

Investment Management for Public Pension and Exercise of Voting Rights

Government Pension Investment Fund

Takahiro Mitani, President

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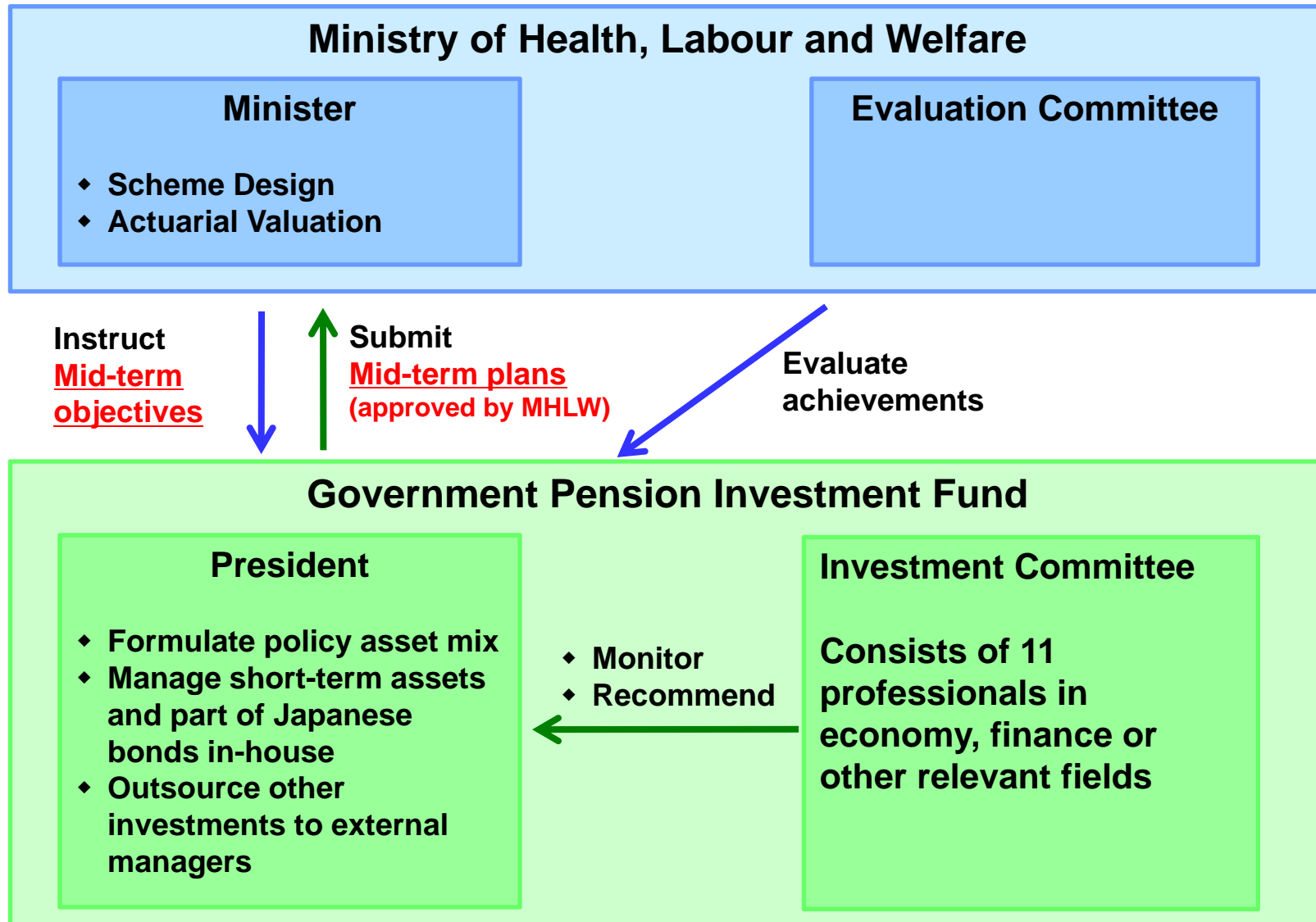
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About GPIF (I)

- ❑ Establishment : April 1, 2006 (basis law ; the GPIF law)
- ❑ Members :
President : Takahiro Mitani, Executive Director 1, Auditor 2, Staffs 71 (as of Jan 1, 2012)
- ❑ Outline of business :
Management and investment of the pension reserve funds that the Minister of HLW entrusts.
- ❑ Investment Method :
Entrustment to the external asset managers (i.e. trust bank or investment advisory firm).
In addition, the GPIF internally manages a part of the domestic bonds.
- ❑ Investment committee :
The committee must discuss important topics such as Mid-term plan, the selection of external asset managers and monitor the implementation of investment policy by the GPIF (Article 15 of the GPIF law).
All committee members are appointed by the Minister of HLW and they are a group of experts in economics, finance or other relevant fields.

