

April 7th, 2016

Government Pension Investment Fund

Summary Report of Listed Companies' Survey about Institutional Investors' Stewardship Activities

I. Purpose of the Survey

The Government Pension Investment Fund, Japan (GPIF) conducted our first survey to JPX Nikkei Index 400 companies to evaluate stewardship activities of our external asset managers and to grasp real situation of constructive dialogues. As we stated in "Summary Report of GPIF's Stewardship Activities in 2015" dated of 29th January 2016, it is our intention to raise the standard of dialogues between institutional investors and Japanese companies.

II. Results of the Survey

260 companies out of 400 of the Index responded during 6th and 22nd of January 2016.

i) Opinions and Requests to Stewardship Activities of Institutional Investors from Companies

- a. Approximately 60% of Companies of the Index which responded to our survey have recognized and appreciated the change of institutional investors regarding investors' questions about business strategy and ESG (Environmental, Social and Corporate Governance) issues after the introduction of "Japan's Stewardship Code".
- b. On the other hand, there are many companies which pointed out undesirable changes where investors increased formal questions and enforcement of meetings with top management to make their performance records.
- c. Also, companies complain of one-way propositions of investors without correct understanding of circumstances surrounding companies.
- d. Many companies suggest increased questions about capital policy and capital efficiency as both of desirable and undesirable changes of investors.
- e. Companies expect suggestions based on investors' own experiences and insights.
- f. Constructive dialogues and long-term investments are expected by companies due to concerns about short-termism of institutional investors.

ii) Evaluation by Companies about Stewardship Activities of GPIF's External Asset Managers

- a. There are many responses that companies appreciated insightful and useful dialogues with External Asset Managers of active investment.

iii) Opinions and Requests from Companies toward Asset Owners including GPIF

- a. Through Stewardship activities, it would be necessary for asset owners to motivate their asset managers to improve ground for securing and development of talented personnel so that external asset managers may execute constructive dialogues for mid-long term corporate value and sustainable growth.
- b. Companies expect direct dialogues with asset owners because they understand sharing thoughts through direct communication with not only asset managers but with asset owners is important.

III. GPIF's Point of View

<Engagement by Passive Managers>

GPIF recognizes that it is especially important for passive managers to uphold their stewardship responsibilities because most of GPIF's domestic equity portfolio is managed passively. We think that effective engagement is possible even in the case of passive management by effectively narrowing down the number of companies with whom the manager engages.

<Short-Termism>

The survey suggests that companies have concerns about the undesirable effects of short-termism on the part of investors. GPIF also has serious concerns about how short-termism on the part of investors could cause companies to become short-sighted as well, hindering investment in innovation that could give them a competitive edge. That is why we place high value on mid- to long-term engagement in our evaluation of asset managers.

We are also aware that some companies ask investors to avoid taking a short term view and hold their equities for a longer period. However, we do not believe there should be restrictions put on active managers' flexibility to buy and sell when they please.

We recognize the important role of active managers in providing efficiency and discipline to the market through trading. We believe that the problem of investor short-termism is not related to how long investors hold a particular stock, but to how investors analyze companies.

<Dialogue with Companies>

GPIF will continue to monitor the stewardship activities of asset managers and asset owners, including GPIF, through questionnaires and direct hearings with companies. We would be pleased to meet directly with any companies who are interested in meeting with us to discuss their views or concerns.

End

Summary Report of Listed Companies' Survey about Institutional Investors' Stewardship Activities

The Government Pension Investment Fund, Japan (GPIF)

April 7th, 2016

1. Purpose of the Survey

To evaluate Stewardship Activities of our External Asset Managers, especially regarding their engagement activities.

