JSIF

White Paper on Sustainable Investment in Japan

Japan Sustainable Investment Forum **2017**

Japan Sustainable Investment Forum

About the Organization

Japan Sustainable Investment Forum (JSIF) started its activities in early 2001 to promote socially responsible investment (SRI) in Japan and was formally registered as a non-profit organization (NPO) in 2003.

JSIF's Sustainable Investment Standards

JSIF defines "sustainable investments" as investments that embody the following two principles:

1. Investments with a view to the sustainability of the earth and society
2. Investments supported by the disclosure of initiatives pertaining to Principle 1 and the social effects of these investments to suppliers of capital

White Paper on Sustainable Investment in Japan 2017
Published: March 31, 2018

Japan Sustainable Investment Forum

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- Asset Management One Co., Ltd.
- Sompo Risk Management Inc.
- AXA Investment Managers S.A.

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Quick Guide (Investor Trends)

The statistical data contained in this white paper is primarily from the fiscal year ended March 31, 2017.

1. Trends of Institutional Investors

JSIF has been conducting sustainable investment surveys of institutional investors located in Japan since 2015. As of March 31, 2017, the sustainable investment assets for institutional investors were ¥136,595.94 billion. For details, see page 3 and thereafter.

Figure 1-2-1: Summary

	2015 Survey	2016 Survey	2017 Survey
Survey Period	November–December 2015	September–October 2016	September 2017
Respondents (provided sustainable investment balance)	28 (24)	34 (31)	34 (32)
Total Sustainable Investment	¥26.69 trillion	¥56.26 trillion	¥136.60 trillion
Percentage of Total Assets under Management	11.4%	16.8%	35.0%
Calculated as of	Respondents' discretion	March 31, 2016	March 31, 2017

2. Trends of Individual Investors

JSIF publishes sustainable investment amounts of financial products for individual investors quarterly based on publicly available information. As of March 31, 2017, the sustainable investments by individual investors were ¥735.8 billion (¥218.7 billion for investment trusts and ¥517.1 billion for bonds). For details, see page 22 and thereafter.

Figure 2-1-1: Investment Trust and Bond Totals

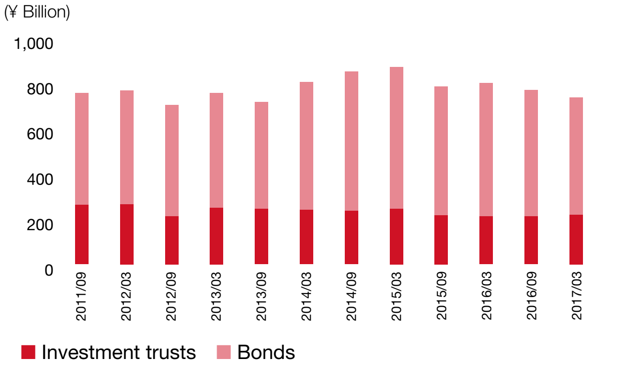


Figure 2-2-1: Net Asset Balance of Investment Trusts and Number of Funds

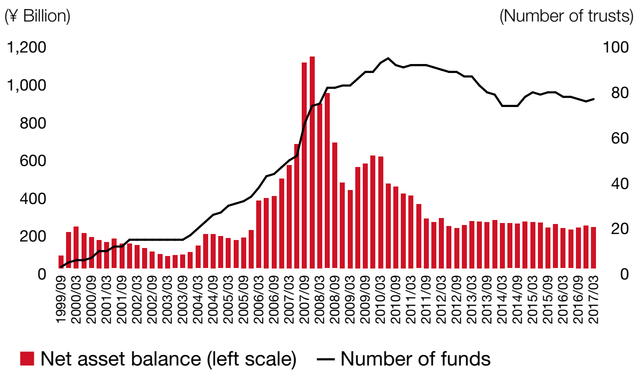
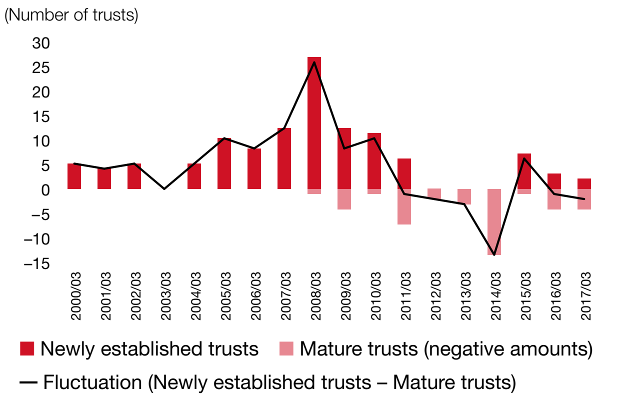


Figure 2-2-2: Number of Investment Trusts



1 Chapter 1: Trends of Institutional Investors

1. Review of Results of the JSIF Third Sustainable Investment Survey

(1) Sustainable Investment Assets in Japan Rise to ¥136 Trillion

According to the Japan Sustainable Investment Forum (JSIF) Third Sustainable Investment Survey conducted in 2017, sustainable investment*1 in Japan increased to ¥136.6 trillion, which is 2.4 times the amount from the previous survey.

Broken down by investment strategy, engagement was the largest at ¥88.0 trillion, exercise of shareholder rights came next at ¥55.0 trillion, followed by ESG integration at ¥42.9 trillion, norms-based screening at ¥23.9 trillion, and negative screening at ¥14.3 trillion. When sorted by asset class, Japanese stocks accounted for ¥59.5 trillion, non-Japanese stocks for ¥31.8 trillion, and bonds for ¥18.3 trillion. Loans and real estate saw particularly marked increases, with totals of ¥3.5 trillion and ¥2.6 trillion, respectively.*2 JSIF plans to conduct another survey in September 2018, as the next Global Sustainable Investment Review (GSIR), which is jointly published every two years by Sustainable Investment Forums (SIFs) worldwide and includes results of the JSIF Third Sustainable Investment Survey, will not be released until early 2019.

At present, we have not been able to obtain the latest results for other countries and so cannot make an accurate worldwide comparison. However, looking at the global numbers for 2016, the results from the current JSIF survey placed Japan close to Australia and New Zealand's level of sustainable investment, which has, since then, continued to increase, bringing Japan to about the same level as Canada in 2017. And while other countries will also be expanding sustainable investment moving forward, Japan's growth in this regard could draw worldwide attention.

*1 The term "sustainable investment" is used in a broad sense that covers all seven categories of sustainable investment defined in the Global Sustainable Investment Review (eight categories in the JSIF survey, which separates "Corporate engagement and shareholder action" into two categories).
*2 The total exceeds ¥136 trillion as there were cases where multiple investment methods were used for a single investment.

Figure 1-1-1: GSIR 2016

(¥ Trillion)

	2012	2014	2016
Europe	1,054	1,297	1,449
United States	450	791	1,050
Canada	71	88	131
Australia and New Zealand	16	18	62
Asia (excluding Japan)	5	5	6
Japan	0	1	57
Total	1,596	2,200	2,755

Note: JSIF converted GSIR amounts at $1 to ¥120.37.

(2) Reasons for the Investment Expansion

While we increased our survey distribution target to 58 companies, we received 34 responses—the same number as the previous survey—though the respondents were not all the same. Therefore, the increase in total balance seems to be mainly attributable to increases in investment amounts by each respondent investor. We believe there are three reasons for this. The first is that each institutional investor has greatly expanded engagement initiatives. The second is that, as a result of JSIF's clarifying definitions of ESG and other investments, these investors have enabled the classification of previously ambiguous assets, leading to increases in investment. The third is that, based on the results of the previous survey, JSIF has altered the survey questions to make them easier to answer. For instance, we have specifically instructed respondents to add totals for each method and double-count in cases where multiple investment strategies are employed.
In addition, while we used "Corporate engagement and shareholder action" (a GSIR category) in the previous survey, based on the current reality that the voting agenda related to ESG is still limited in Japan, we did not limit engagement and exercise of shareholder rights to ESG issues.

(3) The Driving Force of Expansions in Sustainable Investment

In recent years, the continuation of the Abe administration's encouragement of private sector investment as part of its economic growth strategy, as well as many concrete initiatives by various government bureaus, has served as a driving force behind the significant expansion in the sustainable investment market in Japan, ushering in a new stage of sustainable investment. In 2017 alone, the Financial Services Agency revised Japan's Stewardship Code and instituted follow-up meetings to review the Stewardship Code and the Corporate Governance Code. The Ministry of Economy, Trade and Industry released the Ito Review 2.0 and formulated its Guidance for Collaborative Value Creation to function as a common language for corporations and investors. The Ministry of the Environment has also established Green Bond Guidelines and consolidated issues raised at councils conducted by the ESG Working Group to examine investment that is mindful of sustainability issues. Further examinations are to be conducted at the panel on ESG and finance.
Another development that is believed to have had a major influence on asset managers is the Government Pension Investment Fund's (GPIF) becoming a signatory to the UN-supported Principles for Responsible Investment (PRI) and

promoting policies based on those principles. GPIF also conducted and released the results of its Survey of Listed Companies about Institutional Investors' Stewardship Activities. GPIF is actively working to encourage institutional investors to seriously engage in stewardship and ESG investment through such initiatives as establishing the Global Asset Owners' Forum and the Business and Asset Owners' Forum. In July 2017, GPIF began passive investment tracking three ESG indices for Japanese equities. Two of the selected indices are based on such criteria as broad ESG issues and the other explicitly focuses on gender diversity and the empowerment of women. In November, GPIF called for applications for a global environmental stock index.

The Pension Fund Association also became a PRI signatory in 2016, marking the start of two of the most significant public Japanese pension funds taking on sustainable investment initiatives. It is likely that this action has greatly influenced major institutional investors entrusted with the management of these pension funds.

Moreover, the Institutional Investors Collective Engagement Forum was established to support engagement between institutional investors and corporations. On top of that, the Japan Securities Dealers Association is working to promote the SDGs while the Japan Exchange Group joined the UN's Sustainable Stock Exchanges Initiative (SSE). These developments have made it easier for Japanese investment managers to commit themselves to their stewardship and ESG investment activities.

(4) Issues to Be Solved

1) Sustainable Financial Systems, the SDGs, and Climate Change Initiatives

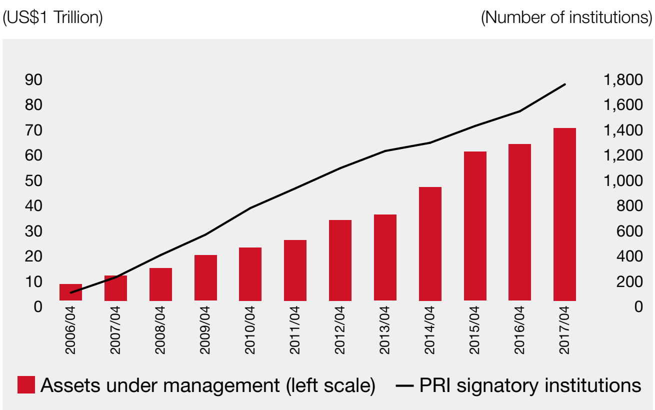
As supporters of ESG investment, the number of PRI signatory institutions worldwide continued to increase in 2017—a trend attested to in the following figures.

Figure 1-1-2

	Worldwide			Japan		
	2014	2016	2017	2014	2016	2017
PRI Signatories	1,453	1,633	1,891	39	53	60
Asset Owners	301	330	364	9	13	16
Investment Managers	954	1,086	1,288	23	30	33
Service Providers	198	217	239	7	10	11

Note: Figures are as of January 2, 2018.

Figure 1-1-3: Assets under Management and PRI Signatory Institutions



The PRI marked its 10-year anniversary in 2016 and has shifted its focus from awareness to impacts and outcomes of initiatives. As such, a blueprint for responsible investment setting the direction of its work for the next 10 years was released. This blueprint describes spheres in which ongoing initiatives by responsible investors should be intensified and pinpoints areas to be tackled by investors. In particular, it focuses on three fields: (a) challenging barriers to a sustainable financial system; (b) championing climate change; and (c) enabling real-world impact aligned with the SDGs (Sustainable Development Goals), which are necessary for pursuing sustainable markets and contribute to a more prosperous world for all.

In addition, the Financial Stability Board (FSB), an international body made up of member institutions that include central banks, financial regulatory agencies, and finance ministries from 25 countries, established the Task Force on Climate-related Financial Disclosures (TCFD), which published its final report on recommendations on the subject in December 2016. These recommendations are based on the concept that companies disclosing climate-related information is a vital part of the effort to stabilize the global financial system. The lack of proper understanding of the risks and opportunities associated with corporate finance during the transition to a low-carbon economy may result in inefficient capital allocation and could lead to the destabilization of financial markets.

Such trends in sustainable investment initiatives must be pursued further in Japan.

2) Full-Fledged Efforts in Initiatives and Personnel Training in Sustainable Investment

Large gaps could likely grow among Japanese asset owners and asset managers. There is a distinctive gap between organizations that have already started well-established engagement and those that have merely responded as a matter of formality. This field is advancing rapidly, and once a gap widens, bridging it will not be easy. It is time for all institutions to truly commit to their initiatives.

Another significant task, in addition to addressing initiatives, is deepening employees' knowledge of sustainable investment. In Europe and North America, it is relatively easy for talented and experienced employees to change employers, as the labor market allows for a high level of mobility. In Japan, however, human resources tend to be cultivated in-house, with more knowledgeable employees transferred within the company for short periods of time to conduct training for younger staff. This method makes it difficult to pass along knowledge and know-how within an organization on fields that are continuously evolving, like sustainable investment. As such, focus should not rest solely on addressing urgent matters, but on cultivating corporate culture and human resources capable of fostering sustainable investment know-how organization-wide.

3) Support for Analyst-Led Initiatives

As mentioned above, organizations involved with financial institutions, including the Japan Securities Dealers Association and the Japan Exchange Group, have recently been pursuing sustainable investment initiatives. However, for the most part, fund managers and analysts involved in investment practices are not pursuing bottom-up initiatives. Since 2010, the CFA Institute of the United States has been publishing more ESG-related materials and including ESG in its CFA Program exam. The CFA Society of Japan published a translation of Environmental, Social, and Governance Factors at Listed Companies: A Manual for Investors in 2010 and has for the past few years been hosting regular information sessions on ESG for its members. In addition, not only did the CFA Institute partner with the PRI in 2017, it also conducted global workshops for the CFA Program together with the London Stock Exchange Group and three other institutions to increase awareness of the effects of ESG on stock prices, bond yields, and spreads. While the Securities Analysts Association of Japan released far more publications on ESG factors in 2017, initiatives to incorporate both exams for securities analysts and the creation of educational programs on ESG investment should be more actively pursued.

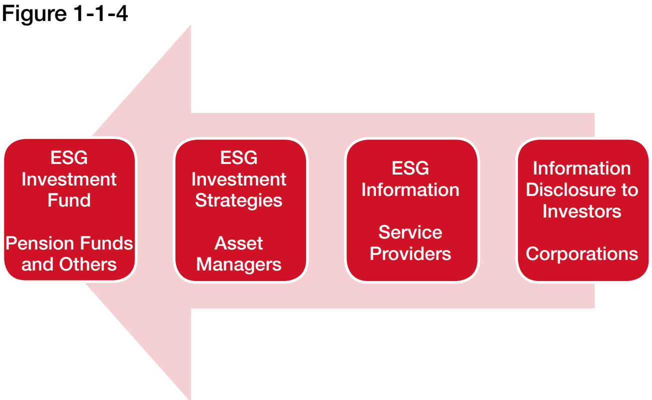
4) Follower Disposition

Sustainable investment in Japan has finally made a full-scale start in the 10th year since the PRI's founding. This tendency to lag behind when it comes to participating in global trends is keeping Japan from actively moving to the forefront on the world stage. It is something that is widespread among Japanese corporations and industries—not only finance—and can be seen as a major weakness holding back the Japanese economy and manufacturing. To prevent Japanese stock markets and finance markets, as well as institutional investors, from falling far behind the rest of the world, Japan will need to respond more quickly to major course changes. On the other hand, despite the lengthy time spent researching before coming to a conclusion in Japan, there is also a tendency for the Japanese to come together and work persistently once a start has been made. For this reason, Japan can be expected to rise to the top ranks of sustainable investment internationally in the next three to five years.

5) The Importance of Investment Chains and Disclosure of Corporate Information

It goes without saying that investor effort is vital to improving sustainable investment in Japan, but what is indispensable, ultimately, is the enhancement of the disclosure of corporate information. In terms of investment chains, asset management companies must propose outstanding ESG investment strategies in order to conduct high-level ESG investment of pension funds and the like. To encourage pension funds to accept proposals, investment policies and strategies must be clarified and initiatives continuously improved. Furthermore, in addition to surveys and engagement conducted by the managers themselves, it is crucial for service providers to improve the ESG information they provide to asset managers. To improve such information, companies will ultimately have to adequately disclose information that is necessary to investors.

Figure 1-1-4



In order for companies to be able to disclose information to investors in a more accurate and comprehensible manner, they must thoroughly understand what non-financial information investors need and why they need it. To do that, it is important for companies and investors to communicate and work together to achieve a deeper understanding of the needs of the other.

6) In Conclusion

Sustainable investment is finally underway in Japan. It began in the economic policies of the Abe administration, then spread to concrete initiatives by relevant government offices, announcements of public pension fund policies, and, later, positive initiatives, intensive studies by major institutional investors, and to the securities industry on a scale unimaginable a few years ago.

Eight asset owners and 24 asset managers answered the JSIF Third Sustainable Investment Survey. As of January 3, 2018, 16 Japanese asset owners and 24 asset managers had become signatories to the PRI, with more institutional investors yet to respond. In addition, 207 institutional investors, excluding advisory service providers, announced their adoption of the Principles for Responsible Institutional Investors (Japan's Stewardship Code) as of December 2017. While many institutional investors—not including those not headquartered in Japan—did not respond to our most recent survey, we are working to increase responses from institutional investors.

Finally, one of the purposes of this survey is to serve as an aid to instilling accurate knowledge of sustainable and ESG investment initiatives in Japan among domestic and international public agencies, institutional investors, service providers, corporations, research organizations, academics, and others. We are very thankful to the PRI Japan Network and other entities for their considerable support in creating and implementing this survey.

Japan Sustainable Investment Forum (JSIF)
Masaru Arai, Chair

2. Results of the JSIF Third Sustainable Investment Survey

(1) Survey Distribution Methods

JSIF e-mailed survey requests to 58 of its contact institutions. The PRI Japan Network also provided assistance with distribution to domestic PRI signatories.

Pension funds and asset management companies that provided sustainable investment balances
Of 34 institutions, 32 provided sustainable investment balances. One institution declined to be named.

