



Report of the 9th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities

May 2024

Government Pension Investment Fund



Table of Contents

Summary of Survey Results	P.2
1. Current Situation and Changes Observed regarding Institutional Investors, including GPIF's External Asset Managers	P.8
2. IR and ESG Activities of Companies	P.20
3. GPIF's Initiatives (ESG Indexes)	P.35
4. GPIF's Initiatives (Overall Stewardship Activities)	P.41



Summary of Survey Results

Outline of the Survey: Purpose and the Status of Responses

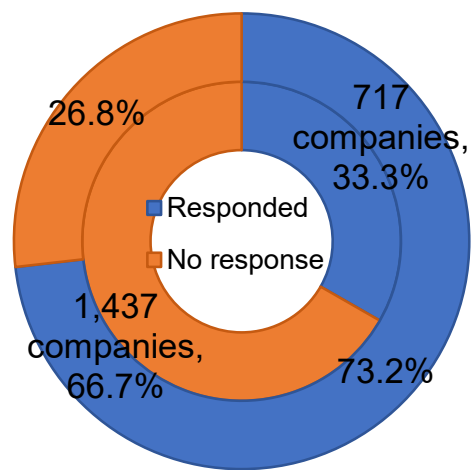
1. Purpose

- To evaluate stewardship activities carried out by GPIF's external asset managers, and to ascertain the actual status of "purposeful and constructive dialogue" (engagement) and changes observed in the past one year.

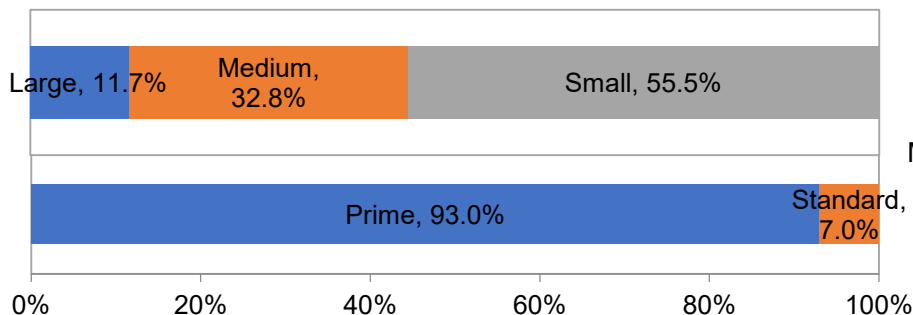
2. Subjects, etc.

- 2,154 TOPIX component companies (as of December 18, 2023)
- Number of respondent companies: 717 (735 in the previous year)
- Response rate: 33.3% (34.0% in the previous year)
- Survey period: From January 18 through March 22, 2024

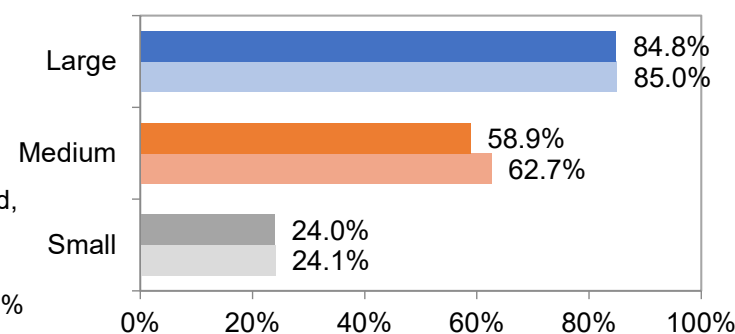
<Response coverage rate>



<Percentage of the number of respondent companies by company size and market segment>



<Response rate by company size>



* Inside: based on number of companies
Outside: based on market cap

* The upper row and lower row of figures by company size indicate those in this survey and those in the previous survey, respectively.

Summary of Survey Results I: Current Situation and Changes Observed regarding Institutional Investors, including GPIF's External Asset Managers

- ❑ With regard to changes in the attitudes of institutional investors at IR meetings, etc. during the past one year, more than 40% of respondents stated that they had observed desirable changes. Compared to the previous survey, the number of respondents who answered “I feel there have been favorable changes among all or many institutional investors” has increased again (p. 9).
- ❑ Approximately 90% of companies responded that their long-term vision was on the during dialogue with institutional investors, and over 80% responded that they presented a specific long-term vision to institutional investors. Over 80% of companies responded that the expected period for their long-term vision was five years or more, with the majority using their long-term plan and vision as criteria in setting the time frame (pp. 10 and 11).
- ❑ Regarding the use of disclosure documents by institutional investors, approximately 70% of companies responded that their integrated reports were used, while more than 30% of companies responded that corporate governance reports were used, both of which increased from the previous survey. Impact of the Tokyo Stock Exchange's request to take “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” was also observed. (p. 12)
- ❑ Approximately 30% of respondent companies answered that they have received a request from institutional investors in the past one year for conducting dialogue with outside directors and outside statutory auditors. And two thirds of them actually conducted dialogue. In this survey, the content of the dialogue was asked about for the first time, and we found that many companies gave it a high evaluation (pp. 13 and 14) .
- ❑ Approximately 10% of companies answered that they have received a request from institutional investors in the past one year for conducting collaborative engagement. In addition to climate change, many companies cited “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” as a major theme for collaborative engagement (p. 15).
- ❑ With respect to questions concerning evaluation of GPIF's asset managers entrusted with domestic equity investment, more than 60% of companies cited “asset managers with which they had useful discussions or which had made contributions,” which increased from the previous survey. The most frequently evaluated dialogue item was management strategy. The reasons for the evaluation have also been newly disclosed (pp. 16 and 17).
- ❑ Approximately 80% of companies that issued corporate bonds have engaged in dialogue with fixed income investors. With respect to the content of dialogues with fixed income investors, the ratio of companies that selected “Financial conditions and financial strategy” and “Business strategy” as themes reached approximately 90%. (p. 18)

Summary of Survey Results II: IR and ESG Activities of Companies

- ❑ Approximately 90% of the companies surveyed voluntarily disclosed non-financial information including ESG (in the integrated report, etc.). The most cited standards and guidelines referred to were the Task Force on Climate-related Financial Disclosures (TCFD) recommendation.(p. 21)
- ❑ The number of companies that responded that they have disclosed information in line with the TCFD increased to 609. The companies that they have conducted dialogue in connection with TCFD accounted for 56.0%. The percentage of companies that indicated they disclosed information properly in terms of the four items ((i) Governance; (ii) Strategy; (iii) Risk management; and (iv) Indicators and goals) rose for each item.(pp. 25 and 26)
- ❑ In this survey, we added questions concerning the Task Force on Nature-related Financial Disclosures (TNFD). Only 96 companies have endorsed the TNFD and 35 companies responded that they have disclosed information in line with the TNFD recommendations. Meanwhile, 376 companies responded that they plan to disclose in the future, and 160 of them intend to disclose by 2025. Among the four items, it is observed that the disclosure of (iii) Risk and impact management has been relatively advanced. (pp. 27 and 28)
- ❑ In this survey, a new question regarding the Tokyo Stock Exchange’s request to take “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” was added. 96.6% of the companies have discussed internally, and of those, approximately as many as 80% have discussed it at their Board of Directors meetings. There was a wide range of responses regarding issues they felt in considering how to respond to the request. These issues are: i) internal dissemination; ii) calculation of cost of capital; iii) matters to be disclosed; iv) specific measures to be taken; and v) gap with investors. In addition, many companies expressed their expectations for investors. (pp. 29, 30 and 31)
- ❑ In this survey, new questions have been added concerning the status of discussion on ESG and sustainability at Board of Directors meetings. Regarding the theme, 93.2% responded that they have discussed it at their Board of Directors meetings. The annual average frequency of discussion was 3.6 times per company. (p. 33)
- ❑ The main themes in ESG activities were i) climate change; ii) corporate governance; and iii) diversity. The most frequently cited theme was climate change, the same as in the previous survey. The themes that observed a significant increase in the response rate from the previous survey include capital efficiency (+5.9%), risk management (+5.9%) and supply chain (+4.9%), indicating that attention paid to new themes, such as capital efficiency, rose. (p. 34)

Summary of Survey Results III: GPIF's Initiatives (ESG Indexes)

- ❑ No significant differences was observed in evaluation for any ESG index. Compared to the previous year, the percentage of “Highly appreciate” for each index increased, driven by small- and medium-sized companies. (pp. 36, 37 and 38)
- ❑ In this survey, new questions were added concerning “Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDiJ),” which was newly adopted in FY2022. Being a tilt-type index, GenDiJ has more constituent stocks than WIN, a best-in-class index that also has the same theme of women’s participation. At present, while recognition is lower than for other indexes, companies tend to rate it at the same level as others.(p. 38)
- ❑ More than 60% of companies have reviewed the methodologies disclosed by index providers, led by small- and medium-sized companies. The percentage of small- and medium-sized companies that responded that they would like to be included in an index increased. (p. 39)
- ❑ As for opinions about index providers, some companies continued to point out improvement in disclosure and communication with companies, while there were also many responses demanding improvement in communication, such as further clarification of rating criteria and schedule, quick response, support in Japanese language, and holding briefing sessions. (p. 40)

Summary of Survey Results IV: GPIF's Initiatives (Overall Stewardship Activities)

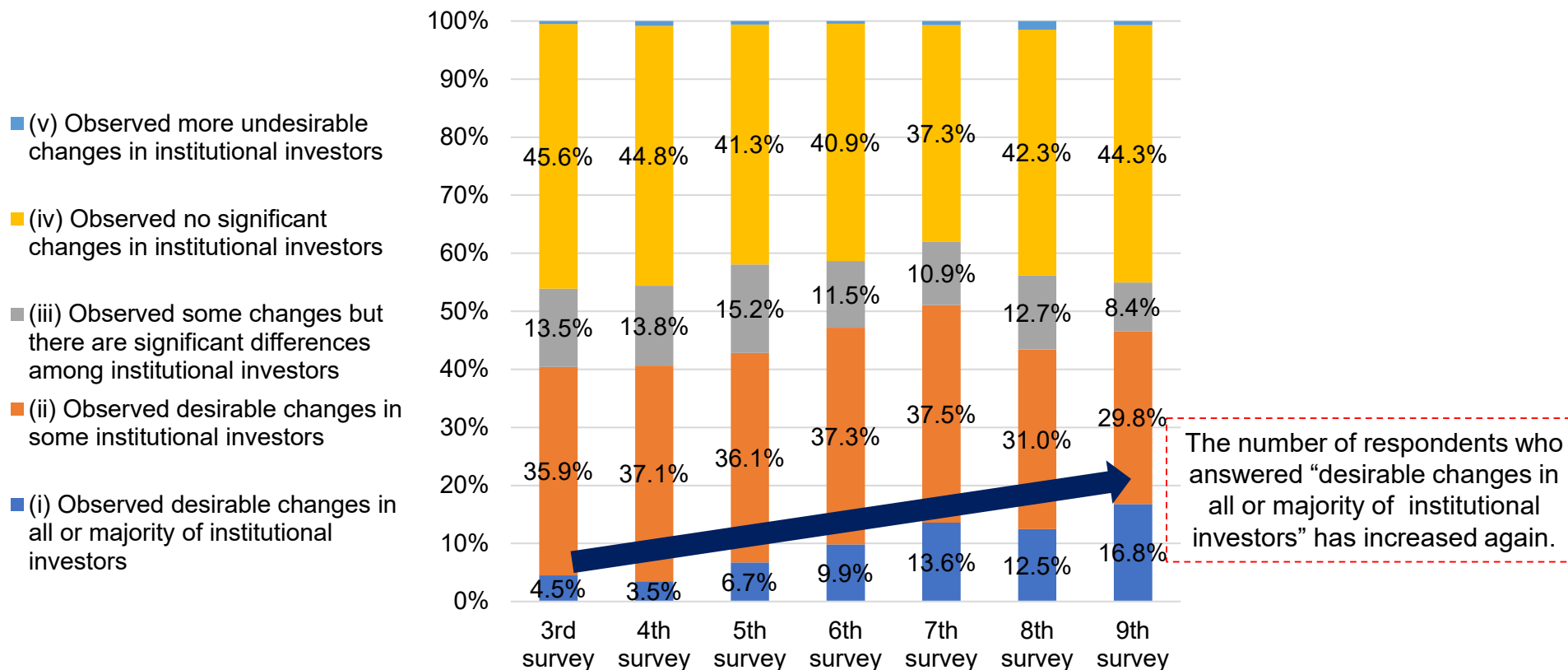
- ❑ As for the rating of GPIF's overall stewardship initiatives, more than three-quarters of respondents selected "Highly appreciate" and "Appreciate." Many companies continued to evaluate GPIF's dialogue with asset managers from a long-term perspective, its attitude to listen to the opinions of both asset managers and companies, and its initiatives to promote sustainable growth of the market as a whole through dispatch of information, such as the promotion of ESG and the "Excellent Disclosure series" (p. 42).
- ❑ Some of GPIF's initiatives gained high recognition, including "Survey of companies," "Investment based on ESG indexes," "Stewardship Principles and Proxy Voting Principles," and "Publication of Excellent Disclosure series." As for the evaluation of individual initiatives, many respondents selected "Highly appreciate" or "Appreciate" in general, and especially, the evaluation of "Excellent Disclosure series" is the highest. (p. 43)
- ❑ Among GPIF's public relations activities, the most viewed material is GPIF's official website, followed by GPIF's ESG Report. (p. 44)
- ❑ With regard to what is expected from the stewardship activities of GPIF as an asset owner, most respondents cited "Promotion of dialogues between asset managers and investee companies toward the enhancement of medium- to long-term corporate value." (p. 45)
- ❑ A new question asked whether they would like to cooperate with GPIF in interviews, etc., not limited to this survey, to understand the actual state of dialogue conducted by GPIF's external asset managers. Approximately 40% would be willing to cooperate. (P. 45)



1. Current Situation and Changes Observed regarding Institutional Investors, including GPIF's External Asset Managers

<Institutional Investors Including GPIF's External Asset Managers>

Q1: With regard to institutional investors as a whole, have you observed any changes in their attitude at IR/SR meetings during the past one year?

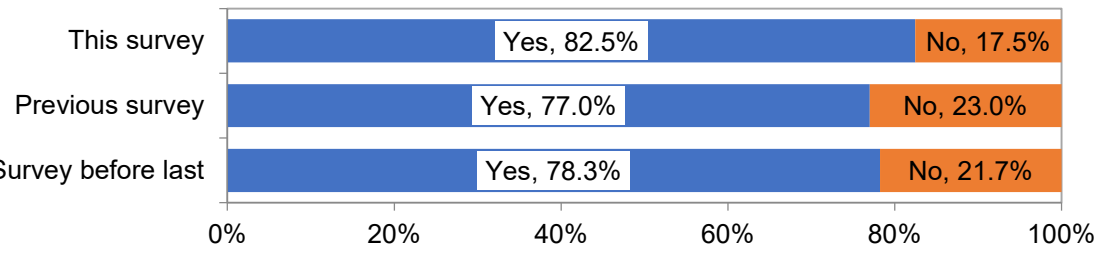
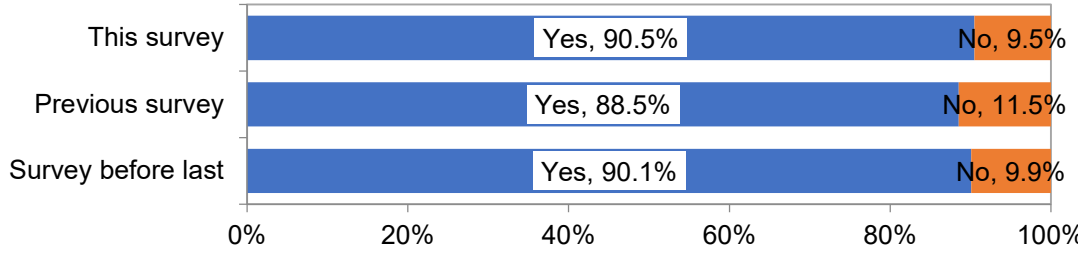


* Changes from the 3rd Survey in which the subject companies of the survey were changed from JPX400 component companies to those listed on the TSE First Section.

