

**Summary of Presentation by Mr. Laurence D. Fink, Chairman and CEO,
BlackRock Inc. at the Meeting with the Follow-up Council members
(On Feb. 18, 2019)**

Mr. Fink presented to the Council on February 18 on long-term thinking, the role of companies in society, and corporate governance. Highlights of his presentation include:

【Role of companies in society and fiduciary duty】

- ✓ In a world of uncertainty, companies are expected to play bigger roles in society, and are held responsible not only by their shareholders, but also by their clients, employees and the communities in which they operate.

【Importance of corporate engagement】

- ✓ Engagement with companies is an important tool to convey our views to corporate management and understand their strategy. It is important to understand that we only invest on behalf of our clients and the vast majority of the assets we manage are in index funds. Due to this and governance practices, we cannot sell our shares in companies that are in the index funds. For this reason, continuous engagement with the company is important to achieve good outcomes for our clients.

【Importance of purpose of companies and long term strategy】

- ✓ I started sending letters to CEOs and speaking about the need to have long term perspectives seven years ago. I write as a fiduciary in order to maximize the long-term value of our clients' investments. In my letter to CEOs this year, I asked companies to articulate their purpose and long-term strategy.
- ✓ Such transparency will foster ties with long term shareholders and will allow such shareholders to support management, which would deter short-termism.
- ✓ Purpose does not replace profitability, in fact, profits and purpose are inextricably linked. Articulating a purpose helps the company express their values to their shareholders, their employees, and to society.
- ✓ Millennials now make up approximately 35% of the work force in the world and they care about the purpose of a company. Expressing purpose is important to recruit and retain the best talent, which is critical to achieving sustainable profit.
- ✓ In my letter, I also wrote about how the long term strategy should be discussed and reviewed by the Board.

【Corporate Governance Issues】

- ✓ Japanese companies must enhance the level of corporate governance in order to maintain their vitality. The key to strengthening corporate governance is for each company to have independent and diverse boards of directors that are engaged in more than just a check-the-box exercise in order to provide effective oversight.
- ✓ All forms of diversity are important when considering appropriate succession planning for senior

management, and I encourage management to also consider diversity of the mind. It is important to make sure that management and the board are not composed of those who come from similar backgrounds or have strengths in the same area.

【Importance of ESG】

- ✓ I see “ESG” as an integral component of long term strategy. We have long believed the environmental, social and governance issues can have material impact on our clients’ investments.
- ✓ As better quality “ESG” data becomes available, it becomes more important as an investment factor. It is important for the data on sustainable to be comparable within sectors.

Following the presentation, the council members presented several questions to Mr. Fink about proxy advisors, ESG, retail investors, differentiated class shares, common ownership, capital efficiency conflict of interest etc.