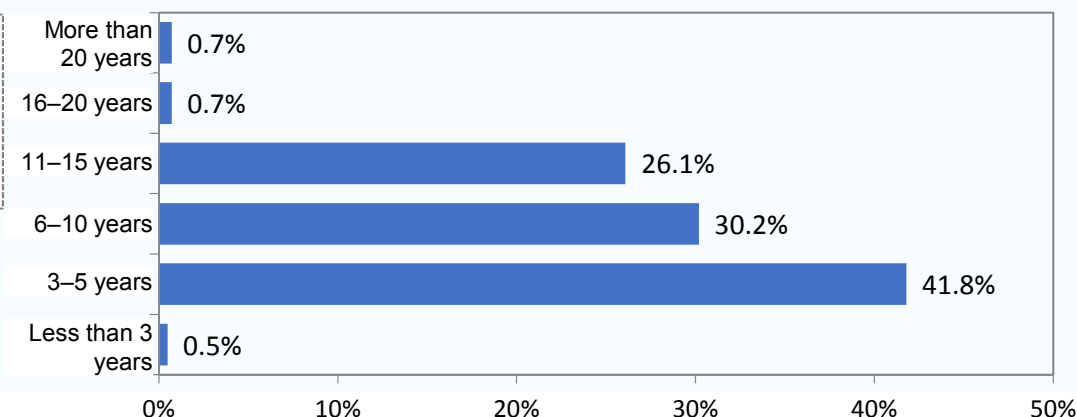
40% of companies observed desirable changes

Q2: With regard to the dialogues with institutional investors as a whole, is your specific long-term vision disclosed to institutional investors?

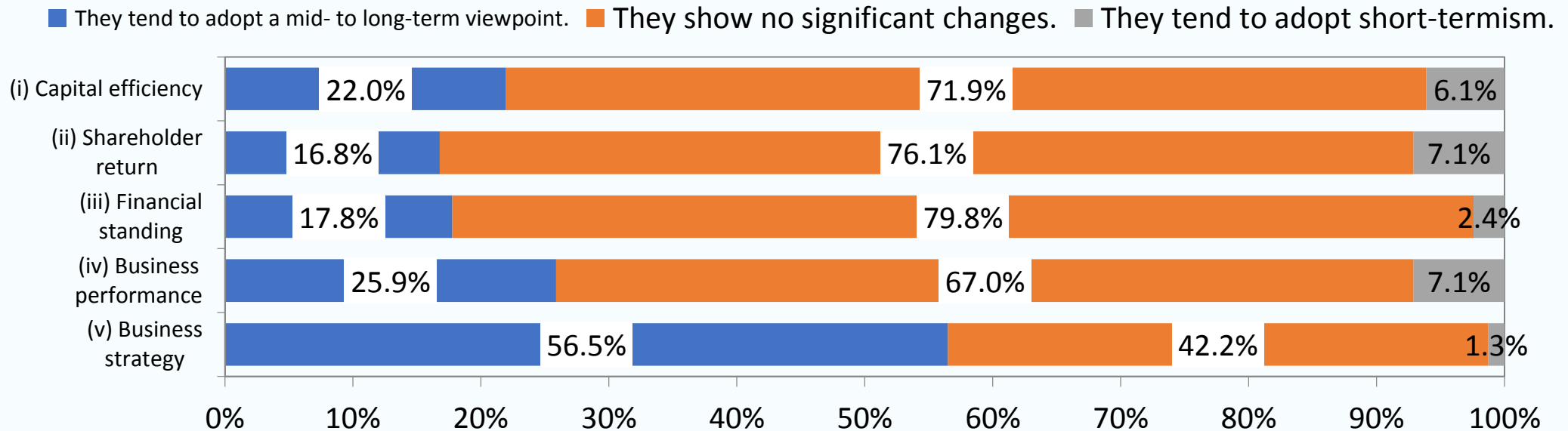


2-1: If it is disclosed, what is the number of years that you use for the assumption of your long-term vision?

*When the responses are indicated in a time range, the low end of the range is used for aggregation. Responses stating that no specific time frame is presented have been excluded from aggregation. There were 414 valid responses.



Q3: Choose the option that applies to institutional investors' timeframe for discussion on the following topics at IR meetings.



Q4: Institutional investors' preparation for IR meetings

(iii) Many of them are insufficiently prepared for IR meetings.
2.1%

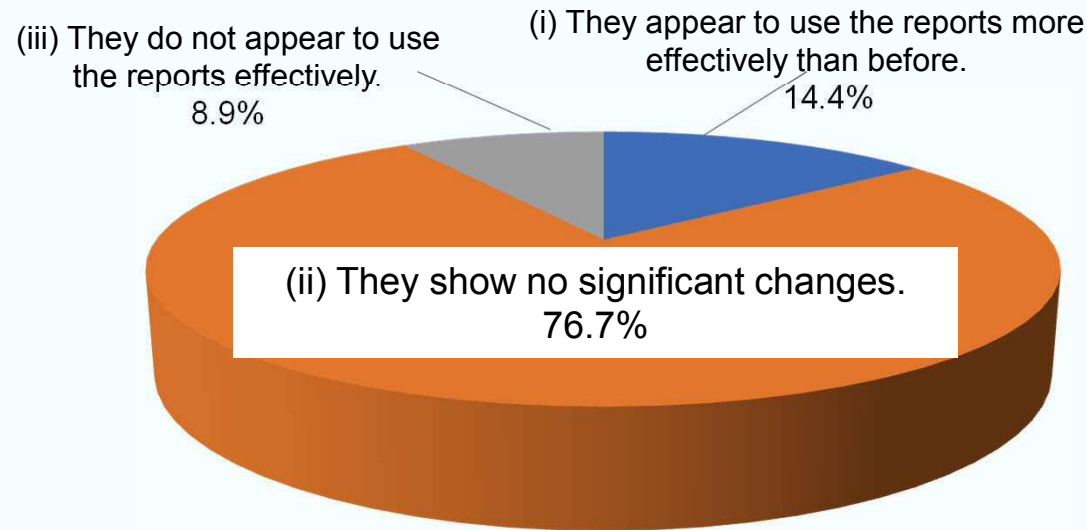
(i) They take more time than before to make preparations for IR meetings, raising the level of meetings.
16.7%

(ii) They show no significant changes.
81.2%

<Major comments of companies that selected (i)>

- More investors seem to have read Integrated Reports (Annual Reports) and equivalent reports in addition to the latest financial reports prior to the interviews.
- More institutional investors seem to prepare a list of questions prior to interviews with CEOs and CFOs and make proposals on business strategy in addition to questions.
- Investors seem to have been prepared well for the meeting specialized on non-financial information (ESG).
- Many investors seem to have conducted in-depth studies by grasping the situation of our competitors (including overseas competitors).

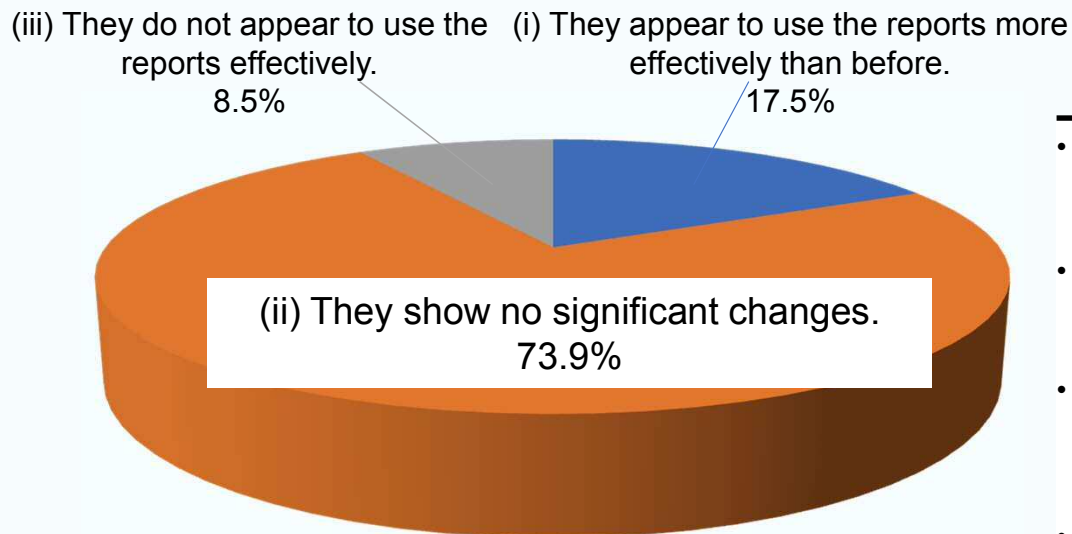
Q5: Choose the option that applies to the changes you have observed in terms of institutional investors' use of Corporate Governance Reports.



<Major comments of companies that selected (i)>

- There have been more cases where we receive questions on the contents of the reports from institutional investors.
- There are significant differences in the degree of interest and the level of understanding of the contents of the reports among institutional investors.
- While we assume that analysts in charge of ESG and proxy voting are studying the contents of the reports, their understanding of our business plan, management plan and business performance has been insufficient, resulting in disruptions in communication.
- We could have meaningful discussions on the evaluation of effectiveness of the board of directors among other issues based on the contents of the Corporate Governance Report.

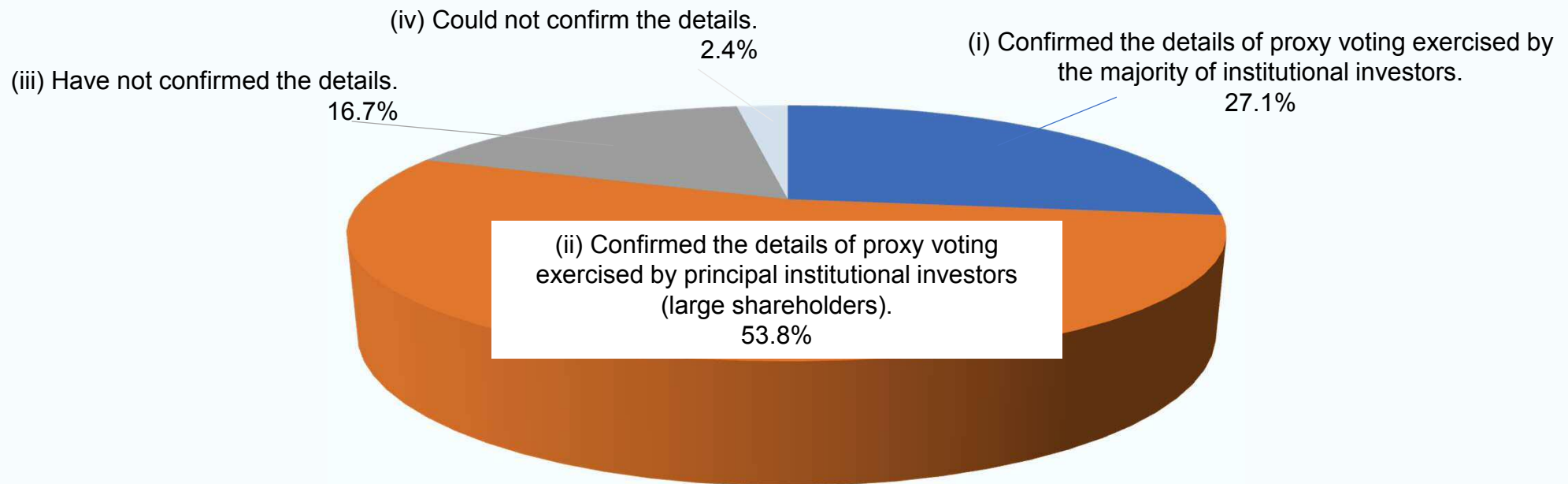
Q6: Choose the option that applies to the changes you have observed in terms of institutional investors' use of Integrated Reports. (Question applied only to those companies that prepare the reports)



<Major comments of companies that selected (i)>

- Many institutional investors attend our information sessions on Integrated Reports. We have heard frequently about questions and feedback from investors concerning our Integrated Reports at IR meetings.
- We receive questions and improvement ideas concerning the contents of our Integrated Reports.
- The number of requests for ESG-specific interviews has increased significantly since 2017. Investors appear to have read our Integrated Reports in depth.
- More institutional investors read the Integrated Reports as a basic material for ESG meetings in advance, which has enhanced our dialogues.

Q7: GPIF has asked its external asset managers to publicly disclose proxy voting results for each investee company on individual proposal items (hereinafter, “the public disclosure requirement”). **Have you confirmed the details of proxy voting results for your company?**



<Major comments concerning key objectives (questions for companies that selected (i) or (ii))>

For reference in determining proposal items to be submitted to the AGMs after the next fiscal year.

To conduct constructive dialogues with shareholders and identify management issues for the future by confirming their reasons for opposing proposals.

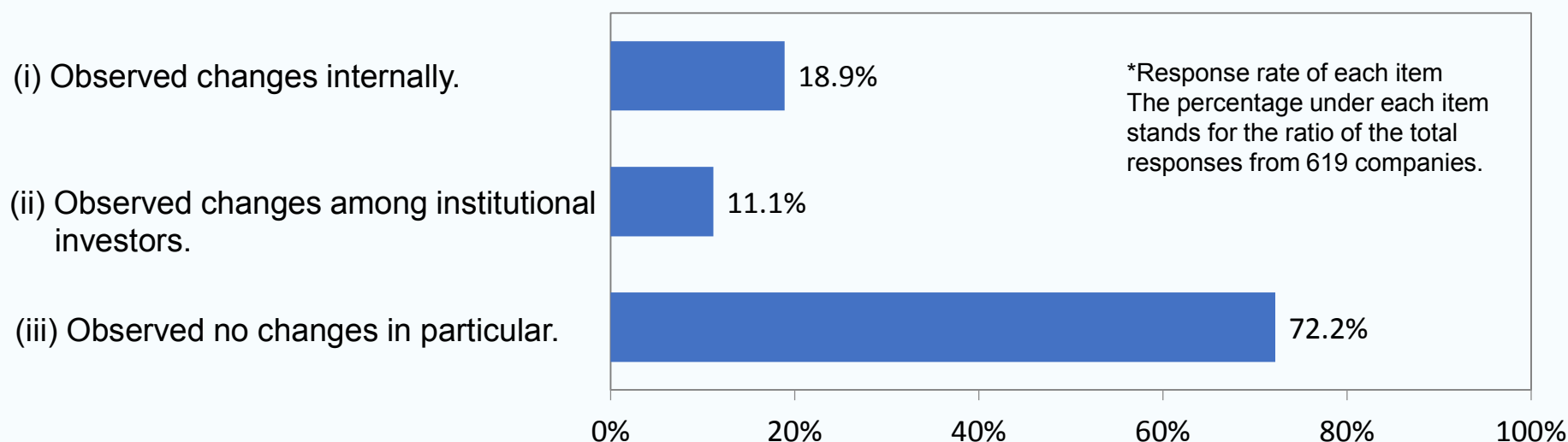
To provide feedback to IR activities such as dialogues with shareholders by carrying out an analysis of causes behind dissenting votes.

To report to the board of directors with regard to the analysis of causes behind dissenting votes.

To learn about the judging criteria of institutional investors for voting for or against certain proposals by confirming not only proxy voting results for our company but also the decisions by institutional investors to vote for or against similar proposals by competitors.

We confirmed the details of proxy voting exercised by majority of institutional investors and visited principal shareholders to determine the background and processes behind their decisions. In order to understand institutional investors' awareness of issues in the process and to further strengthen our governance, we will continue to aggressively promote such dialogues going forward.

