FY2016 The Life Insurance Association of Japan Survey

Approaches toward Enhancing Equity Values (Overview)

The Life Insurance Association of Japan has been conducting surveys continuously over a 43-year period starting in FY1974 regarding approaches toward enhancing equity values from the perspective of shareholders and investors.

In FY2016, a questionnaire survey was conducted targeting 1,088 listed companies and 167 institutional investors, and requests from the Association were summarized upon analyzing the current situation. In this survey, analyses were conducted mainly on the standpoints of how the awareness of companies and investors differ, by comparing the responses of both parties in relation to the same questionnaire items, and what kinds of changes are observed for items that have continued to be surveyed since the past.

The Association believes that companies and shareholders holding constructive dialogues and sharing the issue awareness of both parties encourage corporate approaches oriented toward enhancing medium- to long-term equity values. Based on the results of this survey, in this fiscal year, the following 11 items and 3 items are requested of companies and investors, respectively, from the 3 perspectives of corporate governance, management strategies oriented toward sustainable growth, and dialogues. There are expectations for this report to promote medium- to long-term enhancement of equity values, and as a result, to link to revitalization of the stock market as a whole.

As an overview, this booklet lists survey results and requests in a simplified manner. For details regarding survey results, including the basis and background of requests, please refer to the main report (Only in Japanese).

〇Requests for companies

Corporate governance	①	Enhancement of board evaluations and disclosure of their results
	②	Expansion of external board members
Management strategies oriented toward sustainable growth	③	Disclosure of management plan with quantitative goals and business strategies
	④	Goal-setting and improvement of ROE level giving due consideration to capital costs
	⑤	Active realignment of business portfolio that matches management vision
	⑥	Use of cash reserves toward growth investments
	⑦	Dividend payout ratio of 30% or more, as a level standard for the medium- to long-term
Dialogues	⑧	Sharing of contents of dialogues and active participation in dialogues by management
	⑨	Expansion of personnel necessary for dialogues
Voting	⑩	Provision of enhanced explanations of proposals giving due consideration to analysis of reasons behind oppositions from investors
	⑪	Improvement of processes for securing examination period

〇Requests for investors

Dialogues	①	Promotion of dialogues from a medium- to long-term perspective
	②	Expansion of personnel necessary for dialogues
Voting	③	Voting with giving due consideration to the conditions of a company, and explanation of reasons behind judgment on pros and cons

〇Outline of questionnaire implementation

Implementation period: October 4 to November 4, 2016

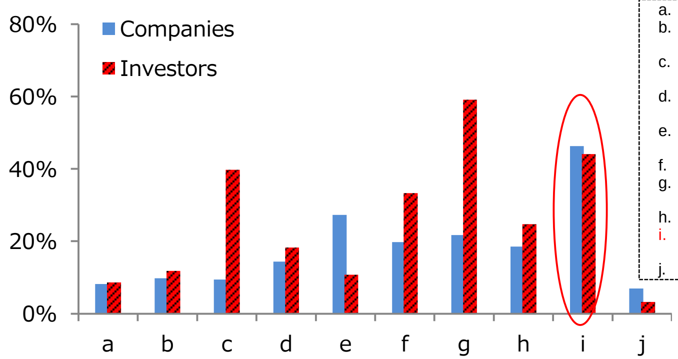
For companies: <Sent> 1,088 listed companies <Responded> 572 companies (Response rate: 52.6%)

For investors: <Sent> 167 institutional investors <Responded> 93 investors (Response rate: 55.7%)

Chapter (1) Evaluation of Effectiveness of Board of Directors (Pages 3 to 7 in the Main Report)

- Both companies and investors give "Evaluation of effectiveness of board of directors" as an approach that should be strengthened in the future [Graph 1]. The percentage of companies that are implementing evaluations of board of directors is approximately half [Graph 2], however, more than 80% of implementing companies have responded that evaluations were "Linked to discovery of issues, effective" [Graph 3], and there are expectations for further expansion of approaches in the future.
- Investors perceive "Expansion of external board members" and "Balance of experience and expertise of board of directors as a whole" as issues in improving effectiveness of the board of directors, and a deviation from companies' awareness can be seen [Graph 4]. In addition, many investors have expectations for enhancement of disclosed contents related to "Evaluation of effectiveness of board of directors" [Graph 5]. Improving issues that have become revealed through evaluation of the board of directors is linked to strengthening the functions of the board of directors; conveying these approaches to investors is thought of as being important in filling the gap of awareness between companies and investors, and <u>enhancement and disclosure of results of evaluation of board of directors are desired.</u>

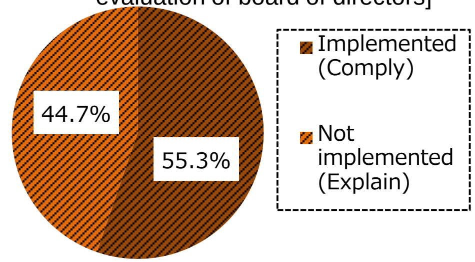
[Graph 1: Items for which approaches will be strengthened (companies) / items that are anticipated to be strengthened (investors) with regard to corporate governance]



a. Institutional design
b. Number of members/configuration of board of directors
c. Independent, external board members
d. Procedure for designating management executives
e. Compensation decision system for board members
f. Policy of dialogues with investors
g. Management plans/management strategies
h. Information disclosure
i. <u>Evaluation of effectiveness of board of directors</u>
j. Operation of shareholder meetings

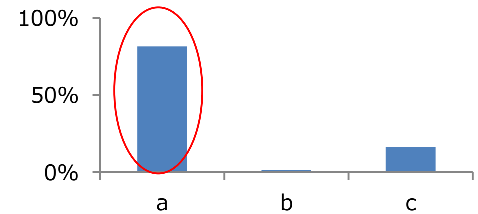
*Up to 3 responses possible

[Graph 2: State of implementation of evaluation of board of directors]



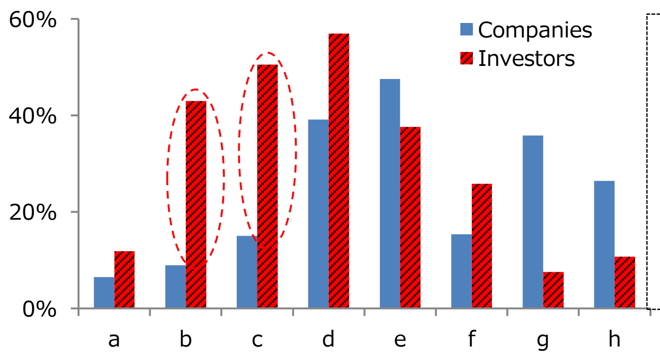
Source) Tokyo Stock Exchange
"State of Approaches toward the Corporate Governance Code (as of December 2016)"
*First Section, Second Section of Stock Exchange

[Graph 3: Effectiveness of evaluation of board of directors (companies)]



a. <u>Linked to discovery of issues, effective</u>
b. No particular results stood out, not effective
c. Neither

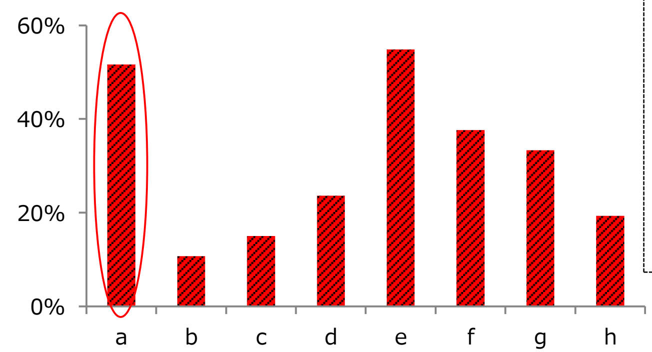
[Graph 4: Issues in improving efficiency of board of directors (companies / investors)]



a. Institutional design
b. <u>Expansion of external board members</u>
c. <u>Balance of experience and expertise of board of directors as a whole</u>
d. Development of environment to enable for external board members to exhibit functions
e. Enhancement of discussions at board of directors meeting regarding important items based on realignment/narrowing down of presented proposals
f. Feedback of investors' opinions to board of directors
g. Enhancement of preliminary explanations regarding issues in the board of directors
h. Training for directors

