

Japan's Stewardship Code

—Nissay Asset Management Corporation—

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We, Nissay Asset Management, consider our research and investment activities, which enhance the medium-to long-term investment return of beneficiaries, as integral to our Japanese equity investment process. Specifically, our evaluations are based on our own medium- to long-term earnings forecasts that take into account our “dialogue with companies” using information such as their visions and strategies, and careful scrutiny of the assumptions.

“Dialogue with companies” is crucially important in this process. We believe fruitful dialogue leads to higher evaluation from the market and corporate value, and therefore ultimately it becomes an act of “value co-creation” between the beneficiaries and investee companies.

As an asset manager responsible for financial intermediation, we intend to contribute to the development of the Japanese economy and society through these initiatives.

We believe this approach is consistent with the aims of Japan's Stewardship Code (improving and fostering investee companies' corporate value and sustainable growth through constructive and purposeful dialogue, based on in-depth knowledge of the companies and their business environment) and announced on May 2014 that we would comply with the seven principles of Japan's Stewardship Code.

As a responsible investor, we will continue to enhance our capabilities necessary for carrying out our stewardship activities and annually review and update our Stewardship Code statement.

Principle 1: Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities and publicly disclose it.

“Stewardship responsibilities” refers to the responsibilities of institutional investors to enhance the medium-to long-term investment return for their clients and beneficiaries by improving and fostering the investee companies’ corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their business environment.

We have formulated the following policies to fulfil our stewardship responsibilities in Japanese equity investment process.

- *We position “dialogue with companies ” at the centre of the investment process, strive to evaluate corporate value and make investment decisions from the medium- to long-term perspective.*
- *We focus on dialogue with senior management of investee companies to obtain deeper insight and understand corporate strategies.*
- *We express our opinion as a responsible investor and exchange opinions in “dialogue with companies ”, which we believe create corporate value, resulting in the benefits both for our beneficiaries and investee companies.*
- *We regard the exercise of proxy voting as one form of “dialogue with companies ” to fulfil our stewardship responsibilities.*

For small holdings of stocks in index funds, we discharge our stewardship responsibilities through the responsible exercise of proxy voting rights.

Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities, and publicly disclose it.

We have formulated the following policies regarding conflicts of interest in fulfilling our stewardship responsibilities.

- *We always act in the best interests of the beneficiaries, striving to enhance the shareholders' value of the investee company, or to prevent a material loss in the value.*
- *When there exist some possibilities of serious conflicts of interest, we take appropriate steps to manage such risks, including by referring to the recommendation of proxy advisors in an effort to safeguard the interests of beneficiaries.*

Furthermore, our internal rules prohibit acts of conflict of interest such as cross trades between funds, investment advisory or management involving unnecessary transactions to provide gains to interested parties (such as Nissay Asset Management and its parent company Nippon Life Insurance Company and its subsidiaries and affiliates). The handlings of these situations are documented and included in the Compliance Manual which is distributed to every employee in which all are required to comply with.

Information on our proxy voting which includes "Status of Proxy Voting Results by Agenda" and "Overview of Proxy Voting Activities" is disclosed on our website.

Principle 3: Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

*We view consideration of non-financial information*1 alongside financial information as indispensable*2 in evaluating corporate value since we calculate corporate value based on medium- to long-term earnings forecast.*

When evaluating the appropriateness of a corporate strategy which is a particularly important aspect in this process, we would carry out a SWOT (strengths, weaknesses, opportunities and threats) analysis which takes into account our dialogue with senior management to examine the industry's life cycle analysis and competitiveness. Further, we would visit sites such as factories or conduct research on stakeholders such as business partners or competitors as necessary.

A growing number of companies in Japan are adopting a reporting format that integrates both financial and non-financial information. We will carefully examine these reports to further increase our conviction in our medium- to long-term earnings forecasts.

The initiative for integrated reports is mainly led by the International Integrated Reporting Council (IIRC) and allows companies to utilize not only their financial information but also non-financial information in presenting their medium- to long-term corporate value creation process to investors and other stakeholders.

Moreover, with the introduction of Japan's Corporate Governance Code, we expect a spread in companies that would provide additional non-financial information such as those on corporate governance and thus we will actively pursue this opportunity in an attempt to better understand the situation of each of our investee companies.

