

# Examples of Good Practice in Corporate Governance

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Tokyo Stock Exchange, Inc.  
December 2, 2019

\*This English translation is for reference purpose only.

Japan's corporate governance reform has made certain progress through various measures, as evidenced by higher levels of board independence and increasing usage of optional nomination/remuneration committees, among other things.

From the perspective of Japanese companies achieving real sustainable growth and increasing corporate value over the mid- to long-term from now on, it is expected that if companies can deepen their understanding of the Corporate Governance Code's principles and use that understanding to act substantially towards achieving those aims, as well as carrying out good quality disclosure which includes the thinking behind their actions, this will lead to more constructive, effective engagement between companies and investors.

However, it is pointed out that while some companies are working on governance based on their business environment and disclosing sufficient useful information that is easily understood, there are also those whose initiatives and contents of disclosure are mere formalities.

As such, Tokyo Stock Exchange, Inc. (TSE) has selected good examples of companies we consider to have carried out substantial initiatives based on the Principles of the Corporate Governance Code, such as including cost of capital in their management strategies and strengthening the function of the board, which are seen as important parts of increasing corporate value over the mid- to long-term in Japan, and communicated these to shareholders in an easy-to-understand way. TSE is now publishing these as disclosure exemplars in the document "Examples of Good Practice in Corporate Governance". Examples come mainly from Corporate Governance Reports submitted by listed companies. We hope that these will serve as a reference for companies looking into initiatives toward mid- to long-term corporate value increase and looking to improve disclosure about those initiatives, and for investors to use as concrete examples of good practice when engaging with companies.

(Remarks)

- These examples are principally based on information disclosed in Corporate Governance Reports, also include other disclosed information such as related statutory documents (proxy statement, etc.) and voluntary disclosure documents (integrated reports, etc.) that can be used as a reference.
- Some descriptions include excerpts with changes to the layout and format (bold and underlined text, etc.) as necessary.
- For each example, the good points evaluated by TSE are stated in a green box.

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# **1. Management with awareness of cost of capital**

**- Corporate Governance Code Principle 5.2 -**

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## Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans

### Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans

When establishing and disclosing business strategies and business plans, **companies should articulate their earnings plans and capital policies and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital.** Also, companies should provide explanations that are clear and logical to shareholders with respect to **the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D and human resources, and specific measures** that will be taken in order to achieve their plans and targets.

(Background and context of this Principle)

#### ■ Purposes for Establishing this Principle

- ✓ Corporate governance reform is aimed at sustainable growth of companies and enhanced corporate value over the mid-to long-term.
- ✓ It is necessary to make decisive management decisions, such as reviewing their business portfolio and investments in fixed assets, R&D and human resources, and specific measures after accurately identifying the company's cost of capital.

#### ■ Identifying Cost of Capital

- ✓ Targets for profitability and capital efficiency shall be presented after the company's cost of capital is accurately identified.

#### ■ Decisive Decision-making by Management

- ✓ Companies should provide explanations with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D and human resources, and specific measures that will be taken in order to achieve their plans and targets.

Eisai Co., Ltd. (4523, First Section, Pharmaceutical) - 1

Corporate Governance Report (June 20, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \* Excerpt

[Principle 5-2 Determination / Announcement of Management Strategy and Management Plans]

**The Company has adopted equity spread (ROE in excess of shareholders’ cost of capital) as a KPI of corporate value, and aims to create a positive equity spread (10-year average) over the medium- to long-term.** While pharmaceutical company shares are classified as defensive, **the Company conservatively assumes a cost of equity of 8%. Furthermore, the Company has set investment selection criteria for strategic investment (VCIC: Value-Creative Investment Criteria), and ensures value creation by using NPV with approximately 200 types of risk-adjusted hurdle rates, and Internal Rate of Return (IRR) spread as KPIs.**

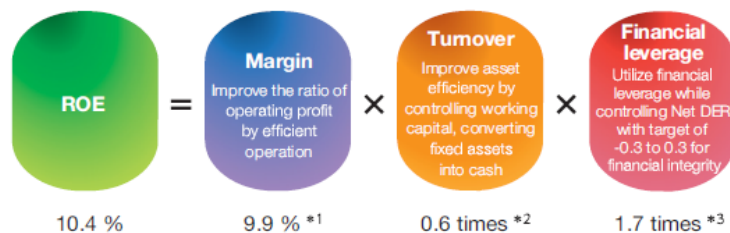
Pursuing value creation in excess of positive-equity spread over the medium- to long-term, under the medium-term business plan ‘EWAY 2025’, **the Company aims to attain ROE at the 10% level and an equity spread at the 2% level for fiscal 2020, as the midpoint of the plan. For fiscal 2025, the final year of the plan, the Company is mindful of attaining ROE at the 15% level and an equity spread at the 7% level.**

- Specifying equity spread as a KPI for its corporate value, the company aims at having a positive ten-year average over the mid- to long-term.
- Cost of shareholder’s equity is conservatively set at 8%.
- Investment selection criteria for strategic investment are specified, and NPV and IRR spread with hurdle rates are set as KPIs.
- Targets for ROE and equity spread are gradually set to pursue creating greater corporate value.

## Eisai Co., Ltd. (4523, First Section, Pharmaceutical) - 2

Integrated Report 2019 \* Excerpt

<https://www.eisai.com/ir/library/annual/index.html>



Results for Fiscal 2018

\*1 "Profit for the year attributable to owners of the parent"/"Revenue" \*2 "Revenue"/"Total assets" \*3 "Total assets"/"Equity attributable to owners of the parent"

Under the DuPont method, ROE can be analyzed by three elements consisting of margin (ratio of profit to revenue), turnover (total assets turnover ratio) and financial leverage. Eisai is focusing on optimizing each of these three elements.

### Increase margins

Eisai has focused on expanding high-profit global brands discovered and developed in-house, such as Lenvima®, Halaven® and Fycompa®. Eisai is aiming to improve margin by effective operation through utilizing partnerships and emphasizing selection and concentration for priority projects.

### Improve turnover

Eisai has managed the cash conversion cycle (CCC) to control working capital and strived to improve asset efficiency through steps including selling assets encompassing investment securities and streamlining inventory. The Corporate Governance Code, which was revised in June 2018, calls for the validation of benefits and risks of strategically held shares. Before the revision of the Code, Eisai has sold strategically held shares. In fiscal 2018, Eisai sold strategically held shares in 7 stocks (selling all of its shares).

### Use financial leverage

Eisai has pursued an optimal capital structure while maintaining financial integrity. For maintaining a single A level credit rating, we have set the KPIs of Net DER\*1 of -0.3 to 0.3, a ratio of equity attributable to owners of the parent of 50%-60% and Net Debt/EBITDA\*2 of 0 to 3 years. By undertaking business activities based on financial discipline, we are steadily reducing interest-bearing debt, and we secured net cash position as of the end of fiscal 2018, Net DER was negative 0.32, the ratio of equity attributable to owners of the parent was 58.6% and Net Debt/EBITDA was negative 1.70 years. Based on the view that we have secured sufficient financial integrity, we believe we can resume our leverage strategies.

\*1 Net debt equity ratio (Net DER) = (Interest-bearing debt (bonds and borrowings) - Cash and cash equivalents - Time deposits exceeding three months - Investment securities held by the parent company) / Equity attributable to owners of the parent

\*2 EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

- ROE is divided into three elements: “margin”, “turnover”, and “financial leverage”, and measures to improve and enhance them are specified.
- In terms of improving “turnover”, the company refers to reduction of cross-shareholdings and states that it sold seven stocks in FY2018.

## Santen Pharmaceutical Co, Ltd. (4536, First Section, Pharmaceutical) - 1

Corporate Governance Report (June 28, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \*Excerpt

[Principle 5-2]

[Establishing and Disclosing Business Strategies and Mid-to-Long Term Business Plans]

Aiming for realization of Santen’s long term strategic vision 2020 (“Vision 2020”) to become “a Specialized Pharmaceutical Company with a Global Presence by 2020,” Santen has actively implemented growth investments such as those relating to research and development activities or business development, and concurrently therewith, actively promoted business expansion in Asia and EMEA where high market growth is expected. In June 2018, aiming for the realization of Vision 2020 and construction of a path toward sustainable growth beyond 2020, Santen publicized “MTP 2020,” which is the mid-term business plan for 2018 to 2020.

In MTP 2020, while increases in the three functions of “customer satisfaction,” “profitability” and “organizational strength” are positioned as the core of our activities, Santen endeavors to outperform the market through making progress in global business strategy, enhancing our product pipeline and developing new treatment options, while raising the strength/efficiency of our business framework and boosting our human resource and organizational capabilities. **In addition, given that Santen will actively take initiatives to realize profits and invest in growth, Santen has set three financial indicators (i.e., sales growth rate, core operating profit margin and full ROE) as goals and objectives. Santen has also embarked on the construction of a long term vision and strategy beyond 2020.**

Santen moves forward with the construction of its business strategy with a view to new needs arising from lifestyle changes, pursuing new technologies and capturing global market growth.

Santen aims to enhance profitability and maximize cash generation and eventually shareholder value, through formulation of competitive advantage in the field of ophthalmology. In addition, Santen has formulated its capital policy, fundamental to which is implementing in an appropriate balance both the retention of earnings for future growth and the distribution of profits to shareholders, while pursuing a capital structure, including capital efficiency and financial soundness, which is optimal for Santen. Through optimization of profitability, capital efficiency and financial soundness, retained earnings, and shareholder returns, Santen makes efforts to improve its ROE.

**Also, Santen’s basic policy concerning profitability is to achieve more profit than capital cost, and thus it has set evaluation standards therefor, based on which investment decisions have been made.** Furthermore, regarding recovery of invested capital, in addition to the improvement of a management control system to monitor a business situation that is globally expanding and developing, Santen has made efforts to maximize cash through a cash management system that includes management of tax issues.

Santen has disclosed its long-term visions and mid-term managerial plans on its website. Concurrently, Santen has explained, through shareholders meetings and results briefings, specific measures and policies toward the achievement of its goals.

<https://www.santen.co.jp/ja/ir/document/plan.jsp>

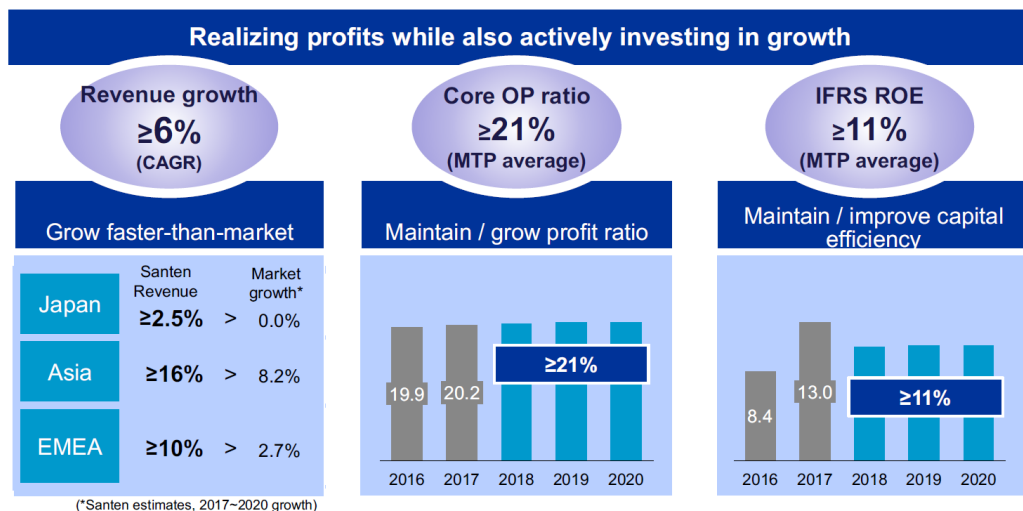
- Three financial indicators (sales growth rate, core operating profit margin, and full ROE) are set as objectives.
- To realize profit that exceeds cost of capital, evaluation standards are specified in making investment decisions.



# Santen Pharmaceutical Co, Ltd. (4536, First Section, Pharmaceutical) - 2

## Medium-Term Plan “MTP2020” \*Excerpt

<https://www.santen.com/en/ir/document/pdf/mtg2018to2020.pdf>



**Fundamental policy**

- To become a “Specialized Pharmaceutical Company with a Global Presence”
- Construct a path for sustainable growth beyond FY2020



➤ Three financial targets compared with past results are clearly described.

➤ Under the fundamental policy to become “a Specialized Pharmaceutical Company with a Global Presence”, business strategies are detailed with enhancement of three functions: profitability, customer satisfaction, and organizational strength.

## Sanwa Holdings Corporation (5929, First Section, Metal Products) - 1

Corporate Governance Report (June 28, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \*Excerpt

[Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans]

The company **periodically reviews cost of capital (currently WACC is set at 6%) and positions based on cost of capital \*SVA (the company's own EVA) as one of the important pillars of management.**

**In making profit plans and capital policies, the basic policy is to keep SVA positive (increase in corporate value), and also set targets such as ROE and capital ratio.**

The company also strives to contribute to increasing corporate value by **reviewing the business portfolio and comprehensively considering circumstances for each investment (M & A investment, capital investment, R & D investment, human resource investment, etc.), etc., and reviewing by quantitative indicators such as operating profit, SVA, and ROE.**

At the same time, as part of the allocation of funds (shareholder returns), the basic policy is to target a dividend payout ratio of 35% of net income attributable to shareholders of the parent.

