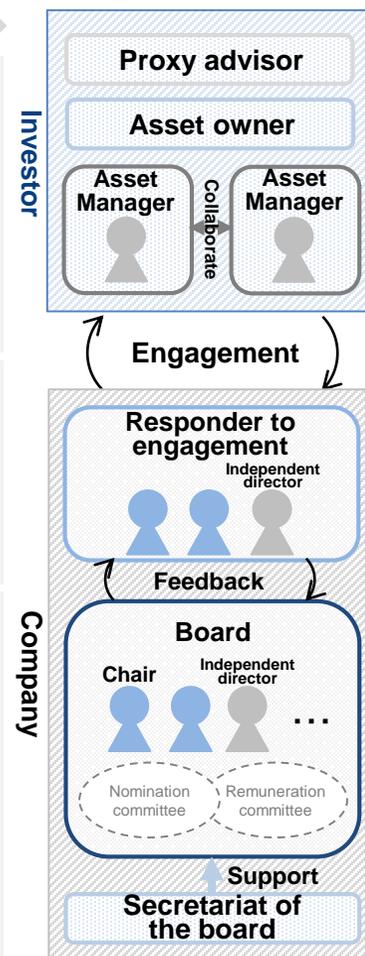


Action Program for Corporate Governance Reform 2024: Principles into Practice

- Various initiatives are taken based on the “Action Program for Accelerating Corporate Governance Reform” established in April 2023. It is necessary to follow-up on the progress of each measure and consider the future initiatives continuously.

➤ Going back to the spirit of the Codes, which is to ensure **sustainable corporate growth and increased corporate value over the mid- to long- term**, the following initiatives should be undertaken for putting corporate governance reform **“into practice”** based on self-motivated changes in the mindsets of companies and investors through examining and sharing specific measures.

Issues	Follow up	Future Initiatives
Effective implementation of stewardship activities	<ul style="list-style-type: none"> ✓ The law to amend the Financial Instruments and Exchange Act, including clarification of the scope of “joint holders” in the large shareholding reporting rule, was enacted (in May 2024). 	<ul style="list-style-type: none"> ✓ Consider the revision of the Stewardship Code with the aim of promoting collective/collaborative engagements that contribute to constructive and purposeful dialogues and ensure the transparency of beneficial shareholders. ✓ Assess compliance with the Stewardship Code by investors (asset managers, asset owners, proxy advisors, etc.)
Improvement of the effectiveness of the board	<ul style="list-style-type: none"> ✓ Published “The Basics of Being an Independent Director” to ensure and improve the quality of independent directors (in January 2024). ✓ The private sector continues to conduct educational activities for directors. 	<ul style="list-style-type: none"> ✓ Share specific examples of efforts, such as dialogues between independent directors and investors and encouragement for substantive discussions by the secretariats of boards, in order to promote the implementation of efforts to improve the effectiveness of boards.
Encouraging the management with an awareness of profit-making and growth	<ul style="list-style-type: none"> ✓ “Visualized” companies that make efforts in order to implement management that is conscious of the cost of capital and stock prices, including PBR, based on the request from the TSE (from January 2024). 	<ul style="list-style-type: none"> ✓ Follow up on the status of each company's initiatives continuously to encourage them to take substantial measures. In doing so, focus on whether boards are committed to the initiatives proactively and actively, whether specific discussions are conducted during dialogues with investors and whether analyses and evaluations are conducted with an awareness of specific outcomes from the perspective of increasing corporate value over the mid- to long-term occur.



Action Program for Corporate Governance Reform 2024 (cont.)

Issues	Follow up	Future Initiatives
<p>Enhancing the quality of disclosure and promoting dialogues with global investors</p>	<ul style="list-style-type: none"> ✓ Requested to disclose information about dialogues with investors, and published sufficient and insufficient cases of explanations (in March 2023). ✓ Revised the TSE's Listing Rules toward mandatory English disclosures (financial results and timely disclosure information) from April 2025 (in May2024). 	<ul style="list-style-type: none"> ✓ Examine actual situations and advance discussions on the development of an environment, including enhancing the efficiency of disclosures of duplicate information in Annual Securities Reports and Business Reports, that will lead companies to disclose Annual Securities Reports before general shareholder meetings, in addition to enhancing timely disclosures. ✓ Publish a specific list in order to “visualize” the group of companies that willingly and actively respond to the expectations of global investors.
<p>Resolving market environment issues</p>	<ul style="list-style-type: none"> ✓ Requested the enhancement of information disclosures of quasi-controlled listed companies (in December 2023). ✓ Published issues and good practices regarding disclosures of cross-shareholdings (in March 2024). 	<ul style="list-style-type: none"> ✓ Encourage companies to examine their rationale of cross-shareholdings in light of the Corporate Governance Code (e.g. whether appropriate disclosures based on actual situations be made in the Annual Securities Reports) to avoid a formalistic response.
<p>Encouraging the management with an awareness of sustainability issues</p>	<ul style="list-style-type: none"> ✓ Added metrics on diversity such as the ratio of women in managerial positions and the gender pay gap in Annual Securities Reports (from the fiscal year ended March 31, 2023). ✓ Published a booklet of companies' good disclosure practices on sustainability issues such as human capital (in December 2023). ✓ Amended the TSE's Listing Rules to set numerical targets for the ratio of female executives at companies (at least 30% by 2030) (in October 2023). 	<ul style="list-style-type: none"> ✓ Discuss disclosures and assurances of the sustainability-related information while ensuring international comparability. ✓ Share specific good examples such as the awareness of the outcome of increasing corporate value as well as management and dialogues with an awareness of corporate culture.

(The image of a list)
The status of JPX Prime 150 Index Constituent Stocks

Company name	Status of various indicators		Governance items expected by global investors	
	PBR (times)		Ratio of Independent Directors (%)	Ratio of female executives (%)
A	2.5		37.6	18.2
B	1.1		41.7	8.3
C	1.2		44.4	23.1
D	1.2	...	44.4	22.2
E	5.3		33.3	13.3
F	5.8		66.7	22.2
G	1.8		60.0	20.0
H	6.7		40.0	13.3
I	15.8		37.6	18.7

Annual Securities Report

Part 1: Company Information

...

IV. Information on the Company Submitting Financial Reports

The purpose of holding each issue of cross-shareholdings is not stated specifically.