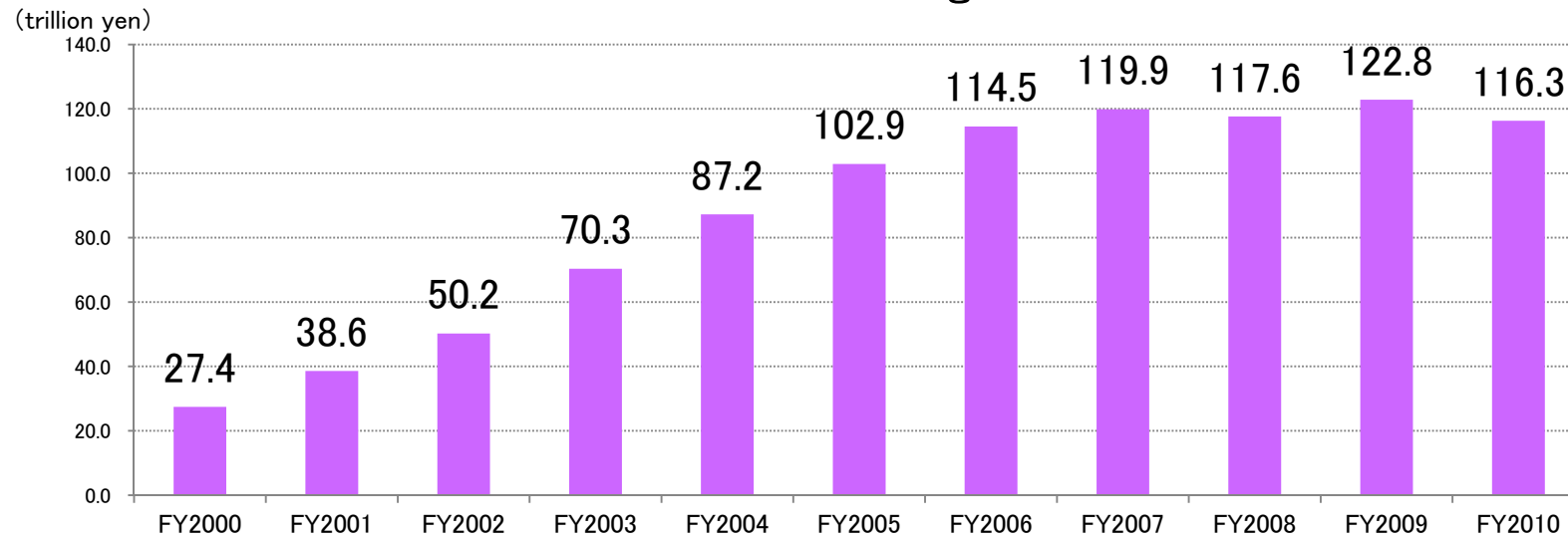
About GPIF (II)

-Outline of the governance structure of GPIF-



About GPIF (Ⅲ)

