TSE-Listed Companies

White Paper on Corporate Governance

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Corporate Governance

2023

Tokyo Stock Exchange, Inc.

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March 2023
Tokyo Stock Exchange, Inc.

Introduction

Tokyo Stock Exchange (hereinafter, “TSE”) conducts a comprehensive analysis using data from reports on corporate governance disclosed by listed companies (hereinafter, “CG Reports”), and issues a White Paper on Corporate Governance every two years, since 2007, to provide a multifaceted picture of the status and progress of corporate governance efforts by listed companies. This White Paper on Corporate Governance 2023 (hereinafter, “this White Paper”) is the ninth publication in the series.

Starting by requesting listed companies to enhance corporate governance in 1999, TSE has pushed forward with various initiatives, such as formulating the Principles of Corporate Governance for Listed Companies in 2004, institutionalizing CG Reports in 2006, and introducing the independent director/auditor (ID/A) system in 2009, and formulated Japan’s Corporate Governance Code (hereinafter, the “Code”) in 2015, which outlines key principles that contribute to the realization of effective governance of listed companies.

TSE revised the Code twice in June 2018 and June 2021 with the aim of deepening corporate governance reform to be more substantial and encouraging more listed companies to achieve further sustainable growth and increase corporate value over the medium to long term, and in April 2022, TSE began operating a new market segment that clarified the concept and listing criteria for each market; namely, Prime Market, Standard Market and Growth Market.

The concept of the Prime Market in the new market segment is that it has a market capitalization large enough to be an investment target for many institutional investors and has a higher level of governance, and the efforts taking into consideration the Code have been progressing steadily with the companies listed on the Prime Market at the forefront. On the other hand, it has been pointed out that some listed companies have not been able to improve their governance in a practical sense because they have only taken a formal approach, and the business environment of listed companies has been changing constantly in recent years due to changes in the social situation and instability in the international situation, which makes it more necessary to take further steps to realize effective governance in order to respond to such changes.

With this background in mind, the White Paper has renewed its structure in light of the revision of the Code in June 2021 and the restructuring of market segments in April 2022, collecting and analyzing case studies focusing on issues of relatively high interest to the market and investors, and compiling them to provide useful information for listed companies to confirm their positions and further enhance their efforts. In addition, policies and guidelines, etc., that are useful to refer to when considering and implementing specific responses to the Code have been published by relevant government ministries /agencies and other organizations in recent years, so some of the summaries thereof have been taken up as columns. We hope that these contents will help those involved in corporate governance in our country to gain an overview of the initiatives of listed companies that keep changing and, in turn, improve the effectiveness of corporate governance in listed companies and the market as a whole.

Finally, we would like to acknowledge the invaluable assistance provided by Daiwa Institute of Research Ltd. in the preparation of this White Paper. We would like to take this opportunity to express our deepest gratitude.

March 2023
Tokyo Stock Exchange, Inc.

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Introduction: General Outline

1. Introduction

From the perspective of improving the effectiveness of corporate governance at TSE-listed companies, this White Paper presents the actual conditions (facts) of listed companies based on the descriptions in CG Reports submitted by listed companies, and listed companies are expected to utilize this White Paper as a tool to assess their current standing.. It also aims to provide investors with an overview of the recent state of corporate governance at listed companies as a starting point for constructive dialogue with listed companies, and to assist practitioners and researchers, etc., involved in this field in investigating and analyzing the state of such efforts.

In this White Paper, "Introduction: General Outline" first introduces the corporate attributes and capital structure, etc., of TSE-listed companies analyzed in the CG Reports, and then gives an overview of TSE's approach to corporate governance, particularly the Code formulated in 2015. After that, as specific issues, this White Paper analyzes the state of efforts of listed companies based on the descriptions in CG Reports in order of the themes of "1. Fulfilling the functions of the board of directors and ensuring diversity," "2. Review of business portfolio and cost of capital," "3. Addressing sustainability issues," "4. Dialogue with shareholders" and "5. Securing the rights and equal treatment of shareholders - protecting the interests of general shareholders and minority shareholders."

Finally, as an "appendix," a summary table is attached that shows the status of comply or explain for all 83 principles of the Code on the horizontal axis and information on attributes of listed companies on the vertical axis. Charts compiled from the contents of the CG Reports, including those that could not be included in this White Paper due to space limitations, will be posted on the JPX website.

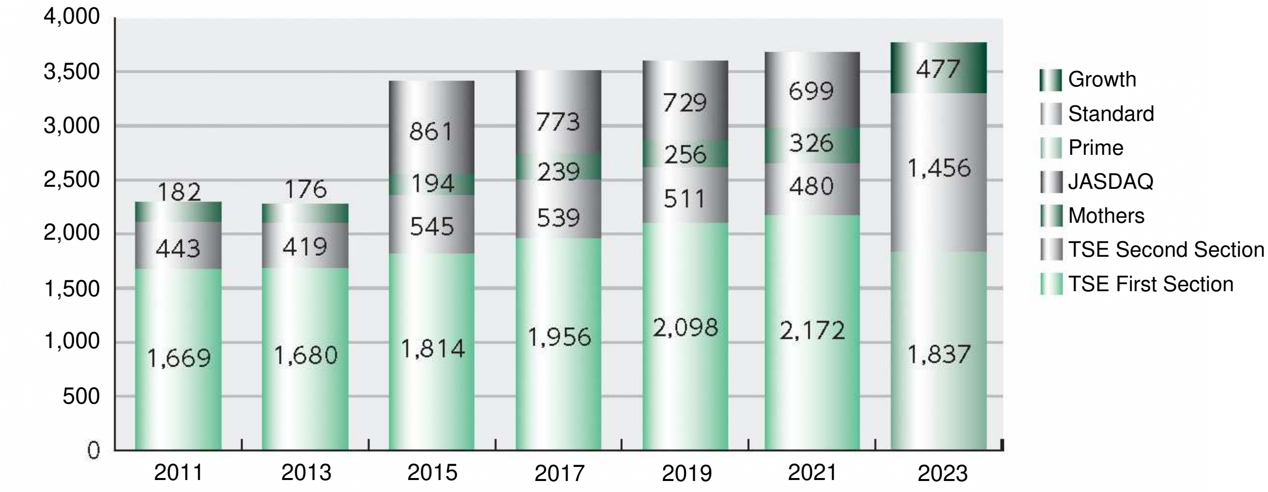
2. Objects and methods of analysis

This analysis covers CG Report data submitted prior to July 14, 2022[1] by all 3,770 Japanese companies whose shares are listed on the Prime Market, Standard Market, or Growth Market of the TSE as of such date (Chart 1). Furthermore, we also looked at data from the previous surveys, and referred to changes in numbers, where appropriate[2].

1 Unless otherwise noted in the text, it shows the status as of July 14, 2022.

2 In the Charts contained in this White Paper, "changes from the previous survey" refer to the comparison with data that are covered in the previously issued White Paper (2021 version) (current as of August 14, 2020). Some charts also include time-series comparisons with earlier data. In the time-series comparison with 2006, 2008, 2010, 2012, 2014, 2016 and 2018, the data used was current as of October 31, 2006, August 21, 2008, September 10, 2010, September 10, 2012, July 14, 2014, July 14, 2016, July 13, 2018 and August 14, 2020, respectively. We use "points" (percentage points) for comparisons between percentages.

Chart 1 Changes in the Number of Companies Subject to Analysis in the "White Paper on Corporate Governance"



White Paper version (as of)	2011 2010/9/10	2013 2012/9/10	2015 2014/7/14	2017 2016/7/14	2019 2018/7/13	2021 2020/8/14
TSE First Section	1,669	1,680	1,814	1,956	2,098	2,172
TSE Second Section	443	419	545	539	511	480
Mothers	182	176	194	239	256	326
JASDAQ			861	773	729	699
TOTAL	2,294	2,275	3,414	3,507	3,594	3,677

White Paper version (as of)	2023 2022/7/14
Prime	1,837
Standard	1,456
Growth	477
TOTAL	3,770

Since July 7, 2008, XBRL files have been automatically generated upon submission of the CG Reports to TSE. TSE has used data in XBRL files for numerical data classification and aggregation in the analysis presented in this document as well.[3] In order to analyze the overall trends of topics in free text entry sections, TSE has defined specific keywords, as appropriate, and subsequently aggregated the number of responses that include those keywords in the descriptions. In addition, the actual examples of disclosure in CG Reports by listed companies are presented according to each theme. Examples of disclosure are excerpted and anonymized by TSE in part, and key descriptions are underlined by TSE.

3 As numerical data is rounded, aggregate percentages in some charts may not amount to 100%, and aggregate figures in charts may not match the figures in the text.

3. Corporate attributes

3 - 1. Market segment

The number of companies listed on TSE by market segment is 1,837 on the Prime Market, 1,456 on the Standard Market, and 477 on the Growth Market. The number of companies included in the constituents of the JPX-Nikkei Index 400 (hereinafter, "JPX-Nikkei 400") is 399 (Chart 2). Note that there are 315 companies (8.4%) that are cross-listed on other exchanges in Japan.

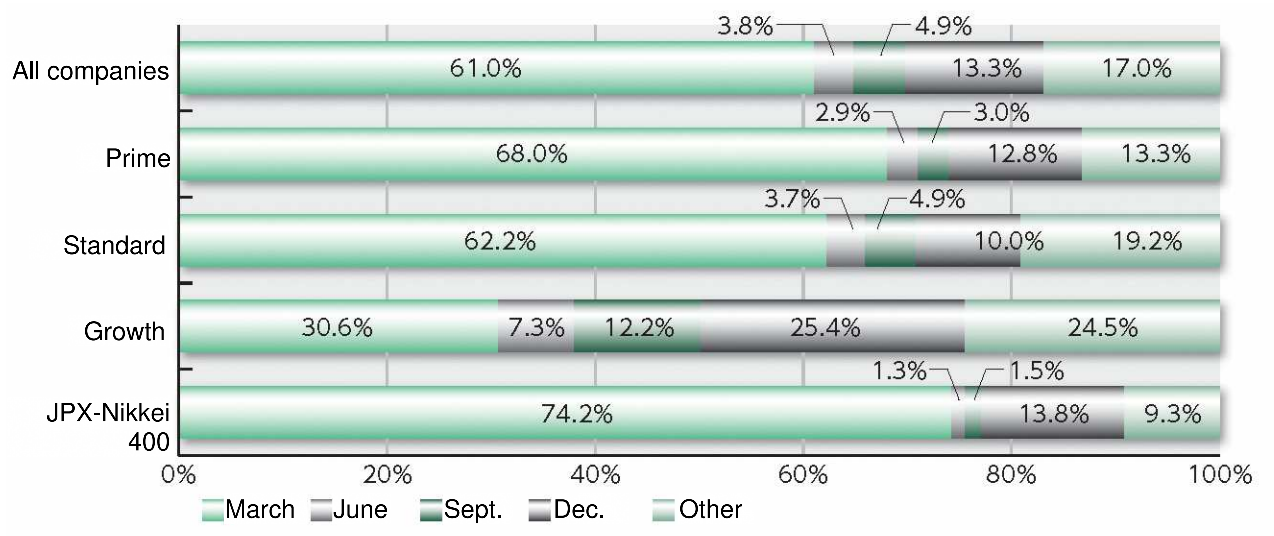
Chart 2 Number of Listed Companies (by Market Segment)[4]

Market segment	Number of companies		Ratio
		Change from 2019	
All companies	3,770	93	100.0%
Prime	1,837		48.7%
Standard	1,456		38.6%
Growth	477		12.7%
JPX-Nikkei 400	399	3	10.6%

3 - 2. Fiscal year-end

The distribution of the fiscal term among TSE-listed companies is illustrated in Chart 3. The largest number of companies, at 61.0%, adopt a fiscal year ending in March, but the percentage of companies with a fiscal year ending in March has been decreasing year by year, dropping 15.4 points over 16 years from 76.4% in 2006. If we look at each market segment in terms of the percentage share occupied by companies with a fiscal year ending in March, the share is large in the Prime Market (68.0%) and the Standard Market (62.2%), while in the Growth Market it is only 30.6%, and there is a tendency that some companies to end their fiscal year in December, while others opt for September as their fiscal year-end..

Chart 3 Fiscal Year End (by Market Segment)

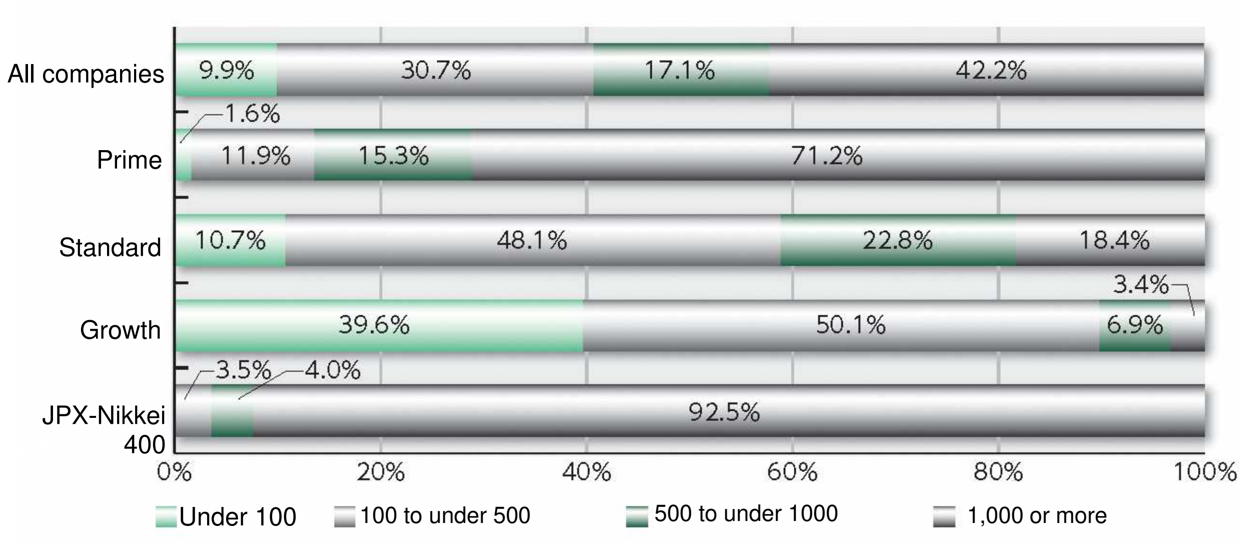


4 Operation of the Prime, Standard, and Growth Markets started on April 4, 2022, so the change from the previous year is left blank.

3 - 3. Number of employees (consolidated)

The consolidated number of employees [5] among TSE-listed companies is as shown in Chart 4. Companies with 1,000 or more employees accounted for 42.2% of the total. By market segment, companies with 1,000 or more employees account for the largest share at 71.2% of the total in the Prime Market, while companies with 100 or more to less than 500 employees account for 48.1% and 50.1% of the total in the Standard and Growth Markets, respectively.

Chart 4 Number of Employees (Consolidated) (by Market Segment)

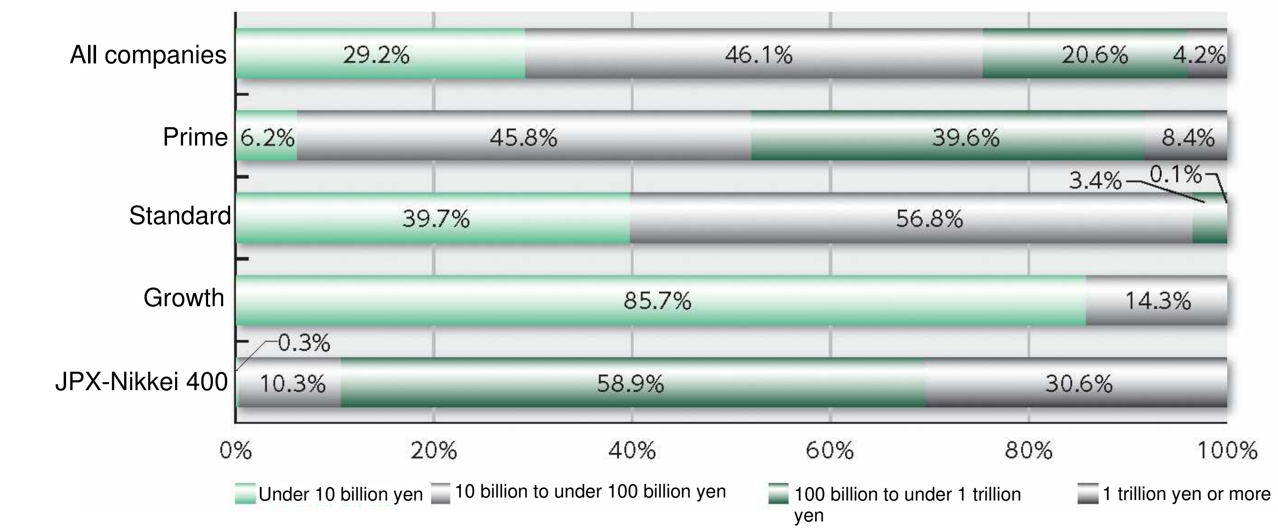


3 - 4. Consolidated Sales

Consolidated sales among companies listed on TSE are shown in Chart 5. Companies with 10 billion yen to less than 100 billion yen of sales accounted for the largest share at 46.1%. By market segment, the proportion of companies with large sales tends to be higher in the order of the Prime, Standard and Growth Markets. Among JPX-Nikkei 400 constituents, companies with 100 billion yen or more accounted for 89.5%, including those with 1 trillion or more, which accounted for 30.6%.

5 Non-consolidated numbers of employees were used for companies that do not prepare consolidated financial statements.

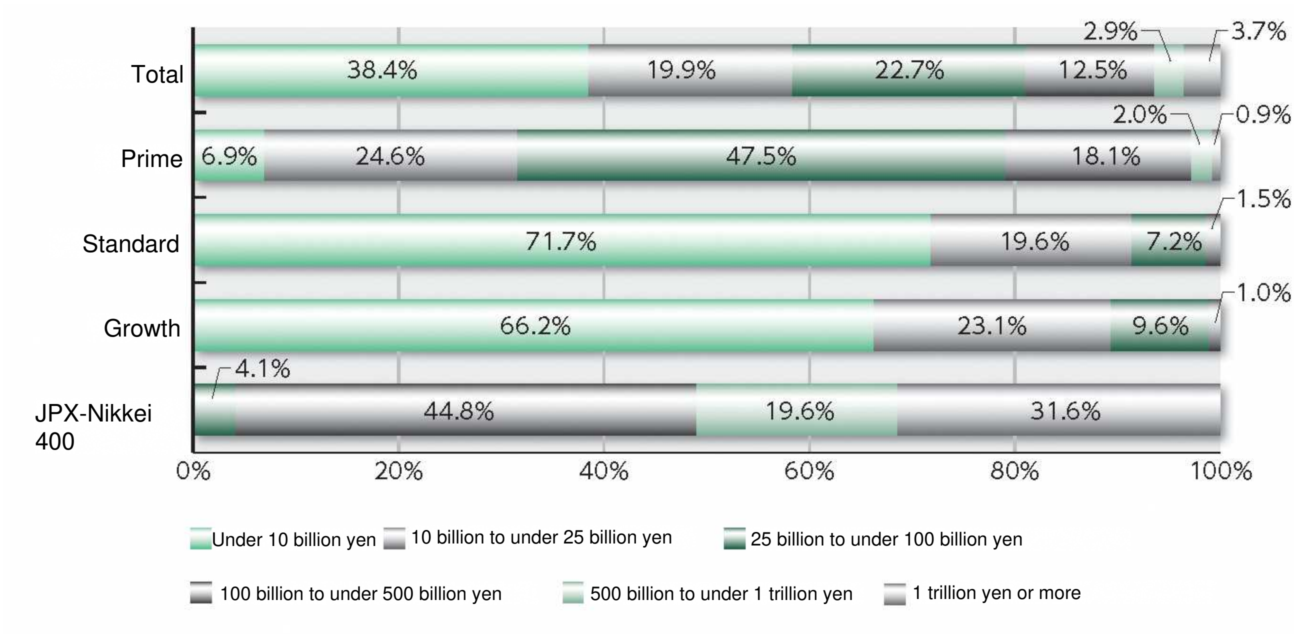
Chart 5　Consolidated Sales (by Market Segment)



3 - 5. Market capitalization

The market capitalization among TSE-listed companies is as shown in Chart 6. By market segment, the Prime Market has a high proportion of companies with relatively large market capitalizations. On the other hand, in the Standard and Growth Markets, 71.7% and 66.2% of companies respectively have market capitalizations less than 10 billion yen, and there is a tendency that many companies with relatively small market capitalizations are listed. Among JPX-Nikkei 400 constituents, companies with a market capitalization of 100 billion yen or more made up the majority at 95.9%, including those with 1 trillion yen or more, which accounted for 31.6%.

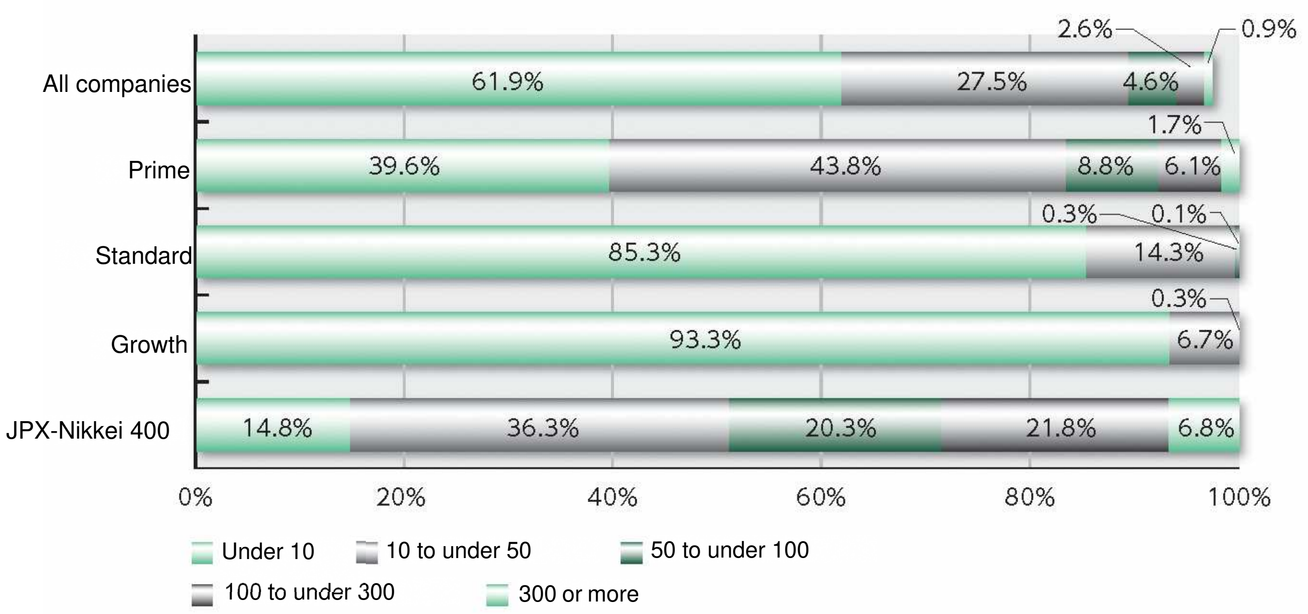
Chart 6　Market Capitalization (by Market Segment)



3 - 6. Number of consolidated subsidiaries

The numbers of consolidated subsidiaries among TSE-listed companies are as shown in Chart 7. Companies with less than 10 consolidated subsidiaries were the majority at 61.9%. By market segment, the proportion of companies with 10 or more consolidated subsidiaries is highest in the Prime Market (60.4%), followed by the Standard Market (14.7%) and the Growth Market (6.7%). As for JPX-Nikkei 400 constituents, companies with 10 or more consolidated subsidiaries made up 85.2%.

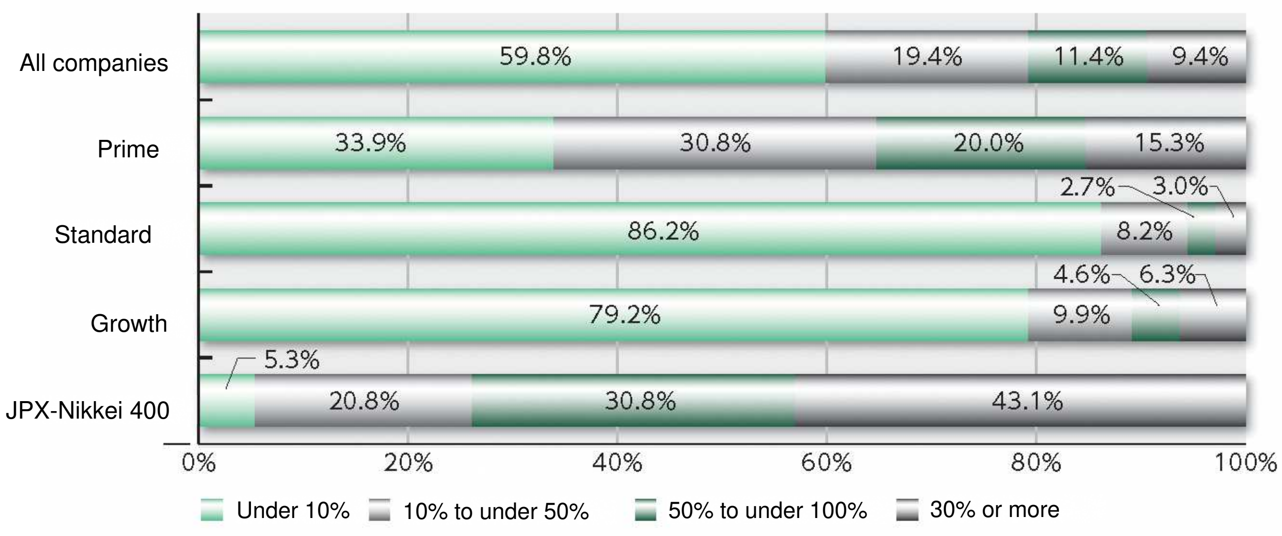
Chart 7 Number of Consolidated Subsidiaries (by Market Segment)



3 - 7. Foreign shareholding ratio

Chart 8 shows foreign shareholding ratios among TSE-listed companies. By market segment, the Prime Market exhibit a higher percentage of companies with a greater foreign shareholding ratio compared to other segments. Specifically, 15.3% of Prime Market-listed companies have a foreign shareholding ratio of 30% or more, higher than 3.0% in the Standard Market and 6.3% in the Growth Market. Among JPX-Nikkei 400 constituents, companies with a foreign shareholding ratio of 30% or more account for 43.1%, which is notably high, while companies with a foreign shareholding ratio of less than 10% account for only 5.3%.

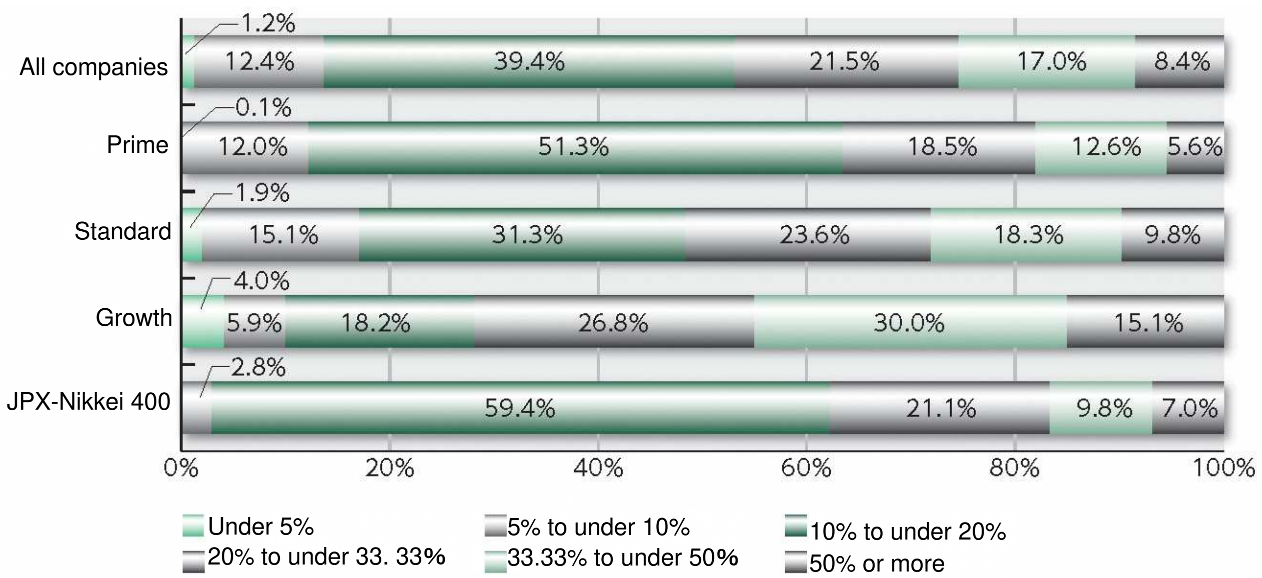
Chart 8　Foreign Shareholding Ratio (by Market Segment)



3 - 8. Major shareholders[6]

As for information on major shareholders, in the CG Report companies are required to provide the names of their top ten shareholders along with the number of shares held and the shareholding ratio. Of these, the shareholding ratios of the largest shareholders of TSE-listed companies are shown in Chart 9. The proportion of companies in which 20% or more of shares are held by the largest shareholder tends to be the highest in the Growth Market (71.9%), followed by the Standard Market (51.7%) and the Prime Market (36.7%).

Chart 9　Shareholding Ratio of the Largest Shareholder (by Market Segment)



3 - 9. Presence of Controlling Shareholder/Parent Company

6　In the CG Report, companies are required to provide this information based on the entries in the shareholders' register, similarly to the "Major Shareholders" section in the Annual Securities Report.

Companies are required to state whether they have a controlling shareholder[7] and whether they have a parent company[8] in their CG Reports. The concept of controlling shareholder encompasses (1) parent companies and (2) major shareholders[9] who hold the majority of voting rights of a listed company after combining the voting rights held on their own account and the voting rights held by their close relatives or companies in which they hold a majority of voting rights. Among TSE-listed companies, 595 companies have controlling shareholders, accounting for 15.8% of all listed companies. Out of these, 319 (8.5% of all listed companies) have parent companies, and 276 (7.3% of all) have controlling shareholders[10] other than a parent company. 258 companies (80.9%) among the companies with parent companies (6.8% of all listed companies) have listed parent companies (Chart 10). The percentage of listed companies with a controlling shareholder increased slightly when JASDAQ market was added upon the merger between TSE and the former Osaka Securities Exchange in 2013. Since then, the number of companies with a parent company has decreased, and the number of companies with a controlling shareholder other than a parent company tended to increase until 2020. After that, in 2022, as a result of the revision of the definition of tradable shares in accordance with the review of market segment and the establishment of the tradable share ratio standard as a criterion for maintaining listing, there were moves to conduct secondary offerings to improve liquidity, review business portfolios, and dissolve parent-child listings, resulting in a decrease in the ratio for both listed companies with a parent company and companies with controlling shareholder other than parent company.

By market segment, companies with a listed parent company have a high level in the Standard Market (8.7%). The proportion of companies with controlling shareholders other than a parent company is as high as 23.5% in the Growth Market (Chart 11). This is likely due to the fact that founders and other individuals are often the controlling shareholders of companies listed on the Growth Market.

7 Article 2, Item 42-2 of the Securities Listing Regulations and Article 3-2 of the Enforcement Rules for Securities Listing Regulations

8 Refers to a parent company as defined in Article 8, Paragraph 3 of the Regulation for Terminology, Forms and Preparation of Financial Statements.

9 Article 163, Paragraph 1 of the Financial Instruments and Exchange Act

10 Controlling shareholders other than parent companies are generally founders or other individuals.

Chart 10 Presence of Controlling Shareholder/Parent Company

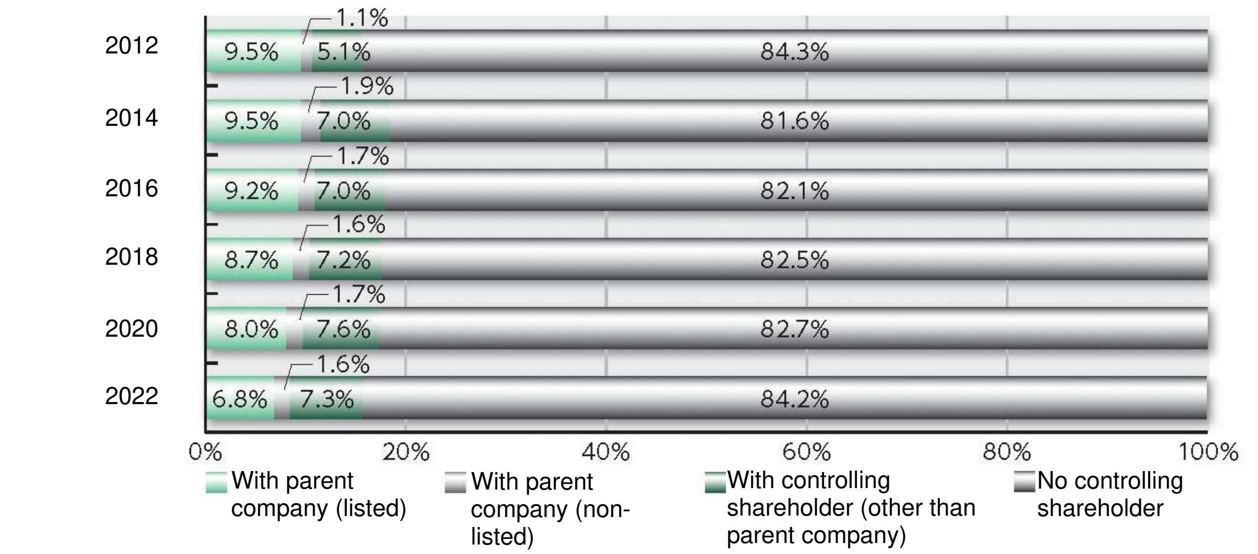
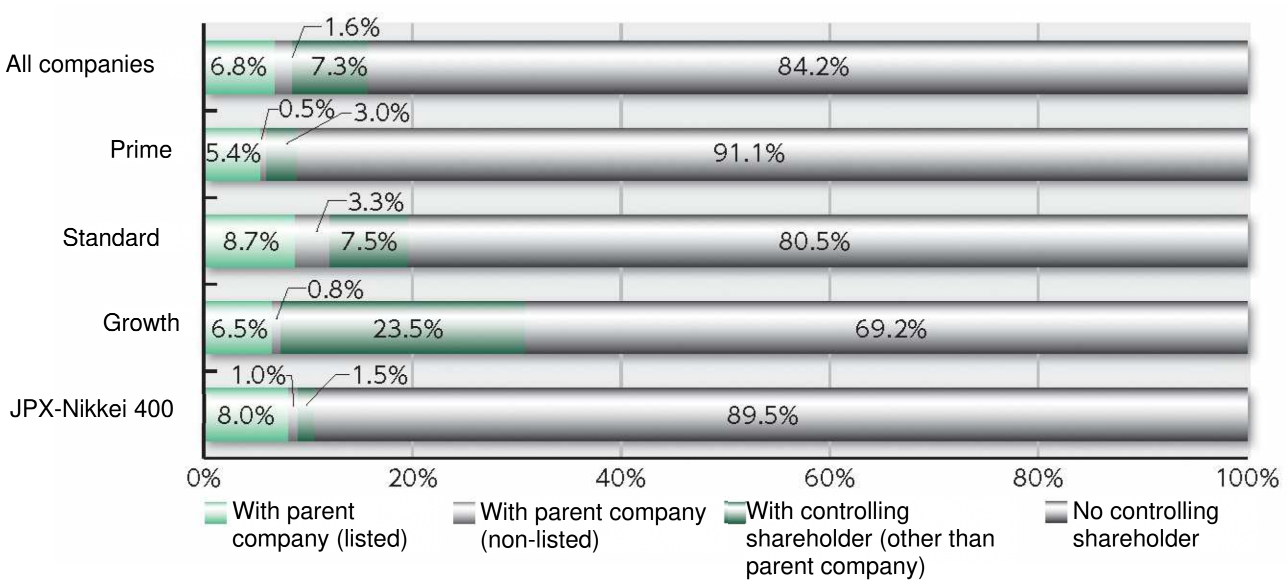


Chart 11 Presence of Controlling Shareholder/Parent Company (by Market Segment)



4. TSE's initiatives toward corporate governance

4 - 1. Changes in TSE’s initiatives toward corporate governance

Chart 12 illustrates the changes in TSE’s initiatives toward corporate governance to date. TSE has gradually worked to strengthen the governance of listed companies, starting with a request to listed companies to enhance corporate governance in 1999.

In 2004, as part of developing the environment to enhance governance at listed companies, TSE formulated and published the “Principles of Corporate Governance for Listed Companies,” to outline the functions expected for governance, such as the protection of shareholder rights.

In 2006, with the aim of providing investors with a clearer picture of each company’s governance initiatives, the submission of “Report on Corporate Governance” became mandatory. From this period, in the preparation of the “TSE-Listed Companies White Paper on Corporate Governance ,” TSE started to compile and analyze in detail the disclosures in CG Reports submitted by listed companies. This is the ninth issue of the White Paper, which is published every two years.

In 2007, TSE established the “Code of Corporate Conduct” in its Securities Listing Regulations to protect shareholders and investors and to ensure fair and sound market operations. In that Code of Corporate Conduct, even for listed companies in emerging markets in particular, the rules require to establish a suitable system for basic governance matters. This includes the establishment of a board of company auditors and the appointment of an accounting auditor, demonstrating an equal demand for such systems across all listed companies..

In 2009, the independent director/auditor system (ID/A system) was introduced with the aim of appropriately protecting the interests of “general shareholders” who have become essential stakeholders in listed companies, and it required listed companies to retain at least 1 outside director or outside *company auditor* as an ID/A with no risk of conflict of interest with general shareholders in order to protect general shareholders.

After that, Japan’s Corporate Governance Code was formulated in 2015 and revised twice, in 2018 and 2021, for the purpose of sustainable growth and medium- to long-term enhancement of corporate value of listed companies against the backdrop of the fact that strengthening governance became a part of the growth strategy in the Japan revitalization strategy of the government. An overview of the Code is explained later.

From April 2022, TSE reorganized its existing market segments comprised of the Market First Section, Market Second Section, Mothers and JASDAQ (Standard/Growth), and began operating three markets: Prime, Standard, and Growth Markets. The Prime Market, in particular, is conceptualized as a market for companies that focus on constructive dialogue with global investors. Based on this concept of the Prime Market, the revisions to the Code in 2021 include provisions for the Prime Market that aim at a higher level of governance, such as the appointment of 1/3 or more of independent outside directors, enhancement of the quality and quantity of climate change disclosure based on TCFD, etc., enhancement of English disclosure, and use of an electronic voting platform for institutional investors.

The ongoing efforts spanning long years have significantly contributed to raising awareness and improving the standards of corporate governance in Japan. Since the formulation of the Code in 2015, there has been a notable acceleration in corporate governance initiatives by listed companies, driven by increased attention and focus on corporate governance matters.

Chart 12　Changes in TSE's initiatives toward corporate governance

Year of implementation	Summary
1999	TSE requested listed companies to enhance corporate governance
2004	"Principles of Corporate Governance for Listed Companies" were published ◎ As part of development of an environment to improve the governance of listed companies, it was formulated with the objective of providing a foundation for a common understanding of governance in Japan. Functions expected of governance, such as protecting shareholder rights, were organized
2006	Submission of "Report on Corporate Governance" became mandatory ◎ It was implemented with the aim of providing investors with a clearer picture of the state of governance initiatives ◎ Comparison of governance among listed companies became easier, enabling them to understand their positions in the overall picture ◎ Comprehensive analysis is made and the "White Paper on Corporate Governance" is published every two years
2007	The "Code of Corporate Conduct" was introduced ◎ The adoption of minimum required governance systems for listed companies became mandatory, such as the establishment of a board of directors and a board of company auditors
2009	An ID/A system was introduced ◎ Appointment of at least one ID/A became mandatory for all listed companies
2014	"Japan's Stewardship Code" was formulated (by the Financial Services Agency) ◎ It requires institutional investors to encourage sustainable growth to their investee companies *Revised in 2017 and 2020
2015	"Japan's Corporate Governance Code" was formulated ◎ It requires listed companies to achieve effective governance through their autonomous responses
2018	"Japan's Corporate Governance Code" was revised ◎ Principles and Supplementary Principles concerning cross-shareholdings, asset owners, etc., were expanded
2021	"Japan's Corporate Governance Code" was revised again ◎ Principles and Supplementary Principles concerning fulfilment of functions of the board of directors, ensuring diversity of core human resources, and sustainability, etc., were expanded
2022	Operation of new market segment (Prime, Standard and Growth Markets) started ◎ Higher levels of governance are required for Prime Market-listed companies

4 - 2.　Establishment of Japan's Corporate Governance Code

The Code was developed in 2015 as part of our country's growth strategy. In the "Revision of 'Japan Revitalization Strategy' 2014 – Challenges for the Future," which was approved by the Cabinet in June 2014, strengthening corporate governance was mentioned as one of the key measures, and as a specific measure, it was stated that "a panel of experts, with the Tokyo Stock Exchange and the Financial Services Agency as joint secretariats, will finalize the basic principles by around autumn, and the Tokyo Stock Exchange will formulate a new 'Corporate Governance Code' before the general shareholders' meeting season of the next year (*2015)."

In response, TSE and the Financial Services Agency set up an "The Council of Experts Concerning the Corporate Governance Code," consisting of investors, corporate executives, academics and other experts, which met to hold discussions repeatedly and established the "Japan's Corporate Governance Code [Final Proposal] -Seeking Sustainable Corporate Growth and Increased Corporate Value over the Mid- to Long-term-" in March 2015 (hereinafter, the "Final Proposal of the Code"). In the listing system, the "Corporate Governance Code" was established as an attachment to the Securities Listing Regulations as a formal document of TSE without any changes from the content of the Final Proposal of the Code, and has been in effect since June 2015.

On the other hand, prior to the formulation of the Code, the Financial Services Agency established and published the "Principles of 'Responsible Institutional Investors' (Japan's Stewardship Code)" (hereinafter, the "Stewardship Code") in 2014. The Stewardship Code is a document that establishes principles that are considered useful for institutional investors to promote the enhancement of corporate value and sustainable growth through constructive dialogue (engagement) with investee companies. The Code requires companies to consider their own governance challenges and to respond autonomously in light of the intent and spirit of the Code, and in the sense that such corporate initiatives can be further enhanced through constructive dialogue between institutional investors and companies based on the Stewardship Code, the two Codes are, so to speak, "two wheels of a car," and it is expected that they will together achieve effective corporate governance[11][12]. Against this backdrop, the "The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code" (hereafter, the "Follow-up Meeting"), for which the Financial Services Agency and TSE serve as joint secretariats, follows up on the prevalence and adoption of the Stewardship Code and the Corporate Governance Code, and discusses and recommends necessary measures for the further enhancement of corporate governance at listed companies as a whole. In response to the recommendations of the meeting, the Stewardship Code was revised in 2017 and 2020, and the Corporate Governance Code was revised in 2018 and 2021[13].

4 - 3. Outline of the Corporate Governance Code

The Code consists of five Sections of "Securing the Rights and Equal Treatment of Shareholders," "Appropriate Cooperation with Stakeholders Other than Shareholders," "Ensuring Appropriate Information Disclosure and Transparency," "Responsibilities of the Board" and "Dialogue with Shareholders." There are 5 "General Principles" that set forth universal principles and goals to be realized through enhanced governance corresponding to each Section, 31 "Principles," which are matters to be generally kept in mind and examined in order to realize the General Principles, and 47 "Supplementary Principles," which are best practices to be considered for adoption by listed companies, and it has the three-tier structure consisting of 83 principles in total.

In the Code, "corporate governance" means "a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities" In other words, the purpose of the Code is to achieve not only the "protection," such as prevention of corporate scandals, which have often been emphasized, but also the "aggressive governance," which frees management from constraints that make them risk averse and encourages healthy entrepreneurship by enhancing governance and exercising appropriate discipline. As mentioned above, the Code organizes key principles that contribute to the realization of effective corporate governance, and it is expected to contribute to the development of companies, investors, and the economy as a whole through autonomous responses

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11 Final Proposal of the Code, section 8 of the preamble.

12 As an annex to both Codes, the Financial Services Agency developed the "Guidelines for Investor and Company Engagement" in June 2018, which outline issues that are expected to be intensively discussed in the dialogue between institutional investors and companies with the aim of enhancing corporate value over the medium- to long-term.

13 Commentary on the contents of the revisions is omitted from this White Paper.

for sustainable growth and medium- to long-term enhancement of corporate value in each company through appropriate implementation of the Code.

Since what kind of governance system is optimal in terms of the sustainable growth of a company and the increase of corporate value over the medium- to long-term can vary depending on the situation of each listed company, The actual situation may be disregarded or undermined when certain governance systems and actions are uniformly mandated. For instance, companies may be compelled to prioritize mere formal compliance. Considering this, the Code embraces two approaches: “principles-based approach” and “comply or explain”approach. The former is based on the idea that the actions to be taken by listed companies can be broadly interpreted through abstract expressions and content, rather than a rules-based approach that prescribes details. It is expected that listed companies will act autonomously by interpreting and applying principles that appear to be abstract and broad at first glance based on their own circumstances, without being bound by formal wording or statements, after sharing the purpose and spirit of each such principle. The latter is a method whereby each listed company autonomously chooses whether to “implement” each principle of the Code or to “explain why it does not implement (or is not implementing)” it. Under this method, it is assumed that some principles will not be implemented by fully explaining (explain) the reasons for not implementing (comply), but the evaluation of the explanation of such reasons will be done by stakeholders, including shareholders and investors, and if there is anything to be improved in the company’s efforts or explanations, it is expected to be modified autonomously through dialogue with these stakeholders.