*Up to 3 responses possible

[Graph 5: Items for which disclosure contents are anticipated to be enhanced (investors)]



a. <u>Evaluation of effectiveness of board of directors</u>
b. Policy for compensation for board members
c. Policy for designating board members
d. Training plan for successors, such as for CEO
e. Analysis of business performance/outlook of management
f. Reasons for selecting and state of activities of external board members
g. Non-financial information such as environment (E), society (S), etc.
h. Supplementary/detailed data related to account settlement

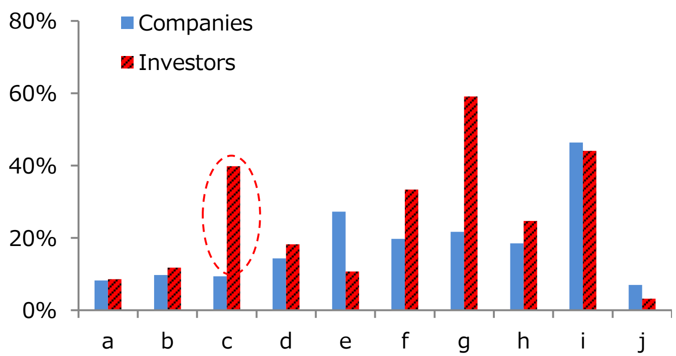
*Up to 3 responses possible

Association's request: (For companies ①) Enhancement of board evaluations and disclosure of results

Chapter (2) External Board of Directors (Pages 7 to 11 in the Main Report)

- As future approaches related to corporate government, investors have expectations for "Independent, external board members," while the volition of companies is weak; a deviation between the awareness of investors and companies can be seen [Graph 1]. As issues in improving the effectiveness of board of directors, both companies and investors emphasize "Development of environment to enable for external board of directors to exhibit functions," while there is a large gap in recognition between the two regarding "Expansion of external board members" [Graph 4].
- For the desired number of people/percentage of board of directors accounted for by external board members, the most responses were "2 or more people" from companies and "1/3 or more of board of directors" from investors [Graph 6]. Although there is an increase in the number of companies that are appointing 2 or more people as external board of directors [Graph 7], for investors, from the perspective of encouraging more broad-minded discussions, and not only on securing 2 independent external board members, which is the minimum sought after in the corporate governance code for companies, there is a desire for effective approaches, such as building an environment in which it is easy for external board members to communicate, upon taking into consideration the scale, etc. of the board of directors. Depending on necessity, there are expectations for companies to <u>further expand external board members</u>.

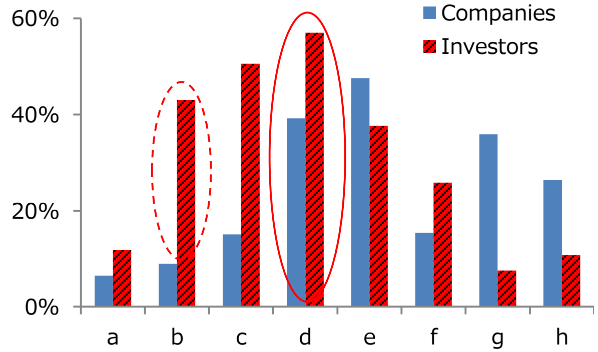
[Graph 1 (reused): Items for which approaches will be strengthened (companies) / items that are anticipated to be strengthened (investors) with regard to corporate governance]



a. Institutional design
b. Number of members/configuration of board of directors
c. <u>Independent, external board members</u>
d. Procedure for designating management executives
e. Compensation decision system for board members
f. Policy of dialogues with investors
g. Management plans/management strategies
h. Information disclosure
i. Evaluation of effectiveness of board of directors
j. Operation of shareholder meetings

*Up to 3 responses possible

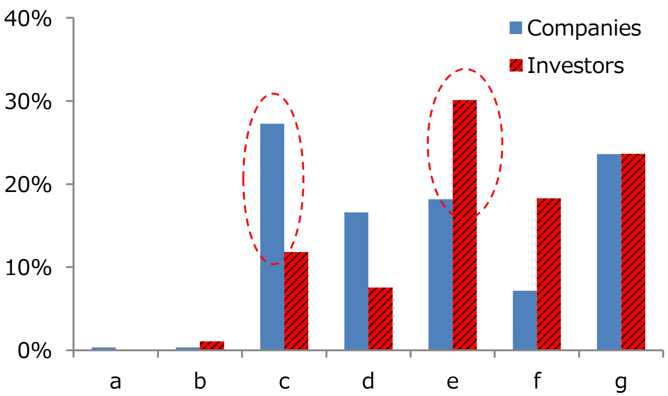
[Graph 4 (reused): Issues in improving efficiency of board of directors (companies / investors)]



a. Institutional design
b. <u>Expansion of external board members</u>
c. Balance of experience and expertise of board of directors as a whole
d. <u>Development of environment to enable for external board members to exhibit functions</u>
e. Enhancement of discussions at board of directors meeting regarding important items based on realignment/narrowing down of presented proposals
f. Feedback of investors' opinions to board of directors
g. Enhancement of preliminary explanations regarding issues in the board of directors
h. Training for directors

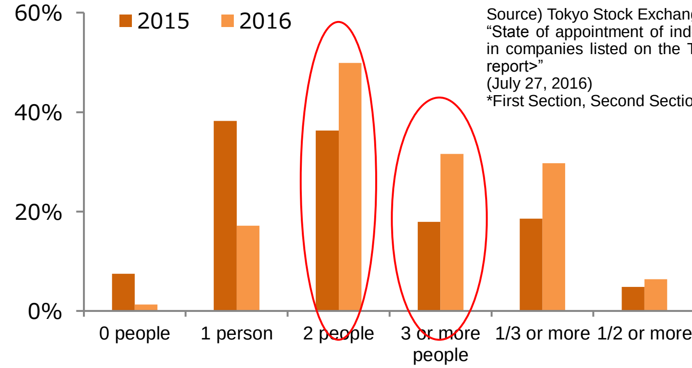
*Up to 3 responses possible

[Graph 6: Desirable standard over medium- to long-term for number of people/percentage of board of directors accounted for by external board members (companies / investors)]



a. 0 people
b. 1 or more people
c. <u>2 or more people</u>
d. 3 or more people
e. <u>1/3 or more of board of directors</u>
f. 1/2 or more of board of directors
g. Not particular about number/percentage

[Graph 7: State of appointment of external board members]



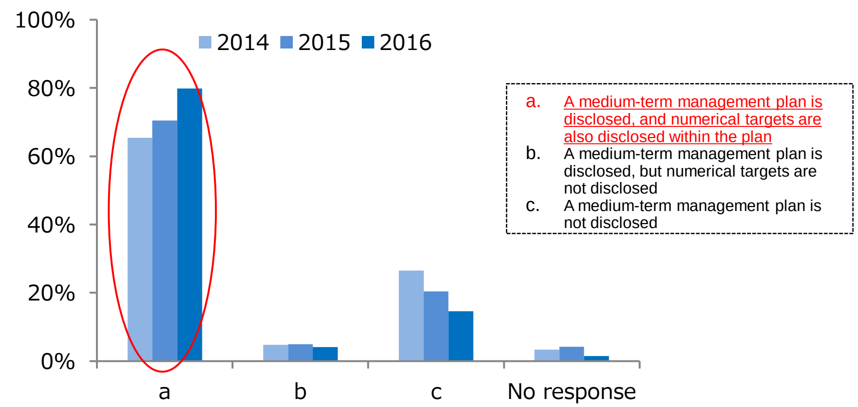
Source) Tokyo Stock Exchange
"State of appointment of independent external board members in companies listed on the Tokyo Stock Exchange <Confirmed report>"
(July 27, 2016)
*First Section, Second Section of Stock Exchange