- Amundi Japan Ltd.
- Asahi Life Asset Management Co., Ltd.
- Asset Management One Co., Ltd.
- Comgest Asset Management International Limited
- Daido Life Insurance Company
- DAI-ICHI LIFE INSURANCE COMPANY, LIMITED
- Daiwa Asset Management Co., Ltd.
- DBJ ASSET MANAGEMENT CO., LTD.
- Fukoku Capital Management, Inc.
- J-STAR Co., Ltd.
- Mitsubishi UFJ Kokusai Asset Management Co., Ltd.
- Mitsubishi UFJ Trust and Banking Corporation
- MS&AD Insurance Group Holdings, Inc.
- Nissay Asset Management Corporation
- Nippon Life Insurance Company
- NN Investment Partners (Japan) Co., Ltd.
- Nomura Real Estate Asset Management Co., Ltd.
- Pension Fund Association
- Resona Bank, Limited
- Robeco Japan Company Limited
- SECOM Pension Fund
- Sompo Japan Nipponkoa Asset Management Co., Ltd.
- Sompo Japan Nipponkoa Insurance Inc.
- Sophia University
- SPARX Asset Management Co., Ltd.
- Sumitomo Mitsui Asset Management Company, Limited
- Sumitomo Mitsui Trust Bank, Limited
- TAIYO LIFE INSURANCE COMPANY
- T&D Asset Management Co., Ltd.
- Tokio Marine Asset Management Co., Ltd.
- Tokio Marine & Nichido Fire Insurance Co., Ltd.

Survey Result Comparisons

Figure 1-2-1: Summary

	2015 Survey	2016 Survey*1	2017 Survey*2
Survey Period	November–December 2015	September–October 2016	September 2017
Respondents (provided sustainable investment balance)	28 (24)	34 (31)	34 (32)
Total Sustainable Investment	¥26.69 trillion	¥56.26 trillion	¥136.60 trillion
Percentage of Total Assets under Management	11.4%	16.8%	35.0%
Calculated as of	Respondents' discretion	March 31, 2016	March 31, 2017

*1 As a general rule, we asked that answers be submitted at the end of March 2016. However, we accepted answers at any point during the year, and those answers are included in the total amount of sustainable investment. The breakdown of totals from answers received at different times is as follows.
- End of June: ¥1,816.8 billion
- End of July: ¥830.0 billion
- End of August: ¥157.2 billion
- End of September: ¥7,078.4 billion

*2 As a general rule, we asked that answers be submitted at the end of March 2017. However, we accepted answers at any point during the year, and those answers are included in the total amount of sustainable investment. The breakdown of totals from answers received at different times is as follows.
- End of June 2017: ¥9,111.1 billion
- End of July 2017: ¥951.3 billion
- End of August 2017: ¥77.3 billion

Figure 1-2-2: Classification of Respondent Institutions

	2015 Survey	2016 Survey	2017 Survey
Asset Owner	7	7	8
Investment Manager	20	26	24
Asset Owner and Investment Manager (both apply)	1	1	2
Total	28	34	34

Figure 1-2-3: Sustainable Investment Balance by Investment Management Method

(¥ Million)

	2015 Survey	2016 Survey	2017 Survey
ESG Integration	17,555,654	14,240,387	42,966,133
Positive/Best-in-Class Screening	326,955	3,020,214	6,693,443
Sustainability-Themed Investment	785,785	1,036,139	1,384,773
Impact and Community Investment	87,642	369,657	372,616
Exercising Voting Rights/ Engagement	11,709,822	34,890,329	143,045,139
Negative Screening	4,573,384	2,249,951	14,309,760
Norms-Based Screening	6,075,200	6,741,902	23,908,999

Note: Due to multiple answers being permitted, totals are inconsistent. In addition, because exercising voting rights/engagement has been categorized differently in each survey, it is difficult to make a direct comparison of totals. For details on differences between the 2016 and 2017 surveys, please see Q13.

Figure 1-2-4: Sustainable Investment Balance by Asset Class

(¥ Million)

	2015 Survey	2016 Survey	2017 Survey
Japanese Stocks	13,855,308	31,194,049	59,523,773
Non-Japanese Stocks	2,962,942	4,564,386	31,842,726
Bonds	6,815,325	6,846,696	18,301,518
Private Equity (PE)	643	39,836	190,443
Real Estate	435,150	406,043	2,666,410
Loans	N/A	N/A	3,504,432
Other	1,147,630	3,197,093	4,759,604

3. Survey Results

Survey questions can be found at:

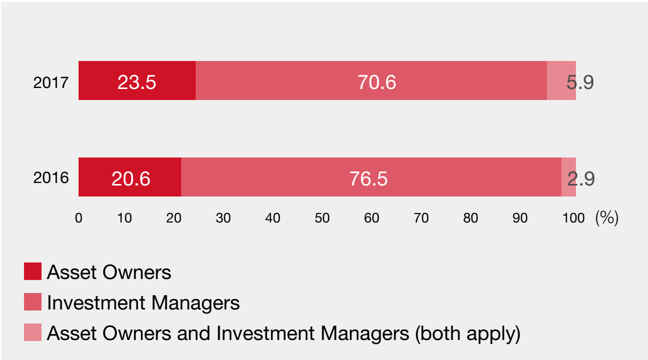
http://japansif.com/JSIFsurvey2017qa.pdf (Japanese only)

Q1 Since it is not relevant to the survey results, it is omitted.

Q2 Please describe your role pertaining to capital management and capital structure.

Number of institutions that answered this question 34

Choices	2016 Survey	2017 Survey
Asset Owner	7	8
Investment Manager	26	24
Asset Owner and Investment Manager (both apply)	1	2



- The total number of respondent institutions was 34—the same as for the 2016 survey. Of those, 28 also responded to the previous survey.
- Four respondent institutions were foreign-affiliated Japanese corporations (all investment managers).
- Of the 47 Japanese asset owners and investment managers that were PRI signatories at the time of the survey, 28 responded.

Q3 Which of the following initiatives have you adopted or are involved in?

Number of institutions that answered this question 32

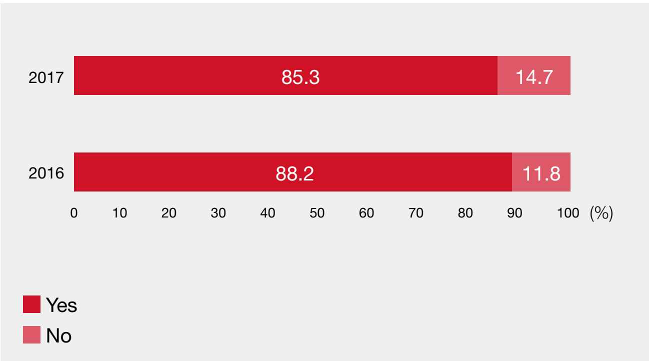
Choices	2016 Survey	2017 Survey
Principles for Responsible Investment (PRI)	27	31
Equator Principles	1	1
Principles for Financial Action for the 21st Century	14	15
Principles for Sustainable Insurance (PSI)	4	3
CDP	13	10
International Corporate Governance Network (ICGN)	2	8
Other (please specify)	12	11

- Thirty-two institutions responded to the question pertaining to their involvement in the main domestic and international initiatives related to sustainable investment.
- Signatories of the PRI, which promote ESG investment internationally, represented the highest proportion, with 31 institutions; 15 institutions were engaged in the corresponding domestic initiative Principles for Financial Action for the 21st Century; and signatories of CDP, which advocates disclosure of corporate initiatives pertaining to CO_2 emissions, water, and forests, totaled 10 institutions.
- At the time of the survey, 253 financial institutions were signatories to the Principles for Financial Action for the 21st Century. Because some asset management companies under the umbrella of parent holding companies that are signatories have not themselves signed on, it is possible that the number of signatories indicated by respondents may be smaller than the actual number.
- In other responses, more than two institutions mentioned involvement in the UN Global Compact (two institutions) and the Montreal Carbon Pledge (two institutions).

Q4 Have you declared adoption of Japan's Stewardship Code?

Number of institutions that answered this question 34

Choices	2016 Survey	2017 Survey
Yes	30	29
No	4	5

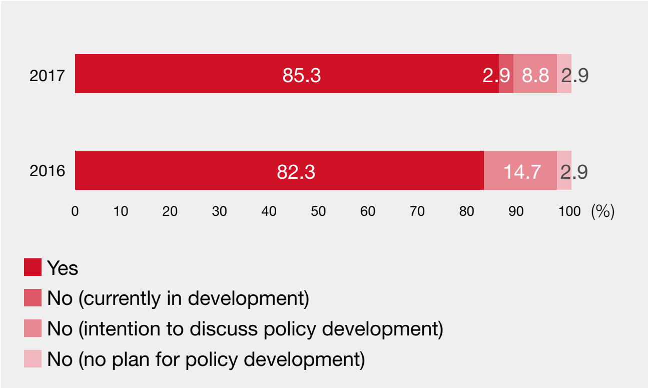


- Of the five institutions that had not signed on to Japan's Stewardship Code, two were domestic asset owners, two were domestic investment managers, and one was an overseas investment manager.
- Of the 29 institutions that answered in the affirmative, 26 shared URLs to websites detailing their relevant policies.

Q5 Do you have a formal policy pertaining to sustainable investment (ESG investment, responsible investment, etc.) specific to your organization?

Number of institutions that answered this question 34

Choices	2016 Survey	2017 Survey
Yes	28	29
No (currently in development)	0	1
No (intention to discuss policy development)	5	3
No (no plan for policy development)	1	1



- One asset owner indicated no plan for policy development.

Q6 For those that answered "yes" to Q5, are these policies publicly disclosed?

Number of institutions that answered this question 29

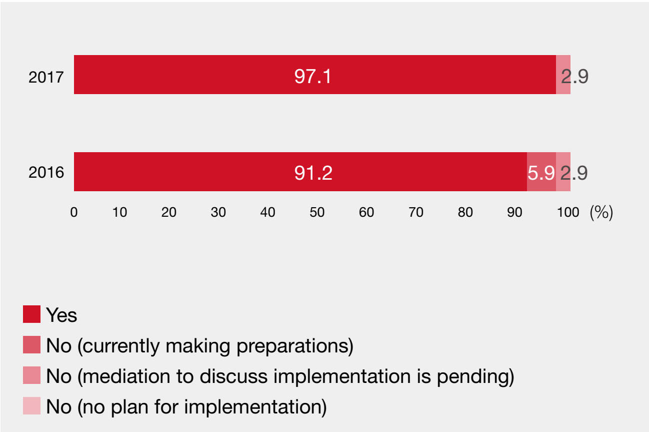
Choices	Number of Responses	Proportion of Responses
Yes (disclosed to the public)	26	89.7%
Yes (disclosed only to clients and subscribers)	2	6.9%
No	1	3.4%

- Of the 29 institutions that indicated they had formal policies pertaining to sustainable investment specific to their organization in Q5, 26 disclosed those policies to the public. Of those 26, 25 included a URL to their website.
- In the 2016 survey, respondents were asked whether they had disclosed information on policies pertaining to Japan's Stewardship Code rather than on sustainable investment. As such, answers cannot be compared with the previous survey.

Q7 Are you engaged in sustainable investment (ESG investment, responsible investment, etc.)?

Number of institutions that answered this question 34

Choices	2016 Survey	2017 Survey
Yes	31	33
No (currently making preparations)	2	0
No (mediation to discuss implementation is pending)	1	1
No (no plan for implementation)	0	0



- The one institution that answered in the negative included a comment indicating it does not believe the engagement investment the company conducts satisfies JSIF's criteria for sustainable investment.

Q8 Are you able to disclose to us your sustainable investment balance under management?

Number of institutions that answered this question 33

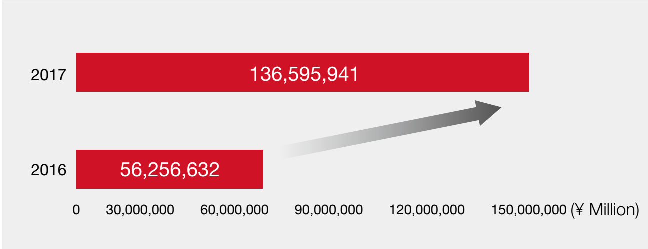
Choices	2016 Survey	2017 Survey
Yes	32	32
No	1	1

- Thirty-two institutions (97.0%) indicated that they were willing to disclose their sustainable investment balance under management.
- The institution that answered "yes" in Q7 and "no" in question Q8 included a comment stating that over half of its assets under management are devoted to sustainable investment, but because it does not divide investment categories, it cannot answer.

Q9–12 Q9–12 are on sustainable investment balances.

(¥ Million)

	2016 Survey	2017 Survey
Total Amount of Sustainable Investment	56,256,632	136,595,941
Respondents	31	32
Average Balance per Institution	1,814,730	4,268,623
Sustainable Investment as Percentage of Total Investment Balance	16.8	35.0



- In response to Q9, 32 institutions listed their total sustainable investment balance under management. At ¥136,595,941,000,000, that total was 2.4 times larger than the total in the 2016 survey.
- While we requested responses for the period ended March 2017 as a general rule, we also accepted responses for other periods. Sustainable investment balances for those periods are included in the total. In Q10, we asked for those periods and amounts that fall outside the period ended March 31, 2017. The breakdown is as follows:
  - End of June 2017: ¥9,111,025,000,000
  - End of July 2017: ¥951,300,000,000
  - End of August 2017: ¥77,254,000,000
- In response to Q11, 31 institutions listed their total asset balance under management for a grand total of ¥383,198,458,000,000. The sustainable investment balance for those same 31 institutions was ¥134,242,641,000,000. Sustainable investment as a percentage of total investment balance was computed via the following calculation. ¥134,242,641,000,000 / ¥383,198,458,000,000 x 100 = 35.0%
- Engagement expansion and clarification of what assets fall under ESG integration as a result of internal adjustments are some reasons for the increase in the proportion of sustainable investment.
- In Q12, nine asset owners reported a total of ¥3,270,476,000,000 in outsourced investments. However, as it was unclear whether all the investment managers that funds were outsourced to responded to the survey, those amounts were left out of the total balance.

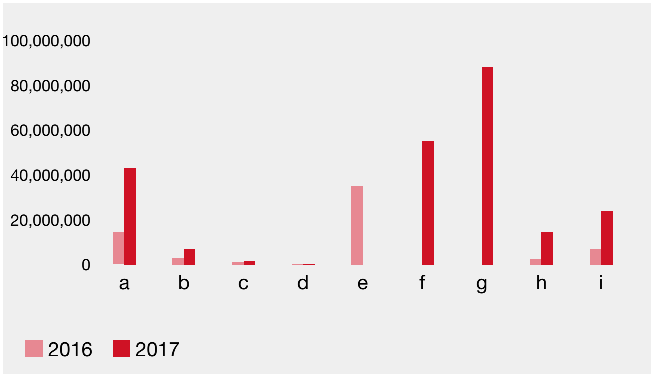
Q13 Please provide the breakdown of investment management methods for the figure provided in Q9.

Number of institutions that answered this question 30

(¥ Million)

	Choices	2016 Survey	2017 Survey	% Change
a	ESG Integration	14,240,387	42,966,133	+201.7%
b	Positive/Best-in-Class Screening	3,020,214	6,693,443	+121.6%
c	Sustainability-Themed Investment	1,036,139	1,384,773	+33.6%
d	Impact and Community Investment	369,657	372,616	+0.8%
e	Exercising Voting Rights/ Engagement	34,890,329	N/A	N/A
f	Exercising Voting Rights	N/A	55,007,706	N/A
g	Engagement	N/A	88,037,433	N/A
h	Negative Screening	2,249,951	14,309,760	+536.0%
i	Norms-Based Screening	6,741,902	23,908,999	+254.6%

(¥ Million)



Notes: Due to multiple answers being permitted, totals are inconsistent with those for Q9.
Because this year's question differed from that in the 2016 survey, answers regarding engagement and exercising voting rights cannot be compared.
Definitions of asset management methods:

1. ESG Integration
   Investment that systematically incorporates ESG (environmental, social, and corporate governance) factors in regular management processes
2. Positive/Best-in-Class Screening
   Investment in selected sectors and corporations through financial and ESG screening
3. Sustainability-Themed Investment
   Investments that reflect sustainability themes, including renewable energy, environmental technology, and agriculture (e.g., renewable energy funds, etc.)
4. Impact and Community Investment
   Investment that prioritizes impact on society, the environment, and the community (e.g., vaccine bonds, green bonds, etc.)
5. Exercising Voting Rights
   Exercising voting rights
6. Engagement
   Engagement based on ESG engagement policies
7. Negative Screening
   Abstention from investment in specific industries or corporations for ethical or religious reasons
8. Norms-Based Screening
   Investment based on standards set by international organizations (OECD, ILO, UNICEF, etc.) (e.g., Oslo Convention —> abstention from investment in corporations affiliated with cluster munitions)

The preceding definitions were made by referencing those set out by the Global Sustainable Investment Alliance (a global network of SIFs), Eurosif, and the PRI.

- Of the 32 institutions that listed sustainable investment balances in Q9, 30 answered the question on different sustainable investment management methods.
- The largest number of institutional initiatives were related to ESG integration, with 22 institutions selecting that choice. The category receiving the largest amount of investment on this survey was engagement, at roughly ¥88 trillion between 16 institutions. Growth in the use of both methods served to increase the total sustainable investment balance in the 2017 survey.
- While 11 institutions selected positive/best-in-class screening, just one institution accounted for over half of the investment amount. When JSIF confirmed this answer with the institution in question, the reply was that there were many places where its sustainable investment overlapped with ESG integration and other methods, which clarified subsequent questions with multiple answers and led to an increase over the 2016 survey.
- Sustainability-themed investment and impact and community investment totals remained largely unchanged in comparison with the previous survey.
- Roughly half of the totals for negative screening and norms-based screening came from the same first-time respondent, which was the major reason for the large increases in total amounts over the 2016 survey and may affect subsequent questions with multiple answers.

Changes to the 2017 Survey and Their Effects

① This was the first year in which respondents were asked to record totals for multiple method categories in cases where several methods applied to the same assets. Due to the new instruction, the number of institutions answering with multiple categories increased from three in the 2016 survey to 17 in the 2017 survey.

② ESG-related engagement/exercising voting rights and general engagement/use of voting rights in the previous survey were divided into exercising voting rights and engagement as two separate categories. This makes drawing a direct comparison with the results from 2016 challenging.

Q14 For those that provided an investment amount for negative screening in Q13, what are the criteria being applied?

Number of institutions that answered this question 6

- Three institutions stated criteria for not supporting corporations that violate socially accepted norms, including those for eliminating antisocial forces.
- Two institutions indicated that they use ESG evaluation criteria, for instance, eliminating corporations with the lowest ESG ratings.
- One institution gave specific examples of criteria for exclusion, including use of forced labor and child labor; production or sale of illegal merchandise; trade in endangered wildlife in violation of the Washington Convention; production or sale of globally unauthorized pesticides or herbicides; production or sale of weapons or munitions; and businesses offering adult entertainment, such as illegal gambling.

Q15 For those that provided an investment amount for norms-based screening in Q13, what are the norms being applied?

Number of institutions that answered this question 5

- Of the five respondents, four institutions specified the Convention on Cluster Munitions as a basis for excluding corporations for investment.
- One institution gave specific examples, including the Washington Convention to ban the trade of endangered wildlife, the International Labour Organization's standards on forced labor and child labor, and OECD standards.

