Progresses of Corporate Governance Reform

October 18th, 2017
Financial Services Agency
1. Measures Taken for Corporate Governance Reform ・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・P2

2. Pending Issues about Corporate Governance Reform ・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・P7

(1) Investment and Internal Reserve ・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・P9

(2) Management Decisions in Response to Changes in the Management Environment ・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・P13

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(4) Cross-shareholdings ・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・P19

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1. Measures Taken for Corporate Governance Reform
The Stewardship Code and Corporate Governance Code have been introduced as a part of the "Growth Strategy" of Prime Minister Abe since he took office.

Corporate Governance Reform has been promoted to realize a mid- to long-term increase in corporate value and investment returns which will lead to the stable asset growth of households.

**Ultimate Beneficiaries**
- Pensioners
- Investment trust buyers
- Insurance policy holders
- etc.

**Asset Owners**
- Public pensions ¥46.9 trillion
  - e.g., GPIF ¥35.2 trillion
- Corporate pensions ¥9.7 trillion

**Asset Managers**
- Investment managers ¥58.3 trillion
- Trust banks ¥21.6 trillion
- Publicly offered investment trusts ¥31.6 trillion
- Life insurance companies ¥21.5 trillion
- Life insurance companies ¥7.1 trillion

**Listed Companies**
- Total market value of listed stocks ¥581.2 trillion

To realize a virtuous cycle for the entire Japanese economy:
- Increase of mid- to long-term returns
- To Realize a Virtuous Cycle for the Entire Japanese Economy

*Investment amount of domestic stocks (Note 1)*

(Note 1) Investment amount is based on the statistics of each organization, which include estimated figures. Investment managers include the amount of funds of trust banks as investment managers.

(Note 2) Total amount of market value of stocks listed in domestic stock exchanges.
In order to deepen corporate governance reform from “Form” to “Substance”, it is important that institutional investors have constructive dialogue with investee companies. Following upon the Opinion Statement, the Stewardship Code was revised, in May, this year, to strengthen asset managers’ governance and management of their conflicts of interest and clarify the roles of asset owners including pension funds.

To realize a virtuous cycle for the entire Japanese economy, it is crucial that:

- Asset owners’ participation in the Stewardship Code
- Clear instructions on stewardship activities to asset managers
- Disclosure of voting records for each investee company on an individual agenda item basis
- Appropriate capability and recognition of the management to fulfill stewardship responsibilities
- Self-evaluations by asset managers and monitoring of stewardship activities by asset owners

To deepen corporate governance reform from Form to Substance, it is essential to:

- Increase of Mid- to Long-Term Returns
- Increase of Mid- to Long-Term Corporate Value
Initiatives of Institutional Investors in Response to the Revision of the Stewardship Code

Establishment of third party committees by asset managers

- The establishment of third party committees by major Japanese asset managers is spreading to supervise proxy voting.

Disclosure of voting records for each investee company on an individual agenda item basis

- Before the general shareholder meeting season this year, some major asset managers had already started to disclose voting records for each investee company on an individual agenda item basis.
- Following the general shareholder meetings, many other asset managers have disclosed voting records for each investee company on an individual agenda item basis (some asset managers have also explained the reasons why they voted for or against an agenda item).

Stewardship activities by asset owners

- The asset owner GPIF formulated the Stewardship Principles and Proxy Voting Principles for contracted asset managers in June of this year.
  (Note) These principles require asset managers to establish frameworks for preventing conflicts of interest through means such as the establishment of a third party committee, and to vote in accordance with the Corporate Governance Code.
- In addition, the GPIF requires contracted asset managers to disclose voting records for each investee company on an individual agenda item.
Many asset managers have started to disclose voting records for each investee company on an individual agenda item basis. Some of them have disclosed voting reasons in addition to “for” or “against.”

(Source) Sumitomo Mitsui Trust Holdings website (partially edited by the FSA)
2. Pending Issues about Corporate Governance Reform
Pending Issues about Corporate Governance Reform

(1) Investments and internal reserves
☐ There has been an increase in internal reserves in the form of cash and deposits
☐ There are issues regarding the level of capital expenditure investments in equipment, human resources and R&D

(2) Management decisions in response to changes in the management environment
☐ Decisive management decisions on matters such as business portfolio selection are not being conducted in response to changes in the management environment
☐ It is necessary for management to improve their awareness of the capital costs

(3) CEO/Board of Directors
☐ Initiatives are not sufficient for the development of CEO candidates and appointment of CEOs
☐ It is necessary to encourage independent directors to effectively fulfill their responsibilities

(4) Cross-shareholdings
☐ Progress has not been made in the reduction of cross-shareholdings

(5) Asset owners
☐ Few corporate pensions have accepted the Stewardship Code
Amount of companies’ retained earnings (internal reserve) and cash and deposits are on a continuing upward trend.

