JSIF

White Paper on Sustainable Investment in Japan

Japan Sustainable Investment Forum

2022

Japan Sustainable Investment Forum (JSIF)

01

We will continue to develop untiringly as a **corporate value design company that not only brings out but increases the hidden value of corporations**, and as a creative group that delivers wonder and inspiration.

CORPORATE VALUE DESIGN COMPANY

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With **reporting as our starting point**, we will support transformation aimed at corporate collaborative management while helping to **enhance corporate value and foster a sustainable society**.

EDGE International

https://www.edge-intl.co.jp/

JSIF's Sustainable Investment Standards

Sustainable investment is a type of investment that considers environmental, social, and governance (ESG) factors in the investment analysis and investment portfolio decision-making process while taking into account the sustainability of the investment.

White Paper on Sustainable Investment in Japan 2022

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1 Report on the Results of the 2022 Sustainable Investment Survey

Japan's Sustainable Investment Balance at Approximately ¥493.5 Trillion, Down 4% from the Previous Year

1. The Rapid Growth Settles, Owing in Part to ESG Information Disclosure Regulations in Various Countries and Regions

Japan's sustainable investment balance stood at approximately ¥493.5 trillion according to the results of the 2022 Sustainable Investment Survey for Japan, conducted by the Japan Sustainable Investment Forum (JSIF). This figure represents a decrease of ¥20.4 trillion, or 4%, from the 2021 balance. By asset class, assets other than equities increased, continuing the trend of the previous two years. In 2022, assets designated as sustainable investments represented 61.9% of the total assets under management of the institutions surveyed. This was a modest increase from 61.5% in 2021. Compared to 2020, this figure represents an increase of almost 10%. Importantly, fluctuations in representative equity indices and exchange rates did not significantly impact this survey. The number of respondents increased by four, from 52 in 2021 to 56 in 2022.

One reason the sustainable investment balance leveled off in 2022 was that seven large institutions refrained from responding to the survey. The explanation provided by these institutions was that they were internally revising their definition of sustainable investment.

This decision was prompted by the Financial Services Agency's (FSA) revision of the "Comprehensive Supervisory Guidelines for Financial Instruments Business Operators, etc." to address concerns about "greenwashing," where funds that claim to incorporate ESG by name or by their stated investment strategy do not live up to these claims in terms of their actual investments. Institutional investors are reconsidering the classification of funds and the definition of what constitutes a sustainable investment in line with these revisions, which led them to refrain from responding. The revised guidelines were published on March 31, 2023, adding items relating to the disclosure of publicly offered investment trust funds to the existing comprehensive supervisory guidelines. The new points cover the following: 1) Prevention of customer understanding, 2) Investment strategy, 3) Portfolio construction, 4) Reference index 5) Periodic disclosure, and 6) Outsourcing.

The other factor was the EU's Sustainable Finance Disclosure Regulation (SFDR). The SFDR requires transparency in sustainability-related information for financial institutions and financial products in the EU, and classifies these products into three categories. The SFDR has also cemented details related to the definition of sustainable investment. Japanese asset management companies offering products in the EU must comply with the SFDR.

In the 2022 survey, we continued asking investment managers about the number of assets entrusted by asset owners, attempting to eliminate duplication when calculating the aggregate amount. In this survey, some additional respondents answered this question if this was the first time they had done so. This also reduced the total sustainable investment balance.

2. By Asset Class, Investment Balances Increased 26.4% for Private Equity and 33.1% in the Other Category

Looking by asset class, 2021 was notable for a 68.2% jump in the investment balance for bonds and a 265.1% jump in private equity (PE) compared with 2020. In 2022, however, investment in Japanese equities, non-Japanese equities, and Japanese and overseas bonds decreased yearly by 10.2%, 4.3%, and 1.9%, respectively, although the US Dollar/Yen exchange rate increased by 33.5%. The decrease is likely to be a result of the withholding of responses by major financial institutions in the 2022 survey. That said, even though we did not see big leaps to the extent that we saw in 2021, PE is up 26.4%, real estate is up 4.4%, and loans are up 2.0%, which still points to continued growth.

3. By Investment Method, Norms-Based Screening Increased 186.5%, and Sustainability-Themed Investment Increased 159.2%

In terms of investment management methods, ESG integration decreased by 4.8%, negative screening decreased by 6.9%, positive screening by 73.3%, impact investment by 29.3%, proxy voting by 15.4%, and engagement 12.6%. On the other hand, sustainability-themed investment increased by 159.2%, and norms-based screening by 186.5%. As it seems unlikely that the quality of voting rights and engagement deteriorated, it is likely that the 15.4% drop in voting is due to large institutional investors withholding their responses to the survey.

The addition of a new category explains the 73.3% decrease in positive screening: ESG index-linked management. This factor is likely to have led respondents to allocate amounts to this category that were previously allocated to positive screening.

JSIF introduced this category because many investors engaged in ESG index-linked management as universal owners, and some investors have pointed out that JSIF's existing classification framework may not be easy to understand. ESG management linked to an ESG index has continued to increase since roughly 2000, when major index providers started to operate ESG indices. This method has been positioned as a form of positive screening in contrast to negative screening. In the 2022 survey, the amount allocated to ESG index-linked investment corresponds roughly with the decrease in positive screening, which suggests that institutional investors shared the opinion that investment based on an ESG index is a form of positive screening.

The 186.5% increase in norms-based screening is largely due to some large institutions responding in 2022 after not responding in the previous year. In addition, several institutions responded with higher amounts than the previous year. The significant increase of 159.2% in sustainability-themed investment resulted from eight large institutional investors who provided responses ranging from about ¥20.0 billion to ¥1.0 trillion.

These increases resulted from the launch of many new sustainability-themed funds throughout 2022.

We believe the increase in these two categories is partly due to the impact of the EU's SFDR and institutional investors reviewing the different categories of investment methods. We have summarized the key points of the SFDR on page 15 of this white paper.

4. ESG Information Disclosure Regulations in Various Countries and Regions

Over the past year, the most notable development in sustainable and ESG investing has been the announcement of regulations and guidelines for the disclosure of ESG-related information in various countries and regions. In January 2023, Level 2 of the SFDR came into force. Against this backdrop, the SFDR aims to ensure that asset managers and advisors provide information, disclosure, and advice on sustainable investments and also to facilitate the movement of capital flows into products that promote a sustainable economy. Investors in Europe are demonstrating an increased focus on sustainable and ESG investment.

Similar regulations are being considered in the US, UK, and Japan. In the US, the Securities and Exchange Commission (SEC) has proposed disclosure regulations for ESG investment trust funds to provide investors with "consistent, comparable and reliable information." The SEC has also proposed applying the "Names Rule" to ESG investment funds. Based on its Roadmap to Sustainable Investing, the UK government is looking into focusing its efforts towards 1) Sustainability disclosure, 2) UK Green Taxonomy, and 3) Responsible investor stewardship linked with the UK's sustainability commitments.

On December 19, 2022, Japan's FSA called for public comment on its proposed amendments to the "Comprehensive Supervisory Guidelines for Financial Instruments, Business Operators, etc." regarding ESG investment trust funds, accepting opinions until January 27, 2023. The central theme of these amendments is the prevention of "greenwashing" in these funds. The Japanese definition of an "ESG investment trust fund" is not as in-depth as the one in the EU's SFDR. Each Japanese financial institution currently employs its own definition of what an ESG fund is, making it difficult to find a shared definition. A clear definition of ESG funds is expected, along with a minimum set of standards.

During our review of about a dozen SFDR overviews in Japanese and English, we found that many of the critical components were missing. In particular, there were many instances where minimum safeguards were missing from these reports, such as the "principal adverse impacts (PAI)" and "do no significant harm (DNSH)." This white paper therefore devotes a chapter to SFDR. It is the most stringent but not the easiest to understand. I hope that my explanation, provided in Chapter 3, will help you understand the SFDR.

The institutions that responded to this survey are mainly PRI signatories. They are active in sustainable investment and have a global perspective. For the 2022 survey, we wanted responses from more institutional investors. With the help of the FSA, we identified the addresses of around 190 institutions among the signatories to Japan's Stewardship Code and sent them information about the survey. As a result, we added 16 new respondent institutions. Regarding mailing to these Stewardship Code signatories, we obtained permission to use a mailing list of these institutions compiled for a survey to be used in Investigative Research into the Effective Use of ESG Investment towards the Promotion of Measures to Prevent Occupational Accidents. The University of Occupational and Environmental Health conducted the project. It was funded by the Ministry of Health, Labour and Welfare (MHLW). JSIF, as a research partner in the field of ESG investment, participated in the project. Tomohisa Nagata, Associate Professor at the university and the project's managing director, permitted JSIF to use the list.

As in previous years, the PRI Japan Network and CSR Design Green Investment Advisory Co., Ltd. assisted in distributing the survey.

JSIF would like to thank contributors from the Ministry of the Environment, the Japan Investment Advisers Association, the Japan Securities Dealers Association, and the Social Innovation and Investment Foundation (SIIF), each reporting on their respective areas, as well as contributions from corporate and individual members of JSIF. We believe that this White Paper is even more robust as a result. We would like to express our sincere thanks to all those who have worked with us to produce this report.

Masaru Arai, Chair
NPO Japan Sustainable Investment Forum (JSIF)

Survey Distribution Methods

JSIF e-mailed survey requests to institutions for which it could verify contact information. Information regarding the survey was mailed to signatories to Japan's Stewardship Code with the cooperation of the Financial Services Agency. In addition, the PRI Japan Network and CSR Design Green Investment Advisory Co., Ltd. assisted in distributing the survey.

JSIF received responses from 54 institutions on their sustainable investment balances due to these distribution methods. JSIF also estimated figures for two other institutions based on publicly available data and added these amounts to the sustainable investment balance. Therefore, this year's survey amounts reflect the investment balances of 56 institutions, comprising 54 respondents and two estimates.

Institutions That Provided Investment Balances for the Sustainable Investment Survey
All 54 Respondent Institutions

Asahi Mutual Life Insurance Company
Asahi Life Asset Management Co., Ltd.
Asset Management One Co., Ltd.
Amundi Japan Ltd.
Comgest Asset Management Japan Ltd.
Daido Life Insurance Company
The Dai-ichi Life Insurance Company, Limited
The Dai-ichi Frontier Life Insurance Co., Ltd.
Daiwa Asset Management Co. Ltd.
Daiwa House Asset Management Co., Ltd.
DBJ Asset Management Co., Ltd.
Endeavor United Co., Ltd.
FIL Investments (Japan) Limited
Fukoku Capital Management, Inc.
Higo Bank Pension Fund
Ichiyoshi Asset Management Co., Ltd.
Integral Corporation
J-STAR Co., Ltd.
JA Kyosai
Japan Post Insurance Co., Ltd.
Japan Real Estate Asset Management Co., Ltd.
Japan REIT Advisors Co., Ltd.
KJR Management
Meiji Yasuda Life Insurance Company
Mitsui & Co. Alternative Investments Limited
MS&AD Insurance Group Holdings, Inc.
MU Investments Co., Ltd.
Nikko Asset Management Co., Ltd.
Nippon Life Insurance Company
Nissay Asset Management Corporation
Nomura Asset Management Co., Ltd.
Nomura Real Estate Asset Management Co., Ltd.
Norinchukin Zenkyoren Asset Management Co., Ltd.
Pictet Asset Management (Japan) Ltd.
Prologis REIT Management K.K.
Resona Asset Management Co., Ltd.
Schroder Investment Management (Japan) Limited
Seiryu Asset Management Ltd.
Sekisui House Asset Management, Ltd.
Shinkin Asset Management Co., Ltd.
Sompo Japan Insurance Inc.
Sompo Asset Management Co., Ltd.
Sophia University
SPARX Asset Management Co., Ltd.
Sumitomo Life Insurance Company
Sumitomo Mitsui DS Asset Management Company, Limited
Sumitomo Mitsui Trust Asset Management Co., Ltd.
T&D Asset Management Co., Ltd.
Taiju Life Insurance Company Limited
Taiyo Life Insurance Company
Tokio Marine Asset Management Co., Ltd.
Tokio Marine & Nichido Fire Insurance Co., Ltd.
The University of Tokyo
One respondent institution did not wish to have its company name published.

Institutions Included in Calculations Based on Publicly Available Information (Two Institutions)

Government Pension Investment Fund (GPIF)
Pension Fund Association for Local Government Officials

Previous Results

Overview

	2020	2021	2022
Total Sustainable Investment Balance (millions of yen)	310,039,275	514,052,801	493,597,729
Sustainable Investment as a Percentage of Total Assets under Management	51.6%	61.5%	61.9%
Number of Respondents	47	52	56

Sustainable Investment Balance by Investment Management Method

(Millions of yen)

	2020	2021	2022
ESG Index-Linked Management (Selection-Based)	–	–	6,177,139
ESG Index-Linked Management (Tilted)	–	–	10,287,923
ESG Integration	204,958,018	422,115,459	401,685,956
Negative Screening	135,263,369	261,039,802	243,050,365
Positive Screening	14,643,189	24,867,183	6,642,523
Sustainability-Themed Investment	7,988,505	10,665,994	27,643,029
Impact Investment	140,363	706,280	499,489
Norms-Based Screening	28,308,180	59,648,963	170,903,096
Exercising of Voting Rights	167,597,095	239,487,347	202,554,552
Engagement	187,170,342	261,495,512	228,639,749

Sustainable Investment Balance by Asset Class

(Millions of yen)

<table>
<tr><th></th><th>2020</th><th>2021</th><th>2022</th></tr>
<tr><td>Japanese Equities</td><td>97,844,264</td><td>133,542,411</td><td>119,887,326</td></tr>
<tr><td>Non-Japanese Equities</td><td>50,166,491</td><td>78,931,336</td><td>75,557,430</td></tr>
<tr><td>Domestic Bonds</td><td rowspan="2">180,123,263</td><td>135,985,817</td><td rowspan="2">297,189,492</td></tr>
<tr><td>Overseas Bonds</td><td>166,982,310</td></tr>
<tr><td>Private Equity (PE)</td><td>1,129,313</td><td>4,123,135</td><td>5,211,348</td></tr>
<tr><td>Real Estate</td><td>8,162,100</td><td>11,998,553</td><td>12,530,840</td></tr>
<tr><td>Loans</td><td>10,421,862</td><td>14,465,072</td><td>14,747,584</td></tr>
<tr><td>Other Sustainable</td><td>10,401,896</td><td>12,046,656</td><td>16,032,173</td></tr>
</table>

Notes: 1. When calculating sustainable investment balances, the fullest attempt was made to avoid duplicating the investment balances of investment managers and asset owners. However, due to the difficulty of avoiding such duplications when calculating sustainable investment balances by investment management method and asset class, there is an overlap in the amounts entrusted to investment managers and amounts entrusted by asset owners. Another factor contributing to the presence of duplicate amounts is that respondents provided multiple answers regarding their investment management methods. In addition, some respondents did not specify an asset class. As a result, the sum of sustainable investment balance by investment management method and sustainable investment balance by asset class does not amount to the total sustainable investment balance.

2. Based on publicly available information, we have included Government Pension Investment Fund (GPIF) amounts in calculations for the survey. FY2021 ESG Report, published by GPIF, states that all assets managed by GPIF fall under the category of ESG-oriented investment. Nevertheless, as with the 2021 survey, we have excluded a total of ¥20.9 trillion related to private Japanese bonds from the survey calculations. We have excluded these amounts for the following reasons: Japanese government bonds account for the majority of the Japanese bonds under GPIF's management; JSIF believes that it is difficult for GPIF to conduct ESG integration and engagement regarding said bonds; and GPIF has not yet published the details of their initiatives.

Survey Results

Survey questions can be found at:
https://japansif.com/JSIFsurvey2022qa.pdf (Japanese only)

Q1 (This question has been omitted as it pertains to a code for identifying respondent institutions)

Although the responses to the following questions are essentially those of 56 institutions (54 respondent institutions and two for which estimates were conducted), the “total” given for each item reflects the number of institutions that answered the question, as some institutions refrained from answering specific questions.

Q2 Please describe your role in capital management and capital structure.

Choices	2021	2022
Asset Owner	18	21
Investment Manager	34	35
Asset Owner and Investment Manager (both apply)	1	0
Total	53	56

The total number of respondent institutions was 54. Besides these, JSIF added to its calculations the investment balance figures for two asset owners based on publicly available information.

Q3 Have you declared the adoption of Japan’s Stewardship Code?

Choices	2021	2022
YES	40	41
NO	13	14
Total	53	55

Q4 Which of the following initiatives have you adopted or are you involved in?

Choices	2021	2022
United Nations Environment Programme Finance Initiative (UNEP FI)	9	7
International Corporate Governance Network (ICGN)	10	13
Carbon Disclosure Project (CDP)	19	22
Principles for Responsible Investment (PRI)	45	50
Principles for Financial Action for the 21st Century (PFA21)	22	26
Montréal Carbon Pledge	4	4
Task Force on Climate-related Financial Disclosures (TCFD)	34	35
Climate Action 100+	18	25
Taskforce on Nature-related Financial Disclosures (TNFD)	–	9
Glasgow Financial Alliance for Net Zero (GFANZ)	9	15

This question was changed in 2022 to focus on initiatives related to management. In addition, the Net Zero Asset Managers initiative (adopted by seven institutions), and the Net Zero Asset Owner Alliance (adopted by two signatory respondent institutions), previously separate choices in the 2021 survey, have been combined under Glasgow Financial Alliance for Net Zero (GFANZ).

Q5 Do you have a formal policy on sustainable investment specific to your organization, and have you announced this policy?

Choices	2022
YES (disclosed publicly)	51
YES (disclosed to customers, subscribers, and similar entities only)	5
NO	0
Total	56

The 2021 data does not exist because the two questions were merged into one in the 2022 survey.

Q6

Please explain any proprietary or characteristic methods used by your company to evaluate sustainable investment or ESG investment if such methods exist. If the method or methods can be summarised in 500 characters or fewer, we may include it in an article. If there is a website disclosing details, please provide it as well.

Since the number of responses exceeded expectations, we have published them on the JSIF website, excluding those where disclosing the company's name would prove difficult.

https://japansif.com/survey (Japanese only)

Q7

Q7–Q11 pertain to sustainable investment balances.

	2021	2022
Sustainable Investment Balance (Millions of yen)	514,052,801	493,597,729
Percentage of Total Funds under Management	61.5%	61.9%
Number of Respondents	52	56

Method for calculating sustainable investment balance

To avoid duplication of the investment amounts provided by asset managers and asset owners to the greatest extent possible, the ¥135,101,927 million trust amount from the pension funds of institutions that responded based on their role as investment managers was deducted from the total sustainable investment balance of ¥628,699,656 million for the 56 institutions.

¥628,699,656 million – ¥135,101,927 million = ¥493,597,729 million

Method for calculating sustainable investment as a percentage of total assets under management

Total funds under management for the 56 institutions was ¥1,016,443,803 million. Accordingly, the sustainable investment as a percentage of total assets under management was calculated as follows:

¥628,699,656 million ÷ ¥1,016,443,803 million × 100 = 61.9%

Data collection period

While we requested responses for the period ended March 31, 2022, as a general rule, we also accepted responses for other periods. Sustainable investment balances for those periods are included in the total. In Q8, we asked for those periods and also amounts that fall outside the period ended March 31, 2022. The breakdown is as follows:

(Millions of yen)

End of December 2021	171,698
End of February 2022	1,469,536
End of April 2022	334,487
End of May 2022	1,498,812
End of June 2022	20,446,477
End of July 2022	604,491
End of August 2022	24,978

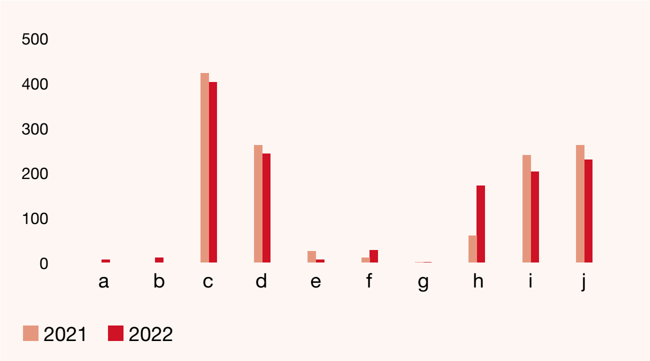
Q12

Please tell us the proportion of the amount indicated in Q7 allocated to each asset management method listed below.

(Millions of yen)

Choices		2021	2022	% Change
a	ESG Index-Linked (Selection-Based)	–	6,177,139	–
b	ESG Index-Linked (Tilted)	–	10,287,923	–
c	ESG Integration	422,115,459	401,685,956	–4.8%
d	Negative Screening	261,039,802	243,050,365	–6.9%
e	Positive (Best-in-Class) Screening	24,867,183	6,642,523	–73.3%
f	Sustainability-Themed Investment	10,665,994	27,643,029	+159.2%
g	Impact Investment	706,280	499,489	–29.3%
h	Norms-Based Screening	59,648,963	170,903,096	+186.5%
i	Exercising of Voting Rights	239,487,347	202,554,552	–15.4%
j	Engagement, Shareholder Proposals, etc.	261,495,512	228,639,749	–12.6%

(Trillions of yen)



Notes: 1. In calculating the total sustainable investment balance, an attempt was made to avoid duplication as much as possible. However, since it is challenging to determine balances by investment management method, figures contain a duplication of the trust amounts of investment management companies and the amounts entrusted by pension funds. Additionally, as there is some duplication due to multiple answers, the total for each investment management method is inconsistent with the total amount stated in Q7.

2. We divided the question on sustainability-themed investment into three categories of equity investments, bond investments, and other assets. The breakdown is as follows:

(Millions of yen)

	2021	2022	% Change
Equity Investments	2,594,051	3,140,413	+21.1%
Bond Investments	3,102,343	18,982,535	+511.9%
Other Assets	4,969,600	5,520,081	+11.1%

Defining sustainable investment

JSIF partially modified definitions based on Global Sustainable Investment Alliance (GSIA) calculation methods, the international standard, to reflect current conditions in Japan. The following is the original text attached to the questionnaire.

1. ESG Index-Linked Management

A form of passive investment aimed at reaping results associated with different types of ESG investment indices:

- Selection-based: Indices comprising companies selected via positive screening
- Tilted: Indices weighted based on ESG ratings

Items 2-9 refer to different types of active investment methods.

2. ESG Integration

Investment that systematically incorporates ESG factors into regular financial analysis and management processes.

In last year's survey, there were cases where some respondents likely confused "ESG integration" with "ESG incorporation" as defined by the Principles for Responsible Investment (PRI).

We encourage respondents to refer to page 16 of the White Paper on Sustainable Investment in Japan 2020 to confirm details regarding these terms. The following is a table excerpted from that paper comparing the classifications put forth by the PRI and the GSIA.