<Assets under management>

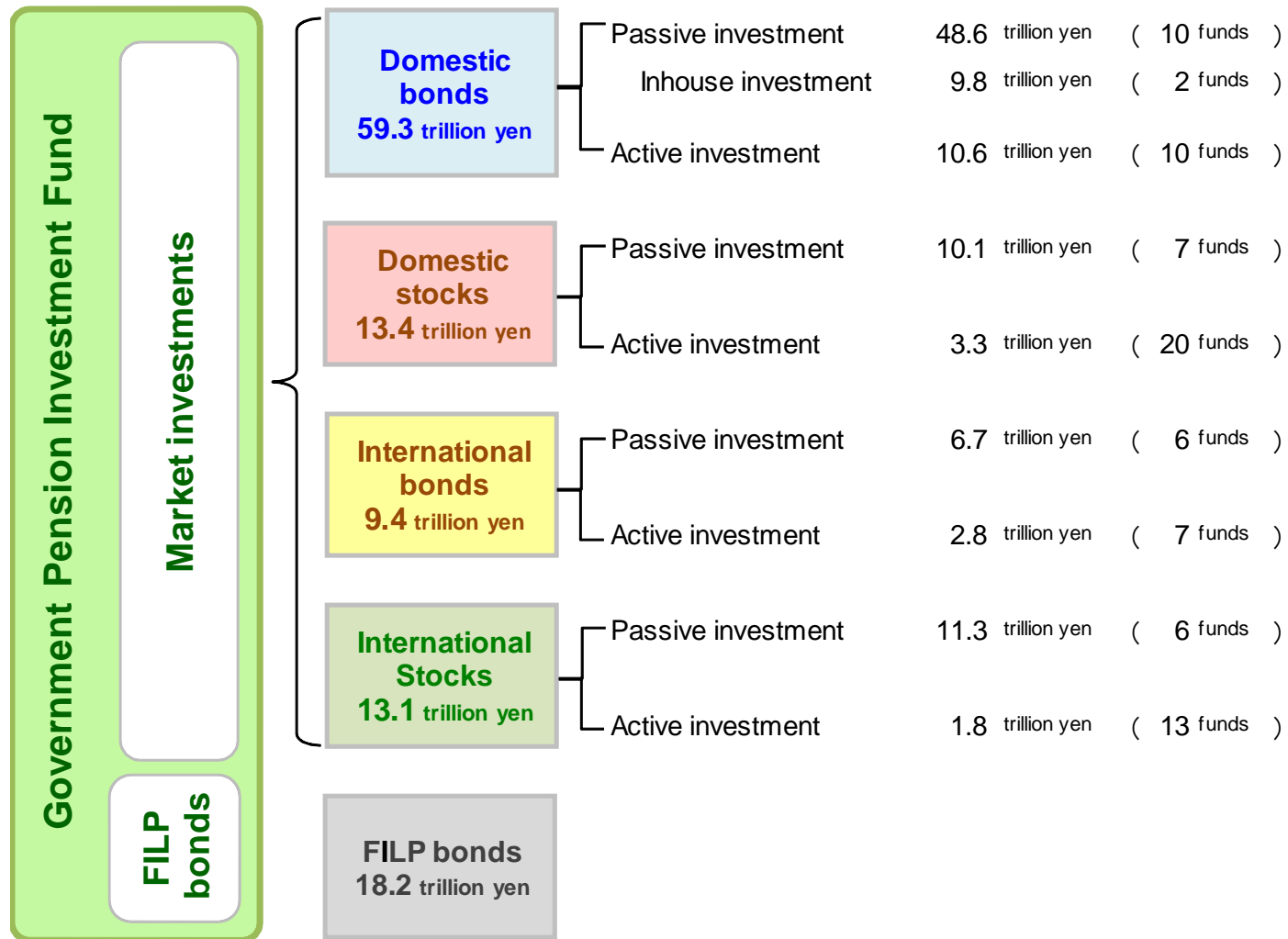


<Policy asset mix for the 2nd Mid-term plan (Apr, 2010~) >

		Domestic bonds	Domestic stocks	International bonds	International stocks	Short-term assets
Policy asset mix	Target allocation	67%	11%	8%	9%	5%
	Permissible range of deviation	±8%	±6%	±5%	±5%	-

About GPIF (IV)

-manager structure-



Total investment assets 116.3 trillion yen* (end of March 2011)

*Short-term assets included

About GPIF (V)

The rule of equity investment

~ The GPIF should avoid influencing management of private-sector firms

1. Prohibition of direct investment in stock

... GPIF is just permitted to invest in stocks through discretionary investment contract with Financial Instruments Business Operators. (Article 21, GPIF law)

2. Prohibition of stock's selection

... GPIF is required not to select individual stocks by itself. (2nd Mid-term objective)

3. Exercise of voting rights

... GPIF needs to deal with voting rights appropriately from the viewpoint of maximizing the long-term interest of shareholders, while paying due consideration not to exert influence on corporate management in the private sector. (2nd Mid-term objective)

【Standards for exercise of voting rights】

(← Quoted from Article 3, 2 (2), ③, The administrative policy on investment management)

i) Basic idea for the exercise of the voting rights

... The external asset managers shall recognize the importance of corporate governance and they shall formulate the policy for the exercise of voting rights, aiming at maximizing the long-term interest of shareholders. Then they shall exercise the voting rights properly according to this policy.

ii) Monitoring the policy and results of external asset managers' exercise of the voting rights

... The external asset managers shall submit the policy regarding the exercise of the voting rights, and also they shall specify the correspondence into this policy for any case that a company did antisocial behavior. Furthermore, they shall report the results of the exercise of voting rights to the GPIF annually.

