

This is an unofficial translation. In case of any difference in meaning between the original Japanese text and the English translation, the Japanese text shall apply.

Report on Stewardship Activities (Results of Efforts in FY 2016 and Policies for FY 2017)

I. FY 2016 results of voting rights exercise

In order to support enterprise value improvements and sustainable growth of investee companies and to expand investment returns over the medium to long term, The Dai-ichi Life Insurance Company, Limited (“the Company”) has established voting rights exercise standards and on the basis of these standards exercises voting rights. Incidentally, since April 2017, the Company exercises voting rights after deliberations on important agenda items requiring individual judgment, held at the Responsible Investment Committee established in the same month.

Among domestic companies that held general meetings in FY 2016, the Company exercised voting rights at 2,271 companies on a total of 8,050 agenda items (7,863 company proposals and 187 shareholder proposals). Out of this total, the Company voted against one or more company proposals at 240 companies. The number of company proposals voted against totaled 260. (*)

Specifically, the following kinds of company proposals were voted against.

- Appropriation of retained earnings in cases of a low payout ratio despite a high level of internal retention
- Reappointment of top management at companies with poor business results
- Stock compensation for board directors (with dilution exceeding 10%)
- Election of long-serving (over 12 years) corporate auditors
- Payment of retirement bonuses for corporate auditors
- Stock option grants for corporate auditors (including stock compensation)
- Introduction or renewal of takeover defense measures potentially involving the handover of money

The ratio of rejected proposals relative to total proposals was almost unchanged from FY 2015. Viewed by type of rejected proposal, the ratio of votes against decreased for proposals concerning the election of corporate auditors and retirement bonuses for corporate auditors. This may in part reflect investee companies' better understanding of the Company's stance thanks to the proactive dialogue conducted with investees companies about the Company's exercise of voting rights.

Incidentally, in addition to the results of voting rights exercise that we have been disclosing for each type of agenda item, starting with the FY 2016 results (Table 1), we have disclosed the results of voting rights exercise for individual investee companies and agenda items.

(URL : http://event.dai-ichi-life.co.jp/dsr/investment/pdf/ssc_003.pdf).

We will continue to disclose quarterly results of voting rights exercise on our website.

Table 1: Results of voting rights exercise

By number of companies		FY 2016				(For reference) FY 2015		
	Total (1)	All company proposals approved	One or more company proposals rejected (2)	Rejection ratio (2)/(1)	Total (3)	One or more company proposals rejected (4)	Rejection ratio (4)/(3)	
Number of investee companies with voting rights exercise	2,271	2,031	240	10.6%	2,247	286	12.7%	

By number of proposals		FY 2016				(For reference) FY 2015		
Proposal item	Total (1)	Vote exercise result		Rejection ratio (2)/(1)	Total (3)	Rejected (4)	Rejection ratio (4)/(3)	
		Approved	Rejected (2)					
1. Company proposals	7,863	7,603	260	3.3%	8,799	313	3.6%	
(1) Appropriation of retained earnings	1,620	1,611	9	0.6%	1,616	3	0.2%	
(2) Election of directors	2,162	2,152	10	0.5%	2,151	12	0.6%	
(3) Election of corporate auditors	1,764	1,663	101	5.7%	2,161	161	7.5%	
(4) Change of articles of incorporation	635	635	0	0.0%	938	0	0.0%	
(5) Payment of retirement allowance	269	208	61	22.7%	310	79	25.5%	
(6) Revision of corporate officer remuneration	724	710	14	1.9%	1,101	5	0.5%	
(7) Stock warrant issuance	122	109	13	10.7%	162	7	4.3%	
(8) Election of accounting auditors	43	43	0	0.0%	47	0	0.0%	
(9) Restructuring related	49	49	0	0.0%	43	0	0.0%	
(10) Other company proposals	475	423	52	10.9%	270	46	17.0%	
(including takeover defense measures)	146	95	51	34.9%	118	44	37.3%	
2. Shareholder proposals	187	0	187	100.0%	146	146	100.0%	
Total of 1. and 2.	8,050	7,603	447		8,945	459		

*1: Total number of proposals based on new proposals (Proposals are counted as one also when pertaining to the election of multiple board directors, etc.).

*2: Total number of corporate auditors includes directors serving as corporate auditors, etc., in the case of companies with audit committees.

*3: Restructuring includes merger, business divestiture and acquisition, share exchange, share transfer, and corporate break-up, etc.

*4: Other company proposals include acquisition of treasury stock, legal-reserve reduction, private placement of equity, capital reduction, reverse stock-split, and takeover defense measures, etc.