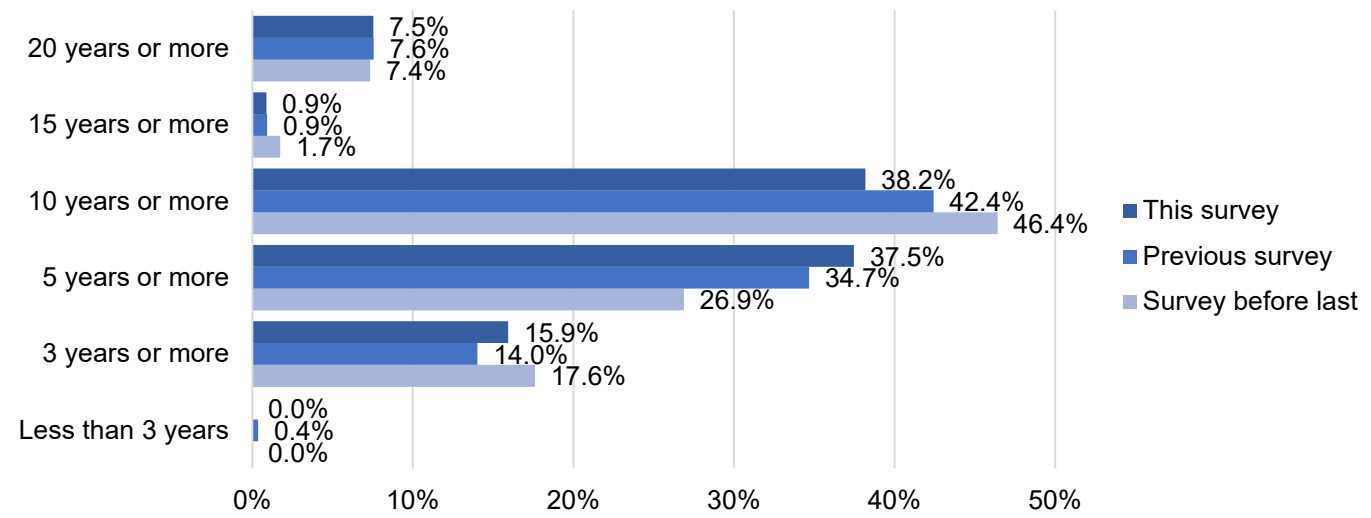


Q2: Has your company's long-term vision been on the agenda or a theme for the dialogue with institutional investors?

2-1: Is your specific long-term vision disclosed to institutional investors?

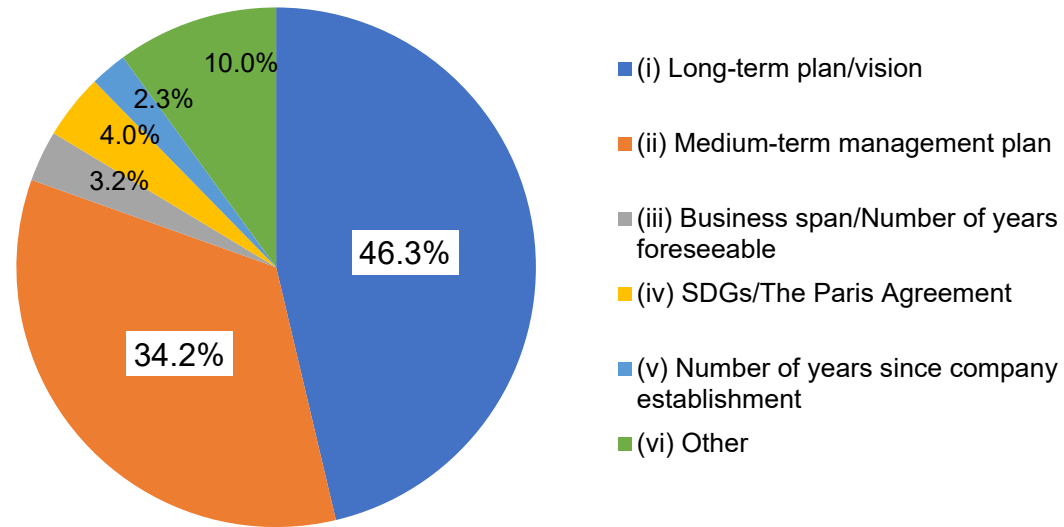


2-2: If it is disclosed, what is the time frame for your long-term vision?



* When the responses are indicated in a time range, the low end of the range is used for aggregation. Responses stating that no specific time frame is presented have been excluded from aggregation. Valid answers were received from 571 companies this year (542 companies in the previous year).

2-3: Based on what criteria did you set the number of years indicated in 2-2?

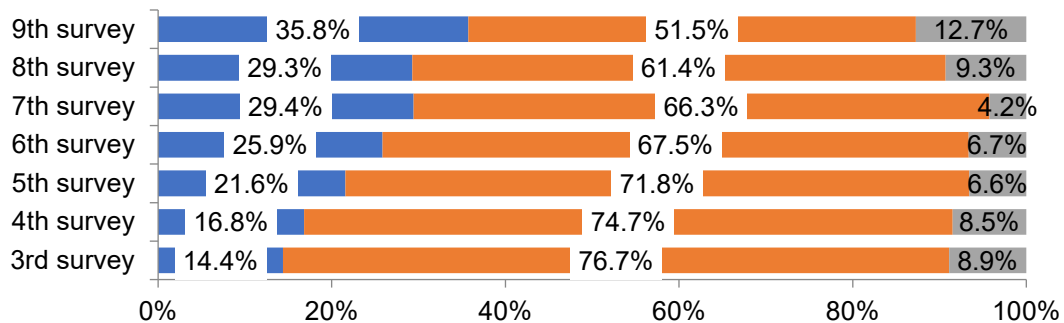


* Closed-ended questions were asked in this survey.



Q3: Choose the option that reflects your view of the efficient use of your company's Corporate Governance Report by institutional investors.

- (i) They appear to use the.
- (ii) Cannot say.
- (iii) They do not appear to use the Reports effectively.



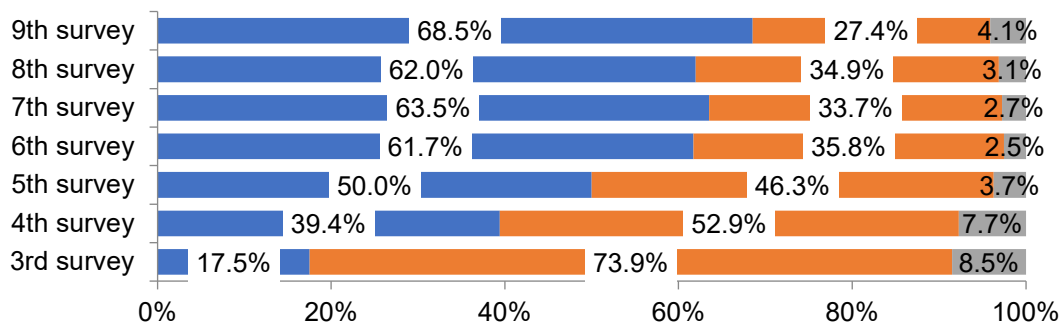
* Changes from the 3rd Survey in which the subject companies of the survey were changed from JPX400 component companies to those listed on the TSE First Section.

<Excerpts of comments from companies that selected (i)>

- At meetings with investors, they mention things like, "Your Corporate Governance Report states that..."
- This year, the Tokyo Stock Exchange published a list of companies that have disclosed action to implement management that is conscious of cost of capital and stock price. As a result, we felt that the frequency of reference to corporate governance reports had increased.
- Many investors seem to utilize it to check the disclosure status of "management that is conscious of cost of capital and stock price."
- At meetings with investors, a wide range of topics were discussed, including policies on cross-shareholding of listed shares and human resource promotion, and ensuring objectivity in discussions based on the composition and skills matrix of directors and auditors.
- At meetings with the proxy voting and ESG personnel, we were able to confirm the details in advance and received appropriate proposals for improvement, including examples from other companies.

Q4: Choose the option that reflects your view of the efficient use of your company's Integrated Report by institutional investors. (Question applies only to those companies that publish the report.)

- (i) They appear to use the.
- (ii) Cannot say.
- (iii) They do not appear to use the Reports effectively.

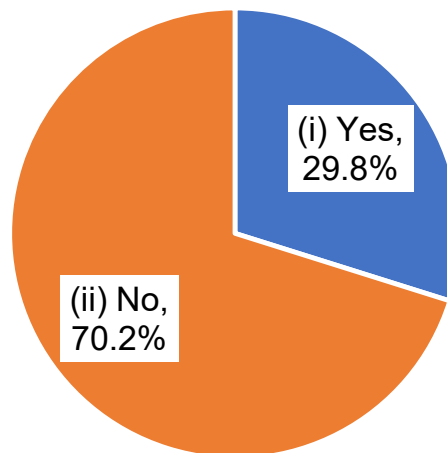


* Changes from the 3rd Survey in which the subject companies of the survey were changed from JPX400 component companies to those listed on the TSE First Section.

<Excerpts of comments from companies that selected (i)>

- Cases have been increased where questions are asked based on the contents of the Integrated Report. In some redundancies or deficiencies were pointed out in comparison with other companies (including those in different industries).
- We were able to discuss the value creation story, management strategy, and ESG-related matters. Most people who viewed the report for the first time have a basic understanding of the information from the integrated report, so it is easy to have an in-depth conversation within the limited time.
- They utilize our Integrated Report to analyze our long-term growth potential and resilience, by understanding our business model and activities around ESG hot topics,
- During the dialogue, we received questions from persons in charge of exercising voting rights and IR about the contents of our Integrated Report. In particular, there were many questions about outside directors, the ratio of female directors, and climate change issues, such as TCFD, indicating that they had thoroughly read the report.
- Since the release of the Integrated Report, we have held an ESG briefing for analysts and institutional investors. In fiscal 2023, the Integrated Report was published in October, and an ESG briefing was held in December, with the CEO and the Chairperson of the Board, who is an outside director, taking the stage. Many market participants attended the briefing, and we had a lot of opportunities for dialogue, including Q&A session, on topics such as ESG and the medium- to long-term vision.

Q5. In the past year, did you receive a request from institutional investors to conduct dialogue with outside directors and outside statutory auditors?



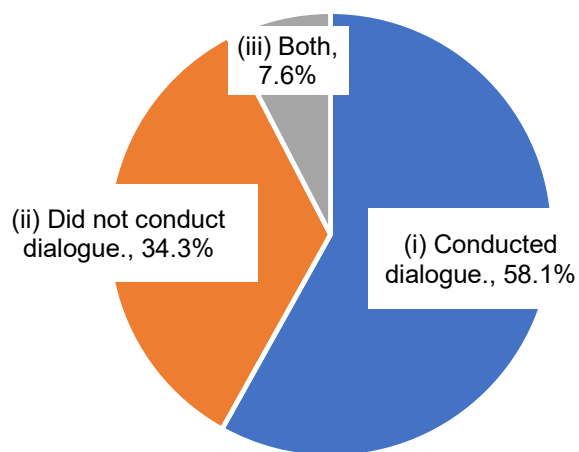
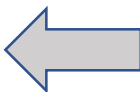
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5-1: If you selected (i) in Q5, did you conduct dialogues?

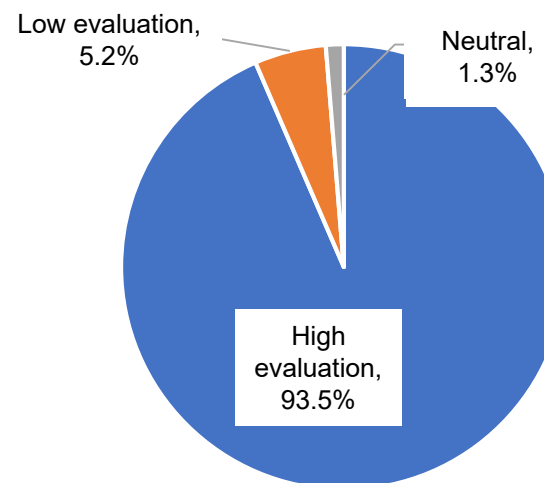
5-2: If you selected (i) or (iii) in Q5-1 above, please describe the outline or impression of the dialogue.

<Principal reasons for not conducting dialogue>

- Planning to conduct in the future
- Due to our schedule
- Policies and responses are under consideration.



<Classification of impressions>



* Responses were classified by GPIF by limiting to responses deemed to include impression.



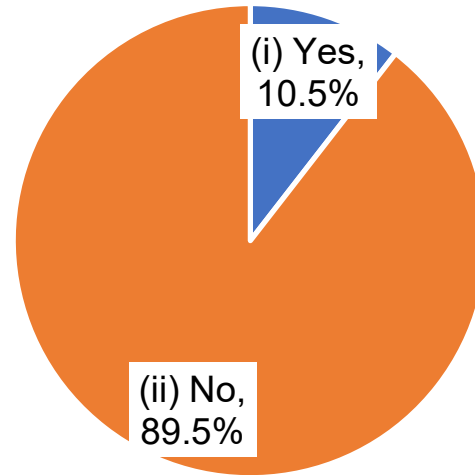
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5-2 (continued): If you selected (i) or (iii) in Q5-1 above, please describe the outline or impression of the dialogue.

[Excepts of comments]

- We conducted dialogue with the Chairperson of the Board, who is an outside director, and explained the governance as well as the position of outside directors regarding the company's medium- to long-term management plans. We feel that the explanation given by the outside director has enhanced the level of understanding.
- In response to requests from some investors, we conducted one-on-one interviews. Outside directors responded favorably that they would like to continue to hear opinions from outside. We expect that institutional investors other than those who participated in this interview will also request meetings with outside directors or events.
- We held a dialogue on the status of the Board of Directors and future management issues. We believe this was a valuable opportunity to discuss the current situation and challenges facing our company from an objective perspective of an outside director, along with institutional investors.
- Discussed variety topics. Transition and evaluation of the Board of Directors since the appointment of outside directors; The current roles of outside directors in the Board of Directors; Evaluation of each director's perspective; Status of communication among outside directors; How they evaluate the content of the medium- to long-term strategies, and how they are involved in implementing them as an outside director; What kind of recognition they share with the Board of Directors regarding stock price valuation (capital market valuation); and from what perspective they participate in discussions.
- We conducted interviews between female outside directors and institutional investors. We received comments that cannot be obtained through IR interviews, such as the status of business execution by executive officers and corporate characteristics from the perspective of outside directors. Although it differs from the financial results, we provided feedback internally as important opinions from the capital market.
- Three outside directors and several institutional investors participated in small meetings on such themes as management restructuring, human resources strategy, human resources management, and succession planning. Overall, there were many calls for strengthening monitoring of formulated strategies and plans, including setting KPIs and reporting and managing progress. Opinions received from institutional investors will be shared with the Board of Directors and business divisions to promote improvements.
- IR Day was held in September 2023. Outside directors took the stage to explain the evolution of governance that supports the enhancement of our corporate value. To convey the effectiveness of the Board of Directors, we showed a video that recorded Board meetings, and conducted dialogue with analysts and institutional investors. Going forward, we intend to continue to provide opportunities for dialogue on a regular basis.
- A small meeting was held, hosted by a securities company, with outside directors as speakers. At an ESG briefing session hosted by us, outside directors held a discussion session. In both cases, outside directors exchanged opinions with investors about the challenges the company faces and strategies for sustainable growth in the future. In addition to receiving high appreciation from investors, outside directors themselves seemed to have been inspired by various issues through communication with investors at the event and prior internal preparations. It is expected that this event will lead to revitalize the Board of Directors in the future.
- here were many perfunctory questions and the discussion was not very fruitful.

Q6: In the past one year, did you receive a request for collaborative engagement?

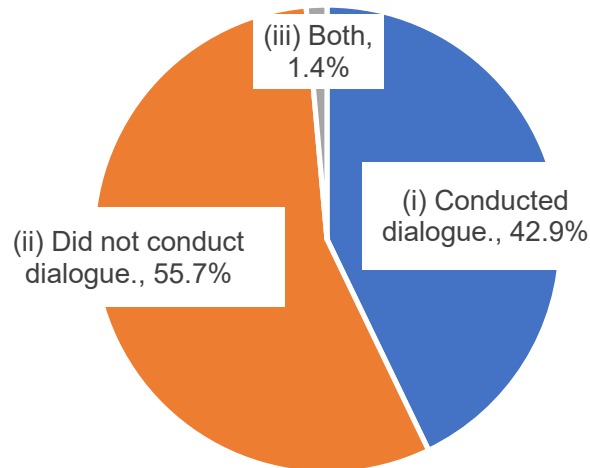
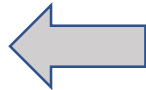


6-1: If you selected (i) in Q6, did you conduct dialogues?

6-2: If you selected (i) or (iii) in Q6-1, please select the outline of the dialogue from below (up to three).