(Unit: trillion yen)

(Source) Made by the FSA in accordance with materials of the Financial Statements Statistics of Corporations by Industry (business types other than finance and insurance) by the Ministry of Finance
Equipment investments by Japanese companies are still at low levels. Labor’s share is decreasing. Few Japanese companies have carried out large-scale investment for R&D.
Many investors feel companies have cash on hand that exceeds appropriate levels, and they expect it to be used for growth investments.

[Perception of Levels of Cash on Hand (Companies and Investors)]

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<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>a. Believe levels are ample</td>
<td>27.1%</td>
<td>63.3%</td>
<td>9.7%</td>
</tr>
<tr>
<td>b. Believe levels are appropriate</td>
<td>64.9%</td>
<td>9.7%</td>
<td>4.5%</td>
</tr>
<tr>
<td>c. Levels are insufficient</td>
<td>5.1%</td>
<td>0.0%</td>
<td>5.4%</td>
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(Number of answers from companies: FY2016: 572, FY2015: 568, FY2014: 589)
(Number of answers from investors: FY2016: 93, FY2015: 84, FY2014: 86)

[Appropriate Uses of the Cash on Hand of Companies (Investors)]

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<thead>
<tr>
<th>Use</th>
<th>H26</th>
<th>H27</th>
<th>H28</th>
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</thead>
<tbody>
<tr>
<td>a. Investment funds for growth</td>
<td>54.5%</td>
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<td>b. Ensuring liquidity at hand for financial stability</td>
<td>6.5%</td>
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<tr>
<td>c. Funds for repayment of interest-bearing debt</td>
<td>12.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Funds for further enhancing returns to shareholders</td>
<td>7.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Other</td>
<td>7.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No answer</td>
<td>1.1%</td>
<td></td>
<td></td>
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</tbody>
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(Number of answers FY2016: 93, FY2015: 84, FY2014: 86)

(Source) FY2016 survey by the Life Insurance Association of Japan, “Initiatives aimed at improving share value” (partially amended by the FSA) *Conducted from October 4 to November 4, 2016. Responses from 572 listed companies and 93 institutional investors.
There are a significant number of companies that don’t have a clear stance towards levels of cash on hand, and many investors also feel that explanations of the appropriateness of these levels are insufficient.

[Things Focused on When Determining the Appropriate Level of Cash on Hand (Companies)]

- Use a certain ratio of sales, profits, working capital, cash flows, etc. as a guideline
- Use competitors as a benchmark
- Maintain levels to acquire a target rating or creditworthiness
- Increase as much as possible
- There is not really a specific criteria
- Other (Number of answers FY2016: 572) ※Multiple answers allowed

[Investors’ Level of Satisfaction about Explanations on the Appropriateness of Levels of Cash on Hand from Companies (Investors)]

- It is sufficiently explained
- It has been explained to a degree
- It is not really explained
- There is nearly no explanation

(Number of answers FY2016: 93, FY2015: 84, FY2014: 86)

(Source) FY2016 survey by the Life Insurance Association of Japan, “Initiatives aimed at improving share value” (partially amended by the FSA) *Conducted from October 4 to November 4, 2016. Responses from 572 listed companies and 93 institutional investors.
Japanese companies have also achieved record highs in net profit. Return on Sales (ROS), Return on Assets (ROA) and Return on Equity (ROE) have also increased. ROS, ROA, ROE are still at low levels compared with those in the U.S. PBR (Price to Book-Value Ratio) stays at around 1.0 time, and over one third of Japanese companies are less than 1.0 time.
While many investors have expectations regarding business selection and concentration, companies don’t necessarily focus on this to a high degree.

Many investors feel that companies aren’t achieving returns that exceed the cost of capital. There are also cases of some companies that don’t have an understanding of their cost of capital.