* At the Company, the Responsible Investment Center, as the exclusive organization for stewardship activities, scrutinizes and votes on investee company agendas in accordance with internal regulations so as to prevent impairment of the interests of shareholders and the insurance policy holders of the Company.

II. Revision of voting rights exercise standards

Following deliberations at the Responsible Investment Committee, the Company will partly revise its voting rights exercise standards for domestic listed shares as set out below (*1). The revised standards will be applied to proposals on agendas of general meetings starting in April 2018.

1. Proposals for the election of directors and corporate auditors

(1) Change: Election of directors at companies with poor business results

- Before the change:

As a general rule, in cases meeting all of the following criteria, proposals for the election of the top management (as a rule, the president and representative director) are voted against.

- Operating loss in the most recent three consecutive fiscal years (consolidated)
- Ordinary loss in the most recent three consecutive fiscal years (consolidated)
- Net loss in the most recent three consecutive fiscal years (consolidated)

- After the change:

As a general rule, in cases meeting any of the following criteria, proposals for the election of the director serving as representative director continuously throughout the subject period (ROE base: 5 terms, other metrics: 3 terms) are voted against.

- Operating loss in the most recent three consecutive fiscal years (consolidated)
- Ordinary loss in the most recent three consecutive fiscal years (consolidated)
- Net loss in the most recent three consecutive fiscal years (consolidated)
- ROE less than 2% in the most recent five consecutive fiscal years (consolidated)

As a general rule, in cases meeting the above criteria, proposals for higher directors' remuneration or bonus payments for corporate officers are voted against.

(2) New: Election of top management at companies without an independent external director (*2)

As a general rule, proposals for the election of directors for the top management (as a rule, president serving as representative director) of companies without an independent external director are voted against.

(3) Change: Election of external directors and external corporate auditors when independence is low (*2)

As a general rule, proposals are voted against when the degree of independence of candidates notified or scheduled to be notified to a securities exchange as independent corporate officers fails to meet a certain level. However, proposals are approved when other directors are present who meet the independence standards. Failure to meet "a certain level" of independence means the following cases.

- Before the change:

(a) In cases of up to third-degree relatives of internal directors or internal corporate auditor

(b) Persons currently belonging to a major shareholding organization (holding more than 33.3% of voting shares) with veto rights on special resolutions at general meetings, or persons found to have retired from such organization within three years prior.

- After the change:

(a) In cases of up to third-degree relatives of internal directors or internal corporate auditor

(b) Persons currently belonging to a major shareholding organization (holding 15% or more of voting shares) or persons found to have retired from such organization within three years prior.

(4) Change: Re-appointment of external directors and external corporate auditors whose attendance rates are low (*2)

- Before the change:

As a general rule, a proposal will be voted against when the attendance ratio of an external director at board of directors' meetings or the attendance ratio of an external corporate auditor at board of auditors' meetings in the most recent 1 year was less than 50%.

- After the change:

As a general rule, a proposal will be voted against when the attendance ratio of an external director at board of directors' meetings or the attendance ratio of an external corporate auditor at board of auditors' meetings in the most recent 1 year was less than 75%.

2. Change: Introduction, revision, and updates of takeover defense measures

- Before the change:

As a general rule, proposals will be voted against in any of the following cases.

- ROE less than 2% for 3 consecutive terms (consolidated)
- If no certainty can be established that the company will not provide economic consideration upon acquisition with relation to stock warrants allotted to the acquirer
- Failure to meet the conditions stated in the "Guidelines for takeover defense measures in order to preserve or enhance enterprise value and the common interest of shareholders" issued May 27, 2005, by the Ministry of Economy, Trade and Industry and the Ministry of Justice

- After the change:

As a general rule, a proposal will be voted against in any of the following cases.

- ROE less than 5% for 3 consecutive terms (consolidated)

- If not at least two independent directors are incumbent and no proposal for a new election is on the agenda
- If a written statement exists that the company will provide economic consideration upon acquisition with relation to stock warrants allotted to the acquirer
- Failure to meet the conditions stated in the "Guidelines for takeover defense measures in order to preserve or enhance enterprise value and the common interest of shareholders" issued May 27, 2005, by the Ministry of Economy, Trade and Industry and the Ministry of Justice

3. Newly established: Contribution of shares to an incorporated foundation

As a general rule, a proposal for the disposition, etc., of treasury stock by way of a private placement with the objective of establishing or supporting an incorporated foundation will be voted against unless all of the following conditions are satisfied.

- Establishing or supporting an incorporated foundation contributes to enhancing enterprise value over the medium and long terms
- Dilution resulting from the disposal of treasury stock does not exceed 3% (In case dilution ranges over 3% up to 5%, the voting rights of the disposed shares must not be exercised or otherwise a third party must exercise the voting rights in accordance with standards formulated based on responsible stewardship.)