TSE has institutionalized a system of comply or explain in its Securities Listing Regulations. Specifically, it provides that each principle of the Code shall be implemented or, if not implemented, the reasons therefor shall be explained in the CG Report (comply or explain), and companies listed on the Prime Market and the Standard Market are subject to comply or explain for all principles of the Code (General Principles, Principles and Supplementary Principles)[14], while companies listed on the Growth Market are subject to comply or explain for the General Principles only. In addition, listed companies are required to strive to enhance their governance by respecting the spirit and purpose of the Code, regardless of market segment[15]. These provisions do not necessarily mean that it is desirable that all principles are implemented (complied with). If it is deemed inappropriate to implement the principle in light of the individual circumstances of each company, based on the perspective of sustainable growth and medium- to long-term enhancement of corporate value of listed companies under the comply or explain approach, it may be preferable to fully explain the reason for not implementing the principle or the alternative method the company implements alternatively, rather than complying the principle[16].

14 Rule 436-3 of the Securities Listing Regulations. However, the portion of the Code that says “companies listed on the Prime Market should” applies only to Prime Market-listed companies.

15 Rule 445-3 of the Securities Listing Regulations.

16 As a matter of course, when explaining the “reasons for not implementing,” efforts should be made to ensure that stakeholders such as shareholders fully understand the company’s response to the principle not implemented, and merely a superficial explanation by using “model” type expressions is contrary to the purpose of “comply or explain” (Section 12 of the Preface to the Final Proposal ot the Code).

1. Fulfilling the functions of the board of directors and ensuring diversity

The board of directors is the most important organization for the sustainable growth and medium- to long-term enhancement of the corporate value of a company, and it plays a major role in the corporate governance of listed companies. It is also one of the most important themes in corporate governance reform in Japan.

In the Code, the items related to the board of directors are mainly set forth in Section 4 as "Responsibilities of the Board" and among the Sections in the Code, the number of principles in section 4 is 38, the largest. General principle 4, which is presented at the beginning, describes the responsibilities of the board of directors as follows.

> [General Principle 4]
> Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid- to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:
> (1) Setting the broad direction of corporate strategy;
> (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and
> (3) Carrying out effective oversight of directors and the management (including shikkoyaku [statutory executive officer] and so-called shikkoyakuin [non-statutory executive officer]) from an independent and objective standpoint.
> Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization – i.e., Company with *Kansayaku* Board [Board of Company Auditors] (where a part of these roles and responsibilities are performed by *kansayaku* and the *Kansayaku* Board), Company with Three Committees (Nomination, Audit and Remuneration), or Company with Supervisory Committee.

Such General Principle clearly states the major roles and responsibilities expected of the board of directors, and it is essential for effective corporate governance that the board of directors understands the roles and responsibilities expected of it and perform them appropriately.

It is necessary to describe in the CG Report matters such as the reasons for selecting the organizational form and current structure, the composition of the board and the appointment status of independent outside directors, and frameworks of committees, etc., related to nomination and remuneration and audit system, and the aggregate results thereof are stated in this chapter by theme. Of course, the desirable form of a board of directors can vary from company to company, but it is important to discuss how the board of directors should be and to select and practice a form that is desirable for the company based on dialogue with investors.

1 - 1. How the board of directors should be

1 - 1 - 1. Corporate governance system

(3) Company objectives (e.g., business principles), business strategies and business plans

The business principle or management philosophy expresses the goals and values to be achieved in conducting corporate activities and is the basis for formulating specific business strategies and plans and for making management decisions. Business strategies and business plans are the path for companies to achieve sustainable growth and medium- to long-term enhancement of corporate value. The Code stipulates that one of the responsibilities of the board of directors, etc., is to indicate a broad direction for business strategy, etc., and this should be equally and appropriately fulfilled regardless of the institutional design under the Companies Act adopted. Principle 3.1 (i) requires disclosure of “company objectives (e.g., business principles), business strategies and business plans” in light of the importance of such information.

Many companies already have disclosures on company objectives (e.g., business principles), business strategies and business plans in other forms of media, and accordingly references to media other than the CG Report are often made, such as the website or mid-term management plan of the company. While such descriptions would reduce the disclosure burden for listed companies, it has also been pointed out that from the perspective of users of the information, excessive references can undermine the usefulness of the information in these reports. On the other hand, there are cases such as displayed in Example 1, in which an overview is described in the CG Report, and the details are stated on the website.

<Example 1: Outline is stated and details are posted on website>
CSV Management of ●● Group
As an “EARTH FOOD CREATOR (food cultures creators group)” that constantly creates new food cultures, we will achieve sustainable growth as a company while solving environmental and social issues.

・Mission: Founder’s spirit (Shokusokusehei, Shokusouisei, Bikenkenshoku, Shokuiseishoku)
・Vision：EARTH FOOD CREATOR
・Value: Four important ideals (Creative Unique Happy Global)

We formulated the management plan, “●● Group Medium- to Long-Term Growth Strategy.” which sets out the medium- to long-term growth strategy after ●● Group Medium- to Long-Term Growth Strategy 2021, as well as the growth targets for 10 years from now, and will pursue the CSV management of the Company through the execution of this plan.

(1) Strengthening cash generation in existing businesses
We aim for sustainable growth while significantly shifting the profit portfolio through aggressive growth in overseas business and □□ businesses
(2) EARTH FOOD CHALLENGE 2030
We aim to extend significantly the life cycle of existing businesses by effectively utilizing limited resources and taking on the challenge of reducing the impact of climate change
(3) Promotion of new businesses
Through co-creation with food science, we aim to create the “food of the future” and become a food and health solutions company by technology.

We are also planning to increase management human resources by recruiting from outside the group, in an effort to accelerate global management.
https://www.●●.com/jp/ir/management/business_plan/
(Foods)

(2) Basic views and guidelines on corporate governance

In responding to each principle of the Code, it is considered that the first step should be for the board of directors to fully discuss and determine the basic approach to corporate governance and the policy for responding to the Code, taking into account the current approach, etc., and the relationship with the corporate philosophy and management philosophy of the company. In order to clarify the company’s approach and policies, as well as to fulfill accountability to investors, it may be possible to compile and publish the basic approach, etc., in the form of “●● Company Corporate Governance Guidelines” or “●● Company Basic Policy on Corporate Governance,” etc.

The CG Report requires listed companies to describe basic policies on efforts (including the background of such policies) and objectives of corporate governance in a specific and easy-to-understand manner as their basic views on corporate governance, and there is a column for this purpose. In addition, Principle 3.1 (ii) requires disclosure of “basic views and guidelines on corporate governance based on each of the principles of the Code.” Therefore, this column may be used to make the disclosure of (ii) above. As specific disclosures, the Reporting Guidelines suggest that companies describe their views on shareholders and other stakeholders, views on the management monitoring function, and the group-wide perceptions, for instance.

There are many cases where statements in CG Reports refer to sources other than CG Reports, such as the websites of the company and their annual securities report, for the basic approach to governance. However, even in such a case, in view of the fact that this information plainly represents management's attitude toward corporate governance and can serve as an entry point for many shareholders to understand the governance of each company, it is desirable that the descriptions in this column be easy for users to understand, for example, by presenting an outline thereof in the CG Report while referring to a different disclosure medium for details.

According to the Code, the achievement of effective corporate governance contributes to the sustainable growth of the company and an increase in corporate value over the medium- to long-term, and looking at the statements of each company, mention is made of "medium- to long-term," "sustainable," and "growth" by 32.0%, 54.3%, and 35.4% of listed companies, respectively, as shown in Chart 13. A high percentage of listed companies (68.5%, 72.5%, 74.3%, respectively) mentioned "corporate value," "transparency," and "stakeholders" that are the keywords for 18esearch in this section, and this suggests that ensuring transparency in the decision-making process, establishing and maintaining positive relationships with not only shareholders but also with all stakeholders including employees, customers, business partners and local communities, and enhancing the corporate value through appropriate business activities have been broadly instilled as elements of basic views towards corporate governance. Looking at specific disclosures, many companies had descriptions such as "our basic principles of corporate governance are to enhance the soundness and transparency of corporate management, and to improve the corporate value" and "establish good relationships with stakeholders."

Regarding the management monitoring function, the ratio of companies that referred to "monitoring" or "supervision" was 36.3% of TSE-listed companies. Looking at results by the form of organization, while the ratio was 34.9% in Companies with Board of Company Auditors and the ratio was 36.6% in Companies with Audit and Supervisory Committee, the ratio in Companies with Three Committees was quite high at 65.9%, and Companies with Three Committees are characterized by more focus on the oversight function of the board of directors. In addition, 31.6% of all TSE-listed companies mention "execution." In terms of organizational form, the ratio was 31.3% for Companies with a Board of Company Auditors and 30.0% for Companies with Audit and Supervisory Committee, while the ratio was as high as 62.5% for Companies with Three Committees. The figures reflect the fact that Companies with Three Committees often describe the clear separation of business execution and supervision, which is one of their main characteristics.

In addition, the trend of companies focusing on corporate social responsibility has continued, and in this survey 22.7% of TSE-listed companies referred to "social responsibility." It is worth noting that a continued trend of an emphasis on business activities in consideration of social responsibility as the basic policy of the companies, and the disclosure of these activities. Because corporate governance has traditionally been discussed in terms of preventing scandals, a certain percentage of companies mentioned "compliance with laws and regulations" (33.5%) and "internal control" (16.1%) from the perspective of sound management.

Chart 13 Basic Views on Corporate Governance

		Mid- to long-term	Sustainable	Growth	Corporate value	Shareholder value	Shareholders
		Ratio	Ratio	Ratio	Ratio	Ratio	Ratio
All companies		32.0%	54.3%	35.4%	68.5%	5.0%	67.5%
Organizational form	Companies with *a* Board of Company Auditors	30.9%	53.7%	35.2%	67.9%	5.3%	66.6%
	Company with Audit and Supervisory Committee	32.7%	54.6%	35.4%	69.4%	4.2%	69.1%
	Company with Three Committees	50.0%	65.9%	40.9%	72.7%	6.8%	68.2%

		Investors	Monitoring/ supervision	Execution	Decision making	Internal control	Stakeholders
		Ratio	Ratio	Ratio	Ratio	Ratio	Ratio
All companies		10.6%	36.3%	31.6%	40.0%	16.1%	74.3%
Organizational form	Companies with Board of Company Auditors	10.3%	34.9%	31.3%	40.1%	16.9%	74.7%
	Company with Audit and Supervisory Committee	11.0%	36.6%	30.0%	39.7%	15.1%	73.5%
	Company with Three Committees	13.6%	65.9%	62.5%	42.0%	11.4%	75.0%

		Social responsibility	Legal compliance	Transparency	Efficiency	Soundness
		Ratio	Ratio	Ratio	Ratio	Ratio
All companies		22.7%	33.5%	72.5%	18.8%	27.8%
Organizational form	Companies with Board of Company Auditors	22.5%	35.5%	72.1%	18.6%	28.0%
	Company with Audit and Supervisory Committee	22.8%	31.2%	73.1%	19.0%	27.9%
	Company with Three Committees	27.3%	19.3%	75.0%	19.3%	20.5%

(3) Organizational form

Looking at the organizational forms of companies, 60.7% (2,290 companies) of TSE-listed companies are Companies with Board of Company Auditors, followed by Companies with Audit and Supervisory Committee, an organizational form introduced with the revision of the Companies Act in 2014 (1,392 companies, 36.9%) and Companies with Three Committees (88 companies, 2.3%) (Chart 14). Companies with Board of Company Auditors accounted for the highest percentage in each market segment, followed by Companies with Audit and Supervisory Committee and Companies with Three Committees, and this tendency is the same as the old market segment. However, for JPX-Nikkei 400 constituents, the percentage of Companies with Three Committees is high at 9.3% (37 companies).

Chart 14 Organizational Form (by Market Segment)

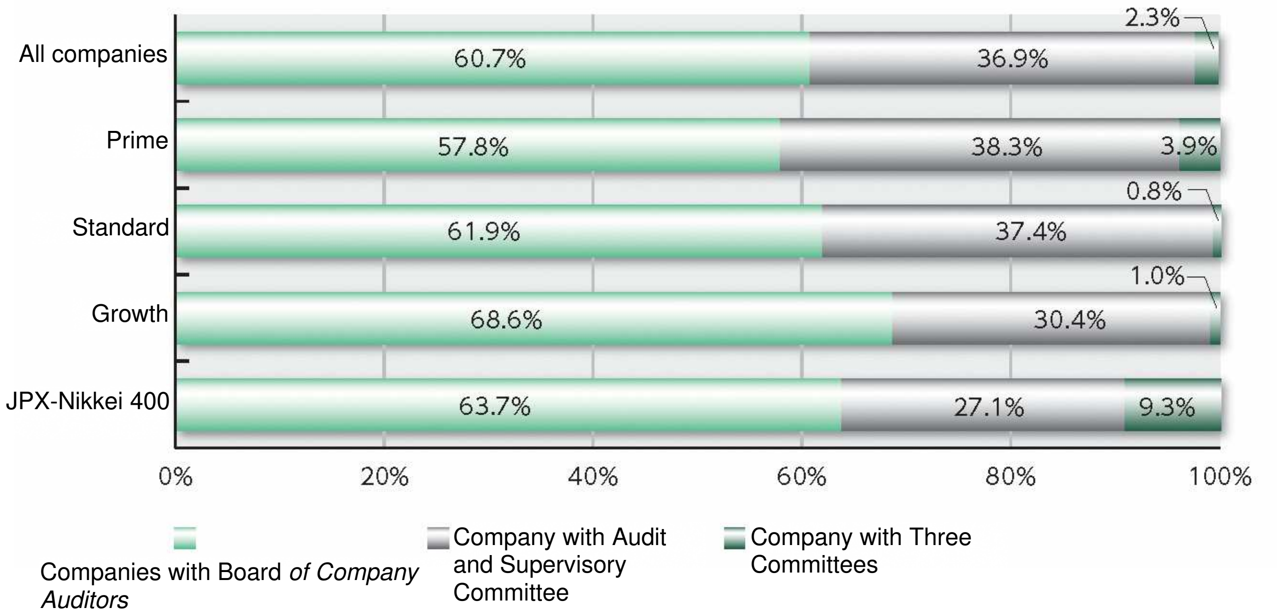
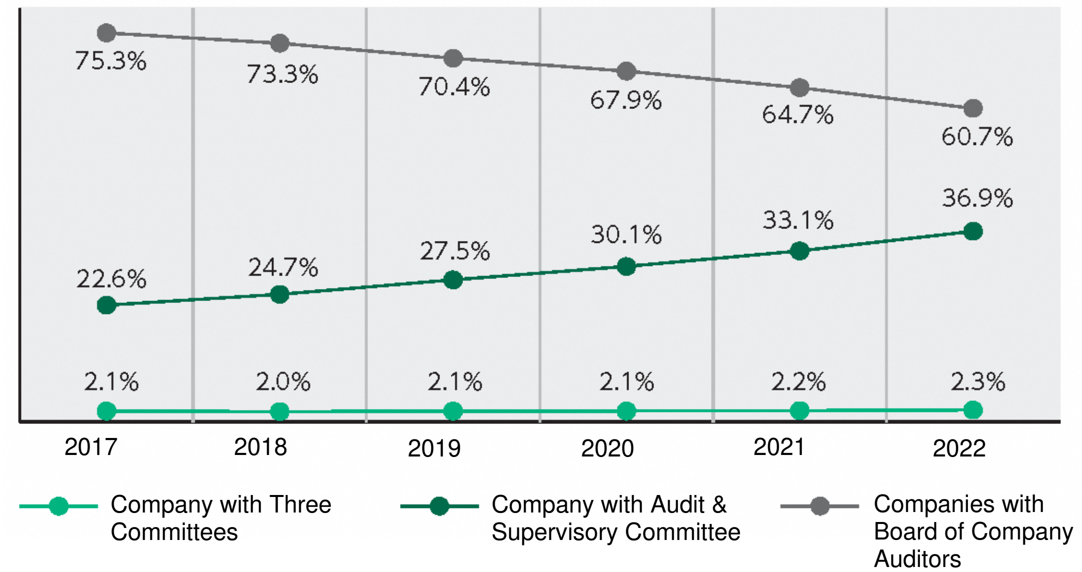


Chart 15 shows changes in percentage of companies listed on the TSE that have adopted each organizational form. The overall trend is that the percentage of companies adopting Companies with Board of Company Auditors has been decreasing year by year, while the percentage adopting Companies with Audit and Supervisory Committee has been increasing year by year. In particular, from 2021 to 2022, the ratio of companies adopting Companies with Board of Company Auditors decreased by 4.0 points, while the ratio of companies adopting Companies with Audot and Supervisory Committee increased by 3.8 points, showing significant growth. One of the factors for the increase in the number of Companies with Audit and Supervisory Committee is considered to be the revision of the Code in 2021. Specifically, while Principle 4.8 previously required listed companies to appoint two or more independent outside directors, the 2021 Code revision raised the level of appointment to 1/3 or more for Prime Market-listed companies, and all principles of the Code became applicable to listed companies on the former JASDAQ Standard, which until then had been subject to only the General Principles upon the transition to the Standard Market in April 2022, and such companies are required to appoint two or more independent outside directors. Following this increase in the level of appointment of independent outside directors, it is possible that the listed companies, which where Companies with Board of Company Auditors, changed their organizational structure to Companies with Audit and Supervisory Committee and appointed persons who had previously been an independent outside company auditor as the members of the Audit and Supervisory Committee, which were the independent outside directors, in order to respond to the requirements of the Code. However, according to the “Practical Guidelines for Corporate Governance System (CGS Guidelines)”[17] published by the Ministry of Economy, Trade and Industry, when appointing an outside *company auditor* as a director who is a member of the Audit and Supervisory Committee for the purpose of securing the number of outside directors, it is desirable to fully consider and explain whether they can fulfill the roles expected of an outside director in line with the skills and diversity that

17 For an overview of the CGS Guidelines, see column (ii).

a board of directors should possess, in addition to the role of audit[18]. The former "company with committees" that was renamed in the 2014 revision of the Companies Act to "Company with Three Committees" has not become widely used, and only about 2% of listed companies have adopted this organizational structure since 2017, and the trend has been almost flat.

Chart 15　Changes in Ratio of Adoption of Organizational Forms (TSE-listed companies)



(4)　Overview of current corporate governance system

In the "overview of the current corporate governance system" section of the CG Report, listed companies are required to provide a comprehensive overview of their existinggovernance system including the board composition, method of business execution, audit and oversight process, as well as the details of any additional measures implemented to strengthen these functions.

Among Companies with Board of Company Auditors (2,290 companies), 50.3% (1,153 companies) mentioned "management meetings" and 4.6% (105 companies) mentioned the "board of executive officers" as swift decision-making structures other than the board. In many cases the management meetings and board of executive officers are established as the deliberative body prior to submission to the board of directors. In addition, 58.6% (1,341 companies) stated that they introduced a non-statutory executive officer system ["*shikkoyakuin"* system] in order to promote the separation of the supervision and executive functions. 30.8% (706 companies) mentioned the establishment of an internal control-related committee[19] such as a "compliance committee" or "risk management committee."

In the case of Companies with Audit and Supervisory Committee (1,392 companies), 48.9% (681 companies) mentioned "management meeting," 5.3% (74 companies) mentioned "board of executive officers," and 55.0% (766 companies) mentioned "non-statutory executive officer system." The ratio for the establishment of an internal control-related committee such as a "compliance committee" or "risk management committee" was 32.0% (445 companies), which is nearly the same percentage as

18　See Exhibit 2, "Perspectives on the Transition to a Company with Supervisory Committee" of the CGS Guidelines.
19　Companies describing a "compliance committee," "risk management committee," "internal control committee" or "governance committee" are aggregated. The same applies hereinafter.

for Companies with Board of Company Auditors.

Looking at Companies with Three Committees (88 companies), 40.9% (36 companies) mentioned "management meetings" and none of them mentioned "board of executive officers." Companies with Three Committees have a statutory executive officer system ["*shikoyaku*" system], but only 37.5% (33 companies) mentioned the "statutory executive officer system." The ratio for establishment of an internal control-related committee such as a "compliance committee" or "risk management committee" was 29.5% (26 companies).

With regard to auditing by *company auditor* at Companies with Board of Company Auditors, 12.1% (278 companies) mentioned "audit system," and matters such as the numbers of inside and outside directors, and full-time and part-time *company auditor* were stated. In addition, 20.2% (463 companies) mentioned "audit policy", and 7.4% (169 companies) mentioned "audit standards", and there were many companies that mentioned that audits were conducted based on corporate audit standards. In addition, some companies mentioned the frequency of Board of Company Auditors meetings and the activities of individual *company auditor* such as attendance at important meetings, document review, and visits to subsidiaries for auditing. In addition, there were companies that mentioned the establishment of a company auditor's office in an effort to improve the completeness and effectiveness of company auditors' operations, and companies that mentioned that audits were conducted based on audit policies and audit standards.

In relation to audits by the Audit and Supervisory Committee at Companies with Audit and Supervisory Committee, 10.0% (139 companies) mentioned "audit system," 17.2% (239 companies) mentioned "audit policy," and 2.7% (38 companies) mentioned "audit standards."

In relation to audits by the Audit Committee at Companies with Three Committees, 22.7% (20 companies) mentioned "audit system," 22.7% (20 companies) mentioned "audit policy," and 5.7% (5 companies) mentioned "audit standards."

As to the audit structure of Companies with Audit and Supervisory Committee and Companies with Three Committees, many companies stated the composition such as the number of internal directors and external directors on the Audit and Supervisory Committee/Audit Committee, and there were descriptions such as that each member of Audit and Supervisory Committee/Audit Committee attends important meetings, including the board of directors, and audits the status of the execution of business by directors, based on the audit policy and standards established by the Audit and Supervisory Committee/Audit Committee. In addition, many companies mentioned the assignment of full-time staff in a secretariat office of the Audit and Supervisory Committee/Audit Committee in order to strengthen the audit function.

(5) Reasons for adoption of current corporate governance system

The CG Report requires that the reasons for adopting the current system are described with regard to the composition of the board of directors and other governance organizations, depending on the type of organizational form currently adopted.

As the specific description of reasons why Companies with Board of Company Auditors adopted this organizational form, there are many cases in which they state that the governance system is functioning sufficiently even under the current organizational form from the perspective of management supervision and efficiency of business execution. Many companies stated the appointment of outside directors (72.5%, 1,660 companies) and outside *company auditors* (67.9%, 1,554 companies) as functions to supervise management. A certain number of companies stated the introduction of the non-statutory executive officer system (17.1%, 391 companies) as efficiency in business execution. Some companies mentioned the “independent system” in which each *company auditor* can individually exercise authorities (25 companies, 1.1%).

As to specific statements of reasons why Companies with Audit and Supervisory Committee adopted such organizational form, the Reporting Guidelines of CG Reports suggest by an example to state the comparison and evaluation against the period when the company took the form of Companies with Board of Company Auditors in terms of speedy decision-making process, enhancement of the transparency of management and support rate from foreign investors, etc., the overview of measures currently being considered for adoption in order to enhance such functions, and the roles and functions of outside directors. As a result of a keyword analysis on the reasons of companies that adopt said system (1,392 companies), there are many references to the strengthening of supervisory function by outside directors (66.8% (930 companies) mentioned “outside”). On the other hand, there were fewer references to matters such as faster decision making (53.6% of companies mentioned “decision” (746 companies)), speedy business execution through delegation of authority (13.1% of companies mentioned “authority” (182 companies)), clarification of separation between supervision and execution (10.2% of companies mentioned “separation” (142 companies)), and enhancement of execution functions (6.5% of companies mentioned “execution functions” (90 companies)) compared to the figures for Company with Three Committees.

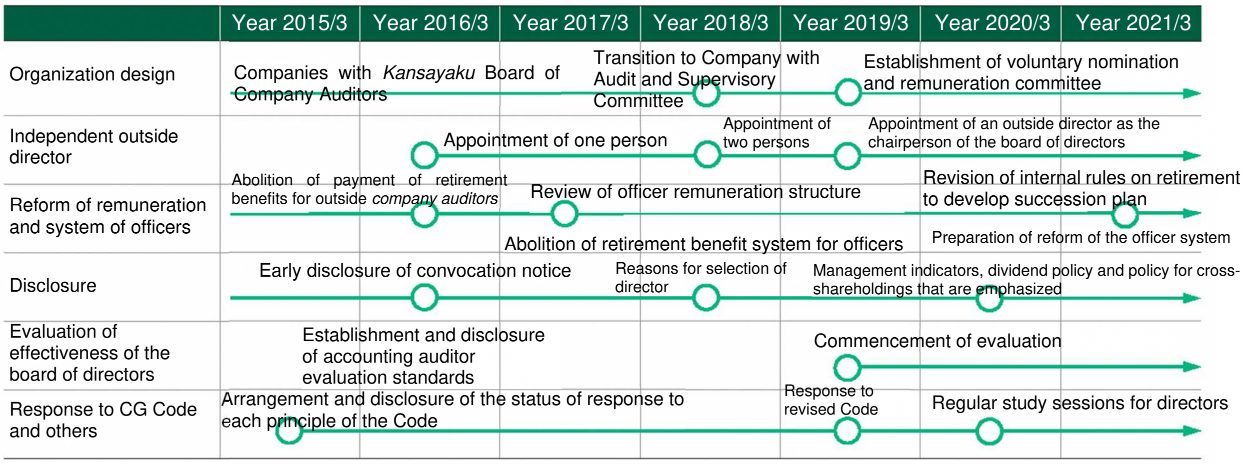
With regard to the specific descriptions of the reasons why Companies with Three Committees adopted that organizational form, the Reporting Guidelines for CG Report illustrate the same specific descriptions as those for Companies with Audit and Supervisory Committee mentioned above, and a keyword analysis of the reasons for the companies adopting this system (88 companies) shows that the ratio of descriptions regarding the separation of supervision and execution is higher than that for the Companies with Audit and Supervisory Committee mentioned above. Specifically, there were many references to matters such as speedy decision making (59.1% of companies mentioned “decision” (52 companies)), strengthening supervision function by outside directors (55.7% of companies mentioned “outside” (49 companies)), clarification of separation between supervision and execution (62.5% of companies mentioned “separation” (55 companies)), faster business execution through delegation of authority (29.5% of companies mentioned “authority” (26 companies)), and enhancement of execution functions (18.2% of companies mentioned “execution function” (16 companies)).

[Column 1] Initiating a governance system suitable for the company (example of Ahjikan Co., Ltd.)

According to a commissioned survey conducted by TSE “Research on initiatives and effectiveness of corporate governance of listed companies (commissioned to: Human Resources Governance Leaders Co., Ltd.)," Ahjikan Co., Ltd. (2907 Standard Market, Company with Audit and Supervisory Committee), has spent a lot of time considering what form of governance is appropriate for the company. The company is steadily implementing reforms, such as the election of an independent outside director as the chairperson of the board of directors and the shift from Company with Board of Company Auditors to Company with Audit and Supervisory Committee. The company, which still has a strong traditional Japanese corporate culture, has tried to understand the spirit and purpose of the Code while cherishing its corporate culture, and has gradually considered and implemented measures suitable for the company. It is presented as a case in which the reform was carried out smoothly by involving top management and other management layers from the examination stage to gain their understanding, and the subsequent operation was established in a short period of time without confusion.

Chart 16 Initiatives of Ahjikan Co., Ltd.

Strengthen governance structure: Aimed at strengthening supervisory functions and establishing a flexible and speedy business execution system



Source: Tokyo Stock Exchange "Research on initiatives and effectiveness of corporate governance of listed companies (Human Resources Governance Leaders commissioned survey)" (November 2021)

(6) Basic views on internal control system and the progress of system development

In large companies[20], Companies with Audit and Supervisory Committee[21] and Companies with Three Committees[22] under the Companies Act, the board of directors is required to develop a system necessary to ensure the properness of operations of the company and operations of the group of enterprises consisting of said company and its subsidiaries (so-called internal control system) and it is required that statements on basic approach and the status of establishment thereof are stated in CG Reports. Specifically, TSE also requires companies to describe their approach and basic policies from the perspective of ensuring the appropriate fulfillment of operations, including how a company can manage organizations to attain management strategies or business objectives, and how a

20 Article 362, Paragraph 4, Item 6 and Paragraph 5 of the Companies Act.
21 Article 399, Paragraph 13, Item 1(c) and Paragraph 2 of the Companies Act.
22 Article 416, Paragraph 1, Item 1(e) and Paragraph 2 of the Companies Act.

company can comply with laws, regulations, and the articles of incorporation[23].

With respect to the basic views on internal control systems and the development of the systems themselves described in the CG Report, many companies provided descriptions according to the items prescribed in the Companies Act and the Regulations for Enforcement of the Companies Act[24].

Keyword analysis of the descriptions showed that 34.8% of all companies (1,311 companies) referred to the term “the Companies Act.”[25] 84.9% of the companies (3,200 companies) referred to “risk management” and more companies, reaching 96.4% (3,636 companies), referred to “legal compliance”[26] (Chart 17). Refer to Chart 17 for the trends by market segment.

As for “systems related to the retention and management of information pertaining to the execution of the duties of a director/statutory executive officer”[27], many companies stated to the effect that appropriate storage and management is made in accordance with their documents management rules.

Concerning “rules and other systems related to management of the risk of loss”[28], many companies reported that rules on risk management have been adopted. Specific descriptions include establishment of individual rules addressing each specific risk, and the establishment of an organization to supervise risk information and respond to risk, including the establishment of a risk management committee.

Companies provide a wide variety of descriptions regarding “systems to ensure that the execution of the duties of a director/statutory executive officer is performed efficiently”[29], and generally, such descriptions focused on management systems taking corporate governance into account, and management procedures with management cycle in mind.

Regarding “systems to ensure that the execution of the duties of an employee complies with laws and regulations and the articles of incorporation”[30], many companies mentioned the formulation of guidelines including the corporate code of conduct and compliance rules. To enhance effectiveness of such rules, some companies further referred to the establishment of responsible committees and implementation of related training, as well as consultation services for employees and whistleblowing programs. Furthermore, in order to judge whether the system is actually functioning, some described that the internal audit office or the like conducts internal audits to judge the effectiveness of the system and provide feedback to management. In that connection, some made reference to the roles of *company auditors* and outside directors, and checks of legal compliance, as well as compliance with the articles of incorporation by outside lawyers.

Regarding the descriptions concerning “systems to ensure the appropriatenesss of business

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23 In addition, the CG Report requires companies to describe the state of compliance system, risk management system, and information management system.

24 Article 100, Article 110-4, and Article 112 of the Regulationfor Enforcement of the Companies Act.

25 Although not directly referred to the Companies Act, the large majority of companies described their basic views in accordance with the provisions of the Companies Act.

26 Reference to “legal compliance” covers companies which mentioned one of the following keywords: “legal compliance”, “compliance with laws/regulations” and “compliance”.

27 Article 100, Paragraph 1, Item 1; Article 110-4, Paragraph 2, Item 1 and Article 112, Paragraph 2, Item 1 of the Regulation for Enforcement of the Companies Act.

28 Article 100, Paragraph 1, Item 2; Article 110-4, Paragraph 2, Item 2 and Article 112, Paragraph 2, Item 2 of the Regulation for Enforcement of the Companies Act.

29 Article 100, Paragraph 1, Item 3; Article 110-4, Paragraph 2, Item 3 and Article 112, Paragraph 2, Item 3 of the Regulation for Enforcement of the Companies Act.

30 Article 100, Paragraph 1, Item 4; Article 110-4, Paragraph 2, Item 4 and Article 112, Paragraph 2, Item 4 of the Regulation for Enforcement of the Companies Act.

activities in a group of enterprises comprised of the relevant stock company and any parent company or subsidiaries thereof"[31], while being generally the same as descriptions concerning the headquarters, the descriptions include the establishment of affiliated company management or compliance departments responsible for managing affiliated companies, internal control systems overseeing subsidiaries and overseas business and consultative meetings of *company auditors* across the group. There were divergent views on control over subsidiaries, and some explained the need to strengthen control over subsidiaries, while others emphasized the independence between parent and subsidiary companies.

As for "matters related to the employee if *a company auditor* has requested that an employee be appointed to assist with the duties of *company auditors*"[32] and "matters related to the independence of the employee from the directors"[33], descriptions were generally in line with the Companies Act. Many companies made due consideration of their independence in terms of appointment and discharge, performance evaluation and personnel transfer. Similar explanations were made concerning members of the Audit (and Supervisory) Committee of Company with Audit Supervisory Committee and Company with Three Committees[34].

In relation to "system for reporting to *company auditors*/Audit and Supervisory Committee/Audit Committee"[35] and "other systems to ensure that audits by the *company auditors*/Audit and Supervisory Committee/Audit Committee are performed effectively"[36], companies referred to rules concerning authorities of *company auditors*, Audit and Supervisory Committee members and Audit Committee members to participate in certain significant meetings, and authorities to review material documents. In addition, there was a case in which employees were allowed to report directly to *cmpany auditors*, Audit and Supervisory Committee members and Audit Committee members.

Chart 17 Basic Views on and State of Internal Control System

		Companies Act	Risk Management	Legal compliance	Information management	Ethics	Decision making
		Ratio	Ratio	Ratio	Ratio	Ratio	Ratio
All companies		34.8%	84.9%	96.4%	20.1%	52.9%	71.3%
Organizational form	Companies with Board of Company Auditors	35.0%	85.9%	96.7%	20.6%	52.1%	71.9%
	Company with Auidt and Supervisory Committe	34.0%	83.5%	96.2%	19.1%	54.2%	71.0%
	Company with Three Committees	42.0%	79.5%	93.2%	21.6%	52.3%	58.0%
Market segment	Prime	37.9%	84.9%	97.0%	23.1%	57.0%	72.4%
	Standard	31.9%	84.4%	95.7%	17.4%	51.3%	68.7%
	Growth	31.2%	86.2%	96.6%	16.4%	41.9%	74.8%
	JPX-Nikkei 400	41.9%	84.0%	95.7%	26.1%	61.7%	70.9%

31 Article 100, Paragraph 1, Item 5; Article 110-4, Paragraph 2, Item 5 and Article 112, Paragraph 2, Item 5 of the Regulation for Enforcement of the Companies Act.
32 Article 100, Paragraph 3, Item 1 of the Regulation for Enforcement of the Companies Act.
33 Article 100, Paragraph 3, Item 2 of the Regulation for Enforcement of the Companies Act.
34 Article 110-4, Paragraph 1, Item 1 and Item 2 and Article 112, Paragraph 1, Item 1 and Item 2 of the Regulation for Enforcement of the Companies Act.
35 Article 100, Paragraph 3, Item 4; Article 110-4, Paragraph 1, Item 4 and Article 112, Paragraph 1, Item 4 of the Regulation for Enforcement of the Companies Act.
36 Article 100, Paragraph 3, Item 7; Article 110-4, Paragraph 1, Item 7 and Article 112, Paragraph 1, Item 7 of the Regulation for Enforcement of the Companies Act.

(7) Matters concerning development of systems for excluding anti-social forces

The CG Report requires statements on basic approaches (basic policies) to prevent involvement of anti-social forces in business activities or damages caused by such forces, and status of establishment of a code of ethics, code of conduct, internal regulations, etc., and a corporate structure which enables a company-wide response.

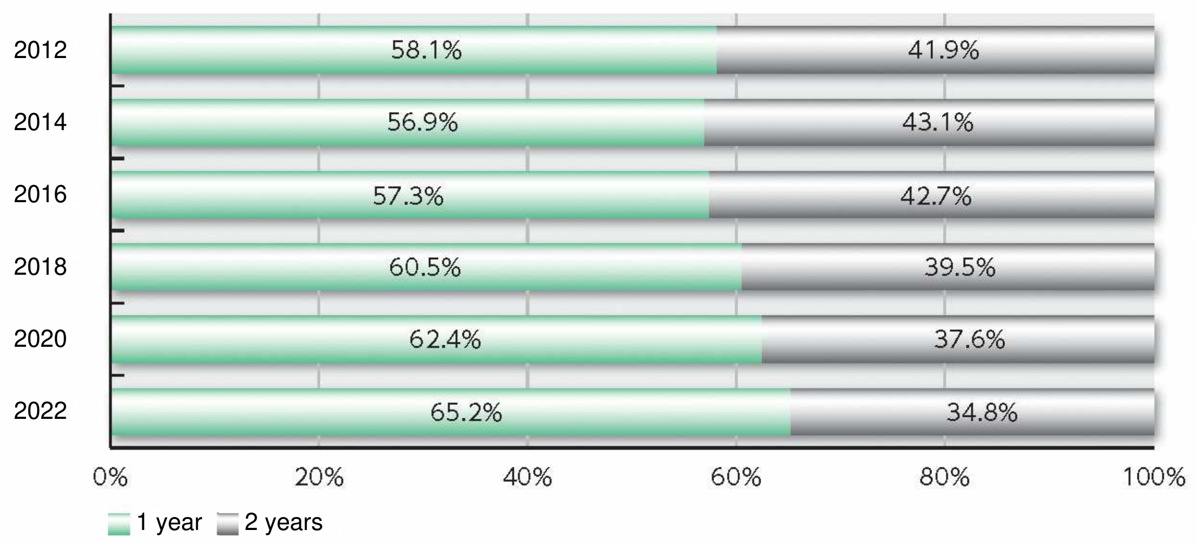
Concerning approaches to exclude anti-social forces, companies generally described that they have no relationship with such anti-social forces as corporate extortionists or organized crime syndicates, and stand firmly against them, and 2,511 companies mentioned cooperation with police agencies concerning systems for excluding anti-social forces. In addition to police agencies, a number of companies referred to the exchange of information with organizations against such special crimes (i.e. crimes against corporations) and consultation with corporate lawyers. Furthermore, there were descriptions of development of basic policies and manuals, implementation of employee trainings, and names of responsible persons.

1 - 1 - 2. Directors and the board

(1) Term of directorships

Article 332, Paragraph 1 of the Companies Act stipulates that the term of directorships shall, in principle, continue within two years from the time of their election. However, it also provides for shortening the term of directorships by the articles of incorporation or by a resolution of a general shareholders' meeting. In the case of a Company with Audit and Supervisory Committee, it is provided that the term of office of a director who is a member of Audit and Supervisory Committee is two years (which may not be shortened), while the term of office of other directors is one year (which may be shortened by the articles of incorporation or resolution of the shareholders' meeting) (Paragraph 3 and Paragraph 4 of Article 332, of the Companies Act). In the case of a Company with Three Committees, it is provided that the term of directorships is one year after appointment (which may be shortened by the articles of incorporation or resolution of a general shareholders' meeting) (Article 332, Paragraph 6 of the Companies Act). Recently, in order to respond flexibly to changes in the management environment and to strengthen the corporate governance structure by clarifying management responsibility and gaining the trust of shareholders every year, there has been an increase in the ratio of Companies with Board of Company Auditors that specify a one year term of office for directors (Chart 18).

Chart 18　Term of Directorships in the Articles of Incorporation (Companies with Board of Company Auditors)



(2)　Attributes of chairperson of the board

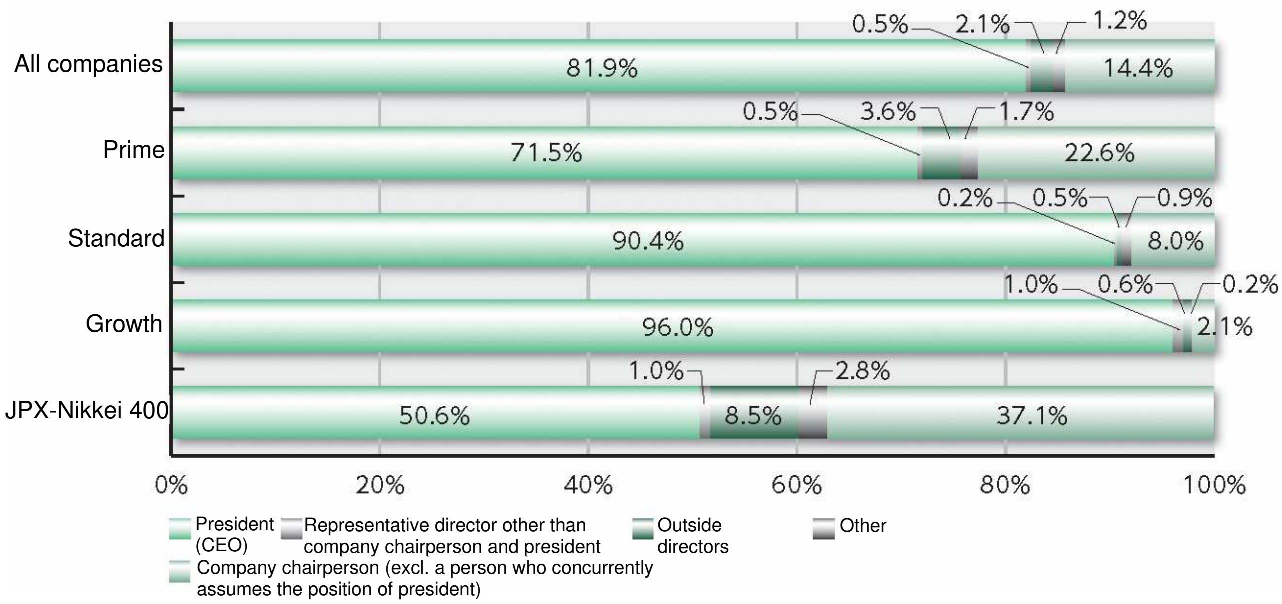
Concerning the chairperson of the board, each company is required to select in the CG Report whether or not to designate a chairperson, and an attribute of the chairperson from (1) president (CEO), (2) company chairperson [37], (3) representative director other than company chairperson/president (CEO), (4) outside director, (5) other director, or (6) none.

All TSE-listed companies have a chairperson of the board, and as for attributes of the chairperson of the board, the board is chaired by president (CEO) in 81.9% (3,087 companies) of TSE-listed companies, which is the highest percentage (Chart 19). In addition, the company chairperson accounts for 14.4% (541 companies), meaning that either the president (CEO) or the company chairperson chairs the board in 96.2% of companies (3,628 companies), almost all of the listed companies. The proportion of the board of directors chaired by the company chairperson is 22.6% (415 companies) in the Prime Market and 37.1% (148 companies) in the JPX-Nikkei 400 constituents, indicating that the larger the company, the greater the proportion of the board chaired by the company chairperson.

Although some investors have increasingly called for the board to be chaired by an outside director in order to stimulate discussions by the board and strengthen the oversight function of the board through the separation of oversight and business execution, the percentage of companies with a board chaired by an outside director in this survey was 2.1% (78 companies). In this regard, the June 2021 revision of the Guidelines for Investor and Company Engagement mentions that an independent outside director is appointed as the chairperson of the board of directors if necessary in order to ensure effective oversight of management by the board of directors, and it is considered there is room for further action. Out of JPX-Nikkei 400 constituents, the percentage of companies in which an outside director acts as a chairperson is 8.5% (34 companies), which is higher than the listed companies overall.

37　Excluding a person who concurrently assumes the position of president (CEO).

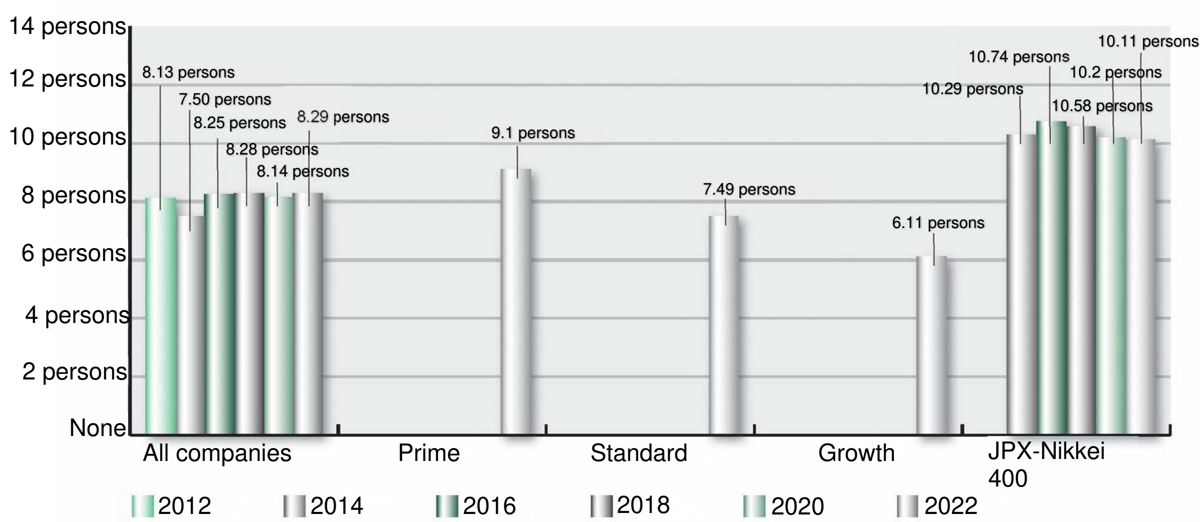
Chart 19 Attributes of Board Chair (by Market Segment)



(3) Average number of directors

In this survey, the average number of directors per company for all TSE-listed companies was 8.29, a slight increase from the previous survey result of 8.14 (Chart 20). Meanwhile, the average number of outside directors has increased from 1.90 (2016) to 3.11 (2022) and the average number of independent directors has increased from 1.75 (2016) to 2.88 (2022). For overall TSE-listed companies, there has been progress in appointing outside directors since the formulation of the Code, but the number of directors as the whole board of directors has not changed significantly. On the other hand, the average number of directors in JPX-Nikkei 400 constituents has been on a declining trend since 2016, and was 10.11 in 2022.