PRI Classification			Number
Principle 1	ESG Incorporation	Negative/exclusionary screening Positive/best-in-class screening	1
		Norms-based screening	2
		Sustainability-themed investing	3
		Integration of ESG-related issues	4
Principle 2	Active Ownership	Engagement	5
		Exercise of Voting Rights	6

	GSIA Classification	PRI Classification Corresponding Number
Sustainable investment	ESG integration	4
	Corporate engagement and shareholder action	5, 6*1
	Norms-based screening	2
	Negative/exclusionary screening	1
	Positive/best-in-class screening	1
	Sustainability-themed investing	3
	Impact/community investing	—*2, 3

*1 The GSIA classifications treat engagement and the exercise of voting rights as sustainable investment strategies, but the PRI classification lists them under Principle 2, and not as ESG incorporation.

*2 The corresponding PRI classifications listed above are valid for active strategies, however, in the section on passive strategies in the document "PRI Reporting Framework Main Definitions," microfinance and impact investing are treated as sustainability-themed investing.

*3 The term "community investing" is not utilized in PRI definitions.

3. Negative Screening

Abstention from investment in specific industries or corporations based on ethical, social, or environmental reasons

Note: We request that the screening of investments that exclude companies with poor ESG ratings be categorized as positive screening. Negative screening is a strategy that abstains from investing in such equities by excluding them from the investment universe. Meanwhile, positive screening is generally utilized to determine the inclusion of equities upon assessing a company's ESG factors during investments' screening and decision-making processes. (The equities to be excluded will automatically be decided once the equities to be included are determined through positive screening.)

4. Positive (Best-in-Class) Screening

Investment in sectors, companies, and projects with an ESG performance superior to peers in the same industry while achieving a rating above a set threshold

5. Sustainability-Themed Investment 1: Equity Investments

The Investment focuses on sustainability themes such as renewable energy, environmental technology, agriculture, empowerment of women, and the Sustainable Development Goals (SDGs)

6. Sustainability-Themed Investment 2: Bond Investments
Investment that focuses on sustainability themes such as green bonds, sustainability bonds, and vaccine bonds.

7. Sustainability-Themed Investment 3: Other Assets
Sustainability-themed investment other than equity and bond investment (e.g., real estate investment, etc.)

8. Impact Investment
A type of investment that fulfils the following four conditions:
1) Investments are intended to adequately mitigate and manage significant negative impacts on the environment, society, and economy while also positively impacting on one or more of the elements listed.
2) Impact is assessed and monitored.
3) Details are disclosed regarding the results of impact assessments and monitoring (which also covers details disclosed solely to fund contributors and not to the general public*).
4) An appropriate risk–return balance is pursued for each financial institution and investor over the medium to long term, based on the definition of impact finance provided by the Ministry of the Environment's Positive Impact Finance Task Force.

* The inclusion of "details disclosed solely to fund contributors and not to the general public" has been added by JSIF.

9. Norms-Based Screening
Investment based on standards set by international organizations (Organisation for Economic Co-operation and Development, International Labour Organization, United Nations Children's Fund, etc.) Examples include abstention from investment in corporations affiliated with cluster munitions based on the Convention on Cluster Munitions (Oslo Convention).

10. Exercising Voting Rights
Exercising voting rights

Notes: 1. Not limited to exercising voting rights regarding ESG
2. Includes judgments on the exercising of voting rights entrusted to voting advisory companies

11. Engagement, Shareholder Proposals, etc.
Engaging in constructive dialogues with corporations as a shareholder based on engagement policies or submitting shareholder proposals.

Q13 For institutions that provided a figure for ESG index-linked (tilted) investment in Q12, please inform us of the indices utilized.

Multiple respondents named the following two indices:
- MSCI Japan ESG Select Leaders Index
- S&P/JPX Carbon Efficient Index

Q14 For institutions that provided a figure for sustainability-themed investment (other assets) in Q12, please provide a figure breakdown.

(Millions of yen)

Real Estate Investment	2,753,908
Other	2,408,613

Q15 Please provide a figure breakdown for institutions that provided a figure for impact investment in Q12.

(Millions of yen)

Listed Stock	324,977
Private Equity (PE)	9,027
Other Assets	165,485

Q16 For those that provided an investment amount for impact investments in Q12, please inform us about the disclosure of the results of impact assessments and monitoring, including relevant websites, URLs, etc. If the information is not disclosed, it is not considered an impact investment, so please exclude it from the investment amount in Q12 (disclosure to customers only counts as disclosure.)

This question is intended to confirm whether information has been disclosed following the third requirement under the previously stated definition of impact investment, that "details are disclosed regarding the results of impact assessments and monitoring (which also covers details disclosed solely to fund contributors and not to the general public.)

Of the 13 institutions that provided impact investment amounts in Q12, 12 responded to this question. Seven of the respondents to this question provided URLs, one is planning to disclose shortly, four disclosed to customers only, and the remaining respondent had engaged in impact investing for the first time and had yet to receive measurements of the results.

Q17

For institutions that provided an amount for exercising voting rights in Q12, please inform us whether there is a review process for ESG-related proposals and whether this process is disclosed. If such disclosure is provided, please supply a relevant URL or other means for accessing it.

Thirty institutions provided URLs.

Q18

Please disclose the criteria applied for institutions that provided an investment amount for negative screening in Q12.

Respondents provided the following as specific exclusion criteria:
- Corporations that have engaged in antisocial conduct or illegal activity
- Corporations that contribute to the manufacture or sale of inhumane weapons (cluster munitions, anti-personnel mines, and biological and chemical weapons)
- Corporations that engage in coal-fired power generation and coal extraction activities (particularly for new investments)
- Corporations involved in the manufacture or trade of internationally banned pesticides and herbicides
- Corporations that produce tobacco as an end product, including tobacco manufacturers
- Corporations engaged in projects that negatively impact sites inscribed on the UNESCO World Heritage List
- Corporations engaged in the destruction of wetlands protected by the Ramsar Convention
- Government bonds for countries with previous or ongoing issues, such as civil war or state oppression, are significant problems from an ESG perspective

Q19

Please disclose the norms applied for institutions that invested in norms-based screening in Q12.

The following conventions are used as references:
- Ramsar Convention (1971)
- Biological Weapons Convention (1975)
- UNESCO World Heritage Convention (1975)
- Convention on Certain Conventional Weapons (1983)
- Chemical Weapons Convention (1997)
- The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (Ottawa Convention, 1999)
- Convention on Cluster Munitions (Oslo Convention, 2010)

In addition to the conventions listed above, the number of respondent institutions that cited the United Nations Global Compact and OECD Guidelines for Multinational Enterprises (OECD Guidelines) increased compared to the 2021 survey, which suggests that the scope of norms applied is reaching beyond such conventions.

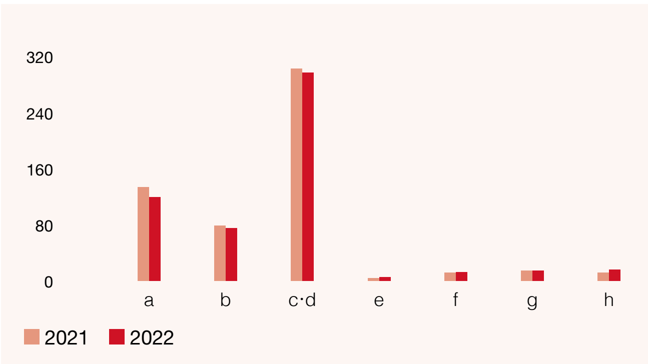
Q20

Please break down the amount provided for Q7 by asset class.

(Millions of yen)

Choices	2021	2022	% Change
a Japanese Equities	133,542,411	119,887,326	–10.2%
b Non-Japanese Equities	78,931,336	75,557,430	–4.3%
c Domestic Bonds	135,985,817	297,189,492	–1.9%
d Overseas Bonds	166,982,310		
e Private Equity (PE)	4,123,135	5,211,348	+26.4%
f Real Estate	11,998,553	12,530,840	+4.4%
g Loans	14,465,072	14,747,584	+2.0%
h Other	12,046,656	16,032,173	+33.1%

(Trillions of yen)



Note: In calculating the total sustainable investment balance, an attempt was made to avoid duplication as much as possible. However, since it is challenging to determine balances by asset class, figures contain a duplication of the trust amounts of investment management companies and those entrusted by pension funds. For this reason, totals for each asset class are inconsistent with those for Q7.

Q21 For institutions that provided a figure for bonds in Q20, please provide a breakdown and the type of bond investments made.

(Millions of yen)

(Domestic) Government bonds	86,045,629
(Domestic) Government agency bonds	3,518,292
(Domestic) Municipal bonds	1,629,001
(Domestic) Corporate bonds	8,664,935
(Overseas) International agency bonds	711,370
(Overseas) Government bonds	20,542,849
(Overseas) Government agency bonds	1,565,243
(Overseas) Municipal bonds	933,652
(Overseas) Corporate bonds	29,381,376

It is assumed that a large proportion of this balance is investments made through negative screening of government bonds. Specifically, this includes the longtime practice of bond investment from the perspective of removing country risk and avoiding investments in government bonds for countries with previous or ongoing issues that are significant problems from an ESG standpoint.

However, since there is room for debate as to whether investment in government bonds can be considered sustainable, a new question was added to this survey to ascertain the amounts invested in each type of bond.

Q22 Please provide specific asset classes and their totals for those who listed a balance in the "other" category in Q20.

Of the many specific assets categorized under the "other" category, most funds were allocated to the following:

- Balanced funds/multi-asset class investments: Approx. ¥4.4 trillion
- Alternative investments/hedge funds: Approx. ¥1.3 trillion

  Other assets included the following:
- Real estate investment trusts (REITs)
- Investment in infrastructure
- Equity interest in anonymous associations

Q23 Q23 to Q27 pertain to engagement, or purposeful dialogue, as stipulated by Japan's Stewardship Code and how this engagement was implemented in the previous year. There are various engagement methods, such as direct meetings, communicative letters, and collaborative engagement. What combination of methods have you adopted?

- Regarding dialogue with management, many respondents said they would focus on investment targets with material issues about ESG or otherwise or investment targets that account for a large proportion of their portfolios. To elaborate further, respondents saw engagement as a means for sharing understanding by participating in dialogues with investee companies, conducted from an analytical and medium- to long-term perspective. Based on this premise, respondents selected and focused their energies on companies for which such dialogues had the potential to raise corporate value.
- Many respondents answered that they would use collaborative engagement when major issues required the cooperation of many companies and investors.
- Regarding letters, many said that they would send them to passive investment targets, overseas companies, and international organizations with complex dialogue; some answered that they would send letters ahead of direct meetings.

Q24 Please list any collaborative engagement platforms, programs, initiatives, etc. in which you participate.

In addition to the initiatives listed in Q4, multiple respondent institutions listed the following:

- Collaborative engagement via companies participating in the Life Insurance Association of Japan's Stewardship Activity Working Group
- Forums for collaborative dialogue with institutional investors

Q25 Please provide specific examples of engagement themes. (Multiple responses allowed)

Choices	Number of Responses
Disclosure of greenhouse gas (GHG) reductions and emissions amounts	40
Task Force on Climate-related Financial Disclosures (TCFD) recommendations	38
Ocean plastics	18
Microfibers	8
Biodiversity conservation	24
Supply chain management	31
Human rights	33
Employee well-being	28
Evaluation of the effectiveness of the Board of Directors	35
Capital policy, including policies for cross-shareholding and parent-child listings	34
Other (with specific themes)	14

Q26 Please inform us whether any of the themes given as a response to Q25 were newly added over the past one to two years.

Disclosure of GHG reductions and emissions amounts, the TCFD, and human rights were raised frequently as new themes. In contrast, no institutions mentioned marine plastics and microfibers as new themes.

Q27 Please provide a URL or direct us toward any management system that has been disclosed for engagement, such as criteria or a rating system for periodically measuring the progress and effectiveness or a committee that performs duties that include establishing means for increasing engagement.

Twenty-seven institutions provided URLs.

Q28 For the following question, please refer to the reference materials included in the survey. In the EU, the SFDR is applied to the disclosure of all European funds and all funds registered for sale within the EU. Funds under Articles 8 and 9 of the SFDR are considered "green." Although there are no such disclosure regulations in Japan yet, please let us know the amounts you believe would fall under Articles 8 or 9 of the SFDR for funds sold or promoted in Japan.

(Millions of yen)

SFDR Article 8	10,624,930
SFDR Article 9	353,535

Q29 We intend to disclose the names of companies and funds that provided sustainable investment balances in the report for this survey. Please let us know if this is acceptable.

Choices	Number of Responses
Agree to be disclosed	53
Prefer not to be disclosed	1
Balance added to calculations from publicly available information	2
Total	56

2 Sustainable Investment Related to Financial Products for Individuals

In the White Paper on Sustainable Investment in Japan 2020, we touched on the rapidly increasing investment balance at the end of September 2020. Since then, the number of newly established investment trusts has continued to rise without any signs of slowing down.

However, as stated in the Progress Report on Enhancing Asset Management Business 2022, published by the Financial Service Agency (FSA) in May 2022,*[1] the disclosure of information regarding investment philosophy and management processes, as well as the basis for selecting stocks for inclusion in investment portfolios, has been lacking. In addition, we are seeing the establishment of investment trusts with maturity periods of only a few years, as well as increasing coverage in the media regarding criticism on the use of the term “ESG investments” solely for the impact of the term.

Companies essentially exist for the purpose of resolving social issues in some way or another, whereas there will always be some aspect of each company that is conducive to high ESG ratings. Therefore, an investment cannot be regarded as an ESG investment unless the effort is made to provide clients with an explanation of the context behind the decision to regard the company as worthwhile of investment. Unless we begin to see improvements in information disclosure, investment trusts bearing the term “ESG” are sure to lose credibility, diminish in scale, and be viewed as merely a short-lived trend.

For individual investors, an investment trust is essentially, as the name implies, an “investment you trust and entrust,” and is a product developed from a relationship of trust with investment management companies. In order to establish this relationship of trust, it is imperative that information be disclosed through monthly reports and other means. Moreover, sustainable investment trusts are taking on an increasing role in iDeCo, Tsumitate NISA, and other tax-advantaged investment accounts. Accordingly, it can be said that sustainable investments have become widely adopted by the general public due to the environment in which it is now easier for individual investors to choose investment trusts for the purpose of long-term asset building.

With regard to bonds, in the White Paper on Sustainable Investment in Japan 2020, we directed attention to the increasing number of structured bonds with complicated conditions. This point was also noted in the FSA’s summary for the JFSA Strategic Priorities July 2022-June 2023,*[2] published in August 2022, indicating that the selling of structured bonds goes against the principles of “customer-oriented business operations.” It is also possible that the selling of structured bonds were caused by the low interest rates worldwide, which leads me to believe that the sale of such bonds will decline going forward.

For more details on the products covered in these statistics, please refer to JSIF’s website, which provides a summary of data on investment trusts and bonds on a quarterly basis.

Yoshitaka Yoshida

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

(Billions of yen)

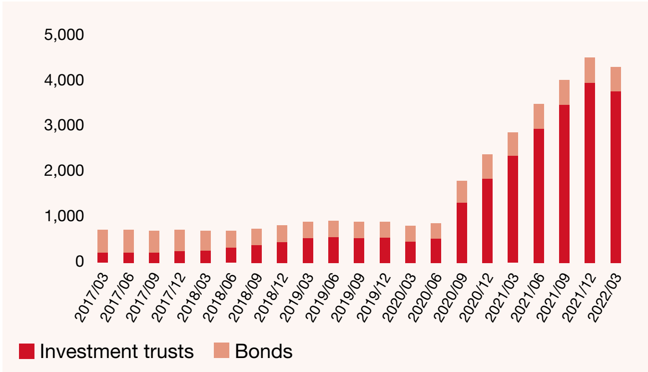
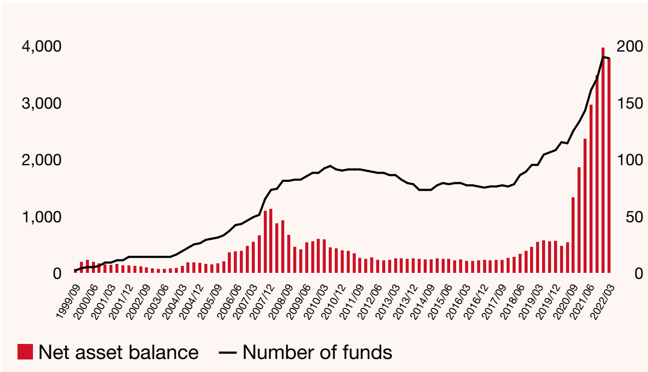


Figure 1-2-2: Total Net Assets of Investment Trusts and Number of Funds

(Billions of yen) (Number of trusts)



*1 https://www.fsa.go.jp/en/news/2022/20220527.html
*2 https://www.fsa.go.jp/en/news/2022/20220926.html

3 The EU's Sustainable Finance Disclosure Regulation (SFDR)

1. Preface

As interest in sustainable investing grows worldwide, disclosure regulations have been made in Europe, the United States, the United Kingdom, Japan, and elsewhere to promote easy-to-understand disclosure on sustainable and ESG investing. On 19 December, 2022, the FSA published a revision (draft) of the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." regarding ESG investment trust funds. It sought opinions on its contents until 27 January, 2023. Considering international developments and other factors, the primary subject of the publication is the prevention of so-called "greenwashing" in ESG funds.

In this article, we have attempted to summarise the EU's SFDR, which is currently the most demanding among such regulations and is being studied ahead of others. We studied around ten commentaries in both Japanese and English. Many of which focused on investment classification, and many—perhaps in a deliberate effort by the author to make the subject easier to understand and more concise—omitted essential elements. Many commentaries did not touch upon the criteria of the Principal Adverse Impacts (PAIs) on sustainability and the Do No Significant Harm (DNSH) principle. We found it is not easy to grasp the whole picture of the SFDR. We also found that it is not easy to understand the significance of the SFDR without knowledge of EU Taxonomy and other related initiatives. In addition, many reports generally refer to only Articles 6, 8, and 9. We realised that to have a minimum understanding of the SFDR, one would naturally have to read other articles. Therefore, we have researched and summarised the points not mentioned in general commentaries.

This column is a summary of points currently understood by the author. Please refer to the original SFDR documentation for the most accurate and up-to-date information.

We hope that as we push forward in Japan with a broader discussion on the handling of disclosures, our venture to summarise the SFDR will hopefully help to build better disclosures. If there are any errors in our knowledge of the subject, please do not hesitate to point them out.

2. The European Green Deal, the EU Taxonomy, and the SFDR

In 2019, the EU announced the European Green Deal. The Deal seeks to give rise to economic and social transformation in Europe. It is characterized as a multifaceted strategy, going beyond environmental policy and including economic and social policies. Europe's primary goal is to be the first continent to be climate neutral by 2050, leading to a cleaner environment, more affordable and sustainable energy, smart transportation, new employment, and a higher standard of living.

The EU Taxonomy, which defines environmentally sustainable economic activities, was enacted in June 2020. In July 2021, a draft regulation establishing the European Green Bond Standard based on the EU Taxonomy was published and implemented. These changes created funding conditions that ran in parallel with economic activities.

The SFDR is part of this broader sustainable finance framework and imposes ESG reporting obligations on asset management companies and other financial market participants (FMPs). The core of the regulation, Level 1, has been in effect since March 2021. Level 2 (regulatory technical standards), which supplements Level 1, was published in April 2022 and came into effect on 1 January, 2023. The SFDR requires FMPs to report on their sustainable investment activities at both the entity and financial product levels in a standardized format, and to explain how ESG elements are incorporated into such activities so that investors can make informed investment decisions.

3. To Whom does the SFDR Apply?

The SFDR requires businesses classed as FMPs (such as asset management companies) and financial instruments (such as funds) to provide disclosures from social and environmental perspectives. Twelve examples of business types are listed, including banks, insurance companies, asset management companies, pension fund administrators, and insurance and investment advisors. For non-EU financial institutions and their EU subsidiaries, the SFDR applies to services provided inside the EU. Large-scale organizations (organizations averaging 500 employees or large-scale parent companies with an average of 500 employees) are subject to all disclosure requirements of the SFDR.

4. Specific Disclosure Requirements

Disclosure requirements are stipulated with the three key concepts of a) sustainable investment, b) sustainability risks, and c) sustainability factors.

5. Disclosures at the Entity and Financial Product Levels

On the entity level and for designated financial products, FMPs with 500 or more employees are required to disclose whether they are considering PAIs, and, if so, in what ways they are being considered. The disclosure requirements also introduce the concept of sustainability risk (environmental, social, and employee-related matters, respect for human rights, anti-corruption, and anti-bribery matters) and the PAIs of investment decisions on sustainability factors (environmental, social, and employee-related matters, respect for human rights, anti-corruption, and anti-bribery matters), as well as related disclosures at the corporate and product levels.

FMPs must explain and disclose the following on their websites:
- Their implementation of risk management to ensure sustainability (integrating sustainability risks into the investment decision-making process)
- How remuneration systems align with sustainability risks
- If consideration has been given to the PAIs of investment decisions and/or investment advice on sustainability factors, said PAIs and related procedures must be explained and disclosed

Depending on the sustainable investment and degree of consideration given to ESG, the SFDR separates the definition of financial products into three articles: Article 6, Article 8, and Article 9. At the financial product level, each has its specifications for what should be disclosed.

6. Article 6: Transparency of the Integration of Sustainability Risks

Many commentators argue that Article 6 covers funds not incorporating sustainability into their investment strategies. This view is likely because funds that do not meet the conditions of Articles 8 and 9 would not be considered "green funds" and would therefore fall under Article 6.

However, Article 6 stipulates the following vital points regarding disclosure, which are mentioned in Articles 7 and 8.

1. Financial market participants shall include descriptions of the following in pre-contractual disclosures:

(a) How sustainability risks are integrated into their investment decisions; and

(b) The results of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available.

Where financial market participants deem sustainability risks irrelevant, the descriptions referred to in the first subparagraph shall include a clear and concise explanation of the reasons.

2. Financial advisers shall include descriptions of the following in pre-contractual disclosures:

(a) How sustainability risks are integrated into their investment or insurance advice; and

(b) assessing of the likely impacts of sustainability risks on the returns of the financial products they advise on.

Where financial advisers deem sustainability risks irrelevant, the descriptions referred to in the first subparagraph shall include a clear and concise explanation of the reasons.

3. The information referred to in paragraphs 1 and 2 of this article shall be disclosed in the following manner:

Paragraph 3 lists the provisions of the European regulation for each of the 12 FMPs from (a) to (l). Details are omitted.

7. Article 8: Transparency of the Promotion of Environmental or Social Characteristics in Pre-Contractual Disclosures

- Applicable funds are commonly referred to as "light green" funds
- Some commentaries indicate that pre-contractual disclosures can take the form of a prospectus

Where a financial product promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, the information to be disclosed according to Article 6 (1) and (3) shall include the following:

(a) information on how those characteristics are met; and

(b) if an index has been designated as a reference benchmark, information on whether and how this index is consistent with those characteristics.