Association's request: (For companies ②) Expansion of external board members

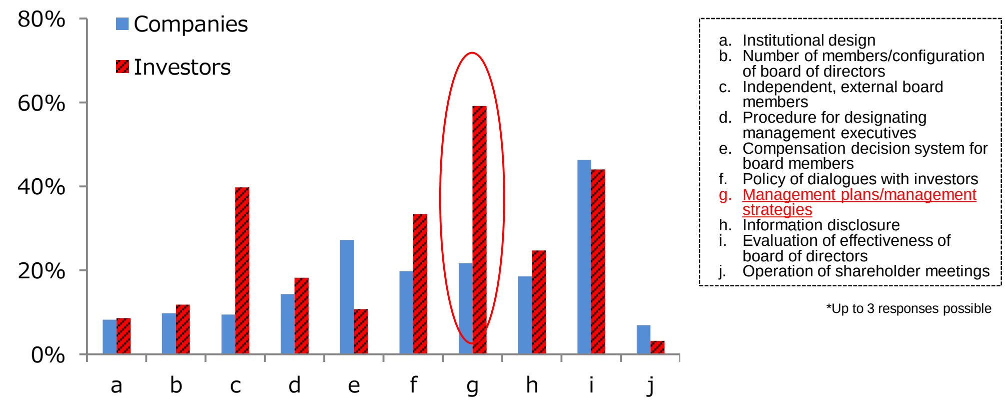
Chapter 3 (1) Establishment/Disclosure of Management Plans (Pages 15 to 17 in the Main Report)

- The percentage of companies that disclose a medium-term management plan, including numerical targets, is approximately 80%, indicating an increasing trend, and the disclosure of management plans has permeated to some extent [Graph 8]. However, with regard to corporate governance, the response of "Management plans/management strategies" still remains the highest from investors regarding items that are anticipated to be strengthened, thus indicating that investors have expectations for further approaches by companies [Graph 1].
- Many investors consider "Appropriateness of management goals/indices" as a theme that should be approached in a prioritized manner in the board of directors in the future [Graph 9]. In medium-term management plans, improvements should be made on "Explanation of long-term management vision/stance" and "Formulation of strategies giving due consideration to analyses of the business environment and forecasts" [Graph 10]. Investors are able to clearly perceive the intention of companies toward value creation as the numerical targets that should be achieved and concrete management strategies to realize these targets are indicated based on a long-term management vision, and thus, there are expectations for management plans that combine both numerical targets and business strategies to be disclosed.

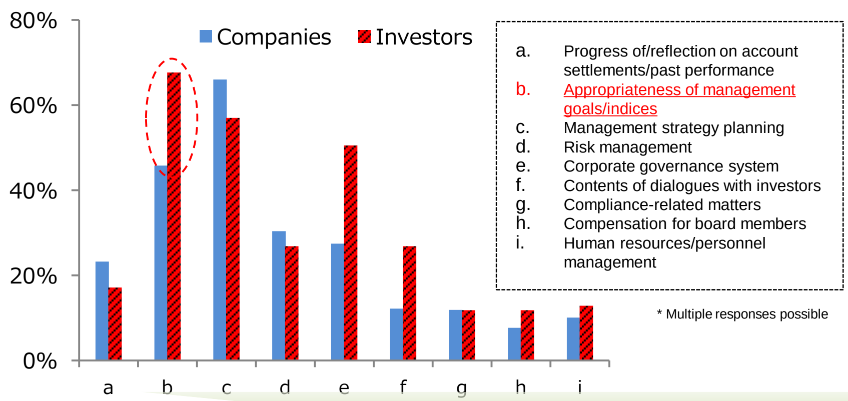
[Graph 8: State of disclosure of medium-term management plan (companies)]



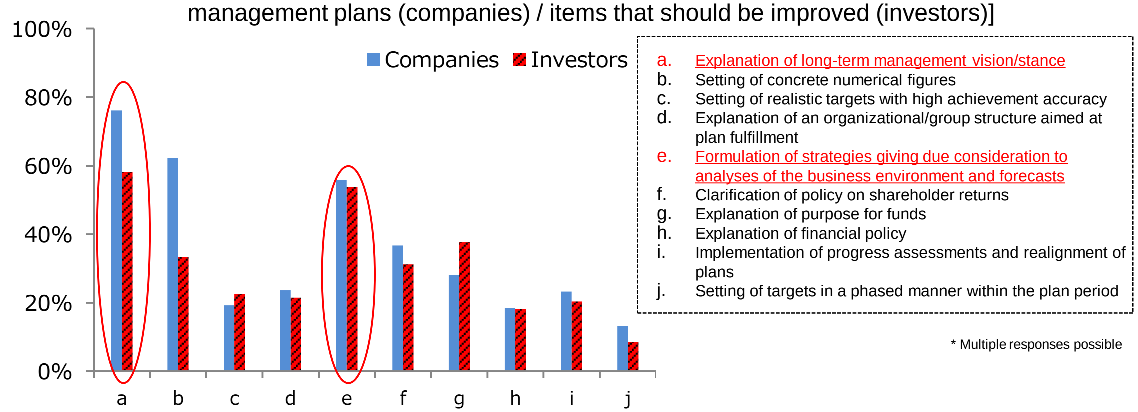
[Graph 1(reused): Items for which approaches will be strengthened (companies) / items that are anticipated to be strengthened (investors) with regard to corporate governance]



[Graph 9: Themes to incorporate (companies) / themes that should be approached (investors) in a prioritized manner as a topic in board of directors]



[Graph 10: Items that should be emphasized in enhancing contents of medium-term management plans (companies) / items that should be improved (investors)]

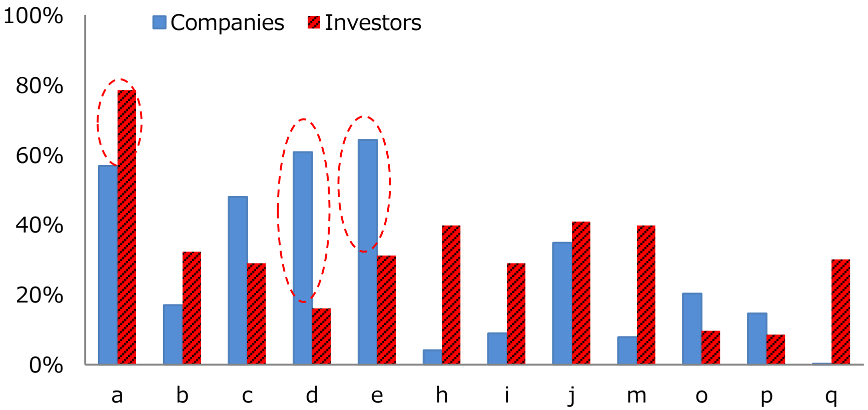


Association's request: (For companies ③) Disclosure of management plan with quantitative goals and business strategies

Chapter 3 (2) About Capital Efficiency (Pages 17 to 22 in the Main Report)

- Although investors emphasize ROE as a performance indicator, there are many companies that emphasize the absolute amount and the growth rate of sales and profits, and the discrepancy between the stances of investors and companies is large [Graph 1]. Although the percentage of companies that set and disclose target values for ROE has increased since the previous FY, it still remains at approximately half of the overall number of companies [Graph 12].
- In addition to there being a large recognition gap in how ROE standards are seen in relation to capital costs [Graph 13], there is a discrepancy between the ROE standards that investors seek in the medium- to long-term and the actual state of companies [Graph 14] [Graph 15]. Setting and disclosing target ROE values upon analyzing and comprehending capital costs are desired, centering mainly on companies with ROE that remain at low levels, and there are expectations for increasing profitability by aiming to achieve ROE standards that investors desire in the medium- to long-term.