Q8: Have you observed any changes after the AGM as a result of the public disclosure requirement? (Multiple responses allowed)



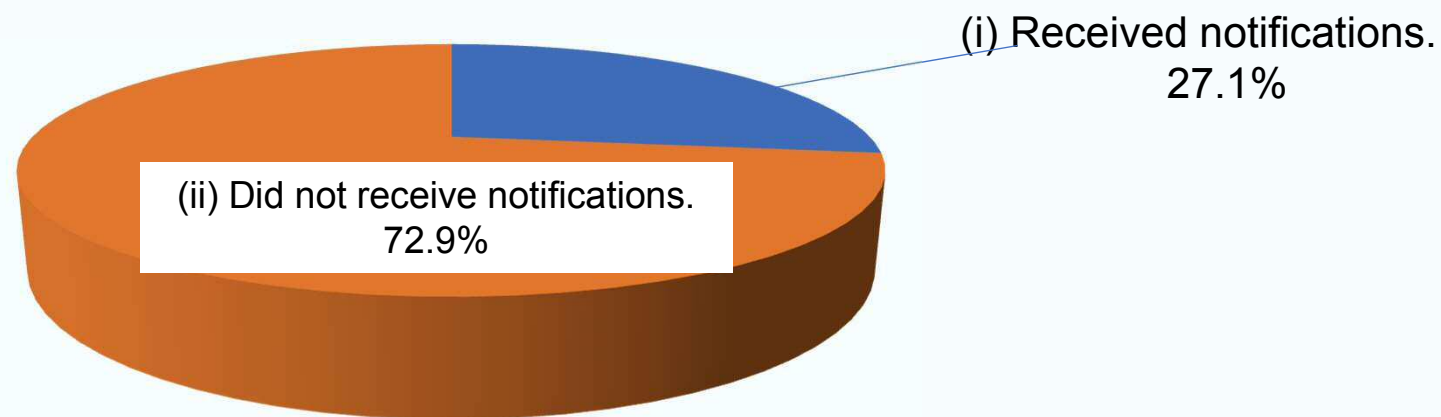
<(i) Major comments concerning internal changes>

- Internal awareness on improvement increased through the clarification of causes behind dissenting votes.
- We had dialogues with investors who voted against our proposals when their reasons for dissenting votes were unclear even after referring to the proxy voting guidelines.
- There have been proactive moves such as a visit to institutional investors and asking about their decisions to vote for or against our proposals.
- We verified the differences among institutional investors.
- Top management's understanding on engagement activities was deepened.

<(ii) Major comments concerning changes among institutional investors>

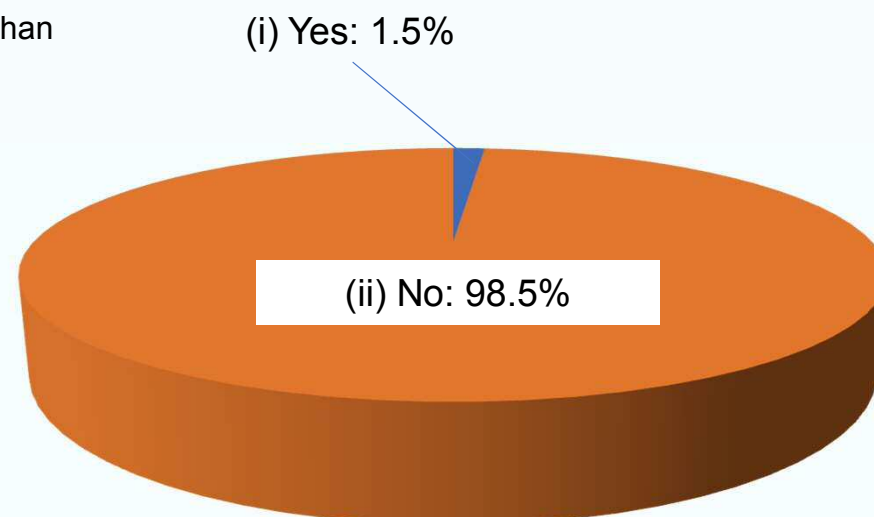
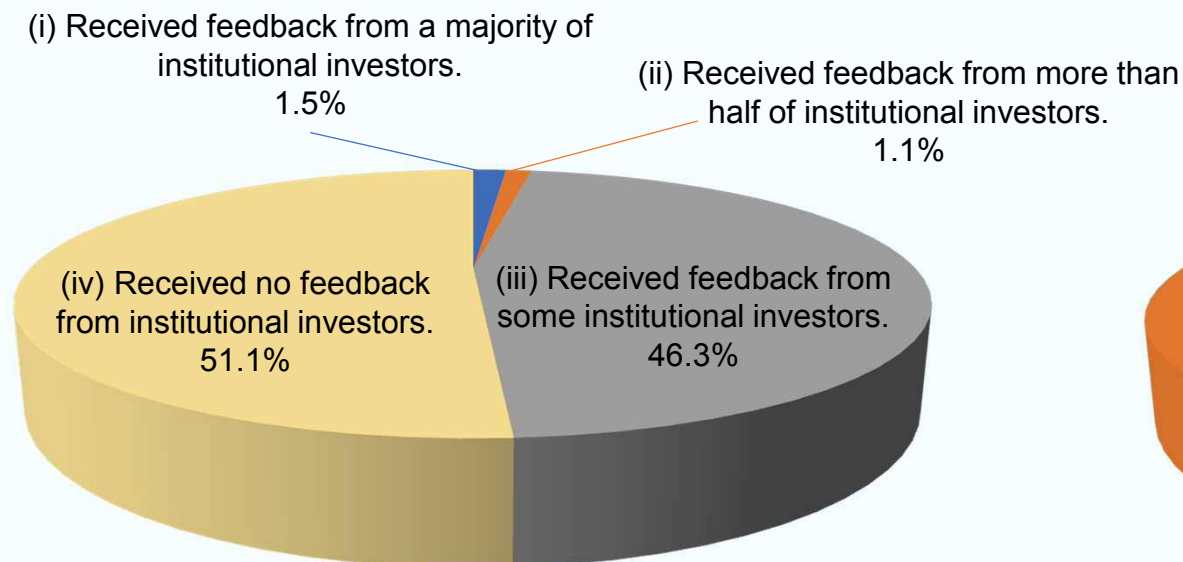
- There have been cases where we ask investors to provide explanations on their decisions to vote for or against our proposals and their reasons during interviews.
- We felt during the interviews that there has been more stringent accountability to asset owners regarding the decisions to vote for or against proposals.
- There has been widespread misunderstanding that the higher the dissenting rate is, the better investors are acting.
- There has been a shift from non-exercising to exercising of voting rights.
- Bipolarization was observed in making voting decisions between those focused on dialogues and those focused on pro forma standards.
- There was a notification on voting policies in advance.

Q9: Did you receive notifications on the public disclosure from institutional investors?

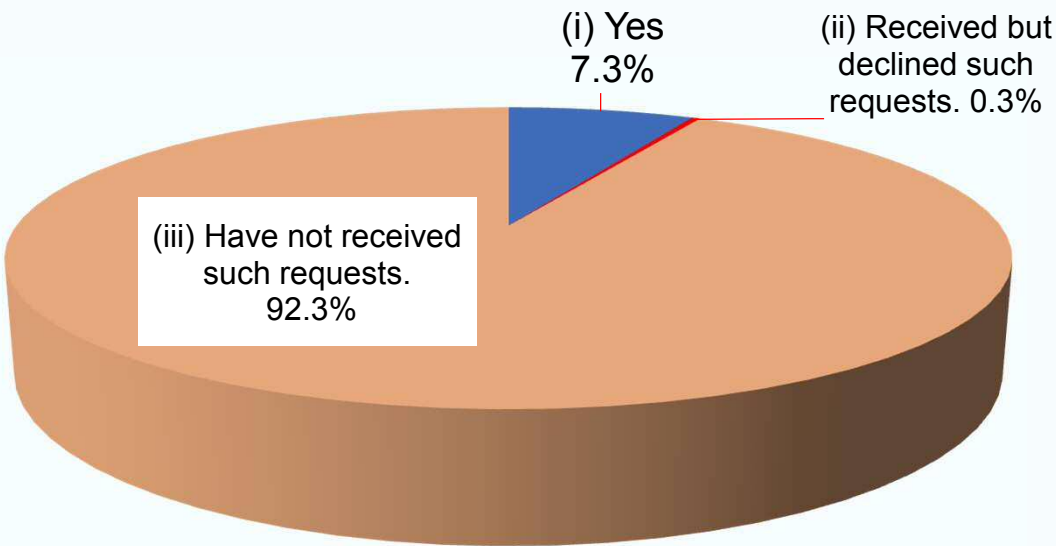


■ **Did you receive any feedback from institutional investors regarding their voting decisions (reasons for Yes or No) after the AGM?**

■ **Have you experienced institutional investors' refusal to provide detailed explanations of their voting decisions?**



Q10: The Japan's Revised Stewardship Code indicates that collective engagement could be beneficial in some cases. **Have you accepted collective engagement?**



Q11: **What are your views on the pros and cons of collective engagement? (Multiple responses allowed)**

<Pros>

| | |
|--|-------|
| (i) Company's time can be saved or used efficiently by meeting multiple institutional investors at once. | 72.4% |
| (ii) The quality of dialogues may be improved by promoting competitions among institutional investors. | 26.8% |
| (iii) Others | 3.6% |

- Opinion exchange is possible from diverse perspectives.
 - Cannot provide comments due to limited (no) experiences, etc.

<Cons>

| | |
|--|-------|
| (i) Dialogues become difficult when opinions among institutional investors have not been coordinated sufficiently. | 64.0% |
| (ii) Dialogues become difficult due to pressure because of increased number of shares held. | 9.2% |
| (iii) Others | 8.2% |

- Conversations tend to be distracted due to questions and opinions from different perspectives.
 - Cannot provide comments due to limited (no) experiences, etc.

Q12: What do you expect from institutional investors as a whole in pursuing enhancement of your corporate value and sustainable growth over the mid- to long-term?

[Major responses (excerpts)]

- If it is specified by institutional investors how they utilize non-financial information, issuing companies will find it easier to engage in more active disclosure and dialogues.
- We expect more active discussions on and deeper understanding of non-financial information. As we place priority on the viewpoint of institutional investors, we would like to have discussions with them on not only detailed figures but the company's vision, medium- to long-term strategy, governance and social responsibility to promote mutual understanding.
- It is no use saying that there are time differences in investment periods of 10 years and a gap in awareness on returns compared with funds for which investment performance is evaluated on a yearly basis. We would like them to not only look at the figures from a short-term perspective but also focus on intangible assets (human assets) and non-financial information that cannot be expressed in financial results or other visible forms.
- We would like see more enhancement in information disclosure from the investor side (e.g.: information on share holding and the details of proxy voting results).
- We think it is important to continue dialogues from a long-term viewpoint. We also expect them to accurately communicate what is expected of investee companies from the perspective of institutional investors and engage in activities in order to grow together with investee companies.
- We would like to see further information disclosure from institutional investors. For example, while the disclosure of proxy voting results on individual agenda items is extremely helpful, we would also like to see clear reasons behind dissenting votes.
- As many analysts work as "individuals", it is hard to have dialogues with them from the perspective of "organization vs. organization" by staying accountable to each other. Unless unified views are presented by the investor side as an organization, the corporate side cannot take actions. As differences in opinions are often observed between the person in charge of ESG engagement and the person in charge of asset management, in particular, we strongly expect improvement on this point.
- In order to expand the scope of stewardship activities and ESG investment across the entire market, we would like you to increase opportunities for dialogues by incorporating not only large caps but also medium- to small-caps.

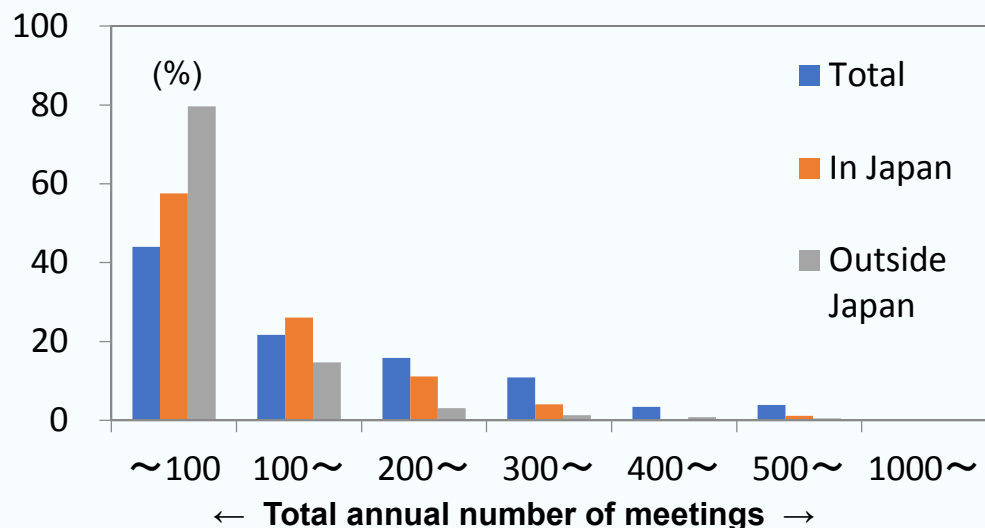
Summary of the Survey Results (ii) IR and ESG Activities of Your Company

- As for terms used for disseminating non-financial information, CSR, ESG, and Sustainability are used more frequently in descending order (p. 15). Companies that prepare Integrated Reports or equivalent reports account for more than 40% of all companies. In addition, more than half of the companies that have not prepared these reports yet stated that they are planning to prepare or considering preparation of such reports, which indicates a rapid expansion of Integrated Reports (p. 16).
- Explanations on non-financial information, such as ESG, are provided mainly at financial results presentations and IR meetings. While only a few companies hold information sessions focused on ESG/CSR issues at this stage, there has been great interest among institutional investors (p. 17). The total number of companies that are planning to hold or considering holding such sessions in the future reached 93.
- While more than half companies selected the enhancement of corporate value and risk reduction as the objectives of ESG and CSR activities, responses significantly varied depending on the size of the company. Relatively speaking, large enterprises tend to focus on the enhancement of corporate value (ESG reasons). Meanwhile, companies classified into small caps tend to select contribution to society (CSR reasons) (p. 18).
- As for major themes in ESG/CSR activities, most companies listed common issues faced by companies and society, such as (i) corporate governance, (ii) diversity, and (iii) climate change. However, a broad range of themes other than those listed were also identified in accordance with the characteristics of companies, etc. (p. 19).
- Recognition of SDGs has been rapidly increasing with more than 80% of companies indicating that they have knowledge of SDGs. More than 60% of companies have taken actions or consider actions (p. 20).

<IR and ESG Activities of Your Company>

Q1: With regard to IR meetings you hold with institutional investors, describe (i) the total annual number of meetings with institutional investors and (ii) the approximate percentage composition of attendees from your company at these meetings.