<Major reasons for not conducting dialogue>

- Planning to conduct in the future
- Exchanged letters without holding a meeting
- Dialogue has been held with individual asset managers



<Major themes on collaborative engagement>

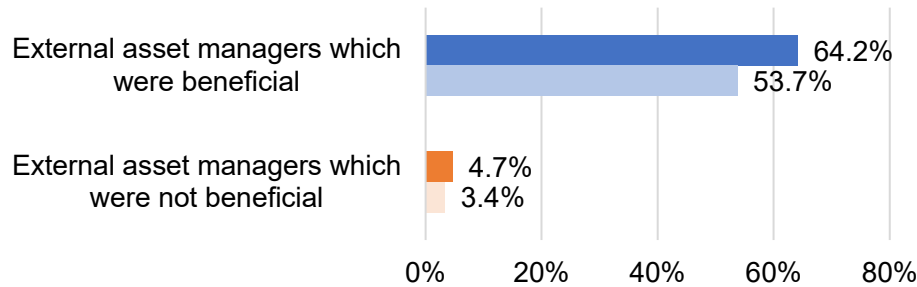
- Response to climate change (decarbonization strategy, etc.)
- Toward management that is conscious of cost of capital and stock price
- Cross-shareholding
- Deforestation
- ESG as a whole

<Major initiatives for having conducted collaborative engagement>

- Institutional Investors Collective Engagement Forum
- Climate Action 100+
- ACGA (Asian Corporate Governance Association)
- AIGCC (Asia Investor Group on Climate Change)
- PRI Collaboration Platform

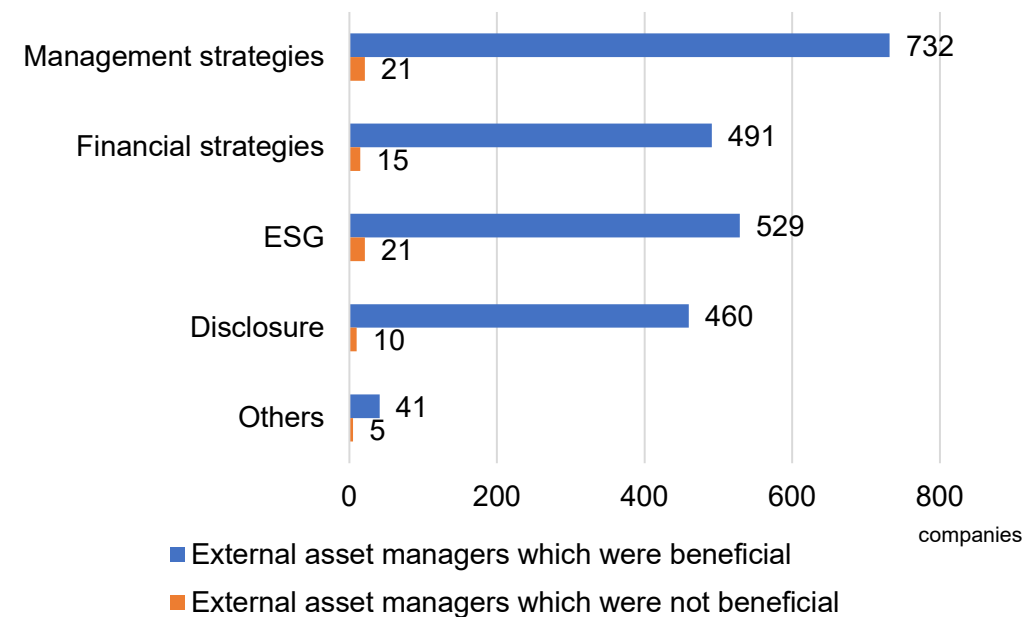
Q7: Among GPIF’s external asset managers entrusted with domestic equity investment, please cite “those with which your company had useful discussion or those which made contributions” from the viewpoint of improvement of your company’s medium- to long-term corporate value over the past one year, and indicate the reasons for citing such asset managers. Furthermore, please cite asset managers, if any, “with which the meeting was of little use,” and provide the reasons for citing such asset managers. (up to 3 asset managers for each question)

<Percentage of respondent companies>



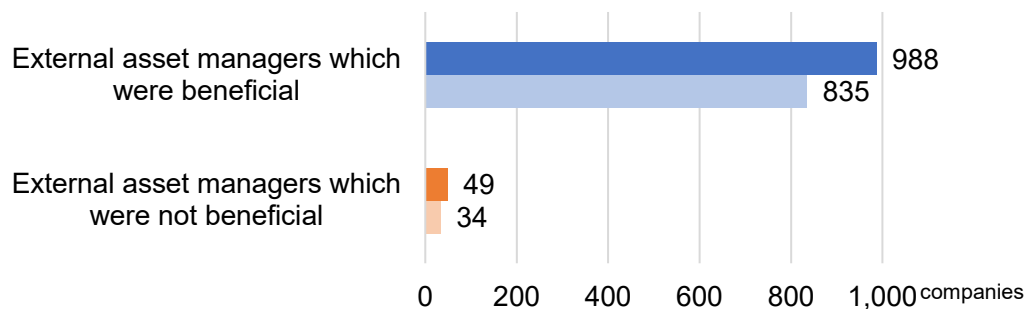
* The upper row shows the figures in this survey; and lower row indicates those in the previous survey, respectively. The percentage indicates the ratio to total respondents (717 companies in this survey). In this survey, 460 companies cited asset managers with which useful discussions were held, while 34 companies cited asset managers with which discussions held were of little use.

<Contents of “useful/of little use discussions and contributions”>



* Multiple responses allowed. The denominator is the number of asset managers cited in the responses. (Total number of asset managers)>

<Number of asset managers mentioned in responses (Total number of asset managers)>



* The upper row shows the figures in this survey; and lower row indicates those in the previous survey, respectively.



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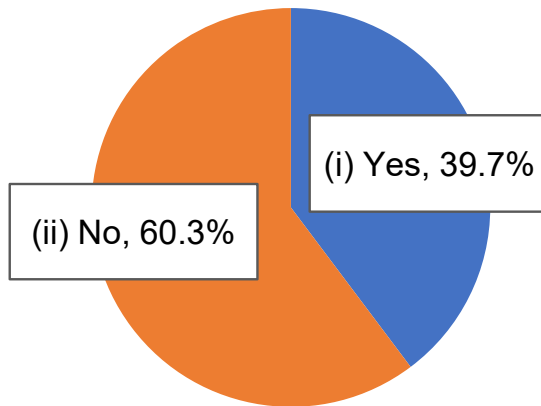
Q7 (continued): Reasons for citing “Institutions with which useful discussions were held and those which made contributions”

[Excerpts of comments]

- They accurately understood the business model we develop and we received accurate questions about the growth potential and anticipated risks. By answering their questions, we were able to reaffirm the challenges in order to realize sustainable growth.
- Rather than questions for understanding our business, we often receive questions from the perspective of “What would you like your company to become in the future?” or “What kind of challenges does your company are you facing today?,” and they provide us with extremely valuable opinions not only for IR but also for considering our management strategy.
- Issues that have not been sufficiently addressed tend not to be disclosed, but even if our response is insufficient, we were advised that we should recognize them as current issues and disclose what we are going to do about it. This advice made us realize that we need to change our mindset as a company.
- They understand our company deeply and their advice through engagement is helpful. Many investors tend to hesitate in expressing their opinions to management, but asset managers give harsh opinions directly to the President and CFO. Therefore, the meeting is very beneficial in the sense that management can hear the voices of investors directly. For this reason, they have won deep trust from our CFO.
- They demonstrate the differences between us and our overseas competitors (in terms of P/L, R&D, product portfolio, etc.) in an easy-to-understand manner from an investor’s perspective, making efforts to have dialogue that lead to future value.
- We exchange opinions on various risks related to our business from an ESG perspective. It also gave us an opportunity to review our business environment, enabling us to have a valuable dialogue. In particular, they explained frankly their way of thinking behind their ESG analysis and evaluation of our company, which helped us understand the “investor perspective.”
- We had a frank exchange of views on sustainability. Especially on materiality, we were able to obtain opinions on what institutional investors want.
- We continuously receive proposals that contribute to enhancing corporate value from a long-term perspective based on their detailed analyses on our management strategy and business strategy. As the dialogue is extremely beneficial, top-level meetings with the Representative Director are held on an ongoing basis. With regard to our integrated report, we receive their support every year to improve and enhance the content of our disclosure by quantitatively analyzing, and indicating specific areas for improvement. In order to achieve 1x in PBR, we have received their support in reviewing our proposed disclosure based on examples of other companies, and have set up a new dedicated website.
- Using PowerPoint materials, they gave a presentation on how the stock market views us, our profit levels, and their expectations for efforts to improve PBR. It was very persuasive with numerical data.
- Guidelines for revising the proxy voting standards were clearly and effectively communicated in advance, facilitating their use as a reference for responding to demands from the external environment into the company.

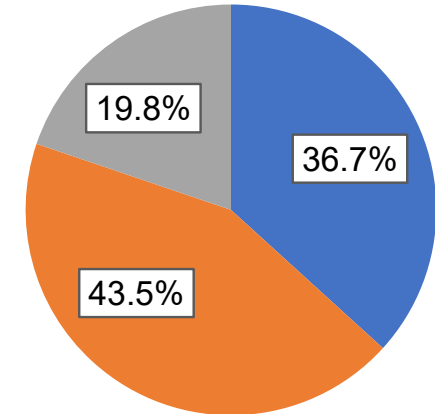
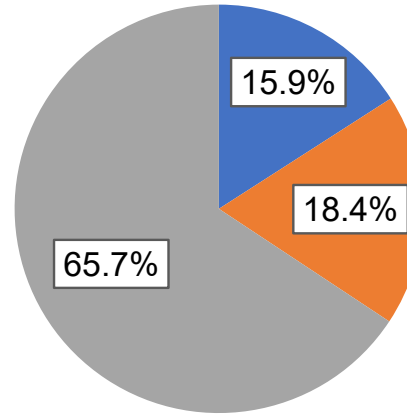
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Q8: Has your company issued bonds (corporate bonds)?

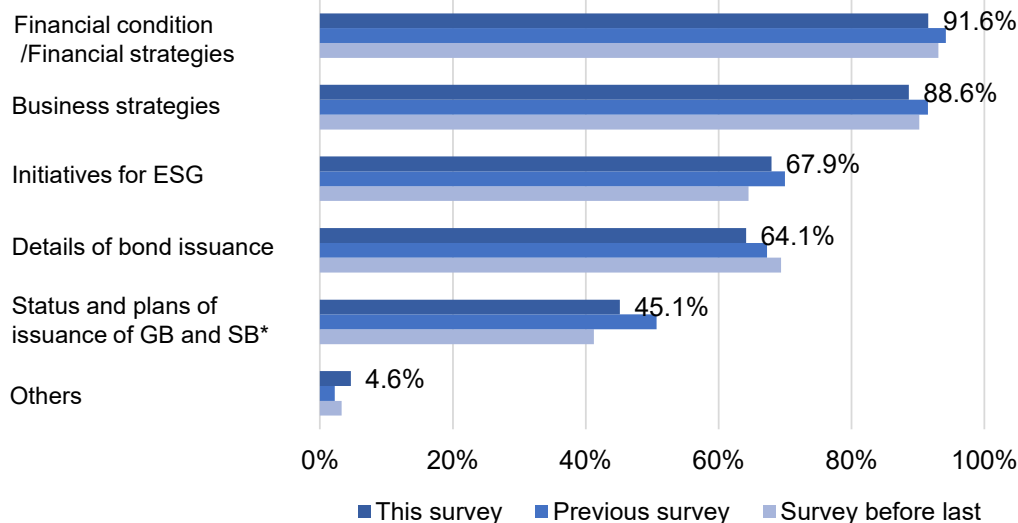


Q8-1: Do you conduct dialogue with fixed income investors?

<Overall> <Corporate bond issuers>
 ■ (i) Conduct dialogue regularly ■ (ii) Conduct dialogue at the time of issuing bonds/refinancing ■ (iii) No



8-2: If you selected (i) or (ii) in Q8-1, what are the contents of dialogue with fixed income investors? (Multiple responses allowed)



* GB: Green bonds; and SB: Sustainability bonds

8-3: If you selected (i) or (ii) in Q8-1, please describe the contents of dialogue with fixed income investors if you found them useful. (Up to three cases)

- [Excerpts of comments]
- We were able to provide fixed income investors with more in-depth understanding of our business and financial strategies.
 - On reviewing our financial condition, we received feedback on our future strategy.
 - We received advice from an investor's perspective on areas for improvement in financial and non-financial disclosure, which contributed to improvement in disclosure content and methods.
 - Based on a detailed understanding of our latest initiatives, such as our approach to the human capital portfolio, we held dialogue about the thinking behind them, as well as information provided on topics that we had not been able to cover, such as biodiversity.
 - In order to emphasize portfolio management, we were first asked to disclose operating income by product group. Although we have not disclosed this information yet, we have reported this matter to the Board of Directors. We understand that it has had a positive impact on the changes in our organizational management structure over the past few years.

Q9. What do you expect from institutional investors as a whole in pursuing enhancement of your corporate value and sustainable growth over the medium to long term?

[Excepts of comments]

- Going forward, we will continue to engage in constructive dialogue based not only on short-term quarterly financial results, but also on medium- to long-term perspectives, while receiving frank opinions to enhance our corporate value.
- Our medium- to long-term enhancement of corporate value and sustainable growth will be achieved not only through repeated discussions within the company, but also through active discussions with outside parties, including institutional investors and Outside Directors. While we will strive to create more opportunities for dialogue than ever before, we would like institutional investors to view our company from an outside perspective and provide frank opinions and suggestions.
- We would like institutional investors to engage more than ever in dialogue centered on enhancing corporate value over the medium to long term. We believe that receiving an evaluation of our company from a medium- to long-term perspective and candid feedback on issues we face is essential for our medium- to long-term growth and contributes to our management decisions. While we do not deny short-termism, we feel that the benefits of dialogue with institutional investors, many of whom still focus on short-term performance, are significantly less than those that take a long-term perspective, and we have no choice but to lower the priority of dialogue when allocating limited IR resources.
- We look forward to dialogue in which that will encourage management becomes more aware of the importance of “enhancing corporate value” and “sustainable growth.”
- Meetings with management, in particular, have limited time and often consist of one-sided questions and assertions, which does not seem to result in mutually beneficial dialogue. While there may be some improvements to be made on the company’s side, we feel that the value of meetings would increase if investors, for example, are conscious of leaving insight for management by incorporating perspectives that are not available at the company(such as interviews with other companies, suggestions from comparative management analysis, and global investor trends).
- In the dialogue, we would like to hear their frank opinions regarding their expectations and concerns for our company, as well as their perceptions of issues and growth potential. Even when the main purpose of the dialogue is to update figures and short-term trends, we would appreciate their comment on each occasion, for example what kind of insights they gained from that confirmation, whether they saw medium- to long-term prospects beyond that, and what appeal they found (or did not find) as an investment target.
- Regarding non-financial information such as ESG, we would like them to continue to provide us with their focus, best practices for disclosure, and suggestions on areas for improvement. We would also like them to explain how the disclosure of non-financial information is affects investment decisions.
- We would like them to exercise their voting rights not only based on formal criteria, such as proxy voting standards, but also based on constructive dialogue for the improvement of corporate value and sustainable growth over the medium to long term, according to the situation of each investee company.

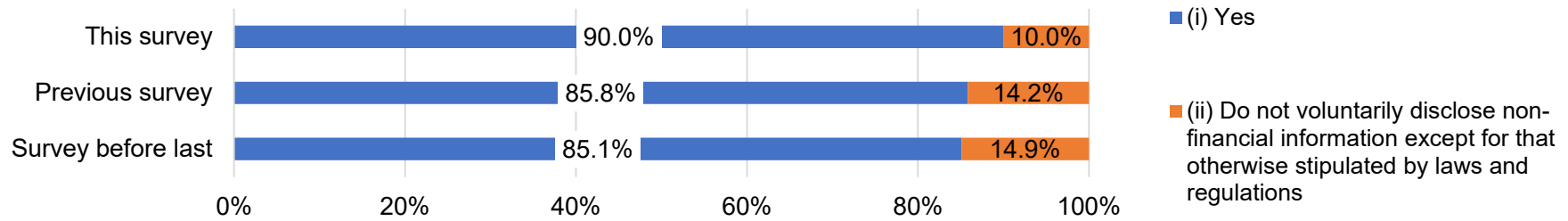


2. IR and ESG Activities of Companies

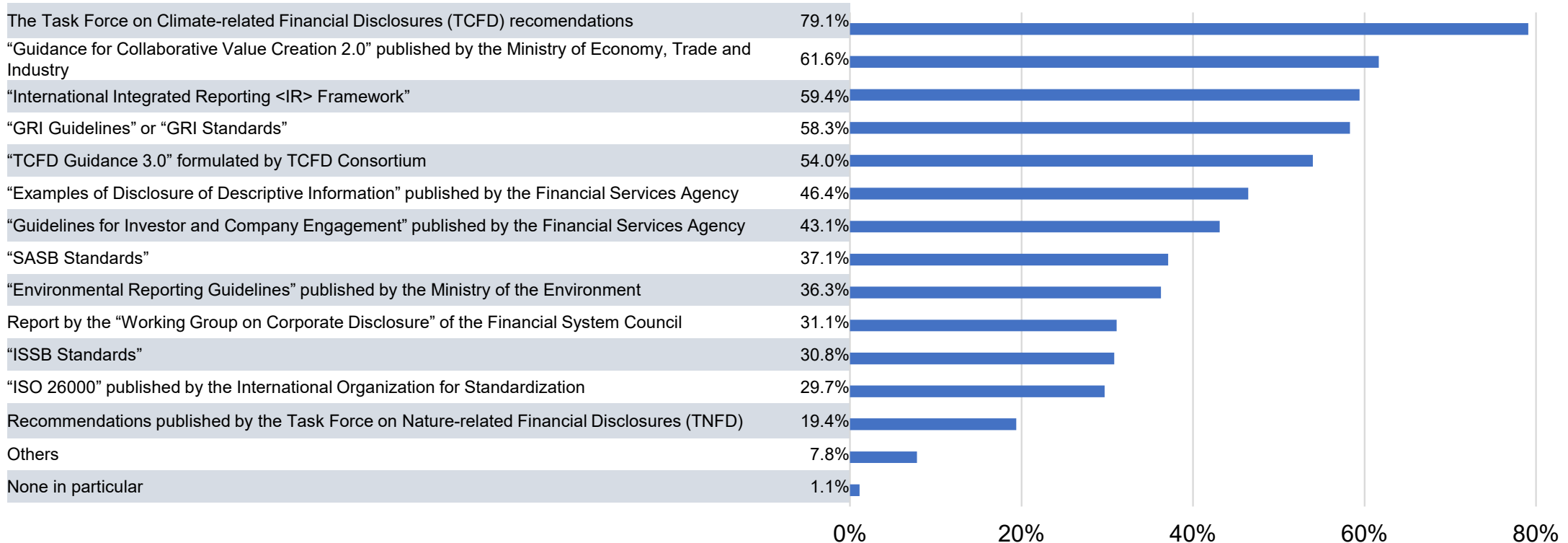


<IR and ESG Activities of Companies>

Q1: Do you voluntarily disclose non-financial information including ESG (publication of CSR Reports, Sustainability Reports, Integrated Reports, etc.)?