Supplementary information: Clarification of standards associated with proposals for stock option grants (including stock compensation)

With respect to stock option grants that result in significant share dilution, standards have been clarified as follows.

- As a general rule, a proposal is voted against if a stock option grant, transfer-restricted stock compensation, or trust-type stock compensation, etc., has the potential to give rise to significant share dilution (dilution in excess of 10%) and if no ceiling for the number of shares is disclosed. The dilution ratio is calculated as follows.

Dilution ratio = Maximum permitted number of shares ÷ Number of shares issued (excluding treasury stock)

- In cases involving multiple proposals, the dilution ratio is calculated for each proposal. Proposals with a combined dilution ratio exceeding 10% are voted against.
- In cases of stock option grants as an annual remuneration for corporate officers, the dilution ratio is calculated on the assumption that the maximum permitted number of shares will be granted in annual increments over the space of the next ten years.

*1: Voting rights exercise standards to be applied to agenda items of general meetings held on or before March 31, 2018

URL : http://www.dai-ichi-life.co.jp/dsr/pdf/index_001.pdf

Voting rights exercise standards to be applied to agenda items of general meetings held in and after April 2018

URL : http://www.dai-ichi-life.co.jp/dsr/investment/pdf/ssc_001.pdf

*2: (2), (3), and (4) concern companies listed on the first section of the Tokyo Stock Exchange

III. FY 2016 results of dialogue activities

1. Implementation status of dialogue activities

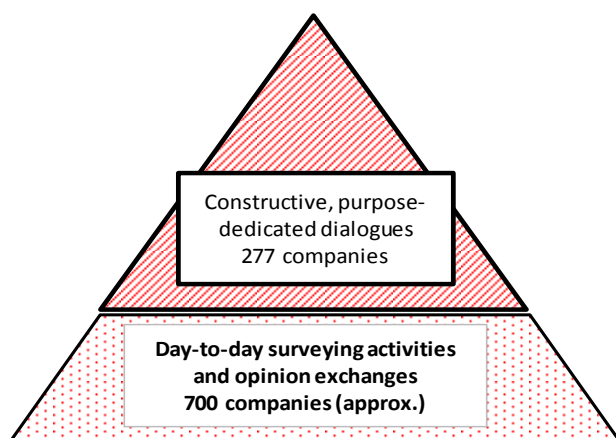
In FY 2016 the Company selected investee companies for dialogue activities with overall consideration of matters such as the importance for the Company as well as investee companies (in terms of invested amounts and shareholder ranking) and issue awareness. The Company had constructive engagement, or purposeful dialogue with 277 companies, 44 more than in the fiscal year prior.

At three companies, the Company entered also into dialogues with external directors, who play a vital part in improving the effectiveness of corporate governance.

Additionally, the Company conducted across a wide range of contacts day-to-day surveying activities and opinion exchanges with around 700 investee companies. (Table 2)

At 70% (+ 10% compared with the year prior) of the 277 companies where the Company conducted dialogue activities, discussions were held with directors, corporate auditors, and executive officers on topics such as management planning and financial strategies. (Table 3)

Table 2: Dialogue activity implementation status



Implementation ratio (*) of constructive engagement or purposeful dialogue

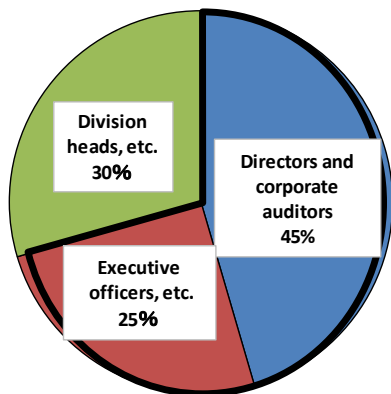
In numbers of companies	24%
In market value of shareholdings	82%

*General accounts holdings (as of March-end 2016)

Day-to-day surveying activities and opinion exchanges

Dialogue activities at the time voting rights are exercised, individual company meetings, other analyst activities

Table 3: Dialogue attendees (highest-ranking position)



Supplementary information: Definition of dialogue

The Company divides its dialogue activities twofold into constructive dialogue and day-to-day surveying activities and opinion exchanges.

- Constructive dialogue

Activities involving the exchange of opinions with investee companies on measures to achieve medium and long-term enterprise value enhancement

- Day-to-day surveying activities and opinion exchanges

Activities conducted across a wide range of contacts with investee companies, such as analysts' information gathering activities, participation in results briefings, and conveyance of the voting rights exercise standards of the Company.