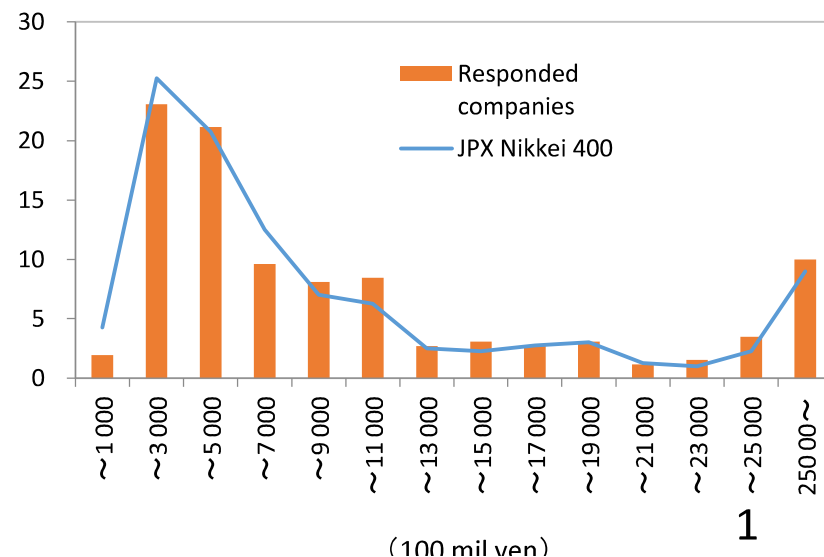
2. Companies for the Survey

Japanese companies included in JPX Nikkei Index 400
(260 companies out of 400 of the Index responded.)

3. The Survey period

During 6th and 22nd, January 2016

<Range of Market Cap~JPX Nikkei 400 vs Responded companies~>



Approximately 60% of Companies of the Index which responded to our survey have recognized and appreciated the change of institutional investors regarding investors' questions about business strategy and ESG (Environmental, Social and Corporate Governance) issues after the introduction of "Japan's Stewardship Code". (p.3 Q1)

Japanese companies welcome engagement with institutional investors regarding capital policy and capital efficiency. Topics on business strategy are also appreciated, on the other hand, many companies suggest different views toward capital efficiency and shareholder return issues. (p.4 Q2)

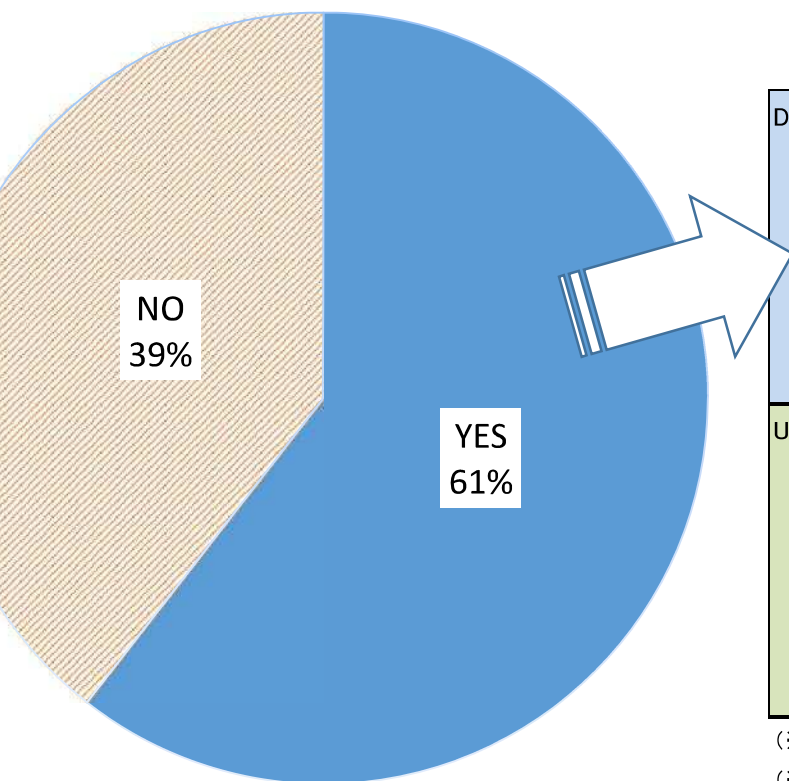
Discussions about agendas of election before and after AGM seem increasing due to recent proxy voting guidelines of institutional investors about ROE factor and increase of agendas of election of outside directors by companies. (p.6 Q3)

Japanese companies request institutional investors to do engagement/investment from the mid- and long- term point of view. (p.8 Q4)

To solve a problem of short termism of Asset Managers, many Japanese companies expect Asset Owners including GPIF would work on this issue in a proactive manner. (p.9 Q4)

Q1: Are there changes with Institutional Investors at IR/SR meetings after Japan's Stewardship Code was introduced?