1-1: If you selected “Yes” in Q1, do you refer to any of the following standards and guidelines?



*Multiple responses. The percentage indicates the ratio to total of 717 respondents.

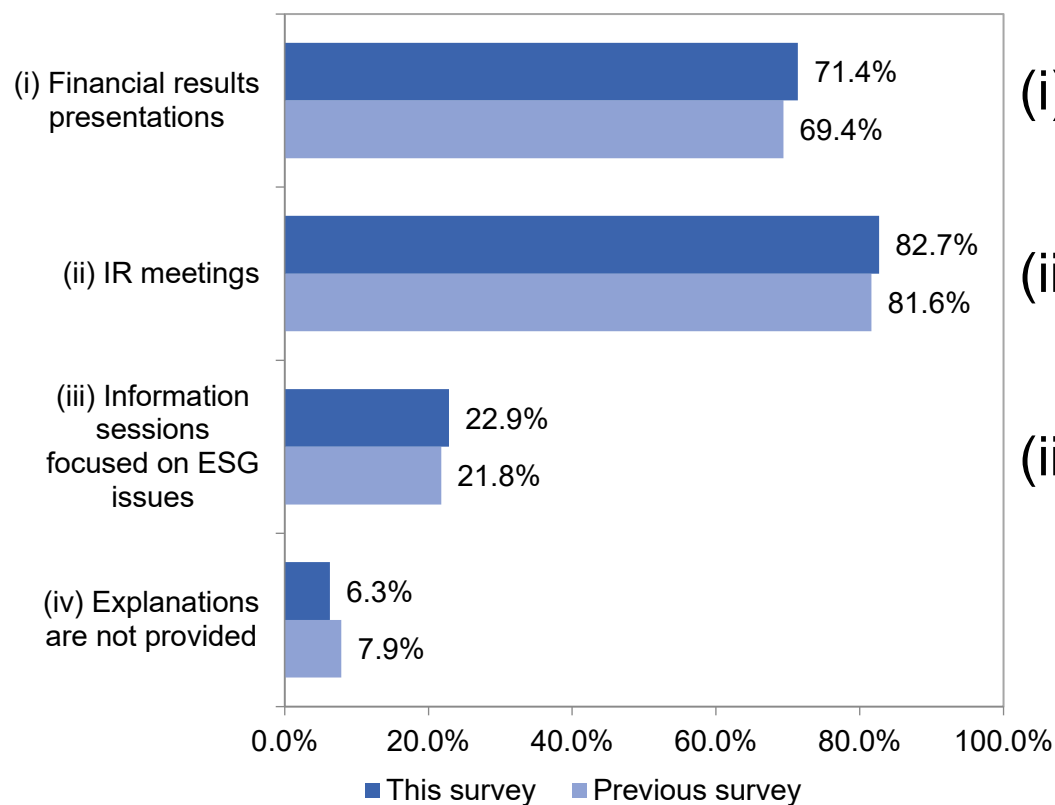
1-2. At present, discussions on the formulation of the disclosure standards of non-financial information have been globally advanced by International Sustainability Standards Board (ISSB), the European Corporate Sustainability Reporting Directive (CSRD), the U.S. Securities and Exchange Commission (SEC) in addition to the Sustainability Standards Board of Japan (SSBJ). Please describe your interest, challenges or difficulties, if any.

[Excepts of comments]

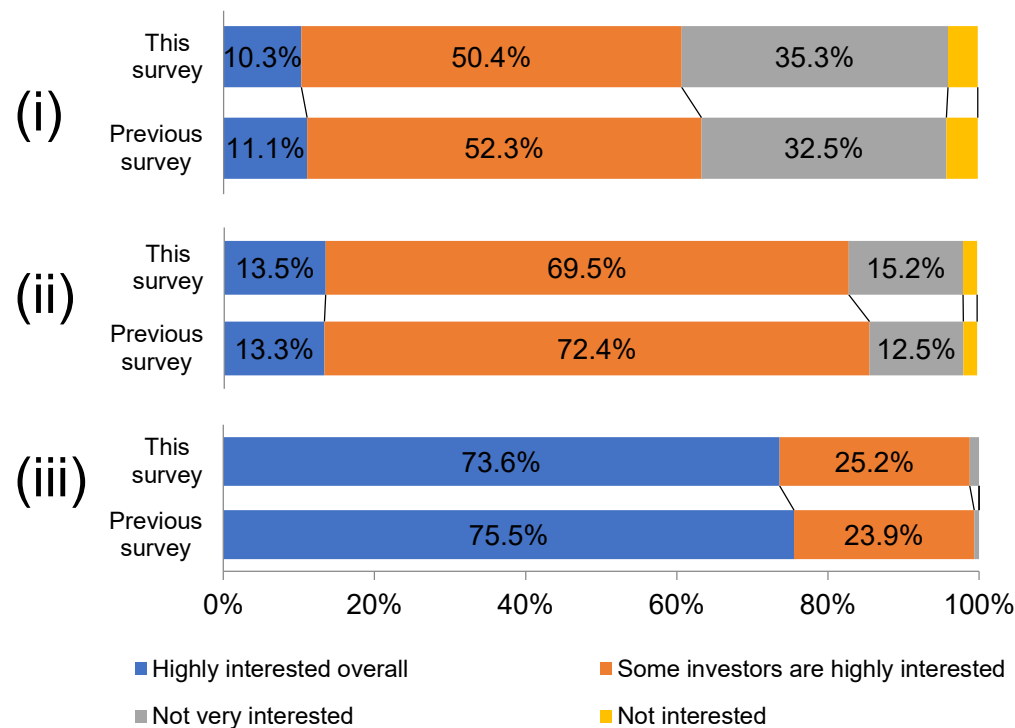
- As the ISSB aims to establish global disclosure standards for non-financial information, we are very interested in whether the SSBJ in Japan and the disclosure frameworks in Europe and the US will be linked to the ISSB (interoperability). Without interoperability, the content of disclosure will differ depending on the jurisdiction of the country or region, increasing the burden of disclosure by companies but also making it difficult to assess the value of company. In addition to disclosure, we are also interested in the degree of accuracy required to ensure the contents of the disclosure. Given that some have no established methods of measuring yet, such as Scope 3 of GHG emissions, we expect that the disclosure standards will be established in accordance with the development of such methods.
- The items required by the ISSB standards, investors' opinions, and the evaluation criteria of rating agencies differ from one another. While investors' opinions are of the utmost importance, it is difficult for us to determine the extent to which disclosure is necessary for items with limited risks within a sector (e.g. biodiversity).
- As a Japanese company, compliance with SSBJ standards is a top priority for us. On the other hand, we are concerned, if there are differences between the SSBJ standards and the global baselines such as CSRD and ISSB we are concerned that overseas investors will not be able to ensure comparability, and that companies meeting the SSBJ standards will no longer be included in their portfolios.
- Consistency between various laws and regulations (for example, in Japan, the Act on Promotion of Global Warming Countermeasures, the Act on the Promotion of Women's Active Engagement in Professional Life, the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members) and disclosure standards.
- Information on sustainability changes rapidly and needs to adapt to new technologies and environments. Therefore, disclosure standards need to be flexible enough to accommodate these changes.
- Regarding the importance of disclosing non-financial information, we suppose that it is important to obtain understanding from our company's management and departments in charge and to ask their cooperation in promoting initiatives and improving disclosure.
- As the formulation of disclosure standards is discussed, we are interested in the extent to which disclosure will be mandatory and how internal controls will be implemented in response. We also feel that it will be necessary to acquire knowledge and establish the internal systems to deal with these challenges.
- To date, financial information has been disclosed in accordance with statutory disclosure requirements, while non-financial information has been disclosed within the framework of voluntary disclosure. Therefore, there have been few opportunities for communication between departments responsible for financial and non-financial information. Going forward, we believe it is necessary to establish a cooperative structure between the two departments in order to ensure connectivity between financial and non-financial information. In addition, while internal controls have permeated in the process of disclosing financial information, a disclosure governance systems has not been established for the disclosure of non-financial information, including documentation of operations, systematization of data aggregation, and strengthening of decision-making processes. Therefore, we are aware that the establishment of such an organizational structure is an issue for the future, with an eye on the ISSB standards that require simultaneous disclosure of financial and non-financial reports,
- In disclosing information, we make a great deal of effort and take great care to prepare it, and we expect that the content will be appropriately reflected in the evaluation, selection, and investment activities of companies (investment preferences for high-quality companies, reduced investment in companies with little or no disclosure).
- Companies need to consider the importance of sustainability information and determine what sustainability information is useful for investment decisions. However, as the criteria are gradually clarified, it is expected that the unified disclosure criteria will make it easier for companies to disclose information. We are also interested in how investors evaluate the standards and how they use the disclosed information that meets the standards.
- When it comes to actual disclosure, we would like to have guidelines that include easy to understand examples for companies.
- While many positive examples of companies that have been working for a long time, if there are examples of targeting from the perspective of a company starting from scratch (e.g. companies in their first or third year of the initiative), it would be easier for ventures to start disclosing.

Q2: When do you provide explanations on non-financial information such as ESG to institutional investors? (Multiple responses allowed) If such explanations are provided, how do you rate the reactions of institutional investors?

<Sessions where explanations on non-financial information are provided>

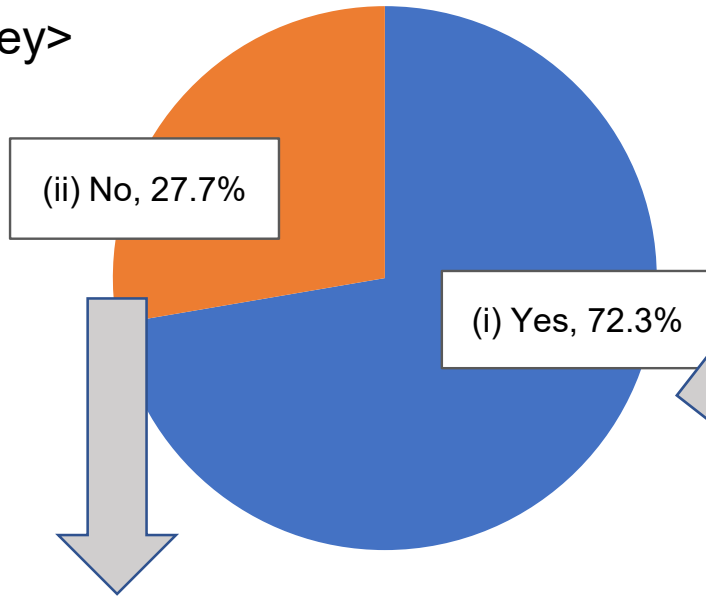


<Reactions of institutional investors>

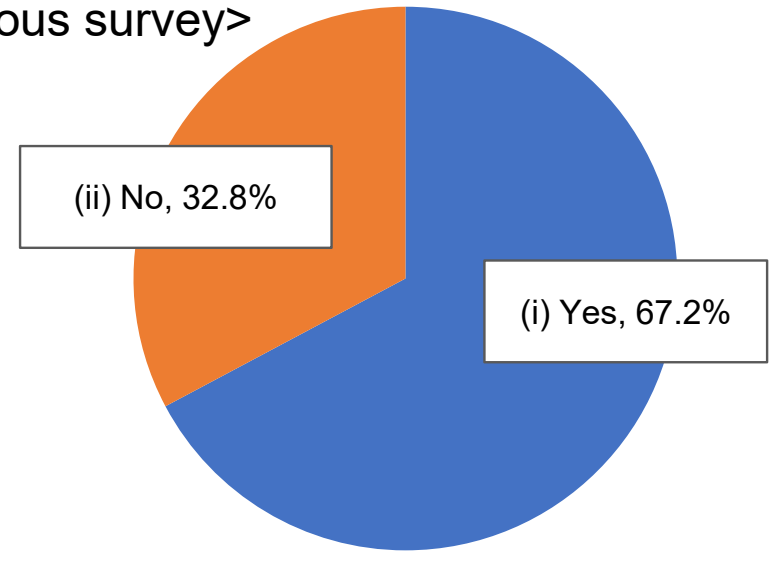


Q3: Do you publish Integrated Reports or equivalent reports for institutional investors?

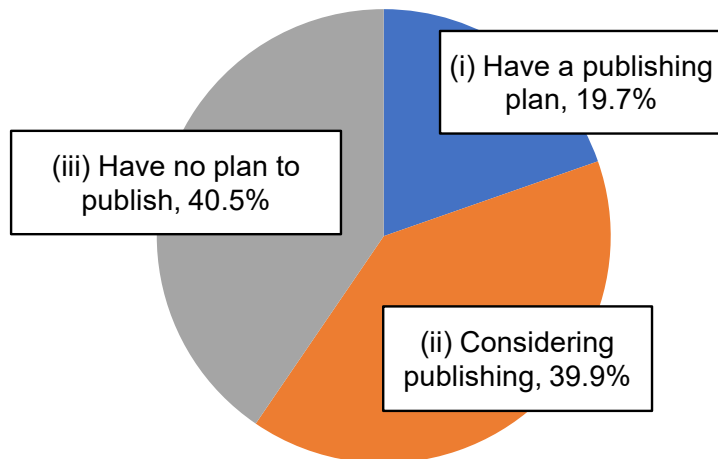
<This survey>



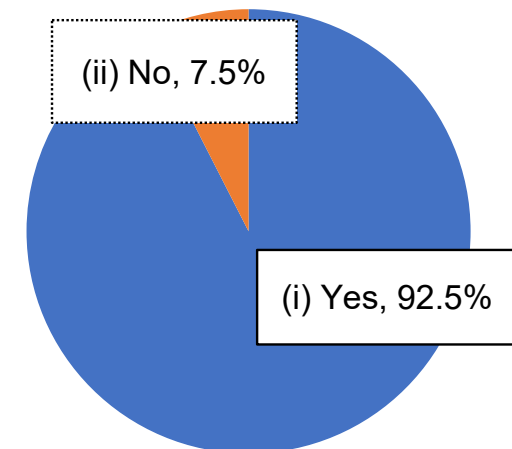
<Previous survey>



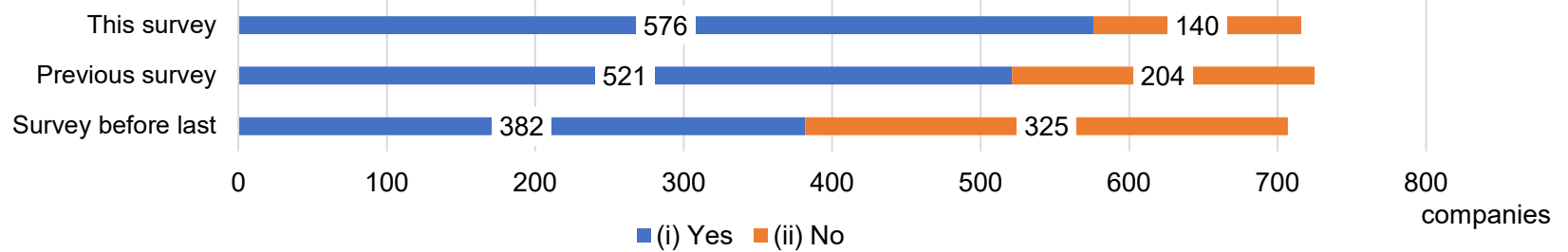
3-1: If you selected (ii) in Q3, please share your future plan to create such reports.



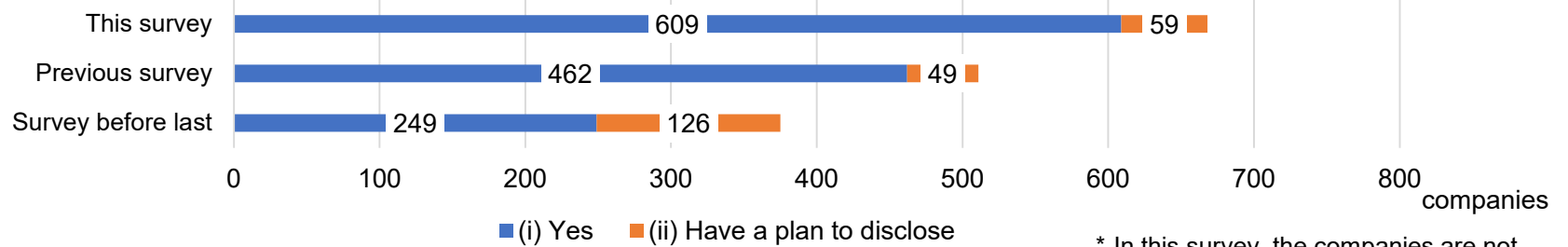
3-2: If you selected (i) in Q3, have you created an English version?



Q4: Have you endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations?