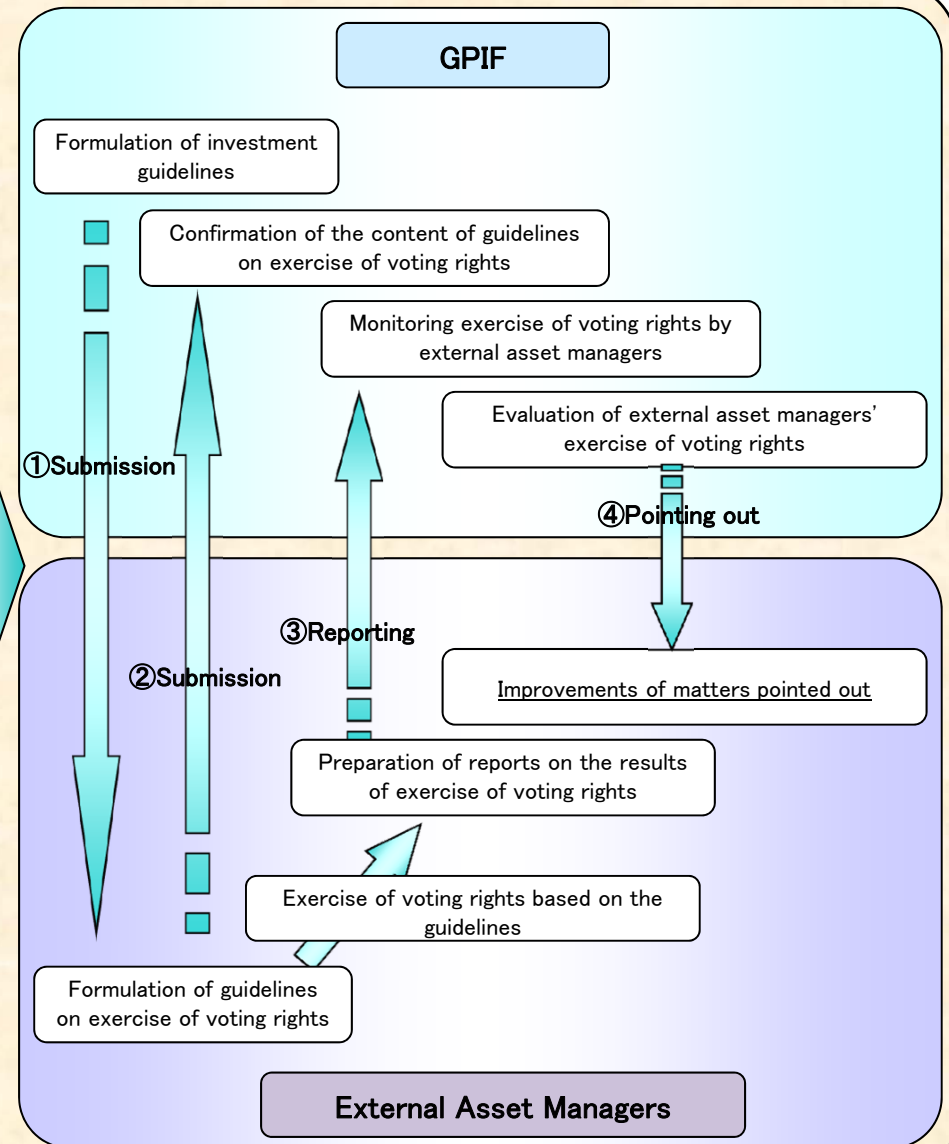
EXERCISE OF VOTING RIGHTS

-SCHEME OF MANAGEMENT AND EVALUATION(I)-

◇ Management and Evaluation of Exercise of Voting Rights by External Asset Managers

○The GPIF should avoid influencing management of private-sector firms, and does not make judgments on individual proposals.

○External asset managers should formulate a guideline on exercise of voting rights and the GPIF evaluates the guideline and the results of exercise of voting rights, entrusting the actual exercise of voting rights to the external asset managers.



EXERCISE OF VOTING RIGHTS

–SCHEME OF MANAGEMENT AND EVALUATION(II)–

External asset managers are required to include the following items in their guideline on exercise of voting rights, and GPIF confirms and evaluates the submitted guideline.