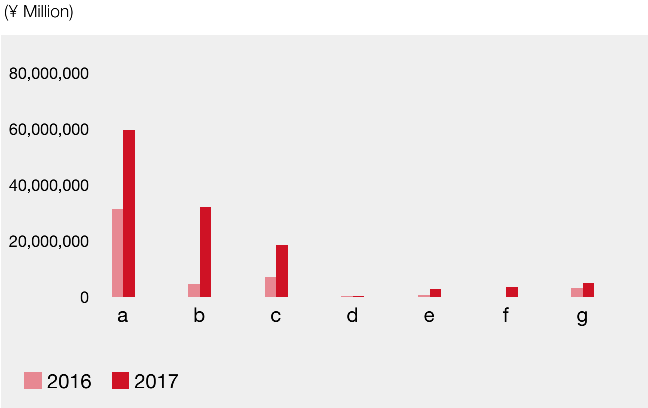
Q16 If permitted, please provide the totals for each asset class for the amount indicated in Q9.

Number of institutions that answered this question 30

(¥ Million)

Choices		2016 Survey	2017 Survey	% Change
a	Japanese Stocks	31,194,049	59,523,773	+90.8%
b	Non-Japanese Stocks	4,564,386	31,842,726	+597.6%
c	Bonds	6,846,696	18,301,518	+167.3%
d	Private Equity (PE)	39,836	190,443	+378.1%
e	Real Estate	406,043	2,666,410	+556.7%
f	Loans	N/A	3,504,432	N/A
g	Other	3,197,093	4,759,604	+48.9%

Note: Because not all institutions answered the question, totals do not match Q9.



- Of the 32 institutions that listed balances in Q9, 30 disclosed sustainable investment balances by asset class.
- Japanese stocks represent the highest total, at ¥59.5 trillion between 25 institutions, followed by non-Japanese stocks at ¥31.8 trillion between 17 institutions and bonds at ¥18.3 trillion between 13 institutions. These three asset classes account for 93.5% of the total balance.
- The number of institutions that answered with "real estate" increased from one in 2016 to six in 2017. This is one reason for the large increase in balance compared with the previous survey.
- "Loans" is a new category.

Q17 If permitted, please provide specific asset classes and their totals for those that listed a balance in the "other" category in Q9.

Number of institutions that answered this question 6

- Many respondents answered that it is difficult to categorize specific examples of "other" assets because of investment trusts such as balanced funds.

Q18 In the past year, how many domestic and international companies did you have engagement, or purposeful dialogue, with as stipulated by Japan's Stewardship Code? Please exclude exercising of voting rights.

Number of institutions that answered this question 25

Number of Companies	2016 Survey	2017 Survey
Under 100	10	7
100 to 500	8	9
500 to 1,000	5	2
Over 1,000	2	4

- Twenty-five institutions indicated that they conduct engagement (purposeful dialogue) with companies.
- Of the eight institutions that did not provide an answer, four had declared adoption of Japan's Stewardship Code (yes to Q4).
- Five institutions stated that they conduct engagement with overseas companies. These same institutions account for about ¥20 trillion, or roughly 60%, of the total balance of investment in non-Japanese stocks in Q16. It is likely that expanded engagement with overseas companies has driven the increase in the investment balance for non-Japanese stocks.

Q19 Please provide specific examples of engagement themes (multiple responses permitted).

Number of institutions that answered this question 22

Choices	Number of Responses
Environmental-Related	18
Social-Related	20
Governance-Related	21

- Fourteen of the examples provided in the environmental-related engagement category were to combat climate change and included initiatives to reduce greenhouse gas emissions, such as CO_2 and CFCs. Other common examples involved disaster response and background checks of and countermeasures against companies that transport hazardous materials.
- Eleven of the examples provided in the social-related engagement category included work environment initiatives, such as workplace reform, promoting the participation of women in the workplace, and decreasing turnover rates. Three examples were regarding human rights-related initiatives, such as child labor. Three additional examples were about building strong relationships with stakeholders. Other common examples involved initiatives to reinvigorate local communities and expanding the sharing economy with regard to real estate companies.
- Nine of the examples provided in the governance-related category regarded accounting for capital policy, such as improving shareholder returns and providing stockholding policies and anti-takeover defense measures. Eight examples concerned evaluations of board of directors' effectiveness. Other common examples included appointing outside directors and the provision and operational status of advisor/consultant systems.

Q20 Please provide us with some commentary within the possible scope for disclosure pertaining to the systematic evaluation processes used in managing the amounts indicated in the previous questions (e.g., "ESG is implemented by the ESG evaluation team"; "screening is conducted through the use of outside assessment bodies or analytic data," etc.). Alternatively, please provide a URL that gives access to disclosure materials.

Number of institutions that answered this question 26

- Sumitomo Mitsui Trust Bank, Limited and Nissay Asset Management Corporation contributed detailed columns (see pages 14–17) in response to this question.
- Eleven institutions provided URLs. All websites are accessible to the public.
- Of the institutions that provided sustainable investment balances in Q9, six institutions declined to answer this question.

Q21 The names of companies and funds that provided sustainable investment balances are to be disclosed in the report for this survey. Please let us know if you prefer that this information not be disclosed.

Number of institutions that answered this question 34

Choices	Proportion of Responses	Number of Responses
Agree to be disclosed	97.1%	33
Prefer not to be disclosed	2.9%	1

4. Column: ESG Evaluations

We received articles from two JSIF Premium Corporate Members—Sumitomo Mitsui Trust Bank, Limited and Nissay Asset Management Corporation—regarding their systematic ESG (environmental, social, and governance) evaluation processes, which we asked about in Question 20 of the JSIF Third Sustainable Investment Survey in Japan.

1. Sumitomo Mitsui Trust Bank

As a responsible institutional investor, Sumitomo Mitsui Trust Bank engages in stock and security management that incorporates not only financial information, which impacts short-term stock prices in relation to business performance and other matters, but also ESG information, which affects corporate value in regard to aspects such as medium- to long-term business opportunities and risks. We also place importance on resolving ESG-related issues through our stewardship activities, which include corporate engagement and the exercise of voting rights.

ESG-related issues exist in the non-financial domain and cannot be identified simply through financial information. Over time, these issues have the potential to significantly impact corporate value. We believe that addressing ESG-related issues is a means of pursuing upside potential over the medium to long term and leads to the reduction of downside risk. We therefore believe that actively responding to these issues is part of our responsibility to work to expand investment returns for our customers. In other words, tackling ESG-related issues helps us fulfill our stewardship responsibilities.

(1) MBIS®: Our Non-Financial Information Evaluation Tool

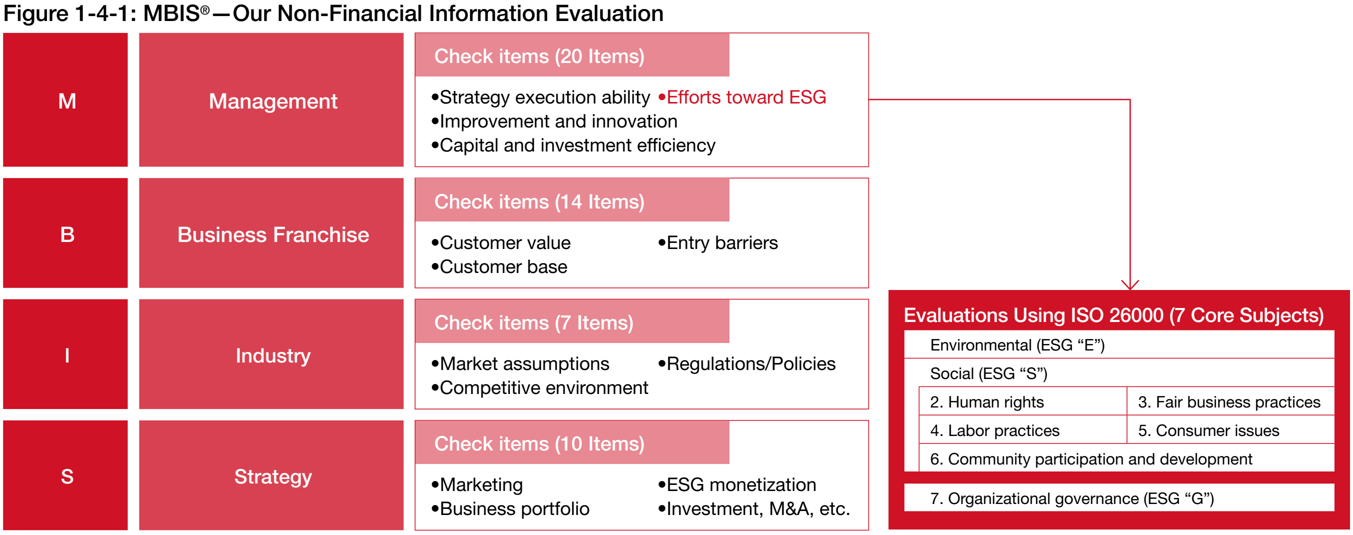
To closely assess the sustainable growth of investee companies, we collect non-financial information (ESG information) that quantitative financial information does not often cover, such as the scale and sustainability of the added value offered by investee companies via their services and products, these companies' governance systems supporting the provision of added value, and their degree of impact on society and the environment, which are the foundations of sustainable growth. We tabulate this information for analysis and evaluation.

Drawing on non-financial information, our in-house developed MBIS® tool is a framework we use to evaluate the strengths companies have and the challenges they face in achieving sustainable growth. "M" is for "management," "B" signifies "business franchise," "I" stands for "industry," and "S" indicates "strategy." Evaluation of a company's ESG initiatives falls under "M," whereas evaluation of the net contribution to income generation and new business creation from ESG is included in "S."

In addition, ESG initiatives are evaluated based on the seven core subjects of ISO 26000, an international standard developed by the International Organization for Standardization that offers guidance on social responsibility. Through the introduction of ISO 26000, we strive to ensure ESG initiatives are aligned with the Sustainable Development Goals (SDGs).

MBIS® is a tool that our highly experienced analysts in the Investment Research Department provide. The MBIS® score is the aggregate of the scores granted to M, B, I, and S

Figure 1-4-1: MBIS®—Our Non-Financial Information Evaluation



subjects. Each subject is based on a comprehensive set of check items, which we developed in order to form an in-depth understanding of the strengths companies have and the challenges they face. In cases where the score granted indicates a significant impact from specific items linked to strengths or challenges, it is possible to derive a score based solely on evaluation of those items alone.

The purpose of MBIS® is to enable analysts to form an in-depth understanding of companies' strengths and the challenges facing them in transitioning to sustainable growth. This tool also ensures analysts do not lose sight of specific items linked to strengths and challenges amid their evaluation of other items.

In order to improve MBIS®, we perform appropriateness verifications of MBIS® scores via regular monitoring and frequently review and update check items based on discussions with external experts and other consultants.

(2) Application of the SDGs in ESG Investment

The Sustainable Development Goals (SDGs) are global targets listed in the 2030 Agenda for Sustainable Development that were adopted at the United Nations Sustainable Development Summit in 2015. The SDGs are derived from the purposes and principles of the UN Charter, including the importance of recognizing international law, for responding directly to ESG challenges on a global scale. The SDGs are composed of 17 goals and 169 targets for realizing a sustainable planet.

The SDGs call on all corporations to apply their creativity and innovation to resolve sustainable development challenges. As such, awareness of the SDGs among corporations has been growing. We have incorporated SDG concepts into MBIS® with the understanding that they will facilitate sustainable growth and future business opportunities for companies. With the 17 goals in mind, we are pursuing engagement with companies.

(3) ESG Integration

In addition to financial information disclosed regularly throughout the fiscal year, we make use of ESG information (non-financial information) in our process of evaluating investee companies. While financial information such as business performance is important in the short-term evaluations of companies as investments, we think assessments concerning the sustainable growth prospects of investee companies are important over the medium to long term.

To this end, with the aim of identifying ways to maintain and improve sustainable earnings at investee companies, we gather ESG information that covers aspects such as how much added value derives from the products and services of companies and whether this added value is sustainable. We also look at the resilience of companies' governance systems, which support the provision of added value. We assess this ESG information with MBIS® and apply our analysis to stock selection as ways to improve active returns on equity investments while reducing downside risk.

This is our approach to ESG integration. We commenced application of this strategy in 2015, and all of our actively managed domestic equity funds now factor in ESG considerations. Some of our actively managed domestic fixed income funds also apply this kind of approach (total assets under management in this fund category using this strategy stand at about ¥2.4 trillion).

The way ESG evaluations are applied differs according to the investment style of each fund. In equity investments, for example, ESG evaluations are used for screening in the selection of stock universes, or they can be used to narrow down stocks deemed investable.

2. Nissay Asset Management ("Nissay AM")

(1) The Practice of ESG Integration

This article introduces Nissay AM's approach to ESG integration and provides an outline of the ESG evaluation process that supports this approach.

1) What Does "ESG Integration" Mean?

What exactly does "ESG integration" mean and, specifically, what elements need to be incorporated therein? Let us clarify these to begin with.

According to the JSIF Third Sustainable Investment Survey in Japan, "ESG integration" is defined as "investment that systematically incorporates ESG factors into regular management processes."

This definition is more conceptual compared with approaches such as "screening," which selects and excludes companies based on the results of ESG evaluation, and "sustainability-themed investments" such as renewable energy funds. There are many stages in a regular management process, from corporate and macro environment analysis to portfolio construction, and the approach of

ESG integration varies depending on the stage at which ESG factors are incorporated. In addition, the integration approach changes significantly depending on whether it applies to active or passive investment.

2) ESG Integration in Active Investment

Nissay AM focuses its strengths on active investment. What approach can be taken for active investment in general?

One example of ESG integration is to conduct enterprise valuation and ESG evaluation separately, and then construct a portfolio (stock selection, portfolio weighting, etc.) by utilizing each of them. In this case, ESG evaluation may not necessarily have a direct link to enterprise valuation.

On the other hand, there is another approach that incorporates ESG evaluation into the enterprise valuation process itself. Generally, enterprise valuation is essential for active investment management. Without it, examination cannot be carried out as to whether or not the current market price is relatively high or low compared with its intrinsic value. If one believes that ESG factors affect corporate financial performance, then it makes sense to incorporate ESG evaluations directly into the enterprise valuation process.

3) ESG Integration at Nissay AM

While there are various methods for enterprise valuation, Nissay AM adopts the discounted cash flow method. Specifically, our in-house analysts make estimations of future cash flows and discount these estimations by the cost of capital to calculate the total present value of future cash flows. The financial impact of ESG factors is reflected in these estimations (Figure 1-4-2).

In other words, ESG evaluations are incorporated into these cash flow estimates. This means that ESG evaluations are also incorporated into the enterprise value, which is calculated from the total present value of future cash flows, and the theoretical stock price as well, which is calculated from the enterprise value.

(2) Nissay AM's ESG Evaluation

1) ESG Evaluation in Long-Term Investments

The discounted cash flow method itself is a commonly used one, so what is the reason to incorporate ESG evaluations into cash flow estimates? The reason lies in the fact that Nissay AM focuses on long-term investments.

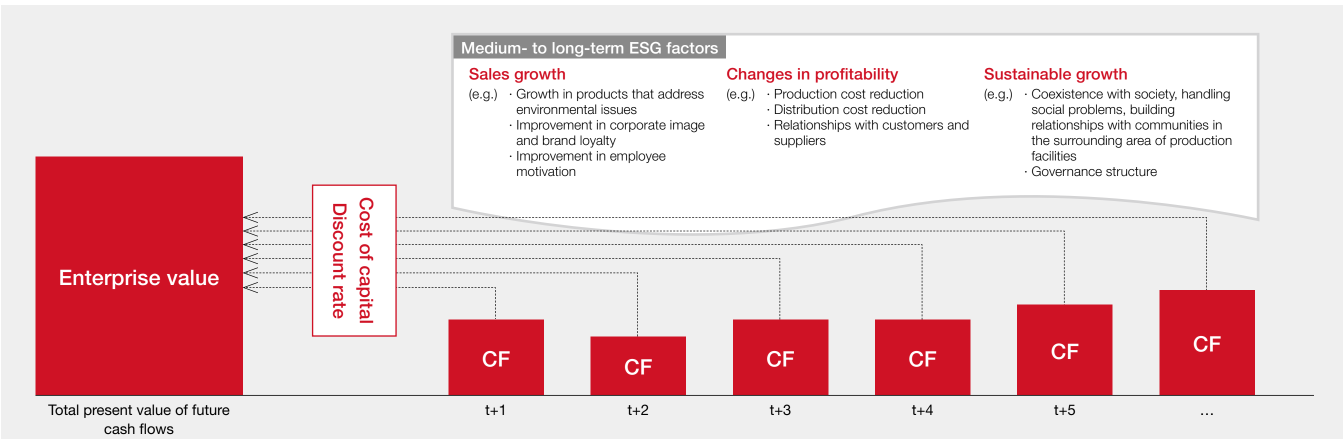
For enterprise valuation, we have made it a rule to forecast a company's financial performance for, at least, the next five years. However, accurate long-term forecasts are not always easy. Actually, it is highly challenging.

However, there are concrete reasons why we perform this task.

The first reason is that we believe these long-term forecasts help us zero in on the intrinsic value of companies that the market has yet to sufficiently recognize. Taking into account the effect of financially material ESG factors in financial forecasts will enable us to obtain more accurate or certain enterprise value and thereby the theoretical stock price. This, in turn, leads to sounder investment decisions.

Furthermore, making long-term financial forecasts is extremely important from the standpoint of fulfilling our social responsibility as an institutional investor. Recently, the necessity for direct communication (engagement) between investee companies and investors has been growing. We believe that engagement with a company from a long-term perspective is an effective way to support long-term corporate management.

Figure 1-4-2: Reflection of ESG Factors in Enterprise Valuation



Source: Nissay Asset Management Corporation

2) Nissay AM's Perspectives on ESG Evaluation

As we have stated before, our goal of ESG evaluations is to incorporate them into long-term cash flow forecasts. To this end, the basic criteria of our ESG evaluation are to clarify whether the financial impacts of ESG factors on long-term cash flow forecasts are positive, neutral, or negative.

In an environmental evaluation (E rating), for example, we place emphasis on whether or not a company's environmental initiatives are linked to corporate value enhancement. We would give a high rating to companies whose products and services that help compliance with environmental regulations and reduce environmental burden can become drivers for profit growth over the long term. On the other hand, we would not give a high rating to companies whose similar products are not expected to contribute to profits due to the fact that they have low levels of profitability or that they are unlikely to increase their market share (no product differentiation with peer companies, etc.).

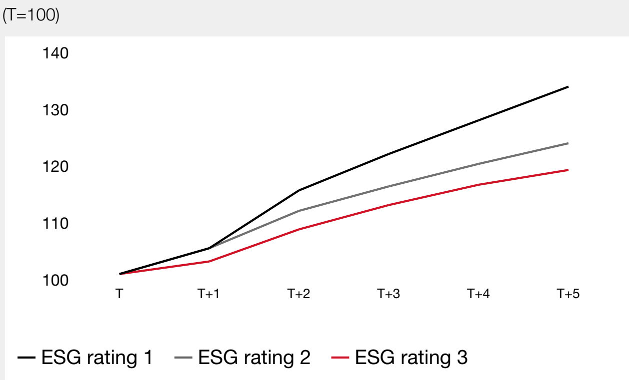
We have in place a framework with a mainly three-point scale rating system that provides each company with an overall ESG rating after evaluating from 13 different perspectives pertaining to ESG.

Figure 1-4-3 shows an example of the relationship between ESG ratings and sales forecasts made by our analysts. Companies with a high ESG rating (ESG rating 1 in the figure) exhibit the highest sales growth forecasts, since the positive effects of ESG factors are incorporated into these forecasts.