8. Article 9: Transparency of Sustainable Investments in Pre-Contractual Disclosures

- Applicable funds are commonly referred to as "dark green" funds

1. Where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark, the information to be disclosed according to Article 6 (1) and (3) shall be accompanied by the following:

(a) Information on how the designated index is aligned with that objective; and

(b) An explanation of why and how the designated index aligned with that objective differs from a broad market index.

2. Where a financial product has sustainable investment as its objective and no index has been designated as a reference benchmark, the information to be disclosed under Articles 6 (1) and (3) shall include an explanation as to how that objective is to be attained.

3. Where a financial product has a reduction in carbon emissions as its objective, the information to be disclosed according to Article 6 (1) and (3) shall include the objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Agreement.

Most of the commentary found online and elsewhere tends to focus on the differences between funds that fall under Articles 6, 8, and 9. The SFDR requires that investee companies must follow good governance practices, ensure they follow the precautionary principle of "do no significant harm", and ensure that environmental and social objectives are not significantly compromised. Article 4 requires transparency of adverse impacts on sustainability at the entity level, and Article 7 requires transparency of adverse effects at the financial product level. Both are important articles about PAIs.

Regarding PAIs, the Final Report on Minimum Safeguards was published in October 2022.

9. Article 4: Transparency of Adverse Sustainability Impacts at the Entity (FMP) Level

1. Financial market participants shall publish and maintain on their websites:

(a) where they consider PAI's of investment decisions on sustainability factors, a statement on due diligence policies for those impacts, taking account of their size, the nature and scale of their activities and the types of financial products they make available; or

(b) where they do not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why they do not do so, including, where relevant, information as to whether and when they intend to consider such adverse impacts.

2. FMP's shall include in the information provided under point (a) of paragraph 1 at least the following:

(a) information about their policies on the identification and prioritisation of principle adverse sustainability impacts and indicators;

(b) a description of the principal adverse sustainability impacts and of any actions in relation to that taken or, where relevant, planned;

(c) summaries of engagement policies by Article 3g of Directive 2007/36/EC, where applicable;

(d) a reference to their adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.

3. By way of derogation from paragraph 1 of this Article, from 30 June, 2021, FMP's exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year shall publish and maintain on their websites a statement on their due diligence policies for the PAI's of investment decisions on sustainability factors. That statement shall at least include the information referred to in paragraph 2.

10. Article 7: Transparency of Adverse Sustainability Impacts at Financial Product Level

1. By December 2022, for each financial product where a financial market participant applies point (a) of Article 4 (1) or Article 4 (3) or (4), the disclosures referred to in Article 6 (3) shall include the following:

(a) a clear and reasoned explanation of whether and, if so, how a financial product considers PAI's on sustainability factors;

(b) a statement that information on PAI's on sustainability factors is available in the information to be disclosed under Article 11 (2).

Where information in Article 11 (2) includes quantifications of PAI's on sustainability factors, that information may rely on the provisions of the regulatory technical standards adopted under Article 4 (6) and (7).

2. Where an FMP applies point (b) of Article 4 (1), the disclosures referred to in Article 6 (3) shall include for each financial product a statement that the FMP does not consider the adverse impacts of investment decisions on sustainability factors and the reasons therefor.

Article 7 requires a clear and reasoned explanation of whether and, if so, how a financial product considers PAIs on sustainability factors.

So, what exactly are principal adverse impacts (PAIs)? This is specified in the regulatory technical standards adopted by the European Commission, which relate to two types of disclosures:

I. On the entity level (FMPs with more than 500 employees) Investment decisions' PAI on sustainability factors include social and employee matters, respect for human rights, anti-corruption, and anti-bribery aspects. According to these RTS, FMPs must assess investments in investee companies against 18 mandatory environmental and social PAI.

II. Product level

i. Information to show how a product with ESG/sustainable characteristics meets those characteristics

ii. Information to show how a product with sustainable investment objectives meets those objectives, including why sustainable investments do not harm environmental or social objectives (DNSH) and information on the policy to assess that companies "follow good governance practices, in particular for sound management structures, employee relations, remuneration of staff, and tax compliance."

Note from the author: "Do no significant harm" is a principle set in Article 2 (17) of regulation EU2019/2088. The RTS states that businesses must comply with this principle.

The following PAI disclosures are mandatory for PAI indicators relating to employees, respect for human rights, anti-corruption, and anti-bribery:

Adverse sustainability indicator	Metric
Violations of UN Global Compact principles and Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises	Percentage of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
Unadjusted gender pay gap	The average unadjusted gender pay gap of investee companies
Board gender diversity	The average ratio of male to female board members in investee companies
Exposure to controversial weapons (antipersonnel landmines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

The first two indicators in the table above cover violations of these principles and guidelines and the implementation of processes to monitor compliance with them. They cover a company' performance (its impacts), as well as processes implemented to avoid and address human rights and governance risks and impacts such as corruption, taxation, and fair competition.

11. What is Sustainable Investment?

Above are the points that we thought would be helpful to understand the SFDR at present, but one crucial element is missing—the definition of sustainable investment. The definition is not in the SFDR, but in EU regulation 2019/2088 Article 2 (17) as follows:

"Sustainable investment" means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by crucial resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and GHG emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular to sound management structures, employee relations, remuneration of staff and tax compliance.

Sustainable investments are measured by their impact on biodiversity and the circular economy. Alternatively, sustainable investments can be those made in economic activities that contribute to social objectives, especially those that contribute to tackling inequality; investments that foster social cohesion, social integration, and labour relations; and investments in human capital and economically and socially disadvantaged communities.

It is, however, essential to ensure that such investments do not significantly compromise the soundness of investee companies' management structures, employee relations, employee remuneration, or tax compliance.

Masaru Arai

Section 2

1. Update on the Initiatives of Japan Securities Dealers Association
   - Japan Securities Dealers Association
   - Japan Investment Advisers Association (JIAA)

2. The Impact of Overseas Regulations on Investors
   - Sumitomo Mitsui Trust Asset Management Co., Ltd.
   - Nissay Asset Management Corporation
   - Asset Management One Co., Ltd.

3. Themes for Monitoring
   - Impact Investing
   - Real Estate Investment
   - Engagement and Stewardship

4. Major Initiatives Related to Sustainable Finance

1 Update on the Initiatives of Japan Securities Dealers Association

Japan Securities Dealers Association

1. About the Japan Securities Dealers Association

The Japan Securities Dealers Association (JSDA) is the only financial instruments firm association in Japan authorized by the Prime Minister in accordance with the provisions of the Financial Instruments and Exchange Act. JSDA is composed of Association Members—which include Regular Members, Specified Business Members, and Special Members—and engages in (1) self-regulatory functions, (2) financial instrument transactions and other business that contributes to the development of financial markets, and (3) international business and affairs.

2. Background of Initiatives

Tasked with the role of supplying funds to markets, the securities industry is capable of channeling funds into impact and ESG investments.

Meanwhile, one of the challenges of achieving the Sustainable Development Goals (SDGs) and carbon neutrality is the severe shortage of funds, calling for the introduction of more private-sector funds. As a result, the securities industry is being called upon to play an even greater role in sustainable finance, such as through its ability to supply funds.

Since 2017, JSDA has regarded measures to achieve the SDGs as a matter of priority for actively resolving social issues throughout the securities industry. Furthermore, in 2018, the association released its Declaration in Support of SDGs (Figure 2-1-1).

In addition, promotion of sustainable finance has been identified as a matter of urgency among the measures associated with achieving the SDGs (Figure 2-1-2). In 2022, the association released its Declaration on Promoting Sustainable Finance 1 (Figure 2-1-3), in order to speed up the progress of the securities industry in resolving social issues and thereby help realize a sustainable society by declaring certain policies and perspectives that the securities industry should follow throughout financial and capital markets.

Figure 2-1-1

Declaration in Support of SDGs

The Japan Securities Dealers Association (JSDA) resolves to work on the following initiatives. Doing this will contribute to achieving the Sustainable Development Goals (SDGs) set by the United Nations as a global agenda, seeking as well the sustainable growth of the securities industry.

1. Initiatives to end poverty/starvation and protect the global environment
   - We aim to resolve social challenges through fund raising and provision functions of the securities market.

2. Initiatives to promote decent working conditions and women's participation in society
   - We aim to create a working environment with high job satisfaction by improving the work-life balance.

3. Initiatives to support education for the socially vulnerable
   - We aim to realize a society that ensures equal opportunity for everyone by supporting children living under trying circumstances.

4. Initiatives to improve the awareness and understanding of SDGs
   - We aim to improve the awareness and understanding of SDGs in Japan and overseas, while raising the sense of ownership over SDGs among executives and employees of the JSDA and our members.

March 22, 2018

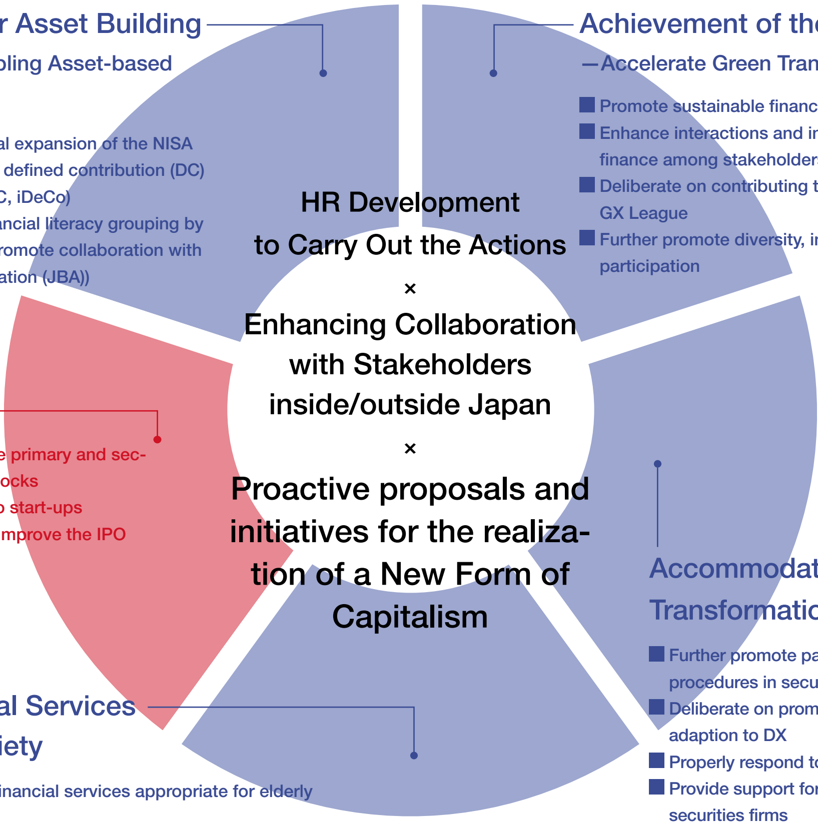
Japan Securities Dealers Association

Figure 2-1-2

JSDA

Major Focal Points of “JSDA’s Major Work Plans”

July 1, 2022



Stronger Support for Asset Building
—Contribution to the Doubling Asset-based Incomes Plan—

- Take initiatives for fundamental expansion of the NISA
- Take initiatives to improve the defined contribution (DC) pension system (Corporate DC, iDeCo)
- Take initiatives to improve financial literacy grouping by generation and occupation (Promote collaboration with the Japanese Bankers Association (JBA))

Achievement of the SDGs
—Accelerate Green Transformation (GX)—

- Promote sustainable finance
- Enhance interactions and information exchange on transition finance among stakeholders in Asia
- Deliberate on contributing to the phased development of the GX League
- Further promote diversity, including women’s active participation

Fostering Start-ups

- Work toward consolidating the primary and secondary markets for unlisted stocks
- Facilitate risk money supply to start-ups
- Bring measures into effect to improve the IPO pricesetting process

Accommodating Digital Transformation (DX)

- Further promote paperless and digitalized procedures in securities transactions
- Deliberate on promoting securities firms’ smooth adaption to DX
- Properly respond to progress in financial innovation
- Provide support for cybersecurity measures at securities firms
- Deliberate on expanding the use of the Social Security and Tax Number System (“My Number” System)

Provision of Financial Services Fit for an Aging Society

- Deliberate on more attentive financial services appropriate for elderly customers
- Conduct studies on the ways for asset management and utilization of agents’ transactions in cases of cognitive decline or impaired judgment
- Smoothly inherit financial assets between generations

Toward Further Enhancement of Investor Trust and Functioning of Securities Markets

Figure 2-1-3

Declaration on Promoting Sustainable Finance

Whereas recognizing our mission is to establish a sound securities market that is consistent with the society, highly reliable and transparent in order to contribute to the realization of a sustainable society and the achievement of carbon neutrality by 2050, we declare as follows.

We in the securities industry:

1. regard sustainable finance as infrastructure to realize a sustainable society, and promote this through the fund-raising and -supply functions of the securities market.

2. welcome actions by market participants taking into account the medium- to long-term sustainability, including ESG factors.

3. strive to undertake active cooperation and collaboration with various stakeholders, further increase the sense of ownership, and fulfill the roles that the securities industry should play. Specific policies and measures to promote sustainable finance are described in the Annex to this Declaration.

July 20, 2022
Japan Securities Dealers Association (JSDA)

3. Key Initiatives

(1) Proposing Use of the Unified Term "SDG Bonds"

While there are plenty of financial instruments that contribute to the achievement of the SDGs, we decided to pay particular attention to bonds because managing and tracing the allocation of funds is easier than with other financial instruments. Green Bonds and Social Bonds, for example, are issued to fund projects aimed at resolving environmental and social issues and are therefore closely associated with the SDGs. In order to encourage more investments that are conducive to realizing the SDGs, it is ideal to have a unified terminology in place. Accordingly, since 2018, we have been advocating for the use of "SDG Bonds" as a unified term for bonds that are tailored to helping achieve the SDGs. (Please refer to the *Guidebook on Financial Instruments Contributing to the SDGs* for more details.)

In an effort to widen recognition of this term, a logo has been created, and issuers of SDG Bonds can apply to use this logo in their press releases and other materials.

Logo of SDG Bonds

SDG Bonds

SDGs債

https://www.jsda.or.jp/en/activities/SDGs/files/SDGGuidebook.pdf

(2) A Guidebook for Salespeople and General Investors

The *Guidebook on Financial Instruments Contributing to the SDGs* has been compiled and released by JSDA to ensure that readers gain a systematic understanding of financial products that contribute to achieving the SDGs, as well as the social functions of the investment and securities industries, and to provide specific examples of issuances.

(3) Statistics on SDG Bonds

Due to the unavailability of data from neutral institutions that would enable us to assess the size of the domestic market, JSDA had been releasing data (for publicly offered bonds in Japan) on SDG Bonds each quarter since 2019, when the issuance of SDG Bonds was trending upward. In July 2022, however, the association decided to discontinue releasing such data due to the launch of the ESG Bond Information Platform by the Japan Exchange Group, Inc.

(4) Developing Human Resources through Domestic and International Partnerships

In order to promote sustainable finance, which requires the presence of highly knowledgeable professionals, the following key initiatives are being undertaken.

1) ICMA & JSDA Annual Sustainable Bond Conference

In January 2008, a memorandum of understanding (MoU) was concluded between JSDA and the International Capital Market Association (ICMA), an organization that establishes global standards such as the Green Bond Principles, to join forces in resolving the issues facing capital markets.

As a part of this partnership, the ICMA & JSDA Annual Sustainable Bond Conference has been held each year since 2017 to strengthen stakeholder awareness of trends in the bond market and explore issues in the Japanese market. A training seminar is also held jointly by the two organizations, primarily for issuers.

Moreover, through the cooperation with association members of JSDA, the Green Bond Principles and other resources* are translated and released for use as reference by domestic market participants.

* https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/

2) Roadmap Study Session for Promoting Transition Finance

The Roadmap Study Session for Promoting Transition Finance was held four times over the course of April and May 2022 to discuss the details of the sector-specific roadmaps formulated by the Ministry of Economy, Trade and Industry toward the transition to carbon neutrality. Online streaming of past study sessions is also available on JSDA's official website.

3) Incorporating Content on Sustainable Finance into Sales Representative Qualification Examination

Sales representatives who sell and solicit financial products are required to pass the Sales Representative Qualification Examination administered by JSDA. In light of the increasing need for sales representatives to acquire a certain level of knowledge in relation to sustainable finance, JSDA has decided to add such content to these examinations from July 2022 onward.

4. Looking Ahead

In a bid to further expand the sustainable finance market and encourage the issuance of and investment in high-quality SDG Bonds, JSDA will continue to focus on human resource development and other existing initiatives, while also working to continue promoting sustainable finance by addressing the new issues that have been uncovered through the rapid advancement of studies on sustainable finance and by continuing to work with stakeholders both in Japan and overseas.

Japan Investment Advisers Association (JIAA)

1. Introduction

The Japan Investment Advisers Association (JIAA) is a Certified Financial Instruments Business Association recognized by the Prime Minister of Japan under the Financial Instruments and Exchange Law. It serves to protect investors through the establishment of rules on self-regulation and audits, as well as to promote the sound development of the investment advisory business. As of March 31, 2022, JIAA consisted of a total of 828 member companies, 344 of which were investment management companies and 484 of which were investment advisory firms and agencies. Assets under management by these members totaled over ¥530 trillion, and both the number of members and their amount of assets under management are increasing year on year. (Figure 2-1-4 and Figure 2-1-5)

Figure 2-1-4 Assets under Management

(Trillions of Yen)

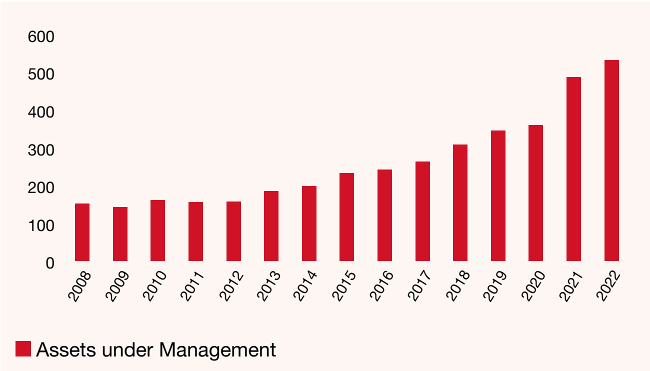
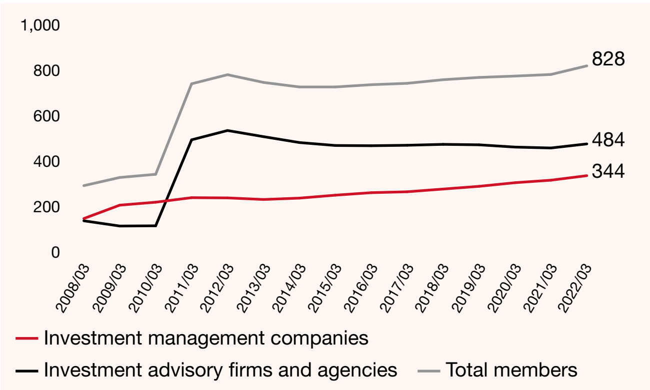


Figure 2-1-5 Member Companies

(Companies)



A key initiative of JIAA is to help member asset management companies strengthen their efforts for ESG investments and stewardship activities. In this section, we will look specifically at the Asset Management Business Forum and the Japan Stewardship Forum as examples of this initiative.

2. Asset Management Business Forum

Today, the volume of assets managed by asset management companies operating in Japan is equivalent to the size of Japan's GDP. Despite the enormous influence they have on Japanese society, it would be difficult to say that asset management companies are widely known among people in this country. For this reason, JIAA has been holding the Asset Management Business Forum each year since 2020, alongside the Investment Trusts Association, Japan, to enhance awareness of the social mission and vision of asset management companies and make the asset management industry more familiar to as many people as possible.

At the Asset Management Business Forum held in fiscal 2020, the Asset Management Business Declaration was announced, declaring the social mission and vision of asset management companies. This declaration, from its structure to its detailed wording, was compiled through discussions involving representatives from asset management companies and can be said to be the source to which everyone in the industry should always refer*.

* Asset Management Business Declaration 2020.
https://www.jiaa.or.jp/profile/pdf/am2020.pdf (Japanese only)

Moreover, the vision of an asset management company is based on "pursuing expertise and creativity," "prioritizing customer profit," "responsible investment activities," and "gaining trust." The priorities set by each individual in an asset management company and their motivation toward their day-to-day work are key factors that not only impact the organization but also the asset management industry as a whole over the medium to long term.

An issue that has come up of late is the fact that ESG investments are being pursued merely to look good on paper. JIAA believes that in order to fundamentally prevent this, we must, more than anything else, ensure that each individual in the asset management industry is truly aware of the social mission of asset management companies and that they strive to take steps each day toward realizing the visions of these companies.

Please refer to JIAA's website, which outlines the specific initiatives undertaken by member companies in relation to the Asset Management Business Declaration 2020.

3. Japan Stewardship Forum

Since 2011, JIAA has held the Corporate Governance Study Group, which was upgraded in 2018 and renamed to the Japan Stewardship Forum, for the purpose of underpinning the ESG investment efforts and stewardship activities of member companies. At the Japan Stewardship Forum, best practices on ESG investment and stewardship activities are shared with member companies, while guests and representatives of asset management companies candidly exchange views to address common issues facing the asset management industry. Past guests have included asset owners, asset managers, companies, universities, and individuals from a variety of other backgrounds. Most recently, a chairperson of the board of directors of a company was invited as a guest to exchange views with representatives of asset management companies on the tasks at hand for companies and investors to realize constructive dialogue between the two parties. Please refer to JIAA's website, which offers an extensive collection of detailed minutes and resources on the Japan Stewardship Forum held to date.

4. In Closing

In addition to the two initiatives pertaining to ESG investment and stewardship activities introduced in this section, JIAA engages in a wide range of other initiatives, such as delivering endowed lectures aimed at fostering future leaders in the asset management industry, conducting surveys on stewardship activities, and holding training programs on ESG investment. Moreover, the minutes from these endowed lectures, which have been held for several years, have been compiled and published as a book that provides an overall view of asset management, including ESG investment. JIAA will do its utmost to continue to strengthen its activities toward the further growth of the industry, with the aim of helping realize the sustainable growth of capital markets and a sustainable society.

The future of society will likely be impacted by the decision as to which companies will be the recipients of the immense funds managed by asset management companies going forward. To truly realize the social mission set forth by the asset management industry, we must ensure that each individual in the industry puts their foot forward and that this mission is acknowledged by asset owners, companies, and a variety of other stakeholders. We would greatly appreciate any views and expectations that are shared with us regarding the asset management industry.