Characteristics of the constructive dialogue of the Company

- The Company holds one-on-one talks extending at least over one hour mainly with directors and management executives responsible for management strategy and financial strategy.
- There are also opinion exchanges concerning general meeting agendas before a general meeting (divided into day-to-day survey activities and opinion exchanges). However, since securing sufficient time can be difficult to arrange, dialogue activities of the Company occur mostly in the period between July and March, outside the period when annual general meetings concentrate.

2. Dialogue content

The Company is investing in equities from a medium- to long-term perspective and promotes dialogue activities with the aim of supporting enterprise value enhancement and sustained growth of investee companies. Additionally, FY 2016 saw the implementation of constructive dialogue with main topics that cover strengthening corporate governance frameworks, achieving sustained improvements in business results and capital efficiency, and enhancing shareholder returns. The main points of opinion exchanges surrounded the following topics.

Strengthening corporate governance frameworks

- Corporate governance frameworks the Company would like to see implemented and the voting rights exercise standards of the Company
- Efforts to raise corporate governance effectiveness
 - The functions required of external directors and support frameworks for external directors
 - Efforts to improve the functionality of the board of directors (composition of independent external directors and basis of election of candidates, segregation of management and execution, institutional designs, frequency of board of directors' meetings, and frameworks for the appointment and remuneration of directors, etc.)
 - In cases of significant policy shareholdings: Frameworks for verifying the holding rationales
 - Status of dialogue with institutional investors and systems for the feedback to board of directors' meetings

Sustained improvements in business results and capital efficiency

- Company strategies (medium-term management plans, etc.) and growth investment (capital investment, M&A, overseas initiatives, etc.) for improving earning power (operating income margin, etc.), medium- and long term business results and capital efficiency, and enterprise value
- Financial and investment policies as a precondition for growth investment (sensitivity for appropriate levels of cash, internal retention, and debt leverage, etc.)
- Rationale behind key performance indicator settings (reasons for selecting specific indicators) and their dissemination across the organization and employees
- Key performance indicator levels based on assumed cost of capital and business portfolio management
- Status of disclosure of the matters mentioned above (company strategies, growth investment, key performance indicators, etc.)

Enhancing shareholder returns

- Medium- and long-term policies for shareholder returns
- Status of disclosure of policies for shareholder returns
- Cases where static dividends, etc., are keeping shareholder returns low despite ample internal retention: Current shareholder return levels and prospects for the future
- Cases where treasury stock is held without a defined policy as to its usage: Cancellation or practical application of treasury stock

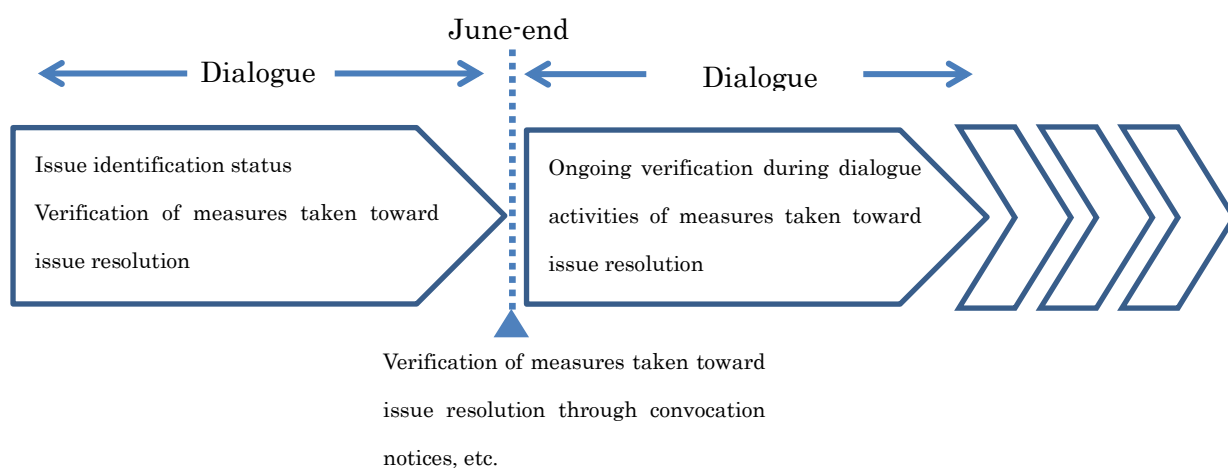
3. Effects of dialogue activities

In the dialogue with investee companies, the Company engages in opinion exchanges as an investor on issues independently identified by the Company from the viewpoint of sustained improvement in enterprise value.

Since FY 2015 the Company has been following through on issues independently identified by the Company up to the point of issue resolution in the dialogue with investee companies.