Chart 20 Number of Directors (by Market Segment)



[Column 2] Practical Guidelines for Corporate Governance Systems

The Practical Guidelines for Corporate Governance Systems (CGS Guidelines) are developed and published by the Ministry of Economy, Trade and Industry as a compilation of discussions held at the CGS Study Group (Corporate Governance System Study Group). The Guidelines supplement the Code by describing what companies should consider in implementing the principles of corporate governance while remaining consistent with the Code, and outline specific actions that are considered meaningful to strengthen "earning power." The Guidelines consist of six Chapters: "1. Introduction," "2. Roles and Functions of Board of Directors," "3. How to Utilize Outside Directors," "4. Nomination and Remuneration of Management," "5. Creating an Environment for Strengthening Management Leadership" and "6. Conclusion."

In 2022, the Guidelines were revised[38] in light of the fact that, in order for companies to survive global competition and achieve medium- to long-term enhancement of corporate value, it is desirable that an environment is realized in which manegements' entrepreneurship and animal spirit can be exercised in a healthy manner, better management strategies can be devised, and risk taking can be done with speed, and that the management of listed companies has a strong awareness of the enhancement of corporate value, and in such revision, the points of attention, ideas, and best practices, etc., on matters such as the improvement of the roles and functions of the board of directors, the quality and evaluation of outside directors, and the development of an environment to strengthen the leadership of the management are organized and introduced.

1 - 1 - 3. Scope of matters delegated to the management (Supplementary Principle 4.1.1)

Principle 4.1 stipulates that "The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans." In addition, Supplementary Principle 4.1.1 requires the board to specify and disclose its own decisions as well as both the scope and content of the matters delegated to the management. The comply rate of such Supplementary Principle is 99.8% (1,834 companies) in the Prime Market and 99.4% (1,447 companies) in the Standard Market. For most companies, the resolution matters, etc., at the board of directors are stipulated in the internal regulations such as rules of the board of directors and approval authority regulations, etc., and only a very small number of companies explain with respect to this Supplementary Principle.

However, it has been pointed out that matters regarding basic business strategies and business plans have not been sufficiently discussed at the board of companies in Japan. This Supplementary Principle requires clarification of the roles and responsibilities of the board of directors in a company's decision-making system, and while many companies are in the process of appointing more than one independent outside director, it is increasingly important to clarify and carry out the role that the board of directors should play in strengthening its supervisory function over management more than ever before.

A common type of disclosure by companies regarding this Supplementary Principle is that "the Company has established the Rules of the Board of Directors, and matters prescribed in laws and regulations and the articles of incorporation, as well as important matters related to business execution, are determined through a resolution by the board." In fact, in a keyword analysis of the

38 https://www.meti.go.jp/english/press/2022/0719_002.html

companies listed on the Prime Market and Standard Market that are complying with this Supplemental Principle (3,281 companies), 84.8% (2,782 companies) stated interal “rules” and “regulations,” 69.9% (2,292 companies) stated “laws and regulations,” etc., 54.7% (1,795 companies) stated “articles of incorporation.” In addition, 38.1% (1,250 companies) mentioned “duty authority,” 21.5% (706 companies) mentioned “approval (approval authority/approval standards),” and 5.5% (182 companies) mentioned “agenda standards.” This suggests that many companies have clarified the roles and responsibilities of the board of directors based on laws and regulations, the articles of incorporation, various internal rules, approval authority, etc.

In addition, there were some companies that clearly stated a separation of roles between the board and the management team, such as the introduction of a non-statutory executive officer system or establishment of management meeting. 31.2% (1,025 companies) included the keyword “non-statutory executive officer,” while 25.1% (823 companies) included the keyword “meeting (management meeting/ non-statutory executive officers meeting, etc.).”

The number of companies including keywords such as “business strategies” and “business plans” that are items that should be decided on and determined by the board according to the Code was 11.2% (366 companies) for “strategy (business strategy, etc.)” and 17.3% (569 companies) for “plan (management plan/business plan).” This is low in comparison to the number of companies that included keywords such as laws and regulations, the articles of incorporation, and various internal rules, which suggests that only some companies disclose the specific matters decided on by the board.

Looking at individual cases, in Example 1, the duties of the board are set forth in the guidelines, and the details are reflected in the decision-making standards and disclosed. This company clearly states in its guidelines and rules on decision-making standards that the board of directors is involved in matters such as the long-term vision, management policies, and management strategies. In addition, there is evidence of a willingness to exercise oversight function over the progress of management plans, etc. Example 2 describes the scope of delegation to management, referring to the responsibilities of the board of directors as defined by the company, and referring specifically to the actual activities such as the frequency of meetings of the board of directors and management meetings, the matters discussed, and attendance status. Example 3 is a case in which the specific internal regulations are clearly stated. The company has disclosed the detailed standards including monetary standards for matters for a resolution by the board and matters delegated to the representative director, etc. It can be said that by clarifying the specific numerical standards, this clearly indicates the division of roles for the board and the management team to shareholders and investors, etc. Example 4 specifically describes the company’s business execution structure, referring to the fact that the board of directors supervises business execution.

<Example 1: Matters to be resolved by the board of directors are expressly specified>

The Company shall stipulate in the guidelines the following duties, such that are to be carried out by the Board of Directors which is to consist of a diverse range of directors who are to be accordingly appointed based on the aforementioned policy for nomination.

- i Set strategic direction by examining and deciding upon matters relating to the Company’s business policy and strategy including business principles, corporate vision and medium-term management plan;
- ii Conduct multifaceted and close examinations of those matters which are prescribed to be decided upon by the board of directors, from an independent and objective standpoint in light of the Company’s business policy and

business strategy, and receive reports on those matters which are required to be reported to the board of directors;

iii Conduct multifaceted and close examinations of proposals from the non-statutory executive officer based on healthy entrepreneurship, from an independent and objective standpoint, in order to establish an environment that supports appropriate risk taking by the directors and the non-statutory executive officers, and support the timely and bold decision-making by the directors and the non-statutory executive officers when approved plans are implemented;

iv Supervise the execution of duties by directors and non-statutory executive officers from an independent and objective standpoint. In addition, monitor the progress of the management plan to assess the achievement status. If the management plan fails to be achieved, analyze the causes and reflect them in future plans and disclose them to shareholders.

v Develop and improve the risk management system and the corporate governance structure including the internal control system in order to ensure the rationale of the Company's decision-making process;

vi Secure its fiduciary accountability to the shareholders on the Company's management, and oversee the directors in order to ensure that information will be disclosed in a timely and accurate manner.

As such, the Regulations on Decision-Making Standards shall limit matters to be determined by the board of directors to those listed under items 'i.' to 'vi.' as follows, and decisions on matters of business execution otherwise shall be entrusted to the non-statutory executive officers.

i Matters to be decided upon by the board of directors under laws and regulations;

ii Matters relating to the Company's business policy and strategy including business principles, corporate vision and medium-term management plan, strategic direction of the Company, and a single-year budget;

iii Important internal rules including Regulations on Decision-Making Standards;

iv Response guidelines to deal with any serious law violation committed by the Company;

v Matters relating to significant lawsuits;

vi Significant matters with equivalent importance to any of the matters set forth above.

(Shipping)

<Example 2: The actual results of activities of the board of directors and the management meetings are disclosed>

The Company has established a board of directors consisting of six directors (two of whom are independent outside directors) to deliberate and make decisions on important management matters and to supervise the execution of duties by directors. The Company stipulates that the board of directors shall properly perform the following responsibilities.

1. Setting the broad direction of corporate strategy;
2. Consider and implement measures that contribute to the enhancement of corporate value based on sound entrepreneurship
3. Exercise effective supervision over directors or executive officers

The following is a summary of the board of directors' activities for the fiscal year ended June 2022.
The Company holds a regular board meeting monthly and extraordinary board meetings as needed, which were held 19 times during the fiscal year under review.
Of the 19 meetings, one company auditor was absent at one meeting, but other than that, directors and company auditors attended all board meetings. As a result that we introduced the non-statutory executive officer system on September 25, 2020, to monitor management and clarify responsibility for business execution, and that information related to proposals was explained and shared in advance at the management meeting, the board of directors had efficient and sufficient opportunities for discussion.
In the fiscal year ended June 2022, the board of directors made 74 resolutions regarding important management matters, including the consideration and approval of the medium-term management plan, proposals for the personnel system for employees, and proposals for organizational restructuring and executive personnel, etc.
The proposals related to research and development were considered and voted on as projects deemed of high importance due to their size exceeding a certain level or their contents. As for financial matters, proposals related to approval of account settlement and budgets were resolved.
In addition, the board oversaw the execution of duties by directors and non-statutory executive officers by reviewing and discussing 62 reporting matters individually, including business results forecasts and business progress, matters reported by committees, related-party transactions, and the status of requests for approvals.
Independent outside directors requested detailed explanations from the directors in charge in relation to both resolution matters and reporting matters, and opinions were exchanged actively on the proceedings.
Based on the frequency of meetings of the board of directors and the high attendance rate, as well as the content of actual discussions, etc., our Company evaluates that the board of directors is appropriately making management decisions and supervising the execution of duties by the directors, and that the board is functioning effectively from a corporate governance perspective. In addition, the board of directors of the Company regularly conducts a questionnaire survey on the effectiveness of the board of directors against all officers through outsourcing to an

outside organization and receives reports on the results.
The board of directors makes important management decisions and supervises the execution of business by non-statutory executive officers, thereby striving to strengthen corporate governance.

The Company has established and administers the management meeting in accordance with the “management meeting regulations.” At the management meeting, in the presence of all directors, non-statutory executive officers and *company auditors*, non-statutory executive officers, heads of each department, business managers and other relevant persons in the Company explain supplementary information such as background on the proposals to be submitted to the board of directors as well as information needed to understand the issues. In addition, status of progress and related risks concerning ongoing research and development projects and individual development projects are reported and technical knowledge or expert information on the Company’s products and services are explained to enhance the understanding of directors and *company auditors*. The purpose of both measures is to share information in order to improve the quality of discussions at the board of directors and to improve the effectiveness of the board of directors, so the management meeting does not have decision-making authority and does not make decisions.
In the fiscal year ended June 2022, a total of 11 meetings were held, there were 31 agenda items and each meeting lasted approximately 1 hour and 30 minutes. The number of reports on research and development cases related to new large-scale projects in the cloud services business was the largest at 17 cases, which mainly included reports on research and development projects such as development of the next generation version of the company products, reports on new business prospects, plans and progress, and reports on enhancement of functions for individual development projects, etc.
Some of the agenda of the management meetings for the fiscal year ended June 2022 were presented as proposals at subsequent meetings of the board of directors and were resolved as a result of sufficient and efficient discussion. We recognize that the establishment and operation of the management meeting has enhanced corporate governance in the Company, especially discussions at the meetings of the board of directors, and contributed to appropriate decision-making processes.
(Information and communication)

<Example 3: Matters to be resolved by the board of directors are specifically stated based on the amount of money>

The regulations on board of directors stipulate that matters stipulated by laws and regulations, matters stipulated in the articles of incorporation and matters related to important business shall be the resolution matters of the board of directors. Matters related to important business include concurrent office of directors as officers of other companies, execution of important contracts, matters relating to litigation, establishment of subsidiaries, etc., and other matters relating to affiliated companies. In addition, the regulations provide that resolution matters of the board of directors may be transferred or delegated to another organization, unless it is stipulated by law that such matters may not be resolved other than by the board of directors. The internal regulations (approval regulations) stipulate that matters such as alterations to building equipment, the purchase of fixtures, vehicles, etc., the purchase or disposal of important or large quantities of operating assets for 200 million yen or more, and the acquisition of business rights of 100 million yen or more are matters for resolution by the board, while such matters for amounts not exceeding 200 million yen are matters for the CEO or other bodies depending on the amount. In addition, writing off or waiving of bad debts, indemnification and compensation for damages, obligation guarantees and pledging collateral, etc. for amounts of 30 million yen or more are matters for resolution by the board, while such matters for amounts of less than 30 million yen are matters for the CEO or other bodies depending on the amount.
(Wholesale trade)

<Example 4: Business execution structure is explained>

The board of directors makes decisions on important management matters and supervises business execution. Highly independent outside directors are appointed in order to strengthen the functions to oversee the management and enhance transparency and objectivity of management. The Management Meeting and the Management Committee have been established as organizations to execute the business. Management Meetings are held once a month to review monthly accounting settlements, to understand the status of business execution through meetings to discuss important issues of administrative departments, affiliated companies and business headquarters across the company, and to make decisions on future business execution. The Management Committee is held twice a month in principle as an advisory body to the chairperson and representative director, chaired by the president and representative director, and deliberates on general business execution policies and plans as well as important individual matters. To further enhance management efficiency, a non-statutory executive officer system and a business headquarters system have been adopted. The non-statutory executive officer system clarifies the division of roles between directors who are legally responsible for management and supervision of the Company and non-statutory executive officers who are in charge of business execution, concentrates the role of the board of directors on company-wide management decisions to stimulate discussion, and expedites decision-making by delegating authority from directors to non-statutory executive officers. The business headquarters system clarifies management responsibilities and maintains and strengthens an effective internal control system. In addition, the Company has introduced a chief officer system. Under the strong leadership of the chief executive officer, the functions are allocated, and we will achieve our business plan by strengthening the cross-functional system to pursue “total optimization” including the group companies. (1) statutory matters, (2) matters related to important business, (3) matters related to accounting and personnel, and (4) matters stipulated by the articles of incorporation as set forth in the board of directors regulations are subject to resolution of the board of directors.

(Electrical appliances)

1 - 2. Appointment of independent outside directors

1 - 2 - 1. Roles expectedof independent outside directors (Principle 4.7)

Principle 4.7 sets out the roles and responsibilities of independent outside directors as follows.

> [Principle 4.7 Roles and Responsibilities of Independent Directors]
> Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities:
> (i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;
> (ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;
> (iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and
> (iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.

The roles expected of independent outside directors are addressed in Principle 4.7 from two main perspectives. The first perspective is their role as advisers. In (i), it is mentioned that they provide advice on management policies and management improvements based on their own knowledge.Although it is called advice, of course, it is not required to act critically or as a third-party. They are expected to contribute to the discussion of the board of directors by proactively expressing their opinions according to their own knowledge and common sense as directors who are, as a party to corporate management, heavily responsible for the operation of the company.

The second perspective is their role as supervisors, which is broken down into three parts. The first is to supervise management through important decisions at the board of directors, such as the appointment and dismissal of senior management (ii), the second is to supervise conflicts of interest between the company and the management and controlling shareholders, etc. (iii), and the third is to appropriately reflect the views of various stakeholders, including minority shareholders, in the board of directors from a position independent of the management and controlling shareholders (iv).

[Column 3] Practical Guidelines for Independent Directors

In July 2020, the Ministry of Economy, Trade and Industry formulated and published the “Practical Guidelines for Independent Directors,”[39] which outlines the roles and initiatives of outside directors from a practical perspective in light of the intent of the Companies Act and the Code, clarifies the basic roles expected of outside directors, and provides best practices for specific initiatives that will help fulfill such roles.

The Guidelines consist of three Chapters. Chapter 1 summarizes the provisions and interpretations of the Companies Act regarding the duties and powers of the board of directors and the duties and roles of directors, and summarizes the particularly important aspects of the roles and attitudes of outside directors as a best practice in light of the positioning in the Companies Act. Specifically, [Mindset 1], [Mindset 2], and [Mindset 5] are primarily about the basic roles of outside directors, while

[39] https://www.meti.go.jp/english/press/2020/0731_003.html

[Mindset 3] and [Mindset 4] are about the mindset in order to fulfill such roles (Chart 21). Chapter 2 describes the relationship with the board of directors and related parties and specific actions to enable outside directors to fulfill their roles, and Chapter 3 outlines the support structure that the company should build for outside directors to fulfill their roles.

Chart 21 Five Mindesets of Independent Directors

[Mindset 1]	The most important role of independent directors is supervising business management. The role's core lies in assessment of the management members, in particular, the president and/or CEO, who are responsible for business management, and decision-making on nominating and renominating and compensation of such members based on assessment results, including, if necessary, exercising initiatives in replacing the president and/or CEO.
[Mindset 2]	Independent directors should endeavor to: keep their positions free from conventional, stereotypical ideas which the given companies have; hold a wide variety of mid- to long-term perspectives; place eyes on the futures of the companies from such perspectives while taking into consideration expected changes in markets and industrial structures; and deliberate management strategies for sustainable growth of the companies.
[Mindset 3]	Independent directors should endeavor to: keep their positions independent of business execution of the given companies; and, based on such positions, deliver statements and take actions towards management members, in particular, the president and/or CEO, of the companies without hesitation.
[Mindset 4]	Independent directors should endeavor to keep an appropriate level of distance from management members, including the president and CEO, of the given companies while communicating and building trusting relationships with such members.
[Mindset 5]	Supervising conflicts of interest between the given companies and management members and/or controlling shareholders, etc. is an important duty which independent directors should fulfill.

Source: Compiled from the Ministry of Economy, Trade and Industry "Outline of Practical Guidelines on the Role of Outside Directors" (July 2020)

1 - 2 - 2. Independence criteria and qualification for independent outside directors (Principle 4.9)

TSE provides in the "Guidelines Concerning Listing Company Compliance, etc." in relation to so-called "independence criteria" the cases where there is typically a risk of a conflict of interest arising with general shareholders as a factor for determining the independence[40]. However, in order to properly judge the independence of outside directors, it is desirable that listed companies make a substantive judgment on each outside director individually, including whether it is sufficient that these independence criteria are not violated. Accordingly, Principle 4.9 stipulates that the board should establish and disclose independence standards aimed at securing effective independence of the candidates for independent directors, taking into consideration the independence criteria set by financial instruments exchange. While the contents of independence standards that contribute to effective judgments are primarily up to the listed company's own descretion, listed companies are expected to disclose such standards in order to find reasonable judgment standardsthrough dialogues between listed companies and the market.

The compliance rate of Principle 4.9 was 98.6% (1,812 companies) for companies listed on the Prime Market and 94.4% (1,374 companies) for companies listed on the Standard Market. In some cases, the content of the description includes the qualities required of independent outside directors in addition to the provisions of Companies Act and the independence criteria stipulated by TSE, etc.

Chart 22 shows the results of keyword analysis based on disclosure on the said principle. Of the 3,186 companies listed on the Prime Market and Standard Market that complied with Principle 4.9,

40 III.5 (3) -2 of the Guidelines Concerning Listing Company Compliance, etc.

32.9% (1,049 companies) included “Companies Act” in their descriptions, and 70.4% (2,242 companies) included the keyword of “Exchange (Tokyo Stock Exchange, Financial Instruments Exchange, etc.).” This suggests that many companies firstly make disclosures in consideration of requirements for externality under the Companies Act[41] and independence criteria stipulated by TSE or other exchanges. Some companies clearly stated that they established their independence standards by referring to the voting standards of proxy advisors and institutional investors.

Meanwhile, some companies also established their own quantitative independence standards for relationships with business partners, large shareholders and other parties. In terms of keywords for quantitative criteria, 14.0% (445 companies) mentioned “yen (10,000 yen/100 million yen)” which expresses a monetary amount or “%” which expresses the percent.

Of the companies (445 companies) that stated the keywords of quantitative criteria, 89.2% (397 companies) mentioned “business partners.” Of these, many companies (288 companies) have used “2% of consolidated sales, etc.” as a threshold, for example, defining a “major business partner” as a “business partner for which the annual transaction amount accounts for over 2% of the consolidated sales of the Group or the business partner (including its parent company or major subsidiaries)”. In addition, in relation to business relationship criteria, some companies take both the amount of payments made by their company to a business partner and the amount of payments paid by a business partner to their company into consideration.

In addition, 52.1% of companies (232 companies) mentioned “lenders, etc.“[42] More than half of the companies (122 companies) set the threshhold for such lenders at “2% of consolidated total assets.” In addition, in banking industry. there were also companies that took into consideration loan transactions, establishing criteria such as “cases in which the Company(bank) is the top lender for the party and in which changes to the Company’s credit policy could have a tremendous impact on the party”.

88.1% (392 companies) mentioned specialists, such as “lawyers” and “consultants,” and companies that used 10 million yen as the level of remuneration for these specialists were most common (281 companies). There were also cases using 10 million yen in the case of an individual who received remuneration, while using 2% of consolidated sales in the case of a corporation, organization or other legal entities. 60.2% (268 companies) mentioned “donations” from listed companies. Companies that used 10 million yen as the threshold for the donation were most common (201 companies). 81.6% (363 companies) mentioned “shareholders (major shareholders/large shareholders,” many of that used “10%” as a threshold.

In addition, there were cases of companies incorporating elements such as the tenure of independent outside directors and lead managing broker in their independence standards. “Tenure” was mentioned by 21 companies, 2/3 (14 companies) of which used “8 years” as the standard. Some companies also mentioned "6 years (1 company)" and "10 years (4 companies)." In addition, of the companies (445 companies) that mentioned quantitative standards, most of the companies (96.2%, 428 companies) mentioned cooling-off periods, meaning that if a fact occurred prior to certain period,

41 Article 2, Item 15 of the Companies Act.

42 Including creditors, funding, financial institutions and main banks

such fact does not conflict with the independence, such as “past ● years” or “previous ● years.”

Among the 3,186 companies listed on the Prime Market and Standard Market that complied with Principle 4.9, 26.2% (834 companies) mentioned “experience,” 26.7% (852 companies) mentioned “expertise (professional/specialized),” 11.3% (361 companies) mentioned “forthright opinions” and 3.5% (113 companies) mentioned “personality” as keywords concerning the quality required of independent outside directors. Of those mentioning “experience”, 10.5% (336 companies) mentioned experience related to management (management experience, company management, corporate management, etc.). This suggests that many companies prioritize past experience. In terms of keywords related to expected roles, 10.2% (325 companies) mentioned “advice”, while 14.9% (475 companies) mentioned "oversight", indicating that many companies place more importance on "oversight" than "advice."

Chart 22 Keywords regarding disclosure of independence standards and qualifications of independent outside directors (Principle 4.9)

Item	Number of companies	Ratio
Companies that complied with Principle 4.9	3,186	100.0%
■ Keywords related to the independence criteria		
Exchange (Tokyo Stock Exchange, financial instruments exchanges, etc.)	2,242	70.4%
Companies Act	1,049	32.9%
Yen (10.000 yen, 100 million yen)	445	14.0%
■ Percentage of companies that established quantitative standard	445 companies = 100%	
Companies mentioning standard related to “business partners”	397	89.2%
Companies mentioning criteria standard to "lenders", etc.	232	52.1%
Companies mentioning criteria standard to “experts”	392	88.1%
Companies mentioning criteria standard to "donations”	268	60.2%
Companies mentioning standard related to "shareholders”	363	81.6%
■ Keywords related to qualifications required of independent outside directors		
Expertise (professional/specialized)	852	26.7%
Experience	834	26.2%
Fortright opinions	361	11.3%
Experience related to management (management experience, company management, corporate management, etc.)	336	10.5%
Personality	113	3.5%
■ Keywords related to the expected role of independent outside directors		
Oversight	475	14.9%
Advice	325	10.2%

Looking at individual cases, Example 1 is an example where statements related to qualifications were made in addition to the requirements for externality set forth in the Companies Act and the independence requirements set forth by TSE. It prioritizes the “mental independence” that makes it possible to present doubts and hold discussions, conduct re-investigations and express contrary opinions in meetings such as the board.

Example 2 sets specific quantitative standards for the independence of the company's independent outside directors and presents them to shareholders and investors. As in Example 3, there are also some companies set threshold such as "5% of voting rights" or "1% of transaction value", which are more stringent than general standards. Example 4 is a case in which the internal guidelines stipulate that the total term of office of an ID/A shall be a maximum of six years in aggregate, and in addition, from the standpoint of ensuring the time and effort necessary to fulfill the duties of a director adequately, the guidelines stipulate that the maximum number of concurrent positions as an officer with other listed companies shall be five in principle.

<Example 1: Reference to "mental independence" as a standard for the selection of independent directors>

In the appointment of outside directors, in addition to the requirements under the Companies Act, the Company also prioritizes the ability to understand various businesses and the mental independence that makes it possible to present doubts and hold discussions, conduct re-investigations, and express contrary opinions in meetings such as the board. In addition, the appointment criteria for independent directors require candidates to fulfill the qualifications for ID/A stipulated by TSE, and to be unlikely to have conflicts of interest with general shareholders.
(Transportation equipment)

<Example 2: Specific and quantitative independence standardsare specified>

Independence standards for outside directors and outside company auditors

In addition to the independence criteria established by listed financial instruments exchanges, the board will judge any director who falls under any of the following items to lack independence.

1. The outside officer currently belongs or within the past three years has belonged as a director (excluding outside director), company auditor (excluding outside company auditor), statutory executive officer or employee of a company in which the Company currently holds 10% or more of the voting rights
2. The outside officer currently belongs or within the past three years has belonged as a director (excluding outside director), company auditor (excluding outside company auditor), statutory executive officer or employee of a company which currently holds 10% or more of the voting rights of the Company.
3. The outside officer currently belongs or within the past three years has belonged as a director (excluding outside director), company auditor (excluding outside company auditor), statutory executive officer or employee of a company whose transactions with the Company in any of the past three fiscal years exceeded 2% of the consolidated net sales of that company or the Company.
4. The outside officer currently is or within the past three years has been a director (excluding outside director), company auditor (excluding outside company auditor), statutory executive officer or employee of a financial institution from which the Company currently borrows funds equal to 2% or more of its total assets.
5. The outside officer received compensation in excess of 10 million yen from the Company as a legal, accounting or tax specialist or consultant in addition to their officer's remuneration in any of the past 3 fiscal years. In addition, the organization to which the outside director belongs received compensation in excess of 2% of its annual income from the Company as a legal, accounting or tax specialist or consultant in any of the past 3 fiscal years.
6. In any of the past three fiscal years, the Company has made donations exceeding 10 million yen to the outside officer or to legal entity to which the outside director/company auditor currently belongs or within the past three years has belonged as an executive officer or as an employee.
7. The outside officer currently belongs or within the past three years has belonged as a director (excluding outside director), company auditor (excluding outside company auditor), statutory executive officer or employee of a

company whose outside director/company auditor currently include any persons with experience as an executive officer of the Company.

8. The outside director/ company auditor currently is or within the past three years has been a representative patrner, partner, or employee of the current accounting auditor of the Companywithinin the past five fiscal years.

Note: Outside directors and outside company auditor are collectively referred to as “outside officers.”
(Electrical appliances)

<Example 3: More Stringent standards than common standards (such as 1% sales) are adopted>

The Company believes that it is important to monitor the management of the Company from a position independent from the Company where there are no conflicts of interest with general shareholders, and has established the following independence standards for the appointment of the board of directors which has a function of decision-making regarding management so that supervision by outside directors and auditing by outside company auditors function effectively. Specifically, the Company observes the following independence standards:

(i) A person who has never belonged to the Company as an executive director, a non-statutory executive officer, or an employee;
(ii) A person who is not an executive of a customer, supplier or other counterpatries of the Company whose annual transactions with the Company exceed 1% of the Company’s net sales or the other party’s consolidated net sales;
(iii) A person who is not a major shareholder holding a stake of 5% or more of the voting rights of the Company or an executive thereof at the end of the fiscal year of the Company;
(iv) A person who is not an executive of any company in which the Company holds a stake of 5% or more of the voting rights at the end of the fiscal year of the Company;
(v) A person who is not an executive of a financial institution from which the Company has borrowed with a balance of loans payable exceeding 3% of the Company’s total assets or the financial institution’s consolidated total assets, as of the end of the fiscal year of the Company;
(vi) A person other than entities to whom the Company made donations of 10 million yen or more in the past ten years or executives thereof;
(vii) A person who is not a consultant, accounting professional, legal professional, an accounting auditor, or advisor who has received cash or other financial gains of 10 million yen or more per year from the Company other than their remuneration for directors or company auditors, etc.

(Retail Trade)

<Example 4: Standards for the number of concurrent positions and tenure are adopted>

The Company has established the “Policy for Nominating Candidates for Outside Directors” and “Independence Standards” as follows, and nominates candidates for outside directors who meet these policies and standards.

[Policy for Nominating Candidates for Outside Directors]
In addition to the “Independence standards” established by the Company [*Reference 2], candidates for outside directors who satisfy the following requirements are nominated.
In addition, the nomination of candidates for outside directors is determined by a resolution of the board of directors, which includes several outside directors, taking into consideration the balance of knowledge, experience, abilities, diversity, etc., of the board as a whole.

(1) The candidate can gain an overview of the entire management of the Company group, understand essential issues and risks, and proactively express opinions and precisely provide explanations to directors and management.
(2) The candidate has significant insight and extensive experience in areas such as corporate management, business reform, customer service, logistics, legal compliance, risk management and internal control.
<u>(3) In addition to attending important meetings such as the board of directors and group executive meetings, the number of concurrent positions as officers at listed companies is, in principle, not more than five excluding the Company, from the perspective of ensuring that the time and effort required to appropriately fulfill the responsibilities are adequately secured.</u>
<u>(4) The tenure as an outside director of the Company does not exceed six years in principle.</u>

[*Reference 2] <Independence Standards >

If outside directors and outside *company auditors* (hereinafter referred to as "outside officers") or candidates for outside officers are deemed not to fall under any of the following items as a result of investigation conducted to the extent reasonably possible by the Company, they are judged to be independent of the Company and have no risk of conflict of interest with general shareholders.

(1) A person who is an executive (*1) of the Company or an affiliated company of the Company (hereinafter referred to as the "Company Group") or who was an executive of the Company Group within the past 10 years
(2) A person whose major business partner is the Company Group (*2) or a person who is an executive thereof
(3) A major business partner of the Company Group (*3) or an executive thereof
(4) A person who provides professional services such as a consultant, certified public accountant and lawyer who receives a large amount of money or other property (*4) from the Company Group in addition to their remuneration for directors/company auditors
(5) An executive of a company that has elected an executive of the Company Group as its director/company auditor
(6) A person who receives a large amount of donation (*4) from the Company Group (if the recipient of such a large amount of donation is an organization such as a corporation or partnership, an executive of such organization)
(7) A shareholder who directly or indirectly owns 10% or more of the voting rights of the Company (if such shareholder is an organization such as a corporation or partnership, an executive of such organization)
(8) A person who has fallen under any of (2) through (7) above within the past three years
(9) A close relative (*6) of a person who falls under (2) through (7) above (a person in an important position (*5))
(10) Any other person who is likely to have a conflict of interest with general shareholders and has circumstances under which it is reasonably determined that they are unable to perform their duties as an independent outside officer

*1 "Executive" means an executive director, statutory executive officer, non-statutory executive officer, other personnel, employees, etc.
*2 A "person whose major business partner is the Company Group" means a business partner that provides products or services to the Company Group and whose transactions with the Company in the most recent fiscal year exceeded 2% of that business partner's (consolidated) net sales.
*3 A "major business partner of the Company Group" is a business partner to which the Company Group provides products or services and the transaction amount with the business partner in the most recent fiscal year exceeded 2% of the Company Group's consolidated net sales.
*4 "Large amount" in "large amount of money or other property" and "large amount of donation" means the case where the amount received is 10 million yen or more in the most recent fiscal year.
*5 "Person in an important position" means an executive director, statutory executive officer, non-statutory executive officer and other persons objectively and reasonably judged to have equal importance.
*6 "Close relatives" means the spouse, relatives within the second degree of kinship and relatives living together.

<u>The Company does not make judgments regarding the independence of outside officers solely on the basis of their term of office or tenure, and places importance on whether their independence is substantially ensured. The term of office or tenure is prescribed as a basic policy when the board of directors nominates the candidates for outside officers, and is carefully deliberated and decided upon.</u>
(Chemicals)

1 - 2 - 3. Appointment of independent outside directors

(1) Effective use of independent outside directors (Principle 4.8)

The Code establishes principles concerning the appointment of independent outside directors[43] under the comply or explain approach. Principle 4.8 goes a step further from the level required under the listing rules and specifies that at least 1/3 or more in the case of companies listed on the Price Market, and at least 2 persons or more in the case of companies listed on the Standard Market, should be appointed as independent outside directors.

43 "Independent outside director" in this White Paper means an "outside director notified as an ID/A."

First, among companies listed on the Prime Market, as shown in Chart 23, 99.2% (1,822 companies) appoint two or more independent outside directors, and almost all companies have more than one independent outside director. In addition, 92.1% (1,692 companies) of the companies listed on the Prime Market have independent outside directors of at least 1/3 (Chart 24). This represents an increase of 19.3 points from 72.8%, the percentage in TSE First Section in 2021, indicating a rapid increase in the number of appointments. It is conceivable that the move to securing 1/3 or more of independent outside directors is spreading particularly among companies listed on the Prime Market, in part due to the increased demand from institutional investors and proxy agencies following the 2021 revision of the Code. The companies listed on the Prime Market that appointed a majority of board mmembers exceeded 10% and reached 12.1 % (223 companies) (Chart 25).

Chart 23 Changes in listed companies (Prime Market) with two or more independent outside directors

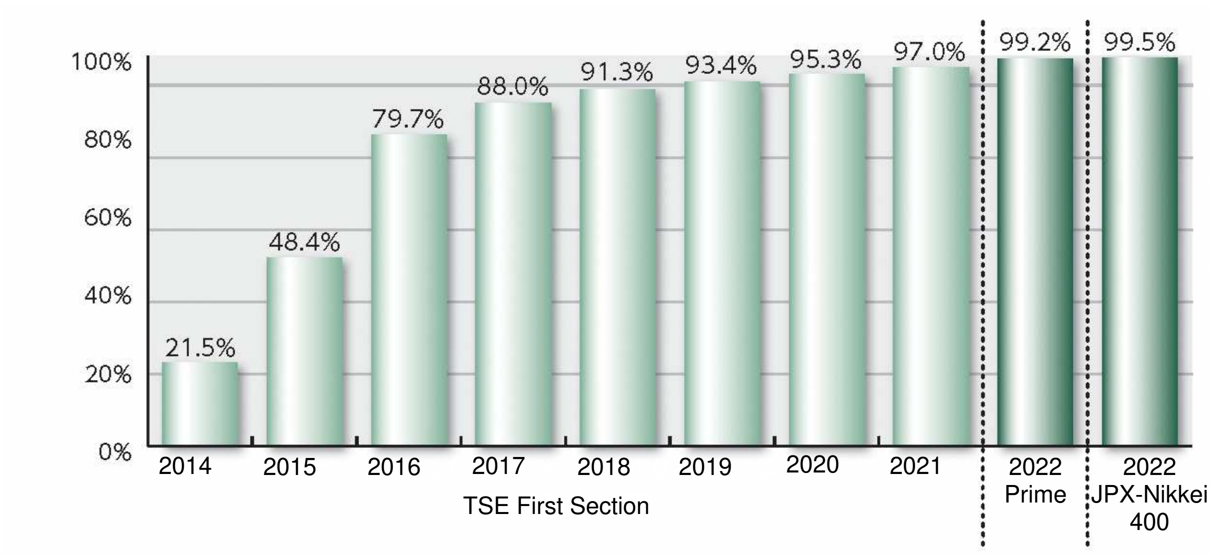


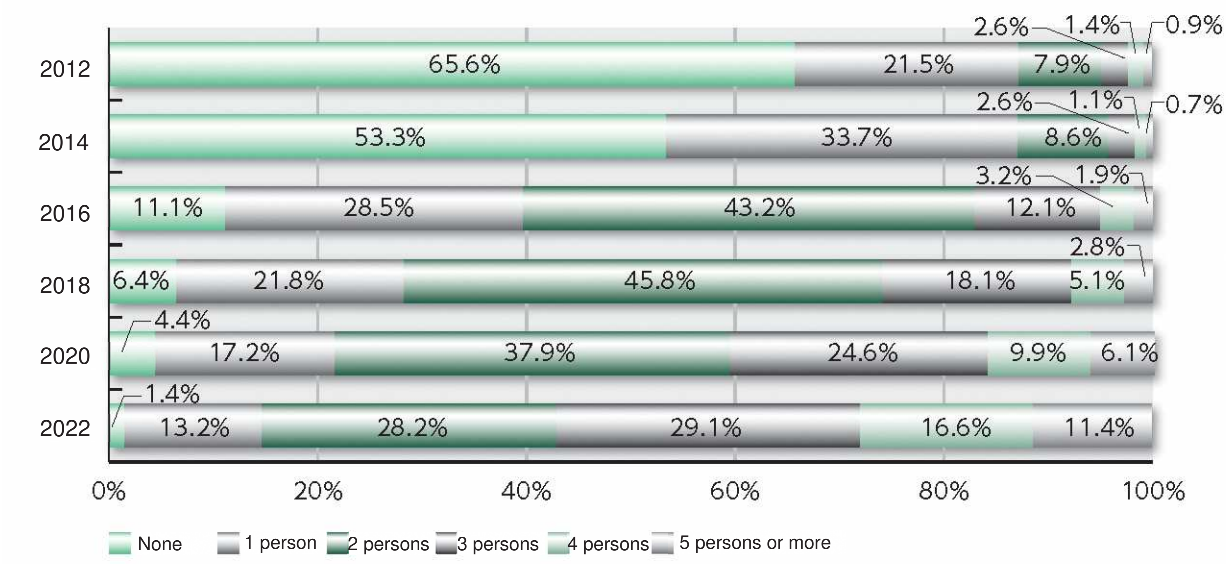
Chart 24 Changes in listed companies (Prime Market) whose independent outside directors consist of 1/3 or more

Chart 25 Changes in listed companies (Prime Market) whose independent outside directors consist of a majority

(2) Number of independent outside directors

Among all TSE-listed companies, 98.6% (3,716 companies) have independent outside director(s), an increase of 3.0 points from 95.6% in the previous survey (Chart 26). Companies with 2 or more independent outside directors accounted for 85.4% of all TSE-listed companies, up 6.9 points from 78.5% in the previous survey. The number of companies with 3 or more independent outside directors increased significantly by 16.6 points to 57.1% (2,154 companies) from 40.5% in the previous survey. The reasons for this include the fact that an increasing number of companies are seeking to appoint outside directors with diverse knowledge, experience, and abilities in order to ensure diversity among directors and enhance discussion on the board of directors, and the fact that the Code revision in 2021 requires Prime Market-listed companies to appoint independent outside directors with a ratio of at least 1/3.

Chart 26 Status of number of independent outside directors (TSE-listed companies)



By market segment, the percentage of companies with independent outside director(s) is 99.9% (1,835 companies) in the Prime Market, 97.3% (1,416 companies) in the Standard Market, and 97.5% (465 companies) in the Growth Market. The ratio of the companies in the JPX-Nikkei 400 constituents that have appointed an independent outside director is 100.0% (399 companies) (Chart 27).

The average number of independent directors per company is 2.88. By market segment, the number is 3.64 in the Prime Market, 2.18 in the Standard Market, and 2.04 in the Growth Market. The number is 4.28 for JPX-Nikkei 400 constituents, which is higher than these segments (Chart 28).

Chart 29 shows the percentage of companies by market segment in which the number of independent outside directors accounts for 1/3 or more on the board of directors. The percentage of companies for which the ratio is 1/3 or more increased significantly in each market, to 69.2% (2,608 companies) for all TSE-listed companies (47.6% in the previous survey). In the JPX Nikkei 400 constituents, the percentage of companies in which independent outside directors account for 1/3 or more of the total is 95.0% (379 companies), which is 2.9 points higher than 92.1% in the Prime Market. The percentage of companies in which they consisted a majority also increased in each market, with 9.2% (345 companies) in all TSE-listed companies. As for JPX-Nikkei 400 constituents, the percentage reached 17.0% (68 companies), which is 4.9 points higher than that of the Prime Market (12.1%).

Chart 27 Number of Independent Outside Directors Appointed (by Market Segment)

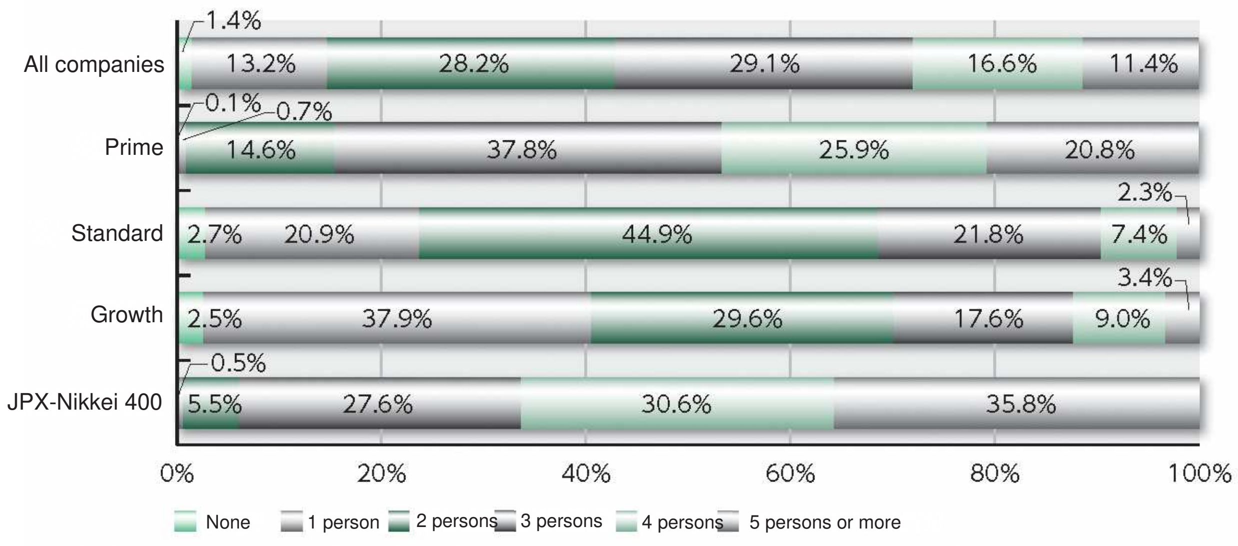
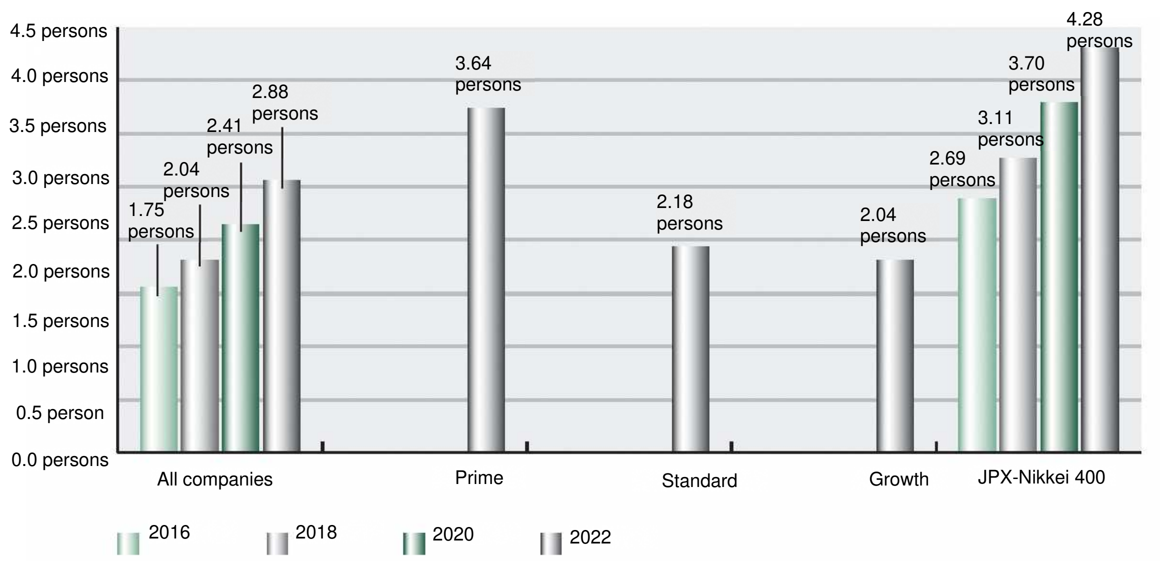


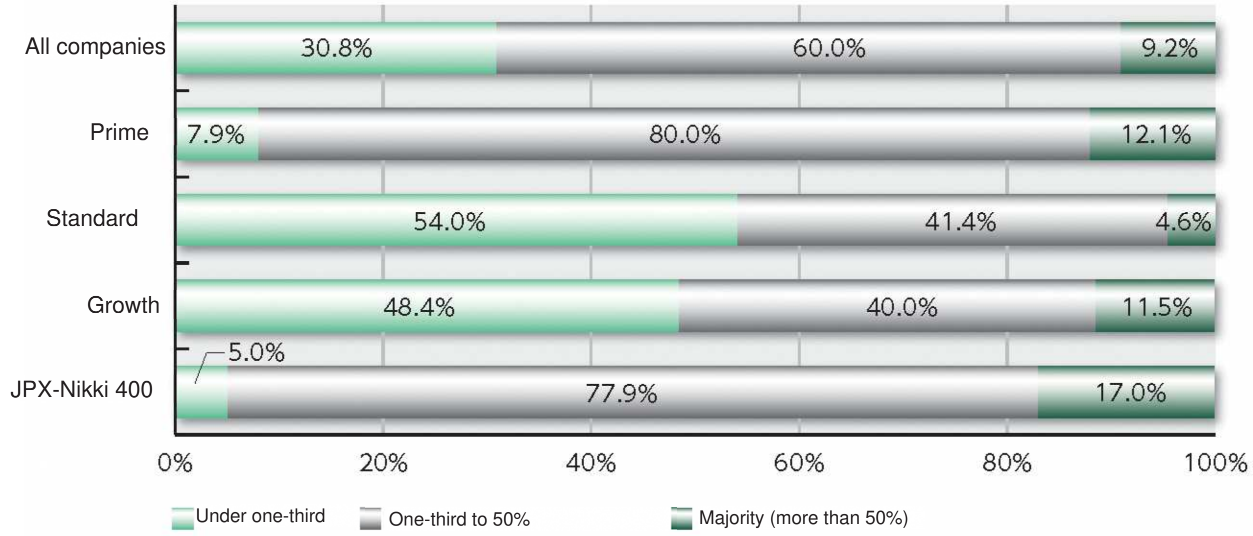
Chart 28 Average Number of Independent Outside Directors (by Market Segment)



1

2. Appointment of independent outside directors

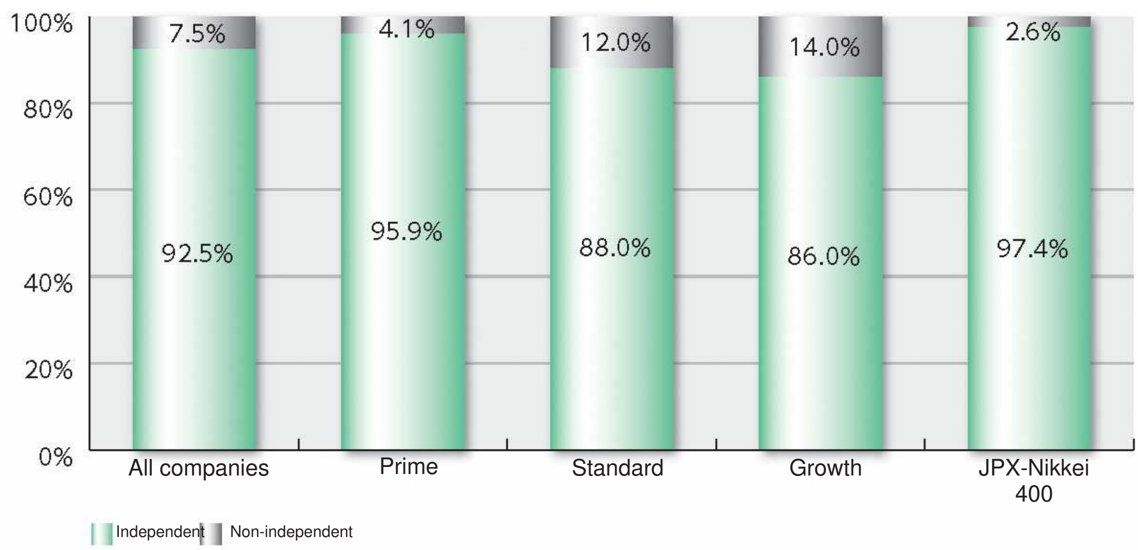
Chart 29 Ratio of Independent Outside Directors on the Board (by Market Segment)



(3) Ratio of independent directors among outside directors

The CG Report requires companies to provide information on the number of outside directors designated as independent officers. The percentage of independent outside directors among outside directors is 95.9% in the Prime Market, 88.0% in the Standard Market and 86.0% in the Growth Market, according to market segment (Chart 30). Among JPX-Nikkei 400 constituents, the percentage has reached 97.4%. Among the total 11,717 outside directors appointed by 3,770 TSE-listed companies, 92.5% of the outside directors (10,840 persons) were notified as independent officers.