Recently, many companies have asked us to inform them about the evaluation criteria of our ESG rating system. The 13 perspectives we mentioned before represent nothing more than a general framework, and the points to analyze differ by industry and even by company. Accordingly, we never make judgments using simple box-ticking evaluations. Thoroughly investigating the relationship between ESG factors and enterprise value on a case-by-case basis represents the core of our research, and this type of investigation also reflects the capabilities of our analysts.

Within this process, we carefully examine the disclosed information of a company, including information found in its integrated report or annual report and other IR documents. In addition, it is extremely important for us to hold interviews with each company. In fiscal 2016, our analysts held 1,672 dialogues with individual companies (Figure 1-4-4), and the information we collected through these dialogues was crucial in conducting high-quality ESG evaluations.

Figure 1-4-3: Relationship between ESG Ratings and Sales Forecasts



* T: Fiscal year 2011 (Forecast mainly as of December 2012)
Source: George Iguchi, "The impact of ESG factors on corporate value" (*Securities Analyst Journal*, August 2013)

Figure 1-4-4: Number of Dialogues Held with Companies in Fiscal 2016 (the year ended March 31, 2017)

Type of Dialogue	Number of Dialogues
Individual dialogues with companies	1,672
Individual, with management team	706
Individual, with investor relations officers	966
Briefing Session	1,860
Total*	3,532

* Does not include telephone interviews
Source: "Review and Self Evaluation of NAM's Stewardship Activities" (disclosed on August 30, 2017), Nissay Asset Management Corporation

(3) Closing Remarks

In this article, we introduced our approach to ESG integration and outlined our ESG rating system, which acts as the core for such integration.

Nissay AM has utilized an ESG rating system for equity investment since 2008. The stock price performance of companies with a high ESG rating has thus far outperformed ever since we began conducting ESG evaluations. This leads us to believe that we have adopted the right direction for our ESG integration, which we have implemented along with continuous improvements.

With that said, the external environment surrounding companies regarding ESG issues is undergoing remarkable changes. It means that we must constantly update our ESG evaluation framework. To this end, we will step up efforts aimed at thoroughly ascertaining ESG materiality (the impact of ESG factors on enterprise value) and improving our analytical capabilities to take into account the effects of such material ESG factors into free cash flow forecasts.

Toshikazu Hayashi

Note: More details on the enterprise valuations and ESG evaluations of Nissay AM can be found in *Management Strategies for Corporate Value Enhancement in the Age of the Stewardship Code*, written by Tomoaki Fujii and Kazuhiko Sasamoto and published by Chuokezai-sha, Inc. in 2014.

5. Column: ESG Indices

In July 2017, the Government Pension Investment Fund (GPIF) commenced passive investment in ESG indices for Japanese equities at ¥1 trillion. The following column was written by two Japan Sustainable Investment Forum (JSIF) members, MSCI ESG Research and FTSE Russell, to explain the three indices chosen by GPIF: MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index, and FTSE Blossom Japan Index.

(1) MSCI Japan ESG Select Leaders Index

1) Concept and ESG Score

The MSCI Japan ESG Select Leaders Index is designed to represent the performance of companies that have high environmental, social, and governance (ESG) performance. The index aims to target 50% of the free float-adjusted market capitalization within each Global Industry Classification Standard (GICS®) sector of the parent index—MSCI Japan IMI Top 500 Index. This method of selection reduces bias in favor of industries producing large numbers of companies with high ESG ratings. MSCI ESG Research uses this selection criteria in determining inclusion based on results from MSCI ESG Ratings and MSCI ESG Controversies, which is designed to inquire into corporate scandals.

MSCI ESG Ratings focuses on industry materiality, analyzing a massive amount of data on 37 key ESG issues for relevance to a company's core business. Companies are evaluated based on industry-specific issues with a high likelihood of influencing said companies. The ratings themselves are on a seven-point scale from AAA to CCC, determined by comparing companies within an industry.

MSCI ESG Controversies is consistent with international standards in its assessments of various corporate controversies. It makes use of a wide range of data, including information used for alerts and negative screening to warn of investor portfolio issues, as well as selection criteria for engagement. MSCI ESG Controversies scores fall on a 0–10 scale and are determined based on severity (amount of loss, number of victims, etc.), whether the issue is structural or temporary, and if it is ongoing or resolved.

2) Index Composition

Constituents for the MSCI Japan ESG Select Leaders Index are selected in the following order until 50% coverage by a cumulative free float-adjusted market capitalization target is reached.

- Securities in the top 35% of corporations with the highest ESG ratings
- AAA-rated and AA-rated securities in the top 50%
- Current index constituents in the top 65%
- Current constituents are given priority in the case of identical ratings, with corporations with the highest scores upon which ratings are based given priority should both institutions be current constituents

Eligibility for acceptance is as follows. The index is reconstituted on the last business day in May, with reviews conducted quarterly.

ESG Ratings Eligibility

- ESG ratings of B or above for current constituents
- ESG ratings of BB or above for non-constituents

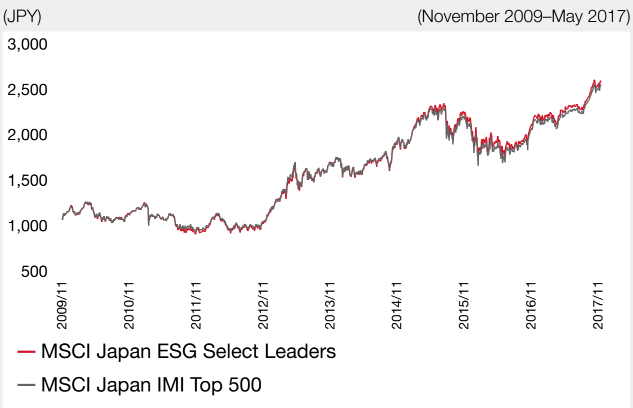
ESG Controversies Score Eligibility

- Controversies score of 1 or above for current constituents
- Controversies score of 3 or above for non-constituents

3) Performance

The index comprised 252 constituents as of July 31, 2017. Cumulative performance for this index is as follows.

Figure 1-5-1: MSCI Japan ESG Select Leaders Index Cumulative Index Performance—Gross Returns



(2) MSCI Japan Empowering Women Index (WIN)

1) Concept and Gender Diversity Score

The MSCI Japan Empowering Women Index (WIN) aims to represent the performance of companies that are leaders within their GICS® sector groups in terms of promoting and maintaining gender diversity, while also meeting certain quality criteria. Companies that promote and maintain higher levels of gender diversity among their workforce may be better positioned to withstand talent shortages and generate more sustainable performance with reduced risk. To support institutional investors seeking exposure to companies that are promoting and maintaining gender diversity among their workforce, MSCI has developed WIN.

MSCI WIN gender diversity scores are based on performance and practices scores. Performance scores make use of five indicators to measure performance and represent workplace participation of women across three core elements of the employment cycle: attraction, retention, and promotion.

Attraction

- Percentage of women among new hires
- Percentage of women in the workforce

Retention

- Difference between men and women in years of employment

Promotion

- Percentage of women in senior management positions
- Percentage of women on boards

Performance metrics rank companies on a scale from 0 to 100 based on disclosed materials. Converting raw data on percentages into numbers on the 100-point scale allows for companies to be divided into equivalent groups, as determined by their assigned numbers. These 0–100 ranks are divided into groups of 10, which provide a company's score. The simple average of all scores available for a company is that company's final gender diversity performance score. In cases where the information disclosed applies to only one metric, scores are deducted by 20%. If the available information applies to two metrics, scores are reduced by 15%, with a 10% discount for three metrics, 5% for four, and full scores for all five.

Qualitative analysis of gender diversity program "practices" is performed on the basis of two metrics. The first is workforce diversity policy and management oversight, and the second is programs to increase workforce diversity. A score from 0 to 10 is awarded for each metric based on disclosed information. The final practices score is the average of the two scores.

The total gender diversity score is calculated by combining the performance score (75%) and the practices score (25%) in a weighted average. In this way, the score reflects both the current performance of a company and its forward-looking policies and programs for supporting the active participation of women in the workplace.

2) Index Composition

With the MSCI Japan IMI Top 500 as its parent index, the MSCI WIN is made up of corporations with the highest gender diversity scores. Corporations with an overall controversy score of 0, a human rights controversy score of 2 or below, or a labor rights controversy score of 4 or below are ineligible.

Selection of Industry Leaders in Gender Diversity

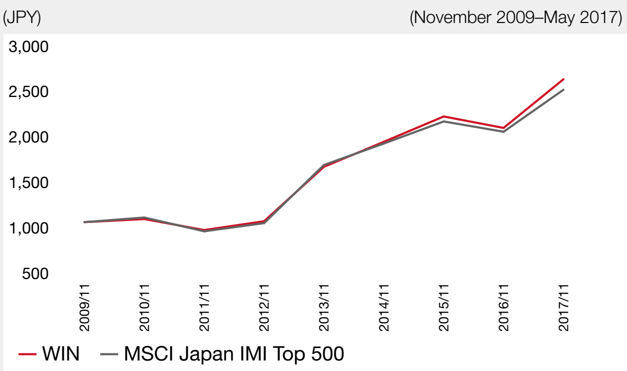
Diversity scores differ slightly by industry. To reduce bias in favor of these industries, companies with the highest scores in their respective GICS® sector groups are selected for inclusion. These companies can be considered gender diversity leaders within the context of their groups. By selecting the leading companies from each sector, all sectors are represented in the MSCI WIN. For large-scale institutional investors, this is an important matter.

When formulating the index, constituent institutions are adjusted and weighted based on overall scores, including quality scores relative to their respective industries.

3) Performance

The index comprised 212 constituents as of July 31, 2017. Cumulative performance for this index is as follows.

Figure 1-5-2: MSCI Japan Empowering Women Index (WIN) Cumulative Index Performance—Gross Returns



Minako Takaba

(3) FTSE Blossom Japan Index

The FTSE Blossom Japan Index was developed by FTSE Russell of the London Stock Exchange Group (LSEG) as an equity index comprising Japanese listed companies that excel in ESG.

1) Constituent Selection Methodology

Constituents of the FTSE Japan Index are selected for inclusion in the FTSE Blossom Japan Index upon achieving a certain rating under FTSE Russell's own ESG ratings system. Because absolute assessment is conducted through a system with ratings standards that are in line with international standards, all constituents of the FTSE Japan Index could qualify, in theory, given sufficient improvements to initiatives and ratings. As of November 2017, 150 institutions had been selected from 502 potential constituents. At that time, the inclusion standard for new companies was a rating of 3.1 or above.

Figure 1-5-3: FTSE Blossom Japan Index Constituent Selection Process

FTSE Japan Index | **502** constituents

▼

Constituent selection (overall ESG rating of 3.1 or above)
Environmental: Climate change, pollution and resources, biodiversity, water use, supply chain
Social: Customer responsibility, health and safety, human rights and the global community, labor standards, supply chain
Governance: Anti-corruption, corporate governance, risk management, tax transparency

▼

Industry-neutral weighting
Equal industry weighting to the underlying FTSE Japan Index

▼

FTSE Blossom Japan Index | **150** constituents

Note: As of November 2017

2) ESG Rating Methodology

ESG evaluations identify important themes for a given company, based on business characteristics such as the geographies and subsectors in which it operates. In particular, scores are derived from exposure of what is important (or material) to a company in relation to 14 ESG themes and over 300 individual theme-related indicators, and how a company responds to said exposure. After determining scores, with 0 being the lowest and 5 the highest, and exposure for each theme, with 0 being the lowest and 3 the highest, overall ratings, with 0 being the lowest and 5 the highest, are calculated on the basis of said scores and exposure and then used to establish inclusion in the index. Efforts to align individual evaluation criteria and themes with existing international frameworks, such as the SDGs and TCFD, and materiality of a company's comprehensive activities, including across multiple industries and countries, become part of a corporation's business characteristics.

Examples of Updates to ESG Rating Methodology in Accordance with TCFD Recommendations

Essential elements of TCFD	Examples of reflection in climate change themes
Governance	Climate change supervision by board of directors Climate change impact policy
Corporate strategy	Climate scenario planning Impact of climate change-related risks and opportunities on financial planning
Risk management	Integration of climate change risk into companywide risk management process
Indicators and goals	Short- to medium-term goals Climate change-related costs / R&D financial quantification Disclosure of GHG emissions and intensity

3) Industry Neutral Compared with Parent Index

Because companies are selected based on an absolute assessment of ESG, the potential exists for a degree of bias among constituents depending on the status of ESG initiatives in each industry as a whole. To minimize this bias, each industry is compared with the parent index—FTSE Japan—after constituent selection and adjusted to ensure the same ratio between industries. As a result, the index has been able to maintain the industry balance and index performance characteristic of its parent and increase the exposure of companies that have exhibited outstanding ESG performance over the long term.

Arisa Kishigami

Figure 1-5-4: Assessment of Responses to Potential ESG Risks through Business Activities

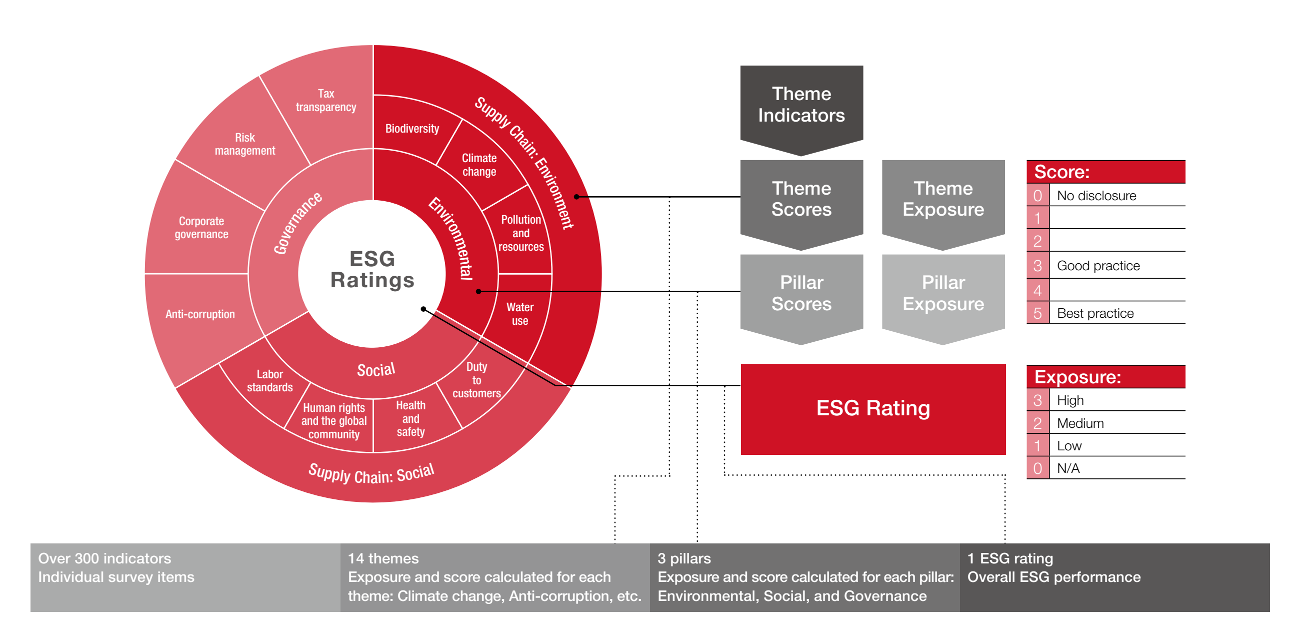


Figure 1-5-5: Performance and Volatility—Total Return

Index (JPY)	Return %						Return pa %*1		Volatility %*2		
	3M	6M	YTD	12M	3YR	5YR	3YR	5YR	1YR	3YR	5YR
FTSE Blossom Japan	12.4	15.4	19.7	24.8	35.6	—	10.7	—	11.3	20.3	—
FTSE Japan	12.0	15.0	19.3	23.4	32.3	150.3	9.8	20.1	10.7	20.1	16.6

*1 Compound annual returns measured over 3 and 5 years, respectively
*2 Volatility–1YR based on daily data over 12 months. 3YR based on weekly data (Wednesday to Wednesday). 5YR based on monthly data

Industry (ICB Sector) by Composition Ratio

ICB Code	ICB Industry	FTSE Blossom Japan		FTSE Japan		Diff %
		No. of Cons	Wgt %	No. of Cons	Wgt %	
0001	Oil & Gas	3	0.97	6	0.98	0.00
1000	Basic Materials	12	6.89	42	6.69	0.20
2000	Industrials	34	23.16	116	23.06	0.10
3000	Consumer Goods	33	24.85	98	24.66	0.19
4000	Healthcare	11	6.72	35	6.65	0.07
5000	Consumer Services	11	10.14	77	10.42	–0.27
6000	Telecommunications	4	5.04	5	5.03	0.01
7000	Utilities	2	1.77	13	1.76	0.00
8000	Financials	21	15.00	76	15.23	–0.23
9000	Technology	19	5.47	34	5.53	–0.06
Totals		150	100.00	502	100.00	

Source: FTSE Blossom Japan Index Factsheet, November 2017

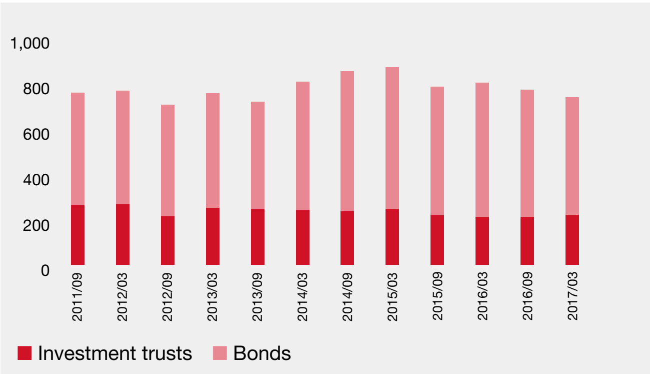
1. Changes in the Value of Investment Trusts and Bonds

This section contains trends in sustainable investment for financial products for individual investors up until March 31, 2017.

The balances for the period ended March 31, 2017, at ¥735.8 billion (¥218.7 billion for investment trusts and ¥517.1 billion for bonds), and the period ended September 30, 2015, at ¥783.6 billion (¥215.9 billion for investment trusts and ¥567.7 billion for bonds), are largely the same. Over the past several years, investment trusts have risen from roughly ¥200.0 billion to ¥250.0 billion, while bonds have fluctuated due to issues and maturities (Figure 2-2-1).

Figure 2-1-1: Investment Trust and Bond Totals

(¥ Billion)



2. Investment Trusts

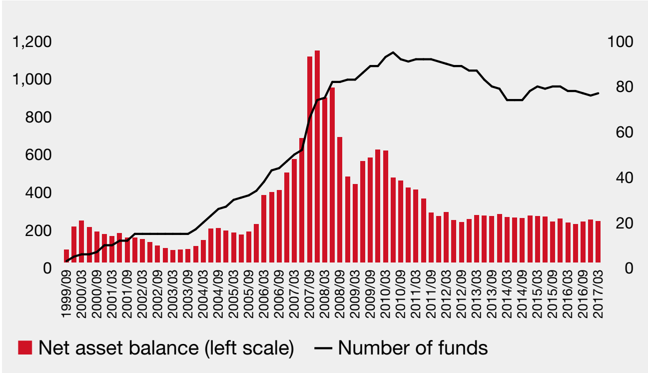
(1) Net Asset Balance

More than 18 years have passed since Nikko Asset Management established the Nikko Eco Fund in August 1999. Total net assets surpassed ¥1.0 trillion in 2007, but since September 30, 2011, the balance has hovered at the ¥200.0 billion level. Meanwhile, total net assets for public investment trusts were ¥57,888.2 billion for the period ended September 20, 2011, expanding to ¥98,774.2 billion for the period ended March 31, 2017*1.