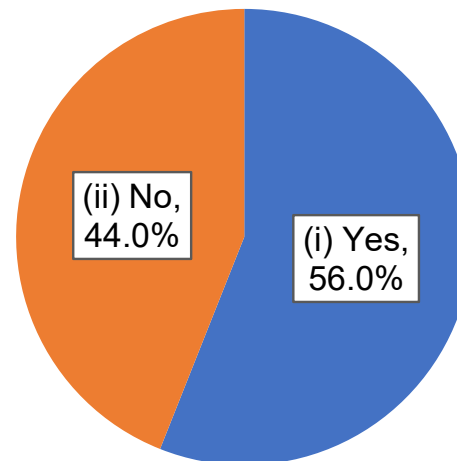


4-1: Do you disclose information in line with the TCFD recommendations?

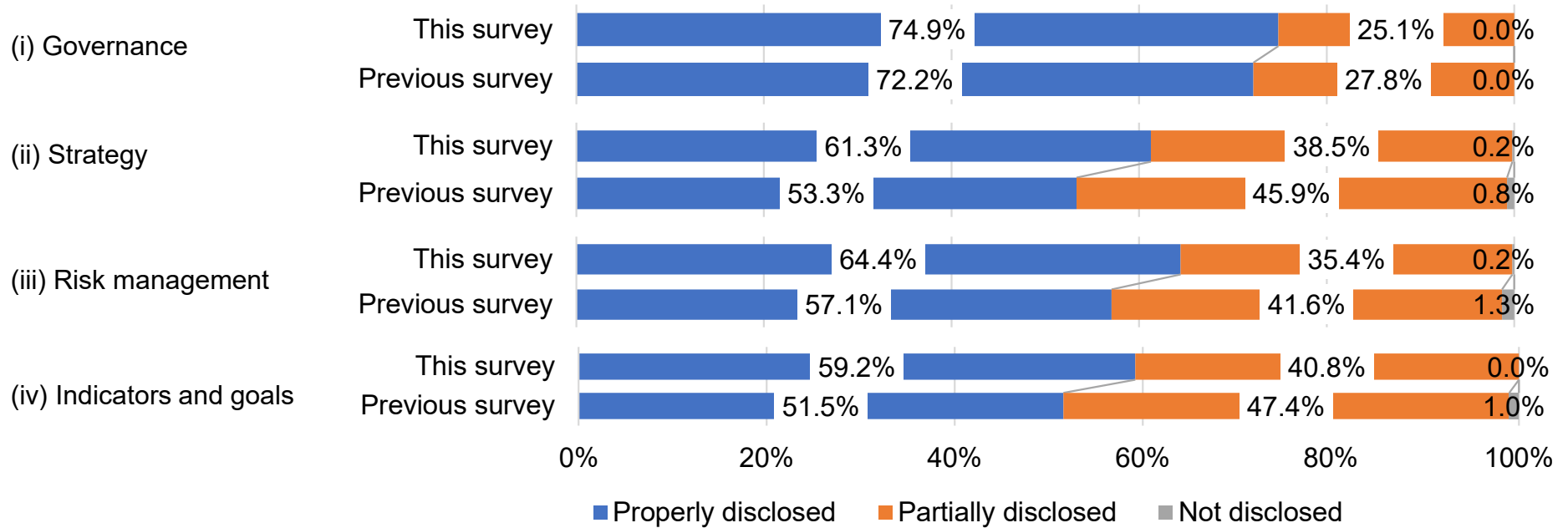


* In this survey, the companies are not limited to those that endorsed TCFD.

4-2: Have you had any dialogue on TCFD with institutional investors?

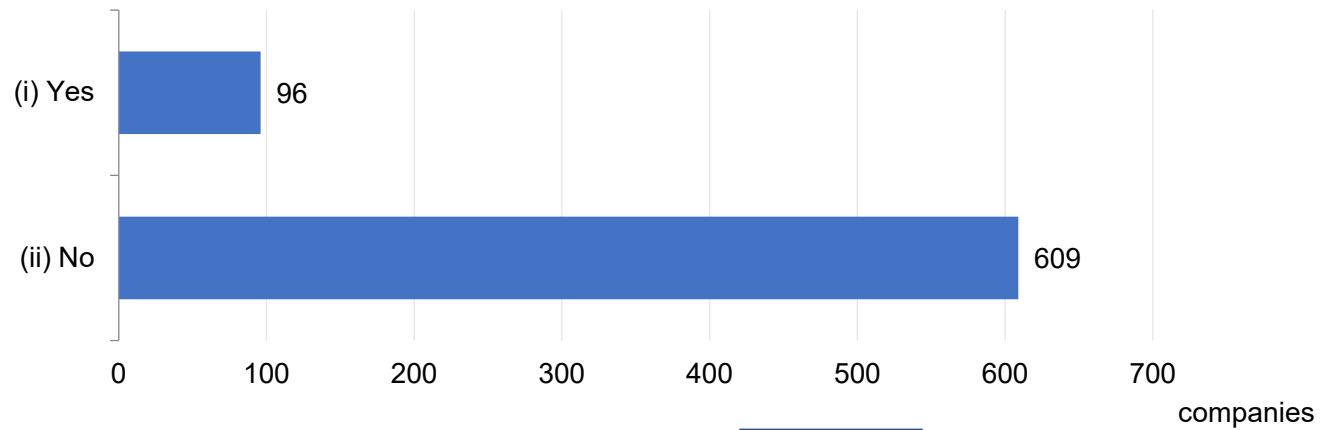


4-3: If you selected “(i) Yes” in 4-1, what is the disclosure status regarding the items below?



NEW

Q5. Have you endorsed the Task Force on Nature-related Financial Disclosure (TNFD) recommendations?

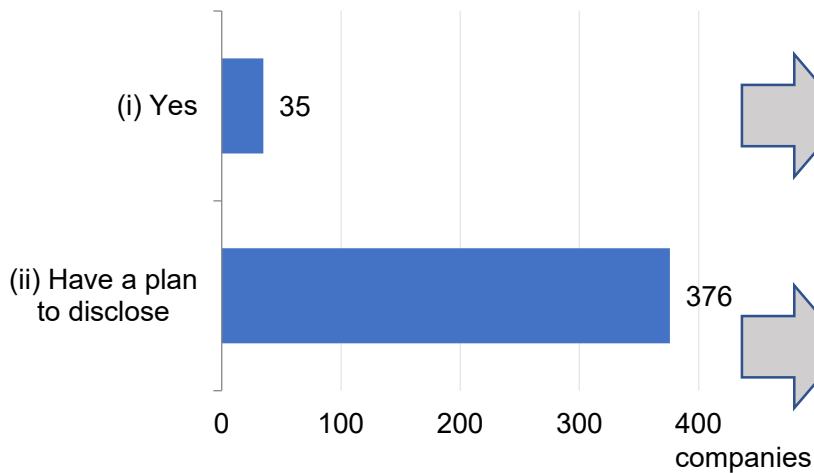


NEW

5-1: Do you disclose information in line with the TNFD recommendations?

NEW

5-2: Have you had any dialogue on TNFD with institutional investors ?



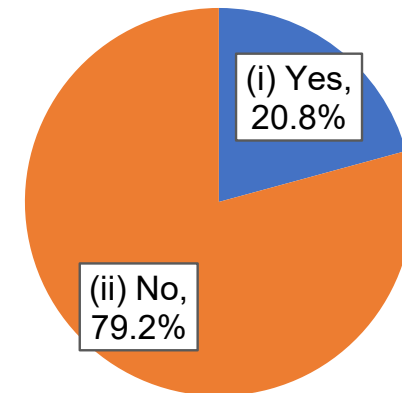
<Disclosure medium>

- Integrated report
- Company website
- Sustainability report
- TNFD Report
- Others

* Classified based on open-ended responses. In decreasing order.

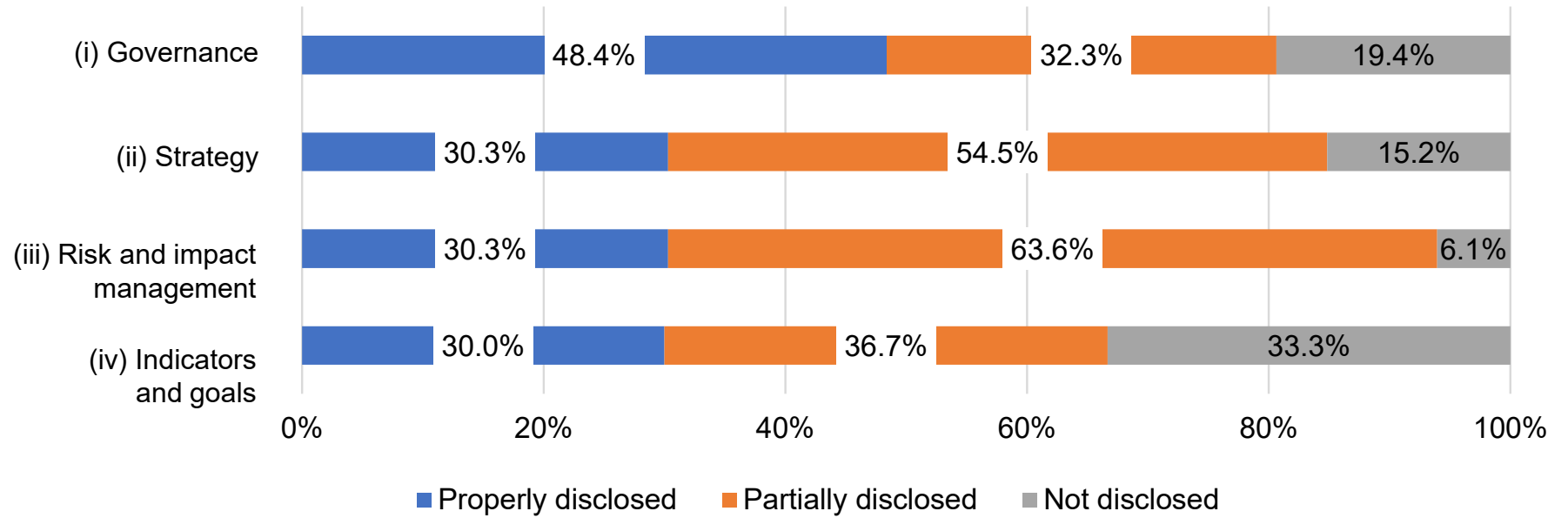
<Scheduled timing for disclosure>

- 2024 76 companies
- 2025 84 companies
- 2026 33 companies
- 2027 and thereafter 10 companies



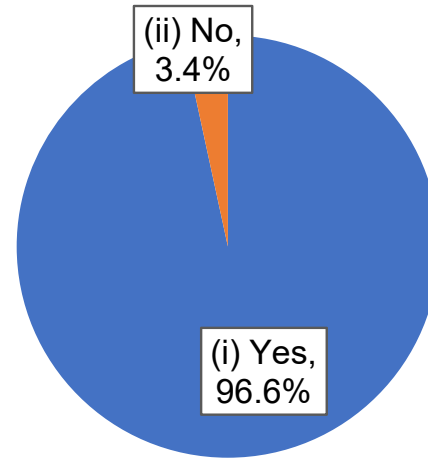
* Some companies have not specified the time period.

5-3: If you selected “(i) Yes” in 5-1, what is the disclosure status regarding the items below?



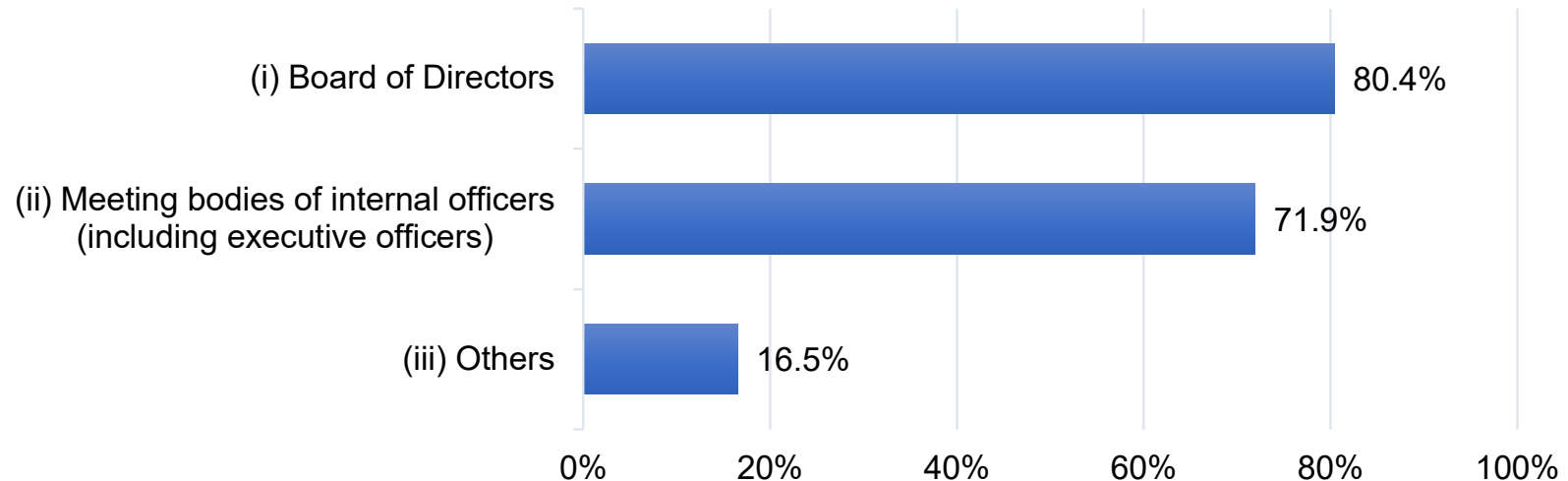
NEW

Q6: Has there been any discussion within your company regarding the Tokyo Stock Exchange’s request to take “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”?



NEW

6-1: If you selected (i) in Q6 above, in what kind of forum are the discussions taking place (including future plans)? (Multiple responses allowed)



6-2: Please tell us about challenges facing your company in considering how to respond to this request.

[Excepts of comments]

- Since the department that leads the company and the department that discloses information to the outside are different, it is important to convey the opinions of investors, shareholders, and other stakeholders reliably and accurately. Also, the internal planning department is not the front line in dealing with external issues, we should consider how to convey the sense of urgency: for example, what is the best method of disclosure, etc.
- We feel that the substantial challenge is to build a system (implementing the PDCA cycle) that incorporates specific measures and targets for what each needs to do, permeates them throughout the company, and appropriately manages them.
- It is a challenge to create an environment in which directors, or at least executive officers and senior management levels of Japanese companies, including our own, are able to seriously consider cost of capital and stock price from the same point of view as shareholders (institutional investors).
- There are various financial indicators, but at this stage we have not yet determined which one should be given the most importance. Our challenge is setting the cost of capital for each business segment. We find it difficult to build a rational and simple logic to calculate the cost of capital for individual business segment, where objective data such as market data is difficult to use,.
- It is necessary to align our understanding with shareholders on the definitions that are the premise of discussions, such as the level of cost of capital. In principle, investments for growth, such as M&A, will lead to improvements in ROE and ROIC, as well as corporate value, by setting a hurdle rate for the cost of capital. However, at the initial stage after the investment, this may bring a temporary decline in ROIC, etc. If this becomes an obstacle to the transformation of the business portfolio, medium- to long-term improvement in corporate value cannot be achieved. Rather than simply disclosing targets and actual results, we are currently in the process of establishing a mechanism to enhance the effectiveness of indicators.
- It is unclear what kind of output should be disclosed within the overall business strategy. Financial and capital strategies, growth strategies, fundraising, shareholder returns, etc., should be packaged and disclosed in relation to cash allocation, but we have not yet determined “to what extent” and “how to” disclose them.
- Although our PBR is above 1x, it is considerably lower than that of competitors and our business sector. We recognize that there are issues with market evaluation. We suppose that the reasons for this are: i) low resolution of the mid- to long-term growth strategy; ii) excessively large cash position relative to capital; and iii) an insufficient equity story including i) and ii) above. We are currently considering ways to fully explain our policies and initiatives regarding these issues.
- Although investors may be biased by factors related to the sector to which the company belongs, investors did not respond favorably to the disclosure of “efforts to increase corporate value.” We believe it is important to continue disclosing what has been realized on an ongoing basis in the future.
- The main factors behind the improvement of growth expectations are the slow progress of growth strategies as well as the characteristics of the industry. We are aware that the expansion of new growth areas is a challenge going forward. To improve capital profitability, it is necessary to steadily take measures such as management that emphasizes profitability, improving the efficiency of invested capital by optimizing the business portfolio, and reducing the cost of capital by reducing the volatility of the stock price based on performance.
- Although we are working to improve capital efficiency with ROIC as a key indicator we feel that there is a gap between ourselves and external perspective in terms of the time frame for rolling out and penetrating the entire group, including overseas, and producing results. (Still we recognize that this is an area that requires corporate effort.)

6-3: Please tell us what you expect from institutional investors in dialogue regarding this request.