Chart 30 Percentage of Independent Outside Directors among Outside Directors (by Market Segment)



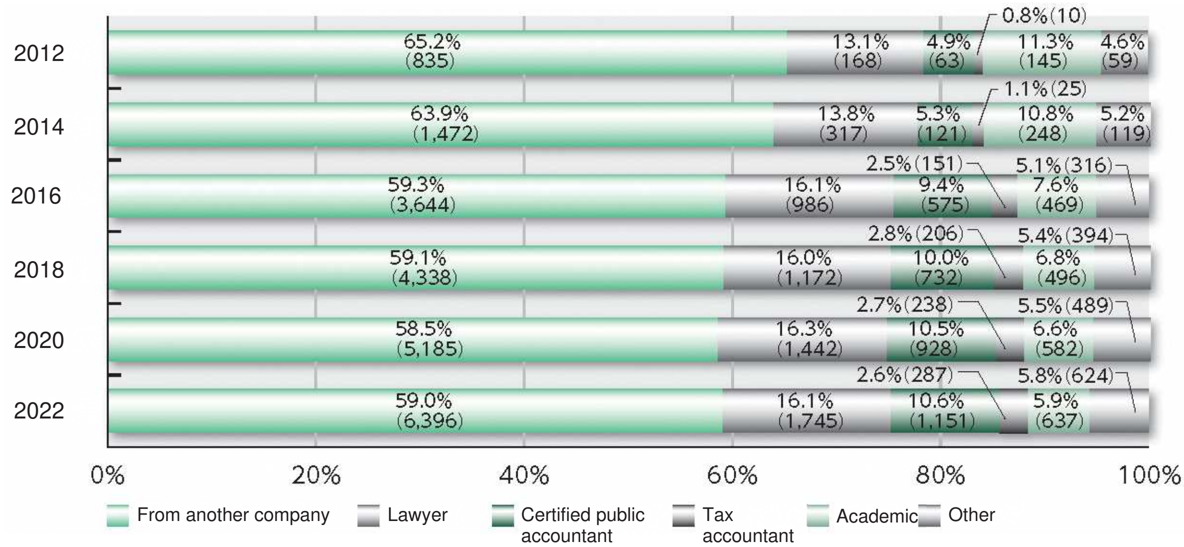
(Note) The total number of outside directors in each segment is 6,978 (Prime Market), 3,610 (Standard Market), 1,129 (Growth Market) and 1,753 (JPX Nikkei 400 constituents), and directors notified as independent officers are regarded as "independent" and others are regarded as "non-independent" and the ratio in each segment is calculated.

(4) Attributes of outside directors

The CG Report requires listed companies to specify each outside director's attribute by choosing one of the following: "from another company[44]," "lawyer," "certified public accountant," "tax accountant," "academic" and "other."

For TSE-listed companies overall, the percentage is high for "from another company." The ratio has remained unchanged at around 60% since the Code was formulated, but the number has increased significantly as follows: 65.2% (835) in 2012, 63.9% (1,472) in 2014, 59.3% (3,644) in 2016, 59.1% (4,338) in 2018, 58.5% (5,185) in 2020 and 59.0% (6,396) in 2022 (Chart 31). With respect to "lawyers" which has the next highest proportion, the ratio has remained unchanged in recent years but the number has increased significantly as follows: 13.1% (168) in 2012, 13.8% (317) in 2014, 16.1% (986) in 2016, 16.0% (1,172) in 2018, 16.3% (1,442) in 2020 and 16.1% (1,745) in 2022.

Chart 31 Attributes of Outside Directors (TSE-listed companies)



1 - 2 - 4. Independent directors/auditors

(1) Appointment of independent directors/auditors

The independent directors/auditors (ID/A) system was introduced with the aim of appropriately protecting the interests of "general shareholders," who are essential stakeholders for listed companies as they play an important role in providing liquidity to the stock market and providing a price discovery function. An ID/A refers to an outside director or outside *company auditor** who is unlikely to have conflicts of interest with general investors. TSE stipulates these as "matters to be observed"[45] that are subject to measures to ensure effectiveness in the Code of Corporate Conduct of the Securities Listing Regulations (Chapter 4, Section 4), and requires listed companies to have at least one ID/A to protect general shareholders[46].

(*) The term "*Kansayaku*" in Japanese can be translated into English as "an Audit and Supervisory Board Member", "a Company Auditor," "a Statutory Auditor" or simply "an Auditor." In this document, to prevent any potential confusion with other phrases, the term "a Company Auditor" will be used specipically when referring to "*Kansayaku.*" Additionally, the term "Independent Directors/Auditors" or "an ID/As" will be used when referring to "*Dokuritsu-yakuin,*" which

44 "From another company" refers to a person who works or has experience in working for another company.
45 Rule 436-2 of the Securities Listing Regulations.
46 Paragraph 1 of the same Article.

encompasses both independent directors and company auditors.

Listed companies have an obligation to designate at least one person from among outside directors or outside company auditor as an iID/A, and submit an “ID/A notification” as stipulated by TSE that describes the information of ID/A and the number of ID/A(s) is also required to be stated in the CG Report.

Chart 32 shows the distribution of the number of ID/As. Only 109 companies (2.9%) have secured only 1 ID/A, and 3,658 companies (97.0%) have at least 2 ID/As. The aggregate number of persons notified as ID/A is 15,592 persons, and the average number of ID/A secured per listed company is 4.14 persons. In terms of the trend over time, the number of companies with 3 or fewer ID/As is decreasing, while the number of companies with 4 or more ID/As tends to be increasing.

Chart 33 shows the number of ID/As by market segment. The number is highest in the Prime Market with an average of 4.95 persons. This is followed by 3.65 in the Growth Market and 3.26 in the Standard Market. In the JPX-Nikkei 400 constituents, the average number of ID/As is 5.88, 0.93 above the average in the Prime Market.

Of the independent officers, 10,840 in total are outside directors (69.5% of all independent officers) and 4,752 are outside *kansayaku* (30.5% of all independent officers) (Chart 34).

Chart 32 Number of ID/As

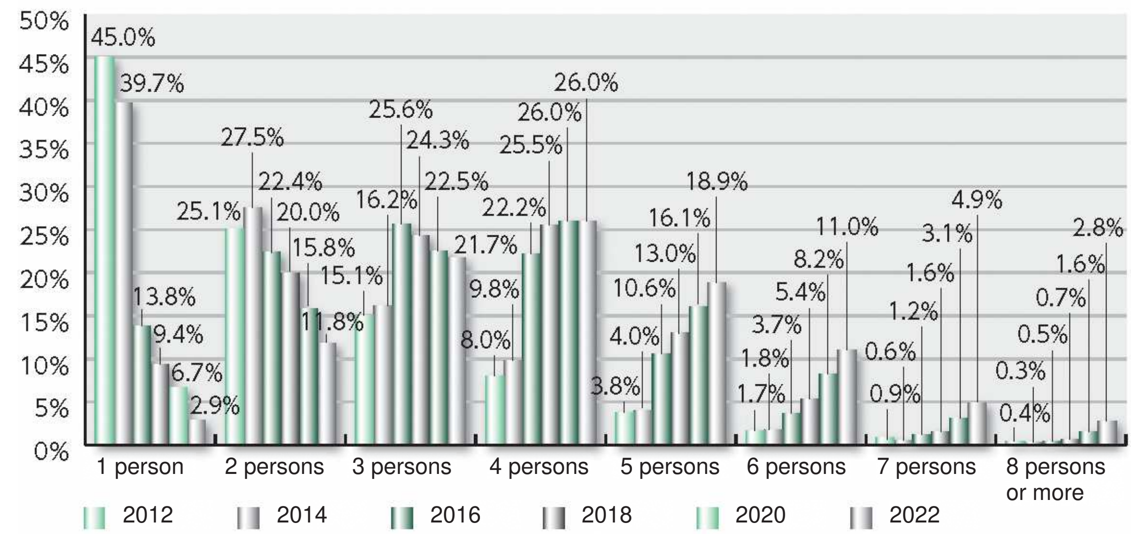


Chart 33　Average Number of ID/As (by Market Segment)

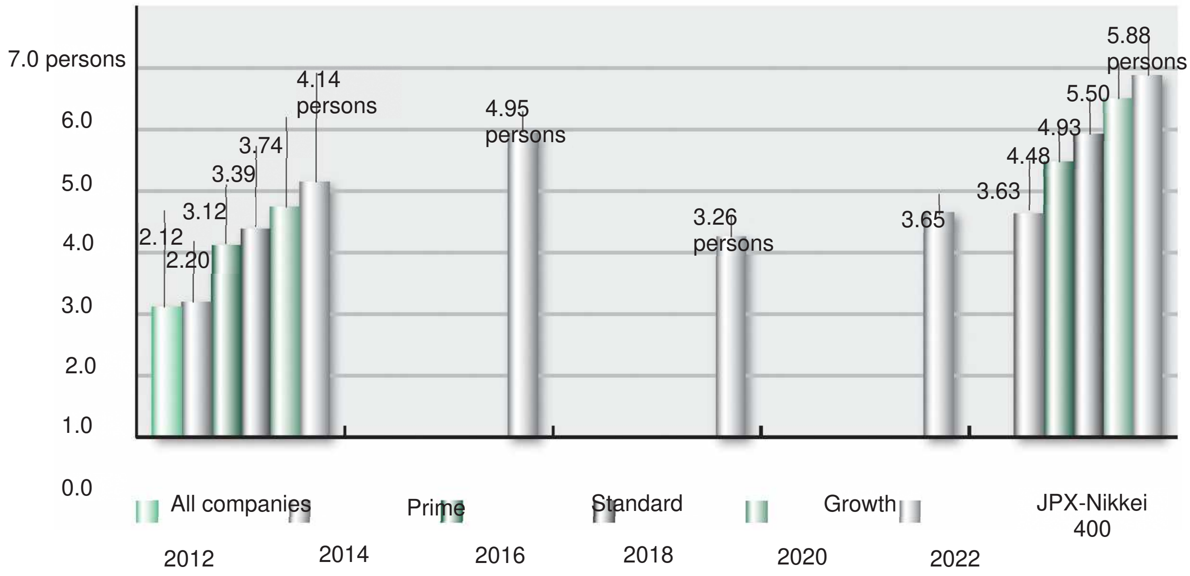
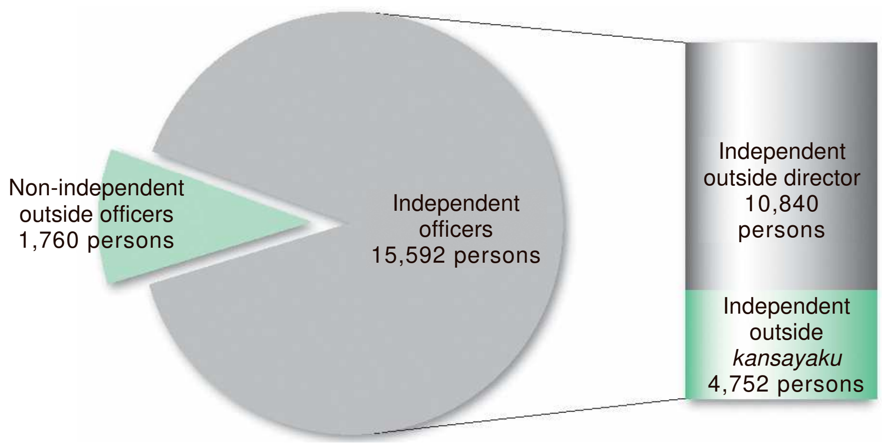


Chart 34　Attributes of ID/As



(2)　Attributes of ID/As

Chart 35 shows the percentage of ID/As among outside officers who fall under the relevant attribute, by each attribute of all outside officers[47]. The ratio of ID/As was lowest for “persons from other companies” (86.3%), followed by “tax accountant” (90.0%). This is believed to be the effect of the presence of parties who are in conflict or could be in conflict with independence standards among outside officers, such as business-executing employees of major business partner or tax professionals, etc., that acquire a high amount of financial compensation other than officer remuneration from listed companies.

47　Refers to outside directors and outside company auditor.

Chart 35　Ratio of ID/As to All Outside Officers (by Attribute)

(3)　Relationship between Outside Officers and Company, etc.

Listed companies are required to designate persons who are “unlikely to have conflicts of interest with general shareholders” as ID/As from among outside officers. Although independence needs to be primarily judged by listed companies substantively, TSE provides in its “Guidelines Concerning Listed Company Compliance, etc.” as the factors for determining the independence the cases where there is typically a risk of a conflict of interest with general shareholders (so-called “independence criteria”). In light of this, listed companies are required to state in their CG Reports the status of applicability of the independence criteria to ID/As and outside officers not designated as ID/As, and other factual circumstances that could be determined to pose a conflict of interest with general shareholders (attribute information). Specifically, if an officer or their close relative has currently or has had in the past a relationship with the company, etc., as shown in Chart 36, disclosure to that effect is required.

Chart 36 Relationships with Companies, etc., that Need to be Disclosed in the CG Report

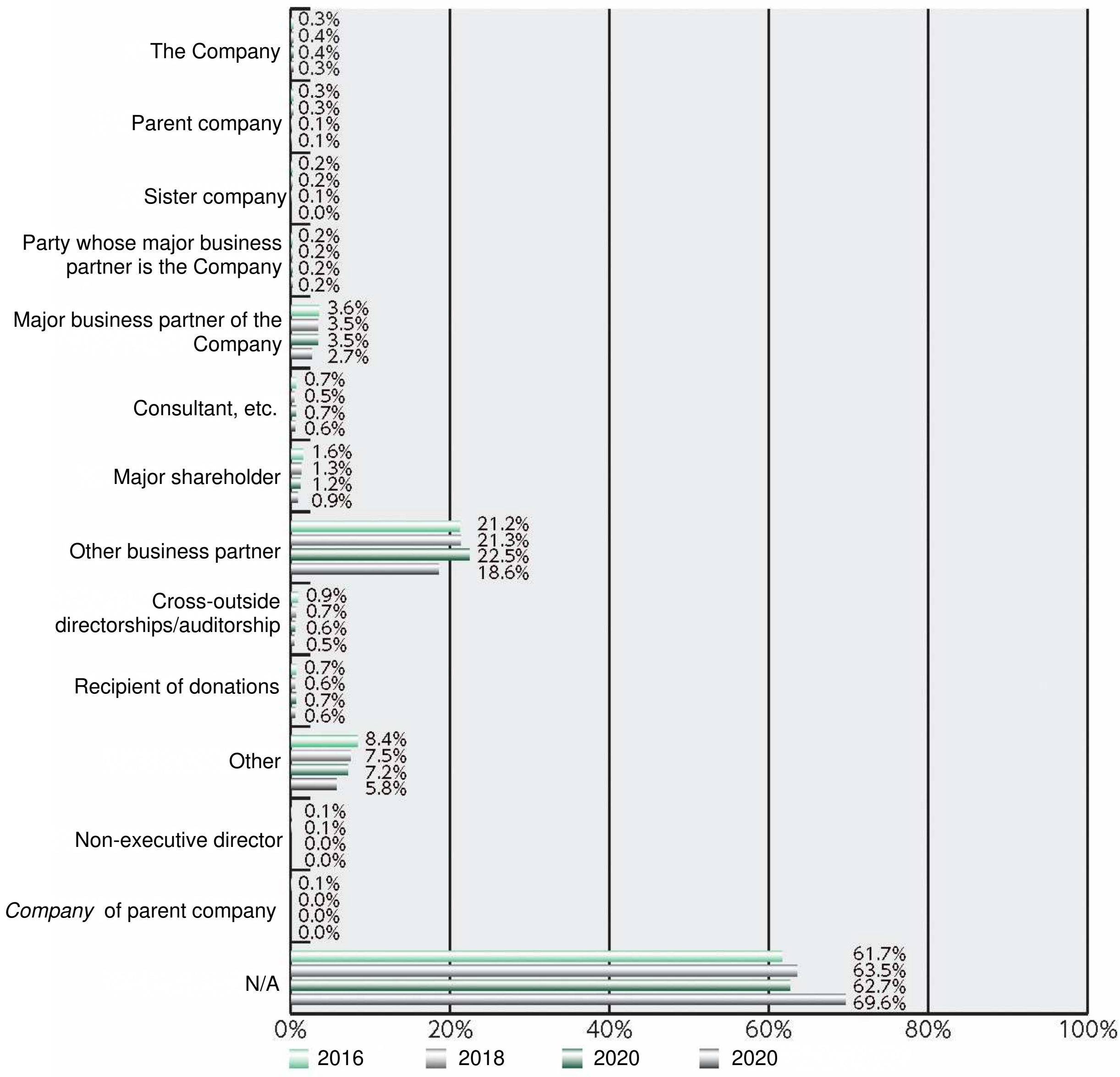
	Graph item	Item description
a	The Company	An executive of a listed company in question ("the Company") or its subsidiary
b	Parent company	An executive or a non-executive director of the parent company of the Company
c	Sister company	An executive of a sister company of the Company
d	Party whose major business partner is the Company	A party whose major business partner is the Company or an executive thereof
e	Major business partner of the Company	A major business partner of the Company or an executive thereof
f	Consultant, etc.	Consultant, accounting professional, or legal professional who receives a large amount of money or other assets from the Company aside from officer's remuneration
g	Major shareholder	A major shareholder of the Company (or an executive thereof, if such a shareholder is a corporation)
h	Other business partner	An executive of a client or supplier of the Company (except d, e, and f) (applicable only to the officer in question)
i	Cross-outside directorships/auditorships	An executive of a company which holds cross-ouside directorships/auditorships with the Company(applicable only to the officer in question)
j	Recipient of donations	An executive of a recipient of donations from the Company (applicable only to the officer in question)
k	Other	
l	Non-executive director (Items unique to outside *company auditor*)	A non-executive director or accounting advisor of the Company or its subsidiary
m	Company auditor of parent company (Items unique to outside *company auditor*)	A company auditor of the parent company of the Company

Chart 37 shows the relationship between ID/As and company. The most common selection was “not applicable” (69.6%) as none of the selections applied. “Other business partners” accounted for 18.6% of the applicable category, which is by far the highest in comparison with other categories. Other items with high ratios include “others” (5.8%) and “major business partners of listed companies” (2.7%), but their ratios are considerably lower than “other business partners.”

In addition, among the relevant items in Chart 37, Chart 38 shows the category under which the relationship with the company falls among “officer himself/herself (currently/recently),” “officer himself/herself (past),” “close relative (currently/recently),” or “close relative (past).”

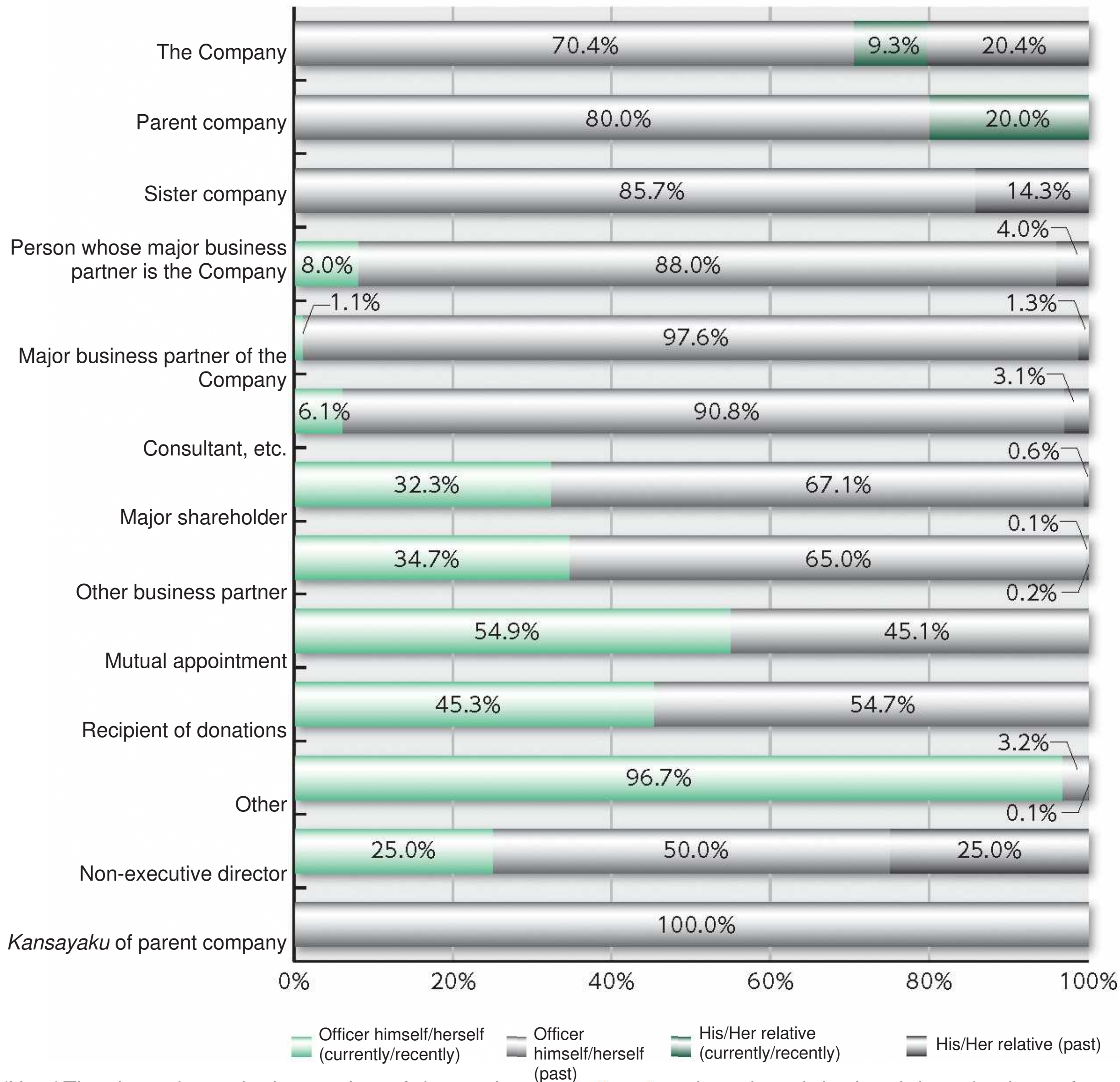
If we look at “other business partners” whose ratio stood out in Chart 37, “officer himself/herself (past)” accounts for 65.0%, a majority.

Chart 37 Relationship between Outside Officers and Company



(Note) The number of times when items a through m shown in Chart 36 are selected and the number of “not applicable” are summed, and the percentage occupied by each item is calculated for each year.

Chart 38 Relationship Between Outside Officers and Company (Officers/Close Relative)



(Note) The denominator is the number of times when each item is selected, and the breakdown is shown for "officer himself/herself (currently/recently)," "officer himself/herself (past)," "close relative (currently/recently)," and "close relative (past)." The number of time when "Company auditor of parent company" is selected (denominator) is 1.

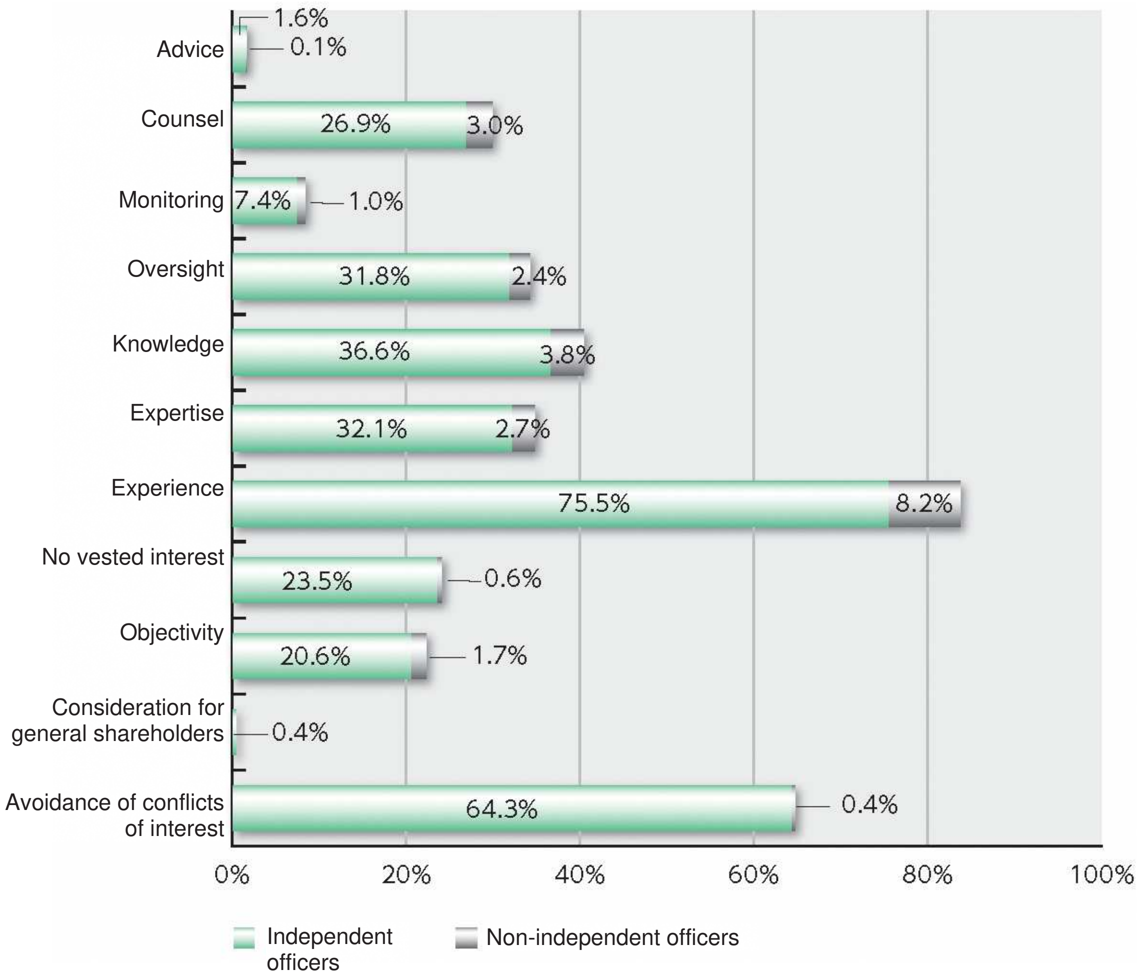
(4) Description of reason for designation of ID/As

In the CG Report, individual reasons for appointing outside officers are required to be stated, and if the outside officer is designated as an ID/A, the reasons therefor are also required to be stated. First, looking at the descriptions of all outside officers (17,352 in total), the frequently appearing keywords were the person's experience (83.7%), insight (40.4%) and expertise (34.8%) and there were many descriptions with respect to the abilities, qualities and experiences of the individual. In addition, there were many explanations for ensuring neutrality, such as avoidance of conflicts of interest (64.7%), no conflicts of interest (24.1%), and objectivity (22.3%) (Chart 39).

On the other hand, as to functions expected of outside officers, keywords indicating monitoring functions, such as supervision (34.2%) and monitoring (8.4%), as well as descriptions indicating advisory functions, such as advice (29.9%), were fairly common (Chart 39).

Keyword analysis based on whether or not they are ID/As reveals more pronounced differences between ID/As and non-ID/As on reasons related to neutrality, such as avoidance of conflicts of interest (ID/As 64.3%, non-ID/As 0.4%), no conflicts of interest (ID/As 23.5%, non-ID/As 0.6%), and objectivity (ID/As 20.6%, non-ID/As 1.7%), suggesting that ensuring neutrality is an intended reason for designating an ID/A.

Chart 39 Analysis of Reasons for Appointment of Outside Officers and Designation of ID/As



1 - 2 - 5. Concurrent positions by directors and *company auditors* (Supplementary Principle 4.11.2)

Supplementary Principle 4.11.2 stipulates that “directors and *kansayaku* (company auditor) should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and *company auditor* also serve as directors, *company auditor* or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.” In terms of concurrent positions by directors and *company auditor*, because “significant concurrent positions” have been required to be stated in the business reports, the compliance rate of this Supplemental Principle by companies listed on the Prime Market and

Standard Market is 99.9% (3,291 companies). In addition, many disclosures in CG Reports refer to other disclosure media, such as "please refer to the notice of convocation of the general meeting of shareholders for information on the status of concurrent positions held by officers." Keyword analysis also showed that of the 3,291 companies listed on the Prime and Standard Markets complying with such Supplemental Principle, 74.0% (2,434 companies) included the keyword "general meeting of shareholders" and 69.9% (2,302 companies) included the keyword "convocation (convocation notice, notice of convocation, etc.)." In addition, 15.4% (507 companies) clearly stated a website URL.

Furthermore, 29.9% (984 companies) mentioned "reasonable (reasonable scope, etc.)." 3.2% of the companies (105 companies) disclosed specific figures regarding the upper limit or a guide for the number of concurrent positions, and the breakdown is as follows: 13 companies set a limit of "2 or 3 concurrent positions," 52 companies set a limit of "4 concurrent positions," 33 companies set a limit of "5 concurrent positions," and 7 companies set a limit of "6 or more concurrent positions," including the relevant company. In addition, there were also companies that stated that another company's offer shall be notified to the board or be approved by the board in advance for appointment of an officer. In terms of attendance, some companies clearly stated that "an attendance rate of at least 75% should be ensured."

Chart 40 displays the current state of concurrent positions held by outside directors and outside *kansayaku* at all 3,745 listed companies (as of December 6, 2022). While the total number of outside directors and outside *kansayaku* is 14,277[48], in most cases they are an independent outside director or independent outside *kansayaku* of one company, and the number thereof was 11,873 (83.2%). 1,789 (12.5%) had concurrent positions at 2 companies, 495 (3.5%) had concurrent positions at 3 companies, 98 (0.7%) had concurrent positions at 4 companies, 19 (0.1%) had concurrent positions at 5 companies, and 3 had concurrent positions at 6 companies.

Chart 40 Concurrent Positions by Outside Directors and Outside *Kansayaku*

	As of December 2022		As of December 2020	
Number of concurrent positions	Number of persons	Composition ratio	Number of persons	Composition ratio
7 companies			1 person	0.0%
6 companies	3 persons	0.0%	1 person	0.0%
5 companies	19 persons	0.1%	17 persons	0.1%
4 companies	98 persons	0.7%	17 persons	0.7%
3 companies	495 persons	3.5%	446 persons	3.2%
2 companies	1,789 persons	12.5%	1,655 persons	12.0%
1 company	11,873 persons	83.2%	1,655 persons	83.9%
TOTAL	14,277 persons	100.0%	13,772 persons	100.0%

Looking at individual examples, Example 1 is an example of a company requiring an attendance rate of 80% or more and limiting the number of concurrent positions in principle to three companies as criteria for appointment to ensure sufficient time for the execution of responsibilities as a director. Example 2 refers to the possibility that serving concurrently as an officer of another listed company

48 Based on SPEEDA data as of December 6, 2022, individuals are identified and aggregated based on name and date of birth.

can broaden knowledge and have a positive impact on business decisions. Example 3 is an example of a company requiring an attendance of 75% or more for board meetings, and 100% attendance for any optional nomination committee/remuneration committee meeting (in case of Executive Appointment Meeting and the Executive Compensation Meeting). Outside directors are expected to play a central role not only in attending board meetings but also in discussions and consideration concerning nomination and remuneration. From the perspective of ensuring effective corporate governance, the trend of requiring outside directors to attend board meetings, including optional committees, seems likely to continue to grow. In addition, as in Example 4, there is also an example of a company that stated that the current state of concurrent positions was within a reasonable scope in consideration of the actual attendance rate for the board.

<Example 1: Specific status of concurrent positions is disclosed and the attendance rate of 80% or higher and a limit on the number of concurrent positions are referred to>

<u>For the selection standards for Outside Directors, the Company's Nomination Committee stipulates that individuals must “be able to spend sufficient time to perform their duties”, and carefully reviews the status of concurrent positions when selecting candidates. The status of concurrent positions held by directors appointed at the 118th General Meeting of Shareholders is as follows.</u>

<u>Furthermore, the Company requires all Directors to have an attendance rate of at least 80%, and in order to realize this, as a general rule Directors should aim to hold concurrent positions (positions as Officers as stipulated in the Companies Act) at no more than three companies other than the Company.</u>

Major concurrent positions (as of July 1, 2022)

・●● ●● (Outside Director)
●● Co., Ltd. (representative director), ●● Co., Ltd. (outside director), ●● Co., Ltd. (outside director), ●● Co., Ltd. (outside director), ●● Co., Ltd. (outside director) (5 companies in total, and out of which 2 concurrent positions as officers in listed companies)

・●● ●● (Outside Director)
●● Co., Ltd. (representative director), ●● Co., Ltd. (outside director), ●● Co., Ltd. (outside director), ●● Co., Ltd. (outside director) (4 companies in total, out of which 3 concurrent positions as officers in listed companies)

・●● ●● (Outside Director)
●● Co., Ltd. (advisor), ●● Co., Ltd. (outside director)

・●● ●● (Outside Director)
●● Co., Ltd. (representative director), ●● Co., Ltd. (outside director) (2 concurrent positions as officers in listed companies)

・●● ●● (Outside Director)
●● Co., Ltd. (chairperson and representative director, and chairperson of board of directors), ●● Co., Ltd. (outside director) (2 concurrent positions as officers in listed companies)

・●● ●● (internal director, chairperson and statutoryexecutive officer)
●● Co., Ltd. (outside director) (one concurrent position as officer in listed company)

(Electrical appliances)

<Example 2: The possibility that serving concurrently as an officer of another listed company can have a positive impact on business decisions is referred to>

With respect to internal officers, currently there are only concurrent positions as officers of our group companies. <u>The Company believes that it is desirable for directors and *kansayaku* of the Company to focus their efforts on the Company, but does not exclude the concurrent position as long as it is not an excessive because serving as an officer of another listed company can broaden their knowledge and have a positive impact on management decisions in the Company.</u> ●●●●, an outside director, is concurrently serving as a representative director of ●● Co., Ltd., an outside director of ●● Co., Ltd. and an outside *kansayaku* of ●● Co., Ltd., ●●●● is concurrently serving as an outside director of ●● Co., Ltd., ●●●● is concurrently serving as a representative director of ●● Co., Ltd., ●●●● is concurrently serving as an outside director and member of audit committee of ●● Co., Ltd., outside director of ●● Co., Ltd. and outside director of ●● Co., Ltd., ●●●●, an outside *kansayaku*, is concurrently serving as an outside director of ●● Co., Ltd. and outside *kansayaku* of ●● Co., Ltd., and ●●●●, an outside director, is scheduled to be appointed as an outside *kansayaku* of ●● Co., Ltd. as of June 28 of this year, but

there are no special business relationships between the Company and each of such companies.
(Wholesale trade)

<Example 3: 75% or more attendance at the board of directors meetings and 100% attendance at the nomination committee and remuneration committees are expressly stated>

Concurrent positions held by directors and *kansayaku*: The status of significant concurrent positions held by directors and *kansayaku* is disclosed annually in the notice of convocation and the annual securities report, etc. In addition, when selecting candidates for outside directors and outside *kansayaku*, we make decisions from the perspective of whether they can appropriately fulfill their roles and responsibilities as directors and *kansayaku* of the Company, including attending meetings of the board of directors and the board of company auditors. For this reason, the Company especially confirms with the candidates for part-time Outside Directors/Outside Audit & Supervisory Board Members whether they are able to attend at least 75% of the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board (in the case of Outside Audit & Supervisory Board Members) before their appointment. Furthermore, Outside Directors (candidates) must, in principle, be able to maintain 100% attendance as members for the Executive Appointment Meeting and the Executive Compensation Meeting. Taking into account the time required to be devoted to duties as the Company's Member of the Board of Directors or Audit & Supervisory Board Member, the Company sets a limit on the number of companies, in principle, for which Members of the Board of Directors and Audit & Supervisory Board Members are allowed to concurrently serve, either as officers or in some other capacity (appointment as officers of listed companies, etc.), of up to four companies not including the Company.
(Pharmaceuticals)

<Example 4: It is expressly stated that the attendance rate of officers having concurrent positions is 100%>

Status of concurrent positions by directors and *kansayaku*: One an outside *kansayaku* of the Company (as of the end of January 2022) concurrently serves as an officer of a listed company, and the attendance rate of the officer having concurrent position at the board of directors and the board of company auditors of the Company in the fiscal year ended January 2022 was 100%, and we believe that they are appropriately performing the duties of *kansayaku*. The status of significant concurrent positions at other companies held by outside directors and outside *kansayaku* is disclosed in the annual securities report and the notice of convocation of the general meeting of shareholders.
(Wholesale trade)

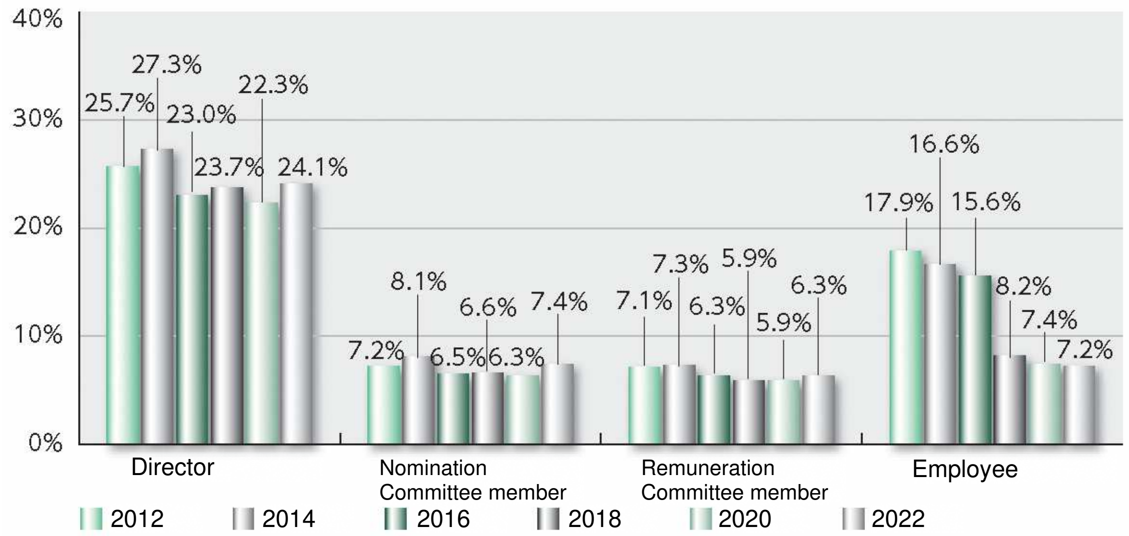
1 - 2 - 6. Status of concurrent positions by directors and statutory executive officer

Among TSE-listed companies that are Companies with Three Committees, the average number of statutory executive officer per company was 10.3 persons. The average number of statutory executive officer with representative authority was 1.9 persons per company, accounting for 18.1% of all statutory executive officer. Statutory executive officer can concurrently serve as directors[49], and 24.1% of statutory executive officer serve concurrently as directors. Furthermore, 7.4% of statutory executive officer concurrently serve as directors on the nomination committee and 6.3% as directors on the remuneration committee (Chart 41). As for audit committees, statutory executive officer are prohibited to concurrently assume a position as committee members[50].

Regarding the status of concurrent positions held by statutory executive officer and employees, 7.2% of statutory executive officer also hold positions as employees, but the figure is declining year by year. From the perspective of strengthening governance, there has been an increase in the number of non-statutory executive officer working on delegation contracts rather than employment contracts. From the same perspective, with respect to statutory executive officer, one factor may be the recent increase in the number of companies that have removed the requirement to hold concurrent positions as employees.

49 Article 402, Paragraph 6 of the Companies Act.
50 Article 400, Paragraph 4 of the Companies Act.

Chart 41　Positions Held Concurrently by statutory executive officer



1 - 2 - 7.　Support system for outside officers

The CG Report requires listed companies to describe sections and personnel responsible for supporting outside directors and outside *kansayaku* (and whether there are dedicated personnel) and the details of this support if applicable, as well as an overview of the information communication system for outside directors and outside *kansayaku*.

Looking at details of descriptions, many companies stated that the Secretariat of the Board is responsible for supporting outside directors while the Secretariat of the Board of Company Auditors is responsible for supporting outside *kansayaku*, that materials related to agendas of the board are sent in advance, and that supplementary explanations are conducted by the secretariat as necessary.

Descriptions regarding outside directors included providing the opportunities to understand the situation through visits to business sites, as well as contact with site managers, etc. Furthermore, some companies stated that outside directors are entitled to seek opinions of external experts, such as lawyers, certified public accountant, consultants, etc., at the expenses of company when needed. There were also statements that outside *kansayaku* attended meetings, etc., where the status of business, etc., was reviewed, and that information was provided through meetings with full-time *kansayaku* who were familiar with internal affairs.

Moreover, there were descriptions of the establishment of dedicated liaison meetings such as an “outside officers liaison meeting” as a forum for advance explanations of board agendas, information provision, and information exchange. Furthermore, because outside directors also include foreign nationals, some companies also described responses such as preparing English versions of board materials that are distributed to the applicable directors in advance, and making sure to offer simultaneous interpreting when applicable directors attend the board, the general shareholders’ meeting, etc.

1 - 2 - 8.　Training policy for directors and *kansayaku* (Supplementary Principle 4.14.2)

Principle 4.14 states that “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" and that listed companies "should provide and arrange training opportunities suitable to each director and *kansayaku* along with financial support for associated expenses." Furthermore, Principle 4.14.2 states that "companies should disclose their training policy for directors and *kansayaku*".

Although there had been no provisions on training for officers in exchange regulations, etc., or requirements for disclosures in the CG Report, etc., until the formulation of the Code, the compliance rate for Supplementary Principle 4.14.2 is high at 96.1% (3,164 companies) in the Prime Market and the Standard Market, with a backdrop that practices such as the provision of various forms of training including compliance training for newly-appointed officers and opportunities for company briefings for outside officers had already been instilled at many companies.