\* SVA=Operating profit after tax – Invested capital x WACC (6%)

- Cost of capital is periodically reviewed and, based on the assessment, SVA shall be kept positive in profit planning and capital policy planning.
- The company strives to improve corporate value by reviewing its business portfolio and weighing capital investment, R & D investment, etc. against operating profit, SVA, ROE, etc.

# Sanwa Holdings Corporation (5929, First Section, Metal Products) - 2

## Third Mid-Term Management Plan (2019-2020) \*Excerpt

<https://contents.xj-storage.jp/xcontents/AS02460/7a757c27/aca2/4eae/add7/1d72e02ea29e/140120190522433198.pdf>

### 8. Numerical Target 1/2



- ✓ Continue record highs in net sales and incomes, and operating income ratio in the 8% range
- ✓ Steadily improve SVA and ROE, and accumulation of corporate value is expected

	FY2018 (Actual)	FY2020 (Forecast)	Variance vs. FY2018
Net Sales	¥410.0Bln	¥450.0Bln	+9.8%
Operating Income	¥31.59Bln	¥37.50Bln	+18.7%
Operating Income Ratio	7.7%	8.3%	+0.6%
SVA	¥12.7Bln	※1 ¥15.9Bln	+¥3.2Bln
ROE	13.5%	※2 14.1%	+0.6%

ForexRate	2018	2020(F)
1 USD	110.36	105.00
1 EUR	130.01	120.00

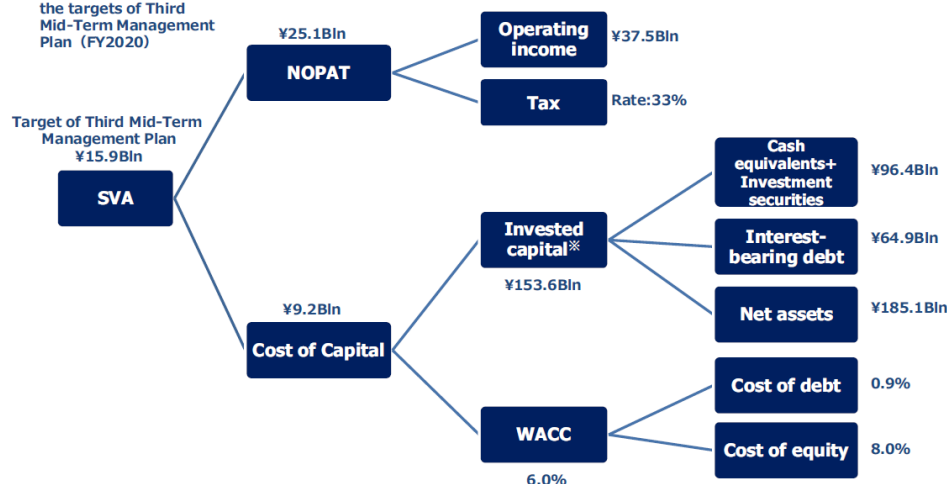
※1 Calculated at the weighted average cost of capital (WACC) of 6%, tax rate of 40% (FY2018 is 33%)  
 ※2 The cost of capital target is 8%

### 7. SVA tree

#### SVA

Numerical shows the targets of Third Mid-Term Management Plan (FY2020)

Sanwa Value Added (SVA) is the Company's unique indicator of economic value added used since 2001. The purpose is to be aware of shareholders' and creditors' expectations of return when conducting business operations.



➤ Higher SVA and ROE are set as objectives to increase corporate value.

➤ How SVA is calculated is well described with a diagram.



## **2. Roles of the board of directors**

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- i. Analysis and evaluation of the effectiveness of the Board**
  - Corporate Governance Code Supplementary Principle 4.11.3 -**

## Supplementary Principle 4.11.3

### Analysis and evaluation of the effectiveness of the Board

#### Supplementary Principle 4.11.3

Each year **the board should analyze and evaluate its effectiveness as a whole**, taking into consideration the relevant matters including the self evaluations of each director. **A summary of the results should be disclosed.**

(Background and context of this Principle)

#### ■ Purposes for Establishing this Principle

- ✓ The board of directors must engage in a continuous process of implementing measures to effectively fulfill its roles and responsibilities. These measures encompass a variety of actions ranging from ensuring that not only the duties of each board member but of the entire board itself are being carried out appropriately, as well as periodically reviewing the structure and steering of the board while identifying issues and how such issues can be solved or strengths leveraged

#### ■ Analysis and Evaluation of the Effectiveness of the Board

- ✓ Analysis and evaluations should start with each director evaluating him/herself as a minimum standard, and when coupled with other evaluations, including those of the board of directors as a whole, it can become a springboard for discussions.
- ✓ In order to strengthen independence and objectivity, companies may seek analysis and evaluation by outside parties. (Companies in the U.K. are requested to seek outside evaluation once every three years.)
- ✓ Evaluation items need to be periodically reviewed in response to changes in key points and priorities to enhance effectiveness.

#### ■ Disclosure of Summary of Analysis and Evaluation Results

- ✓ Summaries of analysis and evaluation results need to be appropriately disclosed, including issues identified in such evaluations.
- ✓ Companies may also disclose (1) evaluation methods, (2) questionnaire items, (3) status of responses to issues identified in the results from effectiveness evaluations in the previous fiscal year, (4) evaluation results for the current fiscal year, and (5) steps to take to further improve board effectiveness.

## Mitsui & Co., Ltd. (8031, First Section, Wholesale Trade) - 1

Corporate Governance Report (June 20, 2019)

[ 2 . Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)]

\* Excerpt

(iii) Evaluation of effectiveness of the Board of Directors

Each year, the Board of Directors analyzes and evaluates its effectiveness, taking into consideration relevant matters, including self-evaluations of each Director, and discloses a summary of the results.

The methods and results of the evaluation of effectiveness of the Board of Directors for the year ended March 31, 2019 are summarized as follows:

### < Evaluation method >

- (1) In January 2019, questionnaires pertaining to matters such as the composition of the Board of Directors, its operational status, and topics for deliberations, were distributed to fourteen Directors and five Audit & Supervisory Board Members (hereinafter referred to as the "2019 questionnaire").
- (2) Moreover, opinions were exchanged regarding the effectiveness of the Board of Directors in meetings attended by all External Directors and External Audit & Supervisory Board Members (hereinafter referred to as the “External member meetings”) held on February 1, 2019.
- (3) In its meeting held on February 12, 2019, the Governance Committee engaged in discussions on the basis of the results of the 2019 questionnaire and External member meetings.
- (4) The Board of Directors, after discussing such matters while taking the Governance Committee’s report into account, decided on the matter of evaluating its effectiveness for the year ended March 31, 2019 in its meeting held on March 20, 2019.

**With respect to the carrying out of the above evaluation method, at a Governance Committee meeting held in November 2018, the decision was made, as the current format’s effectiveness was recognized previously, to persist with the current self-evaluation format involving the evaluation of the effectiveness of the Board of Directors for the year ended March 31, 2019, upon having verified the adequacy of processes that encompass methods of evaluating the effectiveness of the Board of Directors carried out by a third party.**

< Questionnaire items >

Major categories of questionnaire items of the 2019 questionnaire are listed below. The 2019 questionnaire contains fields for free comments related to such categories, and has been evaluated using methodology that involves assigning one of five grades to each question. Furthermore, evaluation also encompasses the extent to which effectiveness of the Board of Directors has improved in comparison with the previous year by assigning one of three grades, in order to gain an understanding of progress achieved in that regard.

### **I. Composition of the Board of Directors**

### **II. Operational status of the Board of Directors**

### **III. Deliberations of the Board of Directors**

### **IV. Roles and duties of the Board of Directors**

### **V. Advisory Committees**

### **VI. Execution of duties of the Directors and Audit & Supervisory Board Members themselves**

### **VII. Support, etc. for Directors and Audit & Supervisory Board Members**

### **VIII. Overall comments**

< Initiatives in the year ended March 31, 2019 geared to achieving greater effectiveness >

**During the year ended March 31, 2019, the Board of Directors and the Board of Directors Secretariat have engaged in the following initiatives taking into account results of the evaluation of effectiveness of the Board of Directors for the previous year.** The Governance Committee also held meetings in September and December 2018, where committee members confirmed, reported and otherwise took action with respect to challenges of improving effectiveness and the status of initiatives geared to resolving issues.

- Evaluation method is summarized with reasons for adopting a self evaluation format, questionnaire items, and the like.
- Initiatives in the current fiscal year are described based on the results from evaluating the effectiveness in the previous fiscal year.

## Mitsui & Co., Ltd. (8031, First Section, Wholesale Trade) - 2

(Continued)

### - Composition of the Board of Directors

In November 2018, a free discussion session at the Company’s training institute (hereinafter referred to as the "free discussion") was held, during which discussions were held on the design of the Company’s governance and organizational structure, and more detailed discussions were held on what would be the most optimal composition of the Board of Directors in accordance with the design of the organizational structure to be chosen for the Company. In addition, Mr. Uchiyamada (Chairman of Toyota Motor Corporation), who has significant business experience, was appointed as External Director at the Annual General Meeting of Shareholders held on June 20, 2019.

A significant majority of the External Directors and External Audit & Supervisory Board Member (hereinafter referred to as the "External members") responding to the 2019 questionnaire provided favorable assessment concerning the composition of the Board of Directors. However, opinions were also raised that, in order to make future improvements, the total number of Directors should be reduced, or that the ratio of External Directors should be increased, favorable opinions were raised that the number of people with business experience has increased, and opinions were also raised that there will be an expectation to discuss the knowledge, experience, and attributes required of External Directors in the Nomination Committee.

### - Topics for the Board of Directors to deliberate

In addition to formulating agenda items which would be suitable topics for discussion with External members, the Board of Directors also held meetings to discuss company-wide themes such as internal controls, risk management, sustainability, and cybersecurity, as well as issues based on trends and current social circumstances.\* In addition, a discussion on the responses and concerns in the capital markets took place in an External member meeting. Furthermore, discussions also took place regarding the Company’s policies with respect to the coal business through deliberations on individual business projects, as well as the Company’s policies with respect to businesses in the non-resources sectors.\*

A significant majority of the External members responding to the 2019 questionnaire provided favorable assessment concerning the items deliberated at meetings of the Board of Directors, and a majority of the respondents overall feel the situation has improved in comparison with the previous year.

( Excerpt )

### - Methods of deliberation by the Board of Directors

As opinions were raised in the previous year’s evaluation of the effectiveness of the Board of Directors that the Board of Directors should have an opportunity for free discussion with respect to the methods of deliberation in meetings of the Board of Directors, the free discussion was held in which all Directors and Audit & Supervisory Board Members discussed the following topics:

- The Company’s governance and organizational structure
- Themes, current situation, and issues for realizing sustainable growth
- The Company’s human resources to support sustainable growth

A significant majority of External members responding to the 2019 questionnaire provided favorable assessment concerning the methods of deliberation in meetings of the Board of Directors, and a majority of the respondents overall feel the situation has improved in comparison with the previous year. On the other hand, as a matter for further improvements, opinions were raised that it was necessary to accurately communicate discussions and nuances at management meetings in order to ensure that External Directors are well aware of the importance of individual matters.

### - Matters concerning the Advisory Committee

For the fiscal year ended March 31, 2019, there was an expansion of the reporting of the topics of deliberation and results of such deliberations for each Advisory Committee to the Board of Directors, and initiatives were implemented to establish the frequency of meetings and enhance discussions of each Advisory Committee.

A significant majority of External members responding to the 2019 questionnaire provided favorable assessment, and a majority of the respondents overall feel the situation has improved in comparison with the previous year. On the other hand, opinions were raised that while the number of deliberations being reported by each Advisory Committee to the Board of Directors have increased as well as there being an increase in transparency, expectations are being placed on discussions being conducted at future meetings of the Board of Directors, and as a result, the matters requiring further improvement were able to be identified.

## Mitsui & Co., Ltd. (8031, First Section, Wholesale Trade) - 3

(Continued)

< Summary of evaluation results >

Taking the aforementioned initiatives into account, the Company has reviewed the results of the 2019 questionnaire, and outcomes of exchanges of opinion at the External member meetings and deliberations of the Governance Committee and the Board of Directors. **Accordingly, with respect to effectiveness of the Board of Directors during the year ended March 31, 2019, the findings made by the Board of Directors are as follows:**

- Many commented that improvements have been achieved in addressing the challenges stated last year of (i) composition of Directors, (ii) matters for deliberation by the Board of Directors, (iii) methods of deliberation by the Board of Directors, and (iv) Advisory Committees.
- The Board of Directors has a wealth of diversity, and has prepared a system structure to secure in place to ensure effective management oversight.
- Meetings of the Board of Directors have been operating smoothly, underpinned by adequate support of the Board of Directors Secretariat in areas such as preparing materials for meetings of the Board of Directors, provision of information, and scheduling.
- The Board of Directors has been securing ensures sufficient time for deliberations and engaging in constructive discussions and exchanges of opinions.
- The direction and business strategies of the Company are actively being discussed by the Board of Directors. In addition, by taking advantage of the opportunities for free discussions between Directors and Audit & Supervisory Board Members including External members, a wide range of discussions concerning the realization of the Company’s sustainable growth were able to take place.
- At meetings of the Board of Directors, reports are given on results of risk analysis from Company-wide and multiple angles, based on which the Board of Directors discusses and reviews such risks drawing on knowledge furnished by respective Directors and Audit & Supervisory Board Members.
- The Board of Directors appropriately supervises the development and operation of internal control systems and risk management systems.
- The respective Directors and Audit & Supervisory Board Members, upon understanding the Board of Directors’ duty to carry out oversight and auditing of the management, have all been devoting sufficient time and

effort in fulfilling their responsibilities as Directors or Audit & Supervisory Board Members from an objective standpoint separate from business execution.