2 The Impact of Overseas Regulations on Investors

This chapter contains contributions from JSIF premium corporate member investment companies regarding discussion points that have become even more important amid the creation of various overseas standards for sustainable investment.

Sumitomo Mitsui Trust Asset Management Co., Ltd.

1. Introduction

Although interest is growing in sustainable investments and the growth of their AUM, concern is also growing over the management without substance of these investments and exaggerated sales and marketing, or so-called “greenwashing.” Against this backdrop, various regulations for disclosing information regarding sustainable investment have been discussed and introduced, and the details have become more advanced and rigorous.

While differing overseas regulations have been adopted in each country and area, they are moving toward global harmonization. The impact on Japanese asset management businesses will be significant, so we must respond to and prepare for it.

2. Trends in International Regulations

Recently, regulatory trends have intensified toward greater transparency, mainly for asset managers and investment products. More importantly, content related to fund names that enhance the disclosure of information regarding sustainable investment and reflect the substance of investment products has improved.

The basic approach of regulations for enhancing information disclosure comprises two points. The first is the degree of sustainable investment. Namely, that funds are classified by whether sustainability is an important factor in the investment decision-making process, which changes the details and depth of the disclosure. The second is that the classification of funds is decided by each asset manager with reference to each regulation.

The Sustainable Finance Disclosure Regulation (SFDR) has been implemented as an EU regulation since March 2021. Under SFDR, three classifications have been set for funds. These classifications comprise Article 6 funds, Article 8 funds, which promote environmental and social characteristics, and Article 9 funds, which have the objective of sustainable investment. As the details of the regulations take shape, the fund classifications and information required to be disclosed are becoming more sophisticated. Furthermore, in November 2022, the European Securities and Markets Authority (ESMA) proposed the introduction of quantitative thresholds for utilizing ESG-related terms in fund names.

In October 2022, the UK Financial Conduct Authority (FCA) began soliciting opinions on additional proposals for ESG investment-related regulations. These include three classifications for sustainable investment products (sustainable focus, sustainable improvers, and sustainable impact) alongside restrictions on the use of sustainability-related terms in funds names and marketing for funds that are not sustainable investment.

In May 2022, the US Securities and Exchange Commission (SEC) made proposals for reinforcing disclosure regulations for ESG investments. These included the establishment of three sustainable investment product categories (Integration Funds, ESG-Focused Funds, and Impact Funds). Proposed amendments to regulations for naming funds also require that portfolios with ESG-inspired names comprise over 80% ESG-related assets.

In Japan, the Financial Services Agency (FSA) announced in December 2022 their revised proposal “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators,” which establishes a scope for ESG investment trusts and announces supervisory points for information disclosure about publicly offered ESG investment trusts and development of the organization of Financial Instruments Business Operators. These and other regulations, when properly established and operated, are expected to enhance the investment process and approach of sustainable investment by asset managers, and enable clients to make appropriate investment decisions.

3. Sumitomo Mitsui Trust Asset Management (SMTAM) Sustainable Investment and Initiatives for Responding to Regulations

At SMTAM, we have been moving forward with the development and advancement of a sustainable investment framework before reinforcing regulations. Specifically, we have established ESG materiality and ESG investment policies and ensure their effectiveness by enhancing ESG investment-related governance as an asset manager. We practice sustainable investment by considering 12 ESG materialities—selected by the stewardship committee and approved by the management committee—in engagement activities and voting decisions. They are also reflected in our ESG score. We systematically incorporate ESG factors in investment decisions, as stipulated in our ESG investment policy.

Additionally, we certify ESG investment funds by setting out ESG product management guidelines that include the perspective of global ESG-related regulations to enhance our product governance. We have enabled the measurement of a portfolio’s ESG characteristics and appropriate monitoring of the status of ESG investments, and proper disclosure of the status of ESG investments as requirements for our ESG products.

The applicability of sustainable investment is subject to various regulations, but some uncertainties and differences among those regulations still exist. Under such circumstances, it is vital that we have a robust sustainable investment policy as an asset manager, maintain governance and a stance which ensures the effectiveness of this policy, and enhance transparency through information disclosure.

We hope that these efforts will deepen the understanding of sustainable investments among investors and enhance the soundness and credibility of financial markets. This will realize the concept of three-way satisfaction, leading to investor profits. Additionally, we hope to combine this three-way satisfaction with the time-based perspectives of "next generation" and "better world," contributing to a four-way satisfaction.

4. Next Actions and Expectations

Each regulation is currently moving toward harmonization, and we hope to continue in the same direction going forward. Furthermore, in 2021, the United States Chartered Financial Analyst (CFA) Institute moved to support information disclosure, such as proposals for voluntary ESG disclosure standards.

Meanwhile, there are trends for considering measures—including the introduction of quantitative thresholds for sustainable investment allocations, establishment of sustainability targets, and introduction of data disclosure audits—depending on the fund classification and fund name. The continued catching-up trends in regulations is essential.

In addition, data collection imposes various costs associated with catching-up these regulations, strengthening sustainable investment information disclosure, and collecting the associated data. It is also vital to develop and secure new skilled human resources. We must tackle and resolve such issues across the entire investment chain.

The asset management industry is currently on a journey of regulatory compliance related to sustainable investing. We need to be determined. SMTAM has adopted the corporate principle "Realizing opportunities today to ensure sustainable prosperity for tomorrow." By influencing companies and multi-stakeholders in terms of both capital allocation through sustainable investment and active ownership, namely engagement and voting decisions, we will pursue both social returns through the realization of a sustainable society and economic returns through the generating of investor profits.

Kenichiro Ono

Disarray in Sustainable Labels for Funds: is it Possible to Prevent Greenwashing?

Starting with the Sustainable Finance Disclosure Regulation (SFDR), which was established in the EU in 2019 and has been enforced since March 2021, regulations for effectively labeling funds have been expanding through the classification of sustainability- and ESG-claimed funds. These include proposals for regulations announced by the US Securities and Exchange Commission (SEC) in May 2022, guidelines announced by the Monetary Authority of Singapore (MAS) in July 2022, and proposals for regulations announced by the UK Financial Conduct Authority (FCA) in October 2022.

This article will compare these four, reviewing the overall characteristics of funds and the significance of sustainable labels for funds.

1. Labels in Disarray, but Certain Trends Can be Observed

Diagram 2-2-1 summarizes the labeling overview for Europe's SFDR, the US SEC proposals for regulations, Singapore MAS guidelines, and the UK FCA proposal for regulations.

It should be noted at the outset that consistency and compatibility between labels is not necessarily guaranteed, especially as their usage of terminology and approaches vary in the first place. For this reason, giving a clear and simple description of the commonalities and differences between the four is not easy, however this article will describe the overall trends, omitting some smaller details.

What first draws attention is the expanding viewpoint that the consideration of ESG factors, such as ESG integration conducted solely for the purpose of investment returns, is now a normal part of investment activities and should not be given a special label, such as sustainable or ESG (Europe, the UK, and Singapore). Just as it is not uncommon for fund managers who aim to acquire excess returns to consider factors, such as macro-economic factors, when managing their funds, it is also not unusual for them to consider ESG factors. Incidentally, those who remember the days when the term socially responsible investment (SRI) was booming and there were heated debates regarding whether considering environmental and social factors could have an adverse effect on investment returns and whether it violates fiduciary responsibilities, may feel that they are now in a completely different era.

Meanwhile, the most noticeable trend for giving special labels and classification can be seen in so-called impact funds. As previously mentioned, we must keep in mind that the use of terms and definitions are not unified. Still, there are numerous regulations that give special labels to funds whose investment activities have a clear intention of contributing to the environment and society and require adequate information disclosure (Europe, the UK, and the US).

The number of classifications differs between regulations, but, for funds with intermediate characteristics between regular funds and so-called impact funds, approaches to classification are diverse and the area they are particularly lacking in is consistency. If I had to point out a general trend, there are numerous regulations that require disclosing information on ESG factors, with a certain label for funds in which ESG considerations are no small part of the overall considerations for investments, and that largely dictate the outcome of investment choices (UK, US, and Singapore). For example, these restrictions are applicable to funds that only make investments meeting certain standards related to sustainability.

Diagram 2-2-1

European Sustainable Finance Disclosure Regulation (SFDR)

Article 9 Funds	Funds that have the objective of sustainable investment (investing in economic activities that contribute to environmental or social targets)
Article 8 Funds	Funds that promote environmental and social characteristics
Article 6 Funds	Other funds (when ESG risks are considered only for the sake of investment returns)

UK Financial Conduct Authority (FCA) Regulation Proposals

Sustainable Impact	Funds that achieve a positive, measurable contribution to sustainable outcomes
Sustainable Improvers	Funds that target the improvement of investee' sustainability characteristics
Sustainable Focus	Funds that are invested to meet sustainability criteria or align with specified sustainability themes
No Sustainable Fund	Other funds (includes ESG integration only for the sake of investment returns, negative screening, ESG tilt strategies)

US Securities and Exchange Commission (SEC) Regulation Proposals

ESG Impact	Funds that aim to achieve specific ESG impacts. Part of ESG-focused label.
ESG-Focused	Funds that utilize ESG factors as key considerations in investment selection and engagement
ESG Integration	Funds in which ESG factors are one of various considerations, not more important than other factors and have a small impact on investment selection
Non-ESG Fund	Other funds

Monetary Authority of Singapore (MAS) Guidelines

ESG Funds	Funds in which ESG factors have a key impact on investment selection
Non-ESG Funds	Other funds (includes ESG integration and negative screening only for the sake of investment returns)

Source: Created based on various materials as of November 2022

2. Can Greenwashing be Prevented in Sustainable Labels for Funds?

Behind the successive introduction of sustainable labels, concerns are increasing about the so-called greenwashing issue in sustainability- and ESG-claimed funds. While a consensus over what should be considered greenwashing does not necessarily exist, a typical example would be when the following questions and criticisms arise;

"Is it appropriate for sustainability- and ESG-claimed funds to invest in companies with a significant negative impact on the environment and society?," "If we invest in those sustainability- and ESG-claimed funds, can they truly improve the environment and society?" How do sustainable labels for funds help address these questions and criticisms?

As previously mentioned, there are significant differences in labeling regulations for each country. However, the above questions and criticisms are expected to be eliminated to a certain extent as the characteristics of each fund become easier to understand. This is the result of regulations, such as those seen in the UK and Europe, which use labels to, for example, identify funds that are even more actively pursuing a contribution to the environment and society, or classify funds that consider ESG factors only for the purpose of investment returns. Of course, this is under the premise that the labeling of each fund is carried out appropriately. However, it should be noted that even in the already enforced SFDR, the criteria for classifying funds as Article 8 or Article 9 have been repeatedly pointed out as being ambiguous. It can be inferred that achieving a truly accurate labeling that reflects the actual situation is not necessarily easy.

Additionally, it is important to be aware of the potential discrepancies between what fund providers claim externally and their actual investment practices, regardless of the label. For example, a fund's promotional materials may emphasize the consideration of ESG factors in the investment process, while the fund manager may not actually take ESG factors into account to a significant extent. To curb such discrepancies, it is effective to enhance the disclosure of information regarding the reality of investment in the fund, rather than just the label itself. All the labeling regulations mentioned in this article require information disclosure according to the assigned label, which is expected to reduce the disparity to a certain degree (of course, it goes without saying that it is essential to create an appropriate system for information that must legally be disclosed).

It is understood that the sustainability labels for funds stated above will not completely solve the issue of greenwashing, despite being expected to control it to an extent. Along with appropriate labeling regulations, it is important for providers that offer sustainability- and ESG-claimed funds to maintain self-discipline, and at the same time, it is essential for those providing capital to make substantive judgments rather than simply accepting the label.

Toshikazu Hayashi

Asset Management One Co., Ltd.

Creation of the Taskforce on Nature-Related Financial Disclosures (TNFD) Framework and Asset Management One's Response

1. The Significance of Working on TNFD for Asset Managers

Our social and economic activities depend heavily on ecosystem services generated by natural capital, which are rapidly being lost. Therefore, it is important for asset managers to consider how the investee companies depend on and may negatively impact natural capital and ecosystem services through these activities, and how they can actively contribute to increasing natural capital and expanding their earnings through their business activities.

The TNFD, which is currently being created with the participation of global investors and companies, is a framework for systematically identifying and disclosing the risks and opportunities of such natural capital. As institutional investors, we are required to respond quickly, including actively participating in the creation of a framework, to promote the transition to a nature-positive society that balances socio-economic activities and growth of natural capital.

After establishing a responsible investment group in 2016, Asset Management One has implemented active engagement with investment companies on biodiversity issues, including deforestation, which have a significant impact on medium- to long-term corporate value. Additionally, last year we set biodiversity and environmental destruction as one of our focus areas for our materiality, and implemented engagement activities and ESG integration to connect them to related materiality items. Furthermore, we are actively taking measures, such as participating in the TNFD forum, to contribute to the construction of an effective and efficient framework for information disclosure.

2. Analysis of Nature-Related Risk and Opportunity through the LEAP-FI Approach

The businesses of investee companies are diverse, with a wide range of points of contact with nature. Currently, there are numerous issues with analysis of nature-related risks and opportunities, such as limited disclosure of information related to linking business activities with natural capital.

Amid these circumstances, we tried an analysis by utilizing the LEAP-FI approach, a framework that supports the TNFD in evaluating nature-related risks and opportunities as the first step to responding to disclosures through the TNFD framework. We have analyzed our Japanese equity assets with the goal of understanding the nature-related risk of each portfolio. The analysis was conducted in cooperation with outside experts and utilized evaluation tools such as ENCORE.

The results suggest that approximately 40% of our Japanese equity assets may strongly or extremely strongly depend on at least one or more ecosystem service, and that approximately 90% may have a strong or extremely strong influence on the impact drivers of environmental change. We also conducted a pilot analysis on forests and water considering their location factor, two items which have been specified as vital natural capital. Through this analysis, based on geographical information, we identified key regions for deforestation and water stress.

However, this was insufficient. We must not only encourage our investee companies to reduce "risks" associated with natural capital, such as environmental degradation and pollution, but also actively evaluate "business opportunities" to transition to new social systems, including energy transformation and efficient land and infrastructure use, and create a new flow of funds to realize a nature-positive society where natural capital is increasing, as well as for socio-economic development. Through such an approach, we analyzed the business opportunities related to natural capital on which Asset Management One's Japanese equity assets depend, based on the results of the World Economic Forum and other analyses. The result suggests that over 60% of our domestic stock assets have the technology to realize nature positivity.

Note: Please see http://www.am-one.co.jp/img/english/26/sustainability_report_e_2022.pdf for our Sustainability Report 2022.

3. Future Issues

This analysis is only an initial analysis of TNFD disclosure. We recognize that there is significant room for improvement in line with the post-2020 Global Biodiversity Framework (GBF) published at the 2022 United Nations Biodiversity Conference (COP15) and TNFD framework currently being developed, as well as updates to natural capital analysis and evaluation tools. In preparation for the announcement of TNFD recommendations scheduled for fall 2023, we will encourage portfolio companies to better understand and disclose nature-related risks and opportunities.

At the same time, we recognize the high level of connectivity between biodiversity, climate change, and human rights and social issues, and will conduct investment analysis and stewardship activities by linking them to our relevant materialities.

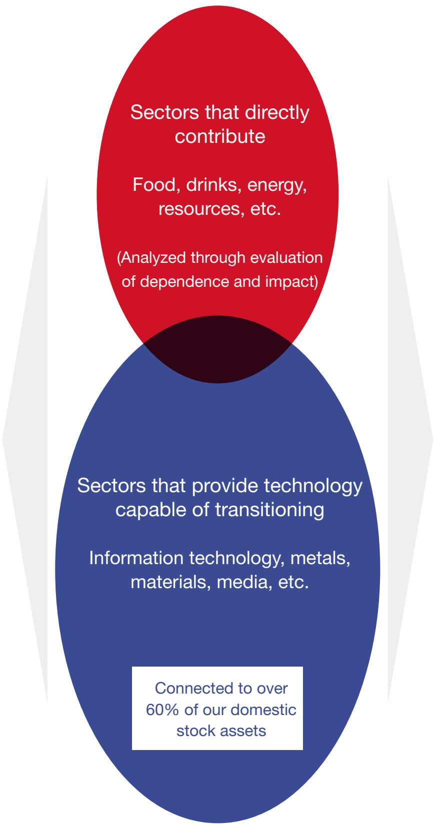
Diagram 2-2-2

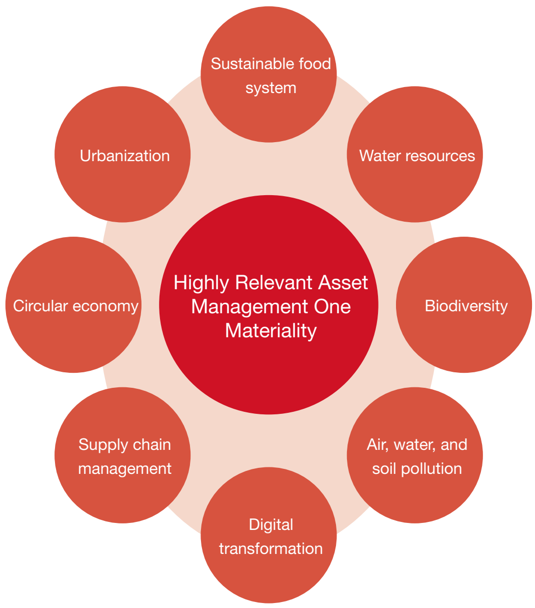
Transition to 15 Social Systems Vital for Realizing Nature Positivity	Industry Sectors That Contribute to the Realization of Nature Positivity	Highly Relevant Asset Management One Materiality

Food, land and ocean use
- Ecosystem restoration and avoided expansion
- Productive and regenerative agriculture
- Healthy and productive ocean
- Sustainable management of forests
- Planet-compatible consumption
- Transparent and sustainable supply chains

Infrastructure and the built environment
- Densification of the urban environment
- Nature-positive environmental built environmental design
- Planet-compatible urban utilities
- Nature as infrastructure
- Nature-positive connecting infrastructure

Energy and extractives
- Circular and resource-efficient models
- Nature-positive metals and minerals extraction
- Sustainable materials supply chains
- Nature-positive energy transition





Source: Evaluated and created by Asset Management One based on ENCORE*[1], World Economic Forum*[2], and AlphaBeta*[3] analysis and opinions of external expert

*1 ENCORE: Natural Capital Finance Alliance (Global Canopy, UNEP FI, and UNEPWCMC) (2022). ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure (October 6, 2022 version), Cambridge, UK: the Natural Capital Finance Alliance.
Available at: https://encore.naturalcapital.finance

*2 World Economic Forum. The Future of Nature and Business (2020). https://www3.weforum.org/docs/WEF_The_Future_Of_Nature_And_Business_2020.pdf (October 6, 2022 version)

*3 AlphaBeta. Identifying Biodiversity Threats and Sizing Business Opportunities Methodological Note to the New Nature Economy Report II: The Future Of Nature And Business, (2020) The Future of Nature and Business, World Economic Forum (2020) https://www3.weforum.org/docs/WEF_The_Future_Of_Nature_And_Business_2020.pdf (Uploaded October 6, 2022)
https://www.alphabeta.com/our-research/methodology-note-new-nature-economy-report-on-the-future-of-nature-and-business/ (Uploaded October 6, 2022)

Yuki Ikehata

3 Themes for Monitoring

Impact Investing

Note from JSIF
The figures stated in this section for the size of the impact investing market in Japan differ from those in the Japan sustainable investment survey featured on page 6. Discussions on unifying the figures are currently ongoing.

1. The Expansion of Impact Investing

The impact investing market is expanding rapidly. According to the most recent survey, the size of the impact investing market stands at approximately US$1.1 trillion globally and at approximately ¥1.3 trillion in Japan. Impact investing is defined as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Although classified as an investment, impact investing can be implemented in a variety of asset classes. Recent years have seen the expansion of initiatives in a range of areas, including debt financing and bonds as well as equities.

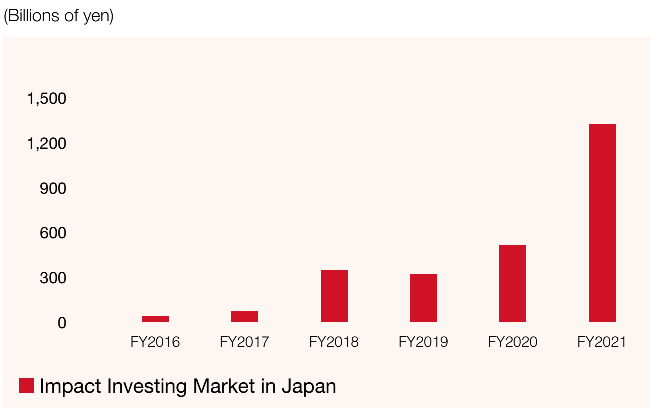
Notes: 1. Sources: Based on Sizing the Impact Investing Market: 2022 (The Global Investing Network (GIIN)) for global figure and The Current State and Challenges of Impact Investing in Japan – FY2021 Survey (the Social Innovation and Investment Foundation (SIIF) for the figure for Japan.
2. GIIN's definition of impact investing, which is widely accepted internationally

This section outlines the trends and prospects for impact investing in Japan based on The Current State and Challenges of Impact Investing in Japan – FY2021 Survey, a report surveying the Japanese market. Published annually since 2016, the report analyzes the results of a questionnaire involving financial institutions and institutional investors in Japan. Please refer to the report for an overview of the survey and details of the results.

2. Market Size in Japan and Developments and Issues in Recent Years

Impact investing identified through the 2021 survey came to ¥1.3204 trillion, doubling in size compared with the 2020 survey (figure 2-3-1).

Figure 2-3-1 Impact Investing Market in Japan



Source: The Current State and Challenges of Impact Investing in Japan (FY2016–FY2021,) published by the Social Innovation and Investment Foundation (SIIF)

The following three factors have been cited as having contributed to the rapid growth of impact investing.