Many of the disclosures based on this Supplemental Principle state that "our policy is that directors and *kansayaku* utilize external seminars, etc., to obtain and appropriately update necessary knowledge and strive to improve their skills." Of the 3,164 companies listed on the Prime Market and Standard Market that complied with the said Supplemental Principle, 74.9% (2,370 companies) specified "external seminars and training, etc." as a training method, and some specified a specific organization to host the seminars. In addition, some companies also mentioned the provision of books, e-learning, etc. Moreover, there are many companies stating that the company covers expenses, and 38.0% (1,203 companies) mention expenses.

In addition, there were also companies that change the contents of training depending on the attributes of officers (inside, outside, etc.). Such companies have disclosures stating that opportunities were provided to newly appointed inside officers to learn basic knowledge as directors and to newly appointed outside officers to deepen their understanding of the company through on-site visits including factory tours.

27.4% (867 companies) stated "laws (laws and regulations, Companies Act, legal responsibility, etc.)" as the keyword for the content of training. 32.5% (1,027 companies) mentioned "finance and accounting," 19.4% (613 companies) mentioned "corporate governance," and 13.1% (413 companies) mentioned "compliance." Other keywords include "economy", "leadership", "internal control", "risk management" and "sustainability (ESG)". In relation to outside officers, some companies stated that they provided explanation on the company's "organization" and "industry trends" along with observation, etc. of plants and offices.

Chart 42 Keywords Related to Officer Training

Item	Number of companies	Ratio
Companies complying with Supplementary Principle 4.14.2	3,164	100.0%
External seminars and training, etc.	2,370	74.9%
Expenses	1,203	38.0%
Law (laws and regulations, Companies Act, legal responsibility, etc.)	867	27.4%
Finance and accounting	1,027	32.5%
Corporate governance	613	19.4%
Compliance	413	13.1%

Looking at individual cases, Example 1 is a case that discloses not only the training policy but also the specific content and performance, etc., of training in detail. Example 2 is a case disclosing that a “Director Training MAP” is prepared and training opportunities are provided so that directors can select and take training effectively and efficiently. Example 3 is a case in which the training policy is described for each target group: “Directors (excluding outside directors),” “outside directors,” and “*kansayaku*.” Directors other than outside directors are offered opportunities for training on the topics of corporate value and shareholder value after their appointment, in addition to basic training on the duties and responsibilities of directors. Outside directors and *kansayaku* are briefed on industry trends and the status of the company, and are offered training opportunities hosted by external organizations as necessary after taking office. Example 4 shows a policy to hold seminars for outside officers to deepen their understanding of management issues and management visions, goals and issues of the departments for which they are responsible. In addition, the company discloses that it offers internal candidates for senior management the opportunity to participate in management executive development courses, such as external MBAs, for the purpose of acquiring the knowledge, etc., required for senior management as prescribed by the company, and positions such courses as part of the development of successors.

<Example 1: Contents of training of officers are disclosed in details>

In order to deepen the understanding of the Company’s business activities and business environment, enhance discussions at the board of directors and exercise supervisory functions, various training sessions and opportunities for interaction with executive divisions (statutory executive officer and employees, etc.) are planned and implemented.

1. Training sessions for outside directors

With respect to newly appointed outside directors, prior to the assumption of office, the Company explained its corporate profile, corporate philosophy, management status, matters related to corporate governance and various regulations related to officers.
After the assumption of office, statutory executive officer in charge and the secretariat held a total of 15 explanation meetings with respect to business activities, trends in the pharmaceutical industry, business environment, and the activities of each committee in order to deepen the understanding of the Company. Directors other than newly appointed directors voluntarily participated in this training sessions for the purpose of updating information.
An external lecturer shared information and discussed the latest corporate governance issues.
Compliance training was conducted for internal directors and statutory executive officer once in each of the first and second half of the fiscal year, and outside directors participated in the training voluntarily.

2. Communication with statutory executive officer

In fiscal 2021, as communication with statutory executive officer, information sharing and discussions on several topics related to the status of sustainability initiatives were implemented ((i) information on the background of the creation of the “Value Creation Report” and changes in environment related to ESG, (ii) the current status and challenges of promoting women’s participation, (iii) human rights due diligence, (iv) the results of recent external ESG assessments, and (v) activities to control lymphatic filariasis).
Statutory executive officer in charge of the Americas Region gave an explanation of the business outline as well as business plan for fiscal 2021, recent business conditions, and issues for fiscal 2022. In addition, statutory executive officer in charge explained the current status of discussions under the title of “Overview of Business for The People and How to Proceed,” and the directors expressed their opinions from various perspectives.
(Pharmaceuticals)

<Example 2: “Director Training MAP” is prepared>

As to director training of the Company, in principle directors voluntarily choose and take the necessary training to improve their own skills, and improve knowledge and abilities according to their expected roles, and the

Company supports directors by creating a “Director Training MAP” so that they can choose and take training effectively and efficiently, and guarantees training opportunities by providing specific training menus.
In accordance with this policy, training for directors is, in principle, taken based on the selection by individual directors, but training on common issues, such as training on information security and sustainability and regular information exchange meetings with external organizations to catch up on industry trends, is provided for all directors. For outside directors, the Company encourages them to participate in case study presentations and One Day Sessions (sales seminars) held internally and provides them with opportunities to understand the business of the Company.
(Information and communication)

<Example 3: Training policies for each of directors (excluding outside directors), outside directors and *kansayaku* are disclosed>

■ Directors (excluding outside directors)
As part of its training for directors (excluding outside directors), the Company provides basic training on the duties and responsibilities of directors from the relevant departments prior to assuming office. It also provides opportunities for training hosted by external organizations on the topics of creating corporate value and enhancing shareholder value after they assume office.
Other training opportunities are provided as required in accordance with company strategy.

■ Outside directors
As part of training for outside directors, before they assume office, the Company will explain the status of the drugstore industry, the status of the Company’s management, and the status of corporate governance. After they assume office, the Company provides outside directors with opportunities for training organized by external organizations as necessary, taking into consideration the roles and responsibilities required of outside directors by the Company and society in general as well as the results of the evaluation of the effectiveness of the Board of Directors.

■ *Kansayaku*
As part of our training for *kansayaku*, before they assume office, the Company will explain the status of the drugstore industry, the status of the Company's management, and the status of corporate governance. After they assume office, the Company provides *kansayaku* with opportunities for training organized by external organizations as necessary, taking into consideration the roles and responsibilities required of *kansayaku* by the Company and society in general.
(Retail Trade)

<Example 4: Holding of seminars for outside officers and providing opportunities for management executives to participate in training courses such as external MBAs>

The Company provides directors and *kansayaku* with opportunities such as seminars and networking events as needed to deepen their awareness of management issues of the Company as well as to acquire necessary knowledge of finance, laws and regulations, etc., with expenses borne by the Company. In addition, *kansayaku* endeavor to gain extensive knowledge through conferences as members of the Japan Corporate Auditors Association and seminars organized by the Japan Industrial Management & Accounting Institute. For outside directors and outside *kansayaku*, the Company provides opportunities to gain knowledge of the business of the Company by participating in various events in the Company and visiting facilities, etc. For outside officers, the Company holds “Seminars for Outside Officers” and hold presentations by executive officers and senior management to ensure that they have opportunities to understand the management issues of the Company and the management vision, goals and issues, etc., of the departments for which they are responsible. For executive officers and internal candidates for senior management, the Company offers opportunities to participate in executive development courses such as external MBAs in order to acquire knowledge, etc., of global management, financial literacy, management strategy, and governance that are necessary for senior management. The series of training mentioned above is positioned as part of the development of successors to the senior management.
(Land transportation)

1 - 3. Nomination and compensation of senior management and directors, etc.

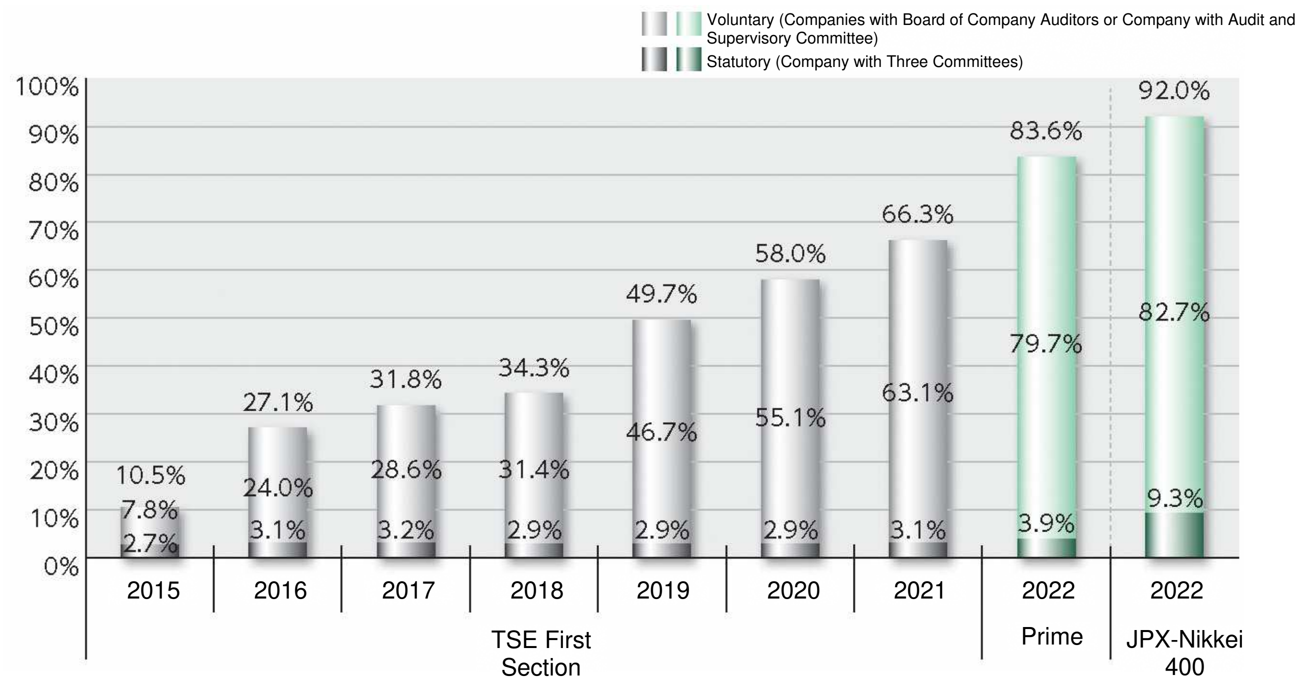
1 - 3 - 1. Overview of status of establishment of nomination committee and remuneration committee

A Company with Three Committees is required by the Companies Act to establish a Nomination Committee, Remuneration Committee, and Audit Committee[51]. Each of these committees must be composed of at least three directors, the majority of who are outside directors[52].

On the other hand, the Companies Act does not require Companies with Supervisory Committee or Companies with *Kansayaku* Board to establish a nomination committee or a remuneration committee. Therefore, Principle 4.10 stipulates the further enhancement of the governance mechanism by utilizing an optional approach as necessary, and Supplementary Principle 4.10.1 stipulates that companies should establish an optional nomination committee and an optional remuneration committee to which independent directors make significant contributions, to strengthen independence, objectivity and accountability of board functions related to nomination or remuneration of management executives and directors.

As shown in Charts 43 and 44, the number of companies listed on the Prime Market that have established statutory and voluntary nomination and remuneration committees has been increasing year by year, with 83.6% (1,536 companies) having established a nomination committee and 85.5% (1,571 companies) having established a remuneration committee, and the ratio of establishment exceeds 80% for both committees.

Chart 43 Changes in Listed Companies that have Established Nomination Committees (Prime Market)



51 Article 2, Item 12 of the Companies Act.

52 Article 400, Paragraphs 1 and 3 of the Companies Act.

Chart 44 Changes in Listed Companies that have Established Remuneration Committees (Prime Market)

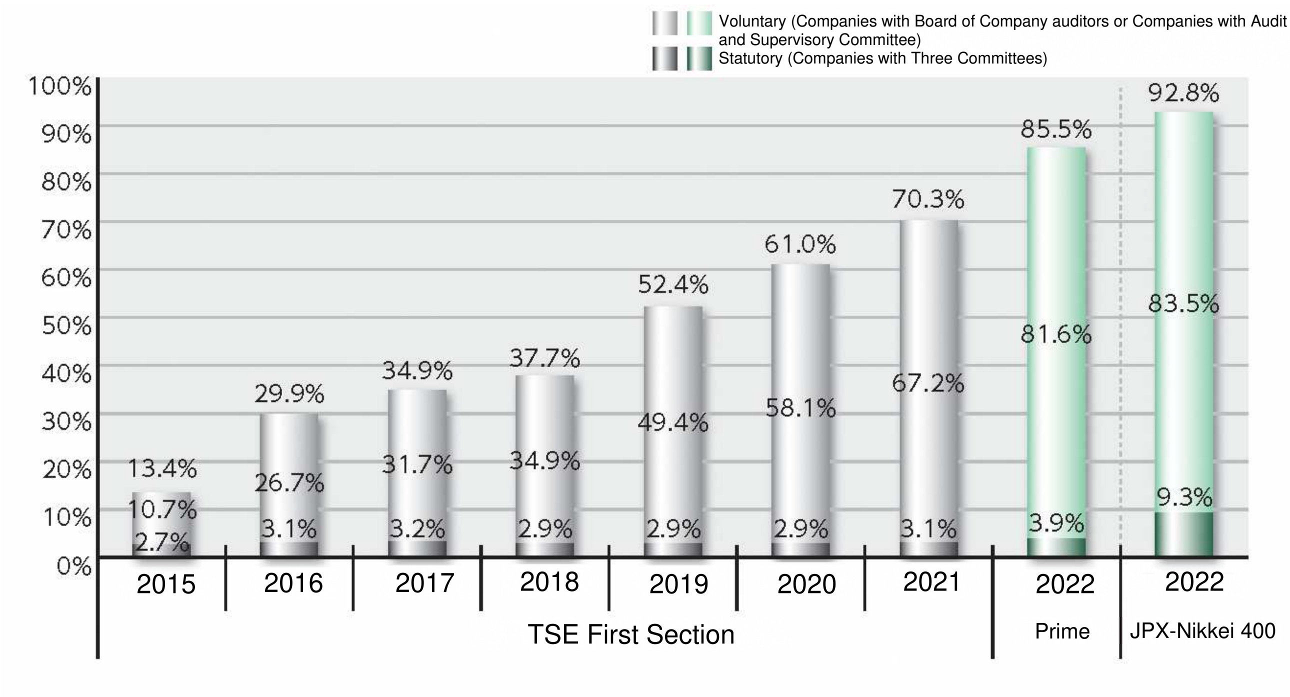


Chart 45 shows the status of establishment by market segment. The percentage of companies listed on the Standard Market that have established nomination committee and remuneration committee voluntarily is 33.9% (494 companies) and 37.6% (547 companies), respectively. Given the concept of the Standard Market, which is a market for companies with sufficient governance in the open market, further consideration of the use of a voluntary framework is expected for companies listed on the Standard Market.

Chart 45 Status of Establishment of Nomination Committee and Remuneration Committee (by Market Segment)

Scope of data aggregation	Number of companies	Company with Three Committees		Company with Supervisory Committee or Companies with Board of Company Auditors			
		Statutory nomination committee and remuneration committees		Voluntary nomination committee		Voluntary remuneration committee	
		Number of companies	Ratio	Number of companies	Ratio	Number of companies	Ratio
All companies	3,770	88	2.3%	2,036	54.0%	2,175	57.7%
Prime	1,837	72	3.9%	1,464	79.7%	1,499	81.6%
Standard	1,456	11	0.8%	494	33.9%	547	37.6%
Growth	477	5 companies	1.0%	78	16.4%	129	27.0%
JPX-Nikkei 400	399	37	9.3%	330	82.7%	333	83.5%

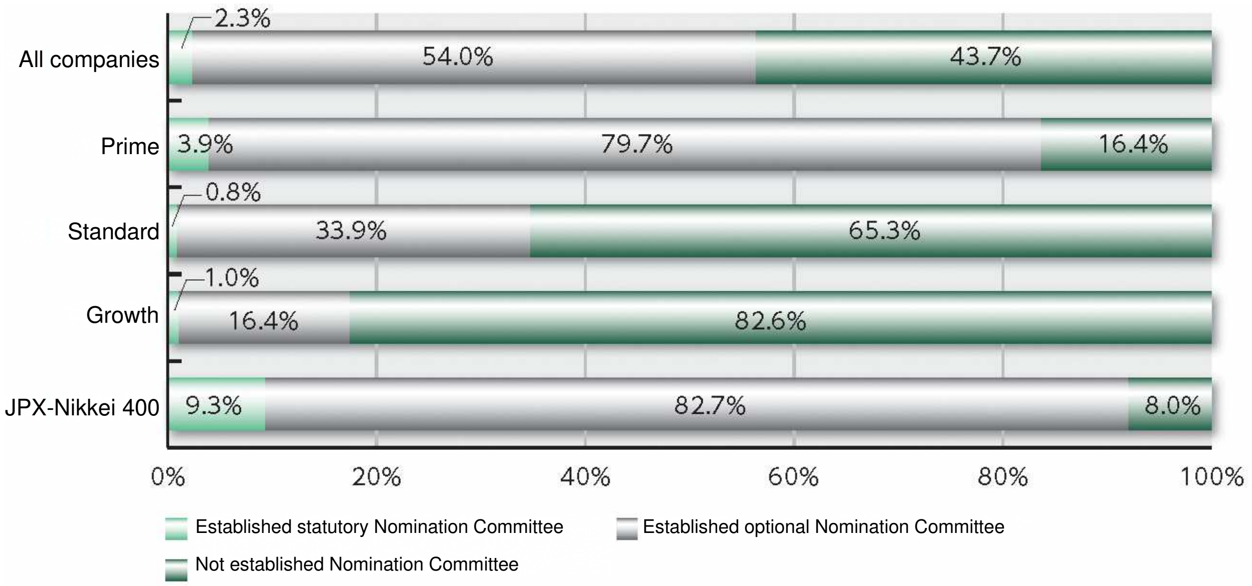
1 - 3 - 2. Nomination committee

(1) Status of nomination committee establishment

While the establishment of a nomination committee is mandatory for Companies with Three Committees, establishment of a nomination committee is at the discretion of management for Companies with Supervisory Committee and Companies with Board of Company Auditors. The status of establishment of a statutory or optional nomination committee by market segment is displayed in

Chart 46. On the Prime Market, the number of companies with a statutory nomination committee is 3.9% (72 companies), and the number of companies with an optional nomination committee is 79.7% (1,464 companies), which is higher than other market segments. For JPX-Nikkei 400 constituents, 9.3% (37 companies) have established a statutory nomination committee, 82.7% (330 companies) have established an optional nomination committee, and these percentages are higher than those for the Prime Market.

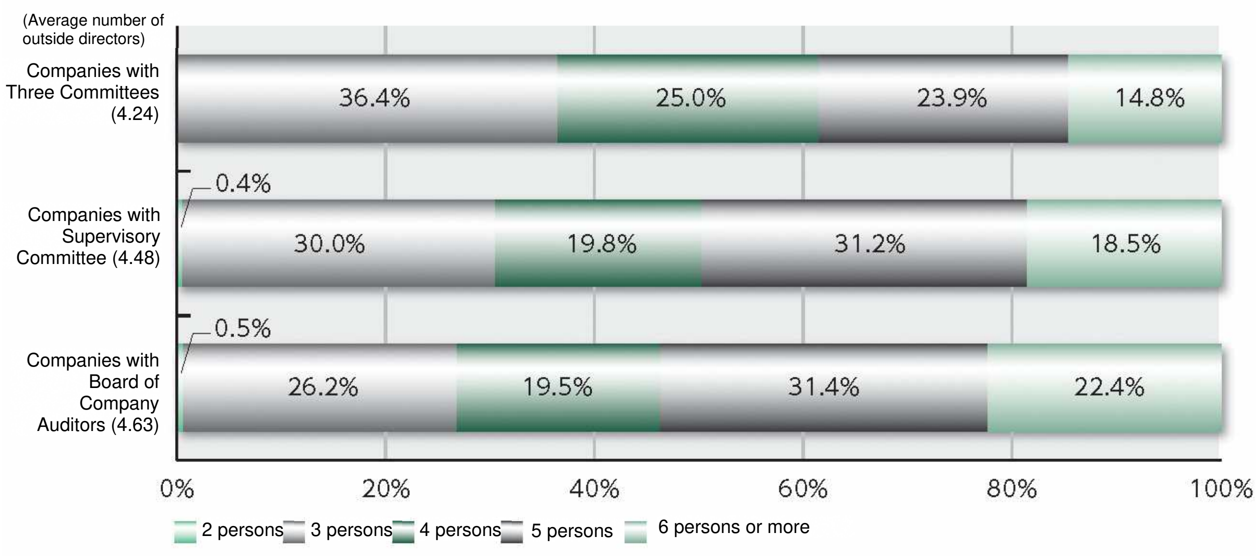
Chart 46 Status of Establishment of Nomination Committee (by Market Segment)



(2) Number of nomination committee members

Chart 47 displays the number of nomination committee members by organizational form. The average number of members of a statutory nomination committee at Companies with Three Committees is 4.24, and companies with three committee members account for the highest proportion (36.4%). The average number of members of an optional nomination committee established by Companies with Supervisory Committee is 4.48, and companies with five committee members account for the highest proportion (31.2%). The average number of members of an optional nomination committee established by Companies with Board of Company Auditors is 4.63, and companies with five committee members account for the highest proportion in this case too (31.4%).

Chart 47 Number of nomination committee members



(3) Ratio and number of inside directors and outside directors, etc., in nomination committees

Chart 48 displays the ratio and number of inside directors and outside directors, etc., in nomination committees by organizational form. In terms of the total number of persons in the group of companies adopting each organizational form, the nomination committee of a Company with Three Committees consists of internal directors of 24.4% and outside directors of 75.6%. For optional nomination committees at Companies with Supervisory Committee, 31.9% of members are inside directors, 67.1% are outside directors, 0.8% are external experts, and 0.3% are other. For optional nomination committees at Companies with Board of Company Auditors, 30.8% of members are inside directors, 58.8% are outside directors, 1.4% are external experts, and 9.0% are others, and “others” include *kansayaku*. It can be seen that Companies with Board of Company Auditors have adopted a system in which outside *kansayaku* also participate in the voluntary nomination committee in order to enhance the independence of the committee.

Chart 48　Ratio of Inside Directors and Outside Directors, etc. in Nomination Committees

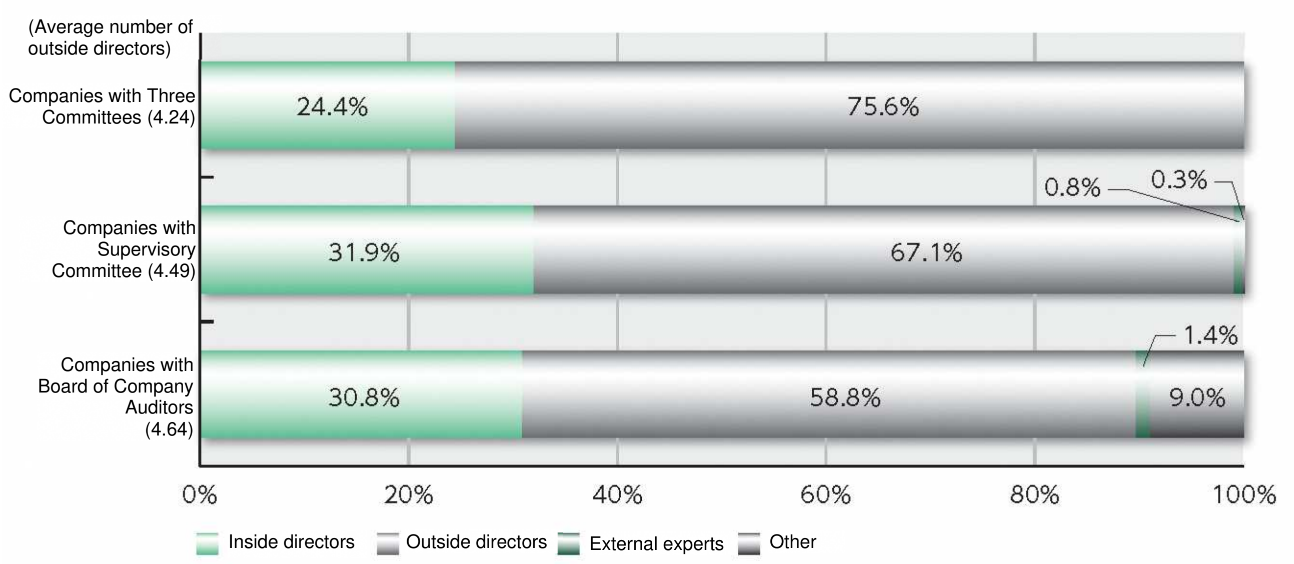


Chart 49 shows the breakdown of the number of internal directors on the nomination committee by organizational form. For optional nomination committees at Companies with Board of Company Auditors and Companies with Supervisory Committee, the number of inside directors tends to be higher compared to nomination committees at Companies with Three Committees. In all organizational forms, the largest number of companies had only one internal director, and the percentage of such companies was 68.2% for the nomination committee of Companies with Three Committees, 52.1% for the voluntary nomination committee of Companies with Supervisory Committee, and 51.0% for the voluntary nomination committee of Companies with Board of Company Auditors.

Chart 49　Number of Inside Directors in Nomination Committees

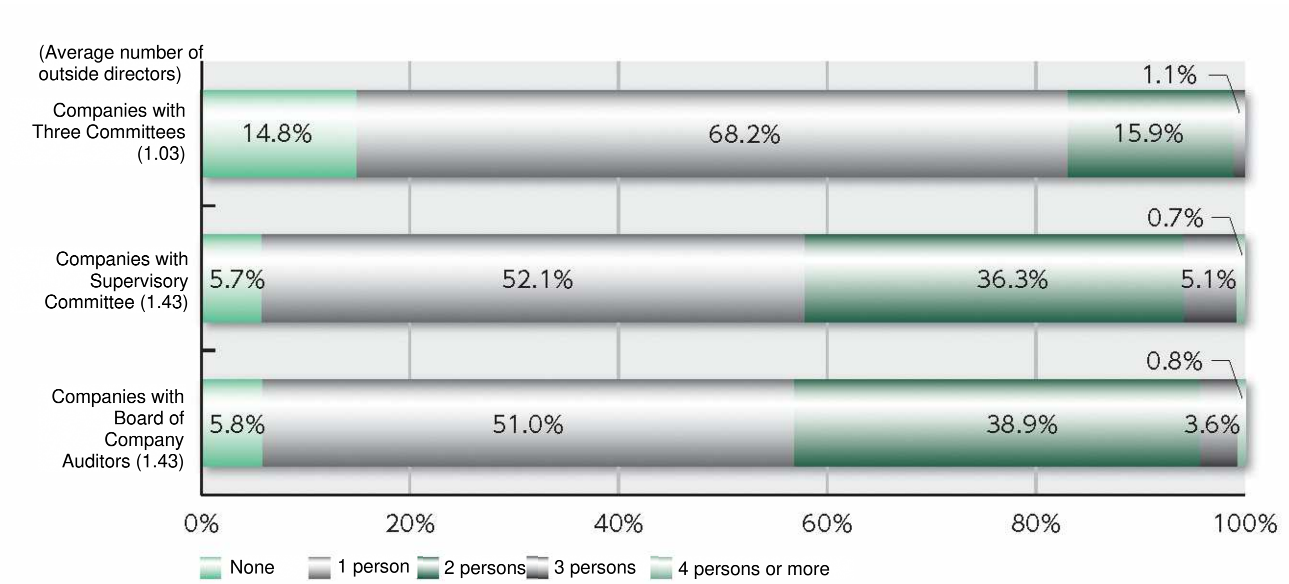
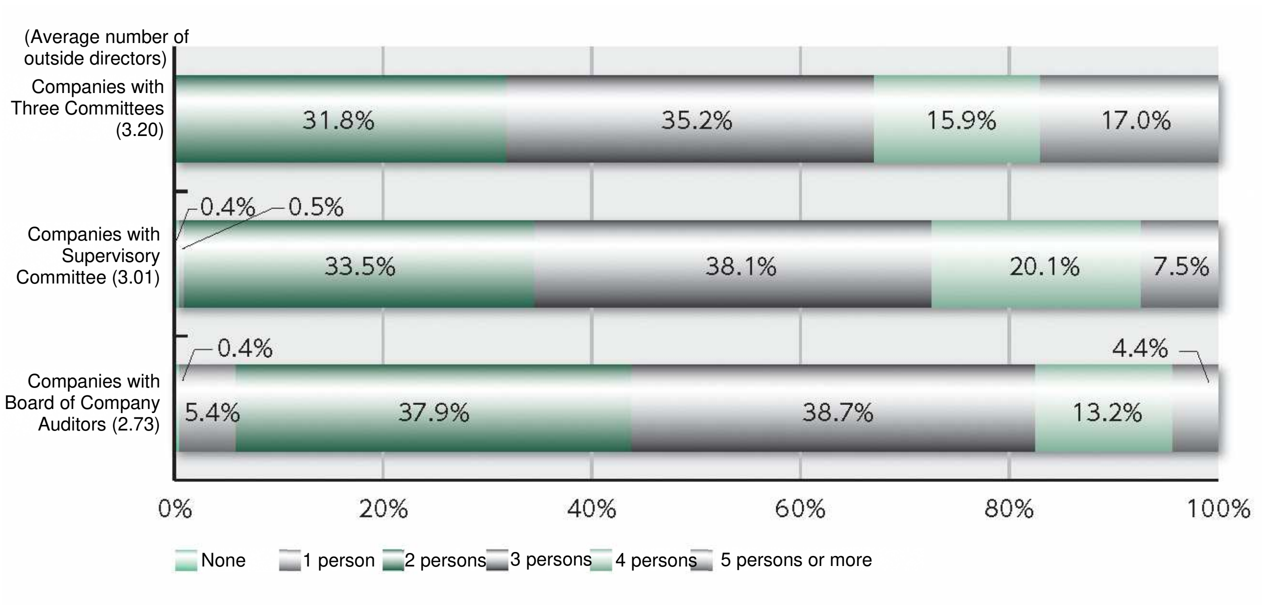


Chart 50 shows the breakdown of the number of outside directors in nomination committee by organizational form. Because the majority of directors that form a nomination committee at a Company with Three Committees must be outside directors under the law, at the very least such committees must be composed of two outside directors. For optional nomination committees at Companies with Supervisory Committee and Companies with Board of Company Auditors, while there are at least two outside directors at the majority of committees, there are also some companies without any outside directors.

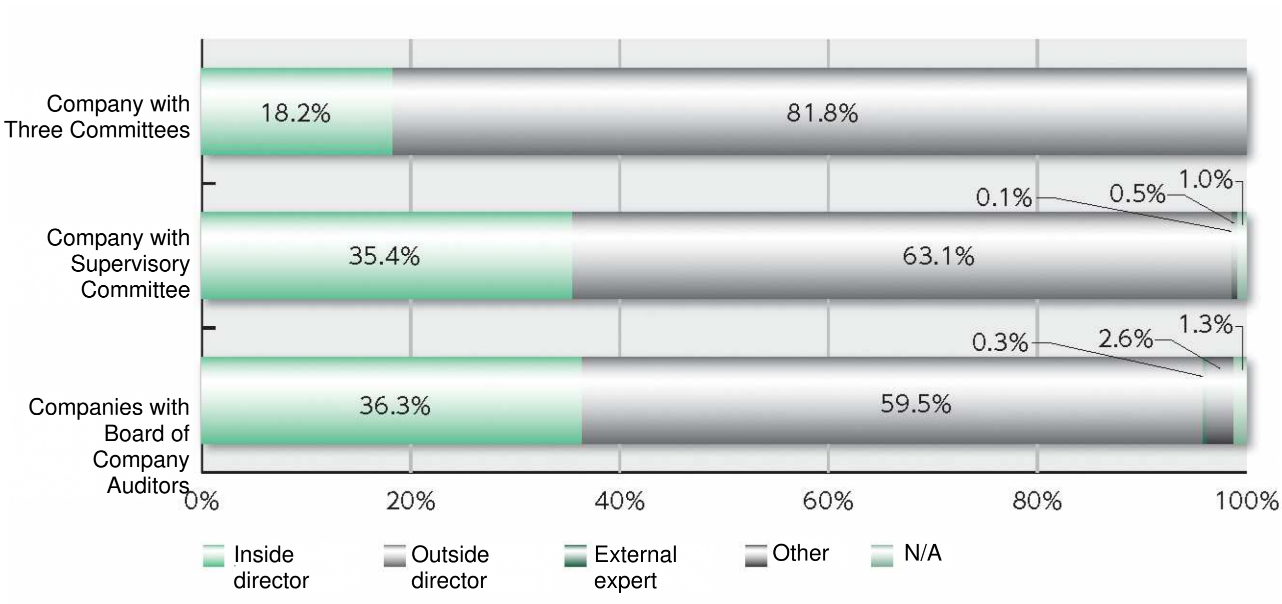
Chart 50 Number of Outside Directors in Nomination Committees



(4) Attributes of chairpersons of nomination committees

Chart 51 displays the attributes of nomination committee chairpersons by organizational form. In all organizational forms, the majority of companies had a chairperson who was an outside director: 81.8% in the case of Company with Three Committees, 63.1% in the case of Company with Supervisory Committee, and 59.5% in the case of Companies with Board of Company Auditors.

Chart 51 Attributes of chairpersons of nomination committees

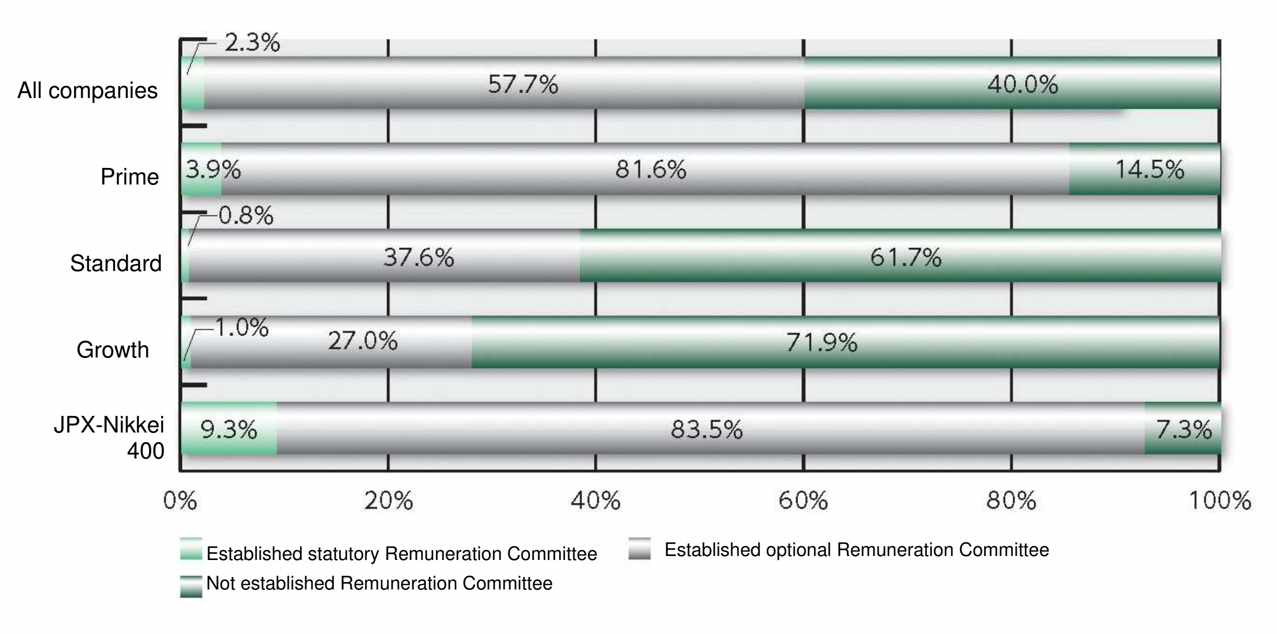


1 - 3 - 3. Remuneration committee

(1) Status of remuneration committee establishment

While the establishment of a remuneration committee is mandatory at Companies with Three Committees, such establishment is up to the discretion of companies for Companies with Supervisory Committee and Companies with Board of Company Auditors. The status of establishment of statutory or optional remuneration committee by market segment is displayed in Chart 52. On the Prime Market, the number of companies with a statutory remuneration committee is 3.9% (72 companies), and the number of companies with an optional remuneration committee is 81.6% (1,499 companies), which is higher than other market segments. For JPX-Nikkei 400 constituents, 9.3% (37 companies) have established a statutory remuneration committee, 83.5% (333 companies) have established an optional remuneration committee, and the level of establishment is higher than that for the Prime Market.

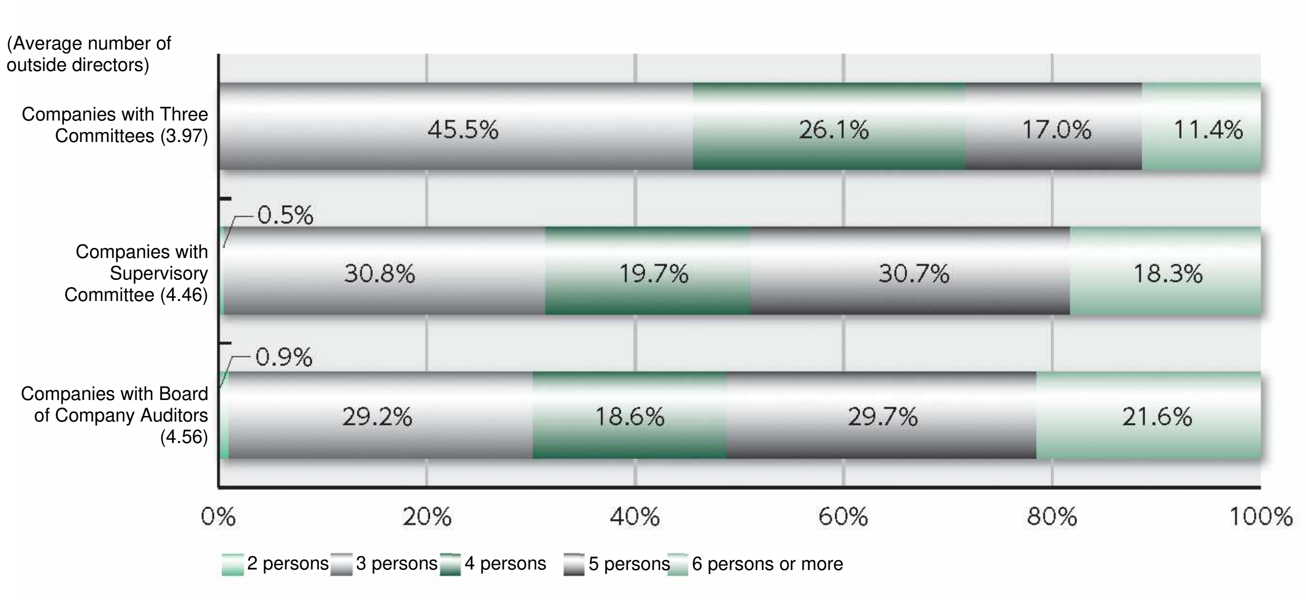
Chart 52　Status of Establishment of Remuneration Committee (by Market Segment)



(2)　Number of Remuneration Committee Members

Chart 53 displays the number of remuneration committee members by organizational form. The average number of members of a statutory remuneration committee at Companies with Three Committees is 3.97, and companies having three committee members account for the highest proportion (45.5%). Voluntary remuneration committees established by Company with Supervisory Committee have an average of 4.46 members, and companies with 3 members account for a high percentage at 30.8%, but companies with 5 members also have a similar ratio of 30.7%. The average number of members of an optional remuneration committee established by Companies with Board of Company Auditors is 4.56, and companies with five committee members account for the highest proportion (29.7%).

Chart 53 Number of Remuneration Committee Members



(3) Ratio and number of inside directors and outside directors, etc., in remuneration committees

Chart 54 shows the ratio of internal directors to external directors on the remuneration committee by organizational form. In terms of the total number of persons in the group of companies adopting each organizational form, the remuneration committee of Companies with Three Committees consists of internal directors of 23.2% and outside directors of 76.8%. For optional remuneration committees at Companies with Supervisory Committee, 31.7% of members are inside directors, 67.1% are outside directors, 0.8% are external experts, and 0.4% are other. For optional remuneration committees at Companies with Board of Company Auditors, 31.1% of members are inside directors, 57.4% are outside directors, 1.5% are external experts, and 10.0% are other. “Other” includes *kansayaku*.

Chart 54 Ratio and number of inside directors and outside directors, etc., in remuneration committees

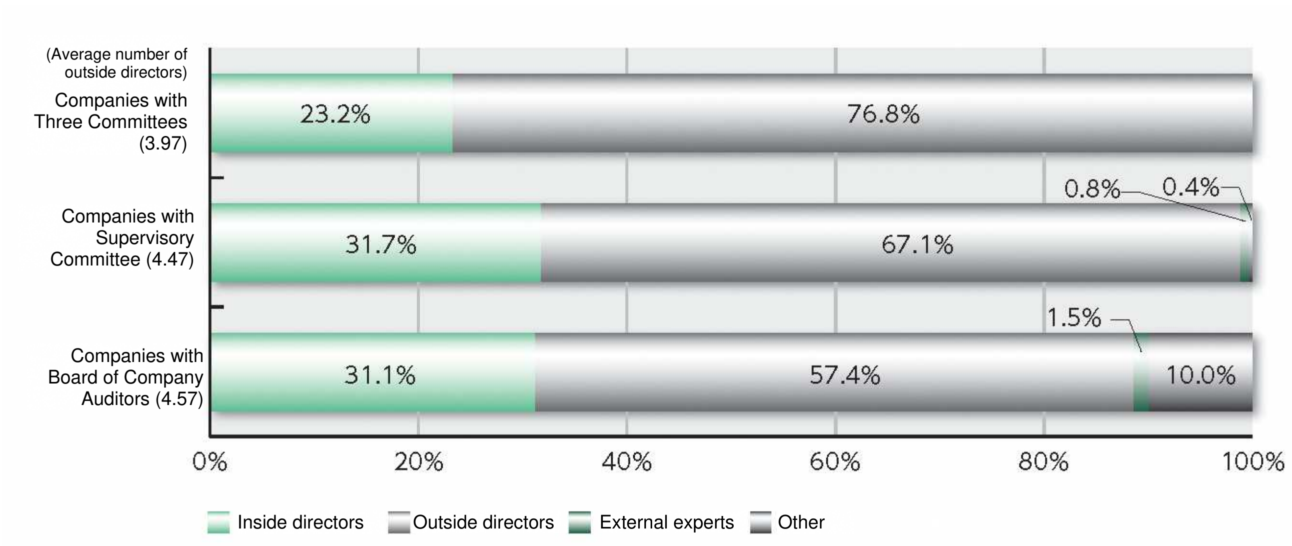


Chart 55 shows the breakdown of the number of internal directors on the remuneration committee by organizational form. For optional remuneration committees at Companies with Board of Company Auditors and Companies with Supervisory Committee, the number of inside directors tends to be higher compared to remuneration committees at Companies with Three Committees. In all organizational forms, the largest number of companies had only one internal director: 59.1% for remuneration committee of Company with Three Committees, 51.7% for voluntary remuneration committee of Company with Supervisory Committee, and 52.3% for voluntary remuneration committee of Company with Board of Company Auditors.