- The Company adequately ensures the availability of opportunities and funds for enabling Directors and Audit & Supervisory Board Members to acquire knowledge necessary to fulfill their roles and duties, and also on the whole the Company has ensured availability of frameworks for collaboration involving External members, the management, the Independent Auditor, and the Internal Auditing Division.

Based on the details summarized above, the Company’s Board of Directors concludes that it has adequately maintained its effectiveness during the year ended March 31, 2019. **On the other hand, the following issues were recognized as issues that are required to be addressed in order to achieve greater effectiveness of the Board of Directors.**

**< Further Initiatives geared to achieving greater effectiveness >**

**- More detailed deliberations on individual business project**

With respect to the relationship between individual business projects and company-wide strategies to be discussed at meetings of the Board of Directors, as well as company-wide strategies and business plans, the Company has implemented the following measures based on the opinions and recognition of issues from past evaluations of effectiveness.

Year Ended March 31, 2017

A review was undertaken on the explanatory materials for individual business projects and by putting forward the Company’s strategies and positioning in the asset portfolio, efforts were made to discuss the major direction of the Company through discussions on individual sales projects.

Year Ended March 31, 2018

In order to create more opportunities to discuss the major direction of the Company, such as the Company’s corporate strategy and medium-term management plan, discussions with respect to the business plan and the new medium-term management plan were held at a meeting of the Board of Directors following the same discussions at an External member meeting. In addition, the issues of ‘Key issues in the capital markets and the Company’s IR activities’ and the ‘Company’s Digital Transformation’ were discussed at External member meetings.



## Mitsui & Co., Ltd. (8031, First Section, Wholesale Trade) - 4

(Continued)

However, several opinions were raised such as that in the current fiscal year, there was difficulty in gaining an overall picture by analyzing individual business projects.

Based on these opinions, efforts will be made to have more detailed deliberations on individual business projects by creating materials that provide easy-to-understand explanations of the positioning of individual business projects as part of the segment strategies.

### - About the free discussion

With respect to the free discussion, opinions were raised that "we were able to discuss the direction of the Company and business strategies", "more active discussions were able to take place" and "the format of the training camp was good", and all Directors and Audit & Supervisory Board Members responded that the same concept should continue to be held in the next fiscal year. On the other hand, as matters for improvement, the participants expressed their expectations for further improvement by devising ways to implement themes and methods of the free discussions.

Based on these opinions, it is intended that the free discussion will continued to be held by continuing to devise and improve methodologies for the free discussion and selecting themes

### - Further improvement of the operation of the Board of Directors

With respect to the operation of the Board of Directors, there were opinions calling for (i) further acceleration of the distribution of materials which are intended to be pre-distributed; (ii) enhancing deliberations on important individual businesses projects; (iii) further use of written resolutions; and (iv) more accurate, objective, and clear sharing of discussions at the Management Committee.

➤ Issues that require further initiatives are disclosed with background and evaluation result summaries.

Based on these opinions, the Board of Directors is committed to further improving the operations of the Board of Directors by (i) sharing materials at the draft stage; (ii) with respect to important business projects, enhancing the provision of information to External members in multiple angles and in an objective manner, including by providing more detailed written reports, allocating more time, and the provision of explanations by the Business Division in charge of the business project, as well as the General Manager of the Investment Administrative Division; (iii) further utilizing written resolutions; and (iv) further improvement of the accuracy, objectivity, and clarity of discussions at the Management Committee.

### - About the Advisory Committee

With respect to the Advisory Committee of the Board of Directors, opinions were raised that “the deliberation and discussion by the Advisory Committee has been enriched, but the extent to which there is a understanding by Directors other than those who are committee members, is unknown” and opinions were raised that there were expectations to further enhance the reporting of discussions at the Advisory Committee meetings to the Board of Directors.

The Advisory Committee is committed to enhancing deliberations by the Board of Directors concerning the direction and action policies of each Advisory Committee, as well as continuing to regularly report the activities of the Advisory Committee to the Board of Directors.

### - Method of evaluation of effectiveness

Regarding the method of evaluating the effectiveness of the Board of Directors, opinions were raised that it would be preferable to conduct a third-party evaluation periodically, and that advice and evaluation should be sought from third parties regarding the ways in which self-evaluation are being conducted, as well as the contents of the questionnaire.

Based on these opinions, the Board of Directors will consider using a third-party evaluation to evaluate the effectiveness of the Board of Directors for the next fiscal year.

The Company’s Board of Directors will continue to work to maintain and improve the effectiveness of the Board of Directors, including the matters described above, to ensure thorough supervision of management by the Board of Directors, and to aim for sustainable improvement of corporate value.

## Asahi Group Holdings, Ltd. (2502, First Section, Foods) - 1

Corporate Governance Report (March 26, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code]

\*Excerpt

(Supplementary Principle 4-11-3)

The Company’s Board of Directors has analyzed and evaluated effectiveness of the Board of Directors in fiscal 2018 for realizing the “growth oriented governance in order to further develop “Management for Corporate Value Enhancement,” and has opted to disclose summarized results of those efforts, as provided below.

I. Overview of results of analysis and evaluation

i) Conclusion

- The Company’s Board of Directors concluded that the Board of Directors was “functioning effectively” in fiscal 2018.

ii) Analysis and evaluation

- The responses “performed adequately” or “performed adequately overall” accounted for a high proportion of the answers to many of the questions on the effectiveness evaluation questionnaires submitted by each Director and Audit & Supervisory Board Member.
- In addition, nearly all answers involved proposals, advice and indications as to challenges, in particular with regard to such subjects as the allocation of duties between the Board of Directors and the Nomination Committee, Group governance including overseas operations, risk management, and the formation of corporate culture, showing high awareness of issues.
- In addition to the above mentioned questionnaire, in order to obtain objective opinions, interviews were conducted between third parties and all Outside Directors, the Chairman of the Board of Directors, and the President and Representative Director, CEO, and an explanation of their opinions on the evaluation was received from these third parties.

**iii) Results of the effectiveness evaluation questionnaire regarding the response to issues recognized in the previous fiscal year**

- For issues recognized, discussions were held in relation to the matters including **corporate governance improvement, ESG initiatives, the establishing of a new Group Philosophy**. As a result, the related items for all such issues on the questionnaire held a large number of “performed adequately” and “performed adequately over all” responses, **confirming that improvements are under way**.
- **Within these, it has been recognized that further discussions should be held for areas that need sustained enhancements, as follows. For “continuous improvement of the effectiveness of the Board of Directors,” deliberation of succession plans by the Board of Directors and global risk management; for “promoting discussion on corporate social value and ESG initiatives,” what sort of role should be played by the Board of Directors, and how it should be monitored; for “cultivation of a corporate culture shared throughout the Group,” the allocation of roles between the Board of Directors and the executive side of the Company.**

II. Initiatives going forward

After having held discussions based on the many suggestions submitted by each Director and Audit & Supervisory Board Member, **the Company’s Board of Directors will work to improve the effectiveness of the Board of Directors, premised on awareness of the three points listed below.**

- Evaluation of responses to issues recognized in the previous fiscal year and items that require continuous improvement based on the evaluation are described concretely.
- Remaining issues and initiatives to solve them are specified.

## Asahi Group Holdings, Ltd. (2502, First Section, Foods) - 2

(Continued)

### i) Strengthening the effective corporate governance system

#### - Enhancing the effectiveness of the Board of Directors and the Nomination/Compensation Committees -

- Establishing a shared understanding with regard to matters that should be handled by the Board of Directors, matters that should be handled by the executive side, and matters to which a cooperative approach should be taken
- Setting out matters for the jurisdiction of the Board of Directors, and the Nomination/Compensation Committees, respectively

### ii) Putting in place a risk management system in preparation for the strengthening of Group governance

- Arranging supervision by the Board of Directors of the succession of the top management for Asahi Group HD and other important Group companies
- Setting out and finalizing the risks to be recognized and monitored by the Board of Directors, and drawing up methods for their monitoring

### iii) Reinforcing ESG initiatives

- Clarifying the role taken by the Board of Directors with regard to ESG initiatives
- Building a mechanism to monitor the state of ESG initiatives

### III. Methods of analysis and evaluation

With the aim of making corporate governance more substantial, the effectiveness of the Board of Directors during fiscal 2018 was analyzed and evaluated. This was accomplished by having each of the Company’s Directors and Audit & Supervisory Board Members conduct an evaluation between December 2018 and January 2019 using an effectiveness evaluation questionnaire prepared by the secretariat of the Board of Directors, with input from third parties, and approved by the Board of Directors.

- Analysis and evaluation methods together with concrete evaluation item, are described.
- Utilize of third party knowledge.

In addition, in order to obtain objective opinions, interviews were conducted in December 2018 between third parties and all Outside Directors, the Chairman of the Board of Directors, and the President and Representative Director, CEO. The third parties were provided with copies of the responses to the above questionnaire and a compilation of the results, in order that their opinions might be obtained. The third parties also gave assistance in relation to analyzing the results of the questionnaire, and in relation to the provision of a benchmark indicator.

The Company’s Board of Directors complied results of the evaluation using the above effectiveness evaluation questionnaire for each Director and Audit & Supervisory Board Member, and held discussions and determined the evaluation at the Board of Directors meetings held in February and March 2019 by reference to opinions on the evaluation based on the interviews by third parties and the above questionnaire results.

### IV. Evaluation items

The main items listed in the effectiveness evaluation questionnaire are as follows.

1. Roles and responsibilities of the Board of Directors
2. Discussions and initiatives of the Board of Directors
3. Delegation of authority to management
4. Support for appropriate risk taking
5. Global risk management and internal control
6. Structure of the Board of Directors
7. Election of senior management and Directors and succession
8. Remuneration for management
9. Dialogues with shareholders investors and stakeholders

## Asahi Group Holdings, Ltd. (2502, First Section, Foods) - 3

### Designing Items for the Evaluation of Effectiveness

Evaluation items in the evaluation of the effectiveness of the Board of Directors are designed each year in consideration of the management strategy being implemented by the Company at the time, and the external management environment.

This leads the Company’s Board of Directors to “give more substance to corporate governance,” by focusing on areas that will “improve the effectiveness” rather than simply following or imitating an old tradition.



- Based on the management strategies and management environment, identify important issues and factors to be focused on in evaluating the Company’s Board of Directors.
- As for the management strategy, take into account strategy business portfolio strategy, globalization, Group governance abroad, initiatives toward creation of new value, etc. undertaken as a holding company.
- As for the management environment, take into account expectations of stakeholders in Japan and abroad, requirements of laws and society, etc. which are imposed on the Company.
- Set a higher-than-average level for certain evaluation items so that the Company’s corporate governance will be a best practice.
- As for challenges identified in the previous fiscal year, make the status of the measures carried out and the improvement.
- Utilize external experts (third parties) to obtain specialist insights.

The focus is put on the areas that lead to more substantial corporate

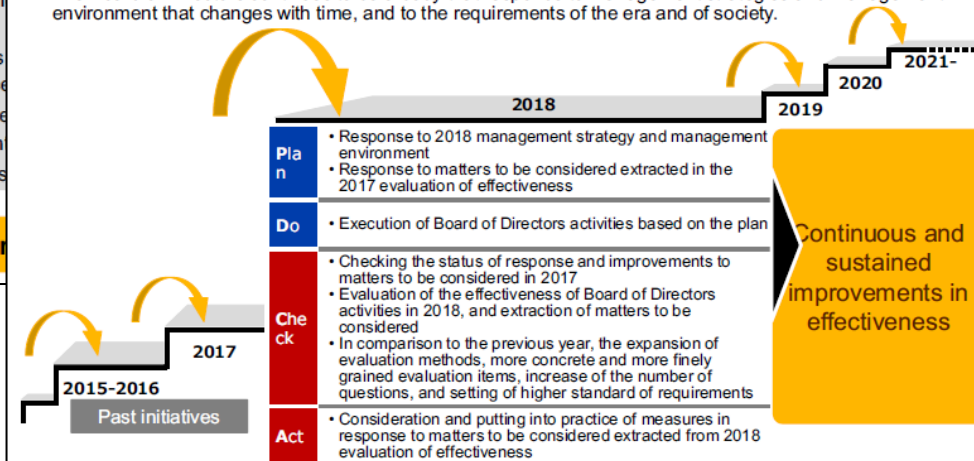
### Initiatives Aimed at Sustained Improvements in Effectiveness

The Company’s Board of Directors considers it important to improve its effectiveness sustainably and continuously.

Accordingly, each year, after carrying out evaluation, the matters requiring further consideration are selected based on the evaluation results. These matters become the subject of improvement measures carried out over the next and subsequent years, and a yearly PDCA cycle has been set up as the mechanism for this process.

The evaluation of the effectiveness of the Board of Directors is equivalent to the PDCA “Check,” while the responses and improvement measures that are considered and put into effect based on the results correspond to the PDCA “Act.”