(1) The increase in the number of institutions (particularly those managing significant investment amounts) engaging in impact investing
(2) The further escalation of impact investing efforts by institutions that were already engaged in such
(3) The expansion of debt financing to companies able to raise significant investment amounts and of investments in listed equities

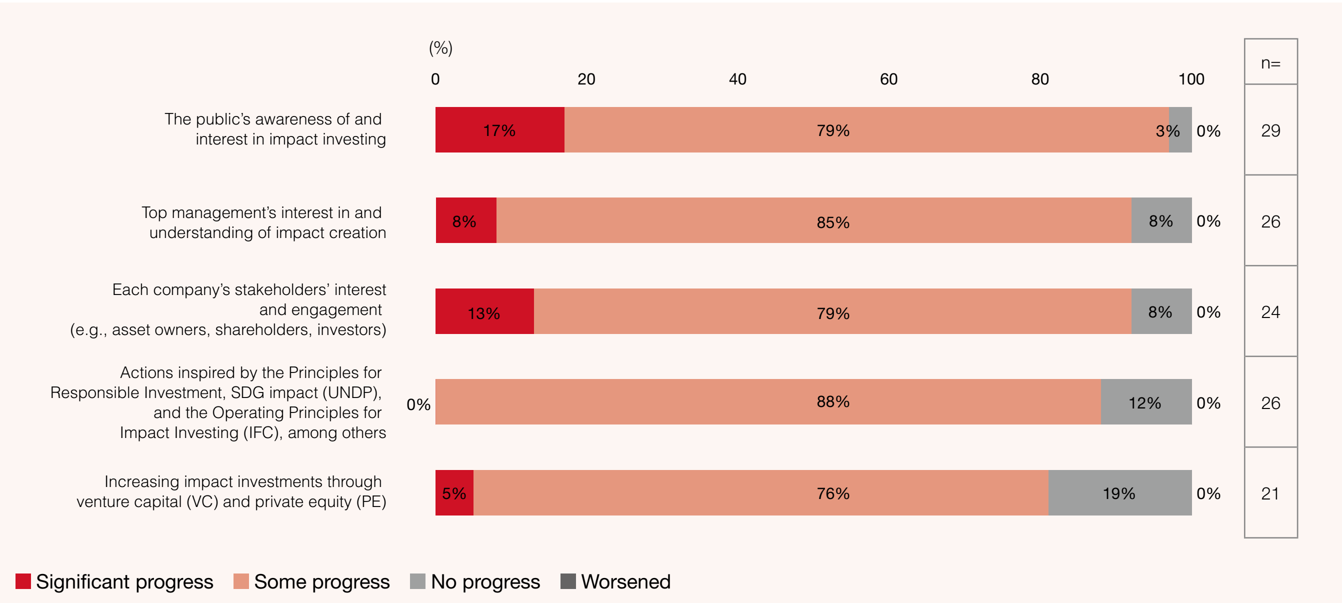
While unlisted equity investments (venture capital investments) were popular in the early stages of impact investing in Japan and overseas, the expansion of impact debt financing to companies and the emergence of impact investment trusts for listed equities in recent years have been cited as particularly significant contributors to the third of said factors. These developments have been stimulated by the recent progress in establishing international principles and frameworks for impact investing and their acceptance by market players. They have also been stimulated by the realization of investment in accordance with the Operating Principles for Impact Management, which were spearheaded by the International Finance Corporation (IFC), and the Principles for Positive Impact Finance, which were mainly developed by the United Nations Environment Programme - Finance Initiative (UNEP FI).

The recent growth of the impact investing market in Japan has been attributed primarily to the increased interest in impact investing among financial institutions and institutional investor organizations (particularly among management executives), and by asset owners, who constitute the customers of investment management companies (figure 2-3-2). Looking at trends in Japan, the creation of the Japan Impact-driven Finance Initiative was proposed through an initiative by domestic financial institutions in November 2021. As of December 2022, 43 institutions had become signatories to the initiative. In addition, Keidanren (Japan Business Federation) published a report entitled Using Impact Metrics to Promote Dialogue with Purpose as Starting Point in June 2022, while startup companies aiming to balance solving social issues with achieving sustainable growth took the lead in establishing the Impact Startup Association in October 2022. Meanwhile, momentum for promoting impact investing increased among financial institutions and business operators as well as at a governmental level. For example, the Japanese government clearly expressed the importance of promoting impact investing in various documents, such as its Basic Policy on Economic and Fiscal Management and Reform 2022, and established a Working Group on Impact Investment in October 2022.

Note: Japan Impact-driven Finance Initiative,
https://www.impact-driven-finance-initiative.com/en/

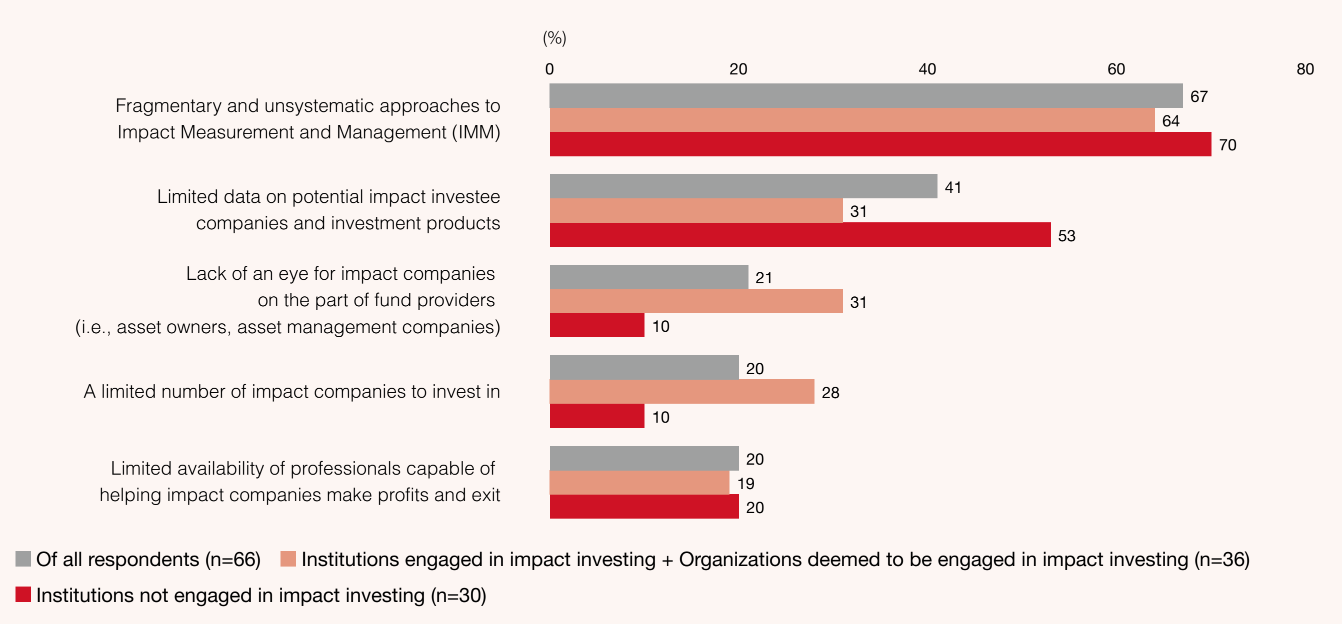
The impact investing market in Japan faces a number of issues going forward, primarily the systematization of impact measurement and management methods. Other issues include the level of information on impact companies, the number of investee candidate companies, and the availability of personnel capable of performing administrative work in relation to impact investing (figure 2-3-3). With regard to the systematization of impact measurement and management methods, the issue of "impact washing" is viewed among global impact investors as the greatest issue facing the impact investing market. The survey results also confirmed that Japan still has few impact companies in which investors would wish to invest and only a small pool of talent for performing administrative work in relation to impact investing.

Figure 2-3-2 Progress of Japan's Impact Investing Market over the Past Year



Source: The Current State and Challenges of Impact Investing in Japan – FY2021 Survey, published by the SIIF; the above graph represents the first five items from the survey report

Figure 2-3-3 Challenges Facing Businesses that Aim to Increase Impact Investing



Source: The Current State and Challenges of Impact Investing in Japan – FY2021 Survey, published by the SIIF; the above graph represents the first five items from the survey report

3. Prospects for Impact Investing

In closing, I would like to discuss the prospects for impact investing.

First, I believe that the impact investing market will continue to expand both globally and in Japan. Globally, signs indicate that impact investing aimed at tackling worldwide environmental and social issues will steadily rise and impact investing by corporations will increase. In Japan, with the striking increase in both the number of institutions engaging in impact investing and becoming signatories to the Japan Impact-driven Financing Initiative, impact investing is becoming increasingly widespread among organizations managing significant investment amounts.

Second, I believe that we are likely to see greater demands for quality and transparency in the future as impact investing expands in quantitative terms. Going forward, I expect impact investing to transition from a phase emphasizing compliance with existing principles and frameworks to one focusing on the actual impacts created through impact investing and investee businesses, transparent impact reporting (information disclosure), and independent verification and certification. To put it plainly, scaling with integrity will be imposed on the impact investing market.

Third, we will see the advancement of a common understanding that impact investing ultimately facilitates impact management, which aims to balance the creation of social value (impact) with the enhancement of corporate value, and contributes to the realization of an impact economy that embeds impact at the heart of decision-making for all economic activity. In Impact: Reshaping Capitalism to Drive Real Change, Sir Ronald Cohen, renowned as a trailblazing impact investor, defines an impact economy as follows.

An impact economy is one where measurement of social and environmental impact is integrated in all economic activity; and central to government, business, investment and consumption decisions.

Imagining a new capitalism, the Global Impact Investing Network (GIIN) has stated that it envisions “a future when impact is integrated into investment decisions as the “normal” way of doing things.” In this light, the integration of impact into the contexts and mechanisms of decision-making will likely bring about a qualitative change in the information used for defining corporate value.

Michiru Toda

Note: GIIN’s New Capitalism Initiative,
https://thegiin.org/new-capitalism/

Real Estate Investment

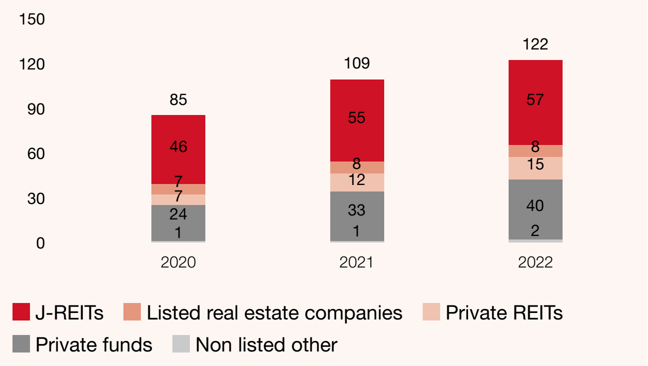
In the 2022 Sustainable Investment Survey, the reported balance for sustainable real estate investment saw a slight increase to approximately ¥12.5 trillion, up 4% from 2021, after experiencing at least double-digit growth since 2017. This slight increase may be attributed to the marginal rise in the number of responses to this year's survey, in which 22 companies, including 7 investment companies specializing in real estate, provided responses. The responses represent only a slight increase from the 2021 survey, in which 21 companies responded, including 8 investment companies specializing in real estate.

The results of the Sustainable Investment Survey are the only statistical data on this topic available in Japan, however the sustainable investment balance is affected by the rate of participation in this voluntary survey and many real estate-related investment management firms have yet to participate. Additionally, notes have been added to indicate that there may be duplications of amounts entrusted to investment managers and amounts entrusted by asset owners, and that some institutions did not provide responses regarding asset classes. Therefore, as in previous years, we will present the total asset value of participants from Japan who have achieved a certain level of performance in the GRESB Real Estate Assessment (hereinafter, GRESB Assessment), an annual ESG evaluation specific to real estate, as another means of determining the sustainable real estate investment balance. Also, in 2022 the subject of so-called ESG washing drew particular attention, while discussions toward decarbonization also flourished. The second half of this chapter examines how these factors will affect sustainable real estate investment in the future.

1. Trends in GRESB Participation and Estimate of Sustainable Real Estate Investment Balance

The GRESB is an annual evaluation of the ESG efforts and performance undertaken by real estate companies and funds. The number of participants in GRESB Assessments rose steadily, from 85 in 2020 when the previous white paper was published, to 122 in 2022. The growth in recent years has been driven mainly by private funds, the number of which increased from 24 in 2020, to 40 in 2022 (see figure 2-3-4). As of October 2022, the participation rate of J-REITs, which have been early adopters of ESG initiatives, was 99.3%, based on market capitalization. 15 out of 43 private REITs participated in the assessment.

Figure 2-3-4 Number of Participants in GRESB from Japan (by entity)



Source: Compiled by JSIF based on information provided by GRESB

As in previous white papers, we assume that GRESB participants with a Green Star*1 are actually practicing sustainable real estate management, and ESG integration in particular. That assumed, we have calculated the number of Green Star recipients and the total asset value of properties reported. As a result, the 2020 figure of 61 participants representing ¥28.2 trillion in assets under management has expanded significantly, to 100 participants representing ¥41 trillion in assets under management in 2022. These figures, which have been compiled by the author, cover just under 90% of participants in Japan.

GRESB is also expanding its base of investor members who utilize its assessments in their investment decision making or engagement. After the Government Pension Investment Fund (GPIF) joined in 2020, Nomura Asset Management Co. Ltd., Asset Management One Co., Ltd, The Norinchukin Bank, JAPAN POST BANK Co., Ltd., and Japan Post Insurance Co., Ltd., have become members from 2021 onward, bringing the total number of real estate investor members in Japan to 10*2. Of the above, Norinchukin announced its intention to pursue ESG integration by incorporating participation in GRESB and acquisition of environmental certifications into their investment decisions for its non-listed investee companies. Such activities are expected to lead to further expansion in sustainable investment through private funds.

*1 The title awarded to real estate companies and funds that participate in the GRESB if they receive a score of 50% or higher for both their ESG-related management and policies (the Management Component) and their ESG-related efforts and performance within their real estate portfolio (the Performance Component).

*2 The GPIF, which is a real estate investor member, also became an infrastructure investor member in September 2022.

2. The Future of Sustainable Real Estate

In 2022, there was a wave of press coverage that reported investment management companies in Europe and the U.S. being sanctioned by authorities for insufficiently implementing ESG investments while promoting them as such. This led to intense controversy on so-called ESG washing in Japan, prompting companies to refrain from facile labeling of ESG. Further, compared with two years ago when the last white paper was published, it is evident that discussions on achieving net zero CO_2 emissions in investment portfolios have become more active. Both asset owners and investment managers are continuing to explore ways to realize decarbonization by 2050, including in real estate investment.

In light of this trend, sustainable real estate is likely to face more intense scrutiny in the future in terms of clarifying the definitions of ESG, sustainability, and impact, both when promoting such concepts and when analyzing and disclosing results. GRESB has also set "focus on both efforts and results" as one of its principles for future revisions to the assessment. It is now being discussed to shift the allocation of "score," which had mainly been allotted to "efforts" such as data capture coverage, to "results" such as whether CO_2 emissions intensity from the portfolio are in line with the Paris Agreement.

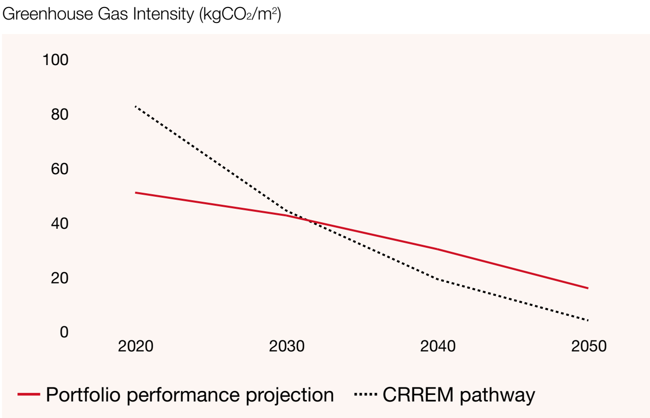
In Europe, building regulations based on actual energy consumption (properties with low energy efficiency under a certain level cannot be leased) has been enacted in several countries. In addition, under the delegated act of EU taxonomy on climate change mitigation, a property can only be considered sustainable if it meets certain criteria effective from January 2022. One such criteria for existing buildings is that they must be in the top 15% (lowest) of the region in terms of greenhouse gas (GHG) emissions. What would be equivalent to this level in Japan? Sources available for reference are limited as there is no sufficient datebase on actual energy consumption of buildings. However, according to figures published via the reporting system for large buildings in Tokyo, the emissions intensity for offices in the top 15% was 65 kg-CO_2/m^2 in 2019*3. It is possible that such a level could be considered a requirement for property acquisition in the future.

Additionally, there is a growing emphasis on how properties will be affected if carbon emissions regulations are tightened in the future, and there has been a discussion in GRESB to evaluate properties from this perspective. Specifically, a tool called CRREM*4 is used to present a scientifically-based ideal pathway to reduce GHG emissions by 2050, to help users confirm whether the emissions from a property or portfolio can stay below this pathway. Figure 2-3-5 shows an image of a portfolio transition risk analysis using CRREM. It is important to establish an emissions reduction plan that falls below the calculated pathway. CRREM is still under development, but with the support of investors such as the GPIF, it is highly likely that its use will become more widespread in the future.

*3 Based on the following report by the Bureau of Environment, Tokyo Metropolitan Government on the performance of implemented measures and programs in large-scale businesses, the status of emissions intensity and energy-saving measures, and the CO_2 intensity of Category I business sites.
https://www.kankyo.metro.tokyo.lg.jp/climate/large_scale/data/index.html

*4 CRREM is a tool for analyzing climate change-related transition risks, as well as the name of a development project. GRESB is also participating in its development. Pathways for reducing energy usage and GHGs by 2050 in line with the 1.5°C and 2.0°C targets set forth in the Paris Agreement are calculated by country and property type and test calculations can be made to check whether portfolios and individual properties are in line with pathways.

Figure 2-3-5
Projected Portfolio Performance Against the Decarbonization Pathway



As described above, criteria for sustainable real estate may become further clarified going forward, starting in the area of climate mitigation. For other environmental and social issues, frameworks or standards are being developed and expected to follow in the same way. The series of guidance issued by the Committee for the Promotion of ESG Investment to Address Social Issues in the Real Estate Sector in the Ministry of Land, Infrastructure, Transport and Tourism are among them. It is assumed that clarifying "sustainable" helps measuring and managing of the impact of each issue and further advances the sustainable investment methodology for both asset owners and managers.

Ryuichi Horie

Engagement and Stewardship

1. Corporate Governance Reform and Promoting Awareness of ESG

Corporate governance in Japan made significant strides under the second Abe administration, which announced the "Japan Revitalization Strategy—JAPAN is BACK" in June 2013, a growth strategy compiled by the Industrial Competitiveness Council, an advisory body, and approved by the then cabinet as the third of Abenomics' three arrows. This strategy shed light on the importance of the so-called corporate governance reform, spurring the growth of corporate governance in Japan. Upon the establishment and enactment of the Stewardship Code for institutional investors and the Corporate Governance Code for listed companies, corporate governance drew attention as the key focus of the Abe administration's policies. Another aspect of corporate governance reform is the Government Pension Investment Fund (GPIF), responsible for a major part of asset investment and asset management within the first tier of Japan's pension system, becoming a signatory to the Principles for Responsible Investment (PRI). The increasing presence of outside(external) directors at Japanese companies, along with other achievements, are reflections of the significant progress of corporate governance in Japan since 2013, and this growth has come to be widely noticed both in Japan and overseas. Both the Stewardship Code and the Corporate Governance Code are reviewed on a regular basis, with the former revised in 2020 and the latter revised in 2021.

Over time, the Japan Revitalization Strategy and the Industrial Competitiveness Council have seen incremental changes both nominally and in structure, processes that continue to the present day. In September 2016, the Industrial Competitiveness Council was reorganized and revamped to form the Council on Investments for the Future, while the Future Investment Strategy 2017 was established as part of reforms to realize Society 5.0 in June 2017, replacing the Japan Revitalization Strategy. In July 2020, the cabinet then in power approved the Action Plan of the Growth Strategy, dissolved the Council on Investments for the Future, and launched the Growth Strategy Council. However, following the inauguration of the Kishida administration in place of the Suga administration, the Council of New Form of Capitalism Realization was launched in October 2021.

As for recent developments, along with revisions to the Stewardship Code and the Corporate Governance Code, we have seen the reclassification of market segments of the Tokyo Stock Exchange (1st Section, 2nd Section, JASDAQ and Mothers ⇒ Prime, Standard, Growth and Tokyo Pro Market), the introduction of virtual-only general shareholders' meetings, and, from an environmental and social issue aspect, the disclosure of human rights and climate related issues as well as discussions on engagement.

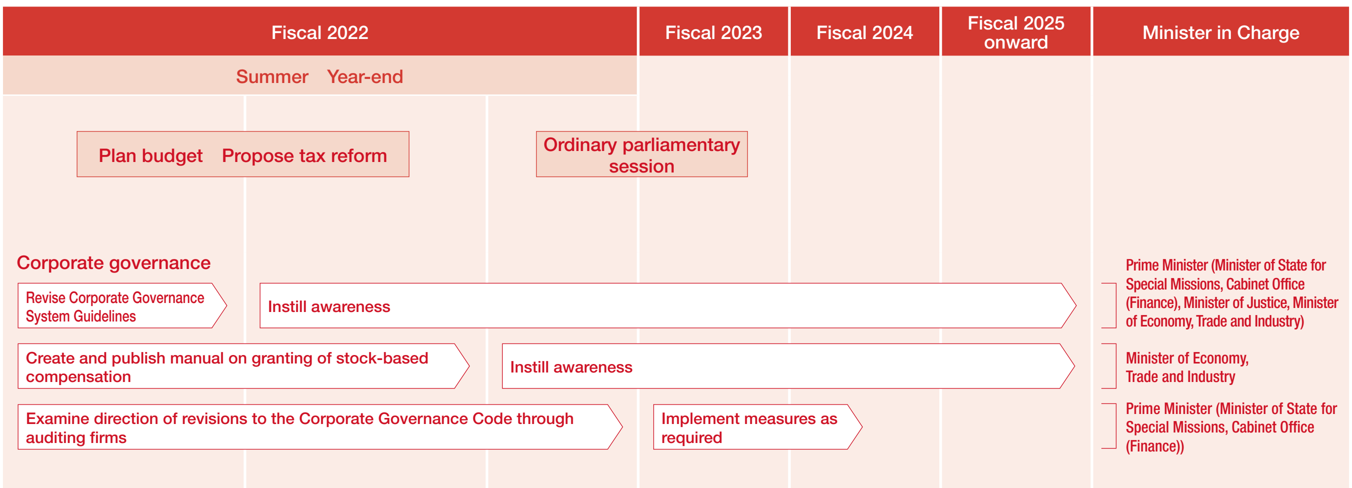
Note: Please refer to the websites below for the latest information on the Stewardship Code and the Corporate Governance Code.
https://www.fsa.go.jp/en/refer/councils/stewardship/20200324/01.pdf
https://www.jpx.co.jp/english/news/1020/b5b4pj0000046kxj-att/b5b4pj0000046l07.pdf

Figure 2-3-6: Key Corporate Governance Measures and Related Activities

Year	Institutional Investors	Government Affiliations / Stock Exchanges	Asset Owners	Proxy Advisors
2013		Japan Revitalization Strategy—JAPAN is BACK is announced		ISS adopts standard for the election of at least one outside director
2014		Stewardship Code is launched Ito Review	GPIF review of asset managers "Selection of Distinctively Active Investment Institutions"	
2015		Corporate Governance Code is launched	GPIF becomes signatory to the Principles for Responsible Investment (PRI)	ISS adopts ROE standards
2016			GPIF joins 30% Club	ISS adopts standard for the election of at least two outside directors
2017	Commenced proxy voting disclosure on individual agenda basis Determined proxy voting according to guidelines	Stewardship Code is revised Guidance for Collaborative Value Creation is formulated	GPIF begins ESG investments with custom ESG indices	
2018		Corporate Governance Code is revised Guidelines for Dialogue Between Investors and Companies is formulated	GPIF joins Climate Action 100+ and becomes supporter of TCFD	
2019		Cabinet Office Ordinance on the Disclosure of Corporate Information, etc. is revised (strategic shareholdings, officer remuneration, etc.) Practical Guidelines for Group Corporate Governance Systems are implemented	GPIF establishes implementation status of "ESG integration" as criteria for asset manager evaluation	GL adopts standard for the election of female officers ISS adopts standard for outside directors to comprise one-third of all directors for companies with audit and supervisory committee and nomination committee
2020	Greater emphasis on qualitative decision-making due to the impact of COVID-19	Companies Act is revised (requirements for outside directors, restrictions to shareholder proposals) Stewardship Code is further revised Practical Guidelines for Business Transformations and Practical Guidelines for Independent Directors are formulated	GPIF continues and strengthens monitoring of asset managers (stewardship, ESG)	ISS tightens standards for the independence of outside director (candidates from strategic shareholders)
2021	Continued or greater emphasis on qualitative decision-making	Corporate Governance Code is further revised	GPIF joins the Global Real Estate Sustainability Benchmark (GRESB)	GL adopts standards for strategic shareholdings
2022		Market segments of the Tokyo Stock Exchange are reclassified Ito Review 2.0 for Sustainable Corporate Value and Human Capital is released Corporate Governance System Guidelines are revised		ISS adopts standards for outside directors to comprise at least one-third of all directors and strategic shareholdings
2023		Amendments to the Cabinet Office Ordinance on Disclosure of Corporate Affairs is proposed		ISS adopts proxy standard for at least one female director GL urges companies listed on the Prime Market of TSE to have female directors comprise at least 10% of all directors

Sources: Created by Japan Shareholder Services, Ltd., based on various reports and releases from the websites of the Prime Minister of Japan and His Office, the Cabinet Office, the Ministry of Economy, Trade and Industry, the Financial Services Agency, GPIF, the Tokyo Stock Exchange, ISS (Institutional Shareholder Services), GL (Glass Lewis) et al.