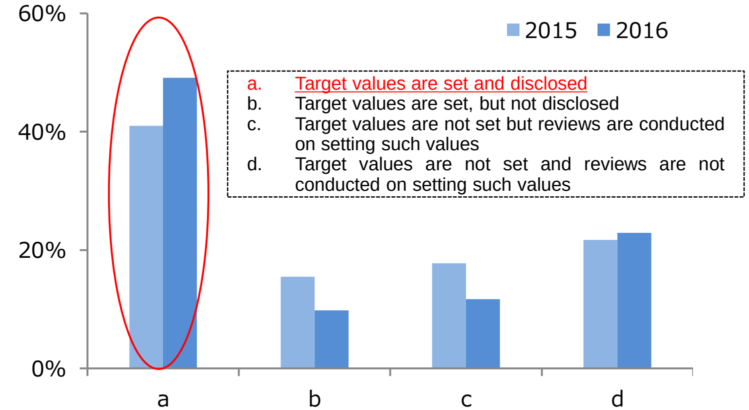
[Graph 11: Indices that are disclosed in medium-term management plans (companies) / should be emphasized as management goals (investors)]



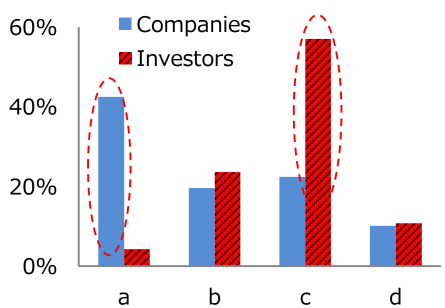
a. ROE (return on equity)
b. ROA (return on assets)
c. Profit margin on sales
d. Sales/sales growth rate
e. Profits/profit growth rate
h. ROIC (return on invested capital)
i. FCF (free cash flow))
j. Dividend payout ratio (Dividend/Net income)
m. Total shareholder return ((Dividend + acquisition of own shares)/Net income)
o. Capital ratio (Owned capital/total asset)
p. DE ratio (Interest-bearing debt/owned capital)
q. Capital cost (WACC, etc.)

* Multiple responses possible

[Graph 12: State of setting/disclosure of ROE target values (companies)]

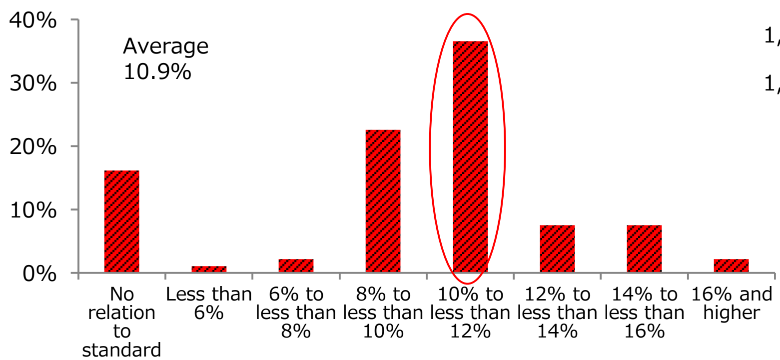


[Graph 13: Perspective on ROE standards in relation to capital cost (companies/investors)]

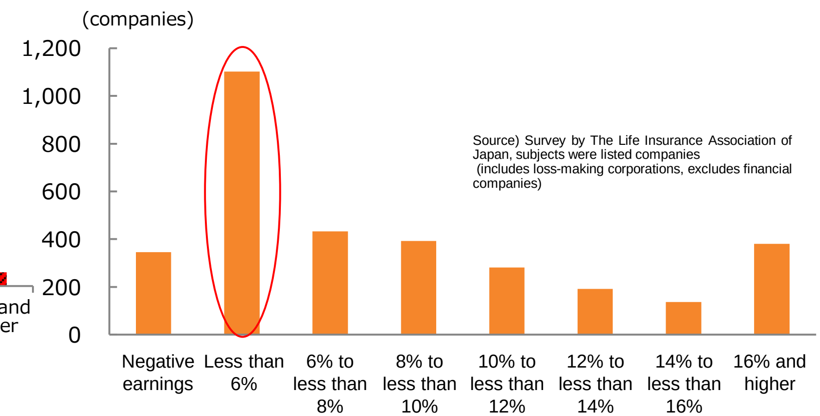


a. Above
b. Same level
c. Below
d. Capital costs not comprehended (Investors "Do not know")

[Graph 14: Desirable ROE standards for the medium- to long-term (investors)]



[Graph 15: ROE distribution of Japanese companies]

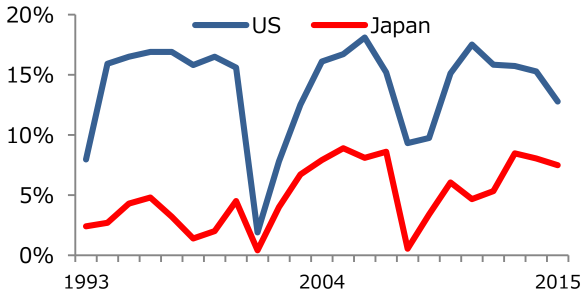


Association's request: (For companies ④) Goal-setting and improvement of ROE level giving due consideration to capital costs

Chapter 3 (2) About Capital Efficiency (Pages 17 to 22 in the Main Report)

- The ROE of Japanese companies is well below that of US companies, due to a low profit margin [Graph 16] [Graph 17]. In addition, the ROE of Japanese companies is below the ROE levels anticipated by investors, and approaches oriented toward increasing the capital efficiency of Japanese companies are desired [Graph 18].
- As approaches for increasing capital efficiency, investors have expectations for "Concentration in core competence (realignment/rearrangement of business portfolios in conformity with management vision)," however, there are not many companies that focus on this item, and thus there is a gap in awareness between investors and companies [Graph 19]. Through profit management by business and use of objective criteria for companies, investors expect companies to ascertain the core businesses that utilize the company's strength, input managerial resources, increase competitive strength of products and services, and seek to link these to an increase in capital efficiency [Graph 20]. Thus, <u>there are expectations to move forward with realignment of business portfolios that conform to the management vision</u>.

[Graph 16: Shifts in ROE of Japanese and US companies]



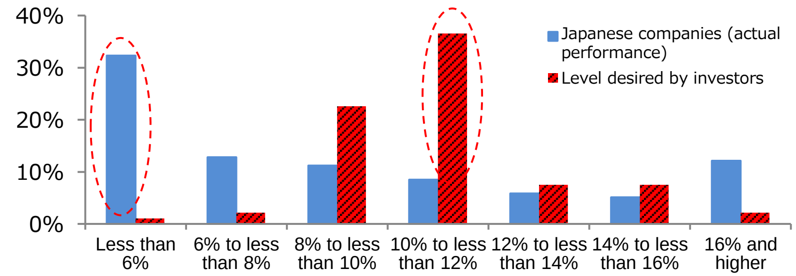
Source) (Japan) Survey by The Life Insurance Association of Japan, subjects were listed companies
(includes loss-making corporations, excludes financial companies)
(US) Department of Commerce "Quarterly Financial Report"
*Japan: April to March, US: January to December

[Graph 17: ROE comparison of Japanese and US companies]

	Japan	US
ROE	7.5%	12.8%
ROA	2.9%	5.4%
Net profit margin	3.5%	7.9%
Total asset turnover	0.8	0.7
Financial leverage	2.6	2.3

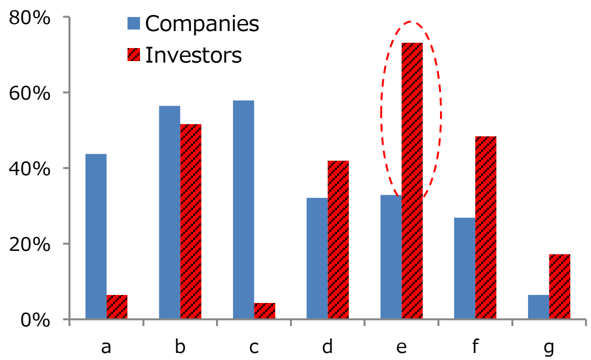
Source) (Japan) Survey by The Life Insurance Association of Japan, subjects were listed companies
(includes loss-making corporations, excludes financial companies)
(US) Department of Commerce "Quarterly Financial Report"
*Japan: April to March, US: January to December

[Graph 18: ROE of Japanese companies and ROE levels desirable in medium- to long-term (investors)]



Source) ROEs of Japanese companies are as surveyed by The Life Insurance Association of Japan, subjects were listed companies (excludes financial corporations, includes loss-making corporations in denominator)

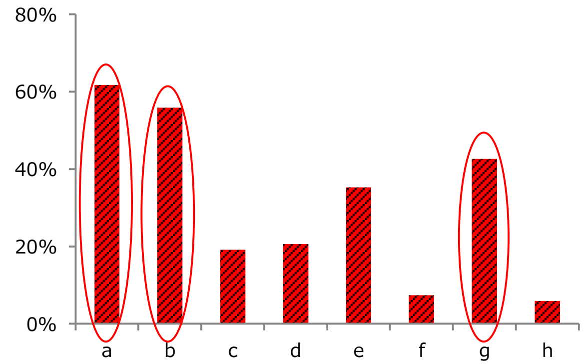
[Graph 19: Approaches that are being implemented (companies) / that are anticipated (investors) to increase capital efficiency]



a. Expansion of business scale/share
b. Reinforcement of competitive strength of products and services
c. Promotion of cost reduction
d. Investments that emphasize profit margins
e. <u>Concentration in core competence (realignment/rearrangement of business portfolios in conformity with management vision)</u>
f. Expansion using earnings/efficiency index as management indicator (permeated at companywide level)
g. Expansion of leverage through debt and shareholder returns