The Board of Directors continues to be a body that responds to management strategies and management environment that changes with time, and to the requirements of the era and of society.



➤ Initiatives toward evaluation of the effectiveness of the board of directors are clearly explained with diagrams in reference material of analysis and evaluation result summary posted on the company’s own website.

## EBARA CORPORATION (6361, First Section, Machinery) - 1

Corporate Governance Report (April 9, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \* Excerpt

### 9. Effectiveness of the Board of Directors

#### (1) Evaluation of the Effectiveness Supplementary Principle 4.11.3 ( See Article 19 of Appendix 2 )

The Company pursues the best possible corporate governance structure and strives for its further enhancement at all times. Each year the Board of Directors itself analyzes and assesses the overall effectiveness of the Board of Directors to review how the Board of Directors contributes to corporate governance functioning effectively, identify issues and make improvements. An overview of the results is then disclosed.

#### ◆Efforts to Resolve Issues Recognized in the Fiscal Year 2017 Evaluation of the Board of Directors

In fiscal year 2017, the Directors’ evaluation of the Company’s corporate governance system and the state of operation of the Board of Directors and each committee were generally high and the Company’s Board of Directors found that the effectiveness of the Board was sufficiently ensured. However, **the following were identified as areas for improvement: identification and enhancement of discussion of long-term issues such as growth strategy and monitoring of the progress of the Medium-term Management Plan. Furthermore, it was confirmed that important elements related to the effectiveness of the oversight function of the Board of Directors need to be periodically reviewed to ensure the size and composition of the Board of Directors is right for the Company in response to changes in the Company’s business and the management environment.**

#### **(a) Enhancement of discussion of long-term issues such as growth strategy and monitoring of the Medium-term Management Plan.**

In fiscal year 2018, the number of Independent Directors with experience of top corporate management increased to four (4) out of the seven (7) Independent Directors. As a result of such increase, the Board discussed thoroughly the growth strategies of every business segment as well as the main business and the progress and issues of the Medium-term Management Plan.

#### **(b) Review of the size and composition of the Board of Directors**

In June 2015 when the Company adopted the organizational form of a “Company with Three Committees,” the composition of the Board of Directors comprised fourteen (14) Directors, seven (7) of whom were Independent Directors. In fiscal year 2017, the number of Non-executive Inside Directors was reduced from four (4) to three (3).

In fiscal year 2018, the Board of Directors discussed at length the optimal size and composition of the Board of Directors and each committee, with particular emphases on how to achieve more substantive deliberations. The Nomination Committee considered director candidates for fiscal year 2019 based on these discussions.

#### **(c) Enhancement of discussion of succession plan for the Representative Executive Officer**

The Nomination Committee held thirteen (13) meetings in fiscal year 2018, and pursuant to the succession plan specified by the Nomination Committee, it discussed thoroughly and appointed the next President and Representative Executive Officer. The selection process and discussions of the Nomination Committee were properly shared with the Board, and each process was carefully conducted with transparency.

#### ◆Fiscal Year 2018 Evaluation of the Board of Directors

##### **Analysis and evaluation process**

**With the cooperation of a third-party organization, the Company prepared a questionnaire for each Director, conducted analysis of the responses, and then implemented individual interviews with all of the Directors to confirm the thoughts of each Director based on their responses to the questionnaire, and analyzed the results of the questionnaire and individual interviews. The Board of Directors discussed the effectiveness of the Board of Directors in the Board Meetings held in February 2019 based on the report from the third-party organization on the above analysis, and confirmed the evaluation and future action to be taken.**

- Initiatives to issues of effectiveness evaluation in the previous fiscal year are detailed.
- Details of analysis and evaluation with use of a third party are described.

## EBARA CORPORATION (6361, First Section, Machinery) - 2

(Continued)

Summary of the results of analysis and evaluation

As a result of the above analysis, it was found that Directors’ evaluations of the composition and status of operation of the Company’s Board of Directors and Committees were generally high and the effectiveness of the Board was sufficiently ensured. However, it was found that it is necessary to continuously engage in some issues.

Action to be taken

The Company’s Board of Directors re-affirmed that it will further increase the effectiveness of the Board of Directors by continuously engaging in the following actions.

**O Enhancement of discussion of long-term issues contributing to the improvement of corporate value, along with progress of and issues with the Medium-term Management Plan**

**O Strengthening of support aimed at ongoing monitoring and enhancement of the state of efforts and improvements after deliberation of important issues in the Board of Directors**

**O Periodic reviews of the size and composition of the Board of Directors**

**O Enhancement of discussion on succession plans for Independent Directors**

→ For full disclosure on “**Overview of the results of the fiscal year 2018 Evaluation about the Effectiveness of the Company’s Board of Directors,**” please see:

[https://www.ebara.co.jp/en/about/ir/Governance/governance/\\_icsFiles/afieldfile/2019/03/01/en\\_board\\_evaluation\\_FY2018\\_1.pdf](https://www.ebara.co.jp/en/about/ir/Governance/governance/_icsFiles/afieldfile/2019/03/01/en_board_evaluation_FY2018_1.pdf)

- Future actions are specified.
- A summary of the results from the evaluation of the effectiveness of board of directors is announced before the AGM.

[Overview of the Results of the FY2018 Evaluation About the Effectiveness of the Company’s Board of Directors (February 22, 2019)]

Notes:  
 ① This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.  
 ② The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Overview of the Results of the FY2018 Evaluation  
about  
the Effectiveness of the Company’s Board of Directors

February 22, 2019  
EBARA CORPORATION

To ensure corporate governance functions effectively, the Board of Directors itself performs analysis and evaluation of the effectiveness of the Board of Directors for the purpose of examining the contributions of the Board of Directors, identifying issues and making improvements, and the Company discloses overviews of the results.

1. Analysis and Evaluation Process

With the cooperation of a third-party organization, the Company prepared a questionnaire<sup>1</sup> for each Director, conducted analysis of the responses, and then implemented individual interviews<sup>2</sup> by the third-party organization with all of the Directors to directly confirm the thoughts of each Director based on their responses to the questionnaire, and analyzed the results of the questionnaire and individual interviews. The Board of Directors discussed the effectiveness of the Board of Directors in the Board Meetings held in February 2019 based on the report from the third-party organization on the above analysis, and confirmed the evaluation and future action to be taken.

2. Summary of the Results of Analysis and Evaluation

As a result of the above analysis, it was found that Directors’ evaluations of the current state of operation of the Company’s Board of Directors and Committees were generally high, and that adequate discussion is carried out on significant issues in the Board of Directors and Committees, indicating that they are being opened appropriately. It was confirmed that issues recognized in last year’s evaluation (identification and enhancement of discussion of long-term issues such as growth strategy, ongoing monitoring of Medium-term Management Plan<sup>3</sup>, consideration of the size and composition of the Board of Directors, enhancement of discussion of the succession plans for the President, Chairman of the Board of Directors and Independent Directors) are being addressed and improvements are being made. Furthermore, it was confirmed that the quality of discussion in the Board of Directors has improved due to the efforts of both Independent Directors and Internal Directors, and the increase in Independent Directors with management experience, and also that Independent Directors made substantial contributions to discussion by making statements based on experience and expertise while remaining aware of importance of their roles. Based on the above information the Board of Directors’ evaluation concluded that the oversight functions of the Board of

Board of Directors re-affirmed that it will further  
Directors by continuously engaging in the following

issues contributing to the improvement of corporate  
the Medium-term Management Plan  
monitoring and enhancement of the state of efforts  
rtant issues in the Board of Directors  
of the Board of Directors  
ans for Independent Directors

END

of Directors (functions and roles of the Board of  
f Directors, Executive and Non-executive Internal

Directors and Independent Directors

- Size and composition of the Board of Directors (size (number of members) of the Board of Directors, ratio of Internal and Independent Directors, composition of members, etc.)
- State of operation of the Board of Directors (State of operation and discussion, state of initiatives to address the previous year’s issues, state of follow-up of proposals deliberated upon, important management issues, etc.)
- Structure (member composition, chairman) and roles of committees (Nomination,

2 / 3



## 2. Roles of the board of directors

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- ii. Director and *kansayaku* training  
- Corporate Governance Code Principle 4.14 -

## Principle 4.14 Director and *Kansayaku* Training

### Principle 4.14 Director and *Kansayaku* Training

New and incumbent directors and *kansayaku* should **deepen their understanding of their roles and responsibilities** as a critical governance body at a company, and should endeavor to acquire and **update necessary knowledge and skills**. Accordingly, **companies should provide and arrange training opportunities suitable to each director and *kansayaku* along with financial support for associated expenses**. The board should verify whether such opportunities and support are appropriately provided.

### Supplementary Principles

**4.14.1** Directors and *kansayaku*, including outside directors and outside *kansayaku*, should be given the opportunity when assuming their position to **acquire necessary knowledge on the company's business, finances, organization and other matters**, and **fully understand the roles and responsibilities, including legal liabilities**, expected of them. Incumbent directors should also be given **a continuing opportunity to renew and update such knowledge** as necessary.

**4.14.2** Companies should disclose their training policy for directors and *kansayaku*.

(Background and context of this Principle)

### ■ Purposes for Establishing this Principle

- ✓ It is not always easy for directors and *kansayaku* to acquire the necessary knowledge and skills through their own efforts to exert their respective roles and fulfill their respective responsibilities. As such, listed companies need to provide continuous support such as offering training opportunities and financial support for associated expenses.
- ✓ The board should verify whether such opportunities and support are appropriately provided

### ■ Providing Training Suitable to Each Director and *Kansayaku*

- ✓ Training opportunities need to be suitable to each director and *kansayaku*: internal directors would need to learn and refresh their knowledge of their respective roles, authority, and legal responsibilities; experienced outside directors would need to acquire and improve knowledge on the specific business of the companies they serve. Such training opportunities should be provided at the time of and after their appointment on a continuous basis.

### ■ Disclosing Training Policy

- ✓ Training policies need to be appropriately disclosed. (In cases where there are different policies provided between internal and outside directors, sufficient explanation on each policy should be provided.)
- ✓ Companies may also disclose actual records of training in addition to their training policies.



## Mizuho Financial Group, Inc. (8411, First Section, Banks) - 1

Corporate Governance Report (July 5, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \*Excerpt  
[Supplementary Principle 4.14.2] (Director Training)

In order to fulfill their roles in the monitoring and advising functions of the Board of Directors, our directors proactively gather information and take efforts to be informed of the management environment and the state of business surrounding our Group. We provide our directors on a continuing basis with “opportunities to acquire and improve knowledge” that is necessary to fulfill their expected roles and duties.

**We shall provide newly appointed directors with opportunities when taking office to acquire the knowledge necessary to fulfill the roles and responsibilities required of directors, such as information on the Companies Act, other related laws and regulations as well as corporate governance, and shall provide each director on a tailor-made basis with such opportunities after taking office as necessary.**

In addition, **for outside directors, each outside director is offered opportunities to acquire the necessary knowledge about our Group’s business, finance and organizational structure at the time of appointment and continuously thereafter.**

The training policy for directors is described in Article 6 Paragraph 6 of the “Corporate Governance Guidelines.”

([https://www.mizuhofg.com/company/structure/governance/g\\_report.html#guideline](https://www.mizuhofg.com/company/structure/governance/g_report.html#guideline))

<Key examples>

### **1. “Opportunities to acquire and improve knowledge” for all directors**

- Conduct training programs by external instructors (lawyers) centered on the duties and responsibilities of directors for our newly appointed directors of MHFG and the Three Core Companies, etc.
- Help directors to comprehensively understand Mizuho’s management as a whole through various discussions and reports at the Board of Directors meetings
- Annual scheduled training sessions (for directors and executive officers, etc. of our group) regarding “Compliance and Customer Protection” and “Human Rights” by external instructors

- If necessary in executing duties, opportunities are to be offered to receive separate explanations from executive officers in charge, etc., as well as advice from and training by external specialists and authorities (at the company’s expense)

### **2. “Opportunities to acquire and improve knowledge” for outside directors**

#### ◆ **At the time of appointment**

- “Intensive explanations at the time of appointment” will be conducted individually for each newly appointed outside director
  - Explanations from executive officers in charge and the General Manager of the Corporate Secretariat on corporate identity, business, strategy, business plans, finance and governance system, etc.

#### ◆ **Post-appointment (Shown below are examples conducted for the fiscal year ended March 31, 2019)**

- Outside Director Session\*
  - For the fiscal year ended March 31, 2019, an Outside Director Session was held twice, and outside directors exchanged information to share understanding and exchanged opinions on management of the Board of Directors, evaluation of the effectiveness of the Board of Directors, and consideration necessary to establish the new business plan.\*For more information on the role, composition and operation of the Outside Director Session, see the subsection, “Outside Director Session” under “2. Matters regarding the function of execution of duties, audit and supervision, appointment, decisions on compensation, etc. (Overview of current corporate governance structure)” in “II. Status of corporate governance system in managerial decision making, management control system regarding enforcement and supervision and others.”
- Off-site meetings on management issues (21 times from June 2018 to March 2019)
  - Enable a deeper mutual understanding with outside directors through free discussions with President & Group CEO, as well as heads of in-house companies, groups and regional business divisions.
- Lunches following the Board of Directors meetings (at each meeting)
  - Help outside directors to obtain necessary knowledge through exchanging information with internal officers.