Chart 55 Number of Inside Directors in Remuneration Committees

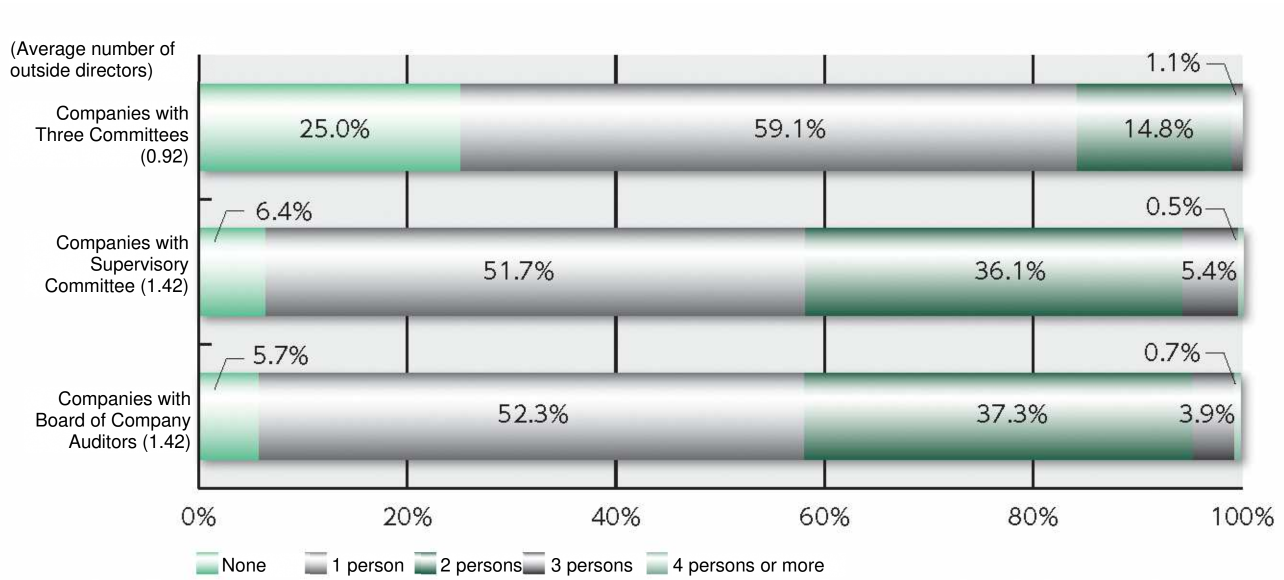
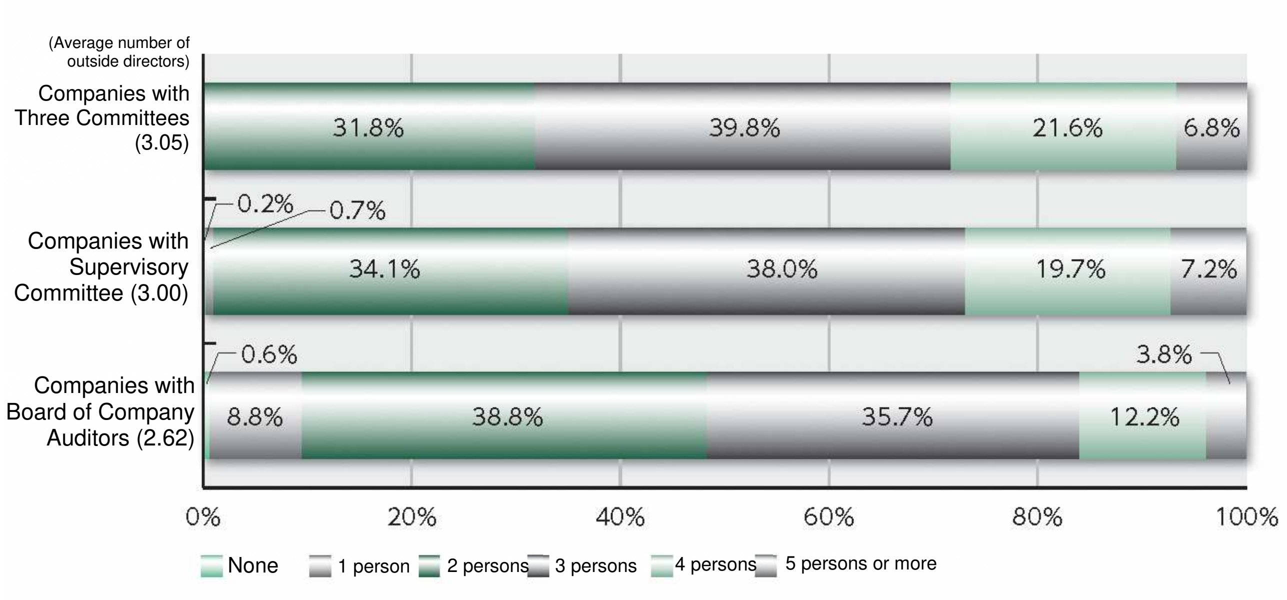


Chart 56 shows the breakdown of the number of outside directors on remuneration committee by organizational form. Because the majority of directors that form a remuneration committee at a Company with Three Committees must be outside directors under the law, at the very least such committees must be composed of two outside directors. For optional remuneration committees at Companies with Supervisory Committee and Companies with Board of Company Auditors, while there are at least two outside directors at the majority of committees, there are also some companies without any outside directors.

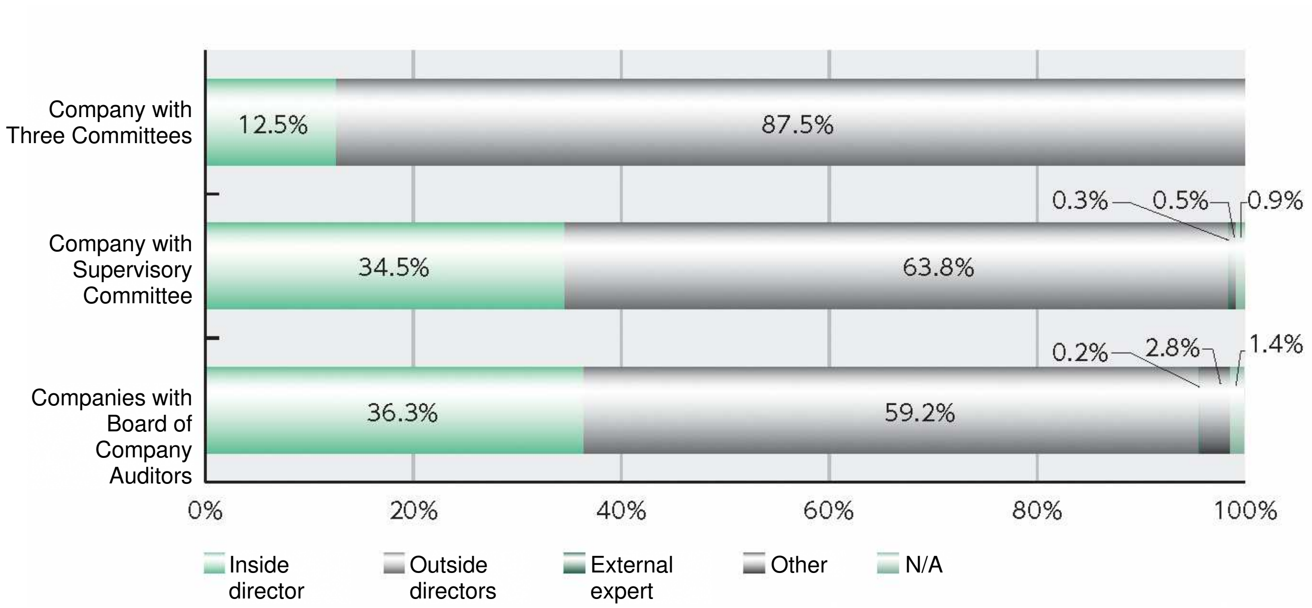
Chart 56　Number of Outside Directors in Remuneration Committees



(4)　Attributes of Chairpersons of Remuneration Committees

Chart 57 displays the attributes of remuneration committee chairpersons by organizational form. In all organizational forms, the majority of companies had a chairperson who was an outside director: 87.5% in the case of Company with Three Committees, 63.8% in the case of Company with Supervisory Committee, and 59.2% in the case of Companies with Board of Company Auditors.

Chart 57　Attributes of Chairpersons of Remuneration Committees



1 - 3 - 4.　Concept, authority, and role of independence of voluntary nomination committee and remuneration committee (Supplementary Principle 4.10.1)

Supplementary Principle 4.10.1 states that for companies listed on the Prime Market, voluntary nomination and remuneration committees should basically consist of a majority of independent outside directors and should disclose their views on the independence of committee composition and the authorities and roles of the committees, and in response, progress has been made in ensuring and disclosing the independence of voluntary committees.

(1) Independence of committee

Chart 58 and Chart 59 show the ratio of outside directors on nomination committee and remuneration committee. Approximately 90% (nomination: 88.7%, remuneration: 88.2%) of the voluntary nomination and remuneration committees established by companies listed on the Prime Market consist of a majority of outside directors[53]. As shown in Chart 60 and Chart 61, with respect to attributes of the chairperson, about 60% of the voluntary committees (nomination: 61.6%, remuneration: 62.2%) of the companies listed on the Prime Market appoint an outside director as their chairperson.

Chart 58 Ratio of Outside Directors in Nomination Committees (Prime Market)

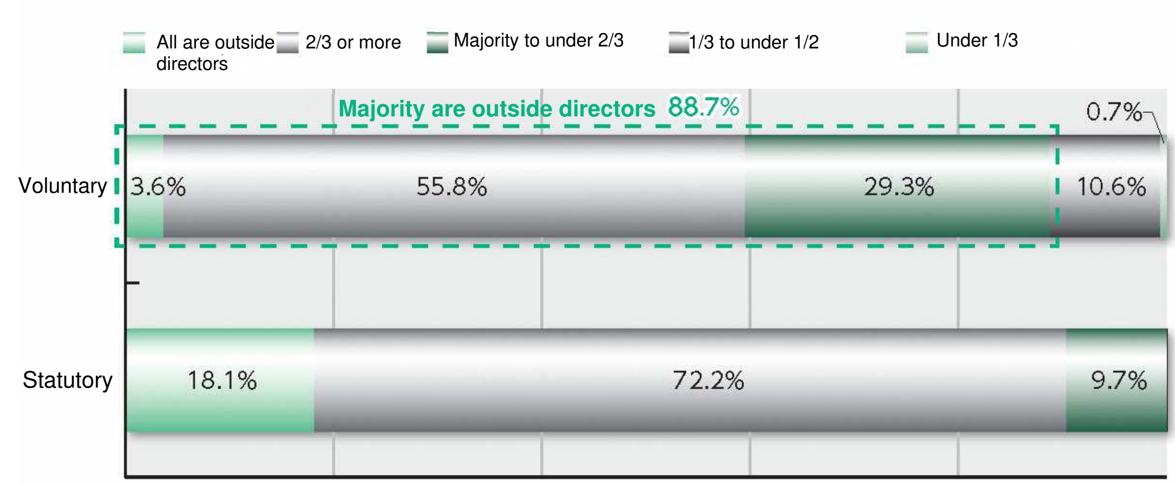
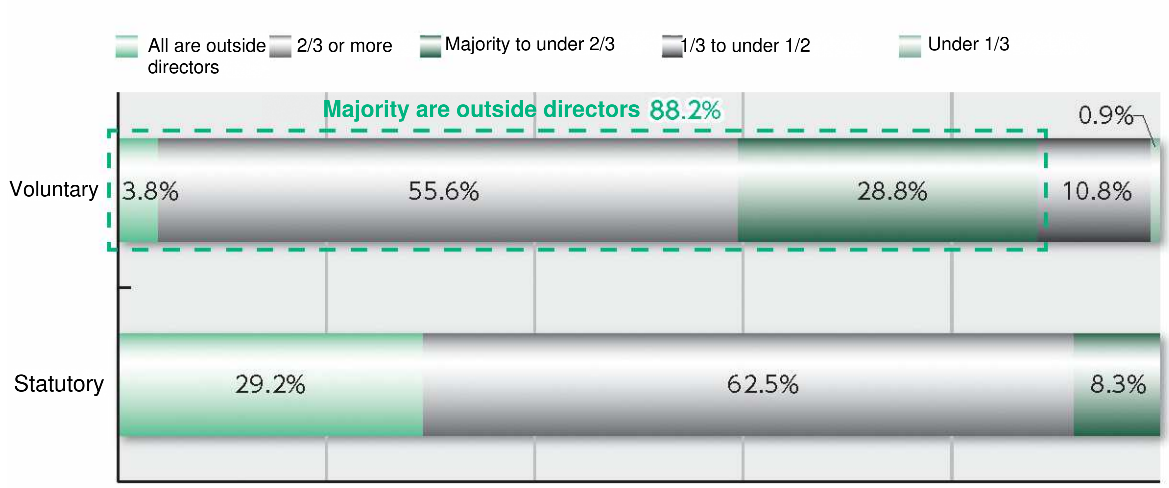


Chart 59 Ratio of Outside Directors in Remuneration Committees (Prime Market)



53 Supplementary Principle 4.10.1 states that independent outside directors should consist of a majority, but here, because of constraints for aggregation, companies in which outside directors constitute a majority are aggregated.

Chart 60 Attributes of Chairperson of Nomination Committee (Prime Market)

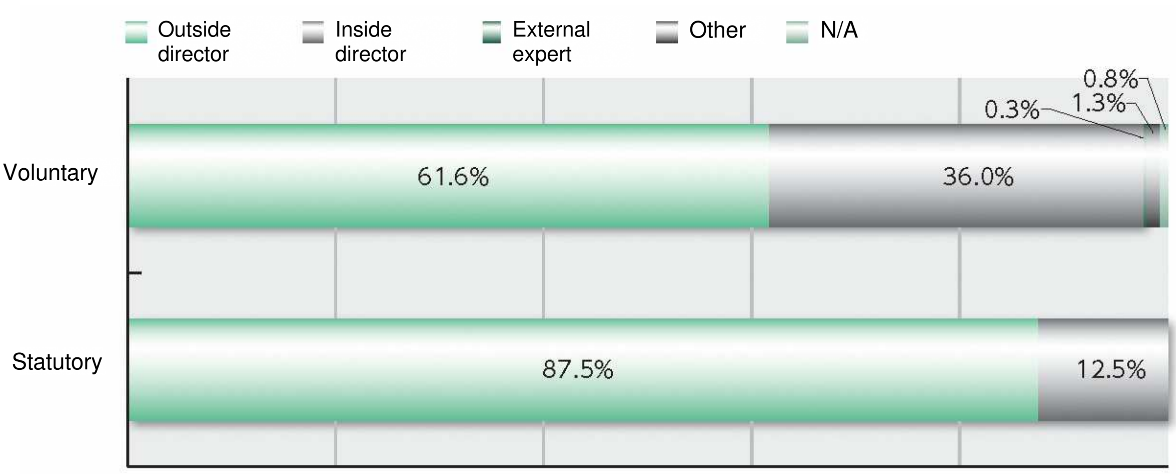
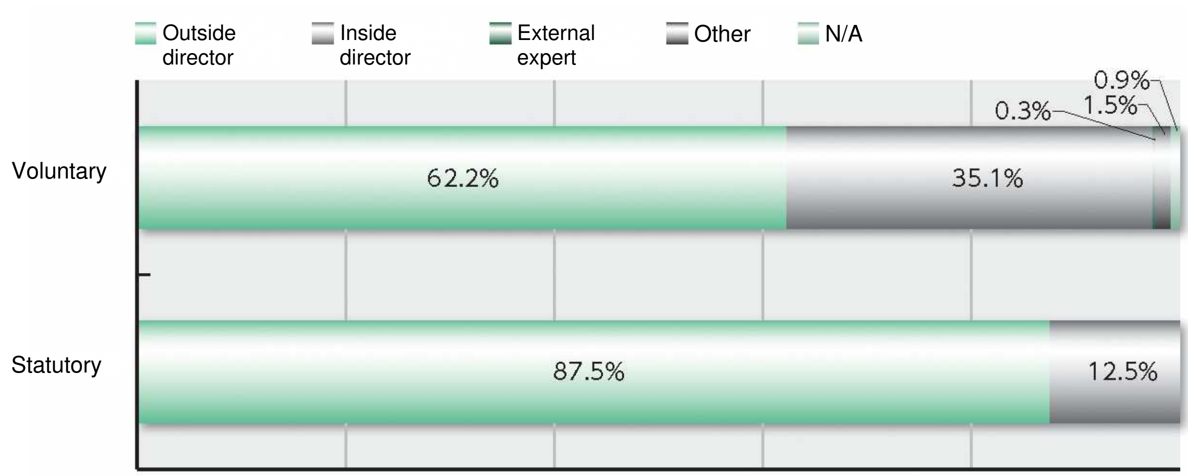


Chart 61 Attributes of Chairperson of Remuneration Committee (Prime Market)



The said Supplementary Principle requires that a majority of the members of each committee be independent outside directors "in principle." Therefore, the means to ensure the independence of the committee is not necessarily limited to a majority consisting of independent outside directors, and there is a room for the purpose thereof to be satisfied if the independence considered necessary is secured by other means (for example, when half of the members are independent outside directors and the chairperson is an independent outside director). In light of this, it is important to disclose in an easy-to-understand manner how the company ensures the independence of its committees.

(2) Authority of committees

With regard to the authority of both committees, it is often stated for many voluntary nomination and remuneration committees that "it receives consultation from the board of directors and provides opinions (advice and recommendations)." On the other hand, there have been cases in which the committees have more functions and authority than a mere advisory body, such as the statement that the decision of a voluntary committee is respected to the fullest extent and that the remuneration committee determines the amount of remuneration for individual directors (Chart 62).

Chart 62 Authority of Voluntary Nomination Committee and Remuneration Committee

Authority	Examples of disclosure
Opinions are provided to the board of directors	The committee provides opinions to the board of directors on matters such as personnel and compensation systems, and the board of directors makes a resolution based on the opinions.
Opinions are respected	In light of the purpose of establishing the committee, the board of directors respect the opinions of the committee in principle.
Some decisions are delegated	Individual remuneration amount for directors is determined by this committee, to which the decision is delegated by the board of directors.

Note: Disclosures made by each company are partially modified and extracted by TSE

(3) Roles and activities of committees

Chart 63 shows the results of a review of the roles of both committees for TOPIX 100 constituents. Of the 71 companies that established voluntary nomination committees, many companies listed individual candidates for directors (59 companies, 83.1%), the appointment of CEOs and other senior management (42 companies, 59.2%) and the development of policies and standards for the appointment of directors and CEOs (24 companies, 33.8%) as matters to be considered. Although the 2021 Code revision made it clear that succession plans may be included in the matters to be considered at the nomination committee, 41 companies (57.7%) actually listed it as a matter to be considered. In addition, there are examples in which not only the formulation of succession plans, but also the supervision of the operation of succession plans was stated as a role of the nomination committee.

Of the 72 companies that established voluntary remuneration committees, 50 (69.4%) stated the amount or level of remuneration for individual directors as a matter to be considered (decided), and 25 (34.7%) stated the amount or level of remuneration for individual CEOs or senior management as a matter to be considered. In addition, 58 companies (80.6%) listed the formulation of remuneration policies and the design of remuneration systems, including performance-linked remuneration, as matters to be considered. The role (scope of consideration) varies depending on each company's situation.

In response to the report released by the Working Group on Corporate Disclosure of the Financial System Council on June 13, 2022, it is required that the activities of the statutory and voluntary nomination and remuneration committees (frequency of meetings, details of specific discussions, attendance of individual directors or committee members, etc.) are included in the “Overview of Corporate Governance” section of the annual securities report from the fiscal year ended March 2023, and further disclosure is expected in the future.

Chart 63 Role of Voluntary Nomination Committee and Remuneration Committee (Matters to be Considered)

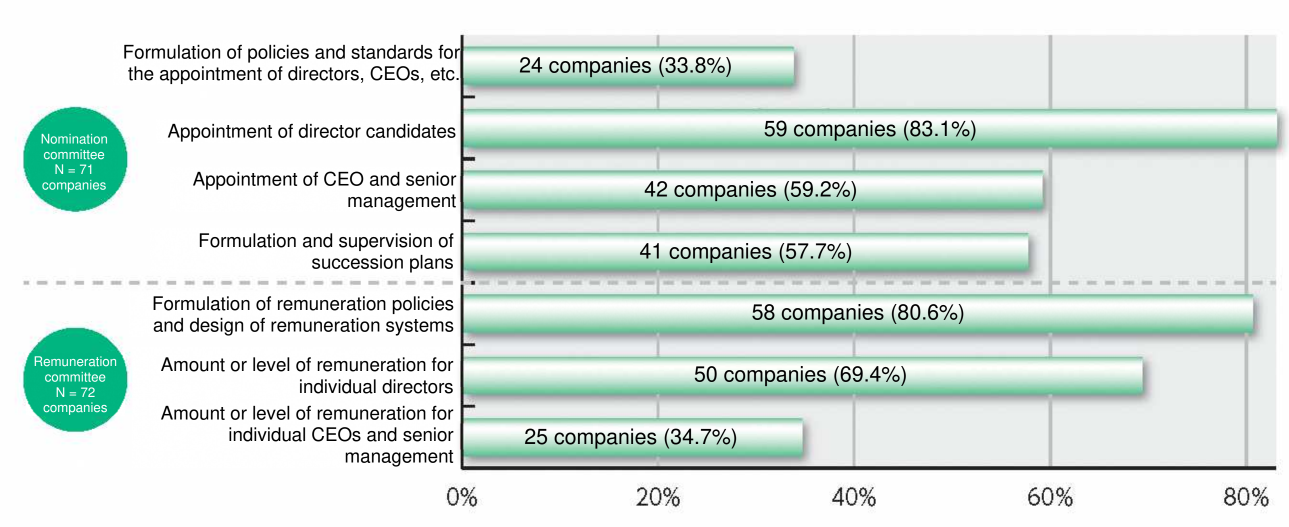


Chart 64 summarizes the activities of both committees for TOPIX 100 constituents. Among companies that establish voluntary nomination or remuneration committees, more than half mention the titles and names of committee members (52 companies, 72.2%) and the frequency of committee meetings (47 companies, 65.3%). In addition, there were a few cases in which the attendance status of committee members (26 companies, 36.1%) and the agenda of each meeting (8 companies, 11.1%) were also listed.

Chart 64 Activities of Voluntary Nomination Committee and Remuneration Committee

(N = 72)

Item	Number of companies	Ratio
Names and titles of committee members are stated	52	72.2%
Frequency of meetings is stated	47	65.3%
Status of attendance of committee members is stated	26	36.1%
Each meeting's agenda is stated	8	11.1%

(4) Examples of disclosure

Looking at the disclosures in accordance with Supplementary Principle 4.10.1, Example 1 is a case in which “ensuring transparency, fairness and objectivity” is stated as its concept of independence of nomination committee and remuneration committee voluntarily established and its members are, in principle, independent outside directors only. It is also stated in such example that, with respect to development, operation and supervision of succession plans, from the perspective of business continuity, the current president and representative director is included as a member under certain conditions. It also states that it provides opinions to the board of directors as the authority of the committee, and further that its opinions are respected to the fullest extent.

<Example 1: Voluntary committees consist of independent outside directors in principle>
In order to ensure transparency, fairness and objectivity in the nomination and remuneration of directors and senior management (executive officers), the Company has established a Nomination and Remuneration Committee consisting of independent outside directors under the board of directors and their opinions are respected by the board of directors.
At present, there are no female or non-Japanese directors, but in consideration of important matters such as the nomination and remuneration of directors, the three outside directors who are members of the Nomination and Remuneration Committee have expressed their unreserved opinions as experts in different fields from independent and objective positions based on their high-level insights, and the Company has received appropriate involvement and advice from the Nomination and Remuneration Committee, in accordance with the criteria for the appointment and dismissal and the remuneration policy for directors and executive officers formulated to embody the Company's management philosophy and management strategy.
The purpose of establishment of the Nomination and Remuneration Committee is to utilize a voluntary advisory body independent of the board of directors with respect to the appointment, dismissal and remuneration system of the senior management, which plays a central role in ensuring the sustainable growth of the Company and the improvement of corporate value over the medium- to long-term and thereby ensure transparency, fairness and objectivity, so the Committee consists only of independent outside directors. However, with respect to the development, operation and supervision of a succession plan for the President and Representative Director, from the perspective of business continuity, the Company has decided to include the President and Representative Director as a member under normal circumstances where trust and confidence in the current President and Representative Director is maintained.
The board of directors bears the ultimate responsibility for decisions on important matters such as the nomination and remuneration of directors under the trust of shareholders, and therefore the Nomination and Remuneration Committee is an advisory body to the board of directors, but in light of the purpose of its establishment, the board of directors respects the opinions of the Nomination and Remuneration Committee.
In addition, the Nomination and Remuneration Committee is responsible for providing advice and recommendations to the board of directors from an independent and objective standpoint in determining the nomination and remuneration of directors and executive officers based on the criteria for the appointment and dismissal and the compensation policy for directors and executive officers formulated to embody the Company's management philosophy and management strategy.
(Wholesale trade)

Example 2 is a case in which the specific contents of opinions to the board of directors are clearly stated. In addition, references to diversity, including gender and internationality, and the skills that the board should possess have been made as matters to be considered by the Nomination and Remuneration Committee. This statement is considered to be based on the revision of the Code in 2021, which added that the committee's involvement and advice would include perspectives on diversity such as gender and skills.

<Example 2: Specific contents of opinions to the board of directors are specified>
The Company has established a "Nomination and Remuneration Committee" as an advisory body to the board of directors, the board of directors seeks opinions and advice on the following decisions, and it aims at strengthening fairness and objectivity and enhancing corporate governance.
(1) Matters relating to the appointment and dismissal of directors and *kansayaku* (matters to be resolved at the general meeting of shareholders) and the appointment and dismissal of executive officers
(2) Matters related to appointment and dismissal of representative directors and directors with title
(3) Matters related to succession plans (including development)
(4) Matters related to the maximum amount of remuneration for directors (matters to be resolved at the general meeting of shareholders)
(5) Matters related to remuneration for directors, etc. (including individual amounts)
(6) Other important management matters related to appointment and remuneration that all members of the committee have recognized the need for deliberation.
Nomination of candidates for directors and *kansayaku* and the appointment of senior management are determined by the board of directors after deliberations by the Nomination and Remuneration Committee in accordance with the selection criteria established by the board of directors. In determining the candidates for directors, to ensure the appropriate and prompt decision making and supervision on the business activities of

the Company group in light of the management strategy, it is the basic policy that the composition of the board of directors as a whole is well balanced by appointing directors from within the Company who possess knowledge, experience and abilities in each business area, finance and accounting, technology development and research, sales and marketing, legal affairs and human resources, etc., as well as multiple outside directors who can actively advise and make recommendations from a fair and objective standpoint with their management experience in other companies and outside professional knowledge and experience, while taking into consideration diversity including gender and internationality. In addition, with respect to candidates for *kansayaku*, the basic policy is that the board of company auditors consists of persons who possess excellent character, insight, ability and extensive experience as well as high ethical standards, and at least one *kansayaku* who can express their opinions fairly from a professional perspective and from an independent standpoint, including those with appropriate knowledge of finance and accounting. As to the senior management consisting of executive directors, such as representative directors and executive officers, the business performance, etc. are periodically reviewed annually by the Nomination and Remuneration Committee, and if the results of the review indicate that they meet the criteria for dismissal set by the board of directors, dismissal is recommended to the board of directors, and if the board of directors reviews the results of the review and concludes that they meet the criteria, they will not be nominated as candidates for directors and will be dismiss from their positions as representative directors, executive directors and executive officers. The amount of compensation, etc., for directors is prescribed by the Nomination and Remuneration Committee after deliberation and determined by the board of directors, while the amount of remuneration, etc. for individual directors and senior management is determined by the board of directors based on the remuneration system determined by the board of directors after deliberation by the Nomination and Remuneration Committee. In addition, the board of directors recognizes that the development of a successor to the president is one of the important management matters and a succession plan that sets forth the requirements for the president's qualifications and development policy is formulated through deliberations by the Nomination and Remuneration Committee and determined by the board of directors, and the board of directors shares the succession plan, periodically checks the development status of management executives who could be candidates for the president based on reports by the Nomination and Remuneration Committee, and determines the candidate who should be the president's successor based on the succession plan when the president retires. The “Nomination and Remuneration Committee” consists of two representative directors and three outside directors with the majority being outside directors, and the Company determines that independence and monitoring functions are sufficiently strengthened through an outside director acting as the chairperson.
(Textile products)

In Example 3, it is stated that the “Officer Nomination and Remuneration Committee” as an independent body has an independent outside director as its chairperson and a majority of its members are independent outside directors in order to enhance fairness and transparency based on an objective perspective when making decision on important matters related to the nomination and remuneration of officers, and the names of the members of the committee are disclosed. It further states that the committee's role is to confirm and approve that the annual personnel proposals and compensation proposals for officers are in accordance with the basic policy, standards and decision process. As to the authority, it states that the committee can make final decision on individual remuneration under delegation by the board of directors. As for the contents of the activities, the results of holding the meetings (frequency of meetings), the attendance rate of members, and the contents of deliberation of each meeting (agenda) are described.

<Example 3: Committee composition, content of deliberations, and status of activities, etc. are stated>

In order to enhance fairness and transparency from an objective point of view when making decisions on important matters related to the nomination and remuneration of officers, the Company has established an “Officer Nomination and Remuneration Committee,” which is chaired by an independent outside director and a majority of members of which is independent outside directors.

<Composition>
- ●●●●, independent outside director
- ●●●●, representative director
- ●●●●, *kansayaku*
- ●●●●, independent outside director
- ●●●●, independent outside director

<Contents of deliberations>
[Basic policies, standards and decision processes]
- Nomination: Number and composition of the board of directors
- Nomination: Policy on appointment of internal officers
- Nomination: Policy on appointment and term of office, etc., of outside officers
- Remuneration: Policy and approach to the remuneration system
- Remuneration: Structure (fixed remuneration, performance-linked remuneration, etc.)
- Remuneration: Remuneration reflection factors, etc. (operating income, stock prices, etc.)

[Annual nomination and remuneration proposals]
- It is confirmed and approved that annual personnel proposals and remuneration proposals for officers are in accordance with basic policies, standards and decision processes
- From April 21, the board of directors delegates to the committee to make a final decision on individual remuneration amounts

<Status of activities>
A total of 9 meetings were held in fiscal 2021, and the participation rate of committee members was 100%. The main topics of discussion are as follows.
First meeting: Remuneration for fiscal 21, bonus for fiscal 20
Second meeting: Remuneration for fiscal 21, bonus for fiscal 20, succession plan for outside directors, personnel affairs for June fiscal 21
Third meeting: Officer nomination and remuneration committee system
Fourth meeting: Succession plan for outside directors and president
Fifth meeting: Skill matrix, succession plan for president
Sixth meeting: Officer system change in January fiscal 22, skill matrix, succession plan for president
Seventh meeting: Officer remuneration system change
Eighth meeting: Officer system change in June fiscal 22, officer remuneration system change
Ninth meeting: Personnel affairs for April fiscal 22
(Transportation equipment)

1 - 3 - 5. Policies and procedures for appointment and dismissal of the senior management and the nomination of director and *kansayaku* candidates (Principle 3.1)

Principle 3.1 (iv) requires disclosure of policies for the appointment and dismissal of senior management and the nomination of candidates for directors and *kansayaku*.

Keywords related to qualities of individuals are prominent in the “policies” for appointment. Keyword analysis revealed that of the 3,088 companies listed on the Prime Market and Standard Market that complied with Principle 3.1, 59.9% (1,850 companies) included “experience” in their descriptions, followed by “ability” at 44.8% (1,384 companies), “knowledge” at 39.2% (1,210 companies), “insight” at 34.6% (1,068 companies) and “personality” at 29.2% (902 companies). Keywords related to the expertise of candidates were also seen, such as “finance and accounting,” “law,” “corporate management (corporate manager, etc.),” and “crisis management” (Chart 65).

Meanwhile, in terms of policies on the dismissal of officers, many policies stated dismissals in cases of major violations of laws and regulations or the articles of incorporation. Keyword analysis revealed that 54.4% of companies (1,680 companies) included “dismissal” (excluding “appointment and dismissal") and 5.0% (154 companies) included "removal." With regard to reasons for dismissal or removal, "violation (including violation of laws and articles of incorporation)" accounted for 26.0% (804 companies) and "fraudulence" accounted for 12.1% (373 companies) (Chart 66). There were also some companies that stated poor business performance as grounds for dismissal.

Analysis of keywords related to "procedures" for appointment and dismissal revealed that many companies stated that decisions were made by the board of directors in order to be resolved at the general meeting of shareholders. 35.6% (1,100 companies) of the companies included "general meeting of shareholders" as a keyword and 89.2% (2,754 companies) included "board of directors." In some cases it was clearly stated that the opinions and advice of outside directors, etc. were respected in order to ensure the transparency, etc. of the appointment and dismissal process. In addition, some companies specified the involvement of voluntary nomination committees, etc., and 26.2% (810 companies) included the keyword "nomination committee, etc." This is considered to be due to the fact that the number of cases has increased where voluntary advisory bodies for nominations are newly established following the revision of the Code in 2018, which indicated the establishment of a voluntary advisory committee related to nomination and remuneration.

81.0% (2,501 companies) mentioned "*kansayaku*" or "supervisory committee members," and many companies clearly specified the qualities required and process for appointment with respect to *kansayaku* and supervisory committee members separately from directors (Chart 67).

Chart 65 Keywords Related to Policies for Appointment of Officers

Item	Number of companies	Ratio
Companies complying with Principle 3.1	3,088	100.0%
Experience	1,850	59.9%
Ability	1,384	44.8%
Knowledge	1,210	39.2%
Insight	1,068	34.6%
Character	902	29.2%
Finance and accounting	764	24.7%
Corporate management, corporate manager, etc.	563	18.2%
Balance	519	16.8%
Comprehensive consideration/judgments	540	17.5%
Laws, legal, etc.	423	13.7%
Diversity	328	10.6%
Risk	174	5.6%

Chart 66 Keywords Related to Policies for Dismissal of Officers

Item	Number of companies	Ratio
Companies complying with Principle 3.1	3,088	100.0%
Dismissal (excluding appointment and dismissal)	1,680	54.4%
Discharge	154	5.0%
Wrong doing	373	12.1%
Violations (violations of laws and regulation or violations of the articles of incorporation, etc.)	804	26.0%

Chart 67 Keywords Related to Procedures for Appointment and Dismissal of Officers

Item	Number of companies	Ratio
Companies complying with Principle 3.1	3,088	100.0%
Board	2,754	89.2%
Kansayaku, supervisory committee members, etc.	2,501	81.0%
Outside directors	1,495	48.4%
General shareholders' meeting	1,100	35.6%
Nomination committee, etc.	810	26.2%

Looking at individual cases, Example 1 mentions the adoption of items such as the change of stock price indicators, TSR/shareholder returns, and ratings as the viewpoint of the CEO's evaluation. Example 2 specifically describes the "qualifications of directors and nomination and dismissal procedure," "selection standards," "dismissal standards," and the "stance towards composition" for directors and *kansayaku*, respectively. In addition, Example 3 describes the formulation and disclosure of more specific criteria for the selection of candidates for directors. For outside directors in particular, the company discloses that it values "mental independence." Example 4 states that persons suitable for directors are nominated by utilizing the "Skill Matrix of Directors," which clarifies the requirements for officers derived from management strategies.

<Example 1: CEO assessment items are disclosed including shareholder and capital market perspectives>

<Policy>

(Omitted)

<Procedure>

[Process of appointment]

To secure objectivity, transparency, and timeliness for procedures to appoint, dismiss, and evaluate directors, the CEO, and other members of the management team, the Company has in place the Nomination Committee, which is an advisory body to the board of directors. The majority of members of the Nomination Committee is independent outside directors and the chairperson is an independent outside director.

In fiscal 2022, it comprises of four independent outside directors and one internal executive director. The Nomination Committee deliberates multiple times on the qualification of the candidates, and reports to the Board of Directors clarifying the basis for nomination. The Board of Directors deliberates based on the report from the Nomination Committee and resolves upon the selection of the CEO and the nomination of candidates for Directors.

Prior to the nomination of director candidates, the Nomination Committee continuously deliberates on the composition of the board of directors and the required expertise and background of directors (skill matrix) in order to maintain a system that enables the board of directors to make appropriate and effective management decisions and supervision of the execution.

In the appointment of executive officers, the Nomination Committee assesses the reasonableness of the reasons for appointments made by the CEO. In addition, in the executive structure, the CEO reports to the Nomination Committee on the selection and development policies of candidates for management positions, utilizing a skill and career matrix that shows overview of human resources, roles, skills and careers, with the aim of establishing a system that enables the GMC to make accurate and prompt decisions and promoting and developing appropriate management personnel in succession plans.

In selecting candidates for *kansayaku*, to ensure the independence of *kansayaku*, a process is adopted in which the board of company auditors takes the initiative in "recommending candidates" and "nominating candidates". The board of company auditors recommends candidates in consultation with the CEO in accordance with the selection criteria for candidates of *kansayaku*, and nominates and proposes candidates after confirmation by the Nomination Committee. The board of directors respects the decisions of the board of company auditors and makes resolutions on the nomination of candidates of *kansayaku*.

- Officers structure and skill matrix
https://jp.●●.com/-/Media/ ●● /Sites/ ●● /IR/events/2022/pdf/meeting122.pdf (page 35-36)

[Evaluation process]
The Nomination Committee assesses executive directors, including the current CEO, in two stages each year. In the first evaluation, careful and appropriate deliberations are made on the soundness of Directors to continue in their duties, ensuring timeliness of appointment and dismissal. In the second evaluation, Directors' achievements are evaluated with a multifaceted approach, and their issues are clarified through feedback in an effort to improve the quality of management. The Nomination Committee's deliberations and conclusions on the evaluation of Directors are reported to the Board of Directors to thoroughly oversee the CEO, senior management and directors.

<Main items of CEO evaluation>
(i) Financial perspective - Progress of medium-term management plans and business plans, capital profitability, other key management indicators, etc.
(ii) Shareholder and capital market perspectives - Stock price index trends, TSR and shareholder returns, rating, etc.
(iii) Future financial perspective - ESG initiatives, customer satisfaction, employee engagement, safety and quality, etc.

(Shipping)

<Example 2: Specific criteria for appointment and criteria for dismissal are clearly stated>
(4) Policies and procedures for appointment

[Qualifications of directors and appointment and dismissal procedures]
The appointment of candidates for directors will be decided on by the board, in consideration of the appointment criteria and stance towards the composition of the board, after discussion by the Nomination Advisory Committee.

(Selection standards)
1. The person has an excellent sense of management and familiarity with various management issues
2. Have a companywide perspective and excellent objective analysis and judgment abilities
3. Have excellent foresight and insight
4. Have the ability to accurately understand the trends of the times, management environment, and market changes
5. Have a strong desire to work towards self-improvement
6. Has the ability to actively voice their opinion from a companywide perspective
7. The person has character and insight appropriate for a director
8. Does not fall under any of the grounds for disqualification as a director set forth in Article 331, Paragraph 1 of the Companies Act.

When dismissal of directors is proposed, the Board of Directors makes a decision based on the dismissal criteria.

(Dismissal criteria)
1. Has acted in violation of public order and morals
2. It has become difficult to continue their duties due to health reasons
3. Has caused significant damage to corporate value as a result of negligence of duties
4. When a director falls under any of the grounds for disqualification as a director set forth in Article 331, Paragraph 1 of the Companies Act
5. Is deemed not to fulfill the qualities prescribed in the appointment standards

(Views on the composition of the board)
1. The board is composed of directors with diverse backgrounds including specialized expertise and experience.
2. The board will be composed of no more than 20 members as an appropriate number enabling the board to perform its functions in the most efficient and effective manner. At least one-third (1/3) of the board shall be composed of Outside Directors.
3. Internal directors shall be structured so that thorough supervision on management is made, centered by the chief executive officer (CEO), chief financial officer (CFO) and general managers of business units.
4. The board will be composed so that the various experience and knowledge of each director can complement the functions of the board overall so that the fiduciary duties of the board overall can be fulfilled.

(Omitted)
(Construction industry)

<Example 3: More specific criteria for qualifications of candidates for directors are stated>

<Election policy for directors and *kansayaku*>

In order to enhance objectivity and transparency in the nomination of candidates of directors and *kansayaku*, a voluntary Nomination Committee (the committee is chaired by the representative director and chairperson and consists of two representative directors (including the chairperson of the committee) and two outside directors) provides opinions in response to a request from the board of directors regarding the process of appointment and dismissal, qualifications, and reasons for the appointment and dismissal of candidates of director and *kansayaku* in accordance with the “Nomination Committee Rules” and the “Rules on Policies and Procedures of Nomination.”

■ Basic concept on selection of candidates for directors

(Selection standards)

1. Has outstanding character, insight, high ethical standards, an excellent sense of management, and familiarity with various management issues
2. Has a companywide perspective and excellent objective analysis and judgment abilities.
3. Has excellent foresight and insight, special skills and knowledge, and a wealth of experience.
4. Has the ability to accurately understand the trends of the times, management environment and market changes.
5. Has a strong desire to work towards self-improvement
6. Has the ability to actively voice their opinion from a companywide perspective
7. Does not fall under any of the grounds for disqualification as a director set forth in Article 331, Paragraph 1 of the Companies Act.
8. In the case of outside directors, meets the requirements for independent directors as stipulated by the Tokyo Stock Exchange.

In addition, the following criteria, (1) to (2), must be satisfied.

(1) Eligibility

Possess the following qualities necessary to comprehensively monitor and provide advice on management based on general knowledge regarding corporate management and a fundamental understanding of the principles to be adhered to by directors and the board, with the aim of achieving sustainable growth and improving the medium- to long-term corporate value of the Group in order to fulfill the responsibilities entrusted by the shareholders.

・Ability to discern facts from materials and reports

・Ability to identify problems and risks and apply knowledge to resolve these

・Capacity to appropriately monitor business strategy and provide advice

・Mental independence to openly question, debate, re-examine, continuously deliberate, and propose ideas in opposition to a resolution

(2) Expertise

Must have knowledge in a specialized field such as management, accounting, finance, law, administration, or social/cultural affairs, and have a record of achievement in that field.

(Omitted)

(Service industry)

<Example 4: The skill matrix is used to select the right person as a director>

(4) The board of directors selects candidates for director and *kansayaku*, as well as the CEO and other senior management, who contribute sustainable growth of the Company and enhancement of corporate value over the medium- to long-term through effective corporate governance.

Nomination of candidates for directors and *kansayaku* and the appointment and dismissal of the CEO and other senior management are deliberated by the Nomination Committee and determined by resolution of the board of directors. Policy on the nomination of candidates for directors and *kansayaku* and the appointment and dismissal of the CEO and other senior management are as follows.

・We nominate a person with appropriate and extensive experience, deep insight and high level of expertise to serve as a director, *kansayaku* and CEO and other senior management of the Company while ensuring diversity including internationality and gender.

・To ensure the balance and diversity of knowledge, experience and capabilities of the board of directors as a whole that are necessary for the sustainable growth of the Company and the enhancement of corporate value over the medium- to long-term, we nominate candidates for directors who are appropriate for directors of the Company and possess a wealth of experience, deep insight and high level of expertise that the Company requires in light of “●●,” the Company’s group philosophy, the code of conduct of ●● group and the “Skill Matrix of the Board of Directors,” which clarifies the requirements for officers derived from management strategies.

・After prior deliberation by the Nomination Committee and obtaining an evaluation that the persons are appropriate, we obtain the consent of the board of company auditors with respect to *kansayaku*, and nominate candidates for directors, candidates for *kansayaku*, and CEO and other senior management.
・As to the executive directors such as representative directors (CEO and other seminar management), their business performance, etc., are periodically reviewed annually by the Nomination Committee, and, with respect to CEO, if the results of the review is that the CEO meets the criteria for dismissal set by the board of directors, such results of review is verified at the board of directors, and if it is confirmed that the criteria are satisfied, such person will not be nominated as a candidate for directors or will be dismiss from the position as CEO.
(Foods)

1 - 3 - 6. Explanations with respect to individual appointments and dismissals and nominations (Principle 3.1)

Principle 3.1 (v) requires explanation of individual reasons for appointment, dismissal and nomination. While the Companies Act requires the reasons for the appointment of outside directors to be stated in the convening notice, this item also requires the reasons for the appointment of internal officers and the reasons for individual dismissals to be explained.

Many companies include such statements in the reference documents for the general meeting of shareholders, and common statements include “when nominating candidates for directors and *kansayaku*, the reasons for the nomination are disclosed in the notice of convocation of the general meeting of shareholders, etc.” Currently, if an officer is dismissed, the reason for dismissal is not usually stated because the majority of officers are shown as being “not reappointed” when their term of office expires. There are few cases where a resolution for dismissal is taken at the general shareholders’ meeting, other than for proposals by shareholders themselves.

Among the 3,088 companies listed on the Prime Market and Standard Market that complied with Principle 3.1, 86.4% (2,668 companies) cited “general meeting of shareholders,” 77.8% (2,402 companies) cited “convocation (notice of convocation, convocation notice, etc.)” and 31.0% (958 companies) cited “reference documents (reference documents for general meeting of shareholders, etc.)” as keywords. In addition, some companies directly stated the reasons for appointment of directors and *kansayaku* in the CG Report as in Example 1.

<Example 1: Reasons for selection are disclosed for each candidate>

5) Explanations with respect to selection and appointment of individual directors and *kansayaku*

1. ●● ●● (Representative director and chairperson)
He has held several positions in the Company, including production and sales divisions, and has served as an officer of related organizations, and has expert knowledge in the dairy industry. He has also served as senior managing director, director and vice president, representative director and vice president since 2007, and has been in charge of the management of the Company group as the representative director and chairperson since 2021. He was reappointed as a director at the 99th ordinary general meeting of shareholders in 2022 with the expectation that he would use his knowledge and experience and contribute to the group's further growth and enhancement of corporate value.

2. ●● ●● (Representative director and president)
He has held several positions in the Company, including sales and management divisions, and has expert knowledge in the dairy industry. He has also served as a director, managing director and senior managing director since 2015, and has been in charge of the management of the Company group as the representative director and president since 2021. He was reappointed as a director at the 99th ordinary general meeting of shareholders in 2022 with the expectation that he would use his knowledge and experience and contribute to the group's further growth and enhancement of corporate value.

3. ●● ●● (Representative director and vice president)
In addition to holding positions in the research division in the Company and being involved in overseas business for many years, he has served as an officer of relevant organizations in Japan and abroad, and has expert

knowledge of the dairy industry and extensive experience in Japan and overseas. He has also served as a managing director and senior managing director since 2015, and has been in charge of the management of the Company group as the representative director and vice president since 2020. He was reappointed as a director at the 99th ordinary general meeting of shareholders in 2022 with the expectation that he would use his knowledge and experience and contribute to the group's further growth and enhancement of corporate value.

4. ●● ●● (Senior managing director)

He has held several positions in management division of the Company and has served as an officer of related organizations, and has expert knowledge in the dairy industry. He has also experienced important duties as an executive officer since 2010 and has been involved in management as a director and managing director since 2015. He was reappointed as a director at the 99th ordinary general meeting of shareholders in 2022 with the expectation that he would use his knowledge and experience and contribute to the group's further growth and enhancement of corporate value.

5. ●● ●● (Managing director, managing executive officer, general manager of production department)

He has held several positions in the production divisions of the Company, and has expert knowledge in the dairy industry. He has also experienced important duties as an executive officer since 2015 and has been involved in management as a managing director since 2021. He was reappointed as a director at the 99th ordinary general meeting of shareholders in 2022 with the expectation that he would use his knowledge and experience and contribute to the group's further growth and enhancement of corporate value.