*Up to 3 responses possible

[Graph 20: Approaches that are anticipated to promote concentration in core competence (investors)]



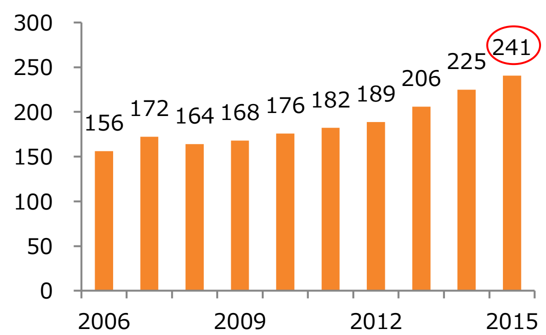
a. <u>Profit management by business</u>
b. <u>Use of objective criteria to judge rearrangement of business portfolio</u>
c. Activation of discussions through using external board members
d. Comprehension of shareholder opinions through dialogues with investors
e. Clarification of management responsibilities and impartment of incentives
f. Strengthening of supervisory functions of board of directors
g. <u>Clarification of management vision</u>
h. Information disclosure

*Up to 3 responses possible

Association's request: (For companies ⑤) Active realignment of business portfolio the matches management vision

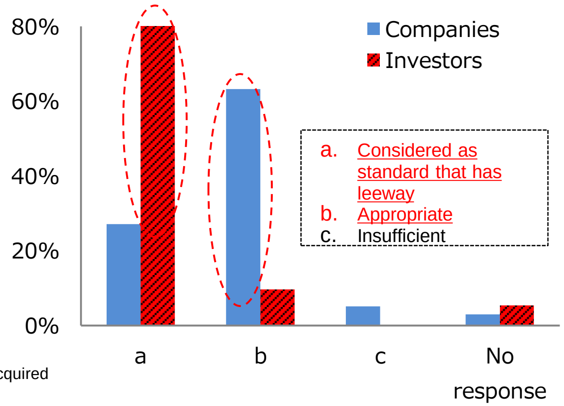
- The internal reserves of Japanese companies are fluctuating at the highest levels ever [Graph 21]. Most investors perceive companies as having a surplus of cash reserves [Graph 22], and seek the most for cash reserves to be used in investments aimed towards growth [Graph 23].
- Approximately half of investors feel that there is insufficiency in explanations by companies when implementing investments [Graph 24]. When executing investments, it is desired for there to be sufficient explanations for investors as to how investments are linked to increasing corporate value, by further enhancing the contents of explanations, including on "profitability of investments" and "risks of investments" desired by investors, rather than simply their orientation in management plans [Graph 25]. There are expectations for companies to continue being aware of investment efficiency and utilize cash reserves towards strategic investments in order to build competitive superiority.

[Graph 21: Internal reserves of Japanese companies]

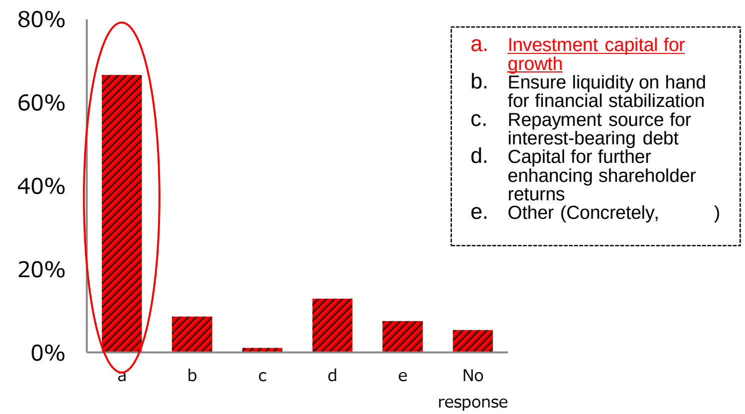


Source) Surveyed by The Life Insurance Association of Japan
TOPIX constituent companies (companies for which data could be acquired continuously over the past 10 years)

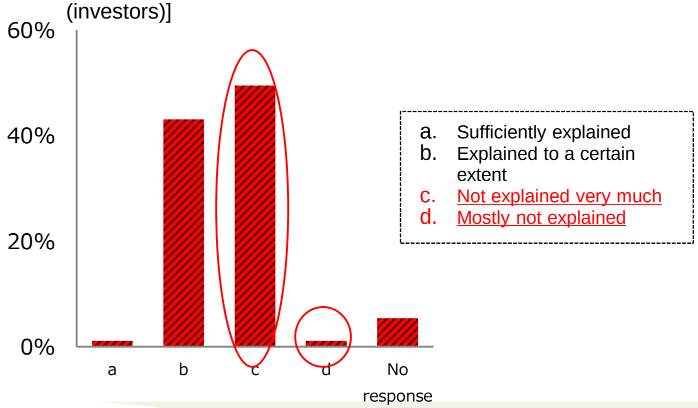
[Graph 22: Recognition as a standard for cash reserves (companies / investors)]



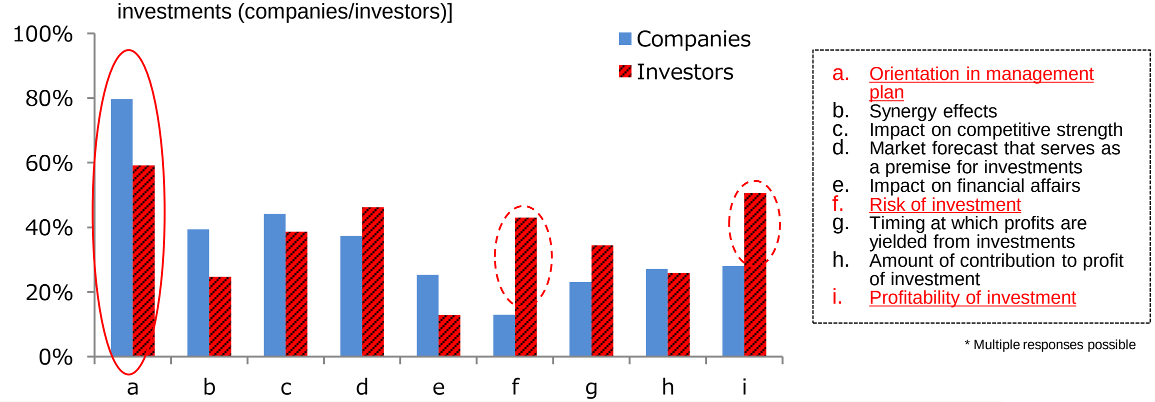
[Graph 23: What is desirable as application of companies' cash reserves (investors)]



[Graph 24: Explanations at time of execution of investments by companies (investors)]



[Graph 25: Contents that are emphasized as explanations for investors when executing investments (companies/investors)]



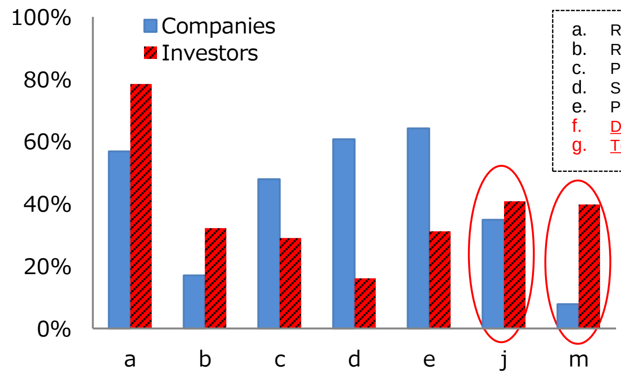
* Multiple responses possible

Association's request: (For companies ⑥) Use of cash reserves for growth investments

Chapter 3 (4) Shareholder Returns (Pages 26 to 32 in the Main Report)

- Investors emphasize shareholder return indices as performance indicators [Graph 26]. For dividend payout ratios that are desirable in the medium- to long-term, responses are divided between investors who see dividends as having "No relation to standard" and investors who seek a certain level of dividends, mainly "30% to less than 40%," as being desirable [Graph 27]. In any case, investors are aware that there are many companies that cannot fulfill the level of shareholder return/dividend required by investors [Graph 28].
- Both companies and investors emphasize "Level of total shareholder return/dividend payout ratio" when thinking about suitability of shareholder returns [Graph 29]. However, while companies strongly emphasize "Stability of shareholder returns/dividends," investors expect companies to explain policies on shareholder returns considering the state in which a company is placed from various perspectives, such as "Whether there is investment opportunity". Among companies that have a dividend payout ratio lower than 30%, many have no particular financing needs and possess abundant internal reserves [Graph 30], approaches toward enhancing dividends by targeting a dividend payout ratio of more than 30%, which investors see as a rough target, are desired.