In the dialogue with investee companies, the Company identifies the status of awareness for issues and efforts directed at issue resolution, and based on the information disclosed at June-end each year follows up on the status of measures and improvements. By repeating this cycle, the Company verifies the effectiveness of the dialogue and takes steps for qualitative improvements of its dialogue activities with investee companies.

Table 4: Issues raised and subsequent follow-up



As a result of the dialogue activities with 277 companies, in FY 2016 the Company identified 386 issues at 186 investee companies relating to enterprise value enhancement (including occasions of multiple issues besetting one company).

Based on the disclosure information for the one year until June 2017, including issues identified in FY 2015, the Company was able to verify specific progress and issue resolution of 177 issues identified at 118 investee companies.

In many cases, in relation to corporate governance, companies increased the number of independent external directors, as was the case in the fiscal year prior. Moreover, companies disclosed medium-term management plans where previously no disclosures were made. There were also more cases where shareholder returns were raised from relatively low levels, bearing out the progress made also in issues other than governance items. (Table 5)

The Company will continue to monitor the progress of improvement measures and support enterprise value enhancement by encouraging information sharing by investee companies.

Incidentally, results showed ongoing improvement in the overall shareholder return percentage from investee companies in total. (Table 6)

Table 5: Current status of issues identified (as of June 30, 2017)

Dialogue theme	Issue awareness in FY 2016 dialogue sessions		FY 2016 (July 2016 - June 2017) Improvement Status (Including issues identified in FY 2015)				Major improvement case examples
	Number of companies	Number of issues	Number of companies	Number of issues	Improvement content		
					Resolved issues	Improvements	
Governance	128	178	73	89	69	20	<ul style="list-style-type: none"> · Increase in the number of independent external directors (21 companies) · Non-selection of long-term serving corporate auditors (21 companies)
Business results and capital efficiency	95	116	43	49	39	10	<ul style="list-style-type: none"> · Disclosure of medium-term management plans (24 companies) · Business results, other issues (12 companies)
Shareholder returns	77	92	33	39	20	19	<ul style="list-style-type: none"> · Shareholder return improvements (22 companies) · Disclosure of shareholder return policies (15 companies)
Total	186	386	118	177	128	49	

* Verification based on document releases such as convocation notices and corporate governance reports

Table 6: Composition of total payout ratio of investee companies

Composition ratio of the overall shareholder return percentage	Based on the number of companies							
	General account holdings of the Company (TSE 1)				All exchange listed shares (TSE 1)			
	2015/3	2016/03	2017/03	2-year change	2015/3	2016/03	2017/03	2-year change
Less than 20%	19.2%	18.0%	15.9%	-3.2%	23.5%	21.1%	19.6%	-3.9%
Between 20% and less than under 30%	29.8%	23.9%	26.3%	-3.5%	27.2%	23.7%	24.7%	-2.5%
Between 30% and less than under 40%	18.5%	19.8%	19.1%	0.6%	17.2%	19.3%	17.5%	0.3%
40% and higher	32.5%	38.3%	38.8%	6.3%	32.1%	35.9%	38.2%	6.2%

※Shareholder returns consist of the sum of the total dividend amount and treasury stock acquisition costs.

※Reflecting the most recent year in the case of companies with fiscal years not ending in March.

4. Specific dialogue case examples

Specific dialogue case examples where the Company identified issues and in FY 2016 verified specific measures toward issue resolution are shown below.

Effectiveness of the board of directors

Company A	Dialogue summary	<ul style="list-style-type: none"> - Manufacturer seeking to improve the effectiveness of the board of directors. - The Company implemented dialogue activities in FY 2015 and 2016. As measures to improve the effectiveness of the board of directors, the Company conducted opinion exchanges on measures for attaining an appropriate size of the board of directors and for ensuring that independent external directors perform their duties , and the proportion of internal to external directors.
	Measures taken at the investee company	<ul style="list-style-type: none"> - A proposal for the election of directors at the FY 2016 annual general meeting increased the number of independent external directors by one "for the further strengthening of the corporate governance framework." - A proposal for the election of directors at the FY 2017 annual general meeting reduced the number of internal directors and increased the number of independent external directors to one-third of the total "in order to further enhance the functionality, transparency, and objectivity of the board of directors."

Dialogue interaction

Company B	Dialogue summary	<ul style="list-style-type: none"> - Manufacturer with issues in the dialogue with investors. - The first dialogue in FY 2015, which took place with the division manager of headquarters administration management, failed to establish a sufficient opinion exchange on management matters. The Company therefore requested to appoint a different interlocutor for future occasions.
	Measures taken at the investee company	<ul style="list-style-type: none"> - The second occasion in FY 2016 succeeded in achieving a constructive opinion exchange based on the content of the first dialogue, with an executive officer holding the position of corporate planning general manager as interlocutor, on matters such as governance and long-term management planning.