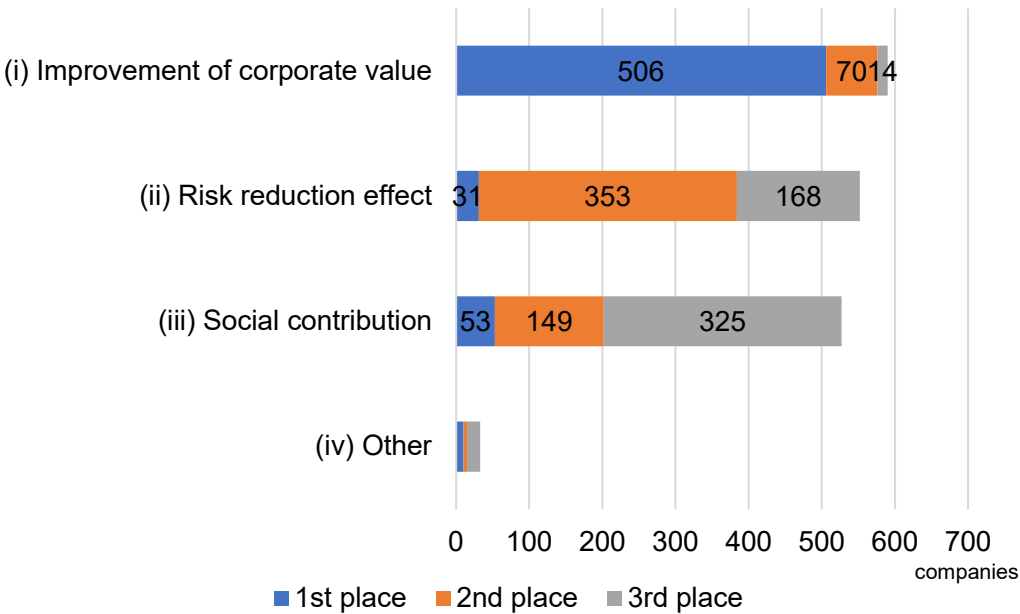
[Excerpts of comments]

- In addition to our qualitative growth strategy, we would like to disclose the target vision by disclosing quantitative capital allocation. Therefore, we would appreciate their candid opinions. We believe that feedback from investors will be an opportunity for top management.
- Management is often more sensitive to “external voices” than to “internal voices,” and we believe that the role of institutional investors in implementing these requests is extremely important. We would be grateful to receive an opportunity to be proactively provided constructive and specific feedback.
- While we are asked “What do you think about the TSE’s request?” or “What measures are you taking to achieve 1x in PBR?,” this is not a one-size-fits-all problem. Each company must have different challenges. Therefore, we would like investors to provide their views and proposals based on their professional corporate analysis.
- Although there is a trend to be conscious of the cost of capital, there are actually a lot of questions from short-term perspectives, such as the latest quarterly performance. We hope that we can have a dialogue from a longer-term performance.
- We look forward to discussing not only short-term capital policies, such as share buybacks and dividend increases, but also growth strategies for the company’s core business over the medium to long term.
- We would like to receive constructive proposals that will contribute to sustainable growth based on the characteristics and actual circumstances of the industry, rather than stereotyped proposals.
- By receiving advice and suggestions on key points from the investor perspective as well as opinions and presentation of other companies’ examples of initiatives that have been well received by investors, this would not only help us gain new insights but also lead to improved information disclosure, which is expected to lead to more constructive dialogue with institutional investors.
- We expect investments to be based on the calculations of corporate value that takes into account not only the performance of the current business portfolio, but also non-financial figures such as the potential company value based on human capital and future business creativity based on past business development.
- Many institutional investors have asked us to reshuffle our business portfolio to improve capital efficiency. We would appreciate proposals upon understanding the synergy effects in case developing multiple businesses.
- We would like institutional investors to disclose the level of cost of capital of their investee companies. If possible, it would be helpful to provide the numerical values of the parameters on which institutional investor base their calculation of risk premiums, etc., so that we can understand the difference between the cost of capital which is internally calculated.
- We appreciate candid opinions on whether our disclosures meet the expectations of the capital markets for our company, and what aspect are not.

Q7: What are the objectives of the ESG activities of your company? Please select “up to 3 items” below, and rank them 1, 2 and 3. (Duplication of rank is not allowed.)

<Number of respondents>

<Status of responses by company size>



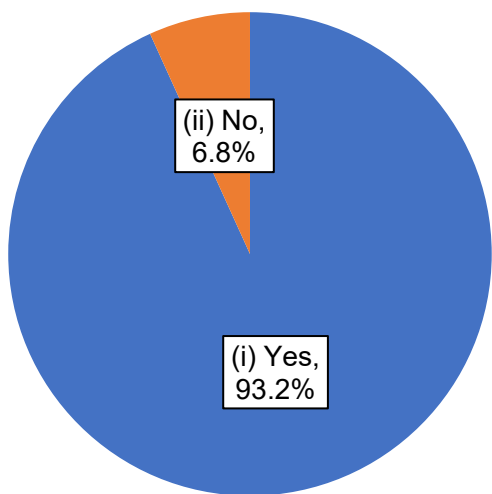
	1st place			2nd place			3rd place		
	Large	Medium	Small	Large	Medium	Small	Large	Medium	Small
(i) Improvement of corporate value	67	179	260	12	20	38	0	6	8
Ratio (*)	85%	84%	84%	15%	10%	13%	0%	3%	3%
(ii) Risk reduction effect	3	11	17	59	137	157	16	46	106
Ratio	4%	5%	6%	75%	69%	52%	22%	25%	39%
(iii) Social contribution	4	19	30	6	38	105	50	126	149
Ratio	5%	9%	10%	8%	19%	35%	69%	68%	55%
(iv) Other	5	3	2	2	3	0	6	6	6
Ratio	6%	1%	1%	3%	2%	0%	8%	3%	2%
Total	79	212	309	79	198	300	72	184	269

* Ratio of the items in the ranking (e.g. Ratio of “(i) Improvement of corporate value” in the 1st place of the purposes for ESG activities of large-size companies: 67 companies / 79 companies)

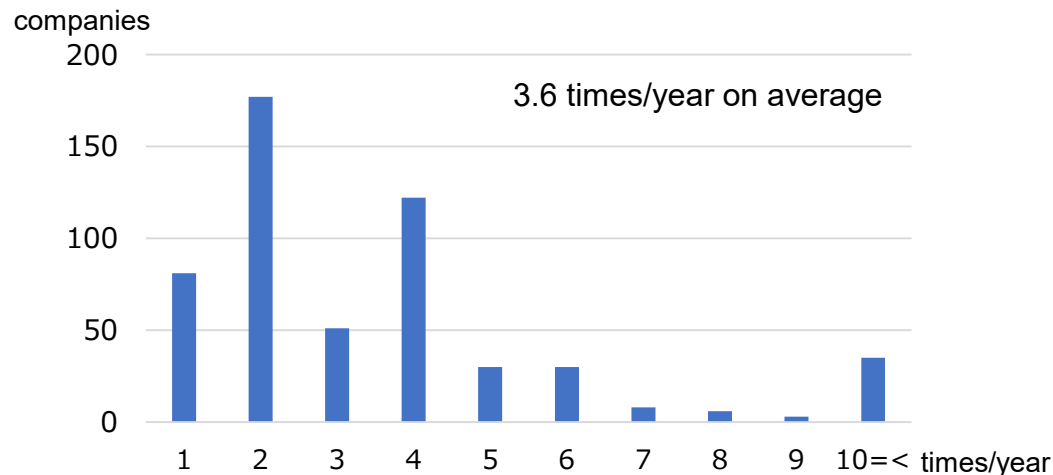
NEW



Q8: Are the issues of ESG or sustainability discussed by your company's Board of Directors? If so, please share the frequency and specific details with us to the extent acceptable.



<Frequency>



* If indicated in a range, the maximum value of the range is used.

Specific content of the project

[Excerpts of comments]

- Progress report for the fiscal year, challenges for the next fiscal year, and future issues and directions based on the content of dialogue with institutional investors.
- In addition to regular reports made twice a year, ESG-related execution status is reported to the Board of Directors as appropriate according to the content of the agenda. The report covers a wide range of topics, including policies and strategies to goals, KPIs and progress of activities. The reflection of ESG-related KPIs in compensation policy is deliberated by the Director and Executive Officer Compensation Committee and resolved by the Board of Directors.
- We define sustainability-related issues as materiality (important management issues that the Group should address as a priority), and report the status of these initiatives to the Board of Directors. In addition, we have established a system to comprehensively identify and review risks every year in order to respond flexibly to changes in the environment.
- Responding to changes in the global ESG environment and changes in disclosure requirements in each country, approving commitments, and addressing key risk themes and sustainability strategy actions.
- Internal controls in general, sustainability activities in general, UK Modern Slavery Act statement, compliance risks, internal controls over financial reporting, internal audit results and next fiscal year plans, and cyber security.
- We have set targets for ESG items in our medium-term management plan, and discuss progress and issues in the annual medium-term management review. In addition, we regularly report on and discuss the progress of individual ESG themes, including sustainability management, climate change, human capital and governance.
- Important sustainability related themes are incorporated into management evaluation criteria as materiality issues. Topics considered particularly important through an executive body made up of executive officers and a monitoring body, the majority of which are outside directors, are treated as items for discussion at Board of Directors meetings. Measures against climate change are a prime example.

Q9: What are the major themes of the ESG activities of your company? (Multiple responses allowed, up to five)

Rank	Rank (previous survey)	Theme	This survey	Previous survey	Change
1	1	Climate Change	84.9%	82.3%	+2.6
2	2	Corporate Governance	67.6%	68.0%	-0.4
3	3	Diversity	60.3%	57.0%	+3.3
4	4	Human Rights & Community	45.7%	44.6%	+1.1
5	5	Health & Safety	35.4%	39.7%	-4.3
6	6	Risk Management	33.2%	27.3%	+5.9
7	8	Supply Chain	29.3%	24.4%	+4.9
8	9	Disclosure	21.5%	21.8%	-0.3
9	7	Product Liability	20.8%	26.9%	-6.1
10	10	Board Structure, Self-evaluation	14.6%	11.7%	+2.9

Rank	Rank (previous survey)	Theme	This survey	Previous survey	Change
11	14	Capital Efficiency	13.2%	7.3%	+5.9
12	12	Others	9.2%	9.8%	-0.6
13	11	Environmental Opportunities	8.1%	9.9%	-1.8
14	18	Biodiversity	7.5%	5.4%	+2.1
15	13	Waste Management	7.1%	8.0%	-0.9
16	14	Pollution & Resources	6.7%	7.3%	-0.6
17	16	Labor Standards	6.3%	6.7%	-0.4
18	19	Water Stress & Water Security	5.4%	3.8%	+1.6
19	17	Social Opportunities	4.3%	6.4%	-2.1
20	20	Deforestation	1.8%	2.4%	-0.6
21	22	Minority Shareholder Rights (Cross-shareholding, etc.)	1.5%	1.1%	+0.4
21	21	Misconduct	1.5%	1.4%	+0.1
23	23	Anti-corruption	1.3%	0.8%	+0.5
24	24	Conflict Minerals (Problematic Mineral Procurement)	1.0%	0.4%	+0.6
25	25	Tax Transparency	0.0%	0.1%	-0.1

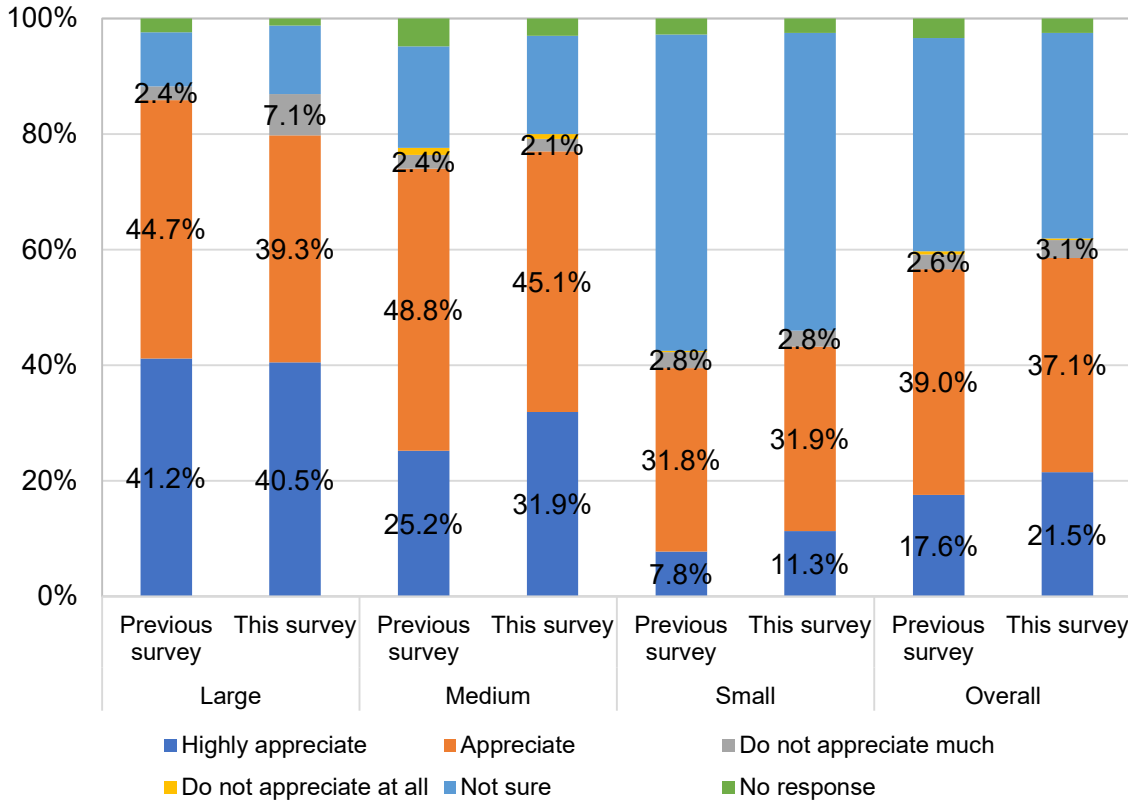
* Companies selected up to five themes out of 25 themes listed above.



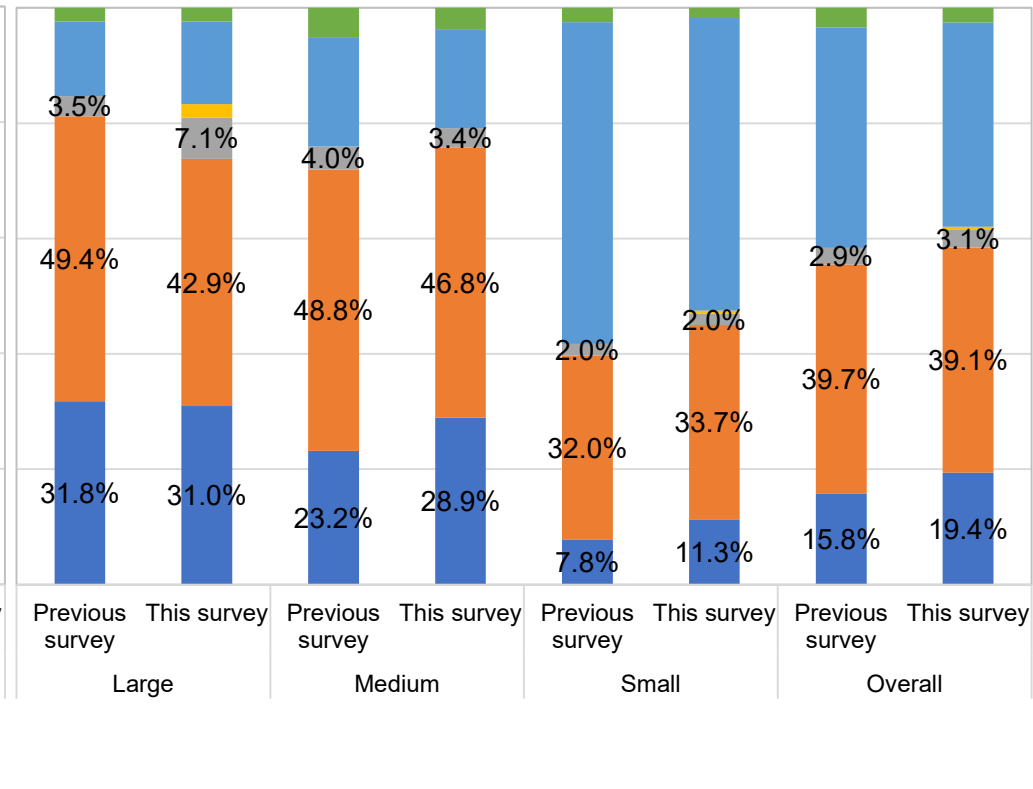
3. GPIF's Initiatives (ESG Indexes)

Q1. Describe your rating of each of the following six ESG indexes and reasons why.