<Companies have recognized and appreciated the change of institutional investors after the introduction of "Japan's Stewardship Code".>



<Desirable changes and Undesirable changes>

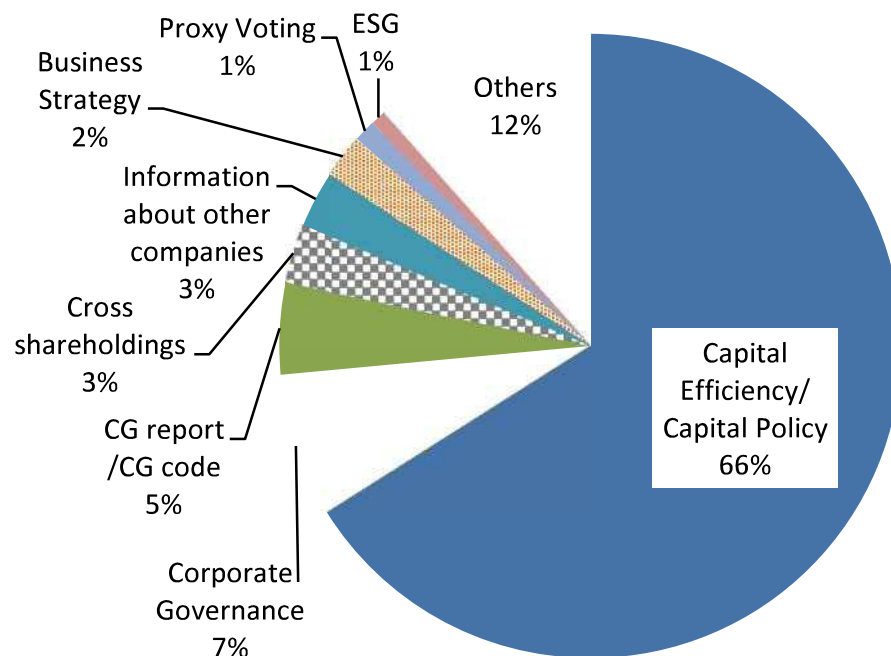
Desirable changes of Institutional Investors (%)		6
Questions regarding business strategy from the long term point of view are increasing.		3
Questions regarding ESG issues are increasing.		2
Questions regarding Capital Efficiency/Capital policy are increasing.		2
Others		1
Undesirable changes of Institutional Investors (%)		3
Formal/stereotypical questions are increasing.		3
Questions regarding Capital Efficiency/Capital policy are increasing.		3
Forced meetings are increasing.		1
Others		1

(※1) This data is categorized by GPIF based on answers by companies.

(※2) Breakdown of "Desirable changes" and "Undesirable changes" is based on total multiple answers to the same question.

Q2 : If you have any useful meetings with GPIF's External Asset Managers, e.g. to improve your capital efficiency/shareholder return/Corporate Governance Report, please write about it.