## Mizuho Financial Group, Inc. (8411, First Section, Banks) - 2

(Continued)

- Executive reception (dinner)
  - Help outside directors to deepen the understanding towards the management team.
- Attendance at meetings of the General Managers of the Three Core Companies
  - Help outside directors to deepen the understanding toward execution plans and their status based on the Group strategic policies.
- Thorough explanations of proposals prior to the Board of Directors meetings and implementation of follow-up (after each meeting)
  - Help outside directors to deepen the understanding towards the proposals and to substantiate the discussions at the Board of Directors meetings by explaining not only the structure of proposals, but also details such as the relevant financial terminologies and business matters.

### 3. “Opportunities to acquire and improve knowledge” for internal officers

- ◆ Similarly to directors, we provide our internal executive officers on a continuing basis with “opportunities to acquire and improve knowledge” that is necessary to fulfill their expected roles and duties.
- Conducting “case studies for newly appointed officers”
  - Root cause analysis of past crises to deepen the understanding of the awareness and actions required of officers and leaders during crisis management.
- Conducting training sessions into “fundamental knowledge of crisis management reporting”
- Conducting annual “business continuity management training sessions”
  - Conducted annually on a scheduled basis to deepen the understanding of the group’s business continuity management framework, emergency procedures and crisis management procedures for those who have not received lessons or experienced such crises in the past.
- Compliance training sessions for newly appointed officers, etc.

- The company indicates that training opportunities to acquire and improve knowledge for all the directors, outside directors and internal officers are provided respectively.
- In particular, a summary of training (including actual records such as the number of training sessions and duration) for outside directors upon and after appointment is separately described.

## Konica Minolta, Inc. (4902, First Section, Electric Appliances)

Corporate Governance Report ( June 28, 2019 )

[Disclosure Based on the Principles of the Japan’s Corporate Governance Code] \* Excerpt

[Supplementary rule 4-14-2 Training of Directors and Auditors]

In accordance with the Director Election Standards, the Nominating Committee selects candidates for election as Director who have the qualities needed to be a Director. The Company confirms whether new Directors require training judging from each individual’s knowledge, experience and other characteristics. If training is needed, the Company provides suitable opportunities to receive this training.

**(1) For new Independent Outside Directors, the Company provides information about the group’s structure, business activities and finances as well as information about the medium-term business plan and its progress and other subjects. These new Directors also receive basic information about the Company’s businesses and corporate-level functions.**

**(2) For Independent Outside Directors, the Company arranges visits to the development, manufacturing, sales, service and other operations of every business unit. The Executive Officer of each business unit provides the Directors with the latest information about that business.**

**Board of Directors activities in fiscal 2018:**

(a) Inspection tours in Japan (factories and sales offices, including at subsidiaries)

Three tours with the cumulative participation of ten Outside Directors

(b) Inspection tours outside Japan (factories and sales offices, including at subsidiaries)

Four tours with the cumulative participation of five Outside Directors

(c) Research activity announcement event

Research activity announcement events in two business areas with participation of three Outside Directors.

(d) External exhibitions

External exhibition with the participation of two Outside Directors.

**(3) New Inside Directors provided opportunities to attend governance training held by external institutions.**

➤ Training for directors is concisely summarized with specific items and actual records such as attendees and the number of training sessions are also described.



## **2. Roles of the board of directors**

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- iii. Activities of optional nomination committee and optional remuneration committee**
  - Corporate Governance Code Supplementary Principle 4.10.1 -**

## Supplementary Principle 4.10.1 Establishment of optional nomination committee and optional remuneration committee

### Supplementary Principle 4.10.1

If the organizational structure of a company is either Company with *Kansayaku* Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, **in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from independent directors in the examination of such important matters as nominations and remuneration by establishing independent advisory committees under the board**, such as an Optional nomination committee and an optional remuneration committee to which independent directors make significant contributions

(Background and context of this Principle)

#### ■ Purposes for Establishing this Principle

- ✓ Appointment/dismissal of senior management (in particular CEO) and establishment/operation of remuneration system which offers appropriate incentives to senior management are critical and strategical decision-making for companies. Accordingly, it is important to strengthen independency and objectivity of such process by using an optional nomination and remuneration committee.

(Recent Trends related to this Principle)

#### ■ Practical Guidelines for Corporate Governance Systems Revised by Ministry of Economy, Trade and Industry (Sept. 2018)

- ✓ Companies should compose these committees with outside directors as members, in principle; and, based on this, they should consider that [i] at least the majority of the members of such committees should consist of outside directors, or [ii] the chairs of such committees should be outside directors even when the number of inside and outside directors is the same.

#### ■ Report by the "Working Group on Corporate Disclosure" of the Financial System Council (June 2018)

- ✓ Companies are required to improve the completeness and method of delivery of governance information in order to promote more constructive and effective engagement between investors and companies.
- ✓ The activities of boards of directors and committees (excluding boards of auditors and auditing committees) vary among companies; therefore, first of all, the descriptions in Corporate Governance Reports should be improved.

#### ➤ Preparation Guidelines for Corporate Governance Repots Revised (Feb. 2019) (in Japanese only)

- ✓ It is preferable to include descriptions of activities (frequency of committee meetings, major discussion items, attendance of each member, etc.) of boards of directors and committees (excluding boards of auditors and auditing committees).

## T&D Holdings, Inc. (8795, First Section, Insurance)

Corporate Governance Report (August 1, 2019)

[Supplementary explanation on optional committees equivalent to nomination or remuneration committee] \*Excerpt

Nomination and Compensation Committee Overview

[Purpose]

-The company has established Nomination and Remuneration Committees as advisory bodies to the Board of Directors to deliberate on the fairness and appropriateness of the appointment and dismissal of directors as well as director remuneration, etc., and to ensure management transparency and improve accountability.

[Responsibility]

-The committees deliberate on matters related to the appointment and dismissal of directors of the Company and its direct subsidiaries, compensation for directors and matters concerning the successor plan of the President and Representative Director of the Company, report the results of the deliberations to the Board of Directors, and provide opinions as necessary.

(Involvement in the appointment and dismissal of the President and Representative Director and senior management)

-The committees deliberate the evaluation results for the President and each senior manager based on the company performance evaluation and the evaluation of the department in charge. They deliberate on appointment and dismissal (reappointment / non-reappointment) of the president and senior management after checking eligibility in addition to the evaluation of each director, report the results of the deliberation to the board of directors, and provide opinions as necessary.

(Involvement in the president’s successor plan)

-With regard to matters related to the successor plan, the committees discuss the appropriateness of the plan and periodic review of candidates, etc., report the results of the deliberations to the Board of Directors, and provide opinions as necessary.

[Composition]

-The committees consist of the president and outside directors. The majority of the committee members are appointed from among outside directors to ensure independence and neutrality. In addition, the chairperson shall be selected from among outside directors by mutual selection of committee members.

[Activities of optional nomination committee and optional remuneration committee]

In FY 2018, a total of seven meetings were held, and the attendance rate of each committee was 100%. **The main discussions and reports are as follows.**

**1st: Introduction of stock compensation system for directors**

**Amendment to Articles of Incorporation for shortening the term of office of directors**

**2nd: Appointment of candidates for directors, auditors, and substitute auditors**

**Appointment of executives of direct subsidiaries**

**3rd: FY2017 Executive evaluation**

**Established internal regulations for executive compensation**

**4th: Succession plan**

**Response to revised corporate governance code**

**5th: Executive appointment of direct subsidiaries**

**6th: Appointment of executive officers**

**Appointment of executives of direct subsidiaries**

**7th: Revision of internal regulations regarding executive treatment**

**Disclosure of executive remuneration system, etc. related to revision of Cabinet Office**

**Ordinance concerning disclosure of company contents, etc.**

[Attendance of committee members]

Titels	Name	Job title	Attendance
Chairman	Haruka MATSUYAMA	Outside director	100%
Member	Naoki OHGO	Outside directors	100%
Member	Seiji HIGAKI	Outside directors	100%
Member	Hirohisa UEHARA	Representative Director and President	100%

- There are detailed descriptions of deliberations/reports for each time a committee meeting was held.
- The attendance of each member with positions and its composition are indicated.



## Example of good practice for “Activities of optional nomination committee and optional remuneration committee”

### Daiichi Sankyo Co., Ltd. (4568, First Section, Pharmaceutical)

Corporate Governance Report (June 18, 2019)

[Supplementary explanation on optional committees equivalent to nomination and remuneration committees] \*Excerpt

The Company has established a Nomination Committee and a Compensation Committee as advisory organs to the President regarding the determination of such matters as the nomination of candidates for Members of the Board, Members of the Audit and Supervisory Board and Corporate Officers, the dismissal of Members of the Board, the appointment and the dismissal of CEO and their compensation to strengthen oversight of management and the conduct of operations and ensure management transparency. These Committees both consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority. Currently, these Committees consist only of Members of the Board (Outside).

**The Compositions of each committee** as of June 17, 2019 are as follows

[Nomination Committee]

Chairperson: Noritaka Uji, Member of the Board (Outside)

Members: Tsuguya Fukui, Kazuaki Kama and Sawako Nohara, Members of the Board (Outside)

Observer: Tateshi Higuchi, Member of the Audit and Supervisory Board (Outside)

[Compensation Committee]

Chairperson: Kazuaki Kama, Member of the Board (Outside)

Members: Noritaka Uji, Tsuguya Fukui and Sawako Nohara, Members of the Board (Outside)

Observer: Sayoko Izumoto, Member of the Audit and Supervisory Board (Outside)

**The Activities of each committee for the fiscal year 2018** are as follows.

[Nomination Committee]

In the fiscal year 2018, **meetings were held eight times, in April, August, September, November, December, January, February, and March, to discuss matters required for nominating candidate Members of the Board and Corporate Officers, and plan to train successors of the President and CEO and Senior Corporate Adviser and Corporate Adviser System, as well as other matters.**

[Compensation Committee]

In the fiscal year 2018, **meetings were held six times, in April, May, October, January, February, and March, to discuss amounts and calculation standards for bonuses of Members of the Board and Corporate Officers, allotment of restricted stocks, examination of remuneration level for Members of the Board and Members of the Audit and Supervisory Board, and other matters.**

- The committees are described with names and positions of the members.
- The number of committee meetings held and what was discussed are described.



### **3. Preconditions for Board Effectiveness**

**- Corporate Governance Code Principle 4.11 -**

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## Principle 4.11 Preconditions for Board and *Kansayaku* Board Effectiveness

### Principle 4.11 Preconditions for Board and *Kansayaku* Board Effectiveness

**The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender and international experience, and appropriate size.** In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting and the law should be appointed as *kansayaku*. In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as *kansayaku*.

The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.

### Supplementary Principles 4.11.1

The board should have **a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size.** Consistent with its view, the board should establish policies and procedures for nominating directors and **disclose them along with its view.**

(Background and context of this Principle)

#### ■ Purposes for Establishing this Principle (\*Analysis and evaluation of effectiveness as stated before)

- ✓ The board of directors has critical roles and responsibilities to support management, including the CEO.
- ✓ To fulfill the board's function, it is vital for the entire board to be well balanced in knowledge, experience, and skills according to the company's business, stage of the business lifecycle, and business environment and issues, and it should be constituted in a manner to achieve both diversity and appropriate size.
- ✓ The revised code clarifies the necessity of ensuring diversity, including gender and international experience.

#### ■ Ensuring appropriate balance between knowledge, experience and skills, and diversity of the board

- ✓ Based on the roles and responsibilities of the board, each company needs to consider what factors and skills are required for its own board to appoint suitable directors.

#### ■ Disclosing Views on balance between knowledge, experience and skills, diversity and size of board

- ✓ Investors should be informed about the knowledge, experience, skills, etc. that the board of directors should have as a whole, and the reasons the board think it is necessary based on the company's business environment and issues.

\* In order to provide high added value information to investors, concrete targets and initiatives for ensuring diversity are also supposed to be disclosed.

\* Some investors recommend using a skills matrix from the perspective that a skills matrix may clearly explain to investors what knowledge, experiences and skills are required at the board as a whole and how the board will have such functions in actual.



### **3. Preconditions for Board Effectiveness**

**- Corporate Governance Code Principle 4.11 -**

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- i. Views on skill balance, diversity and size of board**

# Mitsubishi Chemical Holdings Corporation (4188, First Section, Chemicals)

Corporate Governance Report (July 4, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \* Excerpt

<Supplementary Principle 4.11.1 View on the constitution of the Board of Directors>

(Mitsubishi Chemical Holdings Corporate Governance Guidelines[Development of a framework that improves the soundness and efficiency of management]2(2))

In order to establish the Group’s basic management policies and oversee management appropriately, **Directors who possess an advanced level of knowledge and deep insight in management experience, finance and accounting, science technology, IT and production, risk management, business strategy and marketing, laws and regulations, etc., and globalism and diversity are appointed.**

Furthermore, in a bid to enhance oversight functions, a majority of Directors of the Board will not concurrently take on the role of Corporate Executive Officer.

## Notice of 14th Annual General Shareholders’ Meeting \*Excerpt

### Agendum Election of Twelve (12) Directors of the Board

The terms of office of all 12 Directors will expire at the conclusion of this General Meeting of Shareholders. Based on the decision by the Nominating Committee, the Board of Directors proposes the election of 12 Directors.

The candidates for Directors are as described in No. 1 to 12 below.