FTSE Blossom Japan



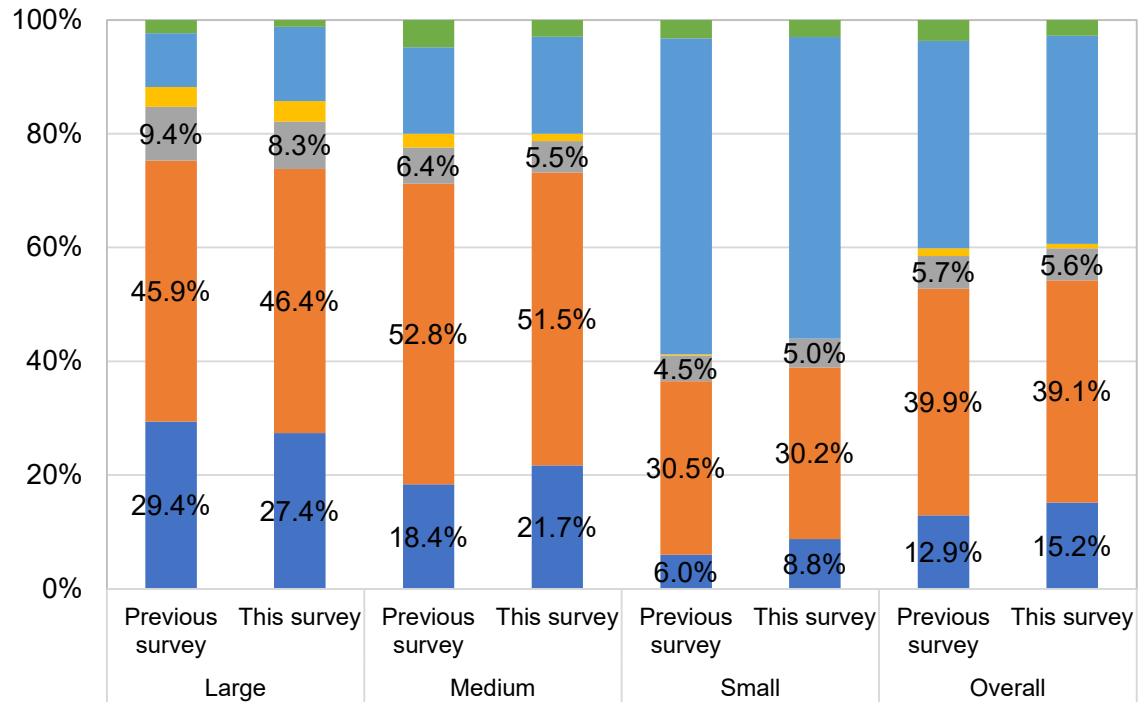
FTSE Blossom Japan Sector Relative



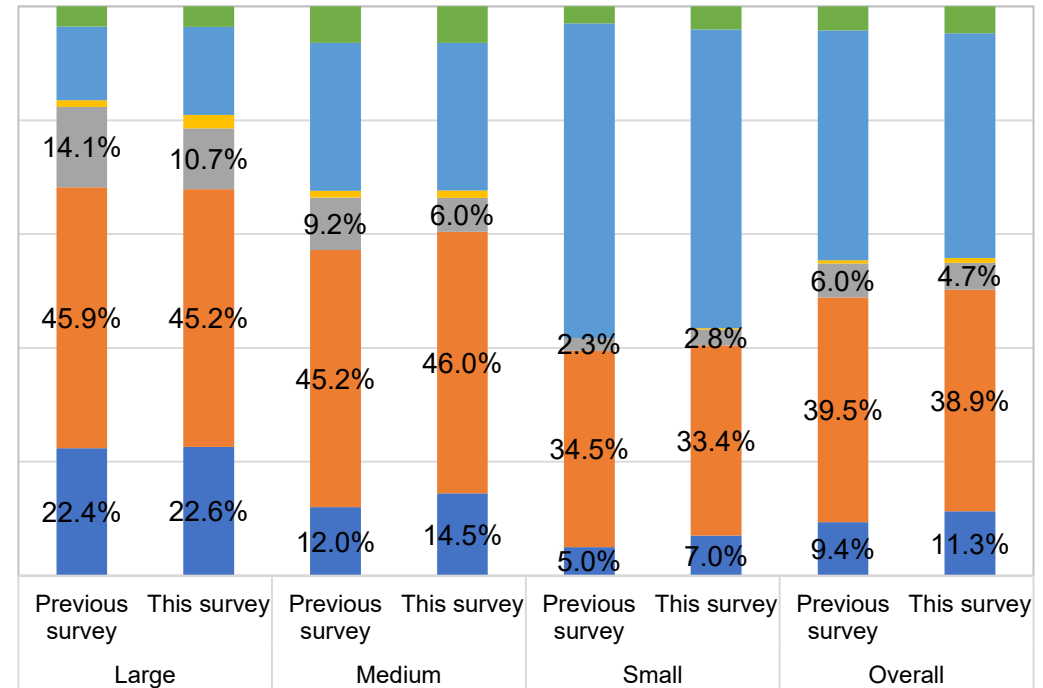
- Compared to the previous survey, the percentage of companies that responded “Highly appreciate” rose overall.
- By size, the percentage of those who “Highly appreciate” increased among medium-sized and small businesses.

Q1 (continued): Describe your rating of each of the following six ESG indexes and reasons why.

MSCI Japan ESG Select Leaders Index



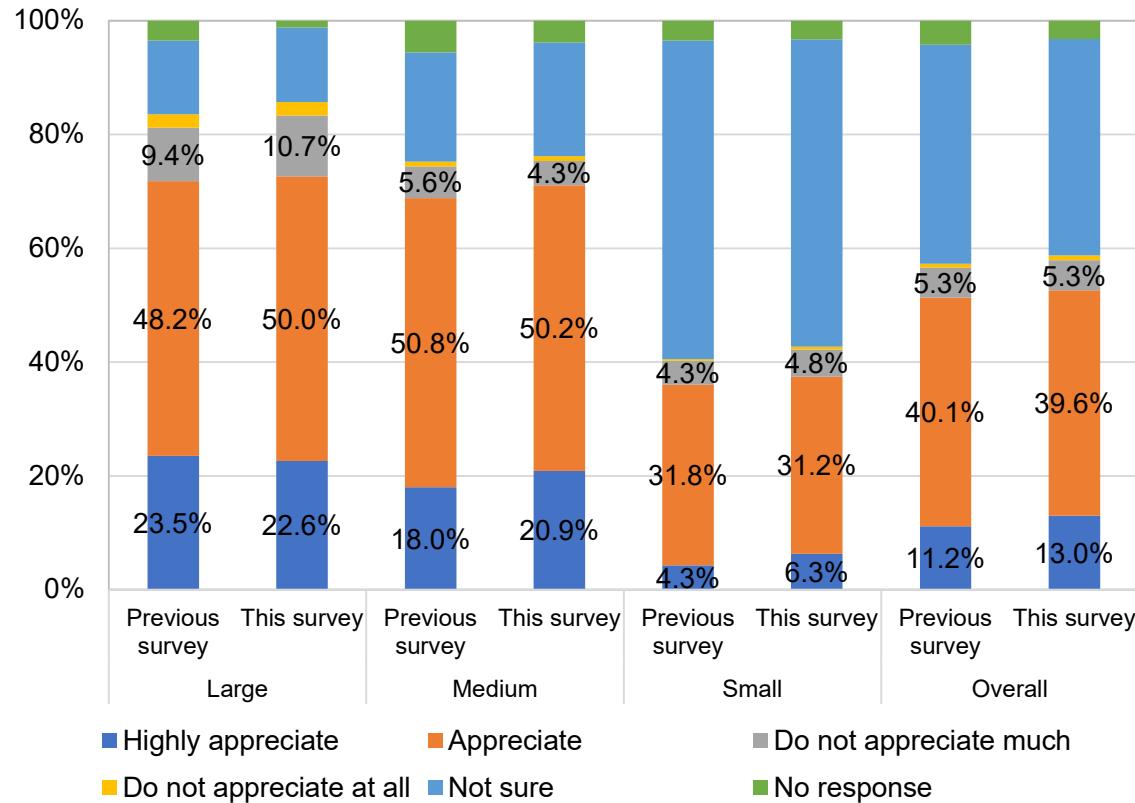
S&P/JPX Carbon Efficient Index



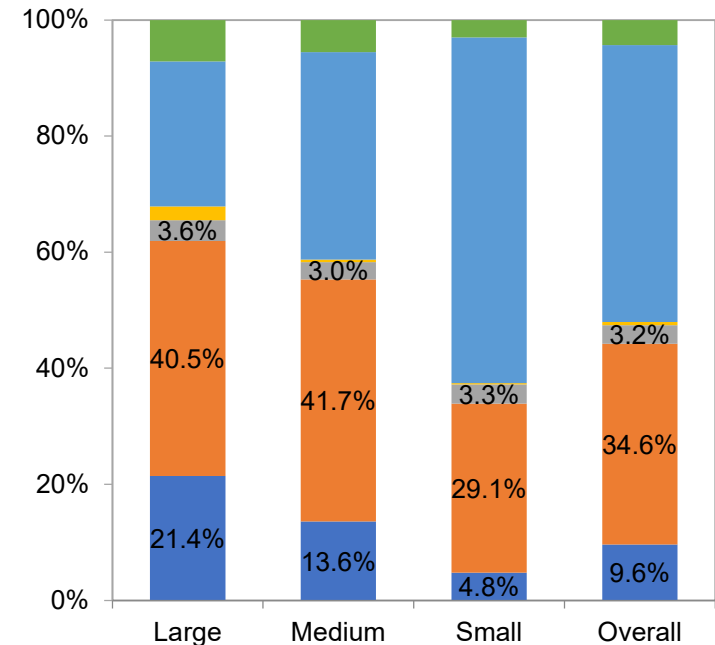
■ Highly appreciate
 ■ Appreciate
 ■ Do not appreciate much
■ Do not appreciate at all
 ■ Not sure
 ■ No response

Q1 (continued): Describe your rating of each of the following six ESG indexes and reasons why.

MSCI Japan Empowering Women Index (WIN)



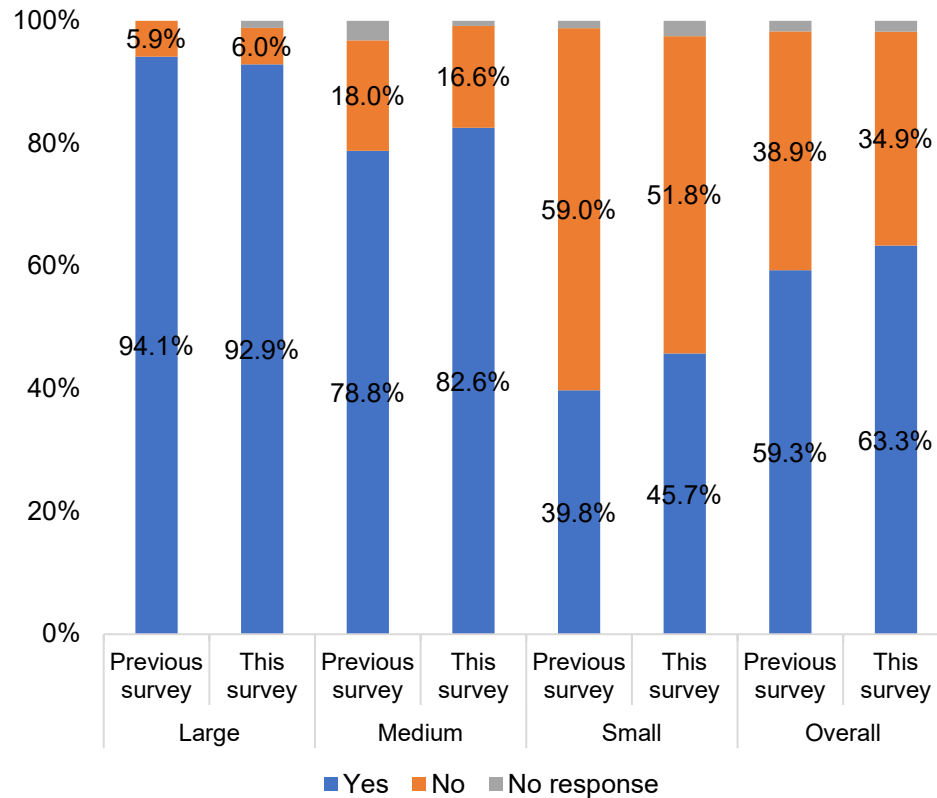
<NEW> Morningstar Japan Gender Diversity Tilt Index (GenDiJ)



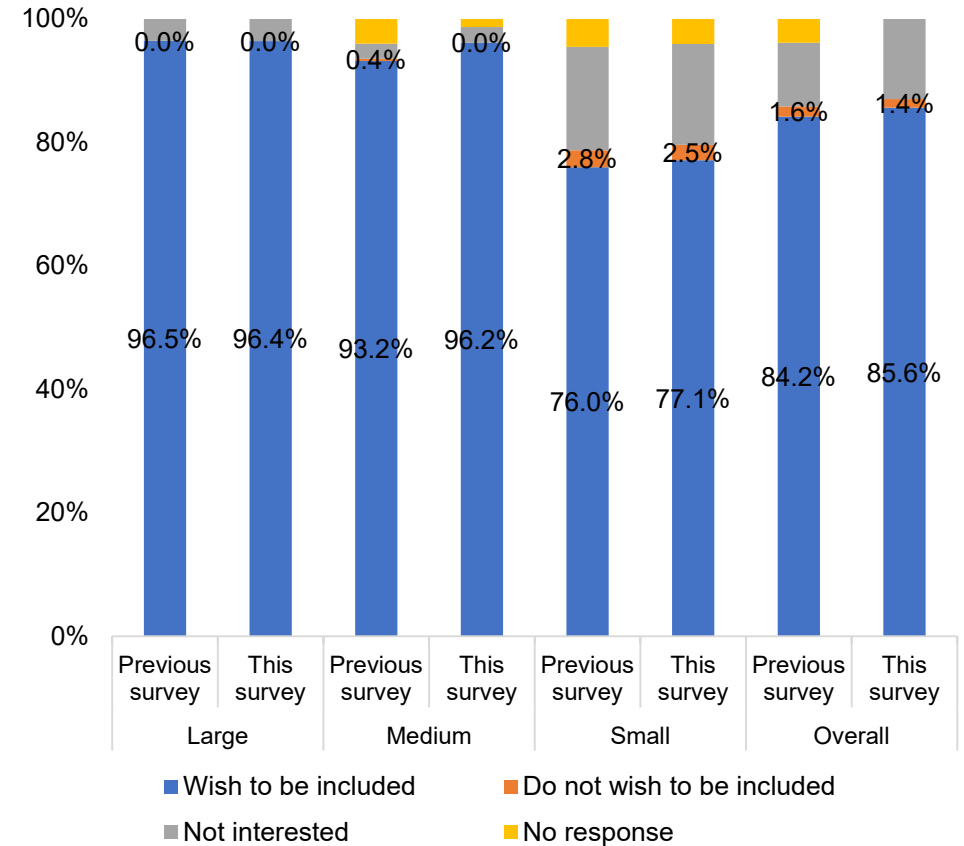
<About the newly selected GenDiJ>

- In this survey, “Morningstar Japan ex-REIT Gender Diversity Tilt Index (hereafter, GenDiJ),” which was adopted in FY2022, was added to the questions. Investment weights have been determined based on an assessment of a company’s efforts toward gender equality using the Equileap Gender Scorecard.
- Being a tilt-type index, GenDiJ has more constituent stocks than WIN, a best-in-class index that also has the same theme of women’s participation. (WIN: 374 stocks; GenDiJ: 928 stocks, as of March 31, 2023).
- While recognition is lower than for other indexes, companies tend to rate it at the same level as other indexes.

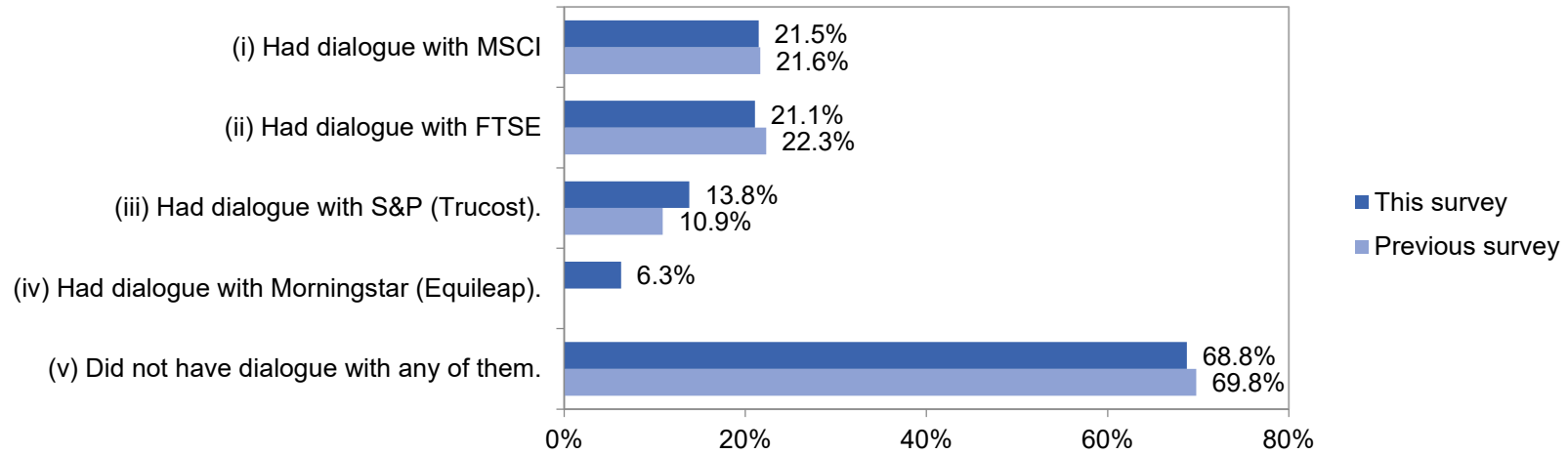
Q2: Have you reviewed the methodologies for the ESG indexes selected by GPIF that index providers have disclosed?