<Meetings on Capital Efficiency/Capital Policy are useful for companies.>

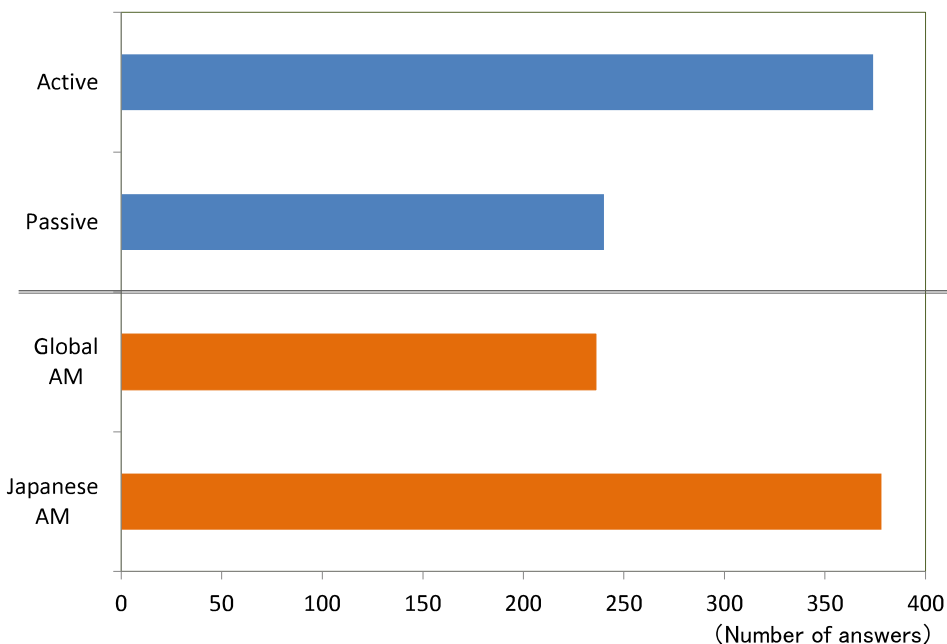


※Percentage of total multiple answers to the same questions.

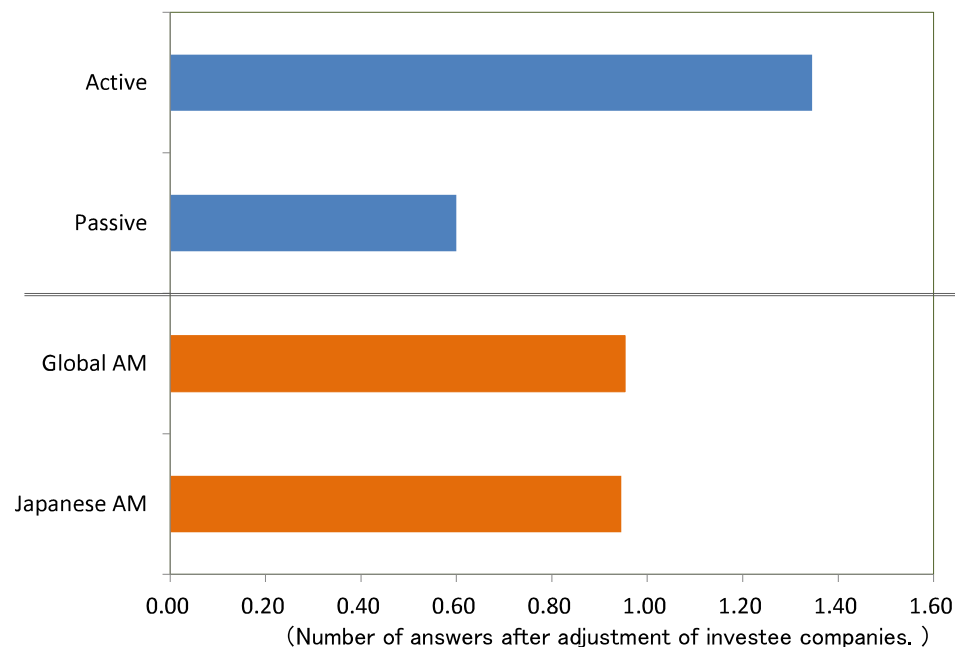
Classification of Asset Managers whose engagements were useful for Japanese companies (related to Q2).