Figure 2-3-7: Promotion of Corporate Governance Reforms



Source: Chart on follow-up process under new capitalism (released by the Cabinet Secretariat on June 7, 2020; in Japanese only)
https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/pdf/fukouteihyou2022.pdf (Japanese only)

2. Engagement Trends

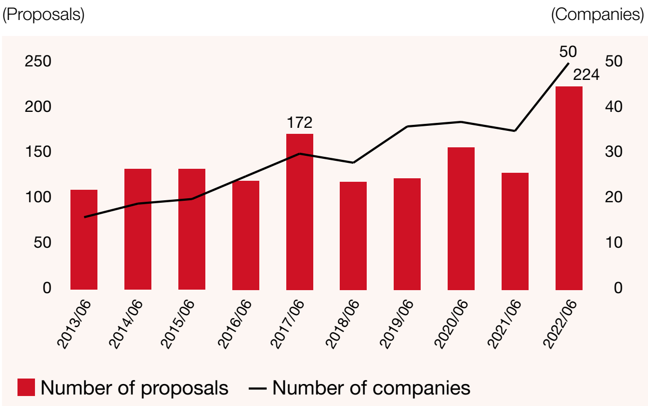
Corporate disclosure and dialogue between institutional investors and listed companies, otherwise known as engagement, have increased due to growing attention on ESG and the SDGs, in addition to the progression of corporate governance reforms. While such engagement initially centered on matters pertaining to corporate governance, it is becoming increasingly associated with climate change and environmental issues. This change has come in recognition of the importance of climate change to financial stability following the adoption of the Paris Agreement at the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCC) between November and December 2015, and in recognition of the subsequent recommendations put forth by the Task Force on Climate-related Financial Disclosures (TCFD), which was created under the umbrella of the Financial Stability Board (FSB), an international body of central banks and other institutions from multiple countries. We have also come to see engagement on social issues, such as labor and human rights, become more commonplace. However, as companies tend to submit engagement requests prior to their general shareholders' meetings, institutional investors and proxy voting advisory firms (ISS and Glass Lewis) have found it difficult to respond during this period due to the increasing number of requests.

3. Trends in ESG-Related Shareholder Proposals in Japan

As stipulated by Article 303, Paragraph 2, and Article 305, Paragraph 1, of the Companies Act of Japan, shareholders possessing either over 1% of the total voting rights or more than 300 voting right units for the preceding six months from the record date can propose agenda items for a general shareholders' meeting in their position as shareholder, which is known as a shareholder proposal. The ability to make a shareholder proposal applies to both a single shareholder and a group of shareholders, who collectively fulfill the above requirements. However, it should be noted that the Companies Act stipulates what matters may be resolved at a general shareholders' meeting. 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 such amendments require approval at a general shareholders' meeting. 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 is rarely approved, some ordinary shareholder proposals submitted have been passed in recent 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 carefully considered. The number of companies receiving shareholder proposals has been on the rise in recent years.

Figure 2-3-8 Shareholder Proposals in Japan



Note: Election and dismissal of directors is counted as one item (the number of candidates is not counted). Figures above apply to companies that hold their general shareholders' meeting each June (including rejected proposals). Moreover, figures for June 2013 to June 2021 apply to companies that were listed on the First Section of the Tokyo Stock Exchange (TSE), while figures for June 2022 apply to those listed on the Prime Market of the TSE.

Source: Created by Japan Shareholder Services Ltd., based on information from various company disclosures, et al.

Until the 1990s, the majority of shareholder proposals were put forth by so-called "movement-driven shareholders," mainly involving individuals related to nuclear abolishment or labor unions. From around the year 2000, however, there has been an increase in proposals from activist funds and other activist investors (known as mono iu kabunushi, or "vocal shareholders"). There are also cases of shareholder proposals stemming from internal conflicts within companies. Figure 2-3-9 lists shareholder proposals that were submitted at general shareholders' meetings from July 2021 to June 2022.

Figure 2-3-9: Shareholder Proposals Submitted at General Shareholders' Meetings from July 2021 to June 2022

Company*[1]	Securities Code	Listing Market*[2]	Meeting Date	Names of Proposing Shareholders*[3]	Details of Proposal (Number of proposals)
SAITA CORPORATION	1999	FSE	2021.09	One individual shareholder	① Appropriation of surplus: Shareholder proposal ¥120 ordinary dividend per share (Company proposal ¥60 per share)
Asahi Eito Co., Ltd. (extraordinary general shareholders' meeting)	5341	TSE STD	2021.11	PLUS ONE HOLDINGS Co., Ltd. and one individual shareholder	① Appointment of four (4) directors who are not audit and supervisory committee members ② Appointment of three (3) directors who are audit and supervisory committee members
Nippon BS Broadcasting Corporation	9414	TSE STD	2021.11	RMB Capital Management, LLC	① Appropriation of surplus: Shareholder proposal ¥50 ordinary dividend per share (Company proposal ¥20 per share)
TAIYO BUSSAN KAISHA, LTD.	9941	TSE STD	2021.12	Shikishima Farm Co.	① Appointment of six (6) directors
Faith, Inc. (extraordinary general shareholders' meeting)	4295	TSE PRM	2022.2	RMB Capital Management, LLC	① Distribution of dividends-in-kind (stock distribution spin-off) of common stock of subsidiary Nippon Columbia Co., Ltd.
ZOJIRUSHI CORPORATION	7965	TSE PRM	2022.2	Ace Frontier Limited	① Appointment of two (2) directors who are not audit and supervisory committee members
SOLXYZ Co., Ltd.	4284	TSE PRM	2022.3	Catalyst, LLC	① Appointment of one (1) director who is an audit and supervisory committee member ② Acquisition of treasury stock
Torii Pharmaceutical Co., Ltd	4551	TSE PRM	2022.3	LIM JAPAN EVENT MASTER FUND	① Partial amendment to the Articles of Incorporation: (1) Prohibition of the appointment of former executives of Japan Tobacco Inc. ② Partial amendment to the Articles of Incorporation: (2) Prohibition of the provision of funds to Japan Tobacco Inc. via cash management system ③ Partial amendment to the Articles of Incorporation: (3) Experience of directors ④ Partial amendment to the Articles of Incorporation: (4) Disclosure of cost of capital ⑤ Appropriation of surplus: Shareholder proposal ¥114 ordinary dividend per share (Company proposal: ¥24 per share) ⑥ Acquisition of treasury stock
EBARA JITSUGYO CO., LTD.	6328	TSE PRM	2022.3	Nippon Active Value Fund plc	① Revision to compensation amounts under restricted stock compensation system ② Acquisition of treasury stock ③ Appointment of one (1) director
Meiji Machine Co., Ltd. (extraordinary general shareholders' meeting)	6334	TSE STD	2022.3	Nippon Conveyor Co., Ltd.	① Reduction of capital (Same agenda is proposed by the company) ② Appointment of one (1) director who is an audit and supervisory committee member ③ Appointment of an individual to assess the company's business and financial condition as stipulated in Article 316, Paragraph 2 of the Companies Act
TOSHIBA CORPORATION (extraordinary general shareholders' meeting)	6502	TSE PRM	2022.3	3D INVESTMENT VALUE MASTER FUND	① Review of strategies by the strategy committee and the board of directors
CHIYODA INTEGRE CO., LTD.	6915	TSE STD	2022.3	Nippon Active Value Fund plc	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock
GMO Financial Holdings, Inc.	7177	TSE STD	2022.3	Shareholder	① Partial amendment to the Articles of Incorporation: (1) Number of directors ② Partial amendment to the Articles of Incorporation: (2) Change in trade name
Tokyo Soir Co., Ltd.	8040	TSE STD	2022.3	Freesia Macross Co., Ltd.	① Partial amendment to the Articles of Incorporation (measures to prevent one (1) candidate from being appointed as director and to improve corporate governance) ② Dismissal of one (1) director who is not an audit and supervisory committee member ③ Dismissal of three (3) directors who are audit and supervisory committee members
FUJISOFT INCORPORATED	9749	TSE PRM	2022.3	3D OPPORTUNITY MASTER FUND	① Appointment of two (2) directors
TAIYO BUSSAN KAISHA, LTD. (extraordinary general shareholders' meeting)	9941	TSE STD	2022.3	One shareholder	① Appointment of five (5) directors (two (2) directors of which were also proposed by the company)
YAMAU Holdings Corporation (extraordinary general shareholders' meeting)	5284	TSE STD	2022.5	One individual shareholder	① Dismissal of one (1) director
MITSUBOSHI CO., LTD. (extraordinary general shareholders' meeting)	5820	TSE STD	2022.5	Adage Capital Limited Liability Partnership	① Dismissal of three (3) directors who are not audit and supervisory committee members ② Appointment of three (3) directors who are not audit and supervisory committee members ③ Appointment of one (1) director who is an audit and supervisory committee member

Company*1	Securities Code	Listing Market*2	Meeting Date	Names of Proposing Shareholders*3	Details of Proposal (Number of proposals)
WAKITA Corporation	8125	TSE PRM	2022.5	INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP, Strategic Capital, Inc	① Appointment of one (1) director who is not an audit and supervisory committee member ② Appropriation of surplus: ¥67 ordinary dividends per share (Company proposal ¥33 per share) ③ Partial amendment to the Articles of Incorporation: (1) Disclosure of cost of capital ④ Partial amendment to the Articles of Incorporation: (2) Disclosure of individual remuneration of representative directors ⑤ Partial amendment to the Articles of Incorporation: (3) Sale of strategic shareholdings
LAND Co., Ltd.	8918	TSE STD	2022.5	One individual shareholder	① Acquisition of treasury stock ② Partial amendment to the Articles of Incorporation: (1) Introduction of shareholder perks ③ Partial amendment to the Articles of Incorporation: (2) Preparation of financial results briefing materials ④ Partial amendment to the Articles of Incorporation: (3) Pursuit of listing on TSE Prime Market
Chugai Mining Co., Ltd.	1491	TSE STD	2022.6	Two shareholders	① Appropriation of surplus (also proposed by the company) ① Dismissal of one (1) director
DAIICHI KENSETSU CORPORATION	1799	TSE STD	2022.6	Nippon Active Value Fund plc	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock
SEIKITOKYU KOGYO CO., LTD.	1898	TSE PRM	2022.6	INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP, Strategic Capital, Inc	① Appropriation of surplus: ¥86 dividend per share (Company proposal: ¥30 per share) ② Partial amendment to the Articles of Incorporation: (1) Abolishment of the advisor (Sodan-yaku) system ③ Partial amendment to the Articles of Incorporation: (2) Disclosure of individual remuneration of advisors (Sodan-yaku)
Sanyo Engineering & Construction Inc.	1960	TSE STD	2022.6	One shareholder	① Appropriation of surplus: ¥24 dividend per share (Company proposal: ¥10 per share) ② Counter proposal to the company's proposal for the appointment of one (1) director
TAKADA CORPORATION	1966	TSE STD	2022.6	Two shareholders	① Partial amendment to the Articles of Incorporation: (1) Compulsory acquisition of class B shares
Yamato Transport Co., Ltd.	1967	TSE STD	2022.6	Sunshine G Investment Partnership	① Appropriation of surplus: ¥59 dividend per share (Company proposal: ¥25 per share) ② Partial amendment to the Articles of Incorporation: (1) Shortening of directors' term of office ③ Partial amendment to the Articles of Incorporation: (2) Sale of strategic shareholdings ④ Dismissal of two (2) audit and supervisory committee members
NS Solutions Corporation	2327	TSE PRM	2022.6	AVI Japan Opportunity Trust PLC	① Partial amendment to the Articles of Incorporation: (1) Establishment of special investigation committee to oversee harassment prevention ② Partial amendment to the Articles of Incorporation: (2) Sale of specified equity securities ③ Partial amendment to the Articles of Incorporation: (3) Prohibition of deposits to parent company ④ Acquisition of treasury stock
TOHOKUSHINSHA FILM CORPORATION	2329	TSE STD	2022.6	One shareholder	① Acquisition of treasury stock
Yutaka Foods Corporation	2806	TSE STD	2022.6	One shareholder	① Appropriation of surplus: ¥121 dividend per share (Company proposal: ¥20 per share) ② Partial amendment to the Articles of Incorporation: (1) Establishment of standards for the payment of dividends of surplus and the acquisition of treasury stock ③ Partial amendment to the Articles of Incorporation: (2) Transition to a company with an audit and supervisory committee) ④ Partial amendment to the Articles of Incorporation: (3) Disclosure of cost of capital
TOYO SUISAN KAISHA, LTD.	2875	TSE PRM	2022.6	One shareholder	① Partial amendment to the Articles of Incorporation (disclosure of information regarding publicly listed subsidiaries)
NIHON SHOKUHIN KAKO CO., LTD.	2892	TSE STD	2022.6	TK1 Ltd.	① Appropriation of surplus: ¥200 dividend per share (Company proposal: ¥100 per share) ② Acquisition of treasury stock
VITAL KSK HOLDINGS, INC.	3151	TSE PRM	2022.6	Nippon Active Value Fund plc	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock
MIYAJI ENGINEERING GROUP, INC.	3431	TSE PRM	2022.6	ESG Investment Partnership	① Appropriation of surplus: the payment of special dividends of ¥264 per share in addition to the Company proposal of the ordinary dividends of ¥140 per share ② Partial amendment to the Articles of Incorporation: (1) Disclosure of individual remuneration of directors ③ Partial amendment to the Articles of Incorporation: (2) Sale of strategic shareholdings
Faith, Inc.	4295	TSE PRM	2022.6	TK1 Ltd.	① Appropriation of surplus (the ¥300 special dividend per share, in addition to ordinary dividends of ¥5 per share resolved by the board of directors of the Company) ② Acquisition of treasury stock
Estore Corporation	4304	TSE STD	2022.6	One shareholder	① Appointment of one (1) director ② Acquisition of treasury stock

Company*1	Securities Code	Listing Market*2	Meeting Date	Names of Proposing Shareholders*3	Details of Proposal (Number of proposals)
TAC Co., Ltd.	4319	TSE STD	2022.6	Four shareholders	① Dismissal of one (1) director ② Partial amendment to the Articles of Incorporation: (1) Prohibition of leakage of personal information ③ Partial amendment to the Articles of Incorporation: (2) Prohibition of the signing of open letters ④ Partial amendment to the Articles of Incorporation: (3) Appropriate usage of the term papa-katsu ⑤ Partial amendment to the Articles of Incorporation: (4) Prohibition of transactions with companies involved in defamation, etc. ⑥ Partial amendment to the Articles of Incorporation: (5) Optimization of general shareholders' meetings ⑦ Partial amendment to the Articles of Incorporation: (6) Relocation of head office ⑧ Partial amendment to the Articles of Incorporation: (7) Establishment and disclosure of courses on investments in human capital
NIPPON FINE CHEMICAL CO., LTD.	4362	TSE PRM	2022.6	Nippon Active Value Fund plc	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock
ISHIHARA CHEMICAL Co., Ltd.	4462	TSE PRM	2022.6	Nippon Active Value Fund plc	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock
SK KAKEN Co., Ltd.	4628	TSE STD	2022.6	AVI GLOBAL TRUST PLC	① Partial amendment to the Articles of Incorporation: (1) Establishment of a new provision for resolutions concerning stock splits at the general meeting of shareholders ② Stock split ③ Partial amendment to the Articles of Incorporation: (2) Change in total number of authorized shares ④ Partial amendment to the Articles of Incorporation: (3) Establishment of new provision for resolutions concerning the cancellation of treasury stock ⑤ Cancellation of treasury stock ⑥ Appropriation of surplus: ¥800 dividend per share (Company proposal ¥400 per share) ⑦ Partial amendment to the Articles of Incorporation: (4) Shortening of directors' term of office ⑧ Partial amendment to the Articles of Incorporation: (5) Establishment of minimum number of independent outside directors ⑨ Partial amendment to the Articles of Incorporation: (6) Establishment of new chapter on disclosure of greenhouse gas emissions
Konishi Co., Ltd.	4956	TSE PRM	2022.6	Nippon Active Value Fund plc	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock
YOTAI REFRACTORIES CO., LTD.	5357	TSE PRM	2022.6	Sunshine D Investment Partnership	① Appropriation of surplus: ¥100 dividend per share (Company proposal ¥27 per share) ② Partial amendment to the Articles of Incorporation: (1) Review and disclosure of strategic shareholdings ③ Partial amendment to the Articles of Incorporation: (2) Establishment of new provision for resolutions concerning the cancellation of treasury stock at the general meeting of shareholders ④ Cancellation of treasury stock ⑤ Dismissal of two (2) audit and supervisory committee members
HOKUETSU METAL CO., LTD.	5446	TSE STD	2022.6	TOPY Industries, Limited	① Appointment of three (3) directors ② Appointment of one (1) substitute corporate auditor
MITSUI MINING & SMELTING CO., LTD.	5706	TSE PRM	2022.6	Hidesho	① Dismissal of one (1) director ② Appropriation of surplus: ¥250 dividend per share (Company proposal ¥110 per share) ③ Acquisition of treasury stock ④ Partial amendment to the Articles of Incorporation: (1) Disclosure of individual remuneration of directors, etc. ⑤ Partial amendment to the Articles of Incorporation: (2) Establishment of a contact point for whistleblowing within the audit committee ⑥ Partial amendment to the Articles of Incorporation: (3) Termination of the positions of advisor (Sodan-yaku) and counselor (Komon) ⑦ Partial amendment to the Articles of Incorporation: (4) Separation of the roles of the chairman of the board and the chief executive officer
Nippon Shindo Company, Limited	5753	TSE STD	2022.6	One shareholder	① Partial amendment to the Articles of Incorporation: Elimination of special provision regarding the organization in charge of determining the payment of dividends of surplus ② Appropriation of surplus: ¥65 dividend per share (¥5 dividend resolved at a board of directors' meeting)
Bunka Shutter Co., Ltd.	5930	TSE PRM	2022.6	Nippon Active Value Fund plc (①, ②) INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP, Strategic Capital, Inc (③-⑦)	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock ③ Appropriation of surplus: ¥93 dividend per share (Company proposal: ¥20 per share) ④ Partial amendment to the Articles of Incorporation: (1) Sale of strategic shareholdings ⑤ Approval of compensation amounts of directors who are not audit and supervisory committee members under stock-price-based restricted stock compensation system ⑥ Partial amendment to the Articles of Incorporation: (2) Establishment of new provision for resolutions concerning the cancellation of treasury stock at the general meeting of shareholders ⑦ Cancellation of treasury stock
Neturen Co., Ltd.	5976	TSE PRM	2022.6	NORTHERN TRUST CO.(AVFC) RE NVI01	① Appropriation of surplus: ¥47 dividend per share (Company proposal ¥17 per share)
HIRANO TECSEED Co., Ltd.	6245	TSE STD	2022.6	Nippon Active Value Fund plc	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock
Gamecard-Joyco Holdings, Inc.	6249	TSE STD	2022.6	TK1 Ltd.	① Appropriation of surplus: ¥1,000 dividend per share (Company proposal ¥17.5 per share) ② Acquisition of treasury stock
Y.A.C. HOLDINGS CO., LTD.	6298	TSE PRM	2022.6	One individual shareholder	① Appropriation of surplus: ¥38 dividend per share (Company proposal ¥24 per share) ② Acquisition of treasury stock
TSURUMI MANUFACTURING CO., LTD.	6351	TSE PRM	2022.6	DALTON KIZUNA (MASTER) FUND LP	① Acquisition of treasury stock