Candidate No.	Name	Present position and duty at the Company	Area of expertise the Company expects from candidates for Directors in particular*	Area of expertise the Company expects from candidates for Directors in particular*							
				Management experience	Finance and accounting	Science technology, IT and production	Risk management	Business strategy and marketing	Laws and regulations, etc.	Globalism and diversity	
1	Yoshimitsu Kobayashi	Director of the Board, Chairperson Member of the Nominating Committee	Reelection	•		•					•
2	Hitoshi Ochi	Director of the Board, Corporate Executive Officer, President and CEO Member of the Nominating Committee	Reelection	•		•		•			
3	Ken Fujiwara	Director of the Board, Managing Corporate Executive Officer Member of the Compensation Committee	Reelection					•		•	•
4	Glenn H. Fredrickson	Director of the Board	Reelection			•		•			•
5	Hisao Urata	Director of the Board Member of the Audit Committee	Reelection				•	•	•		
6	Hidefumi Date	Managing Corporate Executive Officer	Newly elected		•			•			•
7	Shigeru Kobayashi		Newly elected	•				•	•		

- Corporate Governance Guidelines detail expertise and other skills, such as management experience, finance and accounting, science technology, IT and production, risk management, business strategy and marketing, laws and regulations, etc., and globalism and diversity, required for director candidates .
- Skill matrix is described in the notice of the AGM, illustrating board diversity and overall board balance with background of the candidates regarding expertise as indicated in the Corporate Governance Guidelines.

## Hitachi, Ltd. (6501, First Section, Electric Appliances)

Corporate Governance Report (June 28, 2019)

<Supplementary Principle 4. 11. 1>

Articles 2 to 3 of Corporate Governance Guidelines of Hitachi, Ltd specify the size of the board, composition of the board, qualification for directors, and criteria for independency. Refer to the above <Principle 3.1 Full Disclosure> (iv).

[Corporate Governance Guidelines of Hitachi, Ltd] \*Excerpt

Article 2. (Size of the Board)

**Given the need for diversity of the Board views and efficiency of the Board, the number of directors shall be no more than 20.**

**The Nominating Committee shall consider the optimal size of the Board**

following the policy described above in deciding the matters relating to a proposal concerning election and removal of directors to be submitted to the General Meeting of Shareholders.

Article 3. (Composition of the Board)

In nominating a director candidate, the Nominating Committee shall consider:

**1. diversity in the experience and expertise, etc. possessed by the director candidates**, the composition ratio between outside directors and other directors (directors concurrently serving as executive officers and non-executive directors from within the Hitachi Group), and other such matters in order to ensure the effectiveness of the management supervision and decision-making functions of the Board;

2. that to maintain the continuity of the Board, new candidates do not constitute all or almost all of the nominees; and

**3. the period of time since the candidate's assumption of office as the Company's director and the candidate's age to keep bringing fresh ideas and viewpoints regularly to the Board.**

In principle, a person will not be nominated as a director candidate after his or her 75th birthday. However, the Nominating Committee may nominate a person over 75 as a director candidate in special circumstances.

Article 4. (Qualification for Directors)

In nominating a director candidate, the Nominating Committee shall consider that:

1. such nominee has the highest personal and professional ethics, integrity and insight; and
2. such outside director nominee has **distinguished records of leadership or experience at policy making levels in business, law, administration, accounting or education, etc.**, in addition to satisfying the criteria for independency as provided for in Article 5.

Article 5. (Criteria for Independency)

The Nominating Committee considers an outside director to be independent unless:

1. his or her immediate family member\* is, or has been within the last three years, a director or an executive officer of the Company or any of its subsidiaries;
2. he or she is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;
3. he or she has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
4. he or she serves as an executive officer or director of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization in any of the last three fiscal years are more than ¥10 million and 2% of that organization's annual gross revenues.

\* An "immediate family member" includes a person's spouse, parents, children, siblings, grand-parents, grand-children, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grand-parents-in-law, grand-children-in-law, and brothers and sisters-in-law.

- The guidelines state that the number of directors shall be no more than 20, and that the optimal number shall be considered by the nomination committee to ensure diversified views and efficient steering of the board.
- The guidelines state that the diversity of candidates for directors is considered and that the tenure and age of directors are considered to continuously gain fresh ideas.
- Qualifications required for outside directors, such as leadership at law, administration, accounting or education, are specified.



### **3. Preconditions for Board Effectiveness**

**- Corporate Governance Code Principle 4.11 -**

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#### **ii. Initiatives for ensuring Board Effectiveness**

## Kao Corporation (4452, First Section, Chemicals) -1

Corporate Governance Report (August 13, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \* Excerpt  
7 Stance on Balance among Knowledge, Experience and skills, and on Diversity and size of the Board of Directors (Principle 4.11.1, Principle 2.4)

In accordance with the above policy on nomination, the company ensures diversity and a balance among the knowledge, experience and skills of the Board of Directors as a whole as follows. In addition, the Company sets the appropriate size of the Board of Directors in consideration of the simplification of the Board of Directors to accelerate decision-making for dealing with business expansion and other matters, and the balance of diverse personnel required to conduct the proper deliberations and supervision of execution, premised on the delegation of responsibility to appropriately placed Executive Officers.

**Inside Directors are nominated with emphasis on their experience of the operation, including global operation, of R&D, marketing, sales, production and other divisions related to Yoki Monozukuri and the operation of divisions related to corporate functions that support these divisions, as well as their understanding of the business environment in which the Company operates and the Company’s strengths and issues for dealing with it, necessary for the appropriate planning and the deliberation of business strategies.**

**Outside Directors are nominated with the emphasis of diverse experience, expertise and high level of insight that cannot be obtained from Inside Directors alone in deliberation on business strategies, together with consideration for their independence. Examples include experience, including global experience, managing a company that provides products and services in a different field from the Company, and consulting or academic experience.** In addition, **the Company aims to have Outside Directors comprise approximately half of the Board of Directors to ensure its diversity and influence.**

Full-time Audit & Supervisory Board Members are nominated with emphasis on the balance of business experience of each person to date and knowledge gained therefrom, experience working overseas, and qualities that can ensure independence from persons executing business.

The nominees are selected from inside the company from persons involved in corporate management of accounting and finance, operation of business, the supply chain from R&D to production and sales and persons with overseas and other business experience.

Outside Audit & Supervisory Board Members are nominated with emphasis on factors necessary for auditing including a high level of expertise, insight and abundance of experience relating to accounting, finance and laws and their high level of ethics as professionals, as well as by considering the legal and regulatory requirement for externality and independence. In addition, to increase the independence and neutrality of the Audit & Supervisory Board, a majority are Outside Audit & Supervisory Board Members who meet the Standards for independence. When nominating Audit & Supervisory Board Members, the Company emphasizes experience, disposition, expertise and other characteristics necessary for deliberation, etc. of the business strategies.

Moreover, the Company recognizes that, in addition to knowledge, experience and ability, **the diverse perspectives of people of various genders, races and nationalities and other contribute to the promotion of business, global expansion and proper supervision and auditing, and promotes the appointment of such diverse personnel as Directors, Audit and Supervisory Board Members and Executive Officers.**

(For further details of the active participation of women, please see “Other Measures” in “Other” in “3. Measures to Ensure Due Respect for Stakeholders” in “Ⅲ Implementation of Measures for Shareholders and Other Stakeholders” below)

- The report clarifies knowledge, experience, and skills required for internal and outside directors respectively, as well as approximately half of the board members being outside directors to ensure diversity in the board.
- The company also emphasizes diversity including gender, race, and nationality and promotes diverse personnel as directors and executive officers.

## Kao Corporation (4452, First Section, Chemicals) -2

Corporate Governance Report (August 13, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \*  
Excerpt

<Measures to Promote the Active Participation of Women>

**The Company stresses the respect for diversity, which includes culture, nationality, belief, race, gender, etc., in “the Kao Way,” the Company’s corporate philosophy.**

The Company believes that **bringing out the power of diverse employees, combining their diverse strengths, and capturing the changing times to create a new breakthrough will lead to the sustainable growth of the company.** Based on this philosophy, the Company is promoting the development and promotion of employees in accordance with their motivation and abilities.

On a non-consolidated basis, the percentage of the female employees is 23.8%, while the percentage of female employees in managerial positions is 16.8%. In particular, in areas such as marketing and product development of consumer products, consumer lifestyle research, customer communications and product public relations, the ratio of men and women among employees is approximately the same, and the ratio of women in managerial position is 36.1%. Many women play a leading role. Furthermore, Sofia Beauty Counseling Co. Ltd. and Kanebo Beauty Counseling Co., Ltd. were established in January 2018, and female took office as president of these companies.

**While continuing to develop and promote motivated women, the Company is going to increase the number of female candidates for executive positions through the promotion of women’s participation in management training and other initiatives.**

The ratio of female employees and female leaders as of December 31, 2018 is as shown below.

[The ratio of female employees]

Kao Corporation : 23.8% Kao Group in Japan : 51.4% The Entire Kao Group : 49.8%

[ The ratio of female leaders]

Kao Corporation : 16.8% Kao Group in Japan : 18.4% The Entire Kao Group : 27.3%

Included in MSCI Japan Empowering Women Index (WIN)

FY 2018, the Company was included in MSCI Japan Empowering Women Index (WIN) for the first time. This is part of the MSCI environmental, social and governance (ESG) indexes, aim to represent the performance of companies that are leading within their GICS®<sup>1</sup> sector in terms of promoting and maintaining gender diversity, while also meeting certain quality factor criteria.

<sup>1</sup> The Global Industry Classification Standard (GICS) developed by MSCI Inc. and S&P Global

Due to the positive evaluation of the Company’s principle of respecting diversity and inclusion, its measures to promote it, and its organizational culture where employee can play an active role regardless of gender, the Company was selected as a “Nadeshiko Brand\*” in 2013, 2015 and 2018.

Also, the company was selected as a “Diversity Management Selection100\*” in March 2013.

\*Nadeshiko Brand: The Tokyo Stock Exchange and the Ministry of Economy, Trade and Industry jointly select and publicize enterprises listed on the first section of the Tokyo Stock Exchange that are exceptional in encouraging women’s success in the workplace from 2013.

\*Diversity Management Selection 100: The Ministry of Economy, Trade and Industry selects enterprises that create innovation and conduct business which leads to creation of value, by utilizing various human resources and by giving them opportunities to fully show their competence from 2013.

➤ The report describes initiatives to encouraging female employees to become executive candidates and ratio of female employees and female leaders.

## The Gunma Bank, Ltd. (8334, First Section, Banks) -1

Corporate Governance Report (June 25, 2019)

[Disclosure of reasons for not implementing the principles of the Corporate Governance Code] \*Excerpt

[Principle 4. 11 Preconditions for ensuring the effectiveness of the Board of Directors and Audit & Supervisory Board]

In the process of nominating director candidates including outside directors, the bank selected and narrowed down candidates regardless of gender, age, industry, etc. Although the current gender composition is only men, **we believe that gender diversity is important for ensuring the effectiveness of the Board of Directors**, and we are working to achieve this.

Specifically, the bank has strengthened efforts to promote the active participation of women in order to create an environment in which women can work comfortably and maximize their power by setting numerical targets in its action plan and actively promoting them. **The ratio of female managers increased from 6.0% before the establishment of the action plan (as of March 2016) to 10.3% as of March 2019. We believe that the number of women in the board of director candidates will increase proportionately as we move forward.**

When nominating candidates for outside directors, we will carry out procedures such as selecting people with a strong awareness of having a board of directors with diverse values and perspectives based on different knowledge, experience, and attributes.

- Insufficient gender diversity is indicated with an explanation of an action plan for personnel development of female director candidates.



## The Gunma Bank, Ltd. (8334, First Section, Banks) -2

Corporate Governance Report (June 25, 2019)

[Initiatives for respecting the position of stakeholders] \*Excerpt

### << Major initiatives to support women >>

- We have been working on personnel assignment and manager training so that women can play an active role in more fields with a system that allows women to balance work and private life while maximizing their ability.
- A female working group has been formed since November 2014, and a female professional team has been formed since April 2015, and we are continuously working to identify issues and propose solutions from the perspective of women. In April 2015, we organized a “Women's Active Promotion Committee” chaired by the Chief Human Resources Officer, and general managers discuss and review proposals from the specialized team. In the third term of the women's professional team in fiscal 2017, members directly made recommendations on the promotion of women's active participation and work style reform to the Women's Active Promotion Committee, and finally to the president.
- In June 2016, the personnel system was revised to replace the conventional 3-course system with a 2-course system for general and area general managers with no restrictions on job responsibilities or positions, and a system that allows all employees, including women, to take on higher positions.
- In order to ensure that employees who take childcare leave can return to work smoothly, we have established a consistent follow-up system, including interviews with those who are going to take maternity and childcare leave before they leave and return, as well as work return support seminars, and self-development support during leave. In February 2017, we established early return allowance for childcare leave and prepared a support system for various work styles.
- Since August 2017, as a childcare support allowance, we have been paying JPY 200,000 to the second child, JPY 1,000,000 to the third child, and JPY 2,000,000 after the fourth child as a congratulatory gift. In addition, a special 5-day leave “Child Plan Leave” was established for the purpose of infertility treatment.
- In June 2017, in the development and execution of a childcare support plan based on the Act on Promotion of Measures to Support the Next Generation of Nursing, it met certification standards that are higher than the Kurumin certification (acquired twice in the past) and obtained a special certification (Platinum Kurumin).
- In May 2016, we met 3 items out of 5 items as “standard-compliant general business owners” based on the Law for Promoting the Advancement of Women, and were certified as “Eruboshi (2nd stage)”. In June 2018, fulfilling all five of the certifications we obtained the highest ranking “Eruboshi (3rd stage)”.
- In April 2019, based on the Law for Promoting the Advancement of Women, we established a General Employer Action Plan that incorporates numerical targets and initiatives such as “20% increase in the ratio of female managers” and “improvement in the ratio of female workers”. This is the second plan following that made in April 2016.