The other chapters in this white paper detail the various ways in which sustainable investment initiatives are spreading. Unfortunately, however, it should be noted that investment trusts for individual investors are on a declining trend.

Figure 2-2-1: Net Asset Balance of Investment Trusts and Number of Funds

(¥ Billion) (Number of trusts)



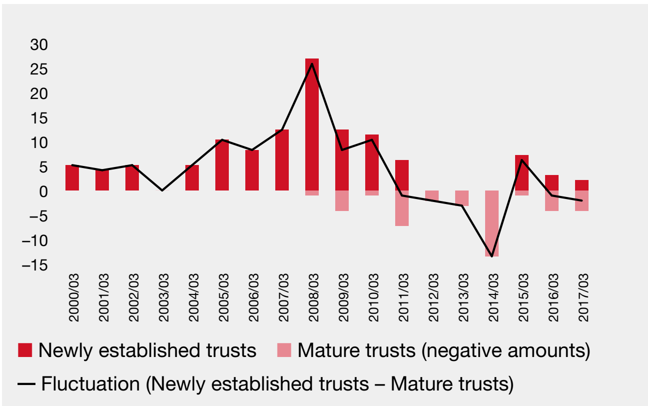
(2) Trends in Newly Established and Mature Investment Trusts

The number of investment trusts fell from its peak of 94 at the end of June 2010 to 76 as of March 31, 2017. Figure 2-2-2 gives a closer look at the details of the shift, displaying yearly (ended March 31) numbers for newly established and mature investment trusts. As shown in the bar graph, mature trusts have largely exceeded new trusts since 2011 (Figure 2-2-2).

Issuance of bonds (to be discussed in further detail later) increased dramatically in 2010, with individual investors seeking sustainable investments switching from investment trusts to bonds.

Figure 2-2-2: Newly Established and Mature Investment Trusts

(Number of trusts)



(3) Future Outlook

Although the overall picture does not appear to be particularly promising, if we look at investment trusts for individual investors, there are signs that the field will expand moving forward.

As of March 31, 2017, the trust with the largest net asset balance—Kamakura Investment Management's Yui 2101—represented ¥26.3 billion. The balance has been growing steadily since the fund was established in March 2010. According to JSIF's quarterly survey, it was the top SRI fund as of March 31, 2016, surpassing the industry pioneer, Sompo Japan Green Open*[2] (Figure 2-2-3).

Figure 2-2-3: Top 3 Net Asset Balances as of March 31, 2017

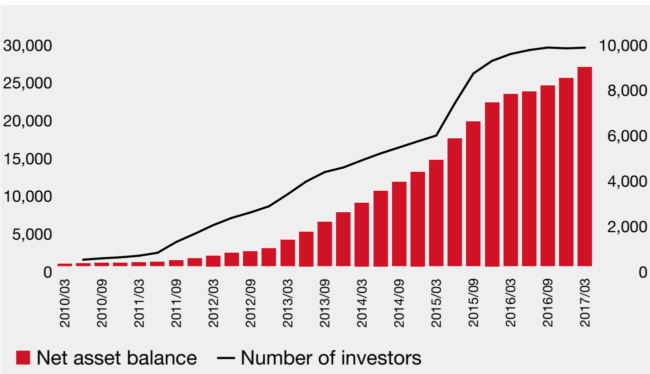
(¥ Million)

	Fund Name (Management company)	Net Asset Balance (¥ Million)
1	Yui 2101 (Kamakura Investment Management)	26,328
2	Sompo Japan Green Open (Sompo Japan Nipponkoa Asset Management)	22,891
3	Nikko Eco Fund (Nikko Asset Management)	10,305

Kamakura Investment Management shares its investment philosophy with individual investors by holding a general meeting for beneficiaries once a year to bring together investment managers, individual investors, and institutional investors. Such activities are ways to garner the support of institutional investors with the desire to contribute to society through investment. The steadily increasing support of institutional investors is demonstrated by the rising number of investors who choose regular fixed-rate purchases (see Figure 2-2-4) and the results of *Investment Trust Bloggers! Fund of the Year 2017 Selection*[3].

Figure 2-2-4: Kamakura Investment Management "Yui 2101" Performance Trend

(¥ Million) (Persons)



Source: Number of investors is the aggregate total taken from Kamakura Investment Fund's "Yui Dayori."

Since the establishment of Japan's Stewardship Code in 2014, there has been a great deal of attention placed on engagement with fund managers and corporations. The kind of situation in which Kamakura Investment Management finds itself may call for fund managers to prioritize their engagement with individual investors as well.

Moreover, the *Financial Report**[4], released once a year since 2014 by the Financial Services Agency, states that the business model of sales companies—which encourages investors to reverse churn their investment trusts and collect fees as a result—is receiving more and more criticism. The circumstances under which sales campaigns were conducted only when investment trusts were newly established and investors were encouraged to switch over to new investment trusts in around two years was not ideal for the durability of investment trusts over the medium to long term. In fact, such circumstances were also not ideal in terms of the compatibility between long-term investments and basic sustainable investments.

Nonetheless, going forward fund managers may also begin to focus on growing one investment trust over the long term with regard to the social value of the business. And, if individual investors agree that investment trusts lead to the steady increase of the net asset balance, we could make a case that investment trusts have a strong connection to sustainable investments.

The figures in this section that do not specify a source are based on data released quarterly by JSIF in cooperation with QUICK Co., Ltd.

*1 Source: The Investment Trusts Association website
https://www.toushin.or.jp/statistics/statistics/data/
*2 Investment trust of Sompo Japan Nipponkoa Asset Management, established in September 1999
http://www.fundoftheyear.jp/
*3 Yui 2101 was ranked within the top 10 for seven years running (2009–2015) by *Investment Trust Bloggers! Fund of the Year 2017 selection*, which recognizes the most distinguished funds through selection by individual investors.
http://www.fundoftheyear.jp/
*4 The name "Financial Monitoring Report," used in 2014 and 2015, was changed to "Financial Report" in 2016.
https://www.fsa.go.jp/en/news/2016/20161028-2.htm

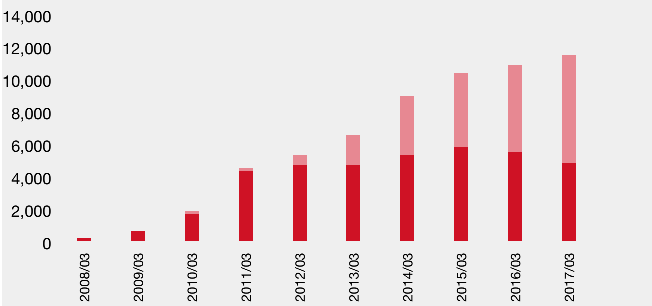
3. Bonds

(1) Issue Balance

A decade has passed since Vaccine Bonds, issued in March 2008 by the International Finance Facility for Immunisation (IFFIm) as the first Impact Investment bonds, were made available to individual investors. As of March 31, 2017, their total sales and issue balance were ¥1,230.2 billion and ¥517.1 billion, respectively (calculated at the exchange rate when figures were published; excluding the decline in the balance due to redemption before maturity). Looking back over the last 10 years, the issue balance increased nearly ¥300.0 billion in 2010 and has since hovered around the ¥500.0–¥600.0 billion level due to the continuance of new issues to compensate for redemptions.

Figure 2-3-1: Trends in Outstanding Bond Issues

(¥ Billion)



(2) Future Outlook

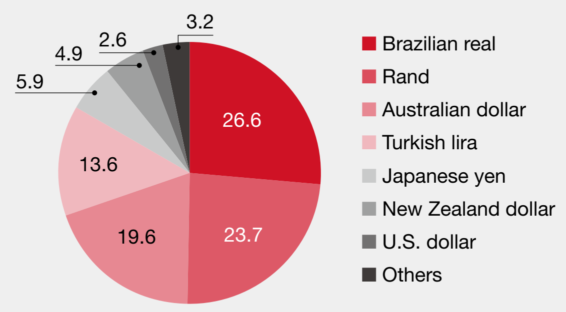
Although the market for investment trusts has contracted since the 2008 financial crisis and remains stagnant, the market for bonds may be headed for an upswing as evidenced by the rising issue balance.

The difference in trends between investment trusts and bonds are due to two factors: (1) bonds tend to have more impact than investment trusts in terms of social contribution as the use of funds procured through their issuance is made transparent, and (2) bonds tend to be bullet bonds with fixed rates, a type of bond that Japanese investors have become accustomed to.

However, what deteriorates the value of Impact Investment bonds is that they tend to be issued in the currencies of emerging countries, which offer higher-than-average interest rates. Five currencies, including the Brazilian real, South African rand, Australian dollar, Turkish lira, and New Zealand dollar, accounted for 88.4% (see Figure 2-3-2)—compared with 85.5% in September 2015—of all Impact Investment bonds sold, which equates to a 3% rise from the previously released results of the *2015 White Paper on Sustainable Investment in Japan*. Moreover, there has been no issuance of Impact Investment bonds in Japanese yen since JICA bonds in December 2014.

Figure 2-3-2: Accumulated Sales by Currency as of the End of March 2017

(%)



While the management of high interest rate currencies susceptible to large foreign exchange fluctuations can be great for high net worth individuals, it is likely unsuitable for building the asset portfolios of young workers. Those who entered the workforce in the year 2000 and beyond are said to be more open to social contributions but, unfortunately, Impact Investment bonds are not designed ideally for these young workers. Moreover, under the current tax system, the accumulation of investment trusts that utilize the iDeCo (individual-type defined contribution) pension plan or the NISA (Nippon Individual Savings Account) tax exemption program is the gateway to asset building. Through this, we can expect reductions in foreign exchange risks and the arrival of investment trusts incorporating Impact Investment bonds*5.

The figures in this section were prepared based on the data released quarterly by JSIF in cooperation with Daiwa Securities Co., Ltd.'s bond sales department.

Yoshitaka Yoshida

*5 As of the end of March 2017, "World Bank Green Bond Funds," which contribute about 30% of invested assets into green bonds, were the only investment trusts that contributed to Impact Investment bonds.
(Nikko Asset Management / June 2010)

4. Other Social Impact Investments

In this section, we will discuss the trend of social impact investments, which serve to resolve social issues more proactively, that do not necessarily fall under the description of investment trusts or bonds even within the range of sustainable investments.

(1) Crowdfunding

Crowdfunding, a new Internet-based approach to investing from relatively small amounts, has been growing at a rapid rate in recent years. Crowdfunding shares similarities with impact investing in that they both need to have emotional appeal to investors.

According to the Yano Research Institute, the scale of the domestic crowdfunding market for fiscal 2016 on a new project assistance basis was estimated at approximately ¥74.5 billion, a 96.6% increase from the previous year[*6]. Loan-based crowdfunding, which accounted for 90% of the total for fiscal 2016 and on which the ban was lifted in 2015, is expected to steer the market due to concerns over stock-based crowdfunding that arose for the first time in 2017.

Figure 2-4-1: Scale of Crowdfunding by Type (Fiscal 2016)

Type		New Project Assistance Amount (¥100 Million)
Investment	Loan-based	672
	Fund-based	3
	Stock-based	0.4
Purchase		62
Donation		5

Currently, loan-based crowdfunding meets the needs of individual investors who seek high yield in a short period of time. While loan-based crowdfunding protects borrowers by not disclosing their company's name and other details to investors, fund-based crowdfunding and stock-based crowdfunding, which are not as confidential, have had a number of proposals for projects with high social contributions since fiscal 2015.

Recent trends show an increasing number of partnerships between crowdfunding managers and regional financial institutions and local governments due to heightened interest in regional revitalization. Music Securities, Inc., which manages fund-based crowdfunding platforms, is affiliated with around 60 regional financial institutions and has been referred to businesses with funding needs. Music Securities has also been strengthening its settlement and sales positions through such measures as enabling customers of Aeon Bank, Ltd., to purchase funds through its Internet banking site in 2017. While reviewing the ways in which financial institutions contribute to invigorating local communities to ensure the survival of regional financial institutions, initiatives such as those of Music Securities will continue to grow. The development of these types of initiatives will be vital for the sustenance of regional financial institutions as the contributions of the financial industry for invigorating local communities are reviewed.

In addition, crowdfunding projects have been expanding in size. Crowd Realty, Inc., a fund-based crowdfunding management company specializing in real estate, raised ¥174 million in funds for the purposes of acquiring and selling land for Shibuya Ward Uehara Share Nursery School.

In the coming future, management companies may generate both qualitative and quantitative improvements in the flow of funds with social impacts. Music Securities announced it has adopted the Sustainable Development Goals (SDGs) as indicators to assess funds during its due diligence process.

(2) NPO Banks, etc.

NPO banks and the Citizens Energy Fund are two example initiatives in which citizens invested in support of programs that contribute to resolving regional issues. While not a new trend, financial products and schemes initiated by citizens for promoting the resolution of social issues are gaining awareness yet again in light of the heightened interest in regional revitalization.

NPO banks are non-profit banks that finance individuals and non-profit organizations conducting activities in support of regional societies, welfare, and environmental preservation through the voluntary provision of funds by citizens. As of March 31, 2017, the aggregate total of financing provided by 15 NPO banks was ¥3.6 billion (up 5.3% year on year) and total funding from citizens was approximately ¥0.6 billion (up 4.4% yoy), as it increased moderately from the previous year[*7].

Meanwhile, the Citizens Energy Fund is a fund through which citizens provide finance to establish and operate clean energy generators in the form of investments in an anonymous association. This initiative has been expanding mainly due to the Great East Japan Earthquake and the resulting damage to the nuclear power plant as well as to the introduction of the feed-in tariff (FIT) scheme for renewable energy sources in July 2012. Currently, there are about 50 organizations comprising the Japan Community Power Association.

Even with such initiatives, which are governed by citizens, there is a trend toward the strengthening of ties with regional financial institutions. For instance, Plus Social Investment, a company involved in the creation and sale of financial products that contribute to building sustainable regional societies, formed business alliances with the Kyoto Shinkin Bank and Ehime Bank in December 2017. Through these partnerships, Plus Social Investment has been establishing a new mechanism for collecting funds from individual investors through the Internet and bank tellers to fund projects that tackle social issues in local regions, such as solar power generators, the utilization of vacant spaces, and welfare services.

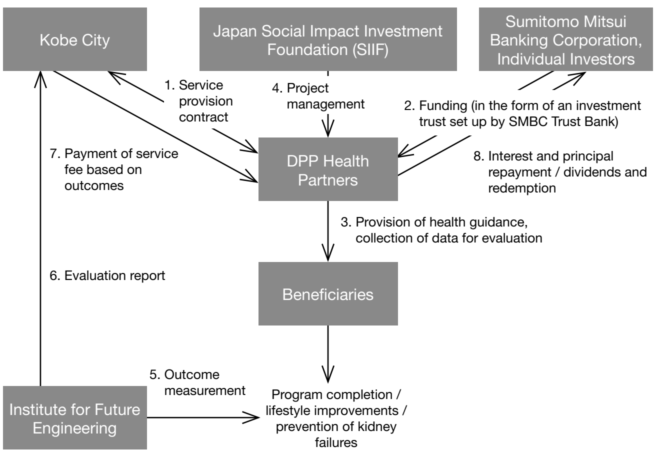
(3) Social Impact Bonds

Marking a new trend in social impact investments, social impact bonds (SIBs) were launched for the first time in Japan in 2017. SIBs are a social impact investment scheme involving a public-private partnership whereby private investors pay for the social projects at the start and receive payments from the government based on the results achieved by the project.

In July 2017, the city of Kobe used SIBs to fund a program on chronic kidney disease, run by DPP Health Partners Co., Ltd., in which around ¥26 million was invested by Sumitomo Mitsui Banking Corporation and its high-net-worth-individual clients as well as by the Japan Social Impact Investment Foundation (SIIF). Depending on the results of this program, the city of Kobe will pay up to ¥7.86 million in additional funds to investors. In so doing, individual investors are able to invest in segments that offer financial returns at relatively low risk at the expense of the SIIF, which invests mainly in segments with relatively high risk.

In addition to this project, SIBs have been undertaken in the city of Hachioji (Tokyo) for a project to improve colorectal cancer screening as well as in the city of Higashi Omi (Shiga) in support of establishing local businesses. All of these initiatives were supported through investments by qualified institutional investors and local residents.

Figure 2-4-2: Kobe City SIB Project Structure*8



Furthermore, there are also a number of SIB projects under consideration by the Japanese government, including the Ministry of Economy, Trade and Industry (METI) and the Ministry of Health, Labour and Welfare (MHLW). With the use of SIBs also being mentioned in the government's growth strategies, such as Investments for the Future Strategy 2017, it is expected to become a trend involving both the public and private sectors.

However, at the moment the adoption of SIBs is still at an early stage and, as a result, the scale of their projects is rather minimal. Going forward, in order to build SIBs into an attractive scheme for high net worth individuals and financial institutions, we can expect the central ministries and governments to promote them throughout a wide network. Although intermediary support organizations, which contribute to the composition of projects in such ways as business structuring, social impact evaluations, and fund procurement, are essential to the implementation of SIBs, there has been a shortage of these organizations in recent years. The creation of a framework that provides technological and financial support for intermediary support organizations through public-private partnerships will be critical going forward.

(4) Future Outlook

As described in the above cases, social impact investment by individual investors is expected to continue growing. Looking ahead, demonstrating social impact investment cases and opportunities will be essential to cultivate demand from individual investors for social impact investments. Asset management institutions are expected to develop new social impact investment products also by strengthening partnerships with regional financial institutions. As for high-net-worth individuals, private banking institutions are expected to play an essential role for matching their clients' demand with social impact investment products and projects. The promotion of tax benefits, such as tax reductions on social investments, will also be imperative for promoting individual investors' demand. Furthermore, the implementation of social impact measurement and transparent reporting will generate both qualitative and quantitative improvements in the flow of funds for tackling social issues.

Reference: "Current Situation of Social Impact Investment in Japan 2017," GSG Domestic Advisory Committee (issued in February 2018)

Fumi Sugeno

*6 Yano Research Institute (2017) "Market Trend of the Japanese 2017 Crowd Funding" September 7, 2017 Press Release
*7 Nationwide NPO Liaison Meeting "Current status of NPO banks nationwide (as of March 31, 2017)"
*8 Social Impact Investment Foundation Press Release Reference Material (July 20, 2017) http://www.siif.or.jp/wp-content/uploads/2017/07/sib_kobe_170720.pdf

3 Engagement and Stewardship

1. Corporate Governance Reforms

(1) Moving On from the "Japan Revitalization Strategy" to the "Investments for the Future Strategy"

In June 2013, the Japan Revitalization Strategy—JAPAN is BACK—was announced as one of the "three policy arrows" that comprise the Abenomics growth strategy. Since then, revisions to the strategy, as well as to its medium-term road maps, have been announced, examined, and implemented every June. Corporate governance reforms in Japan have been carried out as part of these revisions and have included such changes as the establishment and enforcement of the Stewardship Code for institutional investors and the Corporate Governance Code for listed companies, as well as the introduction of outside (external) directors. In these ways, Japan's corporate governance, which had seen very little change over a long period of time, has made major progress, and that progress has been recognized not only within Japan but also overseas.