Company[*1]	Securities Code	Listing Market[*2]	Meeting Date	Names of Proposing Shareholders[*3]	Details of Proposal (Number of proposals)
ISHII IRON WORKS CO., LTD.	6362	TSE STD	2022.6	VASANTA MASTER FUND PTE LTD	① Appropriation of surplus: ¥120 dividend per share (Company proposal: ¥60 per share) ② Partial amendment to the Articles of Incorporation: (1) Establishment of standards for the payment of dividends of surplus and the acquisition of treasury stock ③ Partial amendment to the Articles of Incorporation: (2) Disclosure of cost of capital
Techno Medica Co., Ltd.	6678	TSE PRM	2022.6	CITCO TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF THE VPL1 TRUST	① Appropriation of surplus: ¥118 dividend per share (Company proposal: ¥60 per share)
DKK Co., Ltd.	6706	TSE PRM	2022.6	LIM JAPAN EVENT MASTER FUND	① Dismissal of one (1) audit and supervisory committee member ② Partial amendment to the Articles of Incorporation: Sale of strategic shareholdings ③ Acquisition of treasury stock
Oi Electric Co., Ltd.	6822	TSE STD	2022.6	Unearth International Limited	① Stock split
IWASAKI ELECTRIC CO., LTD.	6924	TSE PRM	2022.6	ESG Investment Partnership	① Appropriation of surplus: ¥209 dividend per share (Company proposal; ¥130 per share) ② Partial amendment to the Articles of Incorporation: (1) Sale of strategic shareholdings ③ Dismissal of two (2) audit and supervisory committee members ④ Dismissal of one (1) substitute corporate auditor
Fast Fitness Japan, Inc.	7092	TSE PRM	2022.6	Oak Co., Ltd. (①) Chairman of the company and Representation of Oak Co., Ltd. (②) Director and Audit and Supervisory Committee member of the company	① Appointment of six (6) directors who are not audit and supervisory committee members ② Appointment of two (2) directors who are audit and supervisory committee members
Nissan Motor Co., Ltd.	7201	TSE PRM	2022.6	One individual shareholder	① Partial amendment to the Articles of Incorporation: Deeming the other affiliated company as the parent company and complying with the Companies Act
NISSAN SHATAI CO., LTD.	7222	TSE PRM	2022.6	LIM JAPAN EVENT MASTER FUND	① Partial amendment to the Articles of Incorporation: (1) Prohibition of the appointment of former executives of Nissan Motor Co., Ltd. ② Partial amendment to the Articles of Incorporation: (2) Prohibition of the provision of funds via deposits and loans to Nissan Motor Co., Ltd. ③ Partial amendment to the Articles of Incorporation: (3) Disclosure of individual remuneration of directors holding authority of representation ④ Partial amendment to the Articles of Incorporation: (4) Disclosure of cost of capital ⑤ Acquisition of treasury stock
Kyokuto Kaihatsu Kogyo Co., Ltd.	7226	TSE PRM	2022.6	INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP, Strategic Capital, Inc	① Appropriation of surplus: ¥339 dividend per share (Company proposal: ¥32 per share) ② Partial amendment to the Articles of Incorporation: (1) Disclosure of cost of capital ③ Partial amendment to the Articles of Incorporation: (3) Disclosure of individual remuneration of representative directors ④ Partial amendment to the Articles of Incorporation: (4) Disclosure of cost of capital ⑤ Acquisition of treasury stock
TOKYO RADIATOR MFG. Co., Ltd.	7235	TSE STD	2022.6	AVI Japan Opportunity Trust PLC	① Appropriation of surplus: ¥284 dividend per share (Company proposal: ¥0 dividend per share) ② Partial amendment to the Articles of Incorporation: (1) Transition to a company with an audit and supervisory committee ③ Partial amendment to the Articles of Incorporation: (2) Establishment of nomination committee and compensation committee ④ Determination of compensation for the granting of restricted stock to directors (excluding outside directors) ⑤ Partial amendment to the Articles of Incorporation: (1) Termination of the positions of advisor (Sodan-yaku) and counselor (Komon)
TACHI-S CO., LTD.	7239	TSE PRM	2022.6	INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP, Strategic Capital, Inc	① Partial amendment to the Articles of Incorporation: (1) Disclosure of cost of shareholders' equity ② Partial amendment to the Articles of Incorporation: (2) Sale of strategic shareholdings
Haruyama Holdings Inc.	7416	TSE STD	2022.6	One shareholder	① Appointment of four (4) directors ② Appointment of one (1) audit and supervisory committee member
CITIZEN WATCH CO., LTD.	7762	TSE PRM	2022.6	One shareholder	① Partial amendment to the Articles of Incorporation: (1) Disclosure of individual remuneration of directors ② Partial amendment to the Articles of Incorporation: (2) Fair and highly transparent management of general shareholders' meetings ③ Partial amendment to the Articles of incorporation: (3) Separation of the roles of the chair person of the board of directors and the chief executive officer ④ Dismissal of one (1) director ⑤ Dismissal of one (1) director
ALMEDIO INC.	7859	TSE STD	2022.6	Individual shareholder	① Dismissal of one (1) director ② Appointment of one (1) outside director
KENSOH Co., Ltd.	7939	TSE STD	2022.6	Shareholder	① Appropriation of surplus: dividend of the half of net income per share for the current term (Company proposal: ¥15 per share)

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TENMA Corporation	7958	TSE PRM	2022.6	LIM JAPAN EVENT MASTER FUND	① Partial amendment to the Articles of Incorporation: Disclosure of cost of capital ② Acquisition of treasury stock
Scroll Corporation	8005	TSE PRM	2022.6	One individual shareholder	① Appointment of one (1) director ② Acquisition of treasury stock
Sankyo Seiko Co., Ltd.	8018	TSE STD	2022.6	One shareholder	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock
Mitsubishi Corporation	8058	TSE PRM	2022.6	Three shareholders	① Partial amendment to the Articles of Incorporation: (1) Formulation and disclosure of business plan consisting of short- and medium-term greenhouse gas emission reduction targets that align with the goals of the Paris Agreement ② Partial amendment to the Articles of Incorporation: (2) Disclosure of evaluation on the consistency between new and significant capital expenditures and the targets for achieving net-zero greenhouse gas emissions by 2050
Kyokuto Boeki Kaisha, Ltd.	8093	TSE PRM	2022.6	INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP, Strategic Capital, Inc	① Appointment of one (1) director who is not an audit and supervisory committee member ② Partial amendment to the Articles of Incorporation: (1) Sale of strategic shareholdings ③ Partial amendment to the Articles of Incorporation: (2) Inclusion of holding and management of equity securities, which are held for the purpose of pure investment, as matters to be reported and resolved [at the general meeting of shareholders] ④ Partial amendment to the Articles of Incorporation: (3) Establishment of new provision for resolutions concerning the cancellation of treasury stock at the general meeting of shareholders ⑤ Cancellation of treasury stock
SODA NIKKA CO., LTD.	8158	TSE PRM	2022.6	Nippon Active Value Fund plc	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock
Mitsubishi UFJ Financial Group, Inc.	8306	TSE PRM	2022.6	Four shareholders	① Partial amendment to the Articles of Incorporation: (1) Prohibition of loans to companies that disregard the importance of protecting personal information ② Partial amendment to the Articles of Incorporation: (2) Prohibition of loans to companies involved in defamation ③ Partial amendment to the Articles of Incorporation: (3) Implementation of all possible measures against system failure
Sumitomo Mitsui Financial Group	8316	TSE PRM	2022.6	Eight shareholders	① Partial amendment to the Articles of Incorporation: (1) Formulation and disclosure of business plan consisting of short- and medium-term greenhouse gas emission reduction targets that align with the goals of the Paris Agreement ② Partial amendment to the Articles of Incorporation: (2) Financing consistent with the IEA's Net-Zero Emissions Scenario
THE BANK OF IWATE, LIMITED	8345	TSE PRM	2022.6	Northern Trust Company AVFC Re: Silchester International Investors International Value Equity Trust	① Appropriation of surplus: special dividends of ¥76 per share in addition to the company proposal of ¥50 per share
Suruga Bank Ltd.	8358	TSE PRM	2022.6	300 shareholders	① Dismissal of one (1) director ② Partial amendment to the Articles of Incorporation: (1) Loaning of funds ③ Partial amendment to the Articles of Incorporation: (2) Method of receiving financial screening documents ④ Partial amendment to the Articles of Incorporation: (3) Method of determining fraudulent activities ⑤ Partial amendment to the Articles of Incorporation: (4) Prompt and appropriate settlement of fraudulent loan scandal ⑥ Partial amendment to the Articles of Incorporation: Clarification of milestones to lifting of business improvement order ⑦ Partial amendment to the Articles of Incorporation: (6) Disclosure of fraudulent activity by Suruga Bank to shareholders ⑧ Partial amendment to the Articles of Incorporation: (7) disclosure of significant legal proceedings ⑨ Partial amendment to the Articles of Incorporation: Establishment of a whistleblowing system for reporting fraudulent loan activities to outside directors ⑩ Partial amendment to the Articles of Incorporation: (9) Non-implementation of fully online general shareholders' meetings
THE SHIGA BANK, LTD.	8366	TSE PRM	2022.6	Northern Trust Company AVFC Re: Silchester International Investors International Value Equity Trust	① Appropriation of surplus: special dividends of ¥110 per share in addition to the Company proposal of ¥62.5 per share
Bank of Kyoto, Ltd.	8369	TSE PRM	2022.6	Northern Trust Company AVFC Re: Silchester International Investors International Value Equity Trust	① Appropriation of surplus: special dividends of ¥132 per share in addition to the Company proposal of ¥65 per share
Chugoku Bank, Ltd.	8382	TSE PRM	2022.6	Northern Trust Company AVFC Re: Silchester International Investors International Value Equity Trust	① Appropriation of surplus: special dividends of ¥29 per share in addition to the Company proposal of ¥16.5 per share
The Iyo Bank, Ltd.	8385	TSE PRM	2022.6	One individual shareholder	① Partial amendment to the Articles of Incorporation: Change in trade name ② Dismissal of two (2) directors who are not audit and supervisory committee members ③ Dismissal of three (3) directors who are audit and supervisory committee members

Company[*1]	Securities Code	Listing Market[*2]	Meeting Date	Names of Proposing Shareholders[*3]	Details of Proposal (Number of proposals)
Shikoku Bank, Ltd.	8387	TSE PRM	2022.6	One shareholder	① Partial amendment to the Articles of Incorporation: Change in trade name ② Dismissal of two (2) directors who are not audit and supervisory committee members ③ Dismissal of three (3) directors who are audit and supervisory committee members
FVC Co., Ltd.	8462	TSE STD	2022.6	Mantis Activist Investment No. 1 Co., Ltd.	① Appointment of two (2) directors who are not audit and supervisory committee members ② Appointment of three (3) directors who are audit and supervisory committee members
Japan Securities Finance Co., Ltd.	8511	TSE PRM	2022.6	INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP, Strategic Capital, Inc	① Partial amendment to the Articles of Incorporation: (1) Disclosure of remuneration of the president and CEO ② Partial amendment to the Articles of Incorporation: (2) Disclosure of individual remuneration of officers from the Bank of Japan ③ Partial amendment to the Articles of Incorporation: (3) Establishment of the position of special advisor (Tokubetsu Komon) ④ Partial amendment to the Articles of Incorporation: (4) Sale of strategic shareholdings ⑤ Partial amendment to the Articles of Incorporation: (5) Sale of shares and unlisted REIT held for pure investment purposes ⑥ Partial amendment to the Articles of Incorporation: (6) Disclosure of results of exercise of voting rights
ACOM CO., LTD.	8572	TSE STD	2022.6	One foreign corporate shareholder	① Partial amendment to the Articles of Incorporation: Establishment of minimum number of directors based on gender
Tokai Tokyo Financial Holdings, Inc.	8616	TSE PRM	2022.6	One shareholder	① Partial amendment to the Articles of Incorporation: Change in trade name ② Dismissal of two (2) directors who are not audit and supervisory committee members ③ Dismissal of two (2) directors who are audit and supervisory committee members
TV TOKYO Holdings Corporation	9413	TSE PRM	2022.6	LIM JAPAN EVENT MASTER FUND	① Partial amendment to the Articles of Incorporation: (1) Prohibition of the appointment of former executives of Nikkei Inc. ② Partial amendment to the Articles of Incorporation: (2) Termination of the position of advisor (Komon), etc. ③ Appointment of one (1) director (Motion to amend: Appointment of eight (8) directors) ④ Partial amendment to the Articles of Incorporation: (3) Disclosure of individual remuneration of directors ⑤ Partial amendment to the Articles of Incorporation: (4) Disclosure of cost of capital ⑥ Partial amendment to the Articles of Incorporation: (5) Sale of strategic shareholdings ⑦ Appropriation of surplus: ¥190 dividend per share (Company proposal; ¥45 per share)
Tokyo Electric Power Company Holdings, Inc.	9501	TSE PRM	2022.6	Two shareholders (①) 217 shareholders (②-⑨) One shareholder (⑩-⑫)	① Partial amendment to the Articles of Incorporation: (1) Disclosure of report on the evaluation of asset resilience with respect to achieving net-zero emissions by 2050 (Motion to amend: Early resumption of operations of unit 1 reactor at Kashiwazaki–Kariwa Nuclear Power Station) ② Partial amendment to the Articles of Incorporation: (2) Exclusion of nuclear power from carbon-neutral power sources and transition to renewable energy (Motion to amend: Early resumption of operations of unit 2 reactor at Kashiwazaki–Kariwa Nuclear Power Station) ③ Partial amendment to the Articles of Incorporation: (3) Discontinuation of plan for the removal of fuel debris at Fukushima Daiichi Nuclear Power Station (Motion to amend: Early resumption of operations of unit 3 reactor at Kashiwazaki–Kariwa Nuclear Power Station) ④ Partial amendment to the Articles of Incorporation: (4) Countermeasures against contaminated water at Fukushima Daiichi Nuclear Power Station (Motion to amend: Early resumption of operations of unit 4 reactor at Kashiwazaki–Kariwa Nuclear Power Station) ⑤ Partial amendment to the Articles of Incorporation: (5) Purchase of nuclear damage compensation insurance and nuclear energy property insurance (Motion to amend ①: Provision stating that the directors themselves will compensate for damages caused by a nuclear accident when the Kashiwazaki–Kariwa Nuclear Power Station is not covered by nuclear energy property insurance (Motion to amend ②: Early resumption of operations of unit 5 reactor at Kashiwazaki–Kariwa Nuclear Power Station) ⑥ Partial amendment to the Articles of Incorporation: (6) Disclosure of power generation costs (Motion to amend: Early resumption of operations of unit 6 reactor at Kashiwazaki–Kariwa Nuclear Power Station) ⑦ Partial amendment to the Articles of Incorporation: (7) Promotion of gender equality (Motion to amend: Early resumption of operations of unit 7 reactor at Kashiwazaki–Kariwa Nuclear Power Station) ⑧ Partial amendment to the Articles of Incorporation: (8) Visualization of the degree of achievement of key performance indicators (Motion to amend: Take measures to realize early resumption of operations of Higashidori Nuclear Power Station) ⑨ Partial amendment to the Articles of Incorporation: (9) Disclosure of individual remuneration of directors, etc. (Motion to amend: Provide support for the operations of nuclear power plants owned by Electric Power Development Co., Ltd.) ⑩ Partial amendment to the Articles of Incorporation: (10) Ensure a stable supply of electric power (Motion to amend: Provide support for the operations of nuclear power plants owned by the Japan Atomic Power Company) ⑪ Partial amendment to the Articles of Incorporation: (11) Improvements to the operation of and strengthening of power grids (Motion to amend: Provide support for the operations of nuclear power plants owned by Chubu Electric Power Co., Inc.) ⑫ Partial amendment to the Articles of Incorporation: (12) Disclosure and dissemination of information on demand and supply of electricity (Motion to amend: Those who oppose the use of nuclear power should not use electricity)

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Chubu Electric Power Co., Inc.	9502	TSE PRM	2022.6	77 shareholders (①-④) Two shareholders (⑤)	① Partial amendment to the Articles of Incorporation: (1) Disclosure of individual remuneration of officers ② Partial amendment to the Articles of Incorporation: (2) Stipulation for the exclusion of nuclear power from matters to be reported and resolved [at the general meeting of shareholders] ③ Partial amendment to the Articles of Incorporation: (3) Ensure strict compliance ④ Partial amendment to the Articles of Incorporation: (4) Renewable energy initiatives ⑤ Partial amendment to the Articles of Incorporation: (5) Disclosure of report on the evaluation of asset resilience with respect to achieving net-zero emissions by 2050
The Kansai Electric Power Company, Incorporated	9503	TSE PRM	2022.6	30 shareholders (①-⑥) 104 shareholders (⑦-⑬) Three shareholders (⑭-⑯) Two shareholders (⑰) Two shareholders (⑱-⑳) One shareholder (㉑-㉕) One shareholder (㉖)	① Partial amendment to the Articles of Incorporation: (1) Stipulation of denuclearization and decarbonization as matters to be reported and resolved ② Partial amendment to the Articles of Incorporation: (2) Disclosure of minutes for general meetings of shareholders ③ Partial amendment to the Articles of Incorporation: (3) Promotion of information disclosure and dialogue ④ Partial amendment to the Articles of Incorporation: (4) Promotion of investment in facilities and human resources ⑤ Partial amendment to the Articles of Incorporation: (5) Withdrawal from coal power generation business ⑥ Partial amendment to the Articles of Incorporation: (6) Disclosure of gender-specific information on wages and management positions ⑦ Appropriation of surplus: special dividend of ¥1 per share in addition to the Company proposal of ¥25 per share ⑧ Dismissal of one (1) director ⑨ Partial amendment to the Articles of Incorporation: (7) Disclosure of individual remuneration of directors, etc. ⑩ Partial amendment to the Articles of Incorporation: (8) Establishment of a committee for enhancing the effectiveness of evacuation plans in the event of a nuclear accident ⑪ Partial amendment to the Articles of Incorporation: (9) Denuclearization and zero-carbon ⑫ Partial amendment to the Articles of Incorporation: (10) Prohibition of entry into an electricity purchase contract with the Japan Atomic Power Company ⑬ Partial amendment to the Articles of Incorporation: (11) Prohibition of reprocessing of spent fuel ⑭ Partial amendment to the Articles of Incorporation: (12) Disclosure of information on management and business ⑮ Partial amendment to the Articles of Incorporation: (13) Promotion of denuclearization and introduction of renewable energy ⑯ Partial amendment to the Articles of Incorporation: (14) Achievement of zero-carbon emissions ⑰ Partial amendment to the Articles of Incorporation: (15) Promotion of denuclearization ⑱ Partial amendment to the Articles of Incorporation: (16) Promotion of denuclearization ⑲ Partial amendment to the Articles of Incorporation: (17) Disclosure of transition plan and climate-related risks and opportunities that align with the long-term goals of the Paris Agreement ⑳ Partial amendment to the Articles of Incorporation: (18) Introduction of officer remuneration system linked to ESG elements ㉑ Partial amendment to the Articles of Incorporation: (19) Disclosure of individual remuneration of directors, etc. ㉒ Partial amendment to the Articles of Incorporation: (20) Promotion of denuclearization ㉓ Partial amendment to the Articles of Incorporation: (21) Fostering of a culture of safety ㉔ Partial amendment to the Articles of Incorporation: (22) Prohibition of reemployment of former national or other government employees ㉕ Partial amendment to the Articles of Incorporation: (23) Reduction of the quota of directors and appointment of outside directors as a majority of directors ㉖ Partial amendment to the Articles of Incorporation: (24) Prohibition of the establishment of new coal power plant
The Chugoku Electric Power Co., Inc.	9504	TSE PRM	2022.6	77 shareholders	① Partial amendment to the Articles of Incorporation: (1) Guarantee for the description of and the consent to planning, construction, and operation of nuclear power plants ② Partial amendment to the Articles of Incorporation: (2) Establishment of a committee for evaluating large-scale projects ③ Partial amendment to the Articles of Incorporation: (3) Stipulation for the exclusion of nuclear power from carbon-neutral power sources ④ Partial amendment to the Articles of Incorporation: (4) Establishment of measures to withstand terrorist attacks and warfare as a condition for resuming ⑤ Partial amendment to the Articles of Incorporation: (5) Disclosure of individual remuneration of officers ⑥ Dismissal of one (1) director
Hokuriku Electric Power Company	9505	TSE PRM	2022.6	78 shareholders	① Partial amendment to Articles of Incorporation: (1) Stipulation of denuclearization and the achievement of carbon neutrality as matters to be reported and resolved ② Partial amendment to the Articles of Incorporation: (2) Prevention of environmental pollution and responsibility of those held accountable for such actions ③ Partial amendment to the Articles of Incorporation: (3) Protection of natural and living environments ④ Partial amendment to the Articles of Incorporation: (4) Establishment of a third-party institution for verifying the adequacy of disclosures of corporate information ⑤ Partial amendment to the Articles of Incorporation: (5) Termination of the positions of advisor (Sodan-yaku), counselor (Komon), consultant (San-yo), etc. ⑥ Partial amendment to the Articles of Incorporation: (6) Disclosure of individual remuneration of officers, etc.
Tohoku Electric Power Co., Inc.	9506	TSE PRM	2022.6	211 shareholders	① Partial amendment to the Articles of Incorporation: (1) Declaration on withdrawal from nuclear power business ② Partial amendment to the Articles of Incorporation: (2) Establishment of a special facility for managing severe accidents ③ Partial amendment to the Articles of Incorporation: (3) Purchase of nuclear damage compensation insurance and nuclear energy property insurance ④ Partial amendment to the Articles of Incorporation: (4) Determination of method for treatment and disposal of radioactive waste ⑤ Partial amendment to the Articles of Incorporation: (5) Termination of the positions of advisor (Sodan-yaku) and counselor (Komon) ⑥ Partial amendment to the Articles of Incorporation: (6) Recovery of funds from Japan Atomic Power Company