## **4. Reduction of cross-shareholdings**

**- Corporate Governance Code Principle 1.4 -**

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## Principle 1.4 Cross Shareholdings

### Principle 1.4 Cross Shareholdings

When companies hold shares of other listed companies as cross shareholdings, **they should disclose their policy with respect to doing so including their policies regarding the reduction of cross shareholdings.** In addition, **the board should annually assess whether or not to hold each individual cross shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed.**

**Companies should establish and disclose specific standards with respect to the voting rights** as to their cross shareholdings, and vote in accordance with the standards.

(Background and context of this Principle)

#### ■ Purposes for Establishing this Principle

- ✓ Companies have said that cross-shareholdings have a meaning in forming strategic alliances between companies.
- ✓ Investors expressed their concern about economic rationale such as the possibility of lower profitability or capital efficiency as well as unstable finances and weakening of voting rights caused by a superficial function for monitoring through voting at AGMs.
- ✓ Deeper engagement is essential due to this large gap in perception between companies and investors. Enhancement of disclosure is necessary.

#### ■ Disclosure of policies and views on reduction of cross-shareholdings

- ✓ Concrete disclosure is expected to include (i) a company's views on holding/reduction of cross-shareholdings and (ii) concrete plan to reduce cross-shareholdings in future.

#### ■ Assessment of appropriateness of having cross-shareholdings and disclosure of assessment results

- ✓ In addition to examining whether the purpose is appropriate, it is necessary to a) assess whether the benefits and risks from having such cross-shareholdings cover the cost of capital and b) disclose the results.
- ✓ Disclosure information should include: (i) appropriateness of the purpose; (ii) focus points for criteria including whether the benefits and risks from having such cross-shareholdings cover cost of capital; (iii) what has been discussed when assessing the appropriateness of having specific cross-shareholdings based on the criteria; (iv) results from the discussion and assessment.

#### ■ Establishment and disclosure of specific standards with respect to voting rights for cross-shareholdings

- ✓ Setting and disclosing the specific standards for cross-shareholdings is required to ensure appropriate exercise of voting rights.



## **4. Reduction of cross-shareholdings**

**- Corporate Governance Code Principle 1.4 -**

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- (i) Policies and views on reduction of cross-shareholdings**  
**Assessment of appropriateness of cross-shareholdings**

## Mitsubishi UFJ Financial Group, Inc. (8306, First Section, Banks) -1

Corporate Governance Report (November 1, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \* Excerpt

[Principle 1-4]

### 1. Strategic shareholdings policy

The circumstances surrounding strategic shareholdings (1) have changed greatly in recent years due to, among other things, the tightening of international financial regulations and the introduction of the Corporate Governance Code in Japan.

Based on these changes, MUFG has adopted a basic policy that its Group banks (2), taking into account shareholding risk, capital efficiency and international financial regulations, shall reduce the amount of shares held for the purpose of strategic investment (3), following sufficient consultation with the relevant corporate business clients.

**Shares held for the purpose of strategic investment will be examined for their significance and economic rationale from the perspectives of our corporate business clients’ growth and earnings and the strengthening of business relations. We shall proceed with selling those shareholdings for which there is insufficient rationale, after securing an understanding of the relevant corporate business clients.** Even where there is sufficient rationale, we may sell those shareholdings in accordance with our basic policy of reducing strategic shareholdings, taking into account, among other things, the market environment and our business and financial strategy.

In fiscal year 2018, MUFG reduced its strategic shareholdings by approximately 127 billion yen (simple combined revenue of Group banks, acquisition cost basis), and its ratio of equity holdings at acquisition price over Tier1 capital declined from 14.2% to 13.4% as of March 31, 2019.

### **MUFG aims to lower this to around 10% by the end of the Medium term Business Plan (March 31, 2021).**

Note:

- (1) “Strategic shareholdings” refers to shares excluding trading investments (shares of subsidiaries and affiliates are not included). These are classified into three categories: 1. strategic investments, 2. business strategy and 3. revitalization support, with most falling under 1.
- (2) “Group banks” refers to MUFG Bank, Ltd. and Mitsubishi UFJ Trust and Banking Corporation, consolidated subsidiaries of MUFG.
- (3) “Shares held for the purpose of strategic investment” refers to shares held for the purpose of increasing the medium- to long-term economic profits of MUFG and Group banks through maintaining and expanding comprehensive business relations with our corporate business clients.

- The company indicates that the total amount of cross-shareholdings compared with equity holdings (acquisition price over Tier 1 capital) and the target of cross-shareholding reduction.

## Mitsubishi UFJ Financial Group, Inc. (8306, First Section, Banks) -2

(Continued)

### 2. Examination of significance and economic rationale of shareholdings

At each Group bank, all shares held for the purpose of strategic investment are being confirmed for their significance and economic rationale (risk-return) over the medium- to long-term from the perspectives of our corporate business clients’ growth and earnings and the strengthening of business relations. Based on Principle 1-4 of the Corporate Governance Code, individual strategic shareholdings (4) are examined by MUFG’s Board of Directors.

**Economic rationale is examined based on MUFG’s overall business RORA(5), which is based on its ROE target, as a target value.**

### **The results of the March 31, 2019 validations are as follows**

- We confirmed the validity of the significance of these shareholdings as most of the validation targets were held with the aim of enhancing the medium- to long-term economic interests of MUFG and Group banks.

- **Regarding economic rationality, the overall business RORA of all of the verification targets as a whole exceeded 1.7 times larger than the target value. As for companies as the validation targets, approximately 80% of the business partners satisfy the target value and approximately 90% of the said shares MUFG held, both in terms of book value and market value, are issued by them. (6) We aim to improve profitability from business with the business partners which do not meet the target value and, if the profitability is not improved within a certain time of period, may consider selling their shares.**

Note:

(4) The aggregate market value held as of March 31, 2019 was approx. 4.9 trillion yen (book value: approx. 2.3 trillion yen).

(5) Overall business RORA (Return on Risk-Weighted Assets) is calculated by dividing Profit (Income from banking transactions and trust banking transactions with a concerned business partner group as well as stock dividends from the said group - Expected loss - Expenses etc.) by risk assets (total value of credits and shares) which are based on the internal rating based approach in comply with the capital adequacy requirements. In addition, risk asset shares are calculated based on market values.

(6) The profitability is determined by whether overall business RORA of a concerned business partner group exceeded a target value or not.

- The report states that cross-shareholdings are sold if the company deems that there is no reason for cross-shareholdings or that economic rationality for cross-shareholdings is not adequate. It also indicates the method for examining the economic rationality based on its overall business RORA.
- The report disclosed the latest examination results and states that cross-shareholdings that fell below the target value will be considered sold if they do not improve profitability within a certain period.



## **4. Reduction of cross-shareholdings**

**- Corporate Governance Code Principle 1.4 -**

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**(ii) Exercise of voting rights on cross-shareholdings**

## SHIBUYA CORPORATION (6340, First Section, Machinery)

Corporate Governance Report (December 10, 2018)

[Disclosure Based on the Principles of the Corporate Governance Code]

\*Excerpt

[Principle 1.4 Cross-Shareholdings]

The company holds policy-owned shares on the premise of long-term holdings for the purpose of maintaining and strengthening business and collaborative relationships with issuing companies. However, from the viewpoint of economic rationality, we will consider future performance and recoverability of each issue without dividend or with poor performance, including the possibility of reduction from the perspective of improving capital efficiency before assessing whether or not to keep each cross-shareholding.

Exercise of Voting Rights Policies

### 1. Basic policies

- (1) Whether issuing companies have a **corporate governance system**.
  - (i) Whether appropriately deal with legal scandals and formulate preventive measures.
  - (ii) Whether outside officers have an independency to perform their functions.
- (2) Whether issuing companies do not **continue poor performance for a few periods including the most recent period**.
- (3) Whether **the balance between issuing company’s internal reserves retained earnings and shareholder returns** is appropriate.

### 2. Specific criteria

#### (1) Appointment of directors

We oppose appointment of the president if deficit continues for a certain period and the prospects for improvement in performance are low.

We also oppose the proposal if independence of outside directors is considered to be low.

#### (2) Appointment of *kansayaku*

We oppose the proposal if independence of outside *kansayaku* is considered to be low.

#### (3) Takeover defense measures

We oppose the proposal if the takeover defense measures are not managed objectively, there is no outside committee, or outside committees whose members are not independent.

#### (4) Payment of dividends

We oppose the proposal if internal reserves are excessive while shareholder returns are insufficient.

#### (5) Other

Other proposals are carefully examined.

- Views on the governance system, recent performance, appropriate balance between internal reserves and shareholder returns, etc. are indicated as basic policies on exercising voting rights.
- Specific criteria for exercising voting rights for major proposals, such as appointment of directors, are disclosed.



## NIHON PLAST CO., LTD. (7291, First Section, Transportation Equipment)

Corporate Governance Report (July 10, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \*Excerpt

[Principle 1.4] Cross-Shareholdings

<Policy on Cross-Shareholdings>

- In view of the changes in the circumstances surrounding the Corporate Governance Code and the risk of stock price fluctuations having a significant impact on the financial situation, it is the basic policy of the company to not hold cross-shareholdings unless such holdings are recognized as significant.

- Cases where such holdings are recognized as significant are cases where it is considered to contribute to maintain and improve the corporate value of our business partner and our group based on the growth potential, future potential, or potential for business recovery of the business partner, and the assessment results on the profitability, etc. as of now and cost of capital is taken into consideration.

- We periodically and continuously assess the significance of holdings for each individual stock. For stocks that are considered to be less significant, we sell them while taking into considerations such as the impact on the market.

<Verification Process>

- We keep holding shares satisfying profitability criteria by “quantitative assessment”. However, considering the change in the circumstances surrounding the Corporate Governance Code and the risk of stock price fluctuations could have a significant impact on the financial situation, we will consider selling them if deemed necessary.

- For stocks that are considered for sale based on a “quantitative assessment”, we will sell them unless we deem them necessary to hold to improve our corporate value in mid-to-long-term by comprehensively taking into account business strategies and business relationships with business partners.

- For stocks in question in quantitative assessment, we will periodically check the progress and review the assessment of holding such stocks once a year.

- Based on the results of the assessment process described above, we decided to continue holding all the stocks at the board of directors in FY2019.

<Criteria for Exercising Voting Rights>

- The company believes that exercising voting rights has an impact on the management of issuing companies and is important means of improving corporate value. **In addition to considering whether proposals meet our objectives, whether an issuing company has established an appropriate governance system and is making appropriate decisions that will increase corporate value over the medium to long term, and whether holding shares will enhance the corporate value of the group, we comprehensively judge the pros and cons before exercising voting rights. When we do not approve the proposal, we consider whether the stock needs to be sold.**

<Process of Exercising Voting Rights>

- We exercise voting rights in accordance with the voting rights exercise criteria for cross shareholdings. Each proposal is reviewed with the following items. In addition, we carefully examine each proposal as necessary before deciding whether to approve or disapprove the proposal.

- **Major proposal types and items for careful examination**

**i) Shareholder returns (e.g. low dividend payout ratio in the proposal for disposing surplus)**

**ii) Appointment and dismissal of directors (e.g. poor performance, scandal, no outside director appointed)**

**iii) Director remuneration, retirement benefits (e.g. poor performance, scandal)**

**iv) Issuance of stock options (To be issued to outside *kansayaku*.)**

**v) Changes in articles of incorporation (e.g. changes which significantly impair rights of shareholders.)**

**vi) Takeover defense measures**

**vii) Business restructuring, etc.**

- In addition to basic policies for exercising voting rights, items carefully examined for major proposals are disclosed.
- The company indicates that it will consider selling the cross-shareholdings if it disapproves proposals presented by a company for which it holds shares.



## **5. Roles of Asset Owners**

**- Corporate Governance Code Principle 2.6 -**

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## Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

### Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, **companies should take and disclose measures to improve human resources and operational practices**, such as the recruitment or assignment of qualified persons, **in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds)**, thus making sure that **corporate pension funds perform their roles as asset owners**. **Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed**.

(Background and context of this Principle)

#### ■ Purposes for Establishing this Principle

- ✓ In order to advance corporate governance reform and promote the role of the investment chain, asset owners have a crucial role to play in that they are close to final beneficiaries and promote and monitor asset managers who have direct engagement with companies. However, at the Council of Experts, it is pointed out that many companies had yet to establish a system to advance stewardship activities for corporate pension funds.

#### ■ Expected stewardship activities for corporate pension funds

- ✓ Corporate pension funds are not always expected to exercise voting rights based on their own judgement or to have direct engagement with the companies in which they invest but to monitor asset managers.
- ✓ Listed Companies should take measures to improve human resources and operational practices in order to increase the investment management expertise of corporate pension funds, thus making sure that corporate pension funds perform their roles as asset owners.