〈Engagement by passive investment managers is expected to improve.〉

〈Answers〉



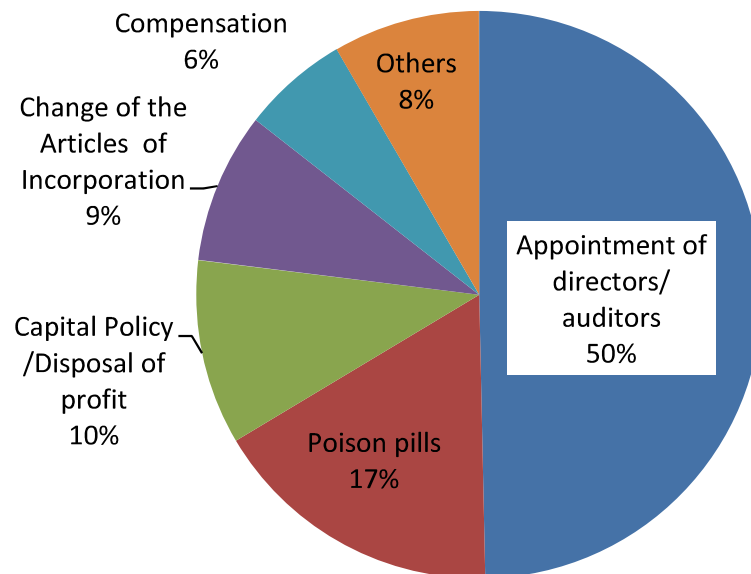
〈Answers after adjustment of number of investee companies〉



※) Right hand graph is adjusted by the number of investee companies of each external asset manager as of end of 2015. However, if the number of investee companies is above 400, it is calculated by 400 instead. Classification of “Active” and “Passive” is determined by GPIF’s definition of Japanese equity funds. It includes multiple answers to the same question.