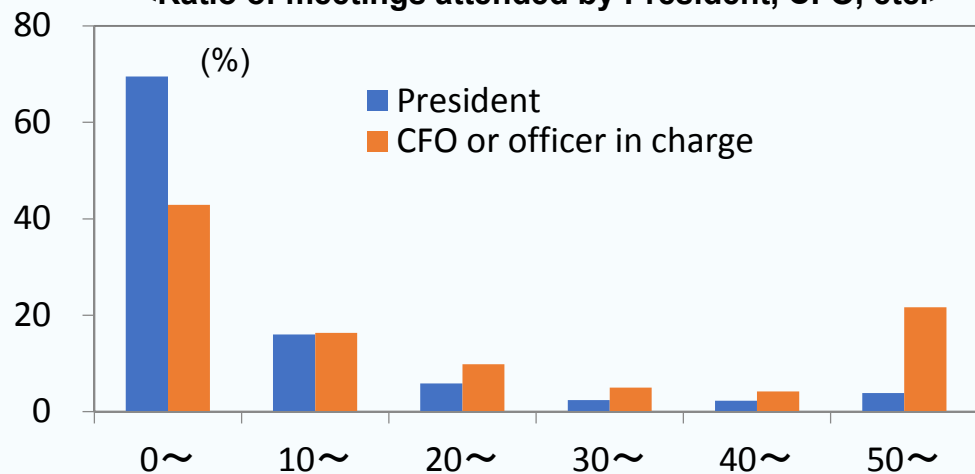
<Distribution of number of meetings with institutional investors >



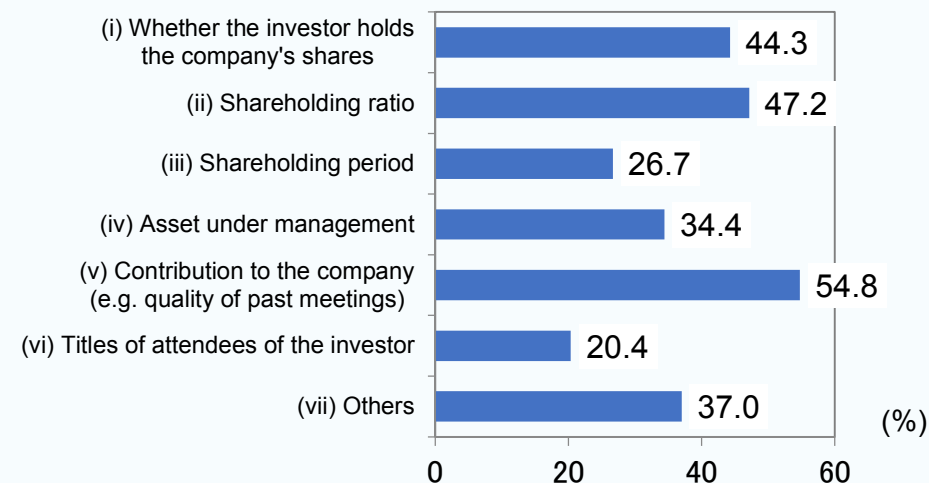
<Total annual number of meetings with institutional investors>

| (Number of meetings) | Total | In Japan | Outside Japan |
|----------------------|-------|----------|---------------|
| Maximum | 1500 | 700 | 950 |
| Minimum | 0 | 0 | 0 |
| Average | 183.2 | 118.5 | 61.3 |
| Median | 130 | 90 | 24 |

<Ratio of meetings attended by President, CFO, etc.>

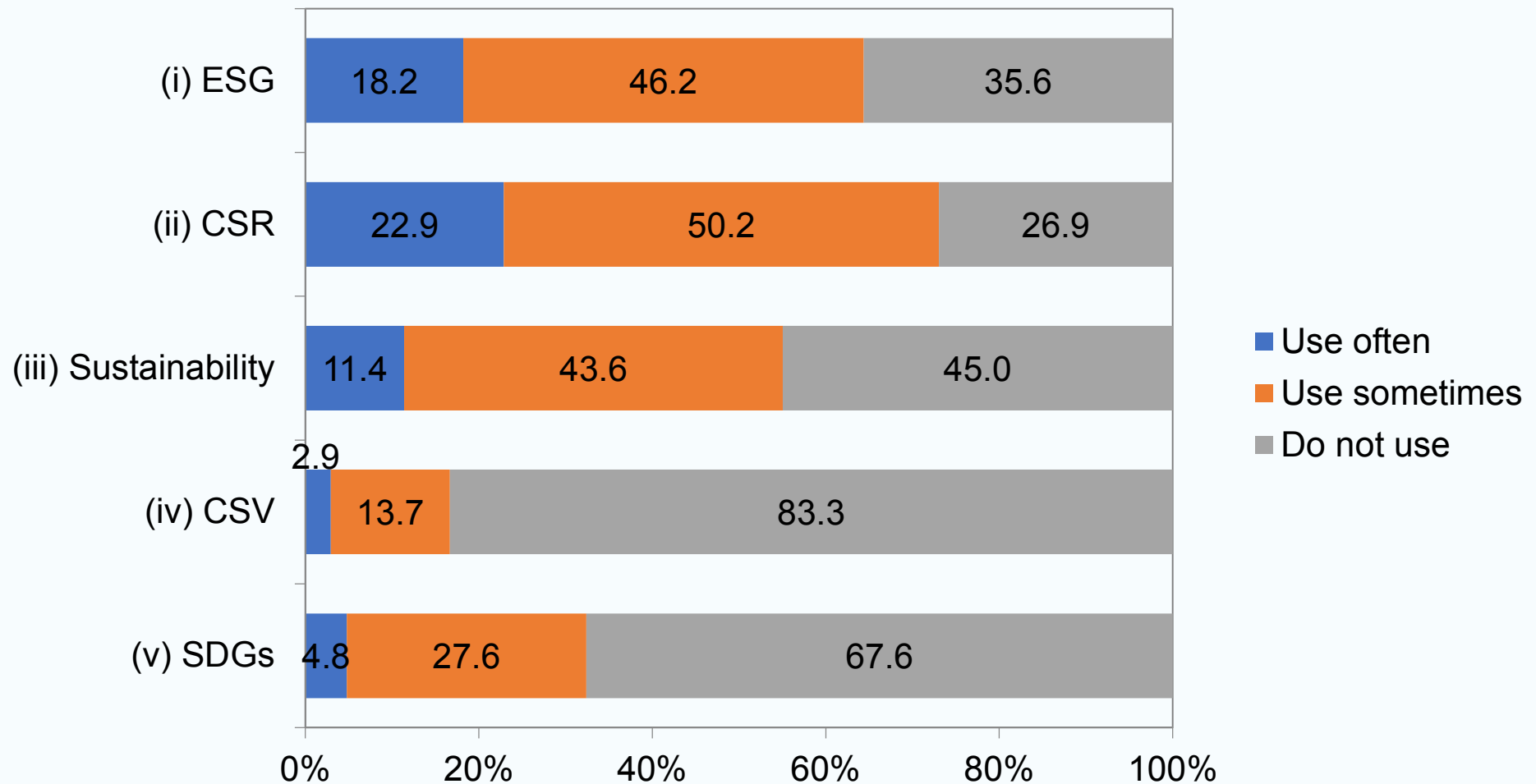


<For what reasons do you choose attendees of your company?>



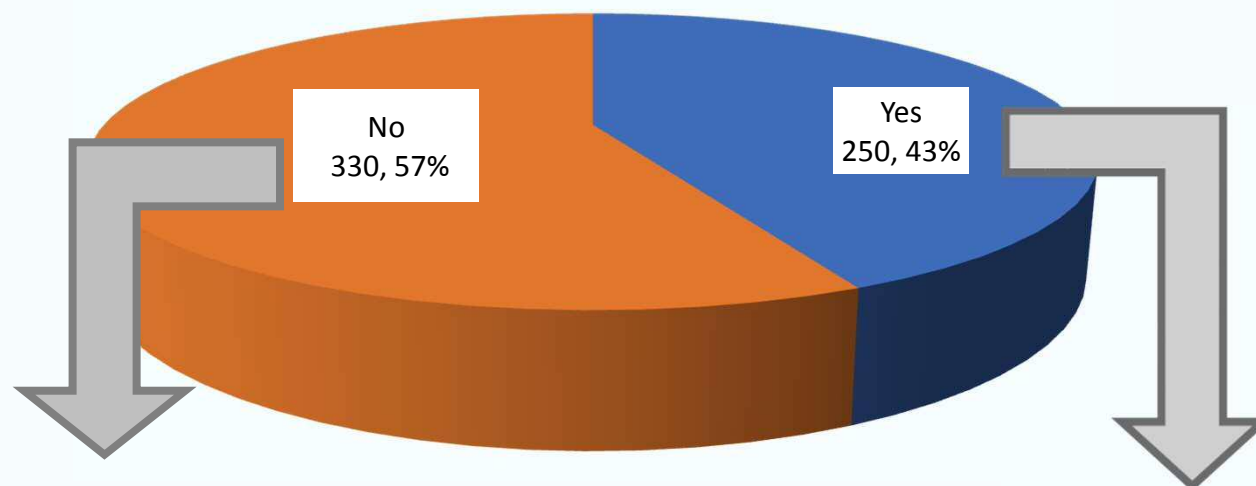
*Multiple responses; ratio of total number of companies

Q2: When disseminating IR information concerning your company, how often do you use the following terms concerning non-financial information?

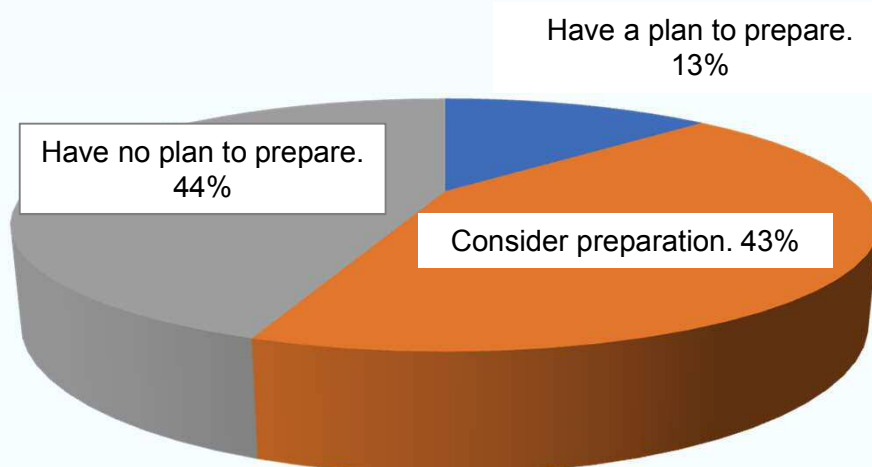


Q3: ESG/CSR activities (including disclosure) of your company

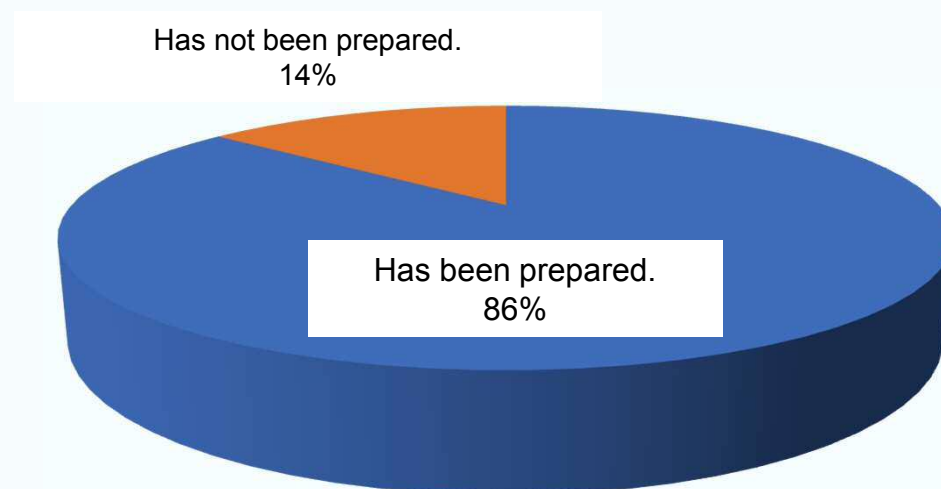
■ **Do you prepare Integrated Reports or equivalent reports for institutional investors?**



■ **What is your future plan?**

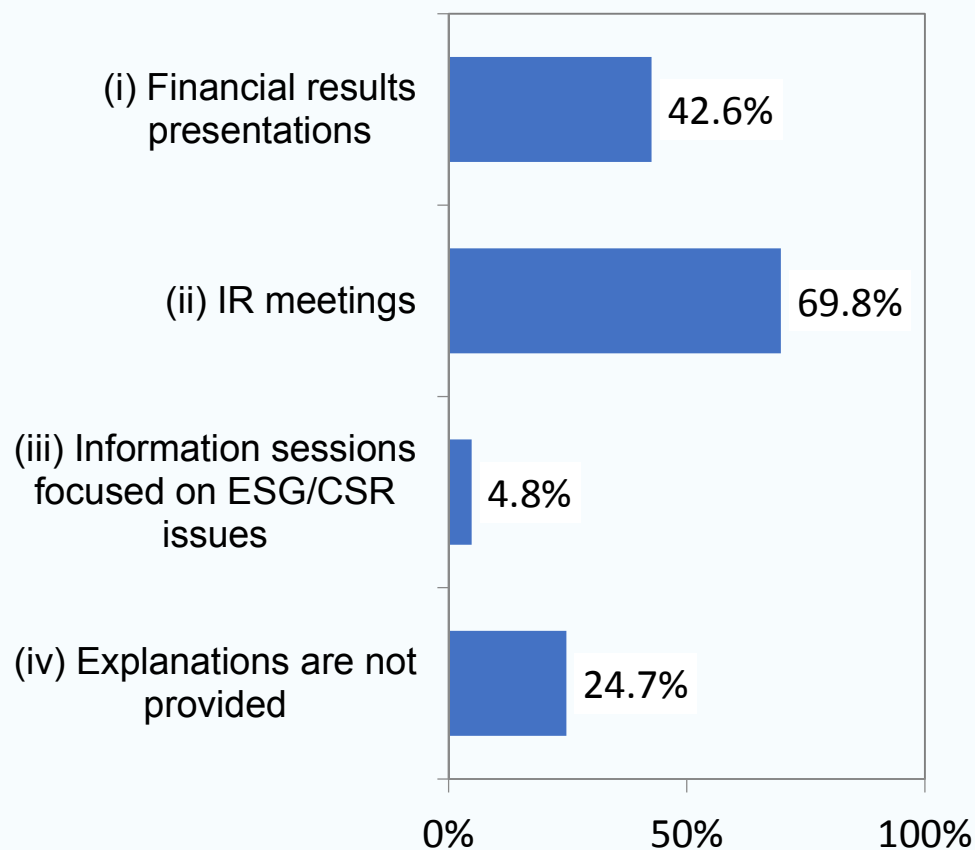


■ **Has an English version been prepared?**

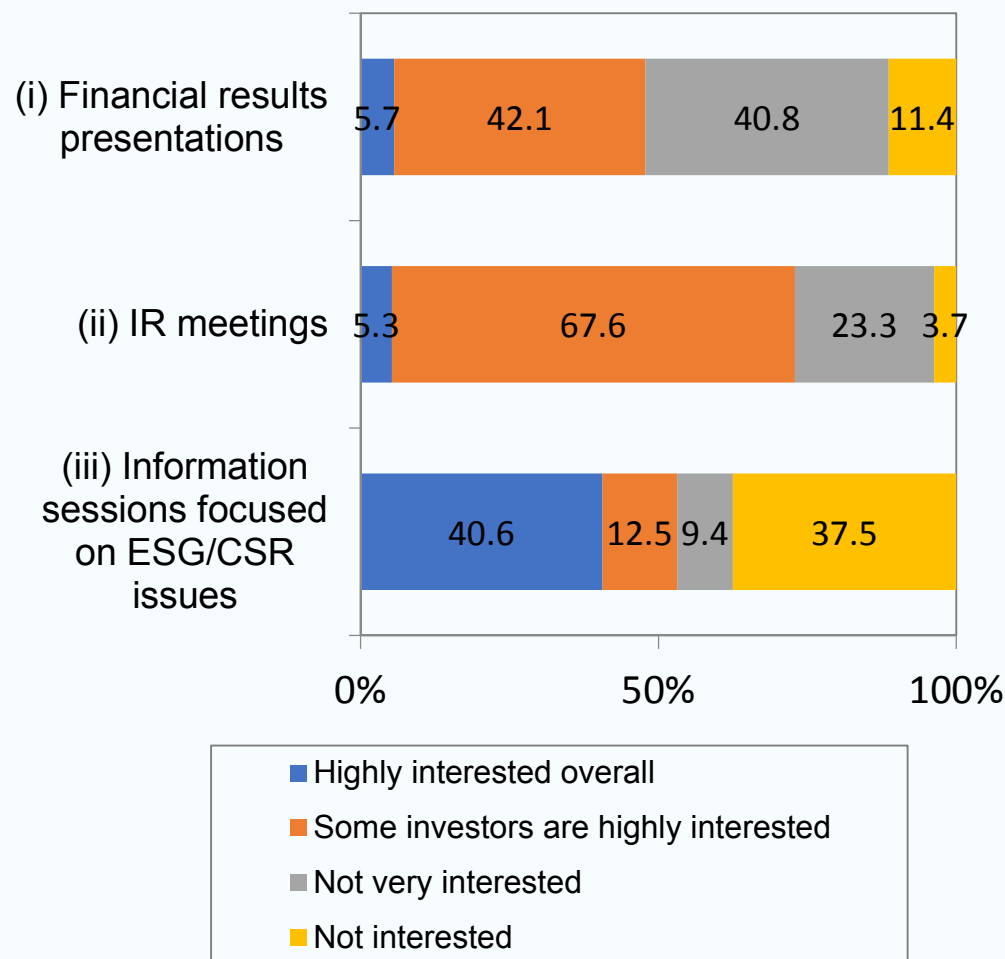


Q4: At which place(s) do you provide explanations on non-financial information such as ESG to institutional investors? (Multiple responses allowed) If such explanations are provided, how do you rate the reactions of institutional investors?