Disclosure of the medium-term management plan, etc.

Company C	Dialogue summary	<ul style="list-style-type: none"> - Manufacturer with information disclosure issues. - In the dialogue with top management, the Company proposed proactive disclosure of the mid-term management plan to potentially expand the investor base instead of simply showing slides at results briefings. - With regard to shareholder returns, the Company requested for the investee company to aim at a medium-term dividend payout ratio of at least 30%.
	Measures taken at the investee company	<ul style="list-style-type: none"> - Coinciding with the FY 2016 business results release, the medium-term management plan was made public for the first time. - The medium-term management plan newly presented a long-term vision and stated a 30% dividend payout ratio as a future aim.

Disclosure of the medium-term management plan

Company D	Dialogue summary	<ul style="list-style-type: none"> - Financial institution with no disclosure of the medium-term management plan. - On two occasions of dialogues in FY 2015 and FY 2016 the Company requested together with opinion exchanges on future growth strategies also the disclosure of long-term strategy-based management plans.
	Measures taken at the investee company	<ul style="list-style-type: none"> - Coinciding with the FY 2016 business results release, the medium-term management plan was made public for the first time, centered on the strengthening of core businesses and the roll-out of overseas initiatives, etc.

Review of non-profitable businesses

Company E	Dialogue summary	<ul style="list-style-type: none"> - Manufacturer with consolidated subsidiaries irrelevant to core operations. - The Company conducted opinion exchanges on the verification status at the board of directors regarding the significance of holding the non-profitable subsidiaries concerned.
	Measures taken at the investee company	<ul style="list-style-type: none"> - The investee company announced its intention to sell all shares of the non-profitable subsidiaries in order to concentrate its management resources.

Capital policy (including shareholder returns) and growth strategies

Company F	Dialogue summary	<ul style="list-style-type: none"> - Manufacturer with strong balance sheets. - The Company conducted dialogue sessions twice in FY 2015 and FY 2016. In the opinion exchanges, the Company noted that, despite a tradition of releasing medium-term management plans, plans fell short of a commitment to growth strategies and capital policies involving active use of the comparatively robust corporate conditions and strong balance sheets. Opinion exchanges surrounded the principles of growth strategies and capital policies including balance sheets.
	Measures taken at the investee company	<ul style="list-style-type: none"> - A newly released medium-term management strategy explained the capital policy, which historically had related only to shareholder returns, including financial strategies on matters such as investment and financial soundness, and rolled out a proactive growth strategy.

Improvement of shareholder returns, etc.

Company G	Dialogue summary	<ul style="list-style-type: none"> - Construction company with ample internal retention. - Amid recovering earnings, the shareholder return percentage plummeted in order to preserve the stable-dividends policy of the company. In response, the Company held dialogue sessions in FY 2015 and FY 2016 with opinion exchanges on capital policy, such as the management of surplus capital and shares held for strategic purposes, as well as returns to shareholders.
	Measures taken at the investee company	<ul style="list-style-type: none"> - At the end of FY 2015, the investee company announced a dividend increase for FY 2015 (two consecutive terms). - In FY 2016 the investee company announced an increase of its interim dividend projection, marking three consecutive terms of dividend growth. - Based on FY 2017 projections, dividend payout ratio is to improve to the mid-20% level from a drop to the single-digit level in FY 2014.

Improvement of shareholder returns, etc.

Company H	Dialogue summary	<ul style="list-style-type: none"> - Construction company with abundant internal reserves and cash on hand. - In the last two years, the Company held three dialogue sessions, including by invitation from the other side. - Opinion exchanges were held on growth strategies for enhancing enterprise value, the useful application of treasury stock, and returns to shareholders.
	Measures taken at the investee company	<ul style="list-style-type: none"> - At the end of FY 2016, the investee company announced the cancellation of treasury stock, amounting to somewhat over 10% of the total number of shares issued. - At the start of FY 2017, the investee company announced a change to its dividend policy by raising dividend on equity from previously 2% to 2.5%.