In September 2016, the Council on Investments for the Future was newly established, being reorganized and built upon the former Industrial Competitiveness Council. In June 2016, a new growth strategy named the Investments for the Future Strategy 2017, aiming for Society 5.0, was announced in place of a revised version of the Japan Revitalization Strategy. In terms of corporate governance, this strategy aims to transition from reforms that are merely "formalities" to ones that have true "substance." As a result, the strategy adopts such policies as limiting strategic holding practices, disclosing information related to consultant roles and advisor systems, and promoting engagement that includes ESG factors based on the Guidance for Collaborative Value Creation, which was formulated by the Ministry of Economy, Trade and Industry*1.

*1 For details, please see pages 120 to 133 of the "Investments for the Future Strategy 2017" website of the Prime Minister of Japan and His Cabinet. https://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/miraitousi2017_sisaku_t.pdf (Japanese version) or pages 120 to 127 of https://www.kantei.go.jp/jp/singi/keizai-saisei/pdf/miraitousi2017_inttv_prgrm.pdf (English version)

Figure 3-1-1: Major Corporate Governance Policies and Related Trends

	Government/Exchange	Asset Owner	Asset Manager and Related Regulations
2013	June Japan Revitalization Strategy—JAPAN is BACK—		
2014	January Launch of JPX Nikkei 400 February Launch of Japan's Stewardship Code August Ito Review	March GPIF review of asset managers and introduction of the "Smart Beta Index" and "Selection of Distinctly Active Investment Institutions"	July 20 overseas institutional investors send joint letters requesting that at least one-third of the boards of directors of Japanese listed companies consist of outside directors.
2015	March Launch of Japan's Corporate Governance Code May Enforcement of the revised Companies Act Start of Corporate Governance report disclosure	September GPIF becomes signatory of the Principles for Responsible Investment (PRI)	
2016	June Japan Revitalization Strategy 2016	November GPIF CIO Mr. Mizuno appointed to become a Board member at PRI	
2017	May Japan Stewardship Code revision May Guidance for Collaborative Value Creation, (Ministry of Economy, Trade and Industry Non-financial Information Disclosure and Dialogue Guidelines) June Investments for the Future Strategy 2017	June GPIF begins ESG investments with custom ESG indices	Start disclosure of proxy voting record on an individual agenda basis among domestic investment institutions October Establishment of the Institutional Investors Collective Engagement Forum (collective engagement)
2018	SS Code and CG Code Follow-up Meeting (Ongoing) January Disclosure of retired presidents/CEOs holding advisory positions such as "*sodanyaku*" and "*komon*"		January Start of MiFID II

Source: Figure created by Japan Shareholder Services Ltd., based on various reports and articles from the website of the Prime Minister of Japan and His Office, the Tokyo Stock Exchange, et al.

(2) Revisions to and Future Direction of Japan's Stewardship Code

Three years after its implementation in 2014, the "Principles for Responsible Institutional Investors <<Japan's Stewardship Code>>" was revised in May 2017. One particular point of interest within this revised version of the code is the recommendation that voting rights be disclosed on an individual agenda basis. In light of this recommendation, a large number of institutional investors, including trust banks, investment management firms, and life insurance companies, have started to disclose the voting records for each agenda item at investee companies on their corporate websites*[2].

In addition, the revised version of the code recommends the active promotion of engagement with companies that hold shares through passive investments such as index investments. As a result of this recommendation, the Institutional Investors Collective Engagement Forum was founded in October 2017*[3]. Current members of this forum include the Pension Fund Association (PFA), trust banks, and investment management firms.

Furthermore, the revisions to the code call for clarification of the roles played by asset owners such as pension funds. The revised code asks asset owners to encourage and monitor asset managers' stewardship activities, which include engagement.

As such, the Government Pension Investment Fund (GPIF), one of the world's largest asset owners, revised its Policy for Fulfilling Stewardship Responsibilities on August 1, 2017. With ¥157 trillion in assets under management as of September 30, 2017, the GPIF has a significant presence on the global stage. However, by law, the GPIF is prohibited from the in-house management of its equity assets, and the exercising of voting rights shall be entrusted to its external managers. In 2015, the GPIF became a signatory institution of the Principles of Responsible Investment (PRI) and started responsible equity investments with custom ESG indices. This reflects the growing trend of asset owners, starting with the GPIF, to actively encourage their external asset managers to engage with investee companies in the corporate governance, environmental, and social fields.

*2 According to a survey by the Financial Services Agency of Japan, as of December 2017, 88 out of 178 organizations that updated their policies with the revision of the Stewardship Code have already published or are planning to publish their updates.

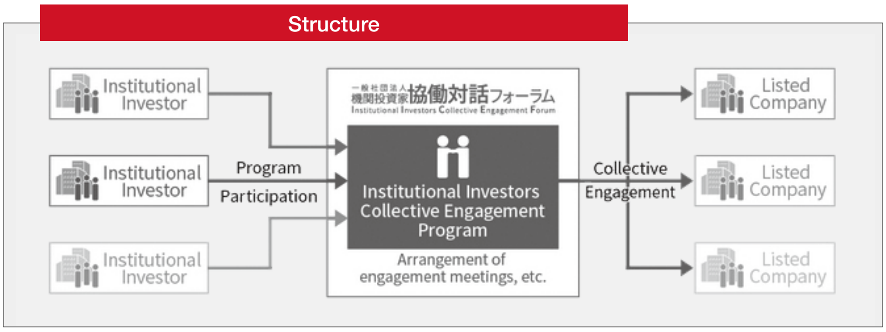
*3 The forum announced in January 2018 that it sent out a letter requesting "Identification and Disclosure of Important Issues (Materialities) on Business Model Sustainability." The Forum says the recipients of the letter shall be large-cap companies that are already engaged in such measures, but specific company names have not been disclosed.

Figure 3-1-2: Major Revisions to the Stewardship Code

Main Revisions	Contents
Monitoring of Asset Managers by Asset Owners	Asset owners should carefully monitor whether asset managers conduct stewardship activities consistent with the asset owners' policies. Emphasis should be placed on the "quality" of dialogue between asset managers and investee companies versus a formal confirmation of the number and duration of meetings held.
Institutional Investors and Management of Conflicts of Interests	Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.
Active Stewardship Activities through Passive Investing	Because passive investing provides limited options to sell investee companies' shares and needs to promote their medium- to long-term increase in corporate value, institutional investors should actively take charge of engagement and proxy voting from a medium- to long-term perspective.
Collective Engagement	In addition to institutional investors engaging with investee companies independently, it would be beneficial for them to engage with investee companies in collaboration with other institutional investors (collective engagement) as necessary.
Disclosure of Voting Records	Institutional investors should at a minimum aggregate the voting records into each major kind of proposal, and publicly disclose them. Furthermore, to enhance visibility of the consistency of their voting activities with their stewardship policy, institutional investors should disclose voting records for each investee company on an individual agenda item basis. If there is a reason to believe it inappropriate to disclose such company-specific voting records on an individual agenda item basis due to the specific circumstances of an investor, the investor should proactively explain the reason. In addition, it is important that asset managers, who often belong to financial groups, disclose company-specific voting records on an individual agenda item basis in order to eliminate concerns that they may not take appropriate actions to manage conflicts of interest.
Proxy Advisors	Proxy advisors should dedicate sufficient management resources to ensure sound judgment in the evaluation of companies and furnish their services appropriately, keeping in mind that the principles of the code, including guidance, apply to them.
Institutional Investor Capability	The management of institutional investors should have appropriate capability and experience to effectively fulfill their stewardship responsibilities, and should be constituted independently and without bias, in particular from their affiliated financial groups. The management of institutional investors should also recognize that they themselves have important roles and responsibilities to carry out stewardship activities such as enhancing dialogue, structuring their organizations and developing human resources, and should take action on these issues.

Sources: Figure created by Japan Shareholder Services Ltd. based on various reports from the Financial Services Agency's website, https://www.fsa.go.jp/en/refer/councils/stewardship/20170529/01.pdf, and other sources

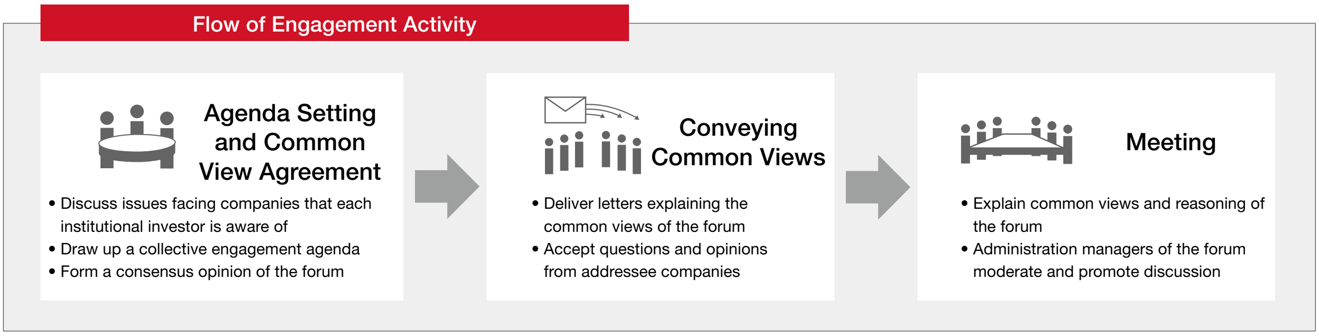
Figure 3-1-3: Framework of Institutional Investors Collective Engagement Forum and Participating Institutions



Participating Asset Managers (As of October 2017)

• Mitsubishi UFJ Trust and Banking • Pension Fund Association (PFA) • Resona Bank, Ltd. • Sumitomo Mitsui Asset Management • Sumitomo Mitsui Trust Bank

* The PFA participates in the forum as an asset manager and not as an asset owner.



Source: Figure created by Japan Shareholder Services Ltd. based on the Institutional Investors Collective Engagement Forum's website: https://www.iicef.jp/en/

Following the revisions to the Stewardship Code, the Corporate Governance Code is slated to be revised in 2018*4. Six themes were raised in regard to the future direction of the Corporate Governance Code at the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code, which was held in response to Investments for the Future Strategy 2017. These themes were incorporated into a cabinet decision regarding the Corporate Governance Code on December 8, 2017.

It is believed that the future direction of the code will likely focus on capital policies, including the possession of internal reserves and cash equivalents, the appointment and dismissal of CEOs (including succession plans), board member composition, and strategic holding practices (including cross-shareholdings).

*4 The Tokyo Stock Exchange and the Financial Services Agency announced the revision of the Corporate Governance Code on June 1, 2018. Details are available on the following website: https://www.jpx.co.jp/english/news/1020/20180601.html

Figure 3-1-4: Investments for the Future Strategy 2017 and Direction of Revisions to the Corporate Governance Code (Excerpt)

Investments for the Future Strategy 2017 Specific Measures to Be Taken (Summary)	**The Twelfth Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code** (Nov. 15, 2017) Six Points of Discussion
① Improve corporate value through corporate governance reform • Effective stewardship activities by institutional investors (enhancing governance and conflict of interest management, monitoring, enhancing disclosure of results of voting records, self-assessment, etc.) • Provision of information by listed companies beneficial for constructive dialogue (management policy/strategy, basic capital policy, business conditions, etc.) • Appointment/dismissal of CEOs in a timely, transparent manner, organization of board of directors with necessary qualities and diversity, management of boards of directors with focus on strategy, and proper evaluation of these efforts • Disclosure of policies on shareholdings and reduction of shareholdings when companies keep them without reasonable motivation ② Enhance management system and promote medium- to long-term investment • Disclosure of information regarding senior corporate advisors (*sodanyaku* and/or *komon*). • Take measures to further pursue dialogue in line with annual general shareholders' meetings (electronic delivery of notice of convocation, including reference materials, promotion of the electronic voting process, developing an environment for companies to set flexible record dates and/or AGM dates) • Disclosure, dialogue, dissemination, and development of investment methods that contribute to medium- to long-term corporate value improvement with ESG (environmental, social, governance) elements in mind ③ Improvement of the quality of disclosure of information by companies, as well as accounting and auditing • Integrated disclosure of business report (*jigyo-hokokusho*) and securities report (*yukashoken-hokokusho*) • Disclosure of quarterly report methodology • Improvement of the quality of accounting standards, as well as the quality and reliability of accounting audits ④ Smoothening of business restructuring • Investigate wide range of regulations to promote business portfolio restructuring, including promotion in utilization of equities	1) Management decisions in response to changes in the management environment 2) Investments and reserves of cash and deposits 3) CEO/the Board 4) Strategic shareholdings 5) Asset owners 6) Other (dialogue with investors)

Sources: Figure created by Japan Shareholder Services Ltd. based on materials from the Cabinet Office and Financial Services Agency's website:
http://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/miraitousi2017_inttv_prgrm.pdf
https://www.fsa.go.jp/en/refer/councils/follow-up/material/20171115-2.pdf

2. Trends in ESG-Related Shareholder Proposals in Japan

As stipulated by Article 303, Paragraph 2 and Article 305, Paragraph 1 of the Companies Act, shareholders possessing either over 1% of the total voting rights of all shareholders or more than 300 units for the preceding six months from the record date are able to submit shareholder proposals to the board of directors of the company in which they own shares. This is not limited to one single shareholder as it also applies to a group of shareholders who, collectively, fulfill the above requirements. However, acceptable proposals shall be included in the agenda items stipulated in the Companies Act of Japan. For example, a proposal calling for the suspension of nuclear power plants is not an agenda item stipulated by the Companies Act, and would therefore be submitted in the form of an amendment to a company's articles of incorporation, because amendments to the articles of incorporation require approval at a general shareholders' meeting according to the Companies Act. Amendments to a company's articles of incorporation are special agenda items that require over two-thirds of the total number of voting rights held by attending shareholders, including prior submission, to be approved. Agenda items such as those involving the appropriation of retained earnings related to dividend amounts or the appointment of directors or corporate auditors are regular agenda items that require only a majority vote to be approved. Although a shareholder proposal submitted as a special agenda item has yet to receive approval, a shareholder proposal submitted as a regular agenda item will likely gain approval in the next few years.

Also, the majority of shareholder proposals in the United States are made as non-binding agenda items, which can be rejected by a company's board of directors even if they hold a majority vote for approval at a general shareholders' meeting. However, in Japan all resolutions at general shareholders' meetings are legally binding, and this is an issue that needs to be looked at carefully.

The status of shareholder proposal submissions at general shareholders' meetings (ordinary and extraordinary) held between July 2016 and June 2017 is displayed in the figure on the next page. Of all the companies listed, there were two companies at which submitted shareholder proposals received approval.

Figure 3-2-1: List of Shareholder Proposals since July 2016

Company Name	Securities Code	Listing	Meeting Date	Proposal Contents (Number of proposals)
Meganesuper Co., Ltd.	3318	JASDAQ	2016/7	Remove one director; appoint one director; appoint one director (total three proposals)
Okayama Paper Industries Co., Ltd.	3892	JASDAQ	2016/8	Partial amendments to the articles of incorporation: 17 provisions; treasury stock acquisition; surplus disposition; appoint 1 director (total 20 proposals)
Tsunoda Co., Ltd.	7308	NSE Second Section	2016/9	Partial amendments to the articles of incorporation; remove one director; remove one auditor; remove one auditor; remove one auditor (total 5 proposals)
PRAP Japan, Inc.	2449	JASDAQ	2016/11	appoint one director (total 1 proposal)
Mandarake, Inc.	2652	TSE Second Section	2016/12	Surplus disposal; treasury stock acquisition (total 2 proposals)
FinTech Global Incorporated	8789	TSE Mothers	2016/12	Partial amendments to the articles of incorporation; new shareholder benefits (total 2 proposals)
U-Shin, Ltd.	6985	TSE First Section	2017/2	Partial amendments to the articles of incorporation (total 1 proposal)
Maruka Machinery Co., Ltd.	7594	TSE First Section	2017/2	Surplus disposal; treasury stock acquisition
Asahi Group Holdings, Ltd.	2502	TSE First Section	2017/3	Partial amendments to the articles of incorporation (total 1 proposal)
Katakura Industries Co., Ltd.	3001	TSE First Section	2017/3	Partial amendments to the articles of incorporation: provisions (total 3 proposals)
Okayama Paper Industries Co., Ltd.	3892	JASDAQ	2017/3 (Extraordinary)	Remove 1 director; treasury stock acquisition; partial amendments to the articles of incorporation (total 3 proposals)
Wakita & Co., Ltd.	8125	TSE First Section	2017/5	Surplus disposal (total 1 proposal)
Shin Nippon Air Technologies Co., Ltd.	1952	TSE First Section	2017/6	Partial revision to the articles of incorporation; surplus disposal (total 2 proposals)
UT Group Co., Ltd.	2146	JASDAQ	2017/6	Partial amendments to the articles of incorporation: 18 provisions; remove 1 director; change in director candidate proposed by company (total 20 proposals)
JP Holdings, Inc.	2749	TSE First Section	2017/6	Partial amendments to the articles of incorporation; appoint 1 corporate auditor (total 2 proposals)
TAC Co., Ltd.	4319	TSE First Section	2017/6	Partial amendments to the articles of incorporation: 21 provisions (total 21 proposals)
Takeda Pharmaceutical Co., Ltd.	4502	TSE First Section	2017/6	Partial amendments to the articles of incorporation; remove 1 director (total 2 proposals)
Fuji Glass Co., Ltd.	5212	JASDAQ	2017/6	Appoint 1 director (total 1 proposal)
Spancrete Corporation	5277	JASDAQ	2017/6	Remove 1 auditor; appoint 1 auditor; remove 1 auditor (total 3 proposals)
JFE Holdings, Inc.	5411	TSE First Section	2017/6	Abolition of outside director system and removal of 1 outside director (total 1 proposal)
Mitsui Mining & Smelting Co., Ltd.	5706	TSE First Section	2017/6	Surplus disposal; partial amendments to the articles of incorporation: 3 provisions (total 4 proposals)
Toami Corporation	5973	TSE Second Section	2017/6	Partial amendments to the articles of incorporation; surplus disposal, remove 1 director (total 3 proposals)
Teikoku Electric MFG. Co., Ltd.	6333	TSE First Section	2017/6	Surplus disposal (total 1 proposal)
Kanematsu Engineering Co., Ltd.	6402	TSE Second Section	2017/6	Appoint 1 director; partial amendments to the articles of incorporation (total 2 proposals)
Nissan Shatai Co., Ltd.	7222	TSE First Section	2017/6	Surplus disposal (total 1 proposal)
Toyoda Gosei Co., Ltd.	7282	TSE First Section	2017/6	Partial amendments to the articles of incorporation (total 1 proposal)
Kuroda Electric Co., Ltd.	7517	TSE First Section	2017/6	2017/6 Appoint 1 director (total 1 proposal)
Kawasumi Laboratories, Inc.	7703	TSE Second Section	2017/6	Partial amendments to the articles of incorporation: 2 provisions; treasury stock acquisition (total 3 proposals)
Eidaikako Co., Ltd.	7877	JASDAQ	2017/6	Appoint 1 director (total 1 proposal)
Tosho Printing Co., Ltd.	7913	TSE First Section	2017/6	Surplus disposal (total 1 proposal)
Chori Co., Ltd.	8014	TSE First Section	2017/6	Partial amendments to the articles of incorporation : 2 provisions; surplus disposal (total 3 proposals)
Narasaki Sangyo Co., Ltd.	8085	TSE Second Section	2017/6	Partial amendments to the articles of incorporation : 2 provisions; treasury stock acquisition (total 3 proposals)
Zett Corporation, Ltd.	8135	TSE Second Section	2017/6	Treasury stock acquisition; partial amendments to the articles of incorporation; cancellation of treasury stock (total 3 proposals)
Shinko Shoji Co., Ltd.	8141	TSE First Section	2017/6	Partial amendments to the articles of incorporation (total 1 proposal)
Mitsubishi UFJ Financial Group, Inc.	8306	TSE First Section	2017/6	Partial amendments to the articles of incorporation: 15 provisions; remove 1 director; change in director candidate (total 17 proposals)
Resona Holdings, Inc.	8308	TSE First Section	2017/6	Partial amendments to the articles of incorporation: 16 provisions; remove 1 director; change in director candidate proposed by company (total 18 proposals)
The Shikoku Bank, Ltd.	8387	TSE First Section	2017/6	Partial amendments to the articles of incorporation; remove 6 directors; remove 4 corporate auditors (total 3 proposals)
Mizuho Financial Group, Inc.	8411	TSE First Section	2017/6	Partial amendments to the articles of incorporation: articles 1-16 (total 16 proposals)
				Partial amendments to the articles of incorporation (total 1 proposal)
The Bank of Kochi, Ltd.	8416	TSE First Section	2017/6	Remove 7 directors; remove 4 corporate auditors (total 2 proposals)
The Minami-Nippon Bank, Ltd.	8554	FSE	2017/6	Partial amendments to the articles of incorporation (total 1 proposal)
Tomony Holdings, Inc.	8600	TSE First Section	2017/6	Abolition of stock compensation-type stock options (stock acquisition rights) to the directors; resignation of 1 director (total 2 proposals)
Fidea Holdings Co., Ltd.	8713	TSE First Section	2017/6	Partial amendments to the articles of incorporation (total 1 proposal)
Tokyo Electric Power Company Holdings, Inc.	9501	TSE First Section	2017/6	Partial amendments to the articles of incorporation; appoint 2 directors (total 2 proposals)
				Partial amendments to the articles of incorporation: 9 provisions (total 9 proposals)
Chubu Electric Power Co., Inc.	9502	TSE First Section	2017/6	Partial amendments to the articles of incorporation: 4 provisions (total 4 proposals)