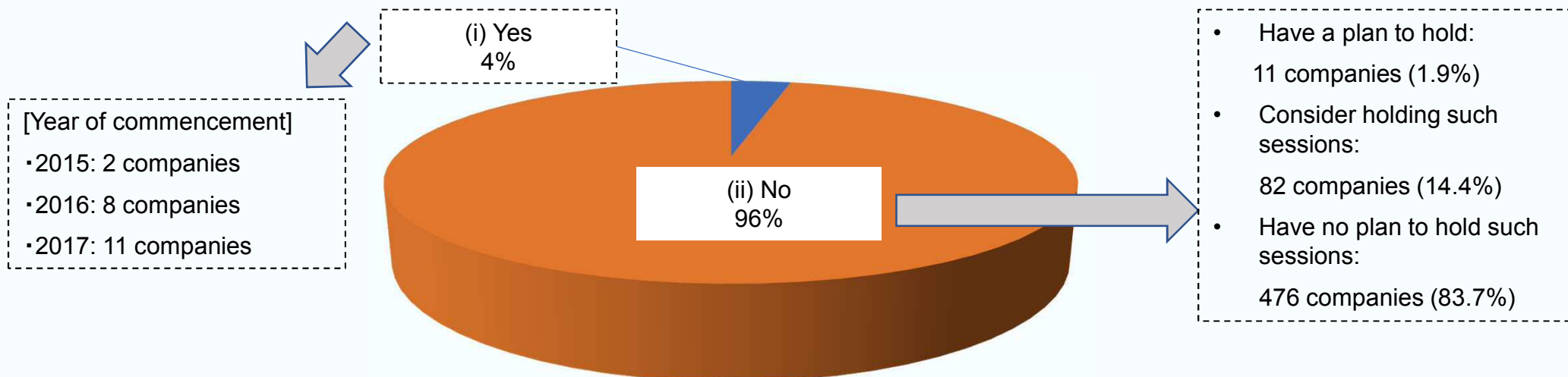
<Places where explanations on non-financial information are provided>



<Reactions of institutional investors>

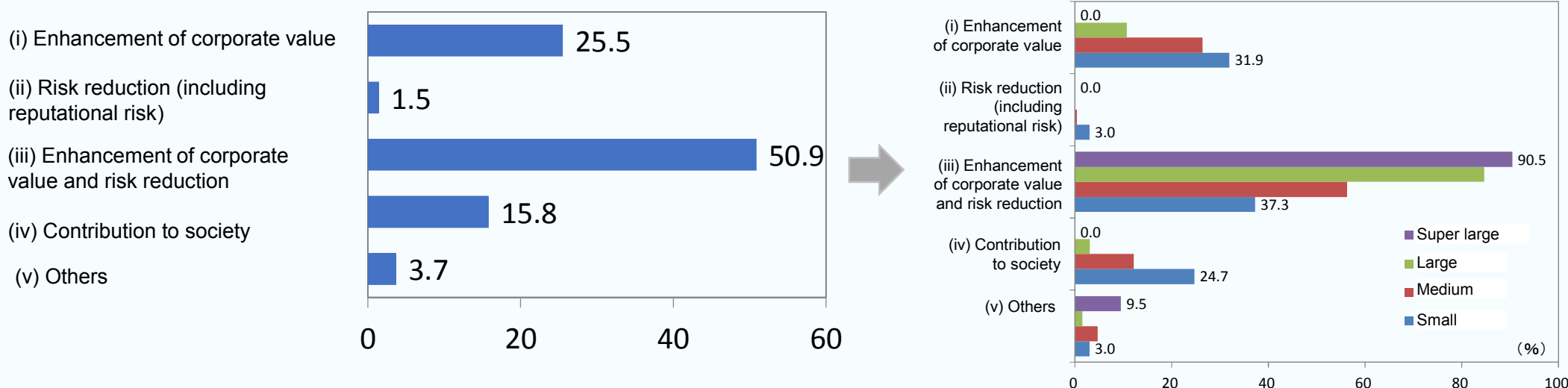


Q5: Do you currently hold information sessions focused on ESG/CSR issues for institutional investors?



Q6: What are the objectives of the ESG/CSR activities of your company?

<Results by company size>



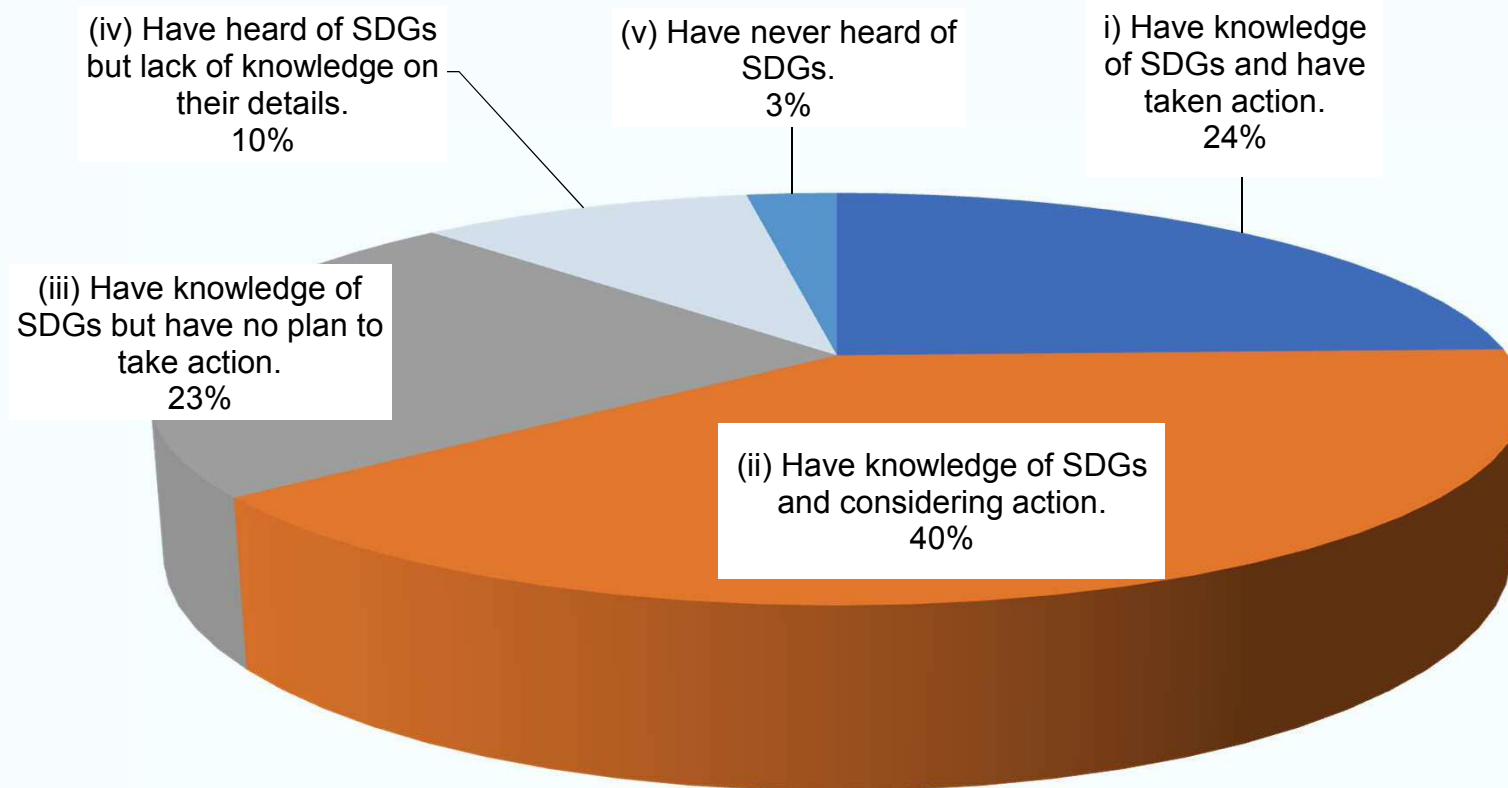
Q7: What are the major themes of the ESG/CSR activities of your company (Multiple responses allowed, up to five)

| Rank | Item | Ratio (%) |
|------|--|-----------|
| 1 | Corporate Governance | 67.4 |
| 2 | Diversity | 43.0 |
| 3 | Climate change | 36.3 |
| 4 | Human rights and regional communities | 33.8 |
| 5 | Health and safety | 32.5 |
| 6 | Safety of products and services | 30.5 |
| 7 | Risk management | 26.7 |
| 8 | Disclosure | 21.5 |
| 9 | Supply chain | 17.9 |
| 10 | Composition and evaluation of board of directors | 14.2 |
| 11 | Pollution and resources | 14.1 |
| 12 | Opportunities in environment markets | 12.3 |
| 13 | Waste management | 11.1 |

| Rank | Item | Ratio (%) |
|------|---|-----------|
| 14 | Labor standards | 10.7 |
| 15 | Water resources and water usage | 8.6 |
| 16 | Opportunities in social markets | 7.4 |
| 17 | Biodiversity | 7.1 |
| 18 | Capital efficiency | 6.3 |
| 19 | Deforestation | 5.5 |
| 20 | Anti-corruption measures | 3.7 |
| 21 | Corporate scandals | 2.3 |
| 22 | Protection of minority shareholders (cross shareholdings, etc.) | 0.8 |
| 23 | Conflict minerals | 0.6 |
| 24 | Tax transparency | 0.5 |
| 25 | Others | 13.2 |

*companies select up to five themes out of 25 themes listed above.

Q8: Do you take action to achieve Sustainable Development Goals (SDGs)?



Summary of the Survey Results (iii) GPIF's Initiatives (ESG indices)

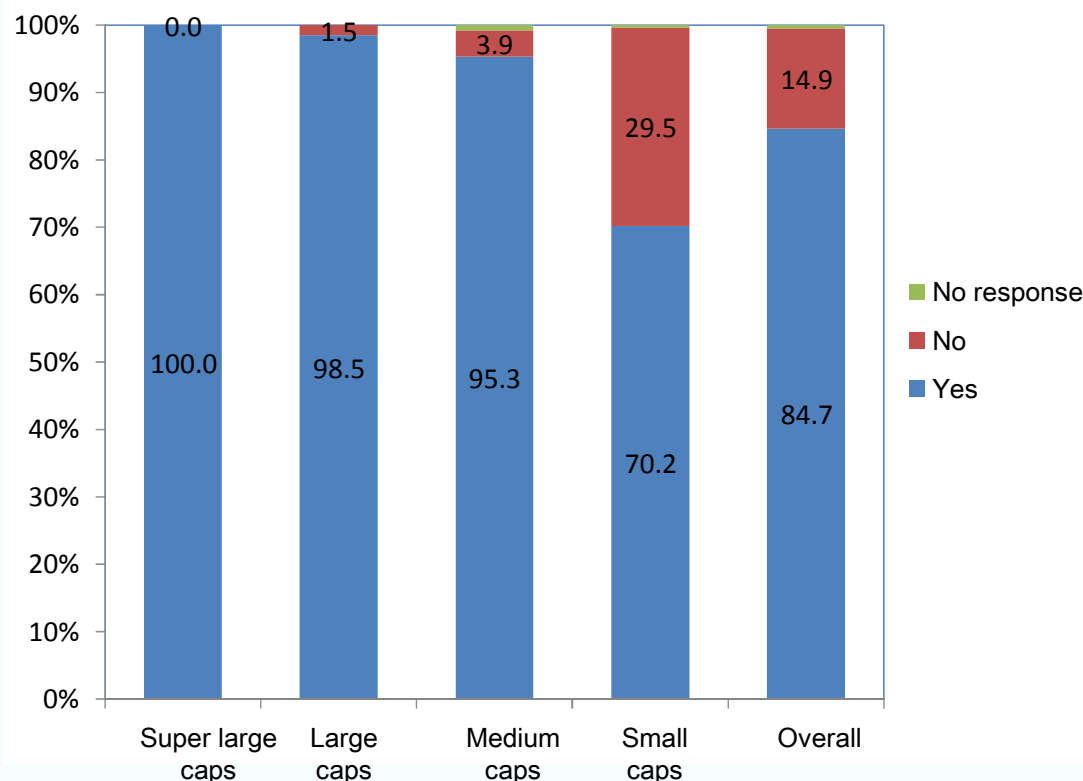
- ❑ Approximately 85% of companies knew about ESG indices. Almost all companies which are classified into medium caps or above (TOPIX 500 companies) knew about the indices. While the recognition rate is much higher among companies included in the ESG indices, approximately 75% of companies which are not included in the ESG indices stated that they knew about the indices (p. 22).
- ❑ In terms of the status of inclusion in the ESG indices, companies with larger market cap or those included in the ESG indices tend to have internal discussions. More than 80% of large enterprises (TOPIX 100 companies) which had not been included in the ESG indices stated that they had internal discussions (p. 24).
- ❑ More than 60% of companies considered the ESG indices positively, and there were very few negative comments. Since most of companies that are classified into small caps have not been included in evaluation universe (parent indices), many of them selected “Not sure” for the rating of the index (p. 25). As for reasons of positive evaluation, many companies cited that the evaluation is based on public information, constituent companies have been announced publicly, positive screening has been adopted, etc. (p. 26).
- ❑ In the evaluation of each of the three ESG indices in which GPIF invests, companies showed a tendency to highly rate the indices in which their companies are included. No significant differences in evaluation were observed among the three ESG indices (p. 27).
- ❑ Majority of companies wish to be included in the three ESG indices. A very few of them do not wish to be included in these indices. Relatively speaking, those companies not included in the indices tend to select “Not interested” (p. 28).
- ❑ Among companies which are classified into large caps, companies not included in the ESG indices tend to state that “There have been changes in awareness of ESG, organizational structures and activities internally” (p. 28).
- ❑ Companies that conduct dialogues with MSCI and FTSE accounted for a quarter of all companies. More companies had dialogues with MSCI reflecting the number of companies included in respective indices (p. 30).