Company*1	Securities Code	Listing Market*2	Meeting Date	Names of Proposing Shareholders*3	Details of Proposal (Number of proposals)
Shikoku Electric Power Company, Incorporated	9507	TSE PRM	2022.6	121 shareholders	① Dismissal of three (3) directors ② Partial amendment to the Articles of Incorporation: (1) Formulation of evacuation, protection, and compensation plans in preparation for a nuclear disaster that may occur in the event of a major Nankai Trough earthquake ③ Partial amendment to the Articles of Incorporation: (2) Decommissioning of unit 3 reactor at Ikata Nuclear Power Plant ④ Partial amendment to Articles of Incorporation: (3) Completion of decommissioning work on unit 1 and unit 2 reactors at Ikata Nuclear Power Plant by fiscal 2060
Kyushu Electric Power Company, Incorporated	9508	TSE PRM	2022.6	One shareholder (①-⑤) One shareholder (⑥-⑪) 66 shareholders (⑫-⑳)	① Partial amendment to the Articles of Incorporation: (1) Acquisition of treasury stock ② Partial amendment to the Articles of Incorporation: (2) Disclosure of individual remuneration of officers ③ Partial amendment to the Articles of Incorporation: (3) Disclosure of names and main backgrounds of compliance committee members ④ Partial amendment to the Articles of Incorporation: (4) Prompt disclosure of financial results ⑤ Partial amendment to the Articles of Incorporation: (5) Termination of transactions with securities companies, etc. associated with acts of fraud ⑥ Partial amendment to the Articles of Incorporation: (6) Independence of compliance-related research institutes and rating agencies ⑦ Partial amendment to the Articles of Incorporation: (7) Establishment of organization that assesses for fair and equitable procurement ⑧ Partial amendment to the Articles of Incorporation: (8) Establishment of organization that verifies the state of the business ⑨ Partial amendment to the Articles of Incorporation: (9) Confirmation of the legitimacy of requirements by law, ordinance, etc. ⑩ Partial amendment to the Articles of Incorporation: (10) Establishment of organization that inspects group companies ⑪ Partial amendment to the Articles of Incorporation: (11) Establishment of organization that examines personnel evaluations ⑫ Partial amendment to the Articles of Incorporation: (12) Clear demonstration of practices regarding the role of outside directors ⑬ Partial amendment to the Articles of Incorporation: (13) Exclusion of nuclear power from carbon-neutral power sources ⑭ Partial amendment to the Articles of Incorporation: (14) Improvements in the culture of safety for nuclear power ⑮ Partial amendment to the Articles of Incorporation: (15) Establishment of a committee for assessing cost, etc. according to power source ⑯ Partial amendment to the Articles of Incorporation: (16) Establishment of a committee for inspecting potential hydrogen explosions ⑰ Partial amendment to the Articles of Incorporation: (17) Establishment of a department to oversee emergency response ⑱ Partial amendment to the Articles of Incorporation: (18) Withdrawal from nuclear fuel cycle business ⑲ Partial amendment to the Articles of Incorporation: (19) Decommissioning of Sendai Nuclear Power Plant ⑳ Partial amendment to the Articles of Incorporation: (20) Establishment of a committee for inspecting active fault lines
Hokkaido Electric Power Co., Inc.	9509	TSE PRM	2022.6	33 shareholders	① Partial amendment to the Articles of Incorporation: (1) Achievement of carbon neutrality without relying on the use of nuclear power ② Partial amendment to the Articles of Incorporation: (2) Conducting of inspections on nuclear power facilities, including through third parties ③ Partial amendment to the Articles of Incorporation: (3) Prohibition of the release of radioactive tritium to the environment ④ Partial amendment to the Articles of Incorporation: (4) Strengthening of nuclear disaster prevention ⑤ Partial amendment to the Articles of Incorporation: Contributions to reductions in CO_2 emissions ⑥ Partial amendment to the Articles of Incorporation: (6) Termination of the positions of advisor (Sodanyaku) and counselor (Komon) ⑦ Partial amendment to the Articles of Incorporation: (7) Disclosure of individual remuneration of officers, etc.
Electric Power Development Co., Ltd. (J-Power)	9513	TSE PRM	2022.6	Four shareholders	① Partial amendment to the Articles of Incorporation: (1) Formulation and disclosure of business plan consisting of short- and medium-term greenhouse gas emission reduction targets that align with the goals of the Paris Agreement ② Partial amendment to the Articles of Incorporation: (2) Disclosure of assessment on consistency between capital investment and greenhouse gas emission reduction targets ③ Partial amendment to the Articles of Incorporation: (3) Disclosure of the means by which remuneration policies contribute to the achievement of greenhouse gas emission reduction targets
Nihon Denkei Co., Ltd.	9908	TSE STD	2022.6	Nippon Active Value Fund plc	① Approval of compensation amounts under restricted stock compensation system ② Acquisition of treasury stock

*1 Shaded areas indicate companies whose shareholder proposals were approved (Sentences in red are the approved agendas).
*2 TSE PRM: Prime Market, Tokyo Stock Exchange
TSE STD: Standard Market, Tokyo Stock Exchange
FSE: Fukuoka Stock Exchange
*3 The names of proposing shareholders are, in principle, based on information disclosed by the company receiving the proposal.
Source: Created by Japan Shareholder Services Ltd., based on Shojihomu Document No. 461 "Case Study of Shareholder Proposal Rights" by Tatsuya Makino of Mitsubishi UFJ Trust and Banking Corporation and Junkan Shojihomu No. 2312 "White Paper on General Shareholder Meetings"

Since the shareholder proposal submitted by non-profit organization (NPO) "KIKO Network" to Mizuho Financial Group, Inc. in 2020, similar proposals have been submitted by non-governmental organizations (NGOs) and NPOs at the general shareholders' meeting season in June. At the general shareholders' meeting held in June 2022, six shareholder proposals (including those for electric power companies) in relation to climate change were submitted (up from four proposals in 2021). Four of these proposals were submitted by NGOs and NPOs, an increase from the two proposals made in 2021. In addition to megabanks and general trading companies (Shosha), electric power companies were added to the list of proposal recipients. It is also worth noting that this year, proposals were made by major overseas institutional investors. These proposals received some "For" votes from domestic and overseas institutional investors. (Figure 2-3-10–2-3-12)

Figure 2-3-10: Climate Change Related Shareholder Proposals Submitted at the General Shareholders' Meeting in June 2022

No.	Proposer	Securities Code	Target Company	Proposal Contents		Approval Rate
1	• Market Forces • KIKO Network • Individual Officer from environmental NGO	8058	Mitsubishi Corporation	① Partial amendment to the Articles of Incorporation	Formulation and disclosure of business plan consisting of short- and medium-term greenhouse gas emission reduction targets that align with the goals of the Paris Agreement	20.2%
				② Partial amendment to the Articles of Incorporation	Disclosure of evaluation on the consistency between new and significant capital expenditures and the targets for achieving net-zero greenhouse gas emissions by 2050	16.2%
2	• Market Forces • KIKO Network • Three officers and members from environmental NGOs	8316	Sumitomo Mitsui Financial Group	① Partial amendment to the Articles of Incorporation	Formulation and disclosure of business plan consisting of short- and medium-term greenhouse gas emission reduction targets that align with the goals of the Paris Agreement	27.1%
				② Partial amendment to the Articles of Incorporation	Financing consistent with the IEA's Net-Zero Emissions Scenario	9.6%
3	• Market Forces • KIKO Network	9501	Tokyo Electric Power Company Holdings, Inc.	① Partial amendment to the Articles of Incorporation	Disclosure of report on the evaluation of asset resilience with respect to achieving net-zero emissions by 2050 (Motion to amend) Early resumption of operations of unit 1 reactor at Kashiwazaki–Kariwa Nuclear Power Station	9.6%
4	• Market Forces • KIKO Network	9502	Chubu Electric Power Co., Inc.	① Partial amendment to the Articles of Incorporation	Disclosure of report on the evaluation of asset resilience with respect to achieving net-zero emissions by 2050	19.9%
5	• ACCR • Amundi • HSBC AM • Man Group	9513	Electric Power Development Co., Ltd.	① Partial amendment to the Articles of Incorporation	Formulation and disclosure of business plan specifying science-based short- and medium-term targets for reducing greenhouse gas emissions	25.8%
				② Partial amendment to the Articles of Incorporation	Disclosure of assessment on the consistency between capital investment and greenhouse gas emission reduction targets	18.1%
				③ Partial amendment to the Articles of Incorporation	Disclosure of details on the means by which remuneration policies contribute to the achievement of greenhouse gas emission reduction targets	18.9%
6	• Kyoto City • Kobe City	9503	The Kansai Electric Power Company, Incorporated	① Partial amendment to the Articles of Incorporation	Contributions to realizing a zero-carbon society	20.7%
				② Partial amendment to the Articles of Incorporation	Disclosure of climate-related risks and opportunities	35.6%
				③ Partial amendment to the Articles of Incorporation	Introduction of officer remuneration system linked to ESG elements for the purpose of realizing a management structure conducive to the reduction of CO_2 emissions	26.9%
				④ Partial amendment to the Articles of Incorporation	Pursuit of business structure reforms with a view to realizing a carbon-free society	18.1%

Source: Created by Japan Shareholder Services Ltd., based on information from convocation notices, extraordinary reports, news, press releases, et al.

Figure 2-3-11: Status of Approval of Shareholder Proposals Submitted to Major Financial Groups by NGOs and NPOs (2021 → 2022)

Mizuho Financial Group, Inc., June 2020 General Meeting of Shareholders

Domestic Investor		Overseas Investor	
Name of Investor	For/ Against	Name of Investor	For/ Against
Asset Management One Co., Ltd.	For	BlackRock	Against
Sumitomo Mitsui Trust Asset Management Co., Ltd.	Against	The Vanguard Group	Against
Mitsubishi UFJ Trust and Banking Corporation	Against	State Street Global Advisors	For
Resona Asset Management Co., Ltd.	Against	Norges Bank Investment Management	Against
Nomura Asset Management Co., Ltd.	For	Legal & General Investment Management	For
Daiwa Asset Management Co., Ltd.	Against	UBS Asset Management	For
Nikko Asset Management Co., Ltd.	Against	JPMorgan Asset Management	Against
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	Against	Northern Trust Global Investments	For
Sumitomo Mitsui DS Asset Management Company, Limited	Against	T. Rowe Price International	For
Nissay Asset Management Corporation	For	Geode Capital Management	For

Mitsubishi UFJ Financial Group, Inc., June 2021 General Meeting of hareholders

Domestic Investor		Overseas Investor	
Name of Investor	For/ Against	Name of Investor	For/ Against
Asset Management One Co., Ltd.	For	BlackRock	Against
Daiwa Asset Management Co., Ltd.	Against	California Public Employees Retirement System (CalPERS)	Against
Nikko Asset Management Co., Ltd.	Against	JPMorgan Asset Management	Against
Nissay Asset Management Corporation	Against	Legal & General Investment Management	For
Nomura Asset Management Co., Ltd.	For	Norges Bank Investment Management	Against
Sumitomo Mitsui DS Asset Management Company, Limited	For	Northern Trust Global Investments	Against
Sumitomo Mitsui Trust Asset Management Co., Ltd.	Against	State Street Global Advisors	Against
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	Against	T. Rowe Price International	Against
Mitsubishi UFJ Trust and Banking Corporation	Against	The Vanguard Group	Against
Resona Asset Management Co., Ltd.	For	UBS Asset Management	Against

Sumitomo Mitsui Financial Group, June 2022 General Meeting of Shareholders

Domestic Investor		Overseas Investor	
Name of Investor	For/ Against	Name of Investor	For/ Against
Asset Management One Co., Ltd.	For	BlackRock	Against
Daiwa Asset Management Co., Ltd.	Against	California Public Employees Retirement System (CalPERS)	For
Nikko Asset Management Co., Ltd.	Against	JPMorgan Asset Management	Against
Nissay Asset Management Corporation	Against	Legal & General Investment Management	For
Nomura Asset Management Co., Ltd.	Against	Norges Bank Investment Management	Against
Sumitomo Mitsui DS Asset Management Company, Limited	For	Northern Trust Global Investments	For
Sumitomo Mitsui Trust Asset Management Co., Ltd.	For	State Street Global Advisors	Against
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	Against	T. Rowe Price International	Against
Mitsubishi UFJ Trust and Banking Corporation	Against	The Vanguard Group	Against
Resona Asset Management Co., Ltd.	For	UBS Asset Management	For

Note: Shaded areas indicate results that differ from those of the Mitsubishi UFJ Financial Group in the previous year

Source: Created by Japan Shareholder Services based on information from various disclosure materials

Figure 2-3-12: Status of Approval of Shareholder Proposals Submitted to Major Trading Companies by NGOs and NPOs (2021 → 2022)

Sumitomo Corporation, June 2021 General Meeting of Shareholders

Domestic Investor		Overseas Investor	
Name of Investor	For/Against	Name of Investor	For/Against
Asset Management One Co., Ltd.	For	Amundi Asset Management	For
Daiwa Asset Management Co., Ltd.	Against	BlackRock	Against
Nikko Asset Management Co., Ltd.	Against	Dimensional Fund Advisors	Against
Nissay Asset Management Corporation	For	Goldman Sachs Asset Management	Against
Nomura Asset Management Co., Ltd.	Against	Legal & General Investment Management	For
Sumitomo Mitsui DS Asset Management Company, Limited	For	Norges Bank Investment Management	Against
Sumitomo Mitsui Trust Asset Management Co., Ltd.	Against	Schroders Investment Management	For
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	Against	State Street Global Advisors	Against
Mitsubishi UFJ Trust and Banking Corporation	Against	The Vanguard Group	Against
Resona Asset Management Co., Ltd.	For	Wellington Management	For

Mitsubishi Corporation, June 2022 General Meeting of Shareholders

Domestic Investor		Overseas Investor	
Name of Investor	For/Against	Name of Investor	For/Against
Asset Management One Co., Ltd.	For	Amundi Asset Management	For
Daiwa Asset Management Co., Ltd.	Against	BlackRock	Against
Nikko Asset Management Co., Ltd.	Against	Dimensional Fund Advisors	Against
Nissay Asset Management Corporation	Against	Goldman Sachs Asset Management	For
Nomura Asset Management Co., Ltd.	Against	Legal & General Investment Management	For
Sumitomo Mitsui DS Asset Management Company, Limited	Against	Norges Bank Investment Management	Against
Sumitomo Mitsui Trust Asset Management Co., Ltd.	Against	Schroders Investment Management	For
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	Against	State Street Global Advisors	For
Mitsubishi UFJ Trust and Banking Corporation	Against	The Vanguard Group	Against
Resona Asset Management Co., Ltd.	For	Wellington Management	Against

Note: Shaded areas indicate results that differ from those of Sumitomo Corporation in the previous year

Source: Created by Japan Shareholder Services based on various disclosure materials

4 Major Initiatives Related to Sustainable Finance

October 2021

- The Financial Services Agency (FSA) publishes the Social Bond Guidelines.

October 2021–March 2022

- The Ministry of Economy, Trade and Industry (METI) steadily formulates sector-specific technology roadmaps (the iron and steel, chemical, electric power, gas, oil, paper and pulp, and cement sectors) for the transition to decarbonization.

April 2022

- The Ministry of the Environment publishes a Study Report on the Use and Advancement of Portfolio Carbon Analysis.
- The Ministry of the Environment publishes a Practical Guide for Scenario Analysis in line with the TCFD recommendations (for the banking sector), 2nd edition.

June 2022

- The FSA publishes the Financial System Council's Report of Working Group on Corporate Disclosure—Toward the Creation of a Capital Market That Will Contribute to Medium- and Long-Term Enhancement in Corporate Value.

July 2022

- The Ministry of the Environment publishes Green Bond and Sustainability-Linked Bond Guidelines 2022 and Green Loan and Sustainability-Linked Loan Guidelines 2022.
- The FSA formulates its Supervisory Guidance on Climate-related Risk Management and Client Engagement.
- The FSA publishes the Expert Panel on Sustainable Finance's Second Report, Financial Systems that open up a new sustainable society, Code of Conduct for ESG Evaluation and Data Providers, and Examples of Indicators for Social Benefits of Social Projects.

August 2022

- METI, the FSA, and the Ministry of the Environment establish a Study Group on Financing for the GX (Green Transformation) of Industry.
- The FSA publishes The JFSA Strategic Priorities July 2022–June 2023 and the FSA and the Bank of Japan publishes Pilot Scenario Analysis Exercise on Climate-Related Risks Based on Common Scenarios.

October 2022

- The FSA establishes the Working Group on Financial Institutions' Efforts towards the Decarbonization of the Economy and the Working Group on Impact Investment.

The Working Group on Corporate Disclosure of the Financial System Council, established under the FSA, published a report in June 2022 setting forth its recommendations in relation to Japan's response to the disclosure of corporate sustainability initiatives and challenges that remain going forward. In the JFSA Strategic Priorities July 2022–June 2023, published in August 2022, the FSA indicated that it would continue working to improve the disclosure efforts of companies on sustainability, enable the exercising of market functions in relation to sustainable finance, and bring the functions of financial institutions into full play. In October 2022, the FSA established the Working Group on Financial Institutions' Efforts towards the Decarbonization of the Economy and the Working Group on Impact Investment.

Meanwhile, to complement the Basic Guidelines on Climate Transition Finance published in May 2021, METI is advancing the formulation of transition roadmaps, which can be used when examining the use of the transition label, through the Taskforce Formulating Roadmaps for Climate Transition Finance. As of October 2022, the taskforce had formulated roadmaps for the iron and steel, chemical, electric power, gas, oil, paper and pulp, and cement sectors.

For its part, the Ministry of the Environment published the Green Bond and Sustainability-Linked Bond Guidelines 2022 and the Green Loan and Sustainability-Linked Loan Guidelines 2022 in July 2022 based on discussions by the Green Finance Committee.

Note: Consolidating government trends from October 2021 to October 2022, this section was compiled by the Ministry of the Environment and checked by the FSA and METI

Author Biographies

Section 1

Report on the Results of the 2022 Sustainable Investment Survey
The EU's Sustainable Finance Disclosure Regulation (SFDR)

Masaru Arai

Chairperson of NPO Japan Sustainable Investment Forum (JSIF)
Senior Advisor at Federated Hermes EOS
Member of the FTSE Russell Sustainable Investment Advisory Committee, the FTSE Russell ESG Advisory Committee, and the Global Sustainable Investment Alliance

Mr. Arai is a former member of the Principles for Responsible Investment (PRI) Sustainable Financial System Advisory Group and a former board member of the PRI. He graduated from the Keio University Faculty of Business and Commerce in 1972 and subsequently completed his studies at the Center for Arabic Studies of the American University in Cairo.

After joining Daiwa Asset Management Co., Ltd. in 1972, where he served in Saudi Arabia and as president of Daiwa ANZ International Limited (Australia), Mr. Arai joined Daiwa Asset Management Co., Ltd. in 1992. He became senior executive managing director and executive head of fund management (chief investment officer) in 2003, director and executive head of fund management in 2006, and an advisor in 2010, before resigning in 2011. Playing an active role in responsible investment since 2003, Mr. Arai became chairperson of the Japan Sustainable Investment Forum (JSIF) in 2012 and has been involved in the engagement activities of Japanese companies and government agencies since 2015 as a senior advisor at Federated Hermes EOS, a company in the United Kingdom specializing in engagement. He has served as a member of various Ministry of the Environment committees since 2003, including those in relation to environmental finance and ESG investment. In 2014, he began serving as a member of the Ministry of Economy, Trade and Industry's (METI's) Working Group on Health and Productivity Management Standards. He has served as a member of the Ministry of Foreign Affairs' Roundtable for Promoting the National Action Plan on Business and Human Rights since 2019.

Sustainable Investment Related to Financial Products for Individuals

Yoshitaka Yoshida

Individual Investor

A firm believer in investing in individual businesses over the long term, Mr. Yoshida has made it his life's work to research history and culture in order to maintain a long-term outlook. As part of his social activities in relation to his role as an investor, Mr. Yoshida has served as the head of JSIF's secretariat since 2014.

Section 2

The Impact of Overseas Regulations on Investors

Kenichiro Ono

Stewardship Promotion Department,
Sumitomo Mitsui Trust Asset Management Co., Ltd.

After joining a Japanese investment trust company, Kenichiro Ono served in roles as a fund manager and corporate analyst, and in fund management planning. Since joining Sumitomo Trust & Banking Co., Ltd. (the asset management business of which was integrated into Sumitomo Mitsui Trust Asset Management in 2018), Mr. Ono has been engaged continuously in equity fund management and has spearheaded the management of its passive equity strategy since 2012. In his current position, he is primarily in charge of promoting ESG-related business and sustainable investment throughout Sumitomo Mitsui Trust Asset Management. Mr. Ono is a Certified International Investment Analyst (CIIA) and a Certified Member Analyst of the Securities Analysts Association of Japan (CMA).

Toshikazu Hayashi

Head of ESG, Nippon Life Global Investors Europe Plc
(On secondment from Nissay Asset Management Corporation)

On secondment from Nissay Asset Management, Toshikazu Hayashi has served in his present position at Nippon Life Global Investors since March 2022, carrying out research on ESG and impact investment.

Previously, Mr. Hayashi was engaged in ESG-related corporate evaluations and industrial surveys, and in surveying and research commissioned by government agencies and other entities on ESG-related matters at The Japan Research Institute, Limited. He also has experience in devising plans and proposals in connection with space development policies at the Ministry of Education, Culture, Sports, Science and Technology. In addition, he has been working as a special research fellow at the FSA's Financial Research Center since July 2022.

Mr. Hayashi's other activities include serving as a member on the FSA's Working Group on Impact Investment and the Ministry of the Environment's Green Finance Committee.

Yuki Ikehata

Asset Management One Co., Ltd.
ESG Analyst, Responsible Investment Group,
Investment Division

Yuki Ikehata joined the Mitsui Trust and Banking Company, Limited. in 1998. After subsequent positions, such as working as an equity analyst and managing equity and bond funds at financial institutions in Japan, he took charge of the active investment of foreign equities at Asset Management One in 2017. Serving in his current position since September 2018, Mr. Ikehata is involved in engaging with companies (dialogue with investee companies aimed at improving corporate value) and collaborating with global initiatives.

A graduate of Ritsumeikan University College of International Relations with an MBA degree from the University of Tsukuba, Mr. Ikehata also serves as a member of the International Sustainability Standards Board (ISSB) Technical Reference Group.

Impact Investing

Michiru Toda

Impact Catalyst, Impact Economy Lab,
Japan Social Innovation and Investment Foundation (SIIF)

After working at startups in India and Japan and serving at the headquarters of the International Labour Organization (ILO) in Switzerland as a member of its Global Commission on the Future of Work secretariat and of its G7 and G20 secretariats, Michiru Toda assumed his present position in 2019. In addition to structuring social impact bonds (SIB) and building finance schemes, his roles at the SIIF include conducting impact measurement and management (IMM), providing impact management support for social entrepreneurs, proposing policies, and carrying out surveying and research on impact investing. In 2022, he began serving as a member of the SIIF's newly established Impact Economy Lab with responsibility for research on system changes towards a new economy, and for the establishment of global partnerships. Mr. Toda earned a BA in sociology from the University of Tokyo and an MSc in development management from the London School of Economics and Political Science.

Real Estate Investment

Ryuichi Horie

Co-founder and CEO, CSR Design Green Investment Advisory Co., Ltd.

Mr. Horie is the co-founder and CEO of CSR Design Green Investment Advisory, Co., Ltd., which focuses on ESG advisory services in the real estate and infrastructure sectors and conducts research on green buildings and sustainable finance.

He graduated from the University of Tokyo Faculty of Law and holds an MBA degree from the University of California at Berkeley. Mr. Horie served as a special advisor to the Real Estate Working Group of the United Nations Environment Programme - Finance Initiative, and currently is a member of the PRI Japan Network advisory committee, co-chairperson of the Green Building Working Group of the Principles for Financial Action for the 21st Century, and a member of the JSIF steering committee. He has also participated in many governmental committees on ESG organized by Japanese MLIT and other ministries as a member or chairperson.

Engagement and Stewardship

Akemi Yamasaki

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

Akemi Yamasaki graduated from the Hitotsubashi University Faculty of Law in 1981. After working at various companies, including a securities company, she joined a think tank. Ms. Yamasaki has held her current role as chief consultant at Japan Shareholder Services Ltd. since 2006, engaging in surveying and research on corporate governance and ESG, and providing shareholder and investor relations consulting services. In addition to serving as a JSIF steering committee member, she has co-authored books on corporate governance and shareholder dialogue and engagement.

Ms. Yamasaki's portfolio also consists of reports and articles on corporate governance, stewardship, proxy voting, and sustainable investment.

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