IV. Dialogue activity policy for FY 2017

1. Frameworks

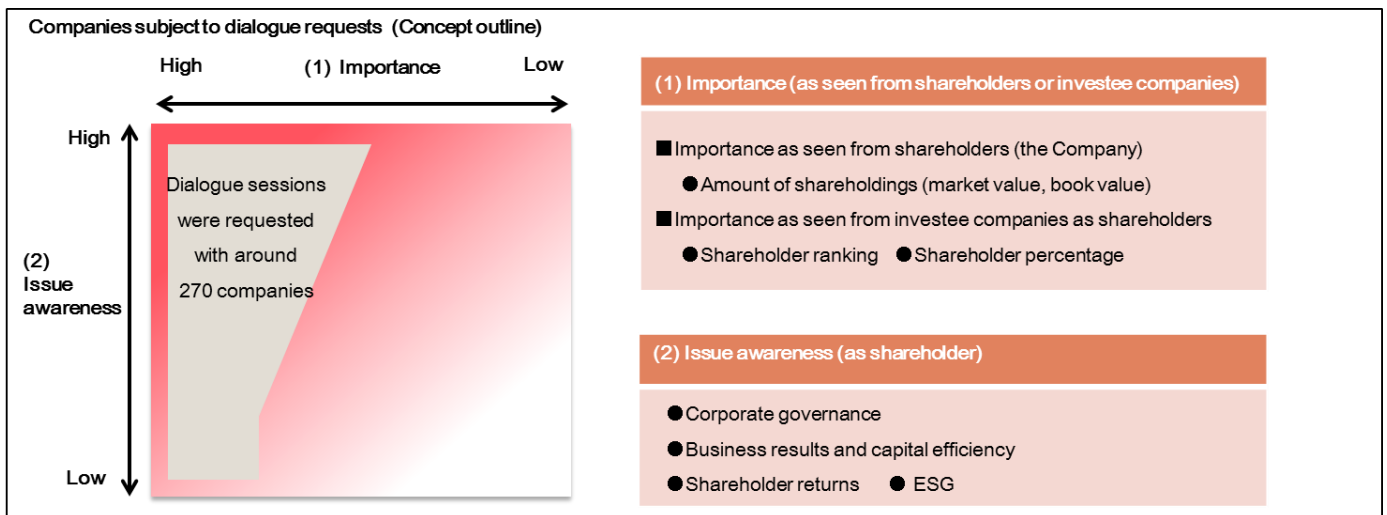
Dialogue activities are conducted in cooperation between the manager of the Responsible Investment Center, which is the exclusive organization of stewardship activities, and the industry sector analysts of the Equity Investment Research Office.

2. Dialogue target companies

Historically the Company has been selecting companies for dialogue activities with comprehensive consideration of the importance of dialogues for both the Company and investee companies and the issue awareness of the Company. In the three years from the adoption of the stewardship code until FY 2016, the Company conducted dialogue sessions at least once with around 380 investee companies in total.

The Company will continue in FY 2017 to select counterparty companies from the same viewpoints and expects to request dialogue sessions with 270 investee companies in total (the same level as last year).

In addition, in order to achieve a more in-depth dialogue on governance and management strategy, the Company plans to implement dialogue sessions with corporate officers and management executives with main responsibilities in management strategy and financial strategy. The Company will also continue to hold individual dialogue sessions with outside directors as conducted on a trial basis in FY 2016.



3. Dialogue main themes

The Company will conduct dialogue sessions with main themes centering on the three points of corporate governance, improvement of performance and capital efficiency, and shareholder returns.

In second and subsequent meetings, the Company will hold dialogue sessions of greater specificity according to the situation of the investee companies and will also comprehensively capture the non-financial aspects of investees and evaluate mid- to long-term earnings growth. Furthermore, ESG* viewpoints will be stressed such that at some investees the dialogue will emphasize ESG efforts.

* Environmental, social, and governance

Regarding ESG efforts, dialogue will be focused on measures being taken to incorporate ESG elements into the business strategy with reference to the Guidance for Value Co-Creation published by the Ministry of Economy, Trade and Industry in May 2017.

In addition, dialogues will reference also sources such as the ESG Reference Manual Aiming at Improving the Fundamental Understanding of ESG Investment (ESG Interpretation) issued by the Ministry of the Environment in January 2017.

Through its dialogue activities the Company will also conduct opinion exchanges on concepts surrounding the exercise of voting rights and the content of standard revisions.

The views held by the Company on each of the topics mentioned above are described in the following.

Corporate governance

Regarding corporate governance, the Company believes it is important to have all listed companies maintain frameworks of a certain level and to promote measures to enhance the effectiveness of governance in accordance with the situation of each investee company.

From the viewpoint of accountability of listed companies, the Company considers it important to have investee companies enhance their explanations on specific measures for raising the effectiveness of corporate governance.

Business results and capital efficiency

Regarding profitability and capital efficiency indicators as represented by ROE etc., the Company considers it important for listed companies to have objectives and targets consistent with companies' industry sector and growth stage and to make efforts to achieve sustained improvements.

The Company considers it important for investee companies to formulate corporate strategies (medium-term management plans, etc.) and specific numerical targets for key performance indicators in order to improve medium-to-long term performance and capital efficiency, and to explain the content in a transparent manner to shareholders.