Company Name	Securities Code	Listing	Meeting Date	Proposal Contents (Number of proposals)
The Kansai Electric Power Co., Inc.	9503	TSE	2017/6	Partial amendments to the articles of incorporation: 6 provisions (total 6 proposals)
				Surplus disposal; remove one director; partial amendments to the articles of incorporation: 5 provisions (total 7 proposals) * Two other shareholders holding a total of 879,404 shares submitted the same amendment on one provision to the articles of incorporation.
				Partial amendments to the articles of incorporation: 4 provisions (total 4 proposals)
				Partial amendments to the articles of incorporation: 4 provisions (total 4 proposals)
				Partial amendments to the articles of incorporation (total 1 proposal)
The Chugoku Electric Power Co., Inc.	9504	TSE First Section	2017/6	Partial amendments to the articles of incorporation: 1-6 (total 6 proposals)
Hokuriku Electric Power Company	9505	TSE	2017/6	Partial amendments to the articles of incorporation: 6 provisions (total 6 proposals)
Tohoku Electric Power Co., Inc.	9506	TSE First Section	2017/6	Partial amendments to the articles of incorporation: 5 provisions (total 5 proposals)
Shikoku Electric Power Co., Inc.	9507	TSE First Section	2017/6	Partial amendments to the articles of incorporation: 4 provisions (total 4 proposals)
Kyushu Electric Power Co., Inc.	9508	TSE First Section	2017/6	Partial amendments to the articles of incorporation: 5 provisions (total 5 proposals)
Hokkaido Electric Power Co., Inc.	9509	TSE First Section	2017/6	Partial amendments to the articles of incorporation: 6 provisions (total 6 proposals)
				Remove 1 director (total 1 proposal)
Yamada Denki Co., Ltd.	9831	TSE First Section	2017/6	Appoint 1 director (total 1 proposal)

Note: Shaded areas represent shareholder proposals that received approval.
Source: Figure created by Japan Shareholder Services Ltd. based on Junkan Shoji Houmu No. 2151 “White Paper on General Shareholder Meetings”

3. Changes among Japanese Institutional Investors Observed at General Shareholders’ Meetings

The voting policies and practices of Japanese institutional investors are being carried out in a much stricter manner and are getting closer to the global standard. This trend can be clearly seen by examining the results of votes on agenda items that each institution has been disclosing following the revisions to the Stewardship Code.

For example, the presence of senior corporate advisors (*sodanyaku* and/or *komon*) at companies is an issue that was highlighted by Institutional Shareholder Services (ISS) and recognized by the Financial Services Agency and the Tokyo Stock Exchange. At many companies in Japan, former presidents and chairmen are employed as senior corporate advisors after they leave office whose election at the general shareholders’ meeting is not required for their appointment as they are not directors. Details of such senior corporate advisors have not been widely disclosed, including the number of members. Some companies have a newly created position called “director and senior corporate advisor (*torishimariyaku-sodanyaku*),” but otherwise these systems are relatively unclear as those persons are not elected at the general shareholders’ meeting. Agenda items regarding this issue proposed at the general shareholders’ meeting held in June 2016, as well as the results of votes by institutional investors regarding such agendas, are listed below. It can be seen that a fair number of institutional investors have approved shareholder proposals and opposed those made by company management.

There has been a rise in active engagement with companies by institutional investors, with various issues not limited to corporate governance. The number of ESG briefings and ESG roadshows held by companies has been rising as well. There have been active discussions on such issues as the independence and skill sets of outside board members (including outside directors and outside corporate auditors), board diversity, and remuneration and retirement bonus systems for board members. As a result of such discussions, many corporations have been enacting a response that has included the selection of highly independent outside directors/corporate auditors, the introduction of performance-linked remuneration systems, and the abolition of retirement bonuses. These trends reflect how engagement by institutional investors has improved the corporate governance of Japanese companies.

Akemi Yamasaki

Figure 3-3-1: Results of Voting Rights Exercised by Japanese Institutional Investors Concerning Counselors and Advisors (General Shareholders’ Meetings Held in June 2016)

Proposal	Securities Code	Company Name	Proposal Contents	Extraordinary Report Approval Rate	Asset Management One	Daiwa Asset Management	Daiwa SB Investments	Nikko Asset Management	Nomura Asset Management	Mitsubishi UFJ Trust and Banking Corporation	Sumitomo Mitsui Trust Bank	Resona Bank
Shareholder Proposal	4502	Takeda Pharmaceutical Company	Amendments to articles of incorporation (abolition of *sodanyaku* position, etc.)	30.51%	Against	Against	Against	For	For	Against	Against	Against
	8387	The Shikoku Bank		20.60%	Against	Against	For	For	Against	Against	For	Against
	9505	Hokuriku Electric Power Company		15.10%	Against	Against	For	Against	For	Against	For	Against
Management Proposal	3822	Minori Solutions	Amendments to articles of incorporation (can be approved by directors and advisors)	98.64%	For	For	For	Against	For	For	Against	For
	7628	Ohashi Technica		97.30%	For	For	For	Against	For	For	Against	For
	8283	Paltac		96.37%	For	For	For	Against	For	For	Against	For

Sources: Figure created by Japan Shareholder Services Ltd. based on the extraordinary reports of each company and on the websites of each institutional investor

By conducting its survey, JSIF has disclosed the results of sustainable investment balance by asset class (page 8, Figure 1-2-4). However, the following information was provided regarding trends in the Japanese market that are not covered by the survey.

1. Foreign (Non-Japanese) Stocks

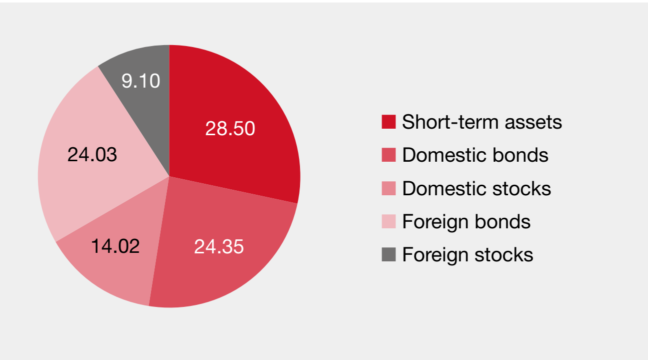
Domestic asset owners, including the Government Pension Investment Fund (GPIF), which manages Japan's entire basic pension fund, allocate assets to non-Japanese stocks as well, for which they also promote stewardship activities.

Until recently, though not officially recorded, the stewardship activities of institutional investors for non-Japanese stocks mainly involved the exercise of voting rights while dialogue was conducted mostly with Japan's investee companies. With the establishment of and revisions to the Japan's Stewardship Code, some domestic fund managers have appointed persons, initiated dialogue with overseas investee companies, and/or outsourced engagement to institutions conducting ESG overlays (dedicated institutions, investment advisory companies, etc.)*1.

The decision to exercise voting rights is quite often made through the recommendations of proxy advisors, such as Institutional Shareholder Services (ISS), and Glass Lewis & Co.

GPIF's Assets under Management

(%)



Source: Government Pension Investment Fund (GPIF)
http://www.gpif.go.jp/operation/highlight.html#tab_03

Akemi Yamasaki

*1 See Mizuho Asset Management One release,
http://www.am-one.co.jp/pdf/news/10/170525_AMOne_Hermes_J_web.pdf
(Japanese only)

2. The Ministry of the Environment's Green Bond Guidelines

(1) Introduction

In March 2017, the Ministry of the Environment (hereinafter, "the MOE") announced its *Green Bond Guidelines*, *2017* (hereinafter, "the Guidelines"). The author, Kazuhiko Abe, was a member of the Green Bond Review Committee (hereinafter, "the Review Committee"), which met four times between October 2016 and March 2017 to discuss the Guidelines, and participated in the Green Bond Opinion Exchange Meeting, which took place in December 2016. The meetings were filled with lively discussions thanks to participation by both academics and practitioners active in the area of Green Bonds.

In February 2017, a meeting was held by the Third-Party Committee for the Green Bond Guidelines, and between January 26 and February 14, 2017, public comments were welcomed. These views and opinions were reviewed and discussed by the Review Committee, leading to the formulation of the Guidelines by the MOE. The MOE states that the Guidelines are "legally non-binding and no legal penalties will be imposed even if a certain action does not comply with the elements*2."

The following is a summary of the Guidelines analyzing the background behind their formulation as well as their characteristics. Note that the views and opinions provided below are those of the author and do not represent those of PricewaterhouseCoopers Sustainability LLC.

(2) Background to Formulation of the Guidelines

Green Bonds are bonds issued by companies, local governments, and other organizations for the purpose of procuring the necessary funds for domestic and overseas Green Projects. Specifically, these bonds have the following characteristics: (1) the proceeds are allocated exclusively to Green Projects; (2) the proceeds are tracked and managed in a reliable manner; and (3) transparency is ensured through reporting after the issuance of the bonds.*3

In recent years, the Green Bond market has been expanding rapidly internationally as Green Bonds are becoming an effective tool for introducing private funds to Green Projects, which contribute to reducing greenhouse gas emissions, and for preventing the deterioration of natural capital. However, only a limited number of Green Bonds have been issued in Japan thus far. As a result, the Guidelines were formulated to simplify the practice of issuing Green Bonds domestically, with the intention of encouraging the growth of Japan's Green Bond market.

(3) Characteristics of the Guidelines

1) Ensuring Consistency with the Globally Accepted Green Bond Principles

Formulating the Guidelines so that they are consistent with the Green Bond Principles (GBP)—the de facto standard for Green Bond issuance—thereby avoiding any duplication, was a core consideration from the outset.

Specifically, the Guidelines recognize that a Green Bond is expected to be aligned with four elements: 1) Use of Proceeds, 2) Process for Project Evaluation and Selection, 3) Management of Proceeds, and 4) Reporting; and bonds that have all elements described with the word “should” in the Guidelines are considered to be internationally accepted as Green Bonds.*[4]

Moreover, in light of the development of the Green Bond market, the Guidelines will be revised in response to changes in the maturity of the Japanese market, international trends, and other conditions.*[5] For this reason, the Guidelines have been prepared as the “2017 edition,” which includes GBP revisions in response to changes in international trends.

2) Examples and Model Cases of Green Bond Issuance

The following is a brief summary of the Guidelines.

① Chapter 2: Overview of Green Bonds

In addition to a definition of Green Bonds and their market trends, this chapter describes the benefits of issuing and investing in Green Bonds and their impact on the environment. The chapter also includes the following figure detailing the flow for issuing Green Bonds*[6].

Figure 4-2-1: Green Bond Issuance Flow

	Procedures for issuing ordinary bonds	Additional procedures for issuing Green Bonds
Preparation for issuance	• Examination of an issuance plan • Acquisition of a rating • Underwriting examination • Documentation • Pre-marketing	• Examination of the scope of projects to which proceeds will be allocated • Examination of the process for Green Project evaluation and selection • Examination of proceeds management and reporting methods • Calculation of expected environmental benefits • Implementation of external review (if necessary)
Issuance of a bond	• Determination of issuance conditions (issue price and interest rate) • Payments by investors	
Management of proceeds	• Management of proceeds • Investing in projects	• Tracking and management of the proceeds from Green Bonds
Interest payment and information disclosure	• Implementation of projects • Annual reporting	• Calculation and reporting of environmental benefits • Implementation of an external review (if necessary)
Maturity redemption	• Redemption at par value on the maturity date • Refinancing (if necessary)	

② Chapter 3: Expected Elements of Green Bonds and Examples of Possible Approaches

This chapter comprises the core of the Guidelines, and thus provides several examples of approaches for ensuring that a bond possesses the expected elements to qualify as a Green Bond. In addition, the examples are accompanied by several figures, which make the content clear and easy to follow. Specifically, examples are provided for the following elements.

The “1) Use of Proceeds” section provides examples on how proceeds from bonds can be used to qualify as Green Bonds. As Green Projects may have some incidental negative impacts on the environment in addition to their intended environmental benefits, examples of these types of impacts are provided within a chart. The section also includes examples with diagrams of cases where Green Bond proceeds are allocated to refinance loans for Green Projects.

The “2) Process for Project Evaluation and Selection” section highlights examples of criteria for the evaluation and selection of Green Projects.

The “3) Management of Proceeds” section lists examples of specific methods for tracking and managing proceeds.

The “4) Reporting” section presents examples of disclosed information as well as of indicators and methods for calculating environmental benefits.

The “5) External Review” section specifies examples of cases where the use of external reviews is particularly beneficial as well as examples of the elements that can be reviewed by third parties. The section also provides a chart with examples of the information that is recommended for provision to third parties responsible for performing the review. In addition, as points to note regarding external review providers, the section presents examples of their expertise and of situations where they are not considered to be independent.

(4) Conclusion

Based on the aforementioned information, the Guidelines provide a useful reference tool for companies, governments, and other organizations when considering the issuance of Green Bonds.

An English version*[7] (a condensed translation of the original Japanese version) of the Guidelines was provided by the MOE. It includes English translations for chapters 1 to 3 and 5 as well as a brief introduction to Chapter 4.

I hope the Guidelines will be effectively utilized to promote the growth of Green Bond markets around the world.

Kazuhiko Abe

Ministry of the Environment's *Green Bond Guidelines, 2017*
http://www.env.go.jp/en/policy/economy/gb/en_greenbond_guideline2017.pdf
*2 Ministry of the Environment's *Green Bond Guidelines, 2017*
http://www.env.go.jp/en/policy/economy/gb/en_greenbond_guideline2017.pdf, disclaimer
*3 Ministry of the Environment's *Green Bond Guidelines, 2017*
http://www.env.go.jp/en/policy/economy/gb/en_greenbond_guideline2017.pdf, page 4
*4 Ministry of the Environment's *Green Bond Guidelines, 2017*
http://www.env.go.jp/en/policy/economy/gb/en_greenbond_guideline2017.pdf, pages 2–3
*5 Ministry of the Environment's *Green Bond Guidelines, 2017*
http://www.env.go.jp/en/policy/economy/gb/en_greenbond_guideline2017.pdf, page 61
*6 Ministry of the Environment's *Green Bond Guidelines, 2017*
http://www.env.go.jp/en/policy/economy/gb/en_greenbond_guideline2017.pdf, page 10
*7 Ministry of the Environment website "*Green Bond Guidelines, 2017 SUMMARY*"
https://www.env.go.jp/en/policy/economy/gb/guidelines.html

3. Japan International Cooperation Agency Bonds

Japan International Cooperation Agency (JICA) has issued bonds (JICA bonds) since 2008 in order to provide funds for ODA loans and private sector investment finance in emerging countries. Amid growing interest in socially responsible investments (SRIs) and environmental, social, and governance (ESG) investments, JICA bonds have received greater attention around the world. We would like to take this opportunity to provide a brief introduction to JICA bonds.

(1) Characteristics of JICA Bonds

JICA bonds comprise the following three characteristics.

① Robust Ties with the Japanese Government

JICA is an incorporated administrative agency that is wholly owned by the Government of Japan. As the sole agency implementing Japan's Official Development Assistance, JICA has robust ties with the Japanese government and has received the same credit ratings as the government (R&I: AA+ Negative, S&P: A+ Stable; as of December 1, 2017).

② Financial Soundness

JICA has received approximately ¥8 trillion as a government investment. JICA also has approximately ¥1.5 trillion in reserve funds, which, together with the government investment, stands at approximately 80% of its total assets of ¥12 trillion.