Q3: What are your views on inclusion of your company in these ESG indexes?



Q4: Did you have dialogue with MSCI, FTSE, S&P and Morningstar in the past one year with regard to the ESG indexes adopted by GPIF ? (Multiple responses allowed)



Q5: Please share your opinions concerning the ESG indexes selected by GPIF.

[Overview of opinions]

- We would like to request further clarification of the index/score evaluation criteria, evaluation process, evaluation schedule, and evaluation results (expecting information disclosure that helps companies improve our efforts).
- Enhancement of communication between index providers and issuers (quick response, support in Japanese language, setting up opportunities for dialogue, holding briefing sessions).
- Enhancement of follow-up measures for companies lacking know-how and facilitation of information access.
- We expect an increase in the number of companies subject to evaluation and inclusion in the index (relaxation of market capitalization standards).
- We expect further expansion to the indexes in addition to the currently adopted ones.
- Efforts to reduce the burden on companies (reducing the burden on companies of responding to questionnaires and checking evaluations, and facilitation of checking index inclusion status).

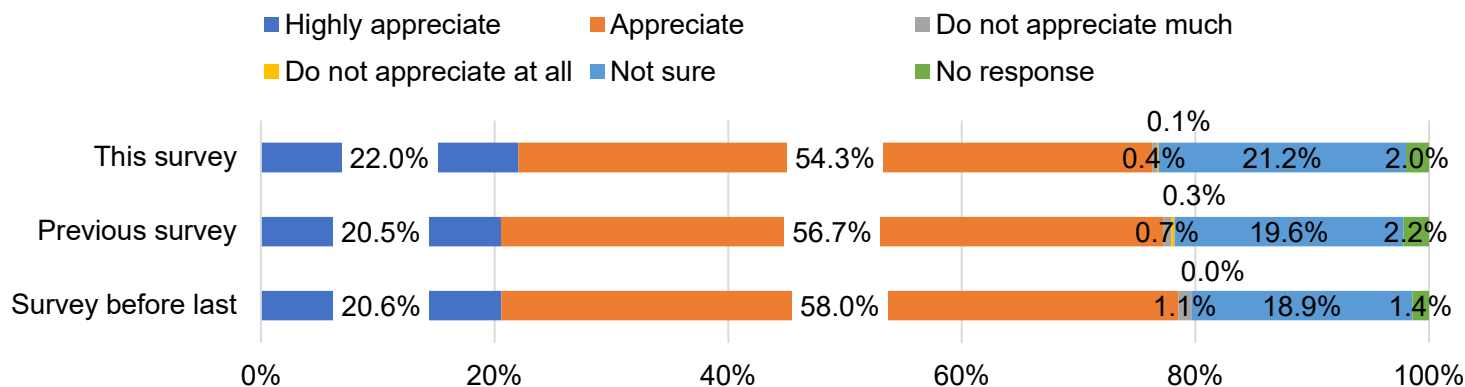


4. GPIF's Initiatives (Overall Stewardship Activities)



<GPIF's Initiatives (Overall Stewardship Activities)>

Q1: Please give your rating of GPIF's overall initiatives for stewardship activities and reason for your rating?



[Excerpts of comments by assessment]

- GPIF's stewardship activities encourage engagement between companies and investors, promoting long-term thinking and sustainable growth of investee companies and the market as a whole. ("Highly appreciate")
- GPIF clearly lays out and implements its policy for fulfilling stewardship responsibilities, and actively communicates information about its initiatives through social media and other channels. ("Highly appreciate")
- GPIF continues to provide useful information to both investors and companies, such as ESG reports and Excellent Disclosure series. ("Highly appreciate")
- The content of dialogue with GPIF's asset managers has consistently improved, including not only short-term performance but also medium- to long-term corporate value and non-financial information. ("Appreciate")
- We believe that GPIF appropriately takes ESG into consideration to promote the improvement of corporate value and the sustainable growth of investee companies and the market as a whole, from the perspective of increasing long-term investment returns on its assets under management. ("Appreciate")
- The surveys and other activities are conducted in a well-balanced manner, targeting both institutional investors and issuer companies, and we feel that mutual understanding has advanced. ("Appreciate")
- Publishing the voting results and guidelines for judging the pros and cons of each institutional investor helps to select proposals for the general meeting of shareholders, and to strengthen governance. ("Appreciate")
- We don't know if it's the influence of GPIF, but it seems that dissenting votes without engagement based on mechanical voting standards are increasing, especially among major institutional investors. Smaller fund are more attentive to engagement. ("Do not appreciate much")
- We cannot offer a comment because we have not had any direct contact with GPIF. ("Not sure")

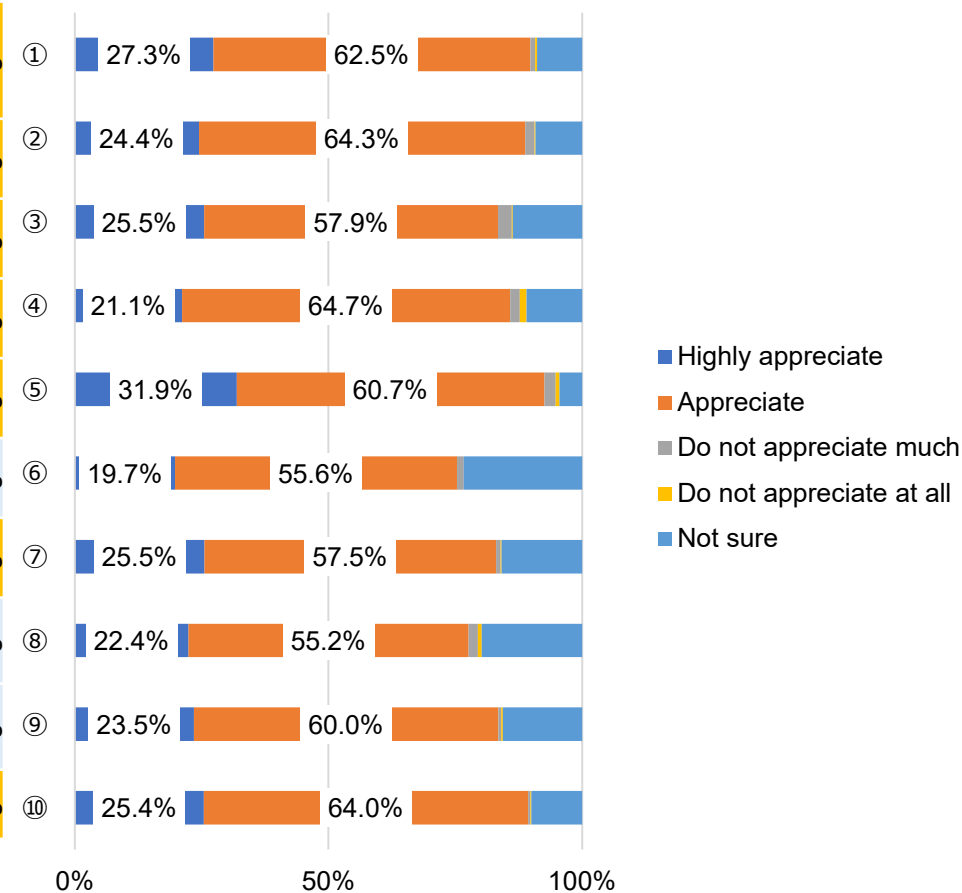
* There were no comments with "Do not appreciate at all."

Q2. Are you familiar with the following recent initiatives of GPIF? (Multiple responses allowed) Choose all the initiatives you know, and describe your rating and the reason.

<Recognition of initiatives>

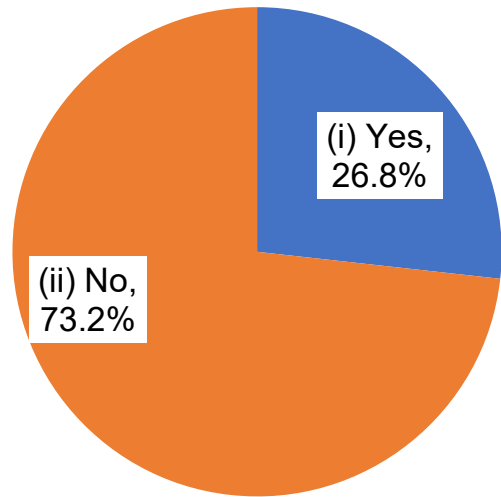
(i) Putting more weight on stewardship activities in the evaluation of external asset managers (engagement aimed at enhancing medium- to long-term corporate value, etc.)	74.9%
(ii) “Stewardship Principles” and “Proxy Voting Principles”	78.7%
(iii) Investment based on ESG indexes	79.2%
(iv) Survey of companies (this survey)	89.5%
(v) Publication of Excellent Disclosure series (Integrated Reports, Corporate Governance Reports and TCFD disclosures)	77.1%
(vi) Communication with overseas asset owners through the Global Asset Owners’ Forum, etc.	32.2%
(vii) Becoming a signatory to the United Nations-supported Principles for Responsible Investment (PRI) and activities through PRI	67.4%
(viii) Joining the U.K. 30% Club, the U.S. Thirty Percent Coalition and the 30% Club Japan (Investor Group)	38.9%
(ix) Participation in the Climate Action 100+	49.4%
(x) Disclosure of ESG Report	69.6%

<Rating of initiatives>

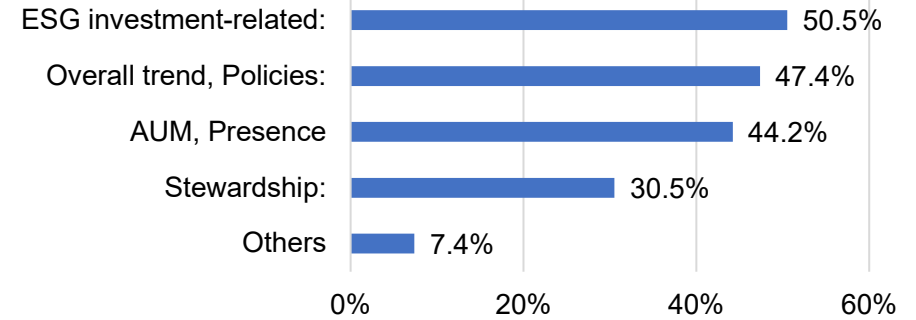
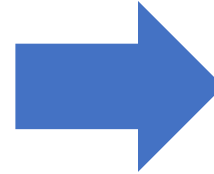


(Note) The table on the left indicates the ratio of companies that recognize each initiative. The yellow cells indicate initiatives whose recognition exceeds 50%. The right chart indicates the results, excluding companies that did not respond.

Q3: Have you discussed any GPIF topics during your meetings with institutional investors?

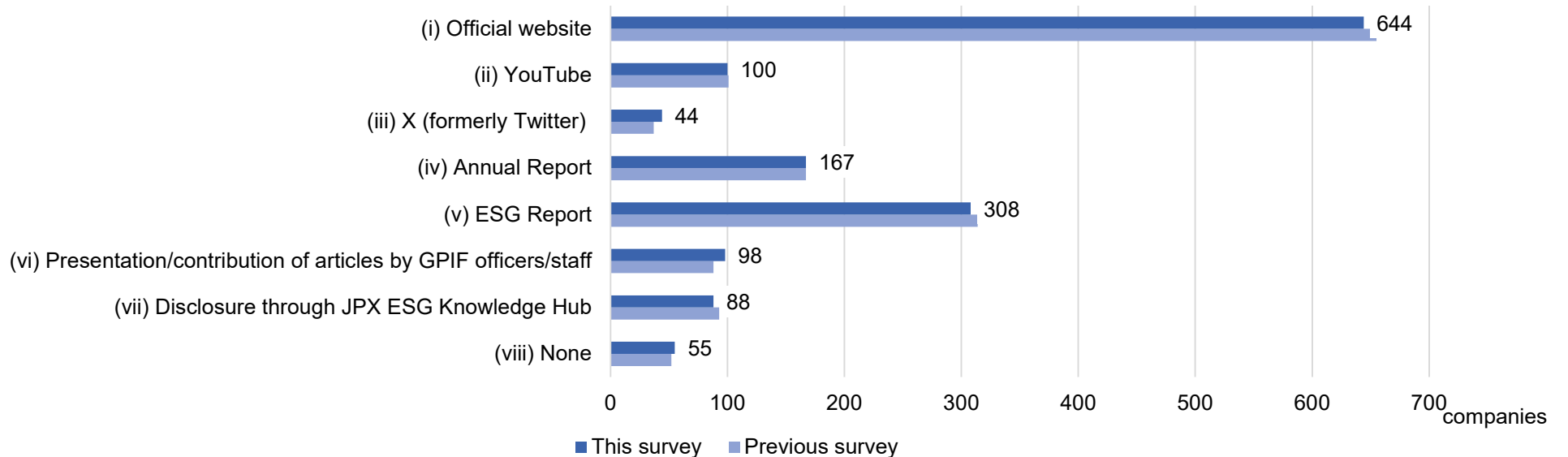


Additional question:
What topics were discussed?



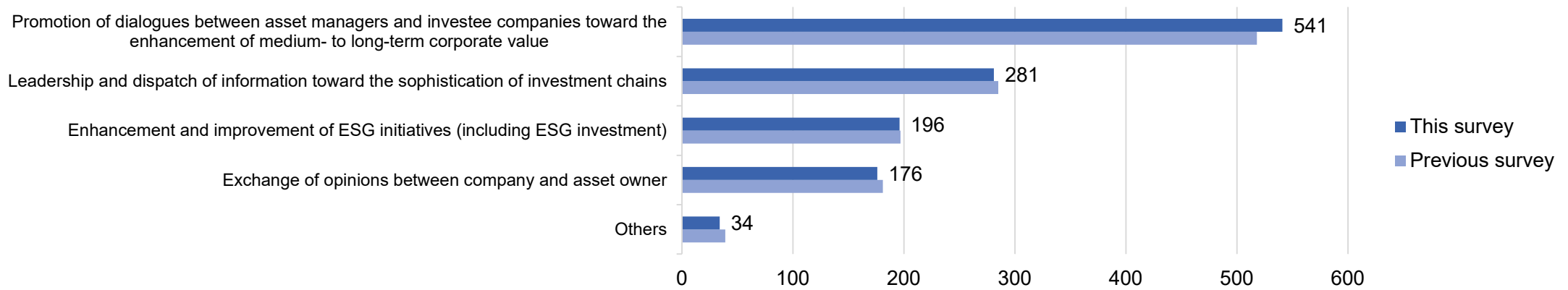
* Closed-ended questions were asked in this survey.
Multiple responses allowed

Q4: Regarding GPIF's public relations activities, have you seen the following public relations activities?
(Multiple responses allowed)



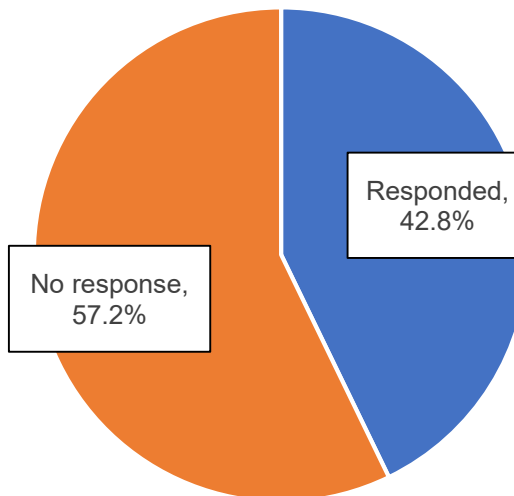


Q5: What do you expect from GPIF's stewardship activities as an asset owner?
(Multiple responses allowed)



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Q6: Please let us know your contact point if you would like to cooperate with GPIF in surveys, etc., not limited to this survey, to understand the actual state of dialogue conducted by GPIF's external asset managers.



Q7. Please share your opinions or requests, if any, concerning GPIF.

[Excepts of comments]

- We hope that GPIF will continue to encourage asset managers to engage in dialogue with companies from the perspective of enhancing corporate value over the medium- to long-term.
- We hold regular meeting with asset managers and use their evaluations, opinions, and advice we receive as a reference for corporate management. We hope that GPIF will continue to work closely with these institutions.
- We look forward to further strengthening of global outreach of GPIF as a world leading asset owner in order to attract even more overseas money.
- We hope that GPIF, as the world's largest pension fund, will contribute to engage in constructive dialogue on ESG issues through asset managers.
- We look forward to continued efforts to boost the entire Japanese market, including small- and medium-sized stocks.
- The feedback from these surveys and various information disclosed on GPIF's website are extremely helpful. We would like to ask GPIF will continue this survey and provide more comprehensive information disclosure.
- We would like to ask GPIF to urge institutional investors to disclose the results of the exercise of voting rights.
- Direct dialogue with companies on GPIF's view as an asset owner.
- Mid- and small-cap companies, including us, have few opportunities to engage in dialogue with GPIF, so we expect such opportunities to increase in the future.
- We would like GPIF to continue to verify the correlation between MSCI and FTSE valuations. We also expect GPIF to examine the correlation with other rating agencies.