As to the various kinds of information disclosures for investors, the Company considers it necessary for investee companies to strive for fair disclosure based on a standpoint of impartiality.

Shareholder returns

The Company considers it important for investee companies to adopt a rate of at least 30% as the standard for the dividend payout ratio level over the medium and long term, to formulate shareholder return policies based on the status of growth investment and internal retention, and to explain the content in a transparent manner to shareholders.

Although dividends are desirable as a means of delivering shareholder returns, the Company considers also the acquisition of treasury stock a means of flexibly returning cash on hand to shareholders and as such an important source of shareholder returns.

ESG

In order to continuously raise enterprise value, the Company considers it necessary for investee companies to have a clear business model that is sustainable and offers growth potential. Moreover, it is important to recognize environmental and social factors (the E and S of ESG) that restrict a business model's sustainability and growth potential and to practice relevant information disclosure. Meanwhile, Governance (the G of ESG) is a prerequisite discipline for raising enterprise value and its proper functioning is an essential condition.

With regard to ESG elements, instead of seeing only the risks and threats, the Company considers it important to incorporate ESG elements into strategies for new business creation and the strengthening of business models.

Regarding the social issues referenced in sources such as SDGs*, for investee companies the Company considers the CSV* viewpoint important, which holds that sustained improvement in their enterprise value will connect to the resolution of those issues.

* SDGs : Sustainable Development Goals

* CSV: Creating Shared Value

4. Dialogue processes

The sequence of the processes in the dialogue with investee companies is as follows. By repeating a cycle of preparation, dialogue, review, and follow-up, the Company provides sustained impetus toward enterprise value enhancement and qualitative improvement of the dialogue.

Moreover, the Company will strive for portfolio quality enhancement by exercising voting rights with reference to dialogue content and the status of measures for resolving issues and by information sharing with its Trade Execution Department.

Advance preparations

Based on analyst 's day - to - day survey activities, past dialogue contents, and various public materials, the dialogue points and issues, etc., expected for a dialogue counterparty are organized and finalized in meetings at the Responsible Investment Center of the Company.

Dialogue

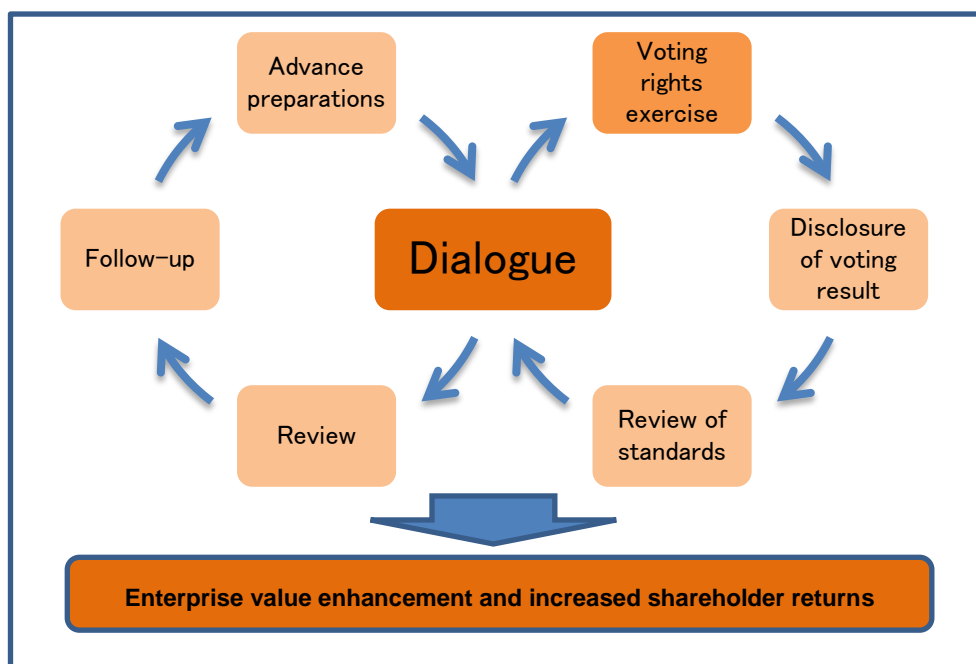
Opinion exchanges are conducted based on the content of the advance preparations.

Review

The dialogue content is put on record and at a meeting of the Responsible Investment Center the points at issue identified in the dialogue session are listed up. Issues identified by the Company, the status of measures toward resolution of issues, as well as points to be integrated in the next dialogue session are finalized.

Follow-up

The Company checks periodically in public materials the status of measures taken to resolve issues identified at the counterparty and monitors the status of improvement, etc.



End of text