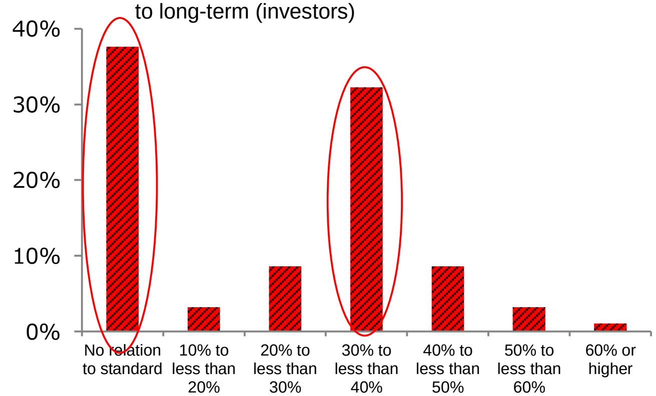
[Graph 26] Indices that are disclosed as medium-term management plans (companies) / should be emphasized as management goals (investors)]



a. ROE (return on equity)
b. ROA (return on assets)
c. Profit margin on sales
d. Sales / sales growth rate
e. Profits / profit growth rate
f. Dividend payout ratio
g. Total shareholder return

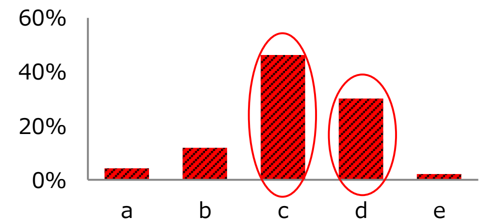
* Multiple responses possible

[Graph 27: Dividend payout ratios desirable in the medium- to long-term (investors)]

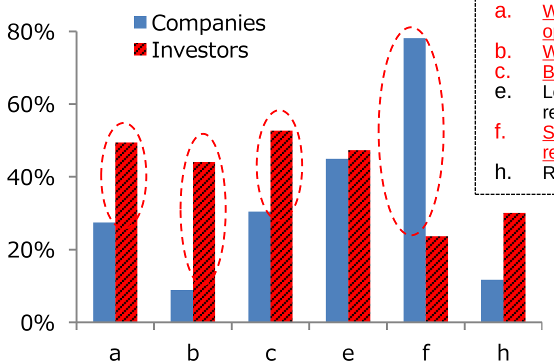


[Graph 28: Level of fulfillment with regard to shareholder returns/dividend levels (investors)]

a. Level that can be fulfilled by nearly all companies (80% or more)
b. Level that can be fulfilled by many companies (60% to 80%)
c. Level that can be fulfilled by approximately half of companies (40% to 60%)
d. Cannot be fulfilled by many companies (20% to 40%)
e. Cannot be fulfilled by most companies (less than 20%)



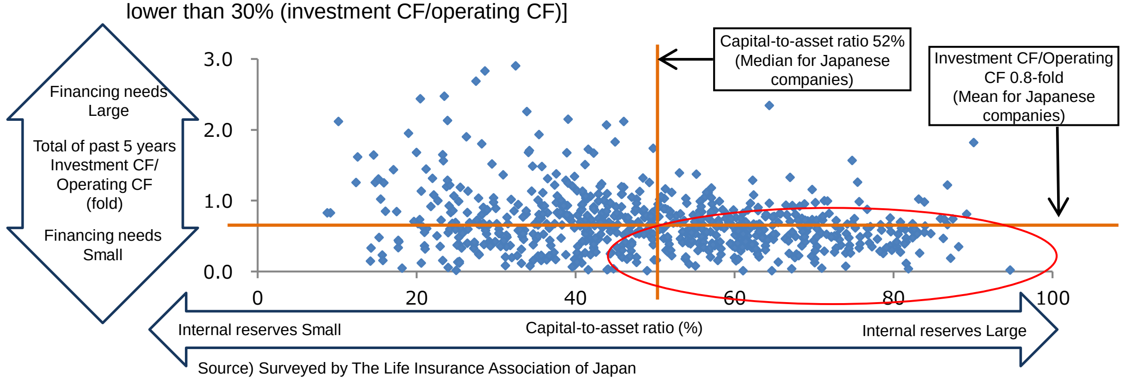
[Graph 29: Perspective of explaining suitability of (companies) / perspective of evaluating (investors) shareholder returns]



a. Whether there is investment opportunity
b. Whether there are surplus funds
c. Business growth stage
e. Level of total shareholder return/dividend payout ratio
f. Stability of shareholder returns/dividends
h. ROE level

* Multiple responses possible

[Graph 30: Capital-to-asset ratio and financing needs of companies with dividend payout ratios lower than 30% (investment CF/operating CF)]



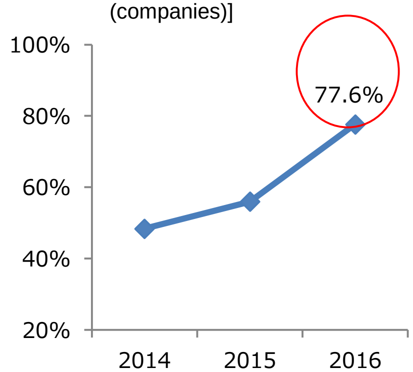
Source) Surveyed by The Life Insurance Association of Japan
TOPIX constituent companies (excludes loss-making corporations, financial companies), median value for capital-to-asset ratio and mean for investment CF/operating CF include companies with dividend payout ratios of 30% or more
Excludes companies with positive investment CF or negative operating CF as a 5-year total; investment CF/operating CF is displayed as an absolute value

Association's request: (For companies ⑦) Dividend payout ratio of 30% of more, as a level standard for the medium- to long-term

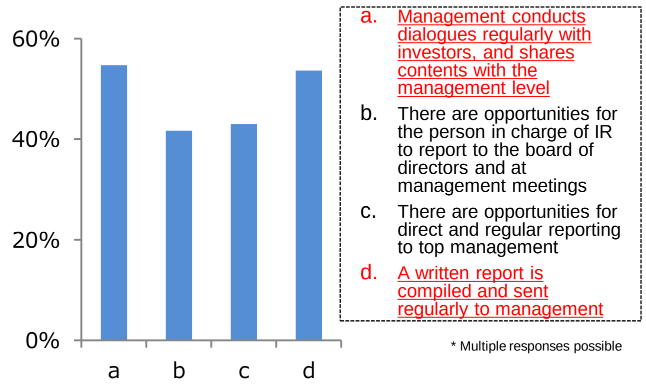
Chapter 4 (1, 2) Current State of and Issues Regarding Dialogues (Pages 33 to 37 in the Repots)

- Incorporating external perspectives into management is linked to disciplined management, and the Life Insurance Association of Japan has requested companies to share the contents of dialogues held with shareholders to the board of directors, and to utilize advice and suggestions from investors in management. Many companies have responded that they are sharing the contents of dialogues with the management level through various methods, such as holding dialogues between investors and management, and sending reports to management [Graph 31] [Graph 32]. However, investors feel that "Contents of dialogues do not reach management level" [Graph 33], and a gap in the awareness between investors and companies is apparent.
- The average number of times that dialogues are held with management every year, including top management, is approximately 50 [Graph 34]. However, there is variation in approaches by various companies, as approximately 30% of companies hold dialogues with management in the single-digit range [Graph 35]. Taking investors' problem awareness of "Top management does not contribute to dialogues" into consideration, there are expectations for top management to take the initiative to carry out dialogues and information communication in a form where they themselves participate. <u>It is desired for management, including top management, to participate actively in dialogue activities and to execute and explain approaches oriented toward enhancing corporate value by taking shared dialogue contents into consideration</u>.

