

Summary of the first meeting of “Business and Asset Owner’s Forum”

The first Forum meeting was held on Thursday September 1, 2016 with the following member companies (in alphabetical order):

Asahi Group Holdings, Ltd.

Eisai Co., Ltd. (*)

JFE Holdings, Inc.

Nissan Motor Corporation (*)

Nippon Telegraph and Telephone Corporation

OMRON Corporation (*)

Shiseido Co., Ltd.

TOTO Ltd.

(*) Three companies are organizers of the Forum.

Summary of the discussions:

A. Strategy to improve corporate value

- Potentially create investment value by minimizing the distribution of asymmetric information between investors and companies. This could be promoted as a “Win-Win Relationship”.
- Many investors are not interested in the company’s management philosophy and zeal for business. The Company would like investors to appropriately evaluate a long-term management prior to engagement.
- Management remuneration should be aligned with corporate value creation, management philosophy and business strategy. This is also necessary to attract additional capital investment from long-term shareholders.

B. Constructive engagement from the company’s perspectives

- While companies do not generally choose investors, companies will benefit by own efforts to choose investors and providing meaningful disclosures that are aligned with investor interests and share price consciousness.
- Companies are concerned that investors are following media articles focused on short-term performance, while companies appreciate that previews have been disappearing.
- Companies would like investors to read and understand the Integrated Report and Corporate Governance Report for effective dialogue.
- Companies recognize inconsistent proxy voting practices among investors. For

example, some investors are following formal proxy voting guidelines.

- There is no complaint from investors after a company stopped its monthly sales disclosure in January this year.
- Companies reported that Japanese investors tend to take a more formal approach in Corporate Governance related discussions.
- Companies recognize that conflicts of interest may be prevalent with Japanese investors and as a result, proxy voting decisions could be skewed by business relationship between the company and parent companies of investors. Also, sell side investors may have a short term view because of profitable business with hedge funds.
- Corporate IR activity should not be regarded as a cost center because effective IR may lower the cost of capital and reduce share price volatility – even if a negative event occurs.
- Mutual communication between the investment division and proxy voting team would be desirable because companies are concerned about strict separation between the two functions.

C. Expectations and requests for asset owners including GPIF

- Companies believe it is necessary for GPIF to develop proxy voting principles.
- Moreover, the principles should not be overly formal, and based on effective dialogue and analysis.
- In the investment value chain, companies develop their businesses and try to fulfill Corporate Governance and Fair Disclosure responsibilities to investors who understand companies' businesses. If investors who support those companies increase and GPIF allocate investment in them, constructive and virtuous circulation would be expected.

D. Release of topics and summary of discussions

- Forum discussions were originally set out as confidential. However, following positive feedback from other companies and investors, the companies at the Forum unanimously agreed and requested that GPIF release a summary of discussions on a Chatham House Rule basis.

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