Item
1. Standards of the companies' poor performance
2. Antisocial behavior
3. Conflict of interests
4. Proposal to appoint directors (incl. outside directors)
5. Standards of the independence of outside directors
6. Proposal to appoint auditors (incl. outside auditors)
7. Standards of the independence of outside auditors
8. Proposal for director remuneration
9. Proposal for director retirement bonuses
10. Proposal to grant stock options
11. Proposal for dividends
12. Proposal to acquire treasury stock
13. Proposal for mergers, acquisitions, etc.
14. Proposal for defense from hostile TOB (Rights plan)
15. Proposal to change the articles of incorporation

VOTING RESULTS

–DOMESTIC STOCKS (I) –

1.) Domestic stocks (Apr, 2011 to Jun, 2011)

Number of external asset managers who exercised proxies

14 managers (27 funds)

Number of external asset managers who did not exercise proxies

none

Proposal	Proposals pertaining to company organization					Proposals pertaining to director remuneration, etc.				Proposals pertaining to capitl management (excluding items pertaining to change to the articles of incorporation)			Proposals pertaining to change to the articles of incorporation	Defense from hostile TOB(Rights plan)		Other proposals	Total	
	Appointment of directors	Outside directors	Appointment of corporate auditors	Outside corporate auditors	Appointment of accounting auditors	Director remuneration (※)	Director bonuses (※)	Director retirement bonuses (※)	Granting of stock options	Dividends	Acquisition of treasury stock	Mergers, acquisition, etc.		Warning type	Trust-type			
No. of voting rights exercised	117,192	14,765	25,936	16,992	268	862	2,591	2,976	1,407	10,463	59	217	4,280	1,491	7	214	167,963	
Management proposals	Total	116,765	14,755	25,936	16,992	268	862	2,578	2,976	1,407	10,436	59	217	2,999	1,491	7	168	166,169
		(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%)	(100.0%)	(100.0%)
	Approved	102,409	11,226	21,573	13,097	268	820	2,456	1,446	1,080	9,977	58	215	2,910	720	1	162	144,095
		(87.7%)	(76.1%)	(83.2%)	(77.1%)	(100.0%)	(95.1%)	(95.3%)	(48.6%)	(76.8%)	(95.6%)	(98.3%)	(99.1%)	(97.0%)	(48.3%)	(14.3%)	(96.4%)	(86.7%)
Opposed	14,356	3,529	4,363	3,895	0	42	122	1,530	327	459	1	2	89	771	6	6	22,074	
	(12.3%)	(23.9%)	(16.8%)	(22.9%)	(0.0%)	(4.9%)	(4.7%)	(51.4%)	(23.2%)	(4.4%)	(1.7%)	(0.9%)	(3.0%)	(51.7%)	(85.7%)	(3.6%)	(13.3%)	
Sharholder Proposals	Total	427	10	0	0	0	13	0	0	27	0	0	1,281	0	0	46	1,794	
		(100.0%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	1	0	0	0	0	0	3	0	0	0	0	30	0	0	0	34	
		(0.2%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(23.1%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(2.3%)	(0.0%)	(0.0%)	(0.0%)	(1.9%)
Opposed	426	10	0	0	0	0	10	0	0	27	0	0	1,251	0	0	46	1,760	
	(99.8%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(76.9%)	(0.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(97.7%)	(0.0%)	(0.0%)	(100.0%)	(98.1%)	

(※) This director includes a corporate auditor.

VOTING RESULTS

-Domestic stocks (Ⅱ) -

2.) Domestic stocks (FY2006 to FY2010)

		FY2006	FY2007	FY2008	FY2009	FY2010
opposition or abstention on proposal from company	number of exercises	19,279	19,103	16,278	17,769	20,230
	opposition or abstention	(12.0%)	(10.4%)	(10.2%)	(9.0%)	(11.7%)
Appointment of directors (incl. outside directors)	number of exercises	10,956	11,400	10,207	11,786	13,629
	opposition or abstention	(11.2%)	(9.8%)	(9.8%)	(8.5%)	(10.6%)
Director remuneration (※)	number of exercises	28	76	59	23	20
	opposition or abstention	(0.6%)	(2.2%)	(3.4%)	(2.2%)	(2.1%)
Director retirement bonuses (※)	number of exercises	2,385	2,646	1,853	1,751	1,432
	opposition or abstention	(27.6%)	(36.0%)	(35.2%)	(35.3%)	(43.2%)
Defense from hostile TOB (Rights plan)	number of exercises	-	522	335	506	820
	opposition or abstention	-	(29.9%)	(23.5%)	(41.8%)	(49.1%)
approval or carte blanche on proposal from shareholders	number of exercises	44	76	37	44	47
	approval or carte blanche	(6.6%)	(6.8%)	(3.4%)	(3.0%)	(2.6%)

(※) This director includes a corporate auditor.