Q3: If you have any company proposals at your AGM, which could be opposed/was opposed by investors, did those institutional investors accept your request to have meeting with you to discuss about the company proposal/the reason why they voted against company proposals before/after AGM?

<Recent proxy voting guidelines about ROE factor and increase of agendas of election have made more discussions before and after AGM.>

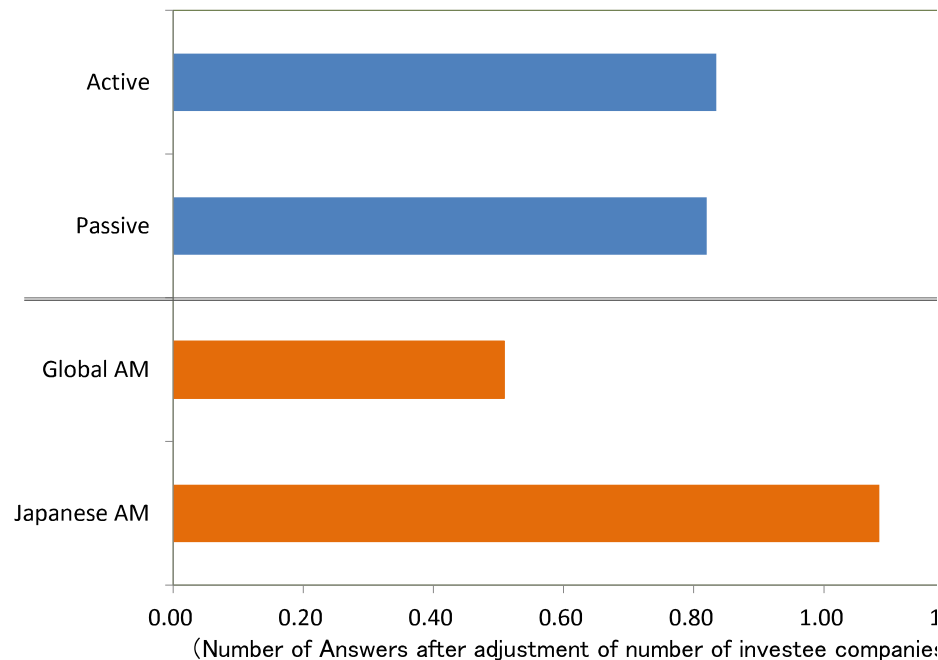
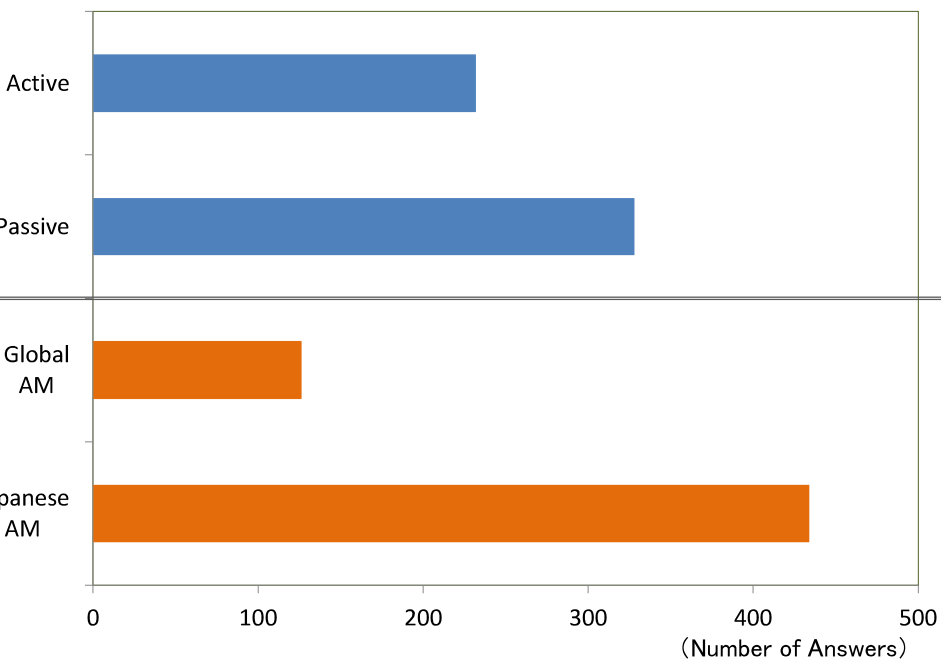