<GPIF's Initiatives (ESG Indices)>

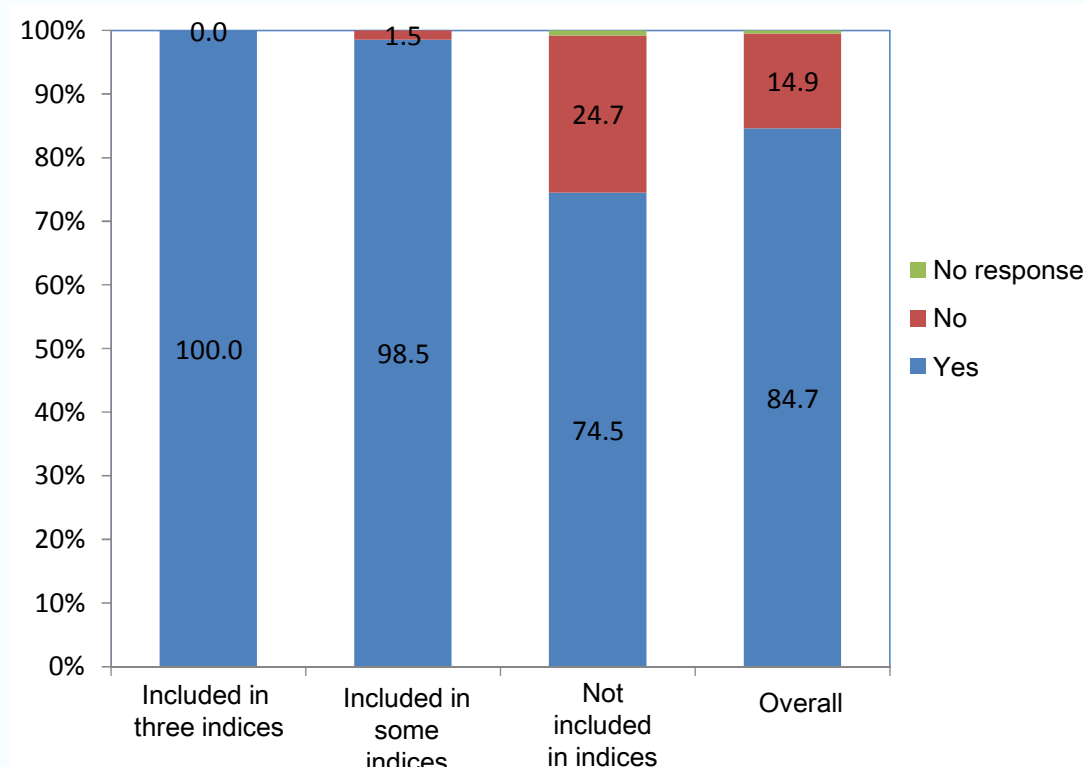
Q1: GPIF selected three ESG indices for Japanese equities (FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index and MSCI Japan Empowering Women Index (nickname: WIN)) in July 2017.

■ Did you know about these ESG indices?

<Summary by company size (market cap)>



<Summary by status of inclusion in ESG indices>



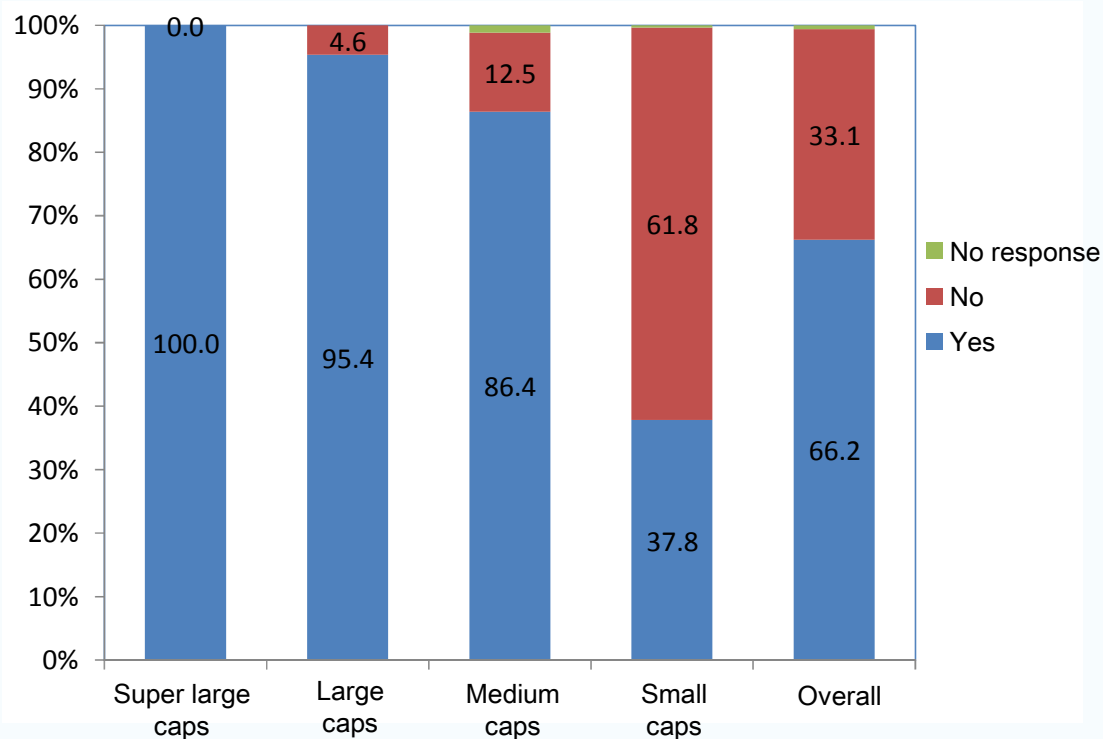
(Note)
 Super large caps: TOPIX Core 30
 Large caps: TOPIX Large 70
 Medium caps: TOPIX MID 400
 Small caps: TOPIX Small
 Data as of December 31, 2017

(Note) Status of inclusion in indices as of December 31, 2017.

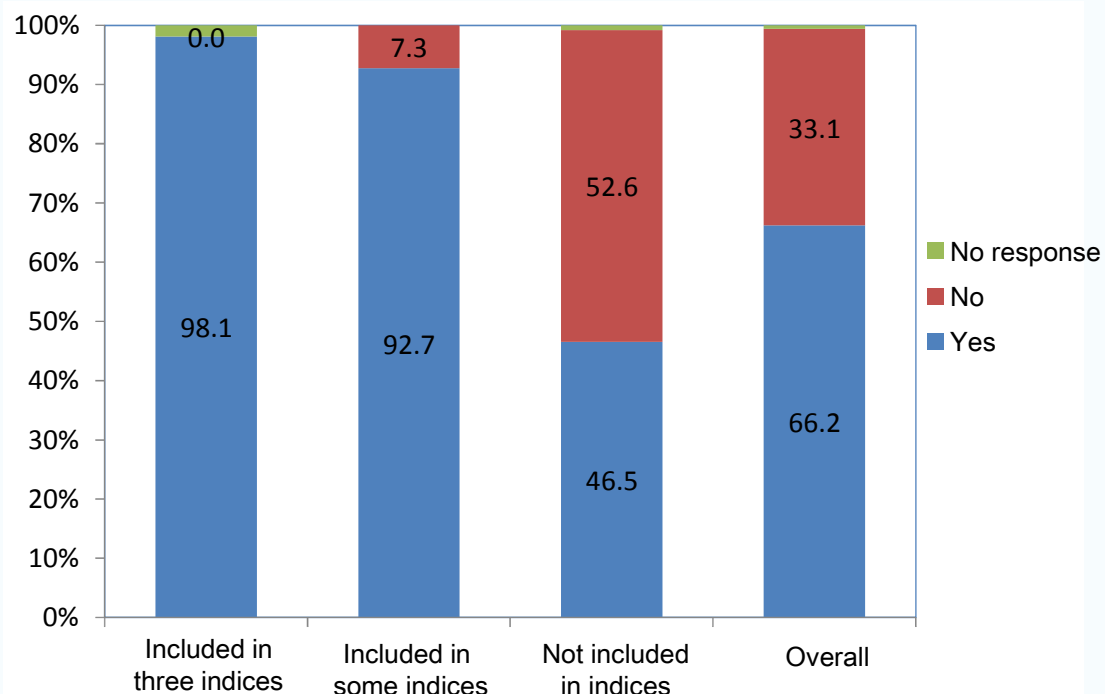
Q2: Are you aware whether your company has been included in the three ESG indices?

No response
No
Yes

<Summary by company size (market cap)>



<Summary by status of inclusion in ESG indices>

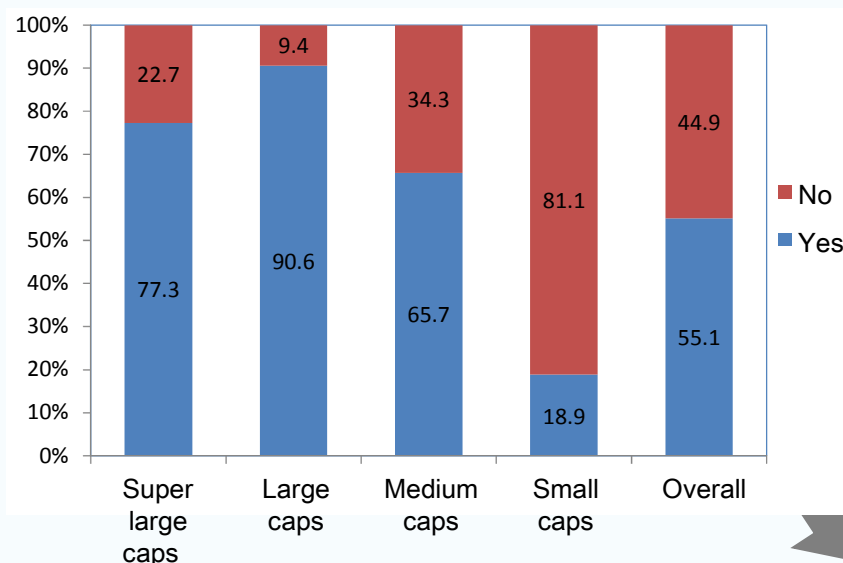


(Note)
Super large caps: TOPIX Core 30
Large caps: TOPIX Large 70
Medium caps: TOPIX MID 400
Small caps: TOPIX Small
Data as of December 31, 2017

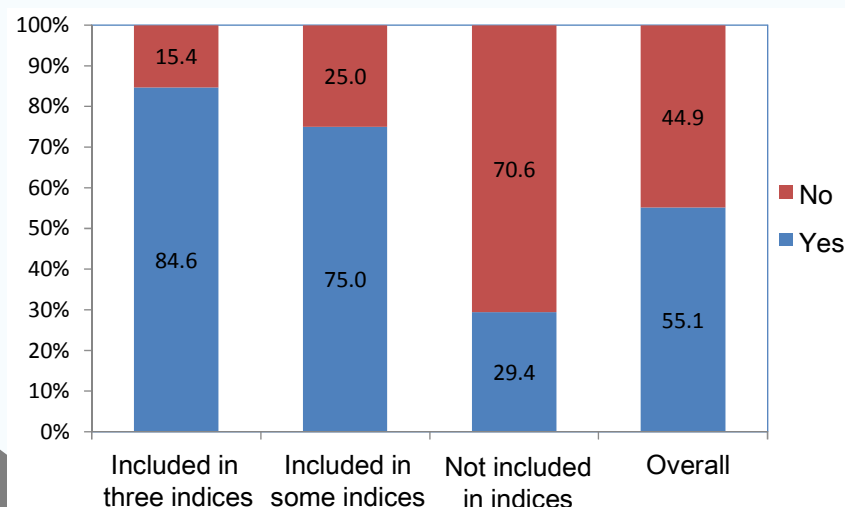
(Note) Status of inclusion in indices as of December 31, 2017.

Q3: If you selected “Yes” for Q2, did you have any internal discussions on the status of inclusion in ESG indices?

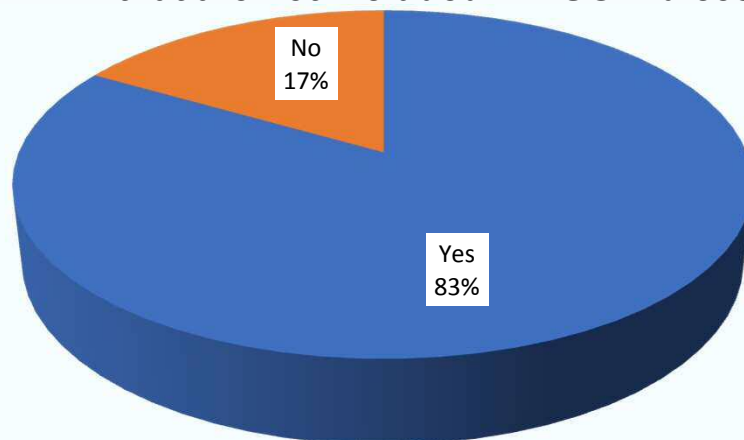
<Summary by company size (market cap)>



<Summary by status of inclusion in ESG indices>



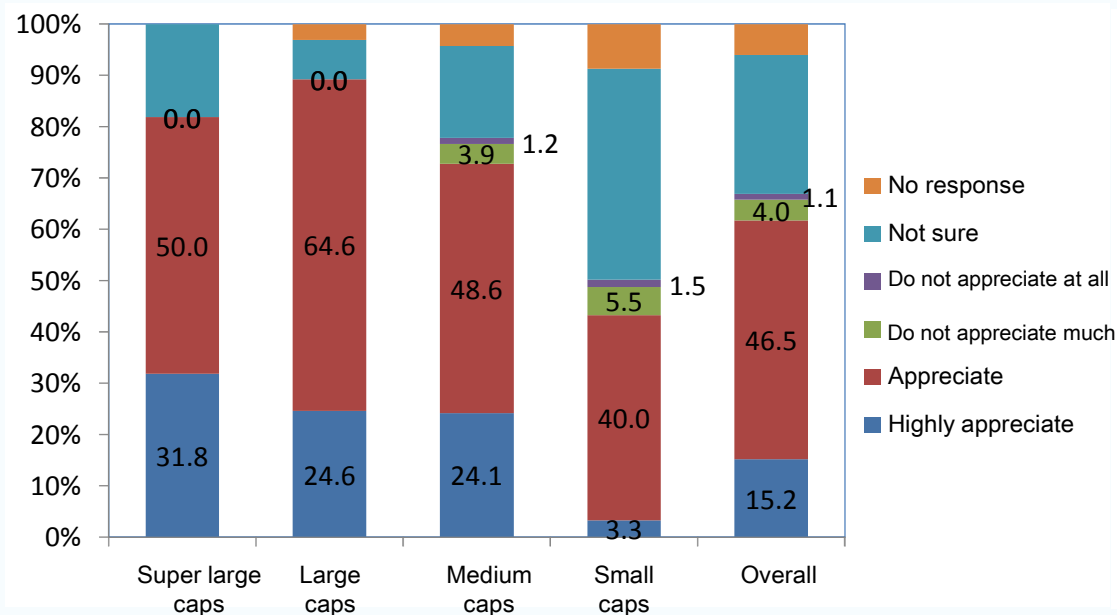
<Summary of results for TOPIX100 companies (super large and large caps) that are not included in ESG indices >



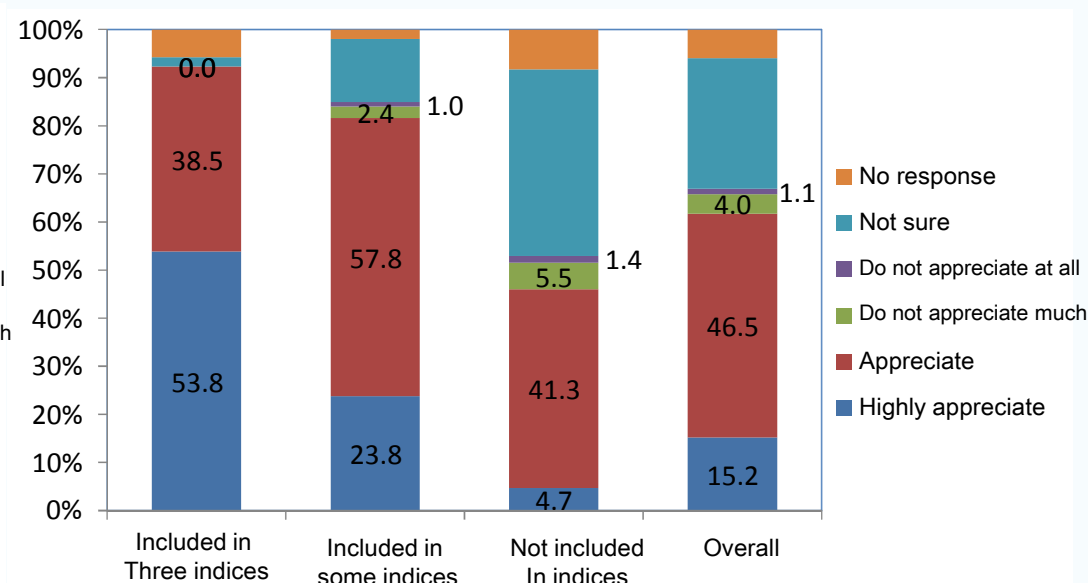
- Based on the summary by status of inclusion in ESG indices, it was revealed that those companies which are not included in any of the three ESG indices had no internal discussions on the inclusion status.
- However, it also became apparent that discussions were held by those companies which are subject to inclusion in the ESG indices (companies which have been included in parent indices). This indicates that an expansion of evaluation universe is extremely important for boosting ESG evaluation for Japanese companies.