(Excerpt)

9. ●● ●● (Independent outside director)

He has broad insight and experience in corporate management, including experience on important duties in various business fields and serving as Chief Diversity Officer at ●● Co., Ltd., and he has participated in the management of the Company group as an outside director of the Company since 2020. He was reappointed as a director at the 99th annual general meeting of shareholders in 2022 with the expectation that he would continue to provide advice and recommendations based on his broad range of insights, as well as perform highly effective oversight of the management team from an objective standpoint independent of business execution. The Company has notified him with the Tokyo Stock Exchange as an independent officer.

(Foods)

[Column 4] Counselors, advisors, etc.

In light of the practice in listed companies in Japan of having retired presidents, etc. serving as counselors (*sodanyaku*) and advisors (*komon*), from the perspective of improving transparency in governance, a section for “status of persons who retired as representative director and president, etc.” is established in the CG Report. Specifically, in cases where a person who retired from the position of representative director, etc., continues to serve as a counselor or adviser, etc., the name, title/position, business content, etc. of such person can be voluntarily stated.

By market segment, the proportion of listed companies that made disclosures regarding counselors/advisors, etc., is 40.5% in the Prime Market, 18.7% in the Standard Market and 2.9% in the Growth Market and of these, the proportion of listed companies that had counselors/advisors, etc., is 64.5% in the Prime Market, 56.3% in the Standard Market and 85.7% in the Growth Market (Chart 68).

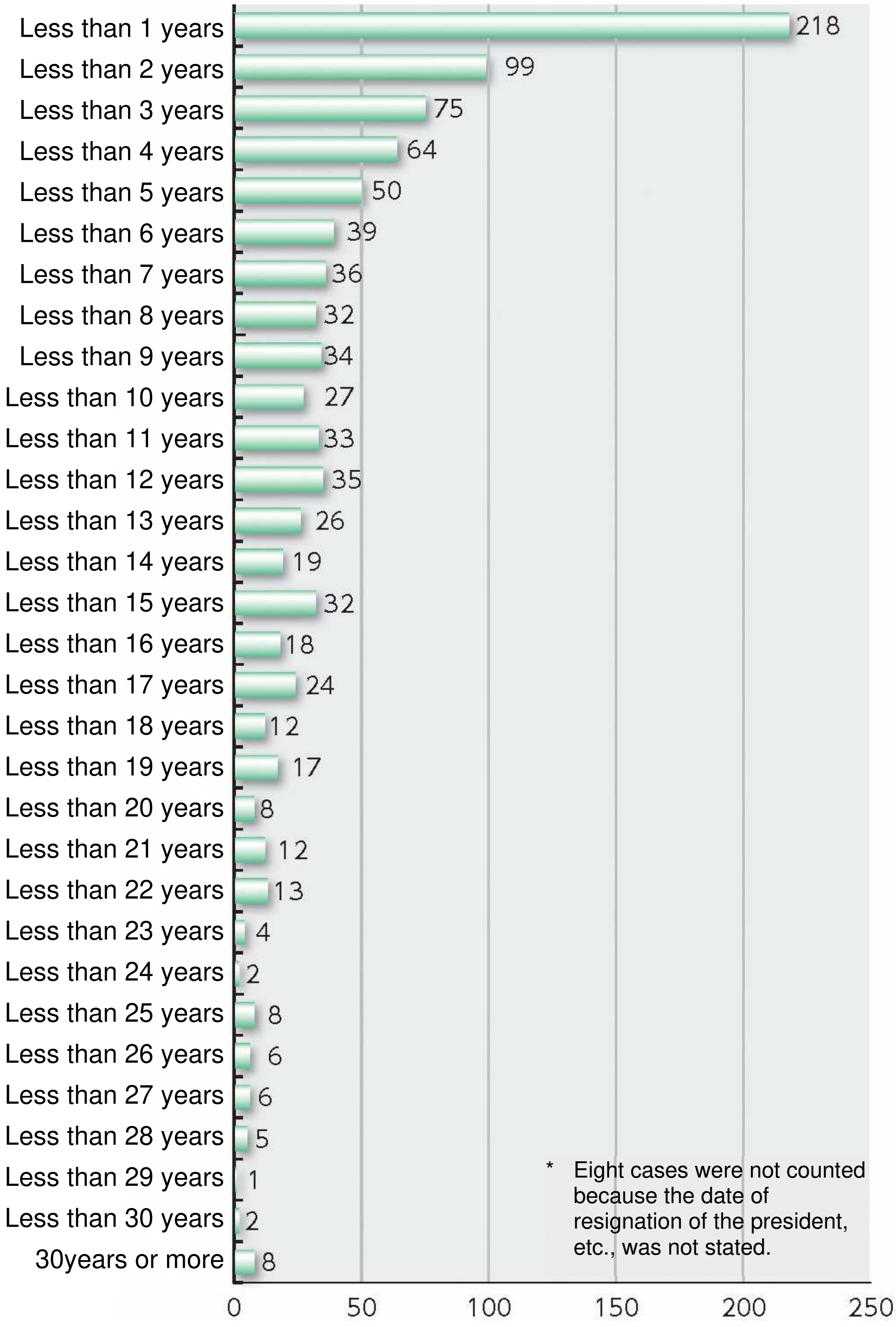
Chart 68 Status of Disclosure of Counselors/Advisors, etc., by Market Segment

Scope of data aggregation	Number of companies	Disclosure on counselors/advisors, etc., is not made		Disclosure on counselors/advisors, etc., is made		At least 1 person in advisory position	
		Number of companies	Ratio	Number of companies	Ratio	Number of companies	Ratio
All companies	3,770	2,740	72.7%	1,030	27.3%	645	62.6%
Prime	1,837	1,093	59.5%	744	40.5%	480	64.5%
Standard	1,456	1,184	81.3%	272	18.7%	153	56.3%
Growth	477	463	97.1%	14	2.9%	12	85.7%
JPX-Nikkei 400	399	164	41.1%	235	58.9%	149	63.4%

In the 645 companies with one or more counselors/advisers, etc., the total number of counselors/advisers, etc., is 973. Chart 69 shows how many years have passed since the date of retirement as president, etc., and less than one year is the most common (218 persons), followed by less than two years (99 persons) and less than three years (75 persons). There are also some people for which 20 years or more or even 30 years or more elapsed after resigning as president. The term of these positions is generally one year, but some companies set a two-year term, a maximum number of years, a mandatory retirement age, etc., or no term at all. In addition, there are 38 persons whose term of office is “lifetime (continuous service)” and 161 persons whose term of office is “no term” or “no fixed term.”

Further, looking at the relationship between full-time/part-time work and payment of remuneration, 207 persons were full-time, 727 persons were part-time, 699 persons were paid, and 245 persons were not paid. Looking at each relationship, part-time with pay is the most common (489 persons), followed by part-time with no pay (224 persons), full-time with pay (197 persons), and full-time with no pay (3 persons) (Chart 70).

Chart 69 Distribution of Number of People by Years from Date of Resignation



* Eight cases were not counted because the date of resignation of the president, etc., was not stated.

Chart 70 Status of Employment and Remuneration for Sodanyaku, Komon, etc.

Category	With remuneration	Without remuneration	Not stated(remuneration)	Total
Full-time	197	3	7	207
Part-time	489	224	14	727
No work	2	16	0	18
Not stated (work)	11	2	8	21
Total	699	245	29	973

1 - 3 - 7. Policies and procedures for determining the remuneration

(1) Disclosure in accordance with Principle 3.1 (iii)

Principle 3.1 (iii) requires the disclosure of the policies and procedures for determining the remuneration of the senior management and directors by the board of directors. Many companies already disclose their basic policies on officer remuneration, etc., in their CG Reports and annual securities reports, and of the 3,088 companies listed on the Prime Market and Standard Market that comply with Principle 3.1, 30.7% (948 companies) include keywords such as “corporate governance reports” and 13.1% (404 companies) include “annual securities reports.”

In addition, 42.3% of companies (1,307 companies) mention “business results,” suggesting that many companies take business results into account when determining officer compensation. Further, 31.5% (974 companies) mention “outside directors” (Chart 71).

With regard to the remuneration determination process, there are cases in which the opinions of outside directors are taken into account, and cases in which the content of remuneration of outside directors is stated separately from that of internal officers. In addition, 42.5% (1,311 companies) included “general meeting of shareholders,” and there were some cases in which the total amount of remuneration to be resolved at the general meeting of shareholders was stated (Chart 72).

In many cases, the “policy” for determining officer remuneration is stated by categorizing into fixed remuneration (basic remuneration), bonus and performance-linked remuneration, and many companies clearly state that fixed remuneration (basic remuneration) is set based on responsibilities and roles. As factors related to fixed remuneration (basic remuneration), 23.7% (733 companies) include the keyword “responsibilities/duties” and 22.0% (680 companies) include the keyword “role/title” (Chart 71). In terms of factors related to performance-linked remuneration, “performance” as described above was more frequently mentioned, and there were also companies that mentioned “sales,” “profit (operating profit, ordinary profit and net income),” “ROE/ROA/ROIC” and “dividends.” Specifically, 1.9% (59 companies) mention “sales,” 12.6% (389 companies) mention “profit (operating profit, ordinary profit and current net income),” 1.2% (36 companies) mention “efficiency indicators of capital, etc. (ROE, ROA and ROIC),” and 1.5% (46 companies) mention “dividends.” While the overall trend suggests that a large number of companies emphasize profit in their business performance, the number of companies that mention capital efficiency is still small. In addition, some companies said that they were referring to “industry standards” and “data provided by external organizations.” 19.9% (616 companies) used the keyword "performance-linked," 17.2% (530 companies) referred to "stock-based compensation" including "stock options," and 500 companies (16.2%) mentioned "incentives.” Compared to two years ago, the number of companies mentioning stock-based compensation has increased, suggesting that stock-based compensation is becoming more popular. 11.2% (346 companies) state that multiple factors are “considered/judged comprehensively.”

As to the “procedures” for determining officer remuneration, just under half of the companies (42.5%, 1,311 companies) mentioned the “general meeting of shareholders” as stated above (Chart 72), and 32.6% (1,006 companies) mentioned the “remuneration committee, etc.” In the wake of the Code revisions in 2018 and 2021, many companies have established voluntary advisory bodies on remuneration and nomination to ensure transparency in the officer remuneration determination process, and the description of the involvement of remuneration committees, etc., in the remuneration determination process is increasing.

Chart 71 Keywords Related to Policies for Determining the Remuneration of Officers

Item	Number of companies	Ratio
Companies complying with Principle 3.1	3,088	100.0%
Performance	1,307	42.3%
Basic/fixed	1,140	36.9%
Outside directors	974	31.5%
Consultation	585	18.9%
Responsibilities/duties	733	23.7%
Role/position	680	22.0%
Performance-linked	616	19.9%
Bonus	470	15.2%
Stock-based compensation (stock options)	530	17.2%
Incentive	500	16.2%
Profits	389	12.6%
Comprehensive consideration or judgments	346	11.2%

Chart 72 Keywords Related to Procedures for Determining the Remuneration of Officers

Item	Number of companies	Ratio
Companies complying with Principle 3.1	3,088	100.0%
General shareholders' meeting	1,311	42.5%
Remuneration committee, etc.	1,006	32.6%

Example 1 is an individual example of a detailed description of the policy and procedure for determining remuneration. The company has developed a remuneration policy and, in addition to disclosing remuneration levels, remuneration mix and the remuneration determination process, mentions clawback/malus clauses and shareholding policies. Example 2 describes specific concepts for calculating bonuses and performance-based stock compensation, particularly for performance-based stock compensation, including KPIs (TSR) and specific companies with which comparison is made.

<Example 1: The Company's remuneration policies and remuneration structures are explained in details, with reference to shareholding guidelines and the introduction of malus, clawback clause

1) Policy for determining remuneration for directors, etc.

(i) The purpose of remuneration for directors other than outside directors is to encourage directors other than outside directors to lead sustainable growth while fulfilling their social responsibilities as a company that aims to become a GMB.

- Quantitative and objective evaluation by financial performance indicators is reflected in remuneration to motivate them to achieve performance targets.
- The evaluation with respect to the promotion of ●● group's ESG measures (hereinafter referred to as "●● ESG") is reflected in remuneration, accelerating ●● ESG management initiatives.
- While establishing a remuneration system that is strongly linked to shareholder value, continued shareholding during the term of office is encouraged to create a strong awareness of sustainable improvement in corporate value.

・ Remuneration levels and performance linkages are established to ensure that remuneration is equal to or greater than the standard level for GMB companies set by the Company in line with the achievement of the performance targets and ●● ESG and enhancement of corporate value.

(ii) Transparency and objectivity shall be ensured in the operation of the remuneration system in meeting the objectives of the remuneration.

・ Decisions regarding the formulation and operation of remuneration policies shall be made by a resolution of the board of directors after deliberations by the remuneration advisory committee, a majority of which are outside directors.

・ In order to accurately fulfill accountability to shareholders, we shall make disclosures that go beyond the scope required by laws and regulations and promote shareholders' understanding and dialogue with shareholders

2) Remuneration structure

(i) Directors other than outside directors

Remuneration for directors other than outside directors consists of a base remuneration which is a fixed remuneration and performance-linked remuneration. In order to ensure a high level of performance linkage commensurate with competitive remuneration levels, the ratio of basic remuneration and performance-linked remuneration is set at approximately 1: 2 for the president and representative director among directors other than outside directors. For directors other than the president and representative director, the ratio is set so that the higher the position, the larger the ratio of performance-linked remuneration, taking into consideration the duties, etc., of each position. Performance-linked remuneration consists of an annual bonus designed to encourage the achievement of goals in business scale and profitability in each fiscal year, and stock-based remuneration (stock units with transfer restriction and performance share units) designed to promote the sharing of shareholder value and the maximization of medium- to long-term corporate value, and the ratio of annual bonus to stock-based remuneration is set at approximately 1: 1. A summary of each remuneration component is as follows.

(Omitted)

(ii) Remuneration level

In order to ensure an appropriate level of competitiveness in terms of remuneration commensurate with GMB companies, as to remuneration level of directors other than outside directors, we benchmark companies similar to our Company in size, profitability, industry, overseas expansion, etc., as a group of companies for comparison, using objective survey data on officer compensation, etc., operated by an external professional organization, and set levels according to position and responsibility.

(iii) Shareholding guidelines

In order to deepen the level of value sharing with shareholders, the Company encourages that directors other than outside directors hold shares of the Company as follows in principle.

President and representative director: Shares worth 3.0 times base remuneration by 5 years after assuming office

Other director: Shares worth 2.4 to 2.7 times base remuneration by 5 years after assuming office

(iv) Return of remuneration, etc. (malus, clawback clauses)

The Company has a provisions on return of remuneration (malus, clawback clauses) with respect to share units with transfer restriction and performance share units granted to directors. In the event that wrongful acts have occurred with respect to the directors of the Company (including those who have retired), or the fact of such acts has been found out, a claim may be made for the return of some or all of the points prior to the share delivery, the shares with transfer restriction already delivered and the shares after the lifting of the transfer restriction. The decision on the claim for return and the details thereof shall be made by a resolution of the board of directors after deliberation by the remuneration advisory committee.

(v) Remuneration determination process

The policies on determining the content of remuneration, etc., for directors of the Company and the content of remuneration, etc., for individual directors are determined by a resolution of the board of directors after objective deliberations by the remuneration advisory committee a majority of which consists of outside directors based on the contents of such deliberations.

In the deliberations of the remuneration advisory committee, remuneration advisors from external professional organizations are present as needed to provide objective perspectives and expert knowledge and information on the remuneration system.

(Machinery)

<Example 2: TSR is adopted as KPI for share-based remuneration and specific competitors are stated>

13) [Principle 3-1(iii) Policies and procedures when the board of directors determines the remuneration of the senior management and directors]

and 14) [Supplementary Principle 4.2.1 Remuneration as an incentive for sustainable growth]

The Guidelines provide for the Board of Directors' policies for determining the remuneration for senior management and Directors as follows:

(Omitted)

The performance-based remuneration other than fixed remuneration consists of bonuses which serve as monetary remuneration that reflects short-term business performance, as well as performance-based share remuneration (Board Benefit Trust, BBT) which is linked to the Company's total shareholders return (TSR) to provide incentive toward the aim of increasing corporate value over the medium- to long-term. In May 2022, the bonus system was revised as described in (i) below to increase incentives for achieving performance targets.
Note: The Company's TSR = The rate of increase of the Company's shares over a fixed period + The dividend rate over the fixed period (Total dividend ÷ Initial share price)
(i) As to bonuses, the factor to be multiplied with the fixed remuneration of individual officers is determined based on the prescribed formula according to the degree of achievement, position and individual contribution to the consolidated financial results forecast at the beginning of each fiscal year (total ordinary income, ordinary income excluding the container shipping business and current net income attributable to the parent company shareholders).
(ii) The coefficient for the BBT is to be calculated as follows.

- The coefficient that acts as a fixed remuneration multiplier is determined by combining two elements: the ratio of the Company's TSR to the TOPIX growth rate (the "TSR Ratio"), and the Company's TSR ranking relative to the TSR of other companies (the "TSR Ranking").
  The Company shall perform assessment, and accordingly award points, each fiscal year over a three-year period for assessing the TSR Ratio and TSR Ranking.
- If the TSR Ratio amounts to 50% or less, then the coefficient is assigned the minimum value of 0%. If the TSR Ratio amounts to 100%, then the coefficient is 10%. If the TSR Ratio amounts to 150% or more, then the coefficient is assigned the maximum value of 40%. The coefficient is calculated using the set formula if the TSR Ratio amounts to more than 50% but less than 100%, or if the TSR Ratio amounts to more than 100% but less than 150%. The plan is designed so that the coefficient used as a multiplier increases when the TSR Ratio exceeds 100%, thereby providing the Company's Officers with greater incentive to increase shareholder value.
- The TSR Ranking compares TSR of the Company with that of two other Japanese integrated shipping companies: ●● Co., Ltd. and ■■ Co., Ltd. The TSR of both companies is calculated in the same way as that of the Company.
- The amount of BBT remuneration is calculated by multiplying the coefficient as calculated above by the fixed remuneration of an individual officer. That amount is then converted to points which are awarded to the individual officer.

For a summary of the content of the policy for determining the remuneration, etc., of individual directors, please refer to pages 51 to 53 of the Company's Annual Securities Report for the 154 fiscal year.
https://data.●●.net/file/ ●● /dam/ ●●.pdf
(Shipping)

(2) Disclosure of individual director remuneration

The officer remuneration required to be disclosed in Principle 3.1 (iii) is also required to be disclosed in the existing disclosure documents as mentioned above. Listed companies are required to disclose, in their annual securities reports, the total amount of remuneration, etc., for each category of officers, the total amount of each type of remuneration, etc., the total amount of remuneration, etc., of officers who receive 100 million yen or more, and the policy for determining officer remuneration. Regarding disclosure of the remuneration of individual Director/statutory executive officer, the CG Report requires listed companies to select one of the following: "full disclosure of all individuals," "partial disclosure" or "no individual disclosure on remuneration."

The percentage of companies who do not disclose the remuneration of individual directors in the CG Reports for Companies with Board of Company Auditors and Companies with Supervisory Committee is 89.2% and 91.5% respectively, while the percentage of these companies that make full disclosure of the remuneration on all directors/statutory executive officer is only 0.0% and 0.1% respectively. The percentage of companies that disclose individual information on only some of their executives are 10.8% and 8.4% respectively, but it can be said that the majority of these companies disclose remuneration of individual executives who receive 100 million yen or more.

Among Company with Three Committees, the ratio of companies that do not disclose individual compensation for both directors/statutory executive officer is 64.8%, and the ratio of companies that disclose individual compensation for all directors/statutory executive officer is 2.3%, which is higher than the above two organizational forms (Chart 75).

3,701 companies, or 98.2%, provide supplementary information related to the remuneration of directors/statutory executive officer. With respect to officer remuneration, many companies include the similar information because it is required to be included in the annual securities report.

Chart 73 Disclosure of Director Remuneration (Companies with Board of Company Auditors)

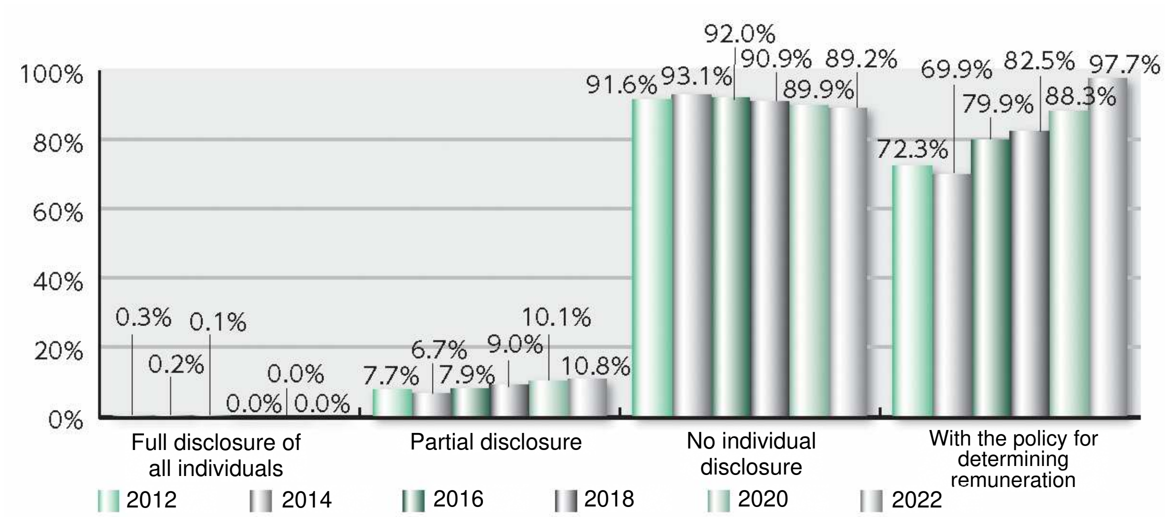


Chart 74 Disclosure of Director Remuneration (Companies with Supervisory Committee)

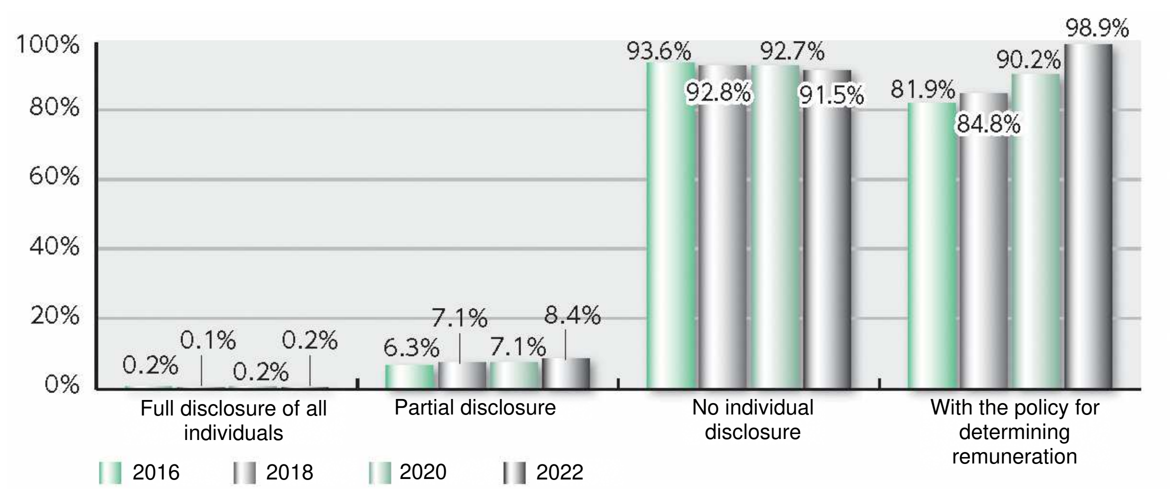
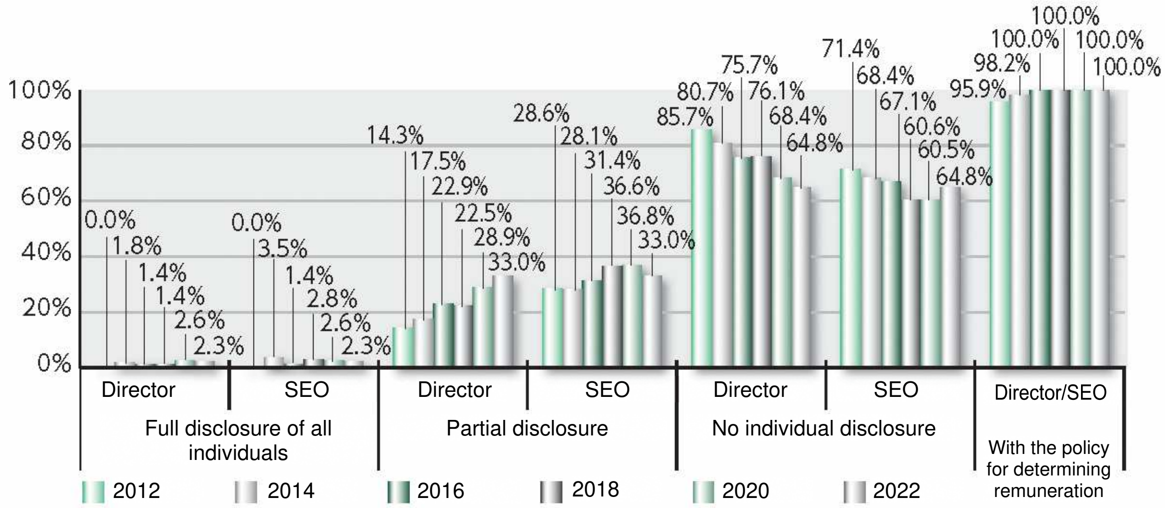


Chart 75 Disclosure of Director/Statutory Executive Officer(SEO) Remuneration (Companies with three committees)



(3) Policy for determining remuneration amounts and calculation method

In terms of the policy for deciding on officer remuneration, if a company has a policy for determining the amount of remuneration and its method of calculation, it is required to disclose this in the CG Report[54].

In the CG Report, the percentage of companies which reported that a decision policy on director remuneration amounts, etc., and its calculation method are in place accounted for 97.7% of Companies with Board of Company Auditors, 98.9% of Companies with Supervisory Committee, and 100.0% of Companies with Three Committees (Chart 73 to Chart 75). The overall percentage is considered to have increased since the last survey because of a background that not only Company with Three Committees, which were originally required by the Companies Act to have their compensation determined by the Remuneration Committee, but also Companies with Board of Company Auditors (limited to large companies) and listed companies with a Supervisory Committee were required by the Revised Companies Act of 2019, which came into effect on March 1, 2021, to have their board of directors decide on policies for determining individual compensation for directors (except for cases provided in the articles of incorporation or the general meeting of shareholders).

An analysis of the descriptions of companies that have a decision-making policy in this section shows that 80.9% (2,995 companies) of the 3,701 companies that have a decision-making policy refer to “performance,” suggesting that, as with the description based on (iii) in Principle 3-1, many companies take performance into account when determining executive compensation. 48.7% (1803

54 In terms of the policy for deciding on the amount of officer remuneration, etc. or the calculation method thereof, a company is required to disclose in the annual securities report: (i) The details of the policy as of the date of submission, the method of determination, or if there is no policy in place, a statement to that effect; (ii) If a policy is in place for each position, the details thereof; (iii) The name or title of the person who has authority for determining said policy, the details of that authority, and the scope of discretion; (iv) A description of the procedures of the committee involved in the determination of the policy, if any.
In addition, if performance-linked remuneration is included in the remuneration, the following information is required: (i) If a policy for determining the ratio of performance-linked remuneration to other remuneration is in place, the details of said policy; (ii) The index upon which determination of performance-linked remuneration is based; (iii) The reason for selecting this index; (iv) The method of determining the amount of performance-linked remuneration; and (v) Targets and actual performance of the index upon which performance-linked remuneration is based for the most recent business year.

companies) referred to “performance-based compensation,” 43.1% (1596 companies) to “stock compensation,” and 10.2% (378 companies) to “stock options.” In terms of the decision process, 76.0% (2,812 companies) mentioned “general shareholders’ meeting,” 62.5% (2,314 companies) mentioned “outside directors,” and 32.4% (1,200 companies) mentioned “remuneration committee, etc.”

1 - 3 - 8. Implementation of Initiatives to Offer Incentives

The CG Report requires disclosure of the “state of implementation of initiatives to offer incentives to directors.” This is because it is believed that providing directors with incentives linked to the improvement of mid to long-term corporate value and aligning the interests of directors, etc. and general shareholders enables the development of an environment in which the board supports appropriate risk taking by directors, etc.

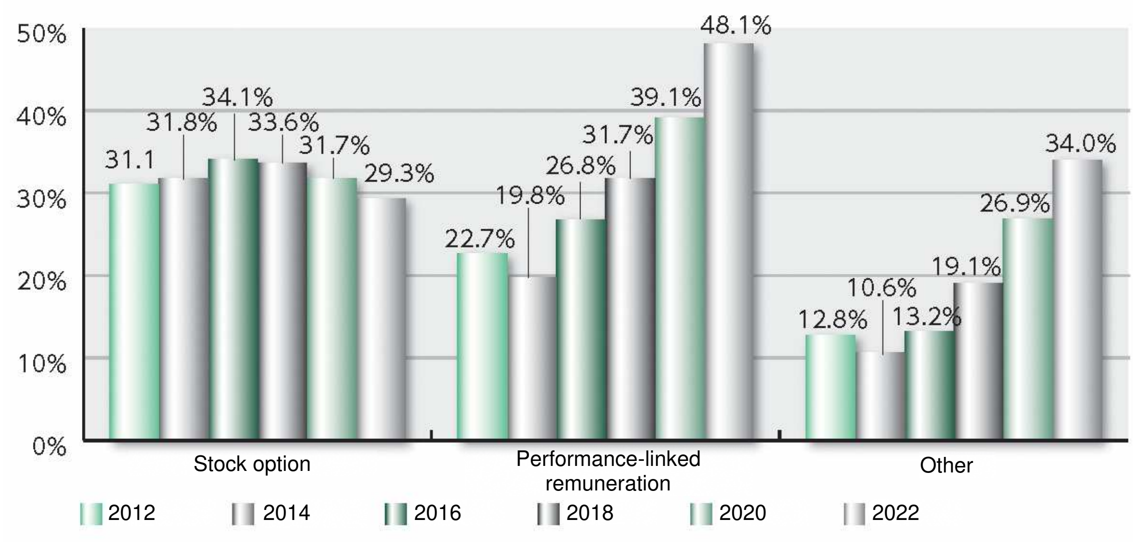
Specifically, for companies that introduced a performance-linked remuneration system, it has become preferable to provide supplementary explanations on the indicators related to the performance-linked remuneration, the reason for the selection of the indicators, and the method for deciding on the amount of performance-linked remuneration. In addition, when a policy related to deciding on the payment ratio of performance-linked remuneration and remuneration, etc. other than performance-linked remuneration has been prescribed, it is preferable to provide supplementary explanations on the details of such policy. In addition, if a stock option plan has been introduced, it is preferable to provide supplementary explanations on the total amount and the approach toward the individual payment levels.

(1) Overview of initiatives related to incentives

Companies which implemented certain initiatives to offer incentives accounted for 76.5% of TSE-listed companies. Regarding each category of initiatives to offer incentives, stock option plans are introduced in 29.3% of TSE-listed companies, while performance-linked remuneration systems and other initiatives are introduced in 48.1% and 34.0% respectively (Chart 76).

As an overall trend, the percentage of companies that have introduced stock option plans has been on the decline since 2016, while the percentage of companies that have introduced performance-based compensation plans or other plans has been on the rise.

Chart 76　Implementation of Initiatives to Offer Incentives



(2)　Introduction of stock option plans

Figure 77 shows the implementation status of measures related to incentives by market segment. For companies with stock option plans, the growth market tends to be remarkably high at 79.7%.

In the supplementary explanations regarding stock options, there were 171 companies that mentioned the connection with "mid to long-term" corporate value as also indicated in the Code. Many companies stated that stock options were granted in order to increase the motivation to increase corporate value over the mid- to long-term and to promote the sharing of interests with shareholders.

155 companies stated that they provided stock options as "incentives," and many companies stated that they use stock options for the purpose of clarifying incentives for performance.

In addition, 70.7% of the companies have not adopted such stock option plans, and reasons for not adopting stock option plans include the following: a plan will not be introduced because the company aims to increase value stably over the mid to long term rather than aiming for short-term increases in profits or the stock price; stock options will be considered in the future if it is deemed that acquiring human resources and improving incentives for directors would improve corporate value; and while stock options are believed to be an effective system, no stock options have been currently issued.

Chart 77　Implementation of Initiatives to Offer Incentives (by Market Segment)

	Stock option	Performance-linked remuneration	Other
All companies	29.3%	48.1%	34.0%
Prime	23.5%	66.1%	41.2%
Standard	20.2%	35.4%	28.2%
Growth	79.7%	17.2%	23.9%
JPX-Nikkei 400	22.1%	81.0%	39.6%

(3)　Implementation of performance-linked remuneration system

With regard to performance-linked compensation, the Prime market has the highest ratio of 66.1% among the three markets. In addition, the JPX Nikkei 400 is at 81.0%, 14.8 percentage points above the prime market average. As examples, some companies have introduced board benefit trust remuneration and stock remuneration-type stock options in accordance with the degree of attainment of performance targets in the medium-term management plan. There were also companies that only provide performance-linked remuneration and stock remuneration-type stock options to executive directors, and that do not grant such remuneration and stock options to outside directors in order to ensure independence. Moreover, since the Ministry of Economy, Trade and Industry released a guide on the introduction of restricted stock[55] as a new form of stock remuneration for officers in April 2016, an increasing number of companies have introduced this. Restricted stock is provided to officers as remuneration in the form of actual stock with transfer restrictions for a fixed period of time. 998 companies mentioned this.

In addition, there were also companies that set KPIs (key performance indicators) and pay performance-linked remuneration based on the degree of attainment. As for KPIs, many companies indicated indicators such as sales and operating margin, but a certain number of companies indicated indicators related to capital efficiency such as ROE, ROA and ROIC. In particular, in recent years, the adoption of non-financial indicators as KPIs for compensation payments in corporate sustainability initiatives, particularly among major corporations, has developed, with GHG emissions reductions, evaluations by ESG rating agencies, and employee engagement as factors.

(4) Persons eligible for stock options

The CG Report requires companies implementing stock option plans to specify eligible persons by selecting applicable categories from “inside directors”, “outside directors”, “inside *kansayaku*”, “outside *kansayaku*”, “statutory executive officer”, “employees”, “officers of the parent company”, “employees of the parent company”, “officers of subsidiaries”, “employees of subsidiaries” or “other” (multiple answers allowed).

Chart 78 Chart 79 and Chart 80 show the composition of eligible persons, when the sample is limited to TSE-listed companies with stock option plans. Excluding Companies with Three Committees, it is found that the percentage of the companies that offer their stock option plans to inside directors was highest (95.4% of Companies with Board of Company Auditors, and 91.4% of Companies with Supervisory Committee). Among Companies with Three Committees, the percentage of companies that offer their stock option plans to statutory executive officer was highest (92.9%). This was followed by employees at high provision rate (71.5% of Companies with Board of Company Auditors and 78.9% of Companies with Supervisory Committee and 71.4% for Companies with Three Committees).

55 Guidebook for Introducing New Stock-based Compensation (“Restricted Stock”) as Board Members’ Compensation to Encourage Companies to Promote Proactive Business Management

Chart 78 Eligible Persons for Stock Options (Companies with Board of Company Auditors; with Stock Option Plans)

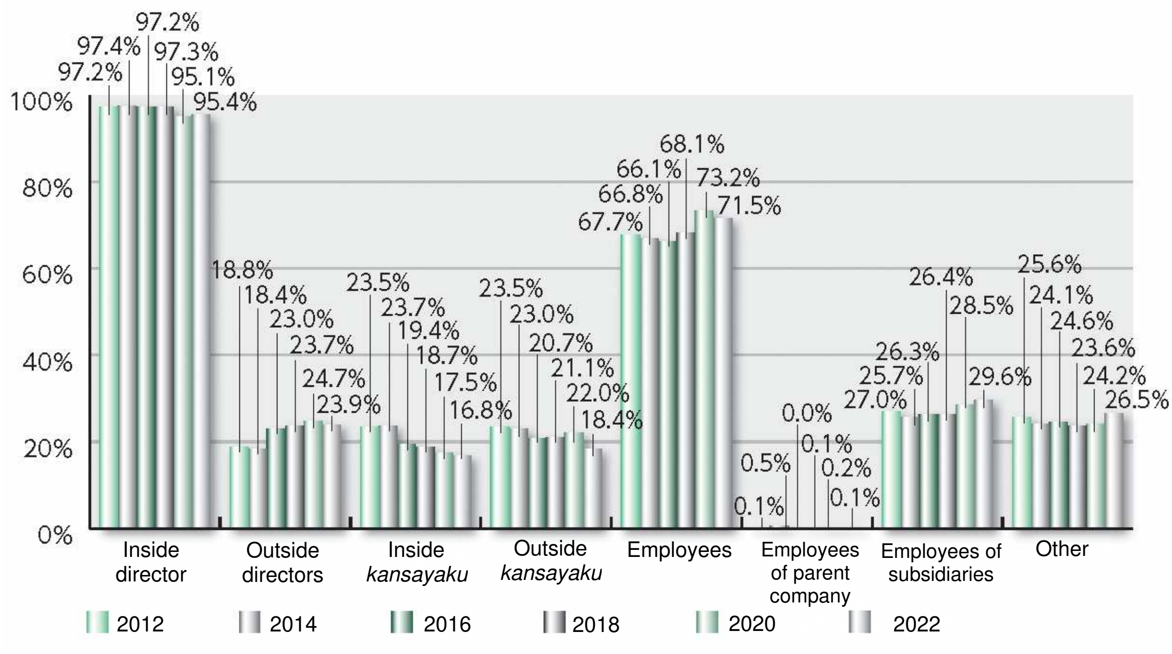


Chart 79 Eligible Persons for Stock Options (Companies with Supervisory Committee; with Stock Option Plans)

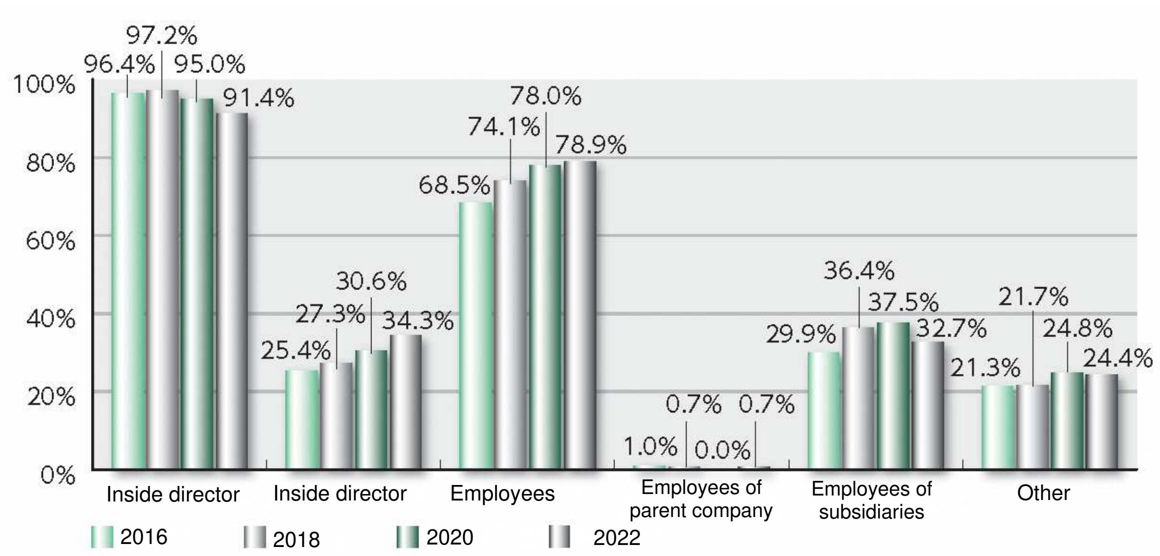
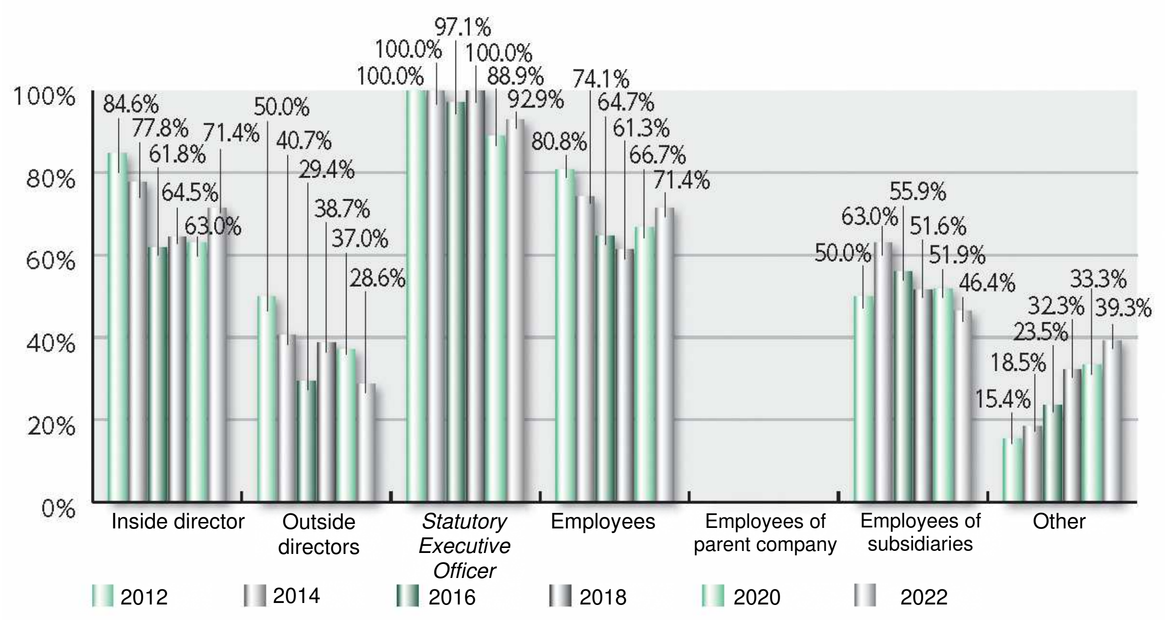


Chart 80 Eligible Persons for Stock Options (Companies with Three Committees; with Stock Option Plans)



1 - 4. Ensuring diversity in the Board and Core Human Resource

1 - 4 - 1. Preconditions for Ensuring Board Effectiveness (Principle 4.11, Supplementary Principle 4.11.1)

Principle 4 -11 states that as a prerequisite to ensuring the effectiveness of the Board, listed companies should be required to: “The Board should consist of a well-balanced overall body of knowledge, experience and ability to fulfill its roles and responsibilities, and should be made up in a way that balances diversity, including gender, internationality, work experience and age, with an appropriate size. Furthermore, the Follow-up Meeting's Opinion (5) (December 18, 2020) stated that the Board is required to support management's prompt and decisive risk-taking, make important decisions, and conduct highly effective supervision, and pointed out that it is essential to ensure an appropriate combination of the knowledge, experience, and abilities of directors, as well as the number of years they have been in office. It also stated that ensuring the necessary skills as a whole in light of medium- and long-term management directions and business strategies is a prerequisite for the Board to effectively fulfill its roles and responsibilities. As pointed out in this opinion, Supplementary Principle 4.11.1, which was revised in June 2021, states: “The Board, after identifying the skills, etc., that the Board should possess in light of the management strategy, should set forth its view on the balance of knowledge, experience, and abilities, diversity, and size of the Board as a whole, and disclose the combination of skills, etc., possessed by Directors in an appropriate manner according to the management environment, business characteristics, etc., together with policies and procedures for the appointment of Directors, including the so-called skills matrix that lists the knowledge, experience, and abilities, etc., of each Director.” It also requires that independent outside directors include those with management experience at other companies.

The rate of complying with Supplemental Principle 4.11.1 is 89.5% (1,645 companies) in the prime market, approaching about 90%. In addition, as the Supplementary Principle is positioned as a principle that certain matters should be disclosed in the Code, the CG Report has made progress in disclosing views on diversity, etc. of the Boards of listed companies. < Example 1 > stated that, from the perspective of gender, internationality, and other factors, the Company selects foreign outside directors and female outside directors based on the recognition that diversity is an advantage in creating changes in management and business and ensuring the sustainable growth of the Company. On the other hand, there are some companies that recognize the need to ensure diversity, including gender and internationality, but express that there is not enough assurance in the current situation (Example 2). In terms of diversity of skills, some companies specify the skills to be prepared for directors based on the company's management strategy, such as the medium-term management plan, and then state that diversity of skills is ensured and complies with the statement < Example 3 >. On the other hand, some companies stated that the opinions of persons with management experience in other companies were important, but that they would consider the selection of such persons in the future, and expressed their opinions[56] (Example 4).

56 In many cases, companies that have been expressing their intention to “consider” the issue in the future, it would contribute to constructive dialogue with investors if they include a specific timeline for when they intend to proceed with their consideration of the issue.

< Example 1: Clarification of selection of foreign nationals and female outside directors from the perspective of diversity >

The Board determines the policies and procedures for the appointment of our Company's directors after a process in which the Board consults the Advisory Committee on candidates selected based on the requirements that they possess the high ethical standards and law-abiding spirit required of a director of our Company, as well as the wealth of experience and high level of ability to carry out business management of the Group accurately, fairly and efficiently, and the character and insight required of a director of the Company, from the perspective of contributing to the sustainable enhancement of the Group's corporate value. In addition, the Company discloses a skill matrix listing each director's skills (knowledge, ability, experience) and expertise in the Notice of the Annual General Meeting of Shareholders and the Annual Securities Report. All outside directors have management experience in other companies.