Classification of Asset Managers which accepted requests by Japanese companies to have meetings to discuss about company proposals before/after AGM (related to Q3.)

<Domestic investors have accepted more meetings with companies about AGM agendas>

<Answers after adjustment of number of investee companies>

<Answers>

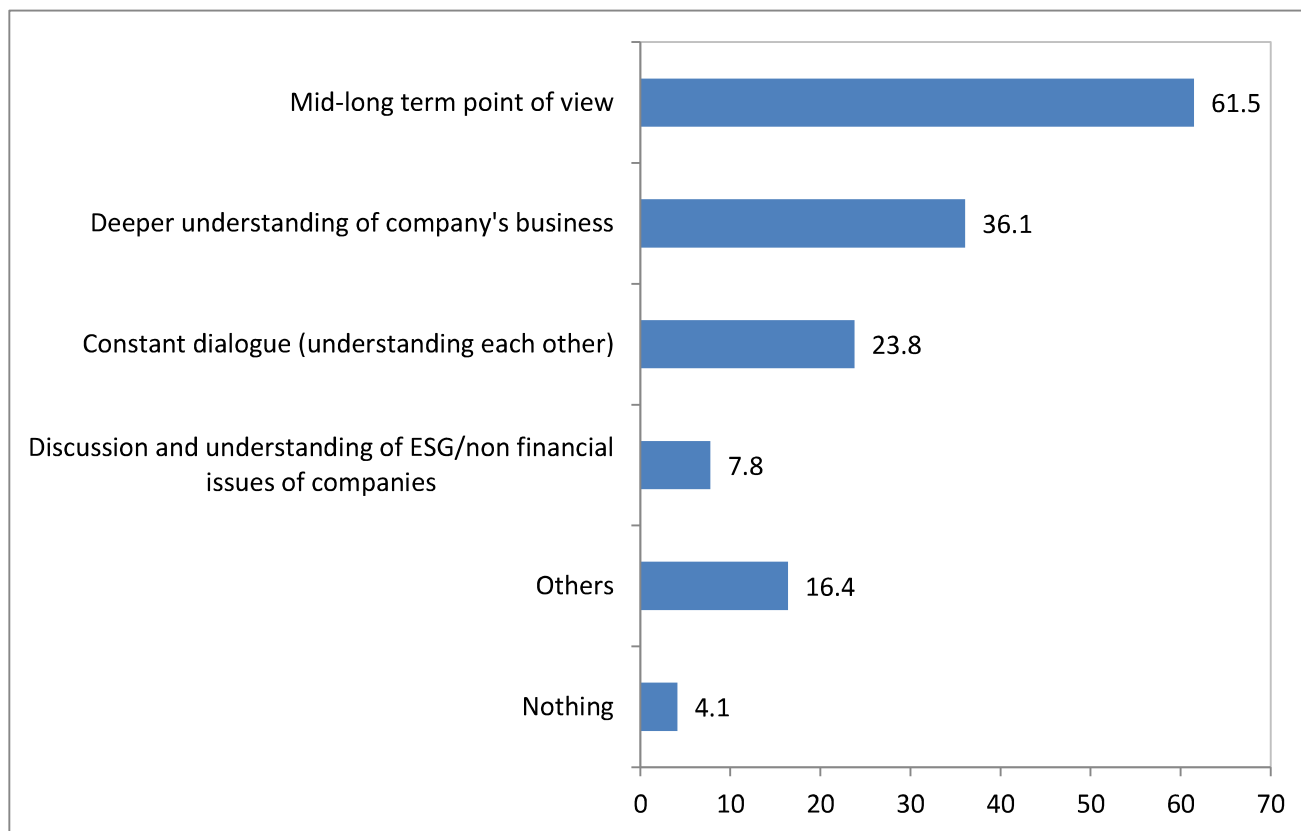


※) Right hand graph is adjusted by the number of investee companies of each external asset manager as of end of 2015. However, if the number of investee companies is above 400, it is calculated by 400 instead. Classification of "Active" and "Passive" is determined by GPIF's definition of Japanese equity funds. It includes multiple answers to the same question.

Q4 : Please write your request to Institutional Investors as a whole in pursuing enhancement of your corporate value and sustainable growth for mid-long term.

<Japanese companies request engagement from the mid- and long-term point of view.>

<Expectation to Institutional Investors>



※The ratio shown above includes multiple answers to the same questions. The number is the ratio to the all

Comments to GPIF and Asset Owners from Japanese companies (related to Q4).

We expect that there would be more institutional investors who overcome short termism and evaluate corporate intrinsic value from mid-long term point of view. To make this happen, Asset Owners including GPIF needs to educate Asset Managers. Because there is polarization among companies in terms of working on ESG issues and disclosure, institutional investors need to engage with companies in a proactive manner to make companies work on these issues more seriously. 【Electrical Equipment】

We believe that GPIF has a tendency to evaluate investment performance of External Asset Managers in short term. There could be positive spiral if time horizon of investment is getting longer. Short termism of Asset Managers could be because of Asset Owners. 【IT・Telecommunication】

There are many opinions regarding capital distribution e.g. dividend ratio and share buy back from Asset Managers. It seemed like there were many institutional investors who didn't care about enhancement of corporate value for mid-long term or sustainable growth. It is difficult to say that spirit of Stewardship Code is penetrated among institutional investors currently. It would be necessary for asset owners to motivate their asset managers to improve ground for securing and development of talented personnel to get along with spirit of Stewardship Code. 【Iron and Steel】

Direct dialogues with asset owners are expected because we believe sharing thoughts through direct communication with not only asset managers but also with asset owners is important. 【Iron and Steel】

We expect Asset Owners support Asset Managers from the mid-long term point of view. As a company, to do proactive engagement regarding ESG issues with institutional investors, we will make an effort to prepare to disclose our ESG issues. 【Retail】

Asset Owners including GPIF need to work on Stewardship Activities from the mid-long term point of view. Not only Buy side Analysts, but also Sell side Analysts need to analyze companies from the mid-long term point of view and contribute to enhance corporate value as a whole in Japan. 【Chemical】