Q4: Describe your rating of the ESG indices?

<Summary by company size (market cap)>

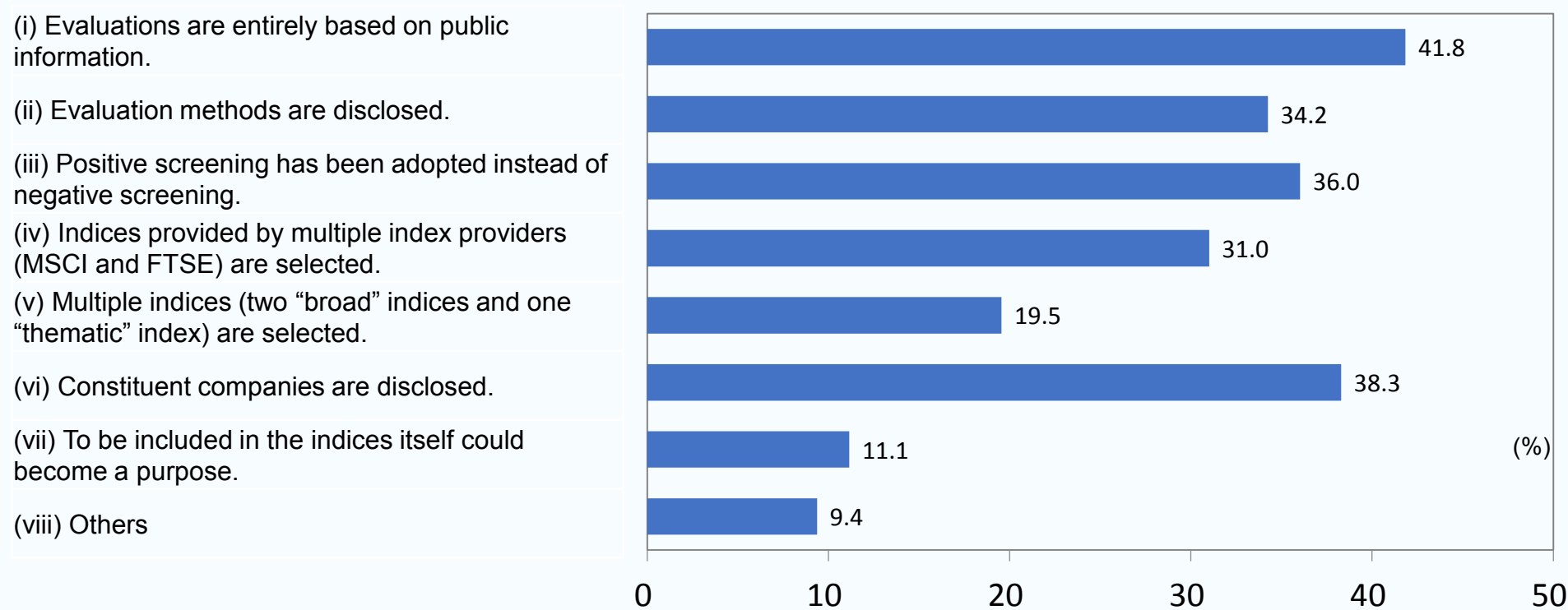


<Summary by status of inclusion in ESG indices>



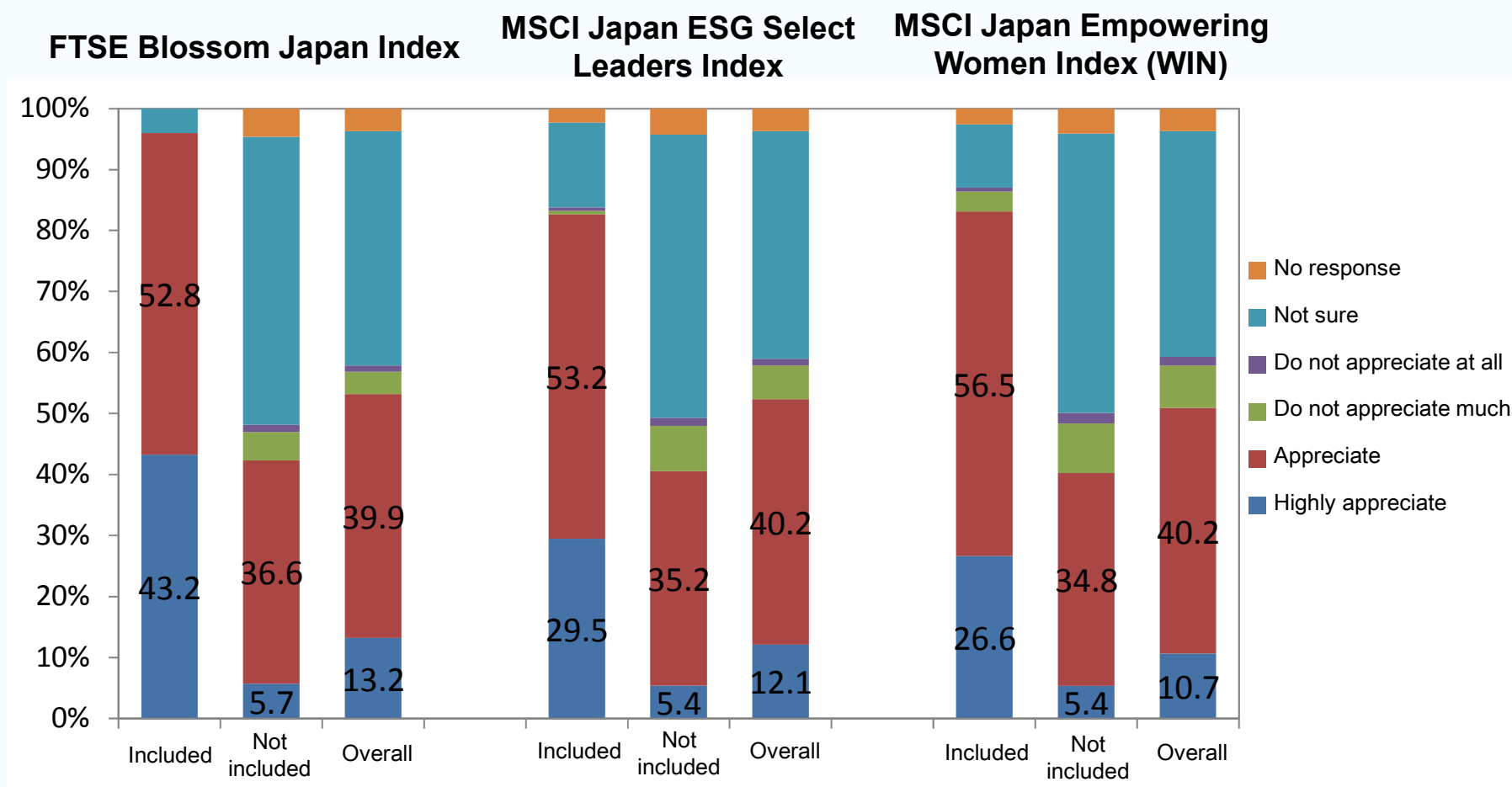
- While positive evaluations (“Highly appreciate” and “Appreciate”) with regard to the ESG indices vary among companies depending on their company size or the status of inclusion in the ESG indices, very few companies gave negative evaluations (“Do not appreciate at all” and “Do not appreciate much”) in any category.

What are the reasons for your evaluation in the previous page? (Multiple responses allowed)



- [Major comments by companies that selected "(viii) Other"]
- Since small and medium caps are virtually excluded from index inclusion, there are no incentives. (Many similar comments)
 - We think that these indices will promote the ESG evaluation of Japanese companies.
 - Indices in which our company is not included can be presented as management issues for our company.
 - There have been a number of scandals caused by the companies which are included in these indices.
 - Evaluation criteria for each evaluation item are unclear. Best practices for each items should be presented as examples.
 - As the scope of "S (Social)" is broad, we are not sure if the selection of an index focused on gender diversity is appropriate.

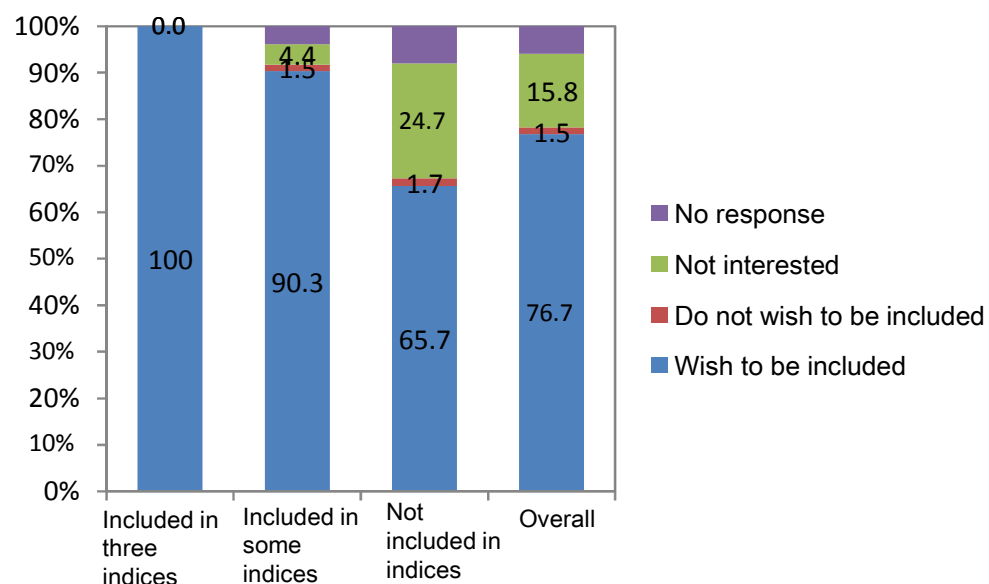
Q5: Describe your rating of each of the following ESG indices?



(Note) “Included” and “Not included” were determined based on the status of inclusion in respective indices as of December 31, 2017.

- Companies included in the ESG indices tend to evaluate the ESG indices positively. While the number of negative evaluations was also limited for companies not included in the ESG indices, many of them selected “Not sure.”
- Overall, no prominent differences in evaluation were observed among the three ESG indices.

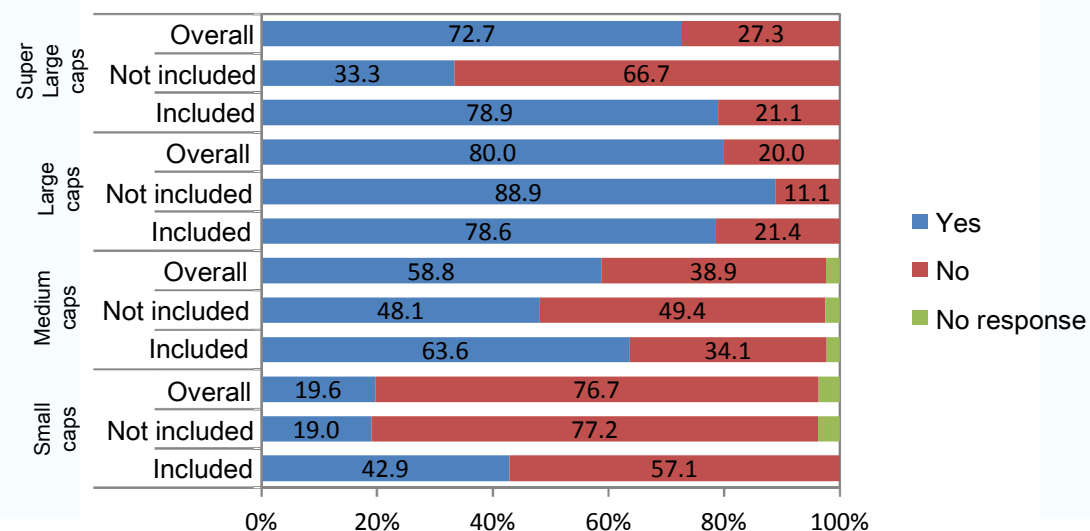
Q6: What are your views on the inclusion in the three ESG indices?



[Major comments by companies that selected “Do not wish to be included”]

- There are currently very few track records that we can appeal.
- We lag behind our competitors in terms of ESG measures aimed at improving business performance and competitiveness.
- It may result in an increase in the ratio of overseas investors.
- While we don't really mean that we do not wish to be included in the indices, it should not become an objective, either.
- There are no mechanism to incorporate manufacturers that make steady efforts.
- Although we do not refuse to be included in the indices as a result, we will not proactively take action to be included in the indices.
- The time is not right, too early.

Q7: Have there been any changes in awareness of ESG, organizational structures, and activities within your company since the launch of the ESG indices?



- No significant changes have been observed as a result of the launch of the ESG indices among the companies classified into small caps which are difficult to be included in the currently adopted indices due to their company size. However, many of the companies classified into super-large caps and large caps observed changes.
- Among the companies which are classified into large caps, companies not included in the ESG indices observed more changes than those included.

*Specific comments are listed on the following page.

Specific comments regarding the changes in awareness of ESG, organizational structures, and activities within the company as a result of the launch of ESG indices

[Changes in awareness of ESG]

- Increases in media coverage and customer inquiries, etc. resulted in the enhancement of awareness among our directors, officers and employees. (Finance)
- The Human Resources Department became more conscious of the inclusion in the indices. (Pharmaceutical)
- We held a study session on the indices. (Electronics)
- We became more aware of the criteria for the ESG indices in disclosure. (Electronics)
- The top management set a policy of “proactively disclosing information on ESG in order to gain adequate evaluation.” (Chemical)

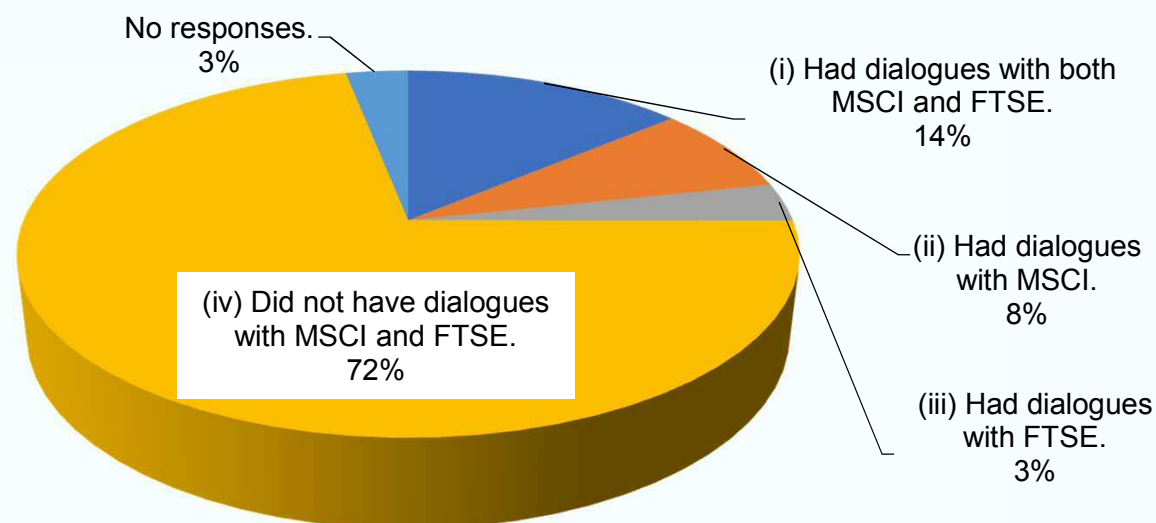
[Changes in organizational structures]

- Multiple departments had cross-sectional discussions and a regular liaison meetings were established in order to improve ESG measures. (Finance)
- There has been more active collaboration among the Corporate Communications Department, Human Resources and General Affairs Department, etc. (Pharmaceutical)
- We became more aware of GPIF’s activities, the Diversity Promotion Office was established and our management plan was revised to address ESG issues. (Chemical)
- A department in charge of CSR issues has been established. (Precision equipment)
- IR and CSR offices were incorporated into the same organization and collaboration efforts were made with the aim of achieving the goal of being included in the indices. (Other products)

[Changes in activities, etc.]