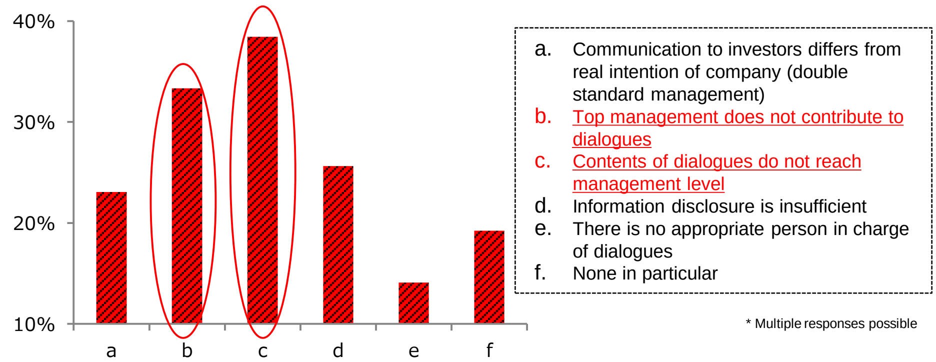
[Graph 31: Percentage of companies that have a mechanism for sharing the contents of dialogues with management (companies)]



[Graph 32: Mechanism for sharing the contents of dialogues (companies)]



[Graph 33: Issues that are sensed of companies when implementing dialogues (investors)]

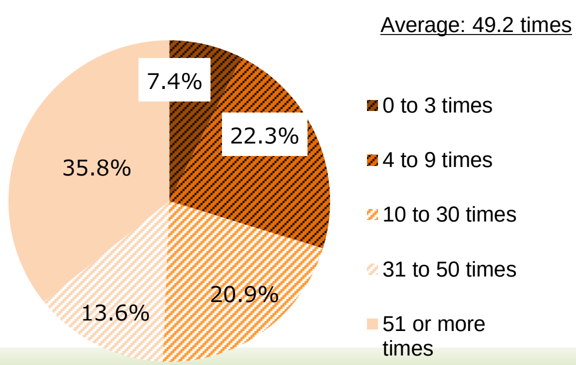


[Graph 34: Average number of times that dialogues are implemented (companies)]

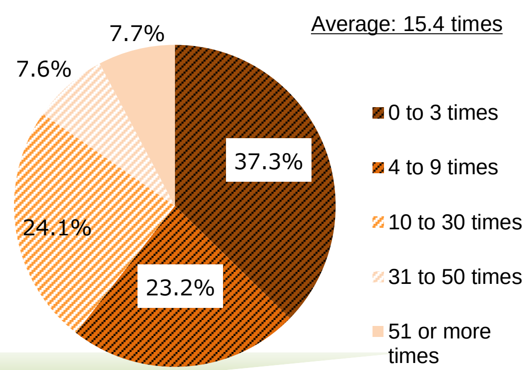
(times)

	Top management (president, chairman)	Board of directors/ executives excluding top management	IR representatives	Representatives of business divisions
① Explanatory meetings	2.4	2.0	1.7	0.4
② Small meetings	1.6	3.3	5.3	0.6
③ Individual dialogues	11.5	28.5	134.1	1.5
Total	15.4	33.8	141.0	2.5

[Graph 35: Number of times dialogues are implemented with management, including top management (companies)]



[Graph 36: Number of times dialogues are implemented with top management (companies)]

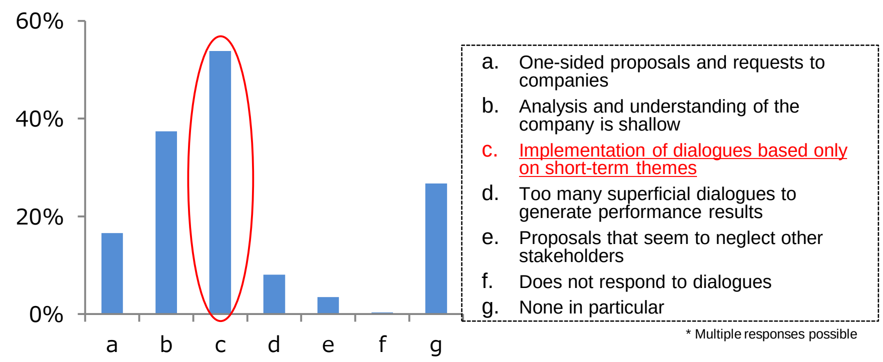


Association's request: (For companies ⑧) Sharing of contents of dialogues and active participation in dialogues by management

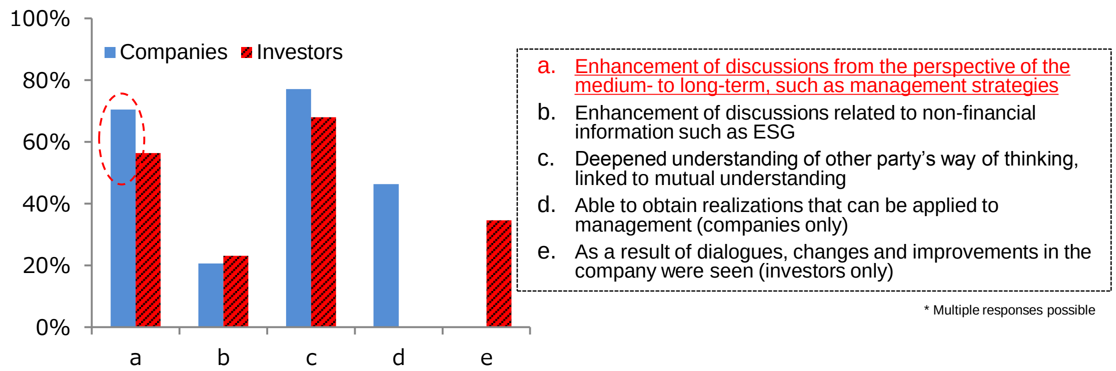
Chapter 4 (1, 2) Current State of and Issues Regarding Dialogues (Pages 33 to 37 in the Main Report)

- When conducting dialogues, companies perceive investors' "Implementation of dialogues based only on short-term themes" as an issue [Graph 37]. Companies also consider "Enhancement of discussions from the perspective of the medium- to long-term, such as management strategies" as an advantage of dialogues [Graph 38]. For investors, there are expectations for dialogues from a high vantage point such as the kind that rouses companies' will to incorporate investors' perspectives into management, rather than dialogues from the short-term perspective, and thus, promotion of dialogues from the medium- to long-term perspectives is desirable.
- The number of people involved in dialogues consists mainly of "2 to 3 people" at companies and "11 or more people" among investors [Graph 39]. In enhancing dialogues, both companies and investors perceived "Lack of resources devoted to dialogues" as an issue [Graph 40] [Graph 41]. As proper human resources are necessary in further promoting dialogues, expansion of personnel present for dialogues is desirable for both companies and investors.