VOTING RESULTS

–INTERNATIONAL STOCKS (I) –

1.)International stocks (Apr, 2011 to Jun, 2011)

Number of external asset managers who exercised proxies

16 companies (19 funds)

Number of external asset managers who did not exercise proxies

none

Proposal	Proposals pertaining to company organization			Proposals pertaining to director remuneration, etc.				Proposals pertaining to capit management (excluding items pertaining to change to the articles of incorporation)			Proposals pertaining to change to the articles of incorporation	Defense from hostile TOB (Rights plan)	Other proposals		Total	
	Appointment of directors	Appointment of corporate auditors	Appointment of accounting auditors	Director remuneration(※)	Director bonuses (※)	Director retirement bonuses (※)	Granting of stock options	Dividends	Acquisition of treasury stock	Mergers, acquisition, etc.		Warning type	Approval of financial statement, etc.	Other proposals		
No. of voting rights	58,579	1,741	6,421	12,607	342	160	3,371	3,257	2,705	5,646	3,691	252	4,088	15,827	118,687	
Management proposals	Total	58,156	1,741	6,421	12,384	340	124	3,299	3,229	2,698	5,631	3,169	230	4,087	12,657	114,166
		(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	55,935	1,676	6,338	10,809	333	55	3,051	3,220	2,518	5,088	3,043	154	4,067	11,792	108,079
		(96.2%)	(96.3%)	(98.7%)	(87.3%)	(97.9%)	(44.4%)	(92.5%)	(99.7%)	(93.3%)	(90.4%)	(96.0%)	(67.0%)	(99.5%)	(93.2%)	(94.7%)
	Opposed	2,221	65	83	1,575	7	69	248	9	180	543	126	76	20	865	6,087
		(3.8%)	(3.7%)	(1.3%)	(12.7%)	(2.1%)	(55.6%)	(7.5%)	(0.3%)	(6.7%)	(9.6%)	(4.0%)	(33.0%)	(0.5%)	(6.8%)	(5.3%)
Shareholder Proposals	Total	423	0	0	223	2	36	72	28	7	15	522	22	1	3,170	4,521
		(100.0%)	(0.0%)	(0.0%)	(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	257	0	0	36	1	11	9	0	0	2	277	10	1	882	1,486
		(60.8%)	(0.0%)	(0.0%)	(16.1%)	(50.0%)	(30.6%)	(12.5%)	(0.0%)	(0.0%)	(13.3%)	(53.1%)	(45.5%)	(100.0%)	(27.8%)	(32.9%)
	Opposed	166	0	0	187	1	25	63	28	7	13	245	12	0	2,288	3,035
		(39.2%)	(0.0%)	(0.0%)	(83.9%)	(50.0%)	(69.4%)	(87.5%)	(100.0%)	(100.0%)	(86.7%)	(46.9%)	(54.5%)	(0.0%)	(72.2%)	(67.1%)

(※) This director includes a corporate auditor.

VOTING RESULTS

–INTERNATIONAL STOCKS (Ⅱ) –

2.) International stocks (FY2006 to FY 2010)

		FY2006	FY2007	FY2008	FY2009	FY2010
opposition or abstention on proposal from company	number of exercises	6,236	7,753	8,520	11,670	9,154
	opposition or abstention	(12.0%)	(6.1%)	(6.5%)	(7.8%)	(6.7%)
Appointment of directors (incl. outside directors)	number of exercises	2,513	2,987	3,635	5,755	4,526
	opposition or abstention	(4.0%)	(4.4%)	(5.2%)	(7.2%)	(6.2%)
Director remuneration (※)	number of exercises	223	215	413	475	629
	opposition or abstention	(4.2%)	(3.9%)	(7.0%)	(8.1%)	(9.4%)
Director retirement bonuses (※)	number of exercises	6	4	1	28	199
	opposition or abstention	(13.6%)	(66.7%)	(33.3%)	(38.4%)	(55.7%)
Defense from hostile TOB (Rights plan)	number of exercises	–	69	111	131	91
	opposition or abstention	–	(31.8%)	(37.0%)	(29.4%)	(20.6%)
approval or carte blanche on proposal from shareholders	number of exercises	1,982	1,976	2,026	3,173	2,347
	approval or carte blanche	(29.5%)	(26.8%)	(29.1%)	(40.4%)	(37.7%)

(※) This director includes a corporate auditor.