- We considered the necessity of Integrated Reporting and the incorporation of non-financial information into the next medium-term management plan. (Pharmaceutical)
- The recognition of GPIF increased within the company. (Service)
- The awareness of “ESG investment” increased within the company. While our company had been included in an ESG index selected by an overseas pension fund, it was difficult to gain understanding due to the lack of direct contact. (Construction)

Q8: Did you have dialogues with or make inquiries to MSCI and FTSE following the selection of the ESG indices?



Q9: Please share with us your opinions concerning the ESG indices selected by GPIF.

[Major comments]

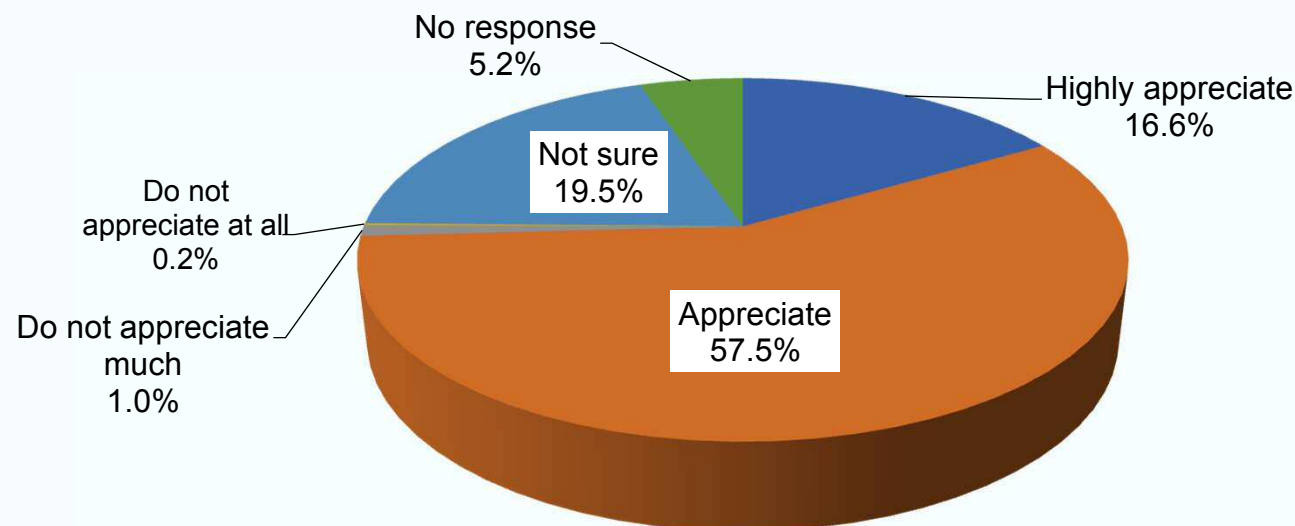
- We hope that a system will be developed to evaluate the ESG activities of listed companies with smaller market cap in the future. (Many similar comments)
- We hope an index focused on “E (Environmental)” will be selected. / We want you to select an index focused on “G (Governance)” as well.
- We want more detailed explanations on the evaluation profiles of MSCI and FTSE to promote better understanding among companies.
- A clear method for evaluating companies from the perspective of ESG has not been established yet. While we give high remarks to the fact that there are three different indices from the perspective of risk diversification, companies with good profiles tend to gain high evaluation as the indices focus on publicly available data.

Summary of the Survey Results (iv) GPIF's Initiatives (Overall Stewardship Activities)

- ❑ As for the rating of GPIF's overall stewardship initiatives, approximately three-quarters of companies selected "Highly appreciate" and "Appreciate." While many of them appreciated GPIF's dialogues with its external asset managers from a long-term standpoint and the transparency in its initiatives, among other factors, some companies pointed out that there have been more pro forma discussions. (p. 32)
- ❑ Among the initiatives carried out by GPIF, while initiatives including "Putting weight on stewardship activities in the evaluation of external asset managers" and "Survey to companies" gained high recognition, initiatives such as "Joining the U.K. 30% Club and the U.S. Thirty Percent Coalition" and "Holding Global Asset Owners' Forum" scored a lower recognition level. As for the rating of respective initiatives, companies tended to select "Not sure" for initiatives with lower recognition, which resulted in the lower ratio of "Highly appreciate" and "Appreciate" for the rating. (p. 33)
- ❑ When topics on GPIF are discussed during meetings between companies and institutional investors, the most frequent topics are "ESG investment" and "Stewardship." (p. 34)
- ❑ With regard to GPIF's public relations activities, an overwhelming number of companies have seen GPIF's public website. However, many companies have also seen presentations by GPIF's officers and employees. (p. 34)
- ❑ As for expectations from stewardship activities carried out by GPIF, many companies commented on the promotion of dialogues from a long-term standpoint, provision of opportunities for direct and indirect dialogues with companies with relatively small market cap, and dissemination of ESG investment among others. (p. 35)

<GPIF's Initiatives (Overall Stewardship Activities)>

Q1: Describe your rating of GPIF's overall stewardship activities and the reason.



[Comments by rating]

- The focus of awareness of the management side shifted from the pursuit of short-term profits to long-term business strategy. (Company that selected "Highly appreciate")
- There has been a significant impact on the promotion of stewardship activities by leading asset managers. (Company that selected "Highly appreciate")
- We can see GPIF's efforts to take a lead in disseminating stewardship activities. (Company that selected "Appreciate")
- Transparency has been ensured by publicly disclosing the policies. (Company that selected "Appreciate")
- While the GPIF's effort itself is a positive one, there seem to be more pro forma discussions as a result, except for some institutional investors. (Company that selected "Do not appreciate much")
- They should be rated purely based on investment performance. (Company that selected "Do not appreciate at all")

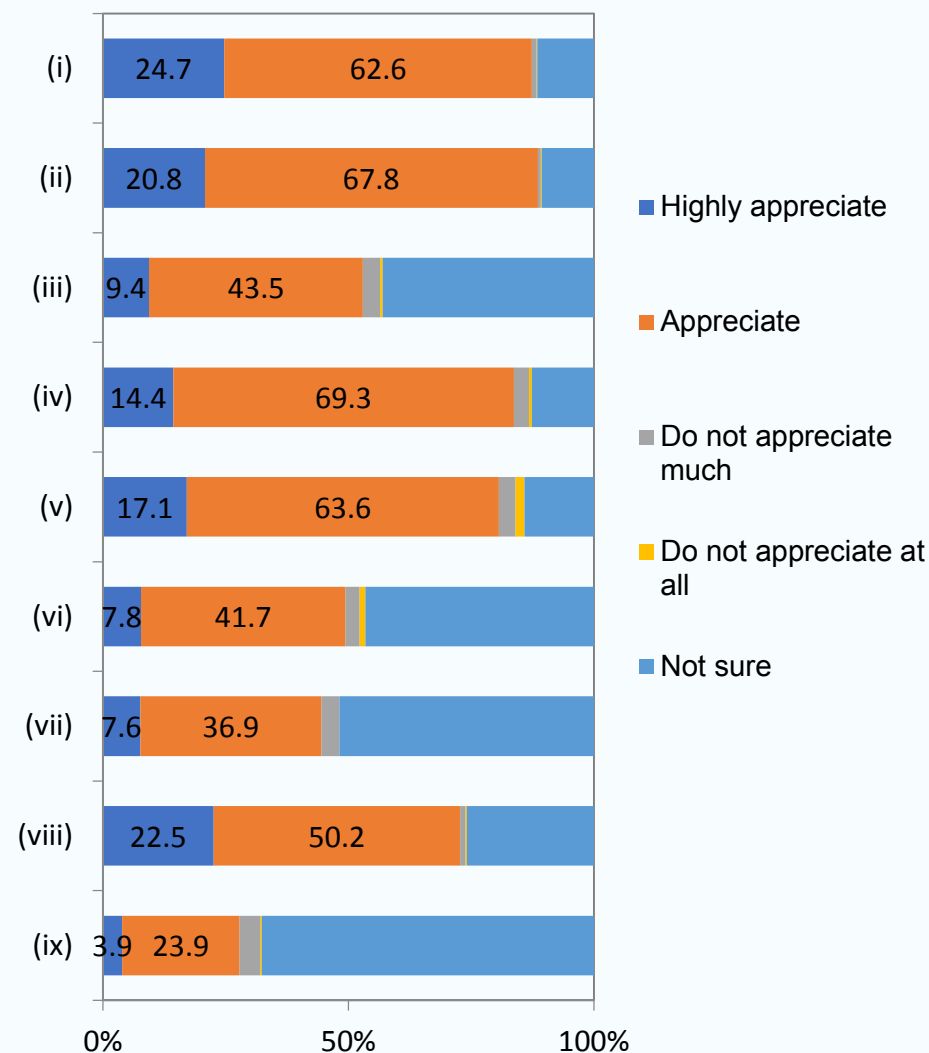
**Q2: Do you know any of the following initiatives that GPIF has carried out recently?
(Multiple responses allowed) Choose all the initiatives you know, and describe your rating and the reason.**

<Recognition of initiatives>

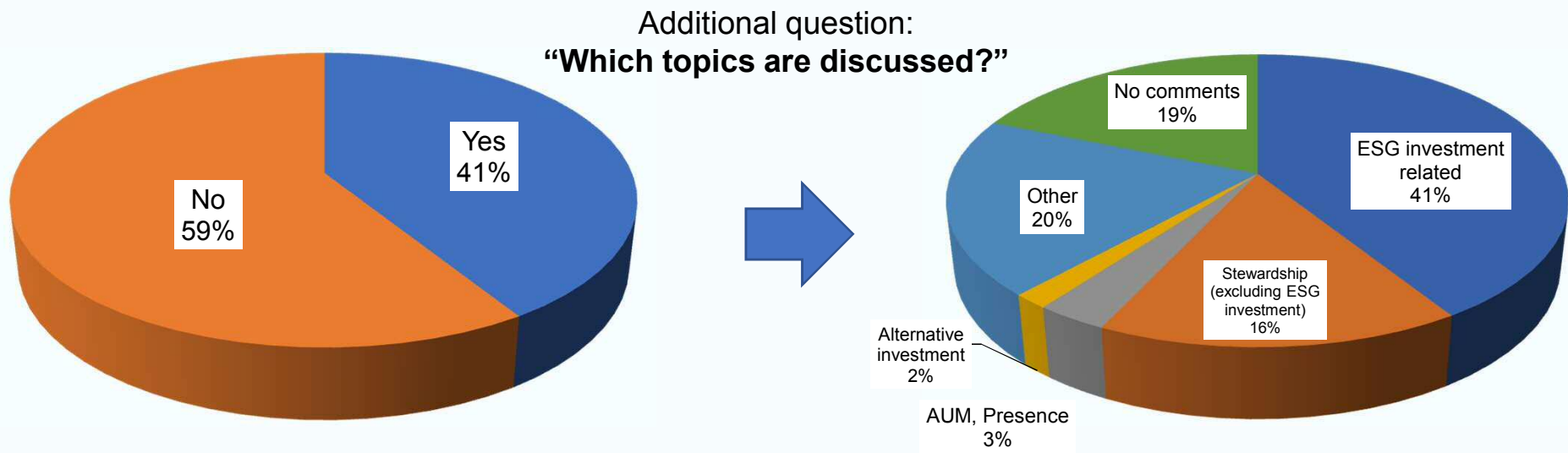
| | |
|--|-------|
| (i) Putting weight on stewardship activities in the evaluation of external asset managers (engagement aimed at enhancing medium- to long-term corporate value, etc.) | 50.4% |
| (ii) Publication of “Stewardship Principles” and “Proxy Voting Principles” | 45.6% |
| (iii) Call for applications for Global Environmental Stock Index | 23.1% |
| (iv) Survey to companies | 49.4% |
| (v) Publication of excellent Integrated Reports | 38.1% |
| (vi) Holding Business and Asset Owners’ Forum | 18.4% |
| (vii) Holding Global Asset Owners’ Forum | 14.2% |
| (viii) Becoming a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and activities through PRI | 36.7% |
| (ix) Joining the U.K. 30% Club and the U.S. Thirty Percent Coalition | 10.5% |

(Note) The table on the left indicates the ratio of companies that recognize each initiative out of 619 companies. The yellow cells indicate initiatives whose recognition exceeds 30%. The right chart indicates the results, excluding companies that did not respond.

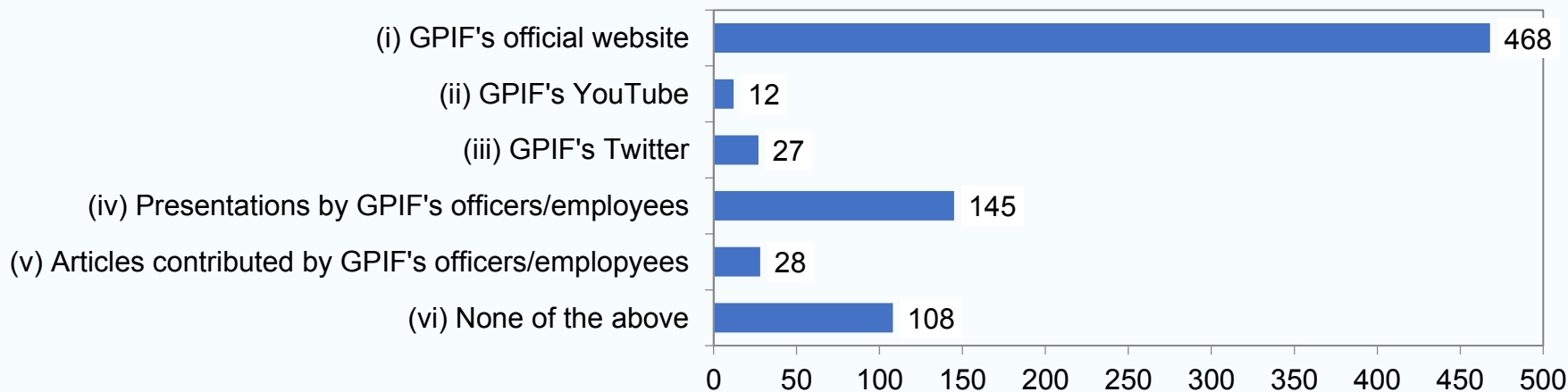
<Rating of initiatives>



Q3: Do you discuss any GPIF topics during your meetings with institutional investors?



**Q4: With regard to GPIF’s public relations activities, have you seen the following?
(Multiple responses allowed)**



Q5: What do you expect from stewardship activities carried out by GPIF as an asset owner?