[Initiatives focused on improving capital efficiency (companies) and expected initiatives (investors)]

- a. Expansion of business scale and share
- b. Strengthening competitiveness of products and services
- c. Implementing cost reductions
- d. Investments focused on profitability
- e. Business selection and concentration (business portfolio review and replacement in line with the management’s vision)
- f. Deploy profit and efficiency indicators as management indicators (instill on company-wide level)
- g. Expand leverage through borrowings and returns to shareholders
- h. Nothing in particular
- i. Other

(Number of answers from companies FY2016: 572) (Number of answers from investors FY2016: 93) ※Up to three can be selected

[Stance towards ROE levels compared to cost of capital (companies and investors)]

- a. Exceeds
- b. About the same
- c. Below
- d. Cost of capital is unknown (“Don’t know” for investors)

(Source) FY2016 survey by the Life Insurance Association of Japan, “Initiatives aimed at improving share value” *Conducted from October 4 to November 4, 2016. Responses from 572 listed companies and 93 institutional investors.
The ratio of companies that have appointed independent directors has increased after the corporate governance code was introduced.
The ratio of companies that have established statutory or optional nomination committees and remuneration committees has increased.
The Survey finds that the policies for appointment/dismissal of senior management have not been widely implemented yet, and few companies monitor the succession plans of their CEOs.

Q Does your company have a system or criteria to ensure objectivity, timeliness and transparency for electing CEOs?

Q Does your company have a system or criteria to ensure objectivity, timeliness and transparency for dismissing CEOs?

Q Does your company monitor the succession plan for CEOs?

(Source) Egon Zehnder “Survey on corporate governance 2017” (June-Aug, 2017.)
### Challenges facing Listed Companies

Changes in management environments and increasing complexity of management challenges. (e.g., globalization, progress of technological innovation, population decline and the rapid aging of society, increased attention to social and environmental issues)

### Roles and Responsibilities Expected for the Management and the Board

- **Management led by the CEO**
  - Managerial decisions adequately respond to business challenges and are far-seeing.

- **Board**
  - Establishing an environment that supports appropriate risk-taking by the management. Conducting effective oversight.

### Expected Results

Achieving sustainable corporate growth and increased corporate value over the mid- to long-term.
Objective, Timely and Transparent Appointment/Dismissal of CEO

- In order to enable appropriate managerial decisions led by the CEO, appointment/dismissal of the CEO is the most important strategic decision for companies.

  - Appointment:
    Some argue that Japanese companies need to secure talented executives qualified for the position of CEO. Companies need to invest sufficient time and resources in the development of candidate talent and the actual appointment of the CEO. In addition, it is important to secure objective, timely and transparent procedures for the appointment of the CEO.

  - Dismissal:
    It is necessary to set a mechanism that makes it possible to dismiss the CEO in a timely manner, in cases where problems are found with the CEO after conducting appropriate evaluation of the company's performance.

Independent and Objective Board Composition

- Securing sufficient independence and objectivity in order to support appropriate managerial decisions.
- Securing adequate qualifications and diversity required by the business environment and challenges.
  (Shareholders are shifting their focus from the number of independent directors to the qualifications of the board members.)

Board Operations Emphasizing Strategies

- Discussion of putting more weight on strategic directions.

Continuous Evaluation of the Board’s Effectiveness

- Making a proper self-evaluation of the effectiveness of the board’s composition and operations, in order to reflect such evaluation in the next steps of the board.
  ⇒ Realization of a PDCA (plan-do-check-act) cycle.
After the corporate governance code was introduced, 4 major banking groups disclosed their reduction targets and they are reducing their cross-shareholdings.

### Reduction targets of 4 Major Banking Groups

**<Released in Nov. 2015>**

<table>
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<tr>
<th></th>
<th>Balance on 15/3 (Acquisition cost basis, trillion yen)</th>
<th>Immediate target of reduction (Reduction Rate)</th>
<th>Duration (Years)</th>
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<tr>
<td>MUFG</td>
<td>2.8</td>
<td>0.8 (30%)</td>
<td>5</td>
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<td>MHFG</td>
<td>2.0</td>
<td>0.6 (30%)</td>
<td>3.5</td>
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<tr>
<td>SMFG</td>
<td>1.8</td>
<td>0.5 (30%)</td>
<td>5</td>
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<th>Balance on 16/3 (Acquisition cost basis, trillion yen)</th>
<th>Immediate target of reduction (Reduction Rate)</th>
<th>Duration (Years)</th>
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<td>SMTH</td>
<td>0.7</td>
<td>0.2 (30%)</td>
<td>5</td>
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</table>

(Source) Made by the FSA in accordance with each company’s materials

### Cross-shareholdings Status of 4 Major Banking Groups

(Units: trillion yen)

(Note) Consolidated basis of bank holding companies.