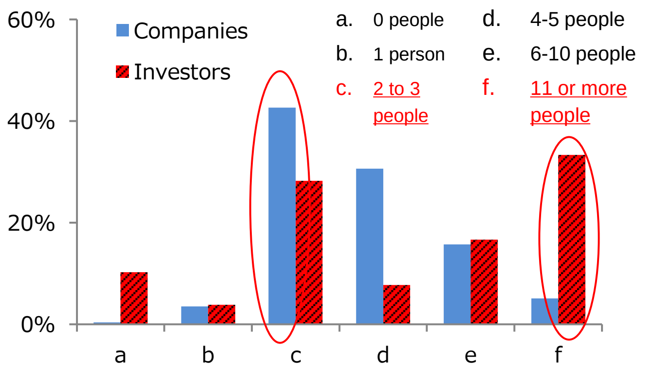
[Graph 37: Investors' issues in conducting dialogues (companies)]



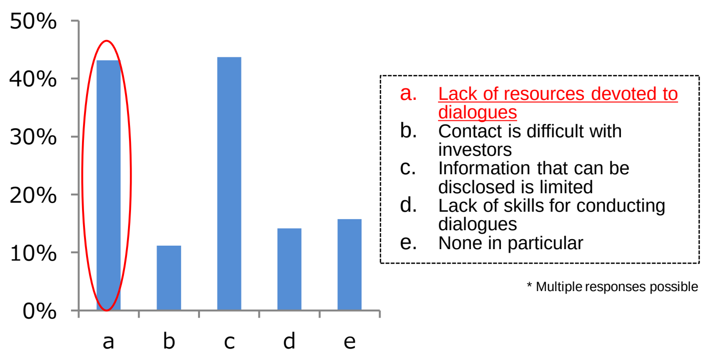
[Graph 38: What is sensed as working well in dialogues (companies / investors)]



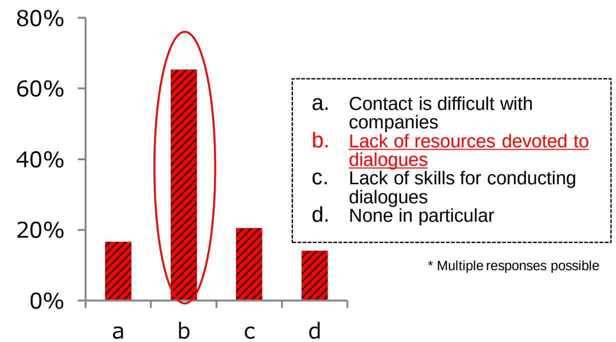
[Graph 39: Personnel involved in dialogues (companies/investors)]



[Graph 40: Own issues in enhancing dialogues (companies)]



[Graph 41: Own issues in enhancing dialogues (investors)]

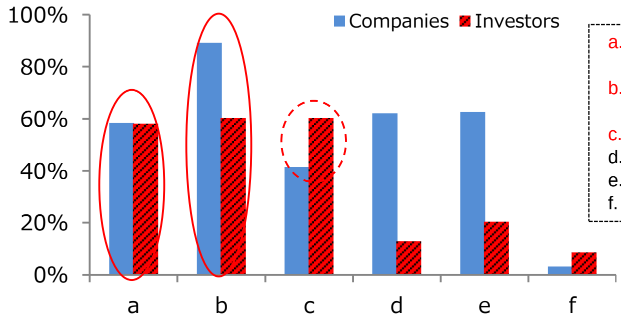


Association's requests: (For investors ①) Promotion of dialogues from the medium- to long-term perspective
(For companies ⑨, investors ②) Expansion of personnel necessary for dialogues

Chapter 4 (3) Voting at Shareholder Meetings (Pages 38 to 42 in the Main Report)

- In order to enhance voting, investors seek "Provision of enhanced explanations of proposals" [Graph 42]. In relation to proposals that had faced many oppositions over the past years, there are expectations for companies to analyze the reasons behind opposition, and to indicate their way of thinking in dialogues and convocation notices [Graph 43]. From the perspective of further deepening mutual understanding between companies' and investors' ways of thinking, it is desirable to provision of enhanced explanations of proposal contents giving due consideration to analyzing the reasons behind oppositions from investors. In addition, in comprehending the states of companies and making decisions on pros and cons, it is important for sufficient examination time to be secured. Although there is a decreasing trend in the number of companies that hold shareholder meetings on days where many companies hold shareholder meetings [Graph 44], there still remain many investors who have expectations for early dispatch/disclosure of convocation notices and holding of shareholder meetings not on days where many companies hold shareholder meetings [Graph 42], and it is desired for focus to be placed on various creative measures oriented toward improvement of processes to secure examination time.
- As issues in voting by investors, being influenced by judgments of voting advisors and not knowing the reasons for decision of approval or disapproval have been raised by companies [Graph 45]. To promote mutual understanding, it is desired for investors not to depend excessively on judgments of approval or disapproval of voting advisors, but to make judgments of approval or disapproval giving due consideration to the state of a company, and at the same time, to make efforts to convey the reason for such decisions to companies.

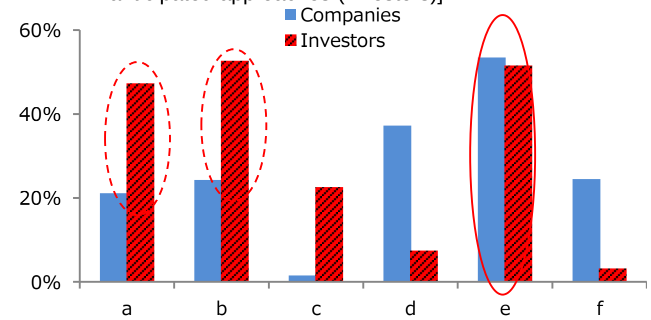
[Graph 42: Approaches to enhance shareholder voting (companies) / anticipated approaches (investors)]



a. Shareholder meetings not on days where many companies hold shareholder meetings
b. Early dispatch of convocation notices (early disclosure)
c. Provision of enhanced explanations of proposals
d. Voting on the Internet
e. Participation in electronic voting platforms
f. Early disclosure of securities reports

* Multiple responses possible

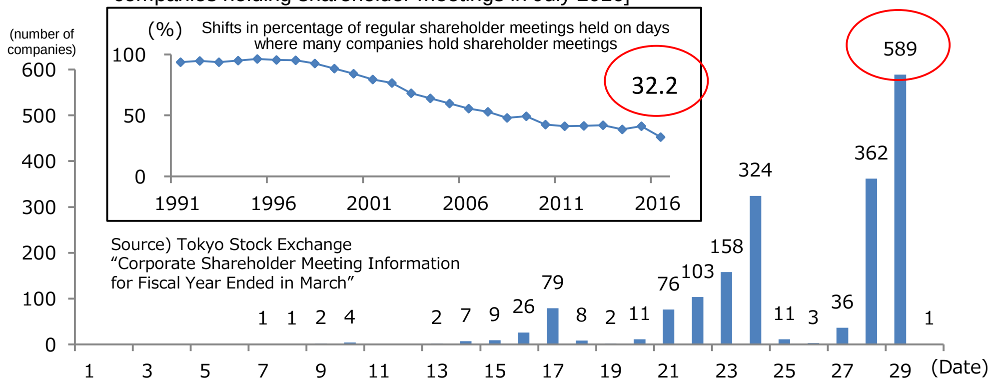
[Graph 43: Approaches for proposals that received much opposition in past years (companies) / anticipated approaches (investors)]



a. Provision of enhanced explanations in convocation notices
b. Dialogues with investors
c. Correction/dismissal of proposals
d. Analysis of opposing shareholders
e. Analysis of reasons for opposition
f. No special approaches

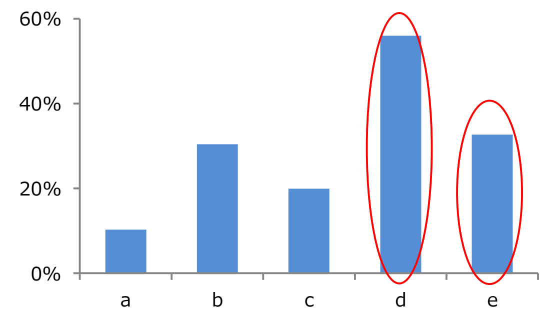
* Multiple responses possible

[Graph 44: Shifts in percentage of regular shareholder meetings held on days where many companies hold shareholder meetings, number of days of regular shareholder meetings/number of companies holding shareholder meetings in July 2016]



Source) Tokyo Stock Exchange "Corporate Shareholder Meeting Information for Fiscal Year Ended in March"

[Graph 45: Issues in voting by investors (companies)]



a. There are many investors who do not exercise their right to vote
b. Do not know who substantial shareholders are
c. Insufficient dialogues with investors regarding proposal contents, etc.
d. Easily influenced by judgments of voting advisors
e. Do not know reasons for decision of approval or disapproval of shareholders regarding proposals

*Up to 3 responses possible

Association's requests: (For companies ⑩) Provision of enhanced explanations of proposals giving due consideration to analysis of reasons behind oppositions from investors
(For companies ⑪) Improvement of processes for securing examination period
(For investors ③) Voting giving due consideration to the conditions of a company, and explanation of reasons behind judgment on pros and cons