Figure 4-3-1

Definition of Social Bond

1 Examples of Target Projects: Social Projects

■ Projects contributing to social development (among others)
- > Basic infrastructure development (water and sanitation, hygiene, transportation, etc.)
- > Access to social services (health, education, vocational training, financial services, etc.)
- > Housing support
- > Job creation (micro-financing, support to small-to-medium-sized enterprises)
- > Food security
- > Socioeconomic development

■ Examples of target demographics
- > People below the poverty line
- > Minority groups in society
- > Those affected by natural disasters, etc.
- > People with disabilities
- > Immigrants/refugees
- > Uneducated/unemployed

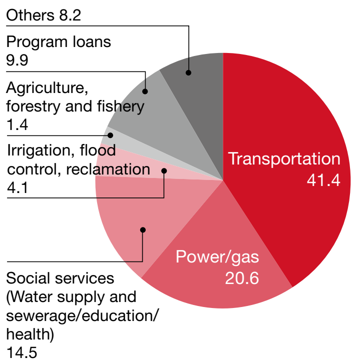
2 Disclosure for Ensuring Transparency

Transparency in the following four items must be ensured.
- ■ Use of proceeds
- ■ Process for project evaluation and selection
- ■ Management of proceeds
- ■ Reporting

Status of JICA Bonds

1 Target Projects: Projects under Finance and Investment Account

■ Areas of Committed ODA Loan Projects (%)



■ Examples of ODA Loan Projects

[Support for transport infrastructure development]
- > India: Ahmedabad Metro Rail Project (First Phase)
- > Uganda: Kampala Flyover Construction and Road Upgrading Project

[Support for those who are vulnerable to natural disasters]
- > Nepal: Emergency School Reconstruction Project
- > Nepal: Emergency Housing Reconstruction Project

[Support for health improvement]
- > Kenya: Health Sector Policy Loan for Attainment of Universal Health Coverage
- > Bangladesh: Maternal, Neonatal and Child Health (MNCH) and Health System Improvement Project

[Support for socioeconomic development]
- > Jordan: Financial Sector, Business Environment and Public Service Reform Development Policy Loan

* Based on loan agreement amount for Japanese fiscal years 2014–2016

2 Mechanism for Ensuring Transparency (Overview)

JICA promotes efforts to ensure transparency in the following ways:

■ Use of proceeds	The funds will be allocated to projects in emerging countries, determined by the standards published by the United Nations and the World Bank, in accordance with the Japanese government's policies including the Development Cooperation Charter.
■ Process for project evaluation and selection	Using evaluation criteria based on international standards, projects are implemented through a transparent process of project evaluation and selection carried out by the Japanese government and external experts.
■ Management of proceeds	The proceeds from JICA bonds are allocated to JICA's Finance and Investment account, which is managed separately from the account for other operations. Inspections and audits are performed by the Board of Audit of Japan, the accounting auditor, and other auditors.
■ Reporting	Both ex-ante and ex-post evaluation reports including quantitative effect indicators are disclosed on JICA's website.[*8]

③ Social Impact through Investment

The proceeds from JICA bonds are allocated to JICA's Finance and Investment account and are used in such ways as establishing basic infrastructure and social services in developing countries (Figure 4-3-1). For that reason, investments in JICA bonds can be recognized as SRI or ESG investments. JICA has also received a second opinion from a third-party institution stating that its bonds have the features of "social bonds," as noted below.

(2) JICA Bonds as Social Bonds

JICA bonds are aligned with the characteristics of social bonds, as their proceeds are used for projects that address social issues in developing countries and for meeting the four disclosure requirements to ensure transparency (use of proceeds, process for project evaluation and selection, management of proceeds, and reporting) as described in Figure 4-3-1. Accordingly, JICA bonds have received a second opinion from a third-party reviewer (Japan Research Institute) for meeting the requirements of the Social Bond Principles published by the International Capital Market Association (ICMA).

(3) Contribution to the Sustainable Development Goals (SDGs)

The issuance of JICA bonds was incorporated into the Japanese government's *SDGs Implementation Guiding Principles* (hereinafter, "the Principles"), published in December 2016 as a concrete measure for achieving the SDGs. The Principles state that the issuance of JICA bonds enables the mobilization of private sector financial resources in Japan for the benefit of developing countries where the markets are growing, and the issuance of JICA bonds is the only measure listed in the Principles[*9].

(4) Track Record of JICA Bonds

As of December 31, 2017, JICA has issued 43 Japanese yen-denominated Fiscal Investment and Loan Program (FILP) Agency bonds (since December 2008)[*10], totaling ¥550 billion, of which seven, totaling ¥100 billion, were issued as social bonds (since September 2016).

Issuance results for Japanese fiscal year 2017 are shown in Figure 4-3-2.

Figure 4-3-2

Issue No.	No. 40	No. 41	No. 42	No. 43
Issue amount	¥10 billion	¥10 billion	¥20 billion	¥20 billion
Maturity period (Maturity date)	10 years (6/18/2017)	20 years (6/19/2037)	20 years (9/18/2037)	20 years (12/18/2037)
Issue date	6/28/2017	6/28/2017	9/20/2017	12/20/2017
Investor yield	0.220%	0.602%	0.597%	0.625%
	16.0 bps over 10-year JGB No. 347	4.5 bps over 20-year JGB No. 161	5.0 bps over 20-year JGB No. 161	4.5 bps over 20-year JGB No. 162

JICA's investor base is unique for its well-balanced proportion of central investors (public institutions, life insurance companies, etc.) and regional investors (local governments, local financial institutions, etc.) and for having a number of investors who want to make an impact through investment in JICA. With the growth of Japan's SRI and ESG market, many investors are including a new criterion of impact investing in their conventional investment strategies (term, yield, etc.). As a result, we have observed an expansion in our investor base.

(5) Conclusion

As the interest for resolving social issues through investments grows, JICA plans to continue issuing social bonds. We hope that JICA bonds will lead to greater interest in our activities.

Japan International Cooperation Agency (JICA)

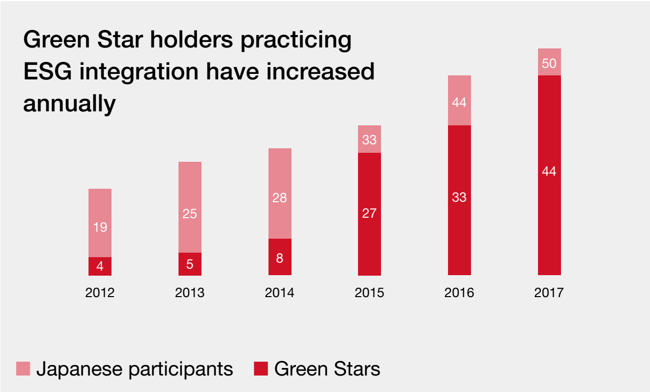
*8 Ex-ante and ex-post evaluation can be found on the following website:
https://www2.jica.go.jp/ja/evaluation/index.php
Annual Report (Business Results): https://www.jica.go.jp/about/report/index.html
*9 *Specific Measures to Achieve Sustainable Development Goals (SDGs)* (Appendix)
http://www.kantei.go.jp/jp/singi/sdgs/dai2/siryou2.pdf
*10 In addition to FILP agency bonds, JICA also issues government-guaranteed bonds (denominated in U.S. dollars).

4. Real Estate

According to the JSIF Third Sustainable Investment Survey in Japan, domestic real estate ESG investments recorded significant year-on-year increases in the number of respondent institutions, from one to six, and in the total amount of investments, from ¥0.4 trillion to ¥2.7 trillion. However, as these figures do not represent the real estate investment market as a whole, this section provides a summary of the entire real estate ESG investment market by each ESG investment method based on the results of the 2017 GRESB Real Estate Assessment*[12] (hereinafter, "GRESB Assessment"), in which 53 Japanese property companies and funds (mainly real estate funds including 34 J-REITs) participated.

Figure 4-4-1: Number of Participants and Green Stars in the Japanese market in GRESB Assessments (2012–2017)

(Persons)



Source: GRESB Assessment Results in the Japanese Market (number of participants only includes those with standing investments)

(1) ESG Integration

As GRESB assesses the ESG aspects of participants from the dimensions of "Management and Policy" of their organization and "Implementation and Measurement" of their portfolio, the 44 Green Stars (2017 Assessment; assets under management totaling approximately ¥15.5 trillion), i.e., participants with high scores in both dimensions, can be regarded as having integrated ESG into the investment processes (see Figure 4-4-1). Considering that only eight participants from Japan were awarded Green Stars and assets under management totaled just ¥1.5 trillion in 2014, the trend clearly reveals that ESG integration has advanced rapidly within the Japanese real estate sector in recent years.

(2) Positive Screening, Thematic Investing, Negative Screening

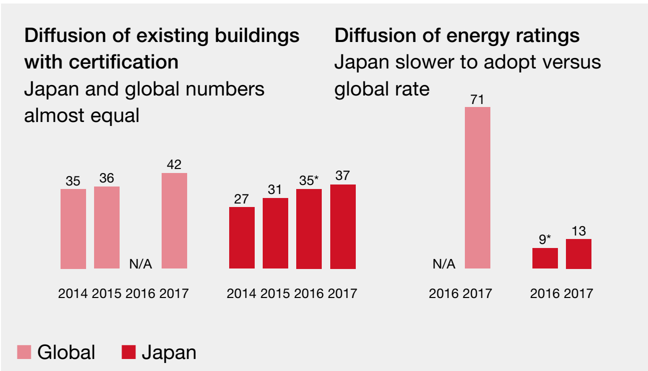
When developing or acquiring properties, the selection of environmentally friendly green buildings, particularly those with green building certification for new buildings, is referred to as "positive screening." According to the 2017 Assessment results, 14 participants reported as having new building certification, a portfolio floor area ratio of 21%, and an estimated investment amount of ¥0.3 trillion. However, it should be noted that these organizations do not necessarily set the green building certification as a requirement for the development and acquisition of property.

Moreover, the number of companies with green building certification for existing buildings has also been on the rise and, according to the 2017 assessment results, 45 participants reported as having existing building certification, a portfolio floor area coverage of 37%, and an estimated investment of ¥4.7 trillion (see Figure 4-4-2, left). Green building certification for existing buildings is mainly acquired during fund operation and ties in with thematic investing (i.e., the Green Building Fund) when combined with the certification for new buildings. However, as there are presently a significant number of organizations acquiring certifications for existing buildings as part of ESG integration, they are excluded from the calculation of total real estate ESG investments below to avoid duplication.

Moreover, energy ratings, which assess and show the energy performance of properties exclusively, have been spreading globally. Energy ratings are expected to spread throughout Japan as well, not only as a tool for positive screening but also for negative screening, and making the actual impact of energy efficiency retrofitting visible (see Figure 4-4-2; adoption rate of energy ratings is 13% in Japan compared with 71% globally).

Figure 4-4-2: Acquisition of Green Building Certifications in Japanese and Global Markets (Floor area percentage)

(%)



Sources: GRESB Assessment Results in the Japanese Market, etc. (2016 figures for Japan are estimates of the author)

(3) Engagement

In the real estate sector, energy efficiency retrofits and other measures that increase the environmental performance of properties would result in “engagement.” Since large-scale retrofit occurs around once in 20 years, this would equate to approximately ¥0.8 trillion if we were to calculate it as 5% of the total amount of properties of GRESB participants each year.

Although building owners are responsible in covering the cost of energy efficiency retrofits in general, the benefits are enjoyed by tenants, which disincentivizes the retrofitting process. To resolve this issue, *Green Leases with Energy Efficiency Retrofits* are being promoted, whereby both the building owner and tenant bear the burden of retrofitting costs. This approach is gaining greater popularity, as evidenced through its use by 17 respondents of the 2017 GRESB Assessment, which may be an effect of the publication of the *Green Lease Guide* in February 2016.

Based on the GRESB Assessment results, the real estate ESG investments in the Japanese market add up to a total of nearly ¥16.6 trillion. However, this estimate does not include most of the investments of real estate developers and asset owners. Moreover, given the GPIF’s emphasis on ESG, including real estate investments, we can expect the real estate ESG investment market to make significant advances going forward.

Ryuichi Horie

*12 GRESB is an ESG index that evaluates real estate companies at the organizational and portfolio level. These evaluations are utilized by asset owners totaling 66 organizations globally and amounting to ¥1,870 trillion (as of September 2017) for investment decisions and monitoring.

Author Biographies

Chapter 1: Trends of Institutional Investors

Review (Considerations Analysis) of the JSIF Third Sustainable Investment Survey Results

Masaru Arai

Chairman of Japan Sustainable Investment Forum (JSIF)
Senior Advisor at Hermes EOS
Part-Time Lecturer at Waseda Business School

FTSE ESG Advisory Committee member/standard working member, CDP Japan Advisory Group committee member, Ecostage third-party evaluation committee member

Masaru Arai is a former board member of the UN's Principles for Responsible Investment and member of the Sustainable Financial System Advisory Committee.

Upon graduating from Keio University's Faculty of Business and Commerce in 1972, Mr. Arai joined Daiwa Securities Co. Ltd. in April of that year.

After studying abroad at The American University in Cairo, residing in Saudi Arabia, and being appointed President of Daiwa ANZ International (Australia), Mr. Arai joined Daiwa Asset Management Co. Ltd. He engaged mainly in management duties and became involved in responsible investment from 2003. After taking on various roles from 2003, including seven years as chief investment officer (CIO), he became chairman of JSIF in April 2012.

[Column] ESG Evaluations

Toshikazu Hayashi

Chief Analyst,
ESG Investment Promotion Office/Investment Research Office
Nissay Asset Management

Toshikazu Hayashi graduated from the Undergraduate School of Engineering Science at Kyoto University in 2005, and obtained a Master of Science in economics from the University of Edinburgh as well as a Master of Philosophy in technology policy from the University of Cambridge. After working at the Ministry of Education, Culture, Sports, Science and Technology and the Japan Research Institute, Mr. Hayashi joined Nissay Asset Management in 2016 and became chief analyst in the following year. At Nissay Asset Management, he is in charge of promoting ESG-related research and ESG integration for investment management processes.

Mr. Hayashi co-authored major works, including *Roadmap to Governance Revolution* (Toyo Keizai Shinposha, 2017) and *Stewardship & Corporate Governance* (Toyo Keizai Shinposha, 2015), and co-translated *Why Women Make Better Leaders?* (Nihon Keizai Shinbun Shuppansha, 2016).

[Column] ESG Indices

MSCI

Minako Takaba

Vice President, MSCI ESG Research

Minako Takaba is a senior analyst and vice president at MSCI Inc. in its ESG Department. In 2000, she graduated from Aoyama Gakuin University with a degree in international political economy. Ms. Takaba went on to Yokohama National University Graduate School of International Social Sciences, earning a master's degree in 2002. She then joined KPMG AZSA Sustainability Co., Ltd., where she was involved in corporation-focused CSR consulting activities, after which she became a CSR manager at Vodafone Japan/SoftBank Mobile. That experience led her to RiskMetrics Group (currently, MSCI Inc.) in 2007, where she was involved in ESG research. Currently, she supervises ESG research on Japanese equities, and serves as a sector analyst for the global consumer and trading industries. Ms. Takaba also co-authored *The Environmental Strategies of Financial Institutions* (Kinzai Institute for Financial Affairs, Inc., 2005). She is a JSIF committee member.

FTSE

Arisa Kishigami

Head of ESG, Asia Pacific, FTSE Russell

Arisa Kishigami is head of ESG for the Asia Pacific region at FTSE Russell, where she engages in promoting awareness of the environment, society, and governance (ESG) as it relates to companies and investment behavior in the region. Ms. Kishigami holds discussions with institutional investors and other stakeholders using ESG-related data in support of their investment decision-making process.

Since 2007, Ms. Kishigami has been engaged in ESG and sustainable investment and has been responsible for engaging in dialogue with corporations (engagement), developing and managing ESG indices and ratings, and supporting institutional investors in implementing stewardship. After working in London, a global hotbed of ESG investment, she transferred to Tokyo in 2015.

Ms. Kishigami has contributed widely to discussions related to PRI's Assessment Technical Committee, ESG, and long-term investments. Through contributions from various sources including JSIF committee members and working group members, she acts as an intermediary between Japan and the world.

Ms. Kishigami obtained a master's degree in African studies from the University of Oxford and graduated from Keio University's Faculty of Policy Management.

Chapter 2: Trends of Individual Investors

Investment Trusts/Bonds

Yoshitaka Yoshida

Individual Investor

Yoshitaka Yoshida began engaging in equity investments in 2000. Mr. Yoshida is a firm believer in investing for the long term in individual businesses and regards research on Japanese culture and history his life's work. As an individual investor, Mr. Yoshida is interested in ESG investment and participates in JSIF activities.

Mr. Yoshida has been serving as head of the secretariat since 2014.

Other Social Impact Investments

Fumi Sugeno

Senior Officer, Business Development Department,
Japan Social Impact Investment Foundation

Fumi Sugeno graduated from the Department of Sociology at the University of Tokyo in 2002, and completed her graduate studies in the International Chinese Language Program at National Taiwan University and the School of International and Public Affairs at Columbia University. After working at Plan International, an international non-governmental organization, in China and the Tokyo branch of Dexia Credit Local Bank, Ms. Sugeno was in charge of helping establish impactful businesses in developing nations through Japanese corporations, research on social impact investment, and ESG research at The Japan Research Institute, Limited. Under her current role since 2017, Ms. Sugeno has been contributing to matters on social impact investment as well as support and research through investing in organizations undertaking social impact investment.

Chapter 3: Engagement and Stewardship

Akemi Yamasaki

Chief Consultant, R&D Consulting Department
Japan Shareholder Services Ltd.

Akemi Yamasaki graduated from Hitotsubashi University's Faculty of Law in 1981. After working some time at a major Japanese securities firm, Ms. Yamasaki joined a think tank. There she was involved in SR/IR consulting work and research as well as the study of corporate governance and ESG. Ms. Yamasaki is a JSIF steering committee member. She co-authored many books and wrote reports and articles on the Stewardship Code, corporate governance, proxy voting, engagement, and sustainable investment trends.

Chapter 4: Trends Pertaining to Different Asset Classes

1. Foreign Stocks

Akemi Yamasaki

2. Bonds

Green Bond Guidelines

Kazuhiko Abe

Executive Officer, PricewaterhouseCoopers Sustainability LLC
Certified Public Accountant and Accredited Assurance Practitioner on Sustainability Information

Kazuhiko Abe graduated from the Faculty of Business Administration, Yokohama National University in 1987. In the same year, Mr. Abe began working at Chuo Audit Corporation and had conducted accounting audits for major corporations and major financial institutions. After working in Australia and the United States, he joined the sustainability service team of PricewaterhouseCoopers Aarata LLC in 2008 and has been providing sustainability-related services to government agencies, major corporations, and major financial institutions. He has co-authored books, including Introduction to Natural Capital.

Mr. Abe is also an auditor at JSIF.

4. Real Estate

Ryuichi Horie

President and Representative Director, CSR Design Green Investment Advisory Co., Ltd.

Ryuichi Horie is president and representative director of CSR Design Green Investment Advisory Co., Ltd., which provides ESG-related assistance for real estate and infrastructure investment management and conducts public surveys on environmentally friendly real estate. Previously, after working at The Industrial Bank of Japan, Limited, and Merrill Lynch Securities, he served as managing director at Deutsche Bank where he oversaw the structured finance business, including renewable energy funds.

Mr. Horie graduated from the Faculty of Law at the University of Tokyo and obtained an MBA at the University of California, Berkeley. He has served as a part-time lecturer at J.F. Oberlin University, chairman of the Ministry of Land, Infrastructure, Transport and Tourism's program on promoting ESG investment, advisor in the United Nations Environment Programme-Finance Initiative (UNEP FI) Real Estate Working Group, chairman of PRI Japan Network Working Group, and a committee member of JSIF.

Note: Author biographies are not provided for Sumitomo Mitsui Trust Bank in Chapter 1 and Japan International Cooperation Agency (JICA) in Chapter 4 as the information has been provided by the respective companies.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JSIF (Japan Sustainable Investment Forum)
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English-language translation, editing, and editorial design services provided by Edge International, Inc.

Special sponsors: Nissay Asset Management Corporation
Comgest Asset Management Japan Ltd.

General sponsors: Sompo Japan Nipponkoa Asset Management Co., Ltd.
CSR Design Green Investment Advisory

Assistance: Trust Forum Foundation

Distribution Price: ¥2,500