- We would like GPIF to further promote stewardship activities in order to help Japanese companies to become truly global companies. (Service)
- It is difficult to accurately understand the meaning of words deriving from Christian culture and values or direct Japanese translations thereof. In addition, as there are not many explanations on the values and roles of GPIF's initiative, the department in charge within our business operating entity finds it difficult to share such concepts or promote activities. In order to promote mutual understanding, we hope that GPIF makes further efforts in translating terminologies and disseminating information in Japanese in light of Japanese culture and values. (Service)
- Promotion of dialogues from a medium- to long-term viewpoint (Asset managers, sell side through asset managers) (Glass, Soil/Stones)
- We think that it will become an opportunity to change the stance and views of institutional investors by conducting candid opinion exchanges with those institutional investors that have issues to be addressed based on the results of this survey. In fact, we feel that there have been changes in some institutional investors' attitude towards dialogues as well as their quality since the previous survey. We would like GPIF to continue these surveys with the purpose of enhancing the quality of dialogues going forward. (Non-ferrous)
- We would like GPIF to manage its assets while tracking a wide range of indices. We think that corporate value will be enhanced as a result if companies endeavor to be included in the indices. (Real Estate)
- We expect GPIF to promote direct and indirect stewardship activities targeting a wide range of listed companies instead of focusing on those with larger market cap, etc. (Telecommunication)
- We expect GPIF to prioritize the management of pension assets without being affected by political influences while fulfilling its responsibilities as an investor. (Pharmaceutical)
- GPIF should focus on a principle-based approach and should not encourage excessive reactions from institutional investors. (Machinery)
- We expect GPIF to pursue ongoing engagement with its external asset managers in order to ensure that ESG investment will not end up with a short-term boom but analysts with ESG knowledge will be developed within GPIF's external asset managers. (Electronics)

Changes from the Previous Survey

- The following is a summary of an analysis of the changes in institutional investors' attitudes at IR/SR meetings in comparison with the results of the previous survey conducted in January 2017.
- In order to match the survey universe for the 3rd survey with that of the 2nd survey conducted in January 2017, the results have been aggregated and analyzed based on the 234 companies that responded to both the 2nd and 3rd surveys.

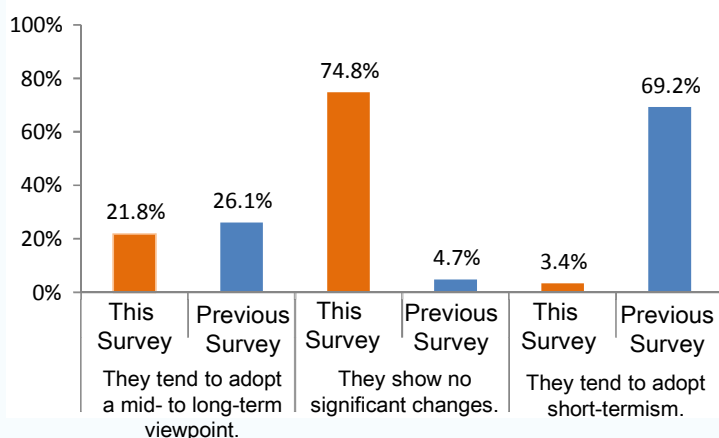
■ Have you observed any changes in (institutional investors') attitudes at IR/SR meetings?

| | This Survey | Previous Survey |
|---|-------------|-----------------|
| Desirable changes | 47.8% | 44.3% |
| (i) Observed desirable changes of all or majority of institutional investors | 3.9% | 6.1% |
| (ii) Observed desirable changes of some institutional investors | 44.0% | 38.3% |
| (iii) Observed some changes but there has been bipolarization among institutional investors | 14.7% | 12.6% |
| (iv) Observed no significant changes of institutional investors | 37.1% | 42.6% |
| (v) Observed undesirable changes of more institutional investors | 0.4% | 0.4% |

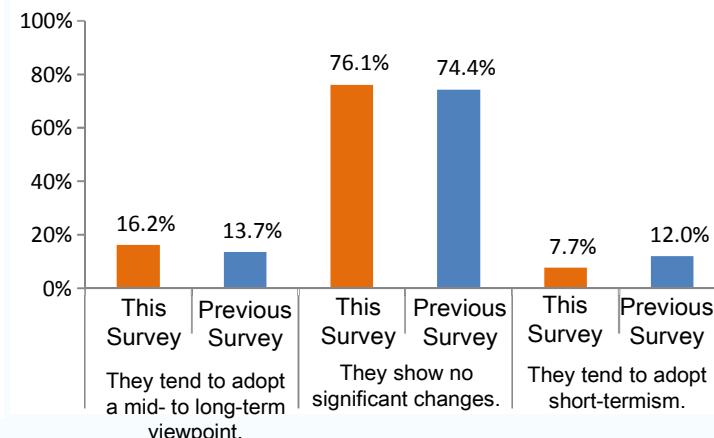
<Changes from the Previous Survey>

■ Choose the option that applies to institutional investors' timeframe for discussions on the following topics at IR meetings.

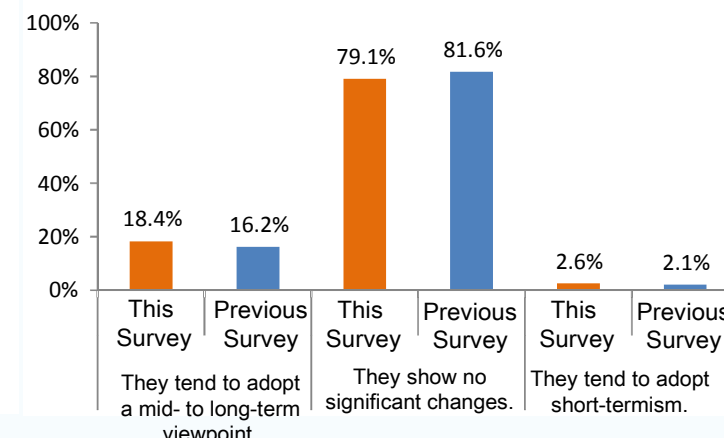
<(i) Capital Efficiency>



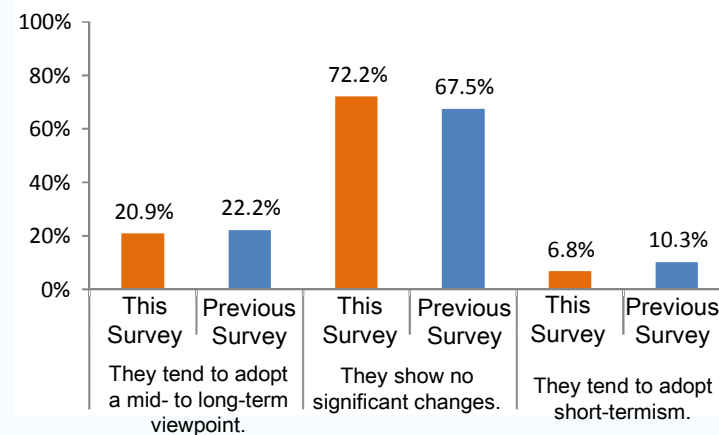
<(ii) Shareholder Return>



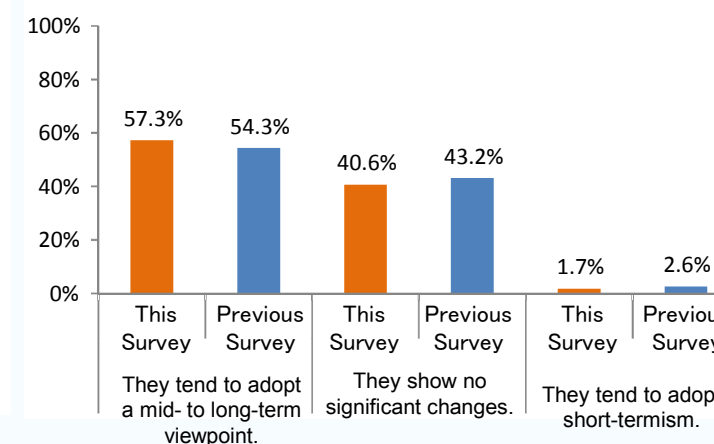
<(iii) Financial Matters>



<(iv) Business Performance>

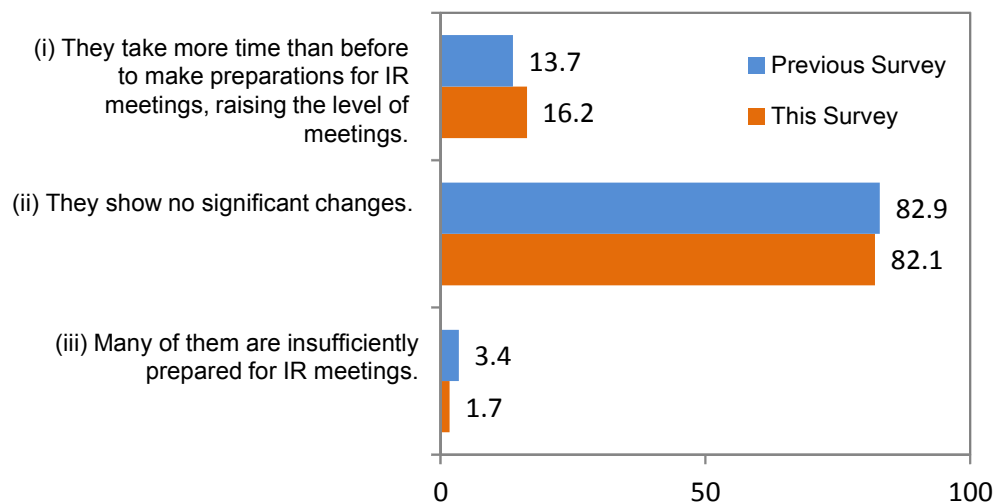


<(v) Business Strategy>



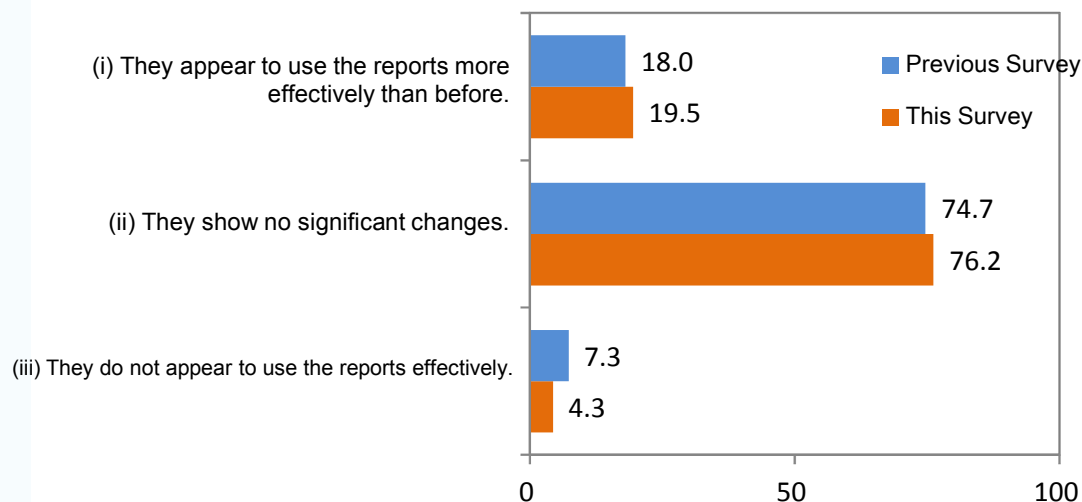
- Overall, the number of companies that selected “They tend to adopt short-termism” slightly decreased, while the number of companies that selected “They tend to adopt a mid- to long-term viewpoint” slightly increased.
- There have been some positive moves towards the correction of short-termism.

■ Choose the option that applies to the changes you have observed in terms of institutional investors' preparation for IR meetings.



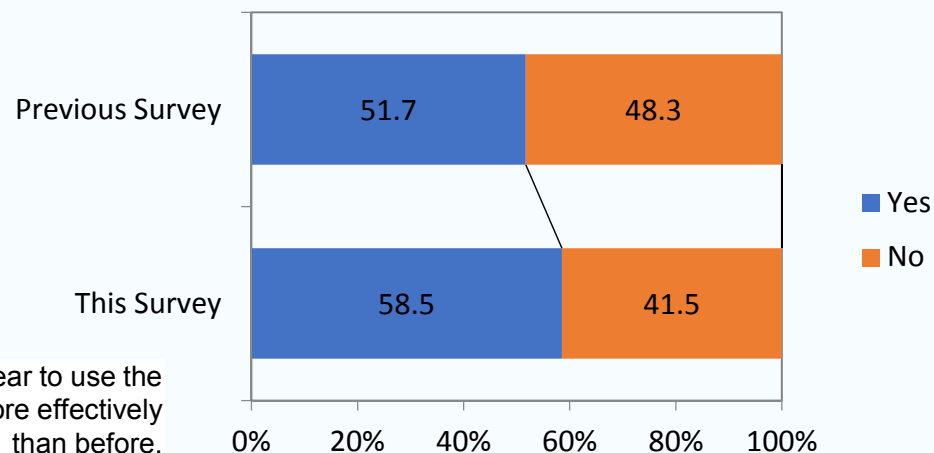
- Majority of companies have continued to select “(ii) They show no significant changes.”
- However, there have been some positive moves as seen in an increase in the number of companies that selected “(i) They take more time than before to make preparations for IR meetings, raising the level of meetings,” together with a decrease in the number of companies that selected “(iii) Many of them are insufficiently prepared for IR meetings.”

■ Choose the option that applies to the changes you have observed in terms of institutional investors' use of Corporate Governance Reports.



- Majority of companies have continued to select “(ii) They show no significant changes.”
- However, there have been some positive moves as seen in an increase in the number of companies that selected “(i) They appear to use the reports more effectively than before,” together with a decrease in the number of companies that selected “(iii) They do not appear to use the reports effectively.”

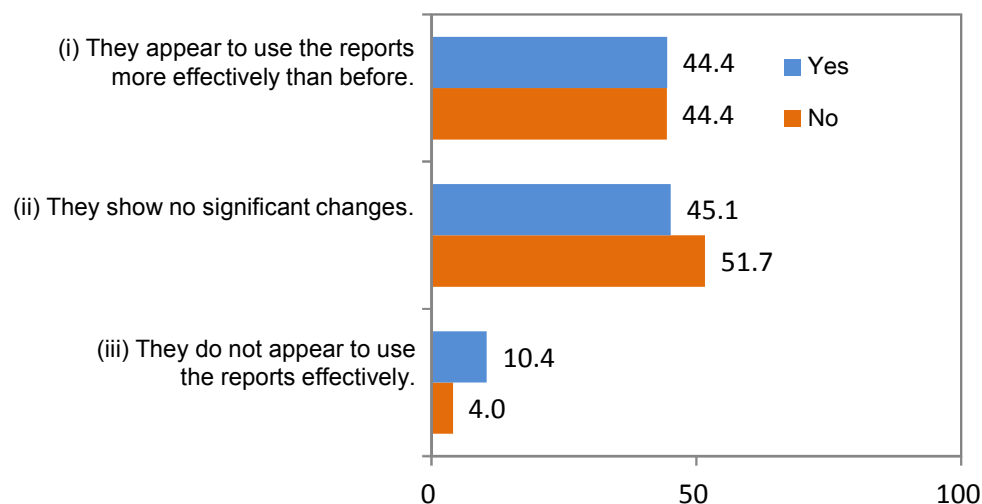
■ Do you prepare Integrated Reports or equivalent reports for institutional investors?



- The number of companies that prepare Integrated Reports has been steadily increasing. In addition, an increasing number of the companies that do not currently prepare such reports are considering to do so.

) They appear to use the reports more effectively than before.

■ Choose the option that applies to the changes you have observed in terms of institutional investors' use of Integrated Reports.



- More than 40% of the companies that prepare Integrated Reports selected "They appear to use the reports more effectively than before" both in this and previous surveys.
- The number of companies that selected "They do not appear to use the reports effectively" has decreased from the previous survey.