Furthermore, we regard ESG assessment as a vital element in measuring the sustainability of investee companies. For this reason, we integrate our own proprietary ESG assessment into our investment process, and leverage it to increase our conviction in our medium- to long-term earnings forecasts.

ESG assessments are conducted based on the following perspectives and we have created a framework that provides adequate monitoring, i.e. that would re-evaluate the companies in the research universe on an ongoing basis (at least annually).

- *Have their initiatives on environmental issues led to improvements in corporate value? (E: environmental perspective)*
- *Have they established relationships with stakeholders (employees, customers, business partners, and so forth) other than their shareholders, which would lead to the creation of corporate value in the long-term? (S: social perspective)*
- *Have they established a governance mechanism and structure that would sustainably improve their corporate value? (G: governance perspective)*

*We have endorsed and been a signatory of the PRI (Principles for Responsible Investment) *3, which advocates the importance of ESG assessment, since its launch (2006).*

Furthermore, we have a monitoring system in place which allows one to timely grasp an investee company's situation and reflect views, e.g. we are constantly monitoring necessary financial information and news flow on each company and we would share the impact on our medium- to long-term earnings forecast or corporate value at the daily morning meeting of investment professionals.

We also make active use of the information we have obtained through our proxy voting (composition of directors, amendments to articles of incorporation, and so forth) when holding "dialogue with companies."

**1 Non-financial information*

Information such as a company's medium- to long-term management vision, business model, external factors such as structural changes in the industry, as well as corporate strategies for the changes, and corporate governance matters.

**2 We do not attempt to obtain information on undisclosed material facts in our "dialogue with the*

companies". If we were to receive such information, we would suspend trading of the company's stock to prevent violation of regulations concerning insider trading.

**3 PRI*

Principles for Responsible Investment.

The initiative aimed at the financial industry was launched in 2006 by the then UN Secretary-General, Mr. Kofi Annan. The principles state that ESG issues should be incorporated into an institutional investor's investment decision-making practice in ways that are consistent with their fiduciary responsibilities.

Principle 4: Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

We exchange opinions with investee companies about corporate strategy and governance structures from a medium- to long-term perspective to enhance corporate value, and make all efforts to achieve shared recognition on the important issues, while expressing our opinion as a responsible investor and holding constructive dialogue when differences arise between the approach of the investee company and ours. However the decision to sell off the stock always remains a viable option.

Furthermore, we have assigned a corporate governance officer who is a specialist on ESG and proxy voting matters within the Investment Division since September 2007. Based on his deep insight into the global trends in governance, ESG and corporate social responsibility (CSR), the officer provides advice to our investment professionals and also collaborates with them in the dialogues as the need arises. We believe these initiatives will lead to understanding with investee companies and maximize the effectiveness of the dialogue.

Our “dialogue with companies” is usually held in individual, one on one meeting with senior management or IR managers. When requested by the companies, we hold a meeting to exchange opinions with the whole management team.

The following outlines perspectives of dialogues when holding “dialogues with companies”.

(Business Strategy)

- *Are the corporate philosophy, management vision and detailed business strategies leading to sustainable medium- to long-term growth and improvement in corporate value?*
- *Is the business portfolio being managed in a way to improve corporate value, and so forth?*

(Financial Strategy)

- *Is the capital policy (debt-to-equity ratio) appropriate to execute the business strategies?*
- *Is shareholder return been carried out appropriately from a long-term perspective, and so forth?*

(IR Strategy)

- *Is adequate information been disclosed for investors to evaluate the company appropriately?*
- *Is the IR adequately conveying the company’s business strategies and management vision to investors, and so forth?*

(Governance and Risk Management)

- *Is the company in a state where governance mechanism is functioning properly?*
- *Is there an adequate structure in place to prevent any risk related to scandals, etc. including environmental issues, antisocial behaviour, misconduct and so forth?*

In addition to the aforementioned purposeful “dialogue with companies”, we actively advocate our investment philosophy and process of Japanese equity management through publishing books, writing reports and conveying at seminars, meetings and other venues where candidate investee companies participate. We also emphasise the importance of integrated report.

Through these efforts, we encourage better understanding of our investment process among companies, smoothing the way to hold purposeful dialogue and to arrive at a more in-depth common understanding at an earlier stage.

Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist: it should be designed to contribute to sustainable growth of investee companies.

We have set out the following policies regarding “Proxy Voting” and “Disclosure of Proxy Voting Activities”.

(Proxy Voting Policy)

- *We consider the exercise of proxy voting rights as one form of “dialogue with companies” to fulfil our stewardship responsibilities.*
- *We act in the best interests of the beneficiaries to enhance the shareholders’ value of the investee company, or prevent a material loss in the value.*

(Disclosure of Proxy Voting Activities)

- *For disclosure of proxy voting activities, the “Status of Proxy Voting Results by Agenda” and “Overview of Proxy Voting Activities” shall be disclosed annually on our website.*

We do not, in principle, delegate proxy voting decisions on Japanese equity to proxy advisors. Our approach is neither mechanical nor uniform. Rather, with improvement in the corporate value in mind, we would examine individual agendas, having considered each investee’s current status, utilizing our regular dialogues with the investee.

Proxy voting instructions are determined after close examination of each agenda in line with our Proxy Voting Policy which is approved by the director in charge of the Investment Division following deliberation by the Responsible Investment Committee, and other internal rules on voting.

Furthermore, we periodically review our proxy voting results to confirm the validity of our proxy voting standards.

In disclosing the proxy voting results, we summarize the agendas by major kind of proposal type such as appropriations of retained earnings, election of directors and auditors, and post this summary together with “Overview of Proxy Voting Activities” on our website. Our stance is that this

disclosure enables beneficiaries and investee companies alike to recognise what we emphasise in the exercise of proxy voting rights.

From the aforementioned process, we ensure the appropriateness and transparency of our decision-making in proxy voting.

Principle 6: Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

Each year, we make public on our website “Overview of Stewardship Activities” covering “Overview of Dialogue with Companies,” and “Proxy Voting Results” and so forth.

In the “Overview of Dialogue with Companies,” we provide “Specific Cases of Dialogue with Companies” and “Specific Cases of External Communication Activities,” while under “Proxy Voting Results” we provide “Status of Proxy Voting Results by Agenda” and “Overview of Proxy Voting Activities”.

We will continue to post our previous versions so that the history of our stewardship activities can be followed.

Principle 7: To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities.

We consider our research and investment activities, which enhance the medium-to long-term investment return of beneficiaries, as integral to our Japanese equity investment process, and this investment process strongly requires us to seek a deep understanding of the business structure, business environment and corporate strategy of investee companies through sincere “dialogue with companies”.

From the standpoint of further improving and strengthening our investment process and ability to hold “dialogues with companies”, we are developing dialogue skills by sharing within the team, cases of successful and unsuccessful dialogues.

*Moreover, we participate in the activities of the ICGN*4, a global organisation aiming to raise global corporate governance standards, and make effective use of the leading overseas cases in our own stewardship activities.*

Furthermore, we invite intellectuals and knowledgeable experts from the outside world to collect information and opinions that would help improve and strengthen our investment process, and we also hold internal study groups and other meetings on topics such as deepening our understanding on Japan’s Corporate Governance Code in an effort to enhance our investment professionals’ knowledge base.

The aforementioned actions promote deeper understanding of corporate activities among us and lead to better insight into corporate analysis and evaluation, all of which contribute to higher investment standards for the entire organisation.

We believe that repeatedly holding “dialogue with companies” and engaging in stewardship activities, while knowing the importance of having this in our investment process, will allow our investment professionals to hold more sophisticated communication with companies and at the same

time would provide them with ample capabilities to conduct stewardship activities.

As a result, we are confident that we can achieve “co-creation of value” with beneficiaries and investee companies.

**4 ICGN*

The International Corporate Governance Network (ICGN) is an investor-led organisation of governance professionals with members including institutional investors responsible for assets under management in excess of US\$ 26 trillion. The mission is to inspire and promote effective standards of corporate governance to advance efficient markets and economies world-wide.

Please note that this document is a translation of the original Japanese document dated August 2015 on our acceptance of the seven principles of Japan's Stewardship Code (『日本版スチュワードシップ・コード』の受入れについて 2015年8月) on a best effort basis and thus some of the contents and translations may not be complete and clear.