#### ■ Appropriate management of conflicts of interest that could arise between pension fund beneficiaries and companies

- ✓ Corporate pension funds are required to select companies they invest in to maximize benefits for beneficiaries and exercise voting rights while appropriately managing conflicts of interest.

#### ■ Expected initiatives of companies that adopt defined contribution pension plans

- ✓ This principle is basically aimed at defined benefits pension plans (fund type or contract type) and employees' pension fund. However, companies that adopt defined contribution pension plans are also expected to teach their employees about asset management in terms of stable asset formation.



## **5. Roles of Asset Owners**

**- Corporate Governance Code Principle 2.6 -**

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**(i) Initiatives of companies that adopt fund type corporate pension plans**

Panasonic Corporation (6752, First Section, Electric Appliances) -1

Corporate Governance Report (June 28, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \* Excerpt

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owner]

The accumulated fund of the Company’s pension fund is managed by “Panasonic Pension Fund”. **This fund exerts function as expected as the asset owner, such as accepting the Stewardship Code in Feb 2018 and working on Stewardship activities for the fund operating agencies.**

**The Company continues to develop the human resources for the fund in a planned manner to increase not only the investment management expertise but also the quality of its overall operations. In cases where the operating agencies of the fund exercise voting rights for other companies than our group companies, we, the Company ensures that conflicts of interest which could arise between the pension fund beneficiaries and the Company are appropriately managed.**

(The detail can be referred at the “Policy for fulfilling the stewardship responsibility” on our Panasonic Pension Fund web page. <http://nenkin.jpn.panasonic.com/swship/index.html>)

- The company’s pension fund has accepted the stewardship code and developed a system that allows the fund to exert its expected function as an asset owner.
- The company develops the human resources for the fund to increase the quality of overall investment management expertise.
- Conflicts of interest due to exercising voting rights will be avoided by respecting the judgment of the investment managers.

## Panasonic Corporation (6752, First Section, Electric Appliances) -2

### Panasonic Pension Fund” Policy for fulfilling the stewardship responsibility”

(Partially omitted and processed)

#### 1. Basic policy

The fund expresses its acceptance of the “Responsible Institutional Investor” Principles: Japan Stewardship Code in order to properly fulfill its stewardship responsibilities as a responsible institutional investor.

As a member of the Panasonic Group, the fund recognizes its social responsibility and fulfills its duties based on the philosophy of “Company is a public organ of society”. In addition, we will fulfill our stewardship responsibilities as a responsible institutional investor in order to respond to the fiduciary of our beneficiaries.

**Since the fund does not directly manage Japanese stocks but directly holds stocks through asset managers, as an asset owner, it requests stewardship activities from asset managers that manage Japanese stocks, and entrusts them. By conducting evaluations and monitoring of stewardship activities carried out by asset managers, we will work to make the stewardship activities effective.**

#### 2. Response to Stewardship Code principles

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

**The fund developed and publish these policies because engagement with a constructive purpose based on in-depth understanding of investee companies and their business environment, we believe helping enhance their corporate value and sustainable growth from a mid- to long-term perspective will lead to profit expansion for beneficiaries, etc. and establish this policy and announce this.**

(snip)

**The fund will monitor the stewardship activities of the investment managers utilizing interactive discussions with the investment managers and self-evaluation of the investment managers and reflect them in the evaluations of the investment managers. When monitoring investment managers, we will focus on the quality of engagement between managers and investee companies.**

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.

The fund will avoid conflicts of interest anticipated by the fund by respecting the judgment of investment managers when investment managers exercise voting rights to the Panasonic Group.

**The fund requires investment managers to establish and publish clear policies to properly manage conflicts of interest that may be unavoidable in conducting stewardship activities.** We request their policies that specifically identify when conflicts of interest arise such as a significant impact on voting rights and engagement, and state specific measures that avoid such conflicts and effectively eliminate impact for each identified phase.

**The fund requests contract managers to, for example, develop a governance system such as an independent board of directors and a third party committee for decision making and supervision of voting rights to ensure interests of beneficiaries, etc. and to prevent conflicts of interest.** We also request management teams of contract managers to recognize that they have an important role / responsibility for strengthening governance and managing conflicts of interest, and to promote initiatives related to these issues. (omitted below)

- The company indicates its engagement in stewardship activities expected of pension funds, such as monitoring managers, under its basic policies.
- The policies aim to help enhance corporate value through engagement with the companies they invest in and expand benefits of beneficiaries.
- Upon monitoring the investment managers, self-evaluation made by the investment managers is utilized and the quality of engagement between the investment managers and companies that they invest in is focused.
- Investment managers are requested to establish and publish management policies for managing conflicts of interest and to develop appropriate governance systems.

## Seven & I Holdings Co., Ltd. (3382, First Section, Retail Trade) -1

Corporate Governance Report (June 28, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \* Excerpt

Information on the Company’s corporate governance systems and initiatives, including “Disclosures based on the principles of Japan’s Corporate Governance Code”, can be found in “Seven & i Management Report”, based on the purpose and spirit of the Corporate Governance Code (revised on June 1, 2018).

Please refer to the following URL for “Seven & i Management Report”.

[https://www.7andi.com/en/ir/file/library/mr/pdf/201908\\_all\\_b.pdf](https://www.7andi.com/en/ir/file/library/mr/pdf/201908_all_b.pdf)

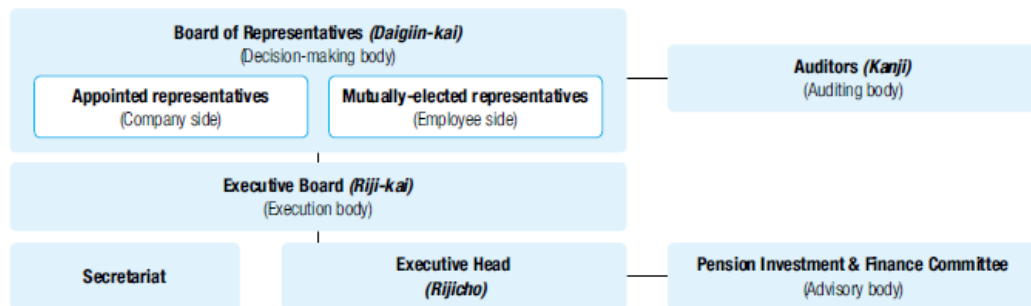
[Seven & I Management Report] \* Excerpt

Roles of Corporate Pension Funds as Asset Owners [ CGC Principle 2.6 ]

Investment management of the Group’s corporate pensions is operated mainly by Seven & i Holdings Employees’ Pension Fund (the “Corporate Pension Fund”). The Company confirms that the Corporate Pension Fund performs the roles of corporate pension funds as asset owners.

### 1. Scheme of the Corporate Pension Fund

Organizational chart of the Corporate Pension Fund (as of May 23, 2019)



➤ The company allocates personnel with knowledge of finance and human resources to the secretariat of the fund to monitor the investment managers.

The Board of Representatives consists of an equal number of appointed representatives (company side) and mutually elected representatives (employee side); the Board confirms the status of asset management twice a year and resolves the investment policy for investment portfolios as necessary. The Executive Board executes business based on the investment policy.

As an advisory body to the Executive Head, **the Pension Investment & Finance Committee consists of members belonging to finance and accounting divisions of the Group and performs monitoring every two months based on their expert knowledge.**

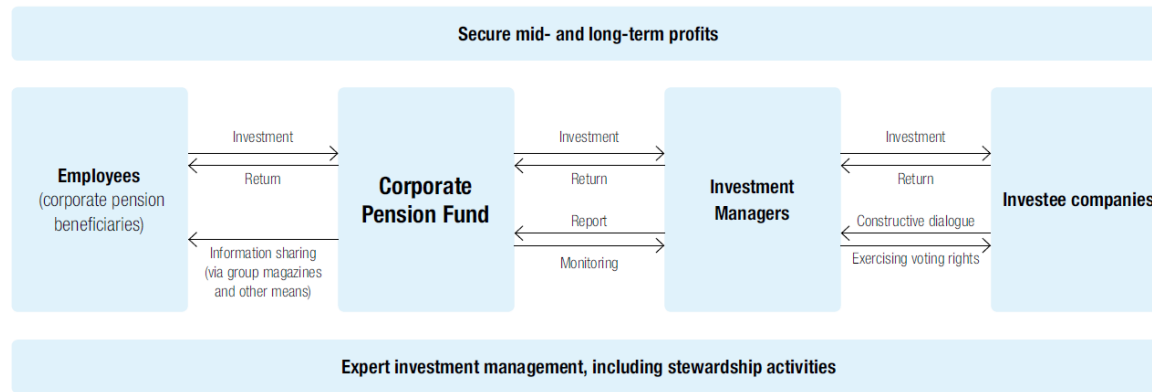
**The Secretariat has staff members with knowledge of finance and human resources, which enables expert investment management, including monitoring of investment managers.**

## Seven & I Holdings Co., Ltd. (3382, First Section, Retail Trade) -2

(Continued)

### 2. Management of the Corporate Pension Fund

#### Investment flow



**The Corporate Pension Fund confirms that all investment managers for domestic shares have accepted the Stewardship Code. The Company monitors investment managers regarding their constructive dialogue with investee companies and status of exercising voting rights, and on those occasions, confirms their status, including specific instances of stewardship activities.** Further, the Company shares information on these activities and investment results with employees via group magazines and other means.

Conflicts of interest are appropriately managed by executing a discretionary agreement with each investment manager for selection of individual investee companies and exercise of voting rights.

- Investment managers that have accepted the stewardship code are selected as asset managers.
- The report indicates that the fund monitors how the investment managers engage with companies they invest in, as well as in their exercise of voting rights.



## CORONA CORPORATION (5909, First Section, Metal Products)

Corporate Governance Report (June 28, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \*Excerpt

[Principle 2.6] (Roles of Corporate Pension Funds as Asset Owners)

The company has adopted a fund-type corporate pension system, and has established a system that allows the fund to function as an asset owner, thereby maximizing the benefits of beneficiaries.

In terms of personnel, **we support the corporate pension fund to carry out appropriate activities such as monitoring investment managers, such as assigning human resources with appropriate qualities from the parent company to the executive director of the corporate pension fund.**

When the fund manages assets, it **entrusts the management of pension assets to investment managers that have expressed acceptance of the stewardship code.** In addition, **the Investment Management Committee, which consists of personnel who are familiar with asset management and corporate pension plans, is held quarterly to select investment managers, considers shares, and examines investment products based on the results of monitoring the operation status.** We have established a system to realize proper asset formation and appropriate management of pension fund finance, and the annual performance is reported to the board of directors of the company.

Furthermore, because of the necessity to supplement the expertise of corporate pensions, we have established basic management policies and management rules for managing pension assets. In addition, **based on the fund terms, important matters related to operation management are resolved at a delegation meeting, where half of members are the delegations from employees who are beneficiaries, and conflicts of interest that may occur between the company and the beneficiaries are also properly managed.**

- Appropriate personnel is allocated to the executive director of the pension fund for monitoring investment managers.
- Investment managers are selected from among those who have accepted the stewardship code.
- Investment management is regularly monitored, and the results are used when selecting contract managers.
- Conflicts of interest are managed in delegation meetings where half of the members are a delegation composed of employees who are beneficiaries.

**(Reference)**



## **5. Roles of Asset Owners**

**- Corporate Governance Code Principle 2.6 -**

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**(ii) Initiatives of companies that adopt defined contribution corporate pension plans**

NIPPON EXPRESS CO., LTD. (9062, First Section, Land Transportation)

Corporate Governance Report (July 9, 2019)

[Disclosure Based on Principles of the Corporate Governance Code] \* Excerpt

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

In order to support our employees’ asset formation and reduce management risk of corporate pension funds, **we adopted the fixed contribution pension system** in 2007.

**In order to teach our employees how to increase their assets, we are working to educate** them in how to properly do this. **As a part of new employee education, we implement fixed contribution pension seminars and teach basic knowledge** on the systems used to start asset management and relevant precautions.

**We conduct investment educational seminars once a year for our pension fund beneficiaries and teach employees the importance of long-term investments, continuous investments and diversified investments, depending on their individual future plans. In order to make this more effective and realistic, we review the educational content based on the monitoring results of operation status in cooperation with the operation management institution.**

- The introductory training, including basics of asset management, is provided to new employees.
- Investment educational seminars are periodically provided to all beneficiaries.
- Educational programs are reviewed based on results of monitoring operation status of beneficiaries.

## Haruyama Holdings Inc. (7416, First Section, Retail Trade)

Corporate Governance Report (July 10, 2019)

[Disclosure Based on the Principles of the Corporate Governance Code] \*Excerpt

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The company does not have a corporate pension fund system, **but has introduced a defined contribution pension system for the stable asset formation of employees.** With regard to investment products, we have mainly chosen investment products not with high risks as much as possible but with low fees, with a view to forming assets after retirement.

**As for employee education related to investment management, in addition to posting results of investment products on a dedicated site, distribution of basic knowledge videos of defined contribution pension plans, and provision of information on each life plan and simulation. We are also working on the training of defined contribution pension education personnel with appropriate qualities by sharing the contents of monitoring reports with DC providers and participating in seminars.**

- Investment products are selected to contribute to stable asset formation for employees.
- A dedicated site is created to provide useful information such as on investment products, defined contribution pension plans in general, and life planning.
- The company indicates that it provides training to personnel in charge of the defined contribution pension plan.