Subject shares: Those with market value for “the other holding purpose” category

(Source) Made by the FSA in accordance with each companies’ materials
While the percentage of voting rights accounted for by cross-shareholdings has begun to decrease, it has been pointed out that not much progress has been made in reducing holdings between business corporations, etc. and that levels remain high.

It has also been pointed out that cross-shareholdings may be a factor in causing a decline in capital efficiency.

Breakdown of the percentage of shareholdings by holding body

Shareholder structure of companies listed on the First Section of the Tokyo Stock Exchange (Percentage based on voting rights)

Ratio of shareholders expected to support the companies (2016)

Ratio of cross-shareholdings in net assets and ROE (2016)

(Source) Nomura Securities Co., Ltd.

(Source) Ryoko Ueda, Senior Research Fellow, J-IRIS Research

(Note) Shareholders are classified into the following three categories above
Cross-shareholders: Government and local public bodies, insurance companies, banks, business corporations
Institutional investors: Japanese pension funds, Japanese investment trusts, foreign corporations
Other shareholders: Securities firms, individuals, other entities, treasury shares

(Notes)
(1) Indicates ratio of voting rights held by shareholders that can be expected to support the company’s proposals at the general shareholder meeting compared to the total number of voting rights
(2) Scope consists of 1,755 listed companies for which a response was received from out of all listed companies.
Cross-shareholding (3): Discussions in the Follow-up Council

Cross-shareholding (excerpt from the Follow-up Council Opinion Statement (released October 20, 2015))
While levels of cross-shareholdings are historically low compared to the peak (early 1990s), these levels are still considerable. While there are cases of financial institutions making progress with the disclosure of cross-shareholding policies, it may be necessary to carefully verify future progress, including the response of non financial corporations.

■ Response of non financial corporations
While many feel there has been a lack of progress in terms of policy disclosure and explanations on rationality, it was also pointed out that there are some companies that have begun reviews.

■ Response of financial institutions
The majority opinion was that financial institutions should reduce cross-shareholdings in order to reduce risks. While mega-banks announced the clarification of a policy to reduce cross-shareholdings in the corporate governance reports released by these banks (June to July 2015) and a near-term reduction target to reduce cross-shareholdings by about 30% in the next three to five years (November 2015), it has been pointed out that considerable efforts still need to be made in considering the issues of the counterparties of cross-shareholdings.

■ View of investors
Many have the view that explaining the rationality would be difficult except for unusual cases of strategic alliances, and that, accordingly, cross-shareholdings should be sold off.

■ View of the business community
While there was no negative feedback about the dissolution of cross-shareholdings, many had the view that it is necessary to think of who will serve as a medium to long-term shareholder after cross-shareholdings are sold off.
Although it is important to monitor asset managers, asset owners, such as corporate pensions, are not generally interested in stewardship activities, and few corporate pensions actually conduct such activities.

**Stewardship activities by defined benefit funds**

- 582 defined benefit funds responded to the survey on stewardship activities.
- 410 respondent funds answered “not interested in stewardship activities” and 129 answered “interested in stewardship activities”.

**Actual actions (129 funds that answered “interested in stewardship activities”)**

<table>
<thead>
<tr>
<th>(1)</th>
<th>Receive reports on voting results from asset managers</th>
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<tbody>
<tr>
<td>(2)</td>
<td>Receive reports on management conditions from asset managers</td>
</tr>
<tr>
<td>(3)</td>
<td>Receive reports on engagement activities (purposeful dialogue with investee companies) from asset managers</td>
</tr>
<tr>
<td>(4)</td>
<td>Include stewardship activities as an assessment factor of asset managers</td>
</tr>
<tr>
<td>(5)</td>
<td>Specify a voting policy (stewardship responsibilities) in the basic policies on asset management and asset management guidelines</td>
</tr>
<tr>
<td>(6)</td>
<td>Set their voting criteria and present it to asset managers</td>
</tr>
</tbody>
</table>

*43 funds answered “Actually implemented this” for either or all of the activities in (1) to (6), and 68 funds answered “Plan to implement this (being considered)” for either of these activities.

(Source) Pension Fund Association, Stewardship Study Committee Report (March 17, 2017)
Asset Owners (2): Status of Institutions That Have Accepted the Stewardship Code

- Participation of corporate pension funds is limited to 7 out of 214 institutions that have accepted the Stewardship Code.

### Status of Institutions That Have Accepted the Stewardship Code

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust banks</td>
<td>7</td>
</tr>
<tr>
<td>Investment managers</td>
<td>152</td>
</tr>
<tr>
<td>Life insurance companies</td>
<td>18</td>
</tr>
<tr>
<td>Non-life insurance companies</td>
<td>4</td>
</tr>
<tr>
<td>Pension funds</td>
<td>26</td>
</tr>
<tr>
<td>Public pensions</td>
<td>14</td>
</tr>
<tr>
<td>Pension fund associations</td>
<td>1</td>
</tr>
<tr>
<td>Corporate pension funds</td>
<td>7</td>
</tr>
<tr>
<td>Foreign pensions</td>
<td>4</td>
</tr>
<tr>
<td>Others (service providers, etc.)</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>214</td>
</tr>
</tbody>
</table>

### (Reference) Amount of funds for domestic stock investment by Pension funds

(Unit: trillion yen)

<table>
<thead>
<tr>
<th>Total Funds in Public Pension</th>
<th>46.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Pension Investment Fund (GPIF)</td>
<td>35.2</td>
</tr>
<tr>
<td>Pension Fund Association for Local Government Officials</td>
<td>5.7</td>
</tr>
<tr>
<td>National Federation of Mutual Aid Associations for Municipal Personnel</td>
<td>2.4</td>
</tr>
<tr>
<td>Japan Mutual Aid Association of Public School Teachers</td>
<td>0.9</td>
</tr>
<tr>
<td>Japan Police Personnel Mutual Aid Association</td>
<td>0.6</td>
</tr>
<tr>
<td>Tokyo Metropolitan Government Personnel Mutual Aid Association</td>
<td>0.1</td>
</tr>
<tr>
<td>Federation of National Public Service Personnel Mutual Aid Associations</td>
<td>1.2</td>
</tr>
<tr>
<td>Promotion and Mutual Aid Corporation for Private Schools of Japan</td>
<td>0.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pension Fund Association</th>
<th>1.7</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total Funds in Corporate Pension</th>
<th>8.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee's Pension Fund (Total number: 110)</td>
<td>2.1</td>
</tr>
<tr>
<td>Defined-Benefit Corporate Pension (Fund-type: 705, Entrepreneur-type: 12,873)</td>
<td>5.9</td>
</tr>
</tbody>
</table>

### Corporate Pension Funds That Have Accepted the Stewardship Code

- SECOM corporate pension fund
- Mizuho corporate pension fund
- SMBC corporate pension fund
- SMTB corporate pension fund
- MUFG corporate pension fund
- MUTB corporate pension fund
- Resona corporate pension fund

(Source) Total amount of funds of public pension: Rating and Investment Information “Newsletter on Pensions & Investments” (as of the end of March 2017)

Total amount of funds of Pension Fund Association and corporate pension: Ministry of Health, Labour and Welfare & Pension Fund Association “Issues in the council of experts concerning the Japanese version of the stewardship code” (as of the end of March 2016)
Chapter 2 Concrete measures
II Assignment to build horizontal structures in Society 5.0
3. Corporate governance reform from “form” to “substance” and metabolism of industry
(2) Specific measures to be newly taken
i) Promotion of measures to improve corporate value over the medium to long term
① Improve corporate value through corporate governance reform
In order to further advance corporate governance reform by improving effectiveness of “constructive dialogue” between companies and institutional investors based on mid- and long-term perspective, we revised the Japan’s Stewardship Code this year. In the revised code, we clarify the roles of asset owners such as pension funds and require investment management companies to strengthen their governance and conflict of interest management.

In order to deepen corporate governance reform, which is one of the top agenda of Abenomics, and move its focus from "form" to "substance", we will continue to encourage companies and institutional investors to leverage efforts including ones listed below, through considerations and discussions at the "Council of Experts concerning the Follow-Up of Japan’s Stewardship Code and Japan’s Corporate Governance Code".

• Effective stewardship activities by institutional investors such as enhancing governance and conflict of interest management, enhancing disclosure of results of voting executions, self-assessment, monitoring of investment management companies, and high-value-added dialogue that gives companies “awareness”.
• Efforts by listed companies such as provision of information beneficial for constructive dialogue with investors such as management policies and strategies including their basic capital policies and business condition and as more effective dialogue.
• Appointment/dismissal of CEOs in an objective, timely and transparent manner, organization of boards of directors with necessary qualities and diversity, management of boards of directors with more focus on strategies, and proper evaluation for these efforts.
• Easy-to-understand disclosure of policies on shareholdings and reduction of shareholdings in cases companies keep them without reasonable motivations..

From the standpoint of increasing international understanding of the efforts for corporate governance in Japan, we will transmit information on these efforts overseas in a timely and effective manner.