<u>With regard to the diversity of the Board, the Board is selected with an emphasis on having the ability to play expected roles in light of our company's business plan. Based on the recognition that diversity of human resources (diversity) can bring about changes in management and business, and is an advantage in ensuring the sustainable growth of the company, the Board strives to select candidates for directors with an added perspective of ensuring diversity. One non-Japanese outside director and one female outside director have been elected.</u>

(Electrical appliances)

1 <Example 2: Explaining that diversity, such as gender and internationality, is not sufficient>

While maintaining a structure that enables discussion among a small group of directors, the Board of the Company has different backgrounds in terms of expertise and experience. For example, directors with deep knowledge of the Company's business and outside directors who can contribute to the enhancement of corporate governance from an independent standpoint by providing advice to the Board on appropriate decision-making and providing effective supervision to the management are selected.

<u>We recognize that it is important that the Board be composed in a way that balances diversity, including gender, internationality, work experience and age, with an appropriate size, but because the current situation is not sufficiently secure, we will strive to select director candidates with an emphasis on ensuring diversity.</u>

(Service industry)

< Example 3: The Board as a whole states that diversity of skills is ensured >

Our company has significant consolidated subsidiaries in addition to the Company, both in Japan and abroad, and is responding to changes in the business environment both in Japan and abroad while promoting the key strategies of the Group's medium-term management plan: Creating added value and expanding energy solutions through the use of smart meters, Creating new core products and businesses, Global growth with an emphasis on profits, and Strengthening the Group's management base.

The Company has a small Board of Directors, with no more than ten members, which is responsible for the important decision-making functions of management and the supervisory functions of business execution, and emphasizes management experience at the company or other companies, international experience, and knowledge and skills in each internal and external area of expertise as skills that should be prepared to perform these functions properly.

<u>We believe that the diversity and balance of skills of the Board as a whole is ensured for the skills currently possessed by each Director and *Kansayaku*.</u>

(Electrical appliances)

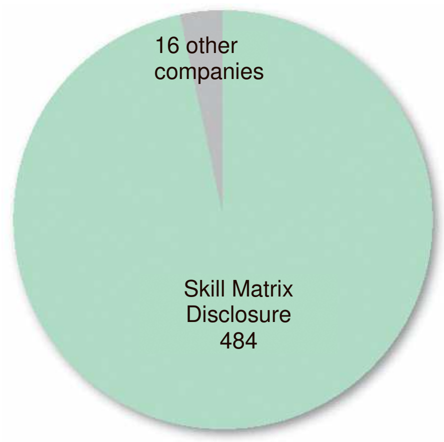
<Example 4: Explaining that no one with management experience in other companies is included>

In order to fulfill its roles and responsibilities effectively, our company's Board of Directors makes it a policy to select candidates for executive directors who are well-versed in the operations of each division and administrative division, based on our group's management strategy, the size of its business and the nature of its business, after identifying the necessary skills. The Company also discloses a skill matrix that lists the knowledge, experience and abilities of each director. With respect to outside directors, candidates are selected on the basis that there is no risk of conflict of interest with general shareholders in accordance with the standards for independent directors set by the Tokyo

Stock Exchange.
Although there are no independent outside directors with current management experience at other companies, we will continue to consider the selection of those with management experience who can contribute to the sustainable growth of the Company, considering that opinions from an independent standpoint from a management perspective are also important.
(Real Estate)

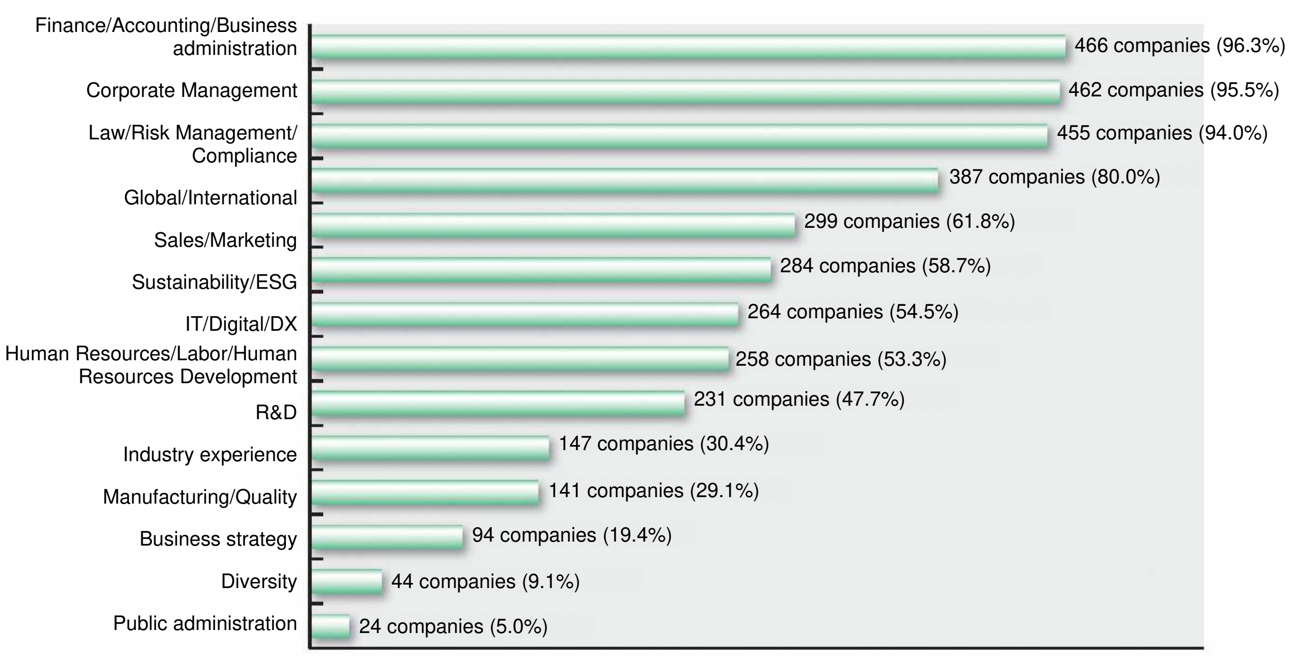
The practice of using skill matrices has also become established as a way of indicating the combination of skills required to be disclosed under the Supplementary Principles. In fact, 484 of the TOPIX 500 companies use the skills matrix (Chart 81). Furthermore, when the specific skill types identified were checked using a sample of the 484 companies concerned, it was found that many companies identified factors such as "Finance/Accounting/Business administration," "Corporate Management," "Law/Risk management/Compliance," "Global/International," "Sales/Marketing," "Sustainability/ESG," "IT/Digital/DX," and "Human Resources/Labor/Human Resources Development" as skills that directors should possess (Chart 82). As Chart 83 shows, the number of skills identified varies from 3 to 16 for each company, but 130 companies (26.9%), which is the largest number, identified 7 skills. In disclosing skill combinations, etc., in addition to attaching a skill matrix, etc., to the CG report, there are other methods of making reference to a different disclosure medium, with 356 companies (73.6%) including the skill matrix, etc., in the notice of convocation of the general meeting of shareholders being the most common. Under the Companies Act, the reasons for the selection of candidates for outside directors and an outline of the roles they are expected to play if selected are to be included in the Reference Documents for the General Meeting of Shareholders[57], and this practice is considered to be due to its high affinity with the disclosure of skill matrices, etc.

Chart 81 How to Disclose Skill Combinations (TOPIX 500 Constituents)



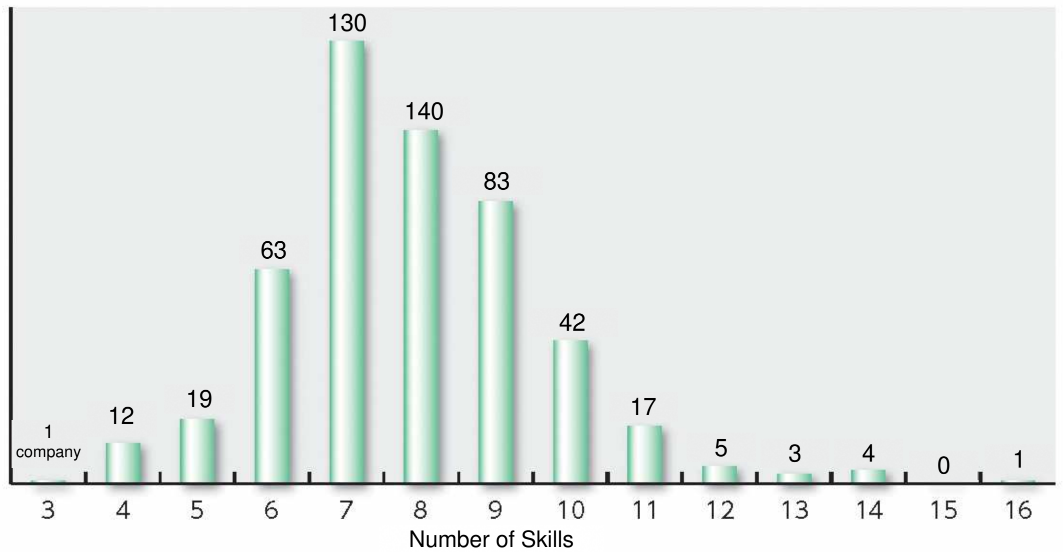
57 Article 74, Paragraph 4, Items 2 and 3of the Regulation for Enforcement of the Companies Act.

Chart 82 Types of skills identified (TOPIX 500 constituents)



(Note) Figures in parentheses refer to the percentage of companies disclosing skill matrices (484 companies).

Chart 83 Types of skills identified (TOPIX 500 constituents)



As for the disclosure of skill combinations, looking at actual examples, < Example 5 > mentioned that the skills needed to achieve the medium-term management plan were identified. The Code requires companies to identify the skills they should possess in light of their management strategies, and from this perspective, the description can be said to reflect the intent of the Code. < Example 6 > is unique in that it goes further than referring to the policy and approach in developing the skill matrix and specifically describes the reason for identifying the skill for each skill identified. < Example 7 > is a case of disclosing the combination of skills held by directors by listing the skills for each director, rather than in a so-called tabular format. < Example 8 > and < Example 9 > are examples that refer to considerations in referring to the skill matrix. < Example 8 > indicates areas of expected contribution in management for the skills identified, and specifies that it does not represent a lack of knowledge in areas not listed. < Example 9 > states that the company marks as many as three of the identified skills that it expects to demonstrate particular expertise. The inclusion of such precautions is considered to be a practical device from the perspective of clarifying the purpose of disclosure of skill combinations, etc.

< Example 5: It clearly states that the skills needed to realize the medium- to long-term management plan have been identified >

The number of members of our company's Board of Directors is 3 to 10, with at least 1/3 being independent outside directors in principle. In addition, the Company believes that ensuring diversity on the Board is useful for multifaceted and effective deliberations of the Board, and has decided to select persons with diverse knowledge, experience and abilities in a balanced manner. At present, the Company's Board of Directors consists of nine members, including three independent outside directors. Each director possesses knowledge, experience and capabilities in areas such as general management, business management, sales, research and development, technology and industrial policy, and the Company believes that the Board as a whole is well-balanced, diverse and appropriately sized. It also requires that independent outside directors include those with management experience at other companies. The Company has recently identified "Corporate Management & Management Strategy," "Finance & Accounting," "Legal & Risk Management," "Global," "Sales & Marketing," "Technology," "Human Resources Strategy," and "ESG (Environment, Social & Governance)" as the combination of skills necessary to realize its Mid- to Long-Term Management Plan. The Company believes that the balance and diversity of the Board as a whole should be maintained and the Board should be effective by having a well-balanced staff of directors with these skills. The combination of skills possessed by each director (the so-called skills matrix) has been published in the Notice of the Ordinary General Meeting of Shareholders since June 2022. The Notice of Convocation of the General Meeting of Shareholders is published on our company website. (https://www.●●.co.jp/ir/meeting/)
(Machinery)

< Example 6: Disclosing Skill-Specific Approach in the Skill Matrix >

There are currently 11 directors, of which 6 are independent outside directors. All outside directors have management experience in other companies.
Our company selects directors with a view to ensuring that their knowledge, experience and abilities are balanced as a whole, as well as diversity and appropriate size. When selecting new candidates for directors, the Board considers the knowledge, experience and insight of the candidates and makes a decision after deliberation by the Nomination and Remuneration Committee.
The knowledge, experience and abilities of directors (skill matrix) are described on page 28 of the Notice of Convocation of the 161 Annual General Meeting of Shareholders.
(https://www.●●.co.jp/themes/ ●● /investor/event/file/notification_161.pdf)

Our company's view on the skill matrix
Our company's corporate philosophy is "Respect people and contribute to the development of society in the spirit of love and respect" and the company strives to be "Continuing to evolve as a valuable presence by developing our business globally to meet the changing needs of customers and society." With 2030 in mind, we have also established a long-term vision for the future, "Vision 2030," and positioned our medium-term management plan, "Vision 2023," as a step toward that long-term vision.
In identifying the skills that we expect from our directors, we take into account these management principles, our vision, our long-term vision, "Vision 2030" and our medium-term management plan, "Vision 2023," and determine what skills are required to build a structure that enables us to fulfill the supervisory functions related to decision-making and business execution of our company's globally expanding Board of Directors. From this perspective, we have identified the following specific skills and developed a skill matrix.

(Global management)
As our company operates its business globally, particularly under the long-term vision of "Vision 2030," it is envisioned that overseas operations will comprise at least 70% of total operations. From this perspective, we believe that it is extremely useful to appoint persons with knowledge of global corporate management to the Board for the future growth of the Company. For this reason, when inviting outside directors in particular, we ensure that managers of companies with global operations, especially top executives or those with similar experience, are included. The category of "global management" in the skill matrix is based on the presence or absence of top management or equivalent experience of a company operating globally.

(Business strategy)
First and foremost, deep expertise and experience in each business area are essential to running a specialist trading

company like our company. In particular, with regard to executive directors, it is practically extremely important for a trading company like our company to have broad knowledge, experience and connections in the fields of information and electronics, synthetic resins, chemicals and the consumer electronics industry, which are our company's business areas, and when appointing executive directors, a balance of persons with knowledge in these business areas is considered.

Finance and accounting
Not to mention the importance of financial strategy (corporate finance) in corporate management, we believe that there is a need for some of the executive directors to be in charge of financial strategy and to lead initiatives to increase corporate value through various dialogues with investors. In addition, we believe that it is useful to ensure that directors who are Supervisory Committee members have expertise in finance and accounting in order to strengthen the supervisory function over business execution.
(The rest omitted)
(Wholesale trade)

< Example 7: List skills by officer >

■Composition of the Board, procedures for the appointment and dismissal of officers, etc. (Supplementary Principle 4.11.1)
The Company believes that the appropriate number of directors is approximately 3 to 10, because the Board conducts substantive and vigorous deliberations while making accurate and prompt decisions.
Of the Company's 10 directors, 6 are outside directors, and all 6 are independent officers who serve on the Tokyo Stock Exchange. The Company has increased the independence of the Board and strengthened its supervisory function by appointing a majority of outside directors. For the procedures for the appointment and removal of officers, please refer to "Enhancing Disclosure (4)."

(Reference: Professionalism of Directors)
The Company expects its directors to have a high level of knowledge and experience, especially in corporate management, global business and sustainability. In addition, we believe that advice and recommendations based on our knowledge and experience in specialized fields such as IT and digital, store openings, logistics, finance, accounting and finance will be useful for our company's business management. In relation to the above items, the expertise that the Company expects from each Director is as follows: This item does not represent all expertise possessed by the Directors.
●●●●: Corporate Management, Global Business, Sustainability, IT/Digital, Store Opening, Logistics, Finance, Accounting and Finance
●●●●: Corporate Management, Global Business, Sustainability, Finance, Accounting and Finance
●●●●: Corporate Management, Global Business, Sustainability, IT & Digital
●●●●: Corporate Management, Global Business, Sustainability, Store Openings, Logistics
●●●●: Corporate Management, Global Business, Sustainability, Finance, Accounting and Finance
●●●●: Corporate Management, Global Business, Sustainability, Store Openings
●●●●: Corporate Management, Global Business, Sustainability, Logistics
●●●●: Corporate Management, Global Business, Sustainability, IT & Digital, Finance, Accounting & Finance
●●●●: Corporate Management, Global Business, Sustainability
●●●●: Corporate Management, Global Business, Sustainability

(Retail Trade)

< Example 8: Skill Matrix Considerations >

The basic policy of the Board of the Company is to have an elite small number of directors who are agile and effective in light of the structure and size of the business. As a general rule, the Company's Board of Directors has a policy of appointing two or more neutral or independent outside directors, in addition to internal directors who have extensive business experience and are familiar with the Company's business. When nominating candidates for the Company's Board of Directors, the Company takes into consideration that the person recommended by the representative director must have an understanding of our company's management philosophy and code of conduct and the ability to appropriately execute management as well as the ability to possess intelligence and character as well as leadership, a sense of balance and creativity. In addition, each candidate is referred to the Evaluation and Compensation Council, which consists of independent outside directors and corporate auditors (The committee consists of two independent outside directors, two independent outside *kansayaku* and two full-time *kansayaku* as of the date of submission of this report.), to enhance objectivity and transparency in the nomination process. The skills matrix of the Company’s Board (expertise and experience) includes the skills possessed by *Kansayaku* in this report "V.2 [Other Matters Related to Corporate Governance System]." The directors in charge, whether internal or external, approach management with their knowledge, experience and deep insight in their respective fields. In particular, for outside directors, the areas in which they are expected to contribute to the management of our company are as indicated, so that they can make the most of their expert knowledge and deep insight in management monitoring. The skills matrix describes areas of particular professional experience and does not represent a lack of knowledge in areas not listed.

(Wholesale trade)

< Example 9: Skill Matrix Considerations >
The Company's Board of Directors is composed of six members, including four outside directors, each of whom possesses knowledge, experience and skills in general management, accounting and finance, tax and legal affairs, and we believe that the balance and diversity of the Board are maintained, and that the size of the members is appropriate.

Thoughts on Director Skills
1. As a company with Supervisory Committee, the Company's Board of Directors makes important operational decisions and oversees the execution of duties by directors. In order for the Board to fulfill its role appropriately, the Board as a whole must have the necessary skills based on our company's business description, business development and governance structure. The skills required also change as the business environment changes.
2. In order to properly determine and supervise the execution of important business matters in our company, a person must first have a deep understanding of the business, i.e., a thorough knowledge of the telecommunications business ("industry experience").
In addition, "financial accounting" and "legal affairs" are required as the basic skills generally required to engage in stock business, which is a characteristic of the Company's business.
Furthermore, these skills have become increasingly important in recent years, when remarkable technological innovation requires the construction and operation of communications infrastructure and knowledge of communications technology ("technology") for business transformation.
In addition, in these days when it is necessary to make optimal decisions and discern trends in competitors and the world in an environment where we have never experienced before, it is extremely important to have knowledge of diverse "corporate management" from a high perspective and a broad perspective.
3. We have included a skills matrix in its notice of annual general meeting of shareholders. The skill matrix does not represent all the experiences or skills possessed by each individual, but marks a maximum of three items on which the company expects each individual to demonstrate particular expertise based on their experience, knowledge, etc.
(Information and communication)

[Column 5] Relationship between attributes and skills of directors, etc.

Since Supplementary Principle 4.11.1 requires listed companies to disclose a combination of skills, etc., that lists the knowledge, experience and abilities of each director, it is possible to investigate the relationship between the attributes and skills of directors, etc., by combining attribute information on each director with information on the skills possessed (or expected) by the director. Therefore, Chart 84 shows the relationship between the skills possessed by a director and the external nature, gender and nationality of the directors, for a total of 1,039 directors of 94 companies that disclose skill matrices in the TOPIX 100. Of the 1,039 directors, 547 are internal directors, including 528 men and 19 women. 492 are outside directors, including 340 men and 152 women. Since only a very limited sample of female internal directors and foreign directors is available for the tabulation in this column, sufficient attention should be paid to the interpretation of the results.

First, we focus on the gender and externality of directors. Of the 528 male and internal directors, 187 have skills related to "Finance/Accounting/Business administration," a ratio of 35.4%. However, the ratio of women and internal directors with skills related to "Finance/Accounting/Business administration" is 26.3%, showing a discrepancy between men and women. With regard to these skills, even for outside directors, the ratio is 37.4% for men and 31.6% for women, again higher for men. This suggests that male directors tend to have a higher percentage of skills related to "Finance/Accounting/Business administration" than female directors, regardless of whether they are external or not. Similarly, skills related to "Corporate Management" and "Global/International" with or without externalities are higher for men than for women, particularly those related to "Corporate Management." However, through measures such as those in Supplementary Principle 2.4.1, if the number of female managers increases in the future and the number of candidates for female directors increases, it is expected that skills related to "Corporate Management," which is currently male-dominated, will be accumulated among women. On the other hand, skills related to "Sustainability/ESG" and "Human Resources/Labor/Human Resources Development" tend to be more common among female directors than among male directors, regardless of whether they are external or not. The skills that make a difference, regardless of gender, according to whether a person is an outside director or not are "Law/Risk management/Compliance" and the proportion of outside directors with these skills is higher for both men and women than for inside directors. This may be partly due to the fact that some lawyers are appointed as outside directors (see Chart 31). Conversely, internal directors dominate in skills related to sales and marketing for both men and women.

Next, focusing on nationality, among the 1,039 directors, there were 68 (6.5%) foreign directors (both inside and outside the company)[58], but as a clear characteristic, the proportion of skills related to "Global/Internationality" among both male and female foreign directors was remarkably high. Another characteristic is that skills related to "Corporate Management" are held by 37 men (68.5%) and 9 women (64.3%), indicating that the gap between men and women is not very large when compared to the overall figure for directors.

The Supplementary Principles 4.11.1 require disclosure of the combination of skills, etc., possessed by each director. Of the 52 Companies with Board of Company Auditors that disclose the skill matrix, 76.9% (40 companies) disclose the combination of skills, etc., of not only each director but also each *Kansayaku*. A data set of 188 *Kansayaku* (both internal and external) from the group of companies is prepared, and the aggregate results are also shown in Chart 84. Principle 4.11 states that when appointing *Kansayaku*, "Persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed, and in particular at least one person who has sufficient expertise on finance and accounting should be appointed." In response to requests for such a code, out of 146 male and 42 female *Kansayaku*, 57.5% of male and 45.2% of female *Kansayaku* possess skills related to finance, accounting and business administration. Moreover, the ratio of *Kansayaku* with skills related to "Law/Risk management/Compliance" is also higher than the overall figure for directors, with 58.2% of men and 59.5% of women having these skills.

58 Directors who are presumed to be non-Japanese nationals are counted as "foreign directors," referring to the publicly available information of directors (Name, hometown, etc., of directors).

Chart 84 Relationship between attributes and skills of directors, etc. (TOPIX 100 constituents)

	Inside directors (547 persons)		Outside directors (492 persons)		Foreign directors (68 persons)		*Kansayaku* (188 persons)	
	Male 528 persons	Women 19 persons	Male 340 persons	Women 152 persons	Male 54 persons	Women 14 persons	Male 146 persons	Women 42 persons
Finance/Accounting/ Business administration	187 persons	5 persons	127 persons	48 persons	16 persons	6 persons	84 persons	19 persons
	35.4%	26.3%	37.4%	31.6%	29.6%	42.9%	57.5%	45.2%
Corporate Management	377 persons	7 persons	232 persons	74 persons	37 persons	9 persons	43 persons	9 persons
	71.4%	36.8%	68.2%	48.7%	68.5%	64.3%	29.5%	21.4%
Law/Risk Management/ Compliance	204 persons	7 persons	147 persons	73 persons	15 persons	8 persons	85 persons	25 persons
	38.6%	36.8%	43.2%	48.0%	27.8%	57.1%	58.2%	59.5%
Global/International	314 persons	10 persons	204 persons	81 persons	50 persons	14 persons	55 persons	11 persons
	59.5%	52.6%	60.0%	53.3%	92.6%	100%	37.7%	26.2%
Sales/Marketing	129 persons	4 persons	40 persons	15 persons	10 persons	2 persons	16 persons	4 persons
	24.4%	21.1%	11.8%	9.9%	18.5%	14.3%	11.0%	9.5%
Sustainability/ESG	154 persons	7 persons	101 persons	57 persons	20 persons	6 persons	29 persons	9 persons
	29.2%	36.8%	29.7%	37.5%	37.0%	42.9%	19.9%	21.4%
IT/Digital/DX	135 persons	6 persons	84 persons	31 persons	14 persons	2 persons	14 persons	2 persons
	25.6%	31.6%	24.7%	20.4%	25.9%	14.3%	9.6%	4.8%
Human Resources/Labor/ Human Resource Development	122 persons	6 persons	73 persons	46 persons	17 persons	3 persons	26 persons	15 persons
	23.1%	31.6%	21.5%	30.3%	31.5%	21.4%	17.8%	35.7%

1 - 4 - 2. Ensuring diversity in core human resources (Women, foreigners, mid-career hires, etc.) (Supplementary Principle 2.4.1)

In the opinion paper of the Follow-up Meeting (5) (December 18, 2020), it was proposed that in order for companies to lead discontinuous changes in the economic, social and industrial structures and realize new growth in recent years, it is extremely important to have not only the Board but also the management team possess diverse perspectives and values, to be fully aware of the circumstances surrounding the company, to ensure diversity in terms of gender, internationality, work experience and age in the management that supports the Board and the management team, and to establish a system in which core human resources are promoted to the Board and the management team while gaining experience.

In light of this opinion, in the revision of the Code in June 2021, Supplementary Principle 2.4.1 was newly established to disclose the policies, goals, and status of ensuring diversity in the promotion of women, foreign nationals, and midcareer hires to middle managerial positions, as well as the human resources development policies for ensuring diversity and the status of its implementation. This revision was introduced out of a sense of crisis that medium- to long-term growth and increased corporate value could not be achieved without ensuring diversity in core human resources, and it is presumed that this is still a serious issue for many listed companies. However, in considering how to deal with the code, it is important to consider and discuss the fundamental aspects of what the company will value and then lead to increased corporate value through constructive dialogue between listed companies and investors.

As for the status of implementation of Supplementary Principle 2.4.1, 72.8% (1,337 companies) of the companies listed on the Prime Market are complying. The following is an overview of the state of implementation of the Supplementary Principles.

First of all, with the establishment of the Supplementary Principles, disclosure of listed companies' views on diversity is progressing. While each company's approach to promoting core human resources, such as women, foreigners, and mid-career hires, varies, some companies indicated their approach to ensuring diversity among women as "There are many products and services for which women are customers, and it is necessary to incorporate more women's perspectives and ideas than ever before." With regard to foreign nationals, examples were found explaining the importance of ensuring diversity from the perspective of "Aggressively engage in the acquisition of outstanding professional human resources from outside the company, whether domestic or foreign, such as digital human resources, and secure core human resources rich in diversity" or "Increase recruitment of foreign and local hires to key positions in overseas offices to support overseas business development in line with growing overseas sales ratio." With regard to mid-career hires, some respondents mentioned "Amid the rapidly changing business environment, it is important to respect a high level of expertise and diverse perspectives and values in order to respond to increasingly sophisticated issues and continue to enhance corporate value and contribute to society." and "In order to transform our business portfolio and subsequently strengthen our business, it is essential not only to make effective use of internal human resources, but also to hire mid-career personnel who are needed in areas of our business that need to be strengthened."

When explaining their views on diversity, they not only explain their views on the attributes of women, foreign nationals and mid-career hires in terms of the appointment of managers, but also, as a premise, often explain their views on diversity management, which links the company's corporate philosophy and management strategy with ensuring diversity. For example, < Example 1 > refers to the company's "diversity and inclusion mission" and refers to its own diversity management philosophy regarding ensuring diversity: "Employees with different ways of thinking and personalities can pool their wisdom to meet the diversifying needs of customers while creating new value."

In addition, while there were not necessarily many descriptions directly linked to promotion to management positions, a certain number of companies mentioned the presence or absence of disabilities, religious differences, and LGBT factors.

< Example 1: Explaining the company's approach to diversity management >
(1) Stance on ensuring diversity in human resources
Since the start of the alliance in 1999, ●● has been quick to promote diversity and inclusion as one of its key management strategies, and "diversity and inclusion" has already become the culture and DNA of ●●. Currently, ●●is accelerating its promotion of diversity and inclusion as the source of the company's competitiveness with the goal of "Creating an environment where diverse employees can respect each other, enriching people's lives with unique and innovative cars and services that emerge from this environment" as its diversity and inclusion mission. When employees with different ideas and personalities pool their wisdom with one another, it leads to the creation of new value while responding to the diversifying needs of customers. ●●● believe that building a truly inclusive (accepting diversity) organization that enables each individual to realize ●●'s full potential is important and a strength of ●●. The Global Diversity and Inclusion Council, chaired by the CEO and composed of executives representing each department and region, determines diversity and inclusion policies and initiatives. In addition, the Regional Diversity and Inclusion Council, an organization for promoting diversity and inclusion in each region, has been established and chaired by the top management of each region, enabling it to promote implementation as a global ●● initiative and to address diversity and inclusion issues that differ from region to region.
(Omitted)
(Transportation equipment)

In response to this idea of ensuring diversity, Chart 85 confirms the status of setting measurable targets for women, foreigners, and mid-career hires in the prime market. 913 companies (49.7%) had set goals for women. Among them, 136 companies (7.4%) set targets related to the ratio and number of employees hired, 852 companies (46.4%) set targets related to the ratio and number of managers, and 41 companies (2.2%) set targets related to the ratio and number of directors. In this way, about half of the companies set goals for women, while 233 companies (12.7%) set goals for foreigners and 260 companies (14.2%) set goals for mid-career hires.

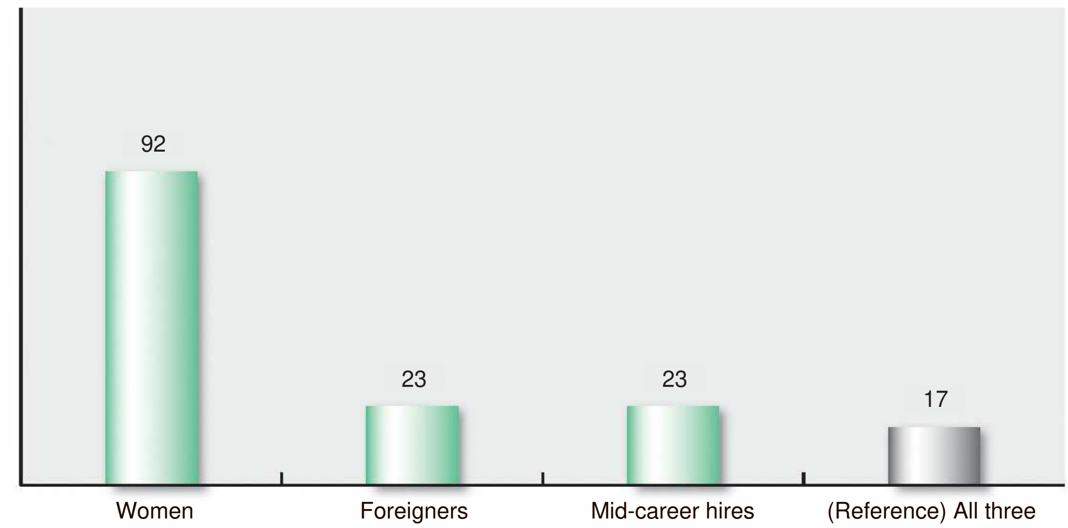
Chart 86 shows the status of target setting for core human resources in the TOPIX 100. As far as TOPIX 100 companies are concerned, 92 companies have set targets for core recruitment of women, and more than 90% have set targets. In addition, 23 companies have set targets for foreign and mid-career hires, which shows a trend of progress compared with the total number of companies listed on the Prime Market. In some cases, targets were set for other than the three attributes shown in the code. For example, some companies set targets for the recruitment of junior managers < Example 2 >.

Chart 85 Status of measurable target setting among women, foreigners and mid-career employees (prime market)

	Number of companies	Percentage of total
Setting goals for women	913	49.7%
Recruitment ratio, number of employees, etc.	136	7.4%
Ratio and number of managers	852	46.4%
Ratio of Directors, Number of Directors, etc.	41	2.2%
Setting goals for foreigners	233	12.7%
Recruitment ratio, number of employees, etc.	28	1.5%
Ratio and number of managers	187	10.2%
Ratio of Directors, Number of Directors, etc.	11	0.6%
Setting goals for mid-career hires	260	14.2%
Recruitment ratio, number of employees, etc.	50	2.7%
Ratio and number of managers	222	12.1%
Ratio of Directors, Number of Directors, etc.	2	0.1%

(Note) This tabulation is a survey on the status of setting targets that are directly stated in the CG reports, and excludes, for example, those that are indicated in the integrated reports and websites of each company by referring to the URL from the CG reports. In addition, with regard to “hiring ratio/number of employees, etc.,” “management ratio/number of employees, etc.,” and “director ratio/number of employees, etc.,” there are some overlaps or items that do not apply to each item, and therefore the total of each item does not match the number of companies set as a target.

Chart 86 Setting measurable goals for core human resources (TOPIX 100 constituents)



(Note) This summary tabulates the setting of objectives in relation to “ratio and number of managers, etc.” and “ratio and number of directors, etc.” in Chart 85 as measurable objectives for core human resources. Unlike the tabulation in Chart 85, the tabulation also covers the data shown in the integrated reports and websites of each company by referring to the URL from the CG report.

< Example 2: Setting goals for the recruitment of junior managers >

Compared to other countries, Japan still faces challenges in ensuring diversity, especially in terms of gender, and there is an urgent need for multipronged measures.

Our company has set the following targets and action plans for fiscal 2030 as "●●●● Diversity & Inclusion 2021" in order for each and every employee, regardless of nationality, gender or age, or national boundaries, to form an autonomous professional group and to realize the intellectual spiral of diversity, leading to innovation.

Target 1: At least 30% of employees and managers are women

We will transform our organization into one that enables decision making and human resource development based on diverse values and leadership, and create an environment in which the individuality and strengths of each employee are reflected in management and daily operations (Percentage of female employees 27% and female managers 11% as of April 2022).

Target 2: Increase opportunities to take on challenges unique to veterans

As a "●●● (*)" who not only passes on the experience and knowledge accumulated over many years to younger employees, but also responds to the roles expected from both inside and outside the company, we aim to develop veteran employees who will contribute to revitalizing the organization and realizing the knowledge spiral (we conducted a total of 5 career training sessions for middle seniors in fiscal 2021).

*: ●●● As a frontrunner in realizing our philosophy, veteran employees who see their own raison d'etre in challenging new value creation and fostering next-generation human resources

Target 3: At least 20% of young managers in their 30s or younger

We will further increase the diversity of our management team and accelerate the creation of an environment in which new ideas are utilized in decision-making (9.9% of organization heads under 30 as of April 2022).

(Pharmaceuticals)

Each company has its own way of ensuring diversity, and if it is difficult to describe "voluntary and measurable objectives" by attribute in accordance with the circumstances of each company, we request that a statement to that effect and the reason for this be included in the "Disclosure Based on Each Principle of the Code" column. The form in which targets are indicated in relation to "voluntary and measurable targets" in the Supplementary Principles depends on the circumstances of each company, but generally, to be "measurable," the state of achievement of the targets must be measurable in some way after the fact. For example, in addition to using a specific number to indicate a goal, there are other ways to indicate a goal, such as using the expression "degree" or range, or indicating a goal such as "maintain current status" or "increase from current status" after indicating the current status. In light of this, if no target is set for all three items, an express is required, but some companies are complying with the Supplemental Principle 2.4.1 by indicating that they will not set a target for some items and the reason (philosophy) for not disclosing the target for some items.

Looking at actual cases, < Example 3 > is an example of a company complying with the target of recruiting core human resource in all categories of women, foreigners and mid-career hires. Specifically, the company has set a goal for the ratio of managers in each category to that of all employees. < Example 4 > complies with the statement that while targets are set for women and foreigners, targets are not set for mid-career hires and the reasons for this. < Example 5 > is an example in which all three items indicate that no target is set because "it is difficult to indicate a measurable target at this time."

<Example 3: Setting targets for core human resource in all categories: women, foreigners, mid-career hires>

< Initiatives to promote diversity >

At the Company, we believe that the vitality derived from diversity supports business development, and we have expressed our vision and principles of action in "●●●●" of our corporate philosophy, which is widely shared. In order for individuals and companies to grow together, we aim to create an environment in which diverse human resources can come together, where each person can recognize each other, accept each other's perspectives and ways of thinking and use them as the strength of the organization, and where each person can display their abilities and individuality to the fullest. We disclose information about our initiatives in our sustainability reports and integrated reports. Our company's Sustainability Report and Integrated Report are available at:

・●● Sustainability Report: URL

・●● Integrated Report: URL

In order to ensure diversity in the appointment of core employees, we are thoroughly evaluating and appointing employees based on their individual abilities, not based on their attributes. In the selection of key personnel, we have established guidelines according to the composition of our employees, and we are steadily promoting selection and development that are not biased toward attributes.

<u>With regard to the appointment of women to management positions, we have set a target of having the same ratio of women in management positions as all employees in the domestic ●● Group in 2030, and are working to create a compatible environment with diverse work styles, as well as promoting the participation of female candidates for management positions in multiple external study sessions in different industries. As of the end of December 2021, the ratio of women in management positions in the domestic ●● Group as a whole was 51.9% and the ratio of women in management positions was 20.5%. With regard to foreign nationals, we strive to secure excellent human resources regardless of their nationality by actively hiring non-Japanese nationals based on certain targets when hiring researchers in Japan. As of the end of December 2021, the ratio of foreign employees (permanent employees) was 0.6% and the ratio of managers was 0.4% within the domestic ●● Group, and we aim to reach parity with the ratio of all foreign employees in 2030. As for mid-career hires, in order to actively develop new businesses in the future, we would like to actively recruit outside professionals. As of the end of December 2021, the ratio of mid-career hires to all employees in the domestic ●● Group was 30.2% and the ratio of managers was 17.5%, and we aim to reach parity with the ratio of mid-career hires to all employees in 2030.</u>

(Chemicals)

< Example 4: Statement that mid-career hires are not targeted and the reason for this >

Our company's Group Code of Conduct includes respect and promotion of diversity and the prohibition of discrimination. We aim to become a strong organization that can create new values and contribute to the creation of a prosperous society by respecting, accepting and stimulating each other's personalities and individuality, while also prohibiting discrimination based on the assumption of diversity among people. In addition, based on the belief that opportunities in recruitment, promotion and promotion, treatment, and educational opportunities should be equal regardless of nationality, age, gender, sexual orientation or gender identity, race, ethnicity, religion, political beliefs, ideology, origin, or disability, the Company establishes and operates internal systems and rules. Ensuring diversity in the appointment of key personnel such as managers is based on the same philosophy.

< Appointment of women to management positions >

With a target of 25% women in management positions in our group in fiscal 2030 (compared with 16% achieved in fiscal 2021), we are promoting talented women to management positions and strengthening the recruitment of women who could be future management candidates.

< Appointment of foreigners to management positions >

We have promoted the recruitment of talented foreign employees and are targeting 35% in fiscal 2030 (28% in fiscal 2021) for the ratio of foreign nationals in key positions in our group.

< Appointment of career hires to management positions >

Career hires accounted for 19% of the total number of employees and 16% of managers in our group, Japan. Overseas, based on the recognition that career recruitment is a common form of entry into a company, our group as a whole is aware of a considerable degree of recruitment.

<u>In addition, our company does not set specific targets for the ratio of career hires to management positions because there is no difference between career hires and new graduates and appointments are made based on a comprehensive judgment of experience, ability and other factors.</u>

< Creating new value through our group's diversity >

Regardless of the attributes of women, foreigners or career hires, our company fairly promotes employees to positions based on their abilities. In addition, through M&A to date, the Group has realized new value creation through diversity and synergy of human resources beyond the attributes of women, foreigners and career hires by adding new companies with different geography, degree of global expansion, corporate philosophy, culture and business fields to the Group.

In addition, we are working to create a structure that enables diverse employees to play an active role, with the goal of maintaining employment of people with disabilities above the legal level and achieving zero childcare and nursing

care turnover. Please refer to our Sustainability Report for our human resources development policy and internal environment development policy.
(Chemicals)

<Example 5: Indicate not to set a target and express>
The Company has always hired talented people regardless of gender, nationality, race, etc., and the placement of such people is judged by the right people. We have also made efforts to enhance and diversify our human resources for women, foreign nationals and mid-career hires. Although it is difficult to present measurable goals at this time, we will continue to strive to further develop our human resources and improve our internal environment in order to increase the number of core our company employees.
(Electrical appliances)

Chart 87 shows the results of keyword analysis for disclosure based on the Supplementary Principles 2.4.1. Among the 1,941 companies listed on the Prime Market and Standard Market that have complied with the Supplemental Principles 2.4.1, 89.1% (1,730 companies) mentioned "women" as a keyword related to diversity. In addition, 84.8% (1,645 companies), 80.2% (1,556 companies), 48.8% (948 companies), 25.5% (494 companies), and 16.5% (320 companies) were "foreign/foreign /national," "mid-career/career," "gender," "age," and "disability/impairment," respectively. 83.3% (1,617 companies) mentioned "managers/executives" and 21.5% (417 companies) mentioned "officers/directors/*Kansayaku*" as keywords related to core human resources.

In terms of keywords related to human resource development policies and policies to improve the internal environment, 41.3% (801 companies) mentioned "training/education", including internal training and support for attending training courses outside the company. In addition, 27.5% (534 companies) mentioned "Childcare" such as the enhancement of the parental leave system and smooth return to work after parental leave. In addition, "work style (work style reform, flexible work style)" was selected by 26.4% (512 companies), "caregiving" was mentioned by 14.8% (288 companies), "home/remote/telework" was mentioned by 14.6% (283 companies), and "support for work-life balance" was mentioned by 5.9% (115 companies).

< Example 6 > is an example of a specific description of human resource development policies and internal environment development policies for ensuring diversity based on the Supplementary Principles 2.4.1. In addition to developing its human resource development policy, the company notes that it provides opportunities to gain diverse work styles and perspectives through diverse training menus, an outside presence system, volunteering, and internal recruitment. Furthermore, in the company's internal environment policy, the report identifies "creating an environment in which female employees can be more active than ever before as a particularly important issue," and refers to initiatives such as promoting work-life balance and improving labor productivity through the introduction of telework and other measures, and a work environment in which employees can take childcare and nursing care leave as a matter of course. In addition, the report states that the company formulated and published a health management declaration in 2021.

Chart 87 Keywords for ensuring diversity

Item	Number of companies	Ratio
Companies complying with Principle 2.4.1	1,941	100.0%
■Things about diversity		
Women	1,730	89.1%
Foreign/Foreign country/Nationality	1,645	84.8%
Mid-career/Career	1,556	80.2%
Gender	948	48.8%
Age	494	25.5%
Disability/Impairment	320	16.5%
■Those related to core human resource		
Managers/executives	1,617	83.3%
Officers/Directors/*Kansayaku*	417	21.5%
■Matters relating to internal environment development		
Training/Education	801	41.3%
Childcare	534	27.5%
Work Style (work style reform, flexible work style, etc.)	512	26.4%
Caregiving	288	14.8%
Home/Remote/Telework	283	14.6%
Support for work-life balance	115	5.9%

<Example 6: Specific description of human resource development policy and internal environment development policy for ensuring diversity>

<Human resource development policy for ensuring diversity, internal environment development policy and its status>

Our company strives to develop human resources by providing ample opportunities to develop motivation and abilities and supporting individual career development while respecting diverse perspectives and values in order to enhance and bring out the best in each employee. We are also promoting the development of an environment that encourages diverse employees to work with enthusiasm.

(1) Human Resource Development Policy

The Company has formulated a human resources development policy that focuses on "developing common business skills and business stances that can work across job categories," "developing professionals who can demonstrate high levels of expertise in specific areas," "developing human resources who can thrive in a global environment," "providing opportunities to respect diverse perspectives and values and fostering a climate," and "Cultivating an awareness that each person imagines a career and grasps a career for themselves" and provides education and training tailored to the roles of each employee. In addition, we offer opportunities to experience different work styles and perspectives through the Accelerate My Career (AMC) program, which offers external positions, volunteer opportunities, and internal recruiting, in addition to training programs for next-generation leadership, global talent, and diversity.

In addition, our company introduced a new personnel system in 2021 as a mechanism to evaluate and promote employees based on their abilities and achievements regardless of age, gender or other attributes. Aiming to "enable each and every employee to flourish as a professional," we strive to ensure that our employees' abilities and achievements are evaluated fairly based on our acceptance of diverse work styles and career development, with the following pillars: (1) nurturing professional expertise and increasing the value of our human resources, (2) clarifying the roles each employee plays, (3) fair evaluation regardless of length of service, (4) compensation according to role grades regardless of age, and (5) flexible responses to life stages.

(2) Internal Environment Development Policy

The Company considers it a particularly important issue to develop an environment in which female employees can be more active than ever before, and has formulated the Three-Year Action Plan to Promote the Advancement of Women. The three pillars of the plan are: Enhancing the Support System for Balancing Work Life, Raising Awareness in the Workplace, and Backing Up Women's Feelings and Skills.

The Company has been promoting work-life balance and implementing measures to improve labor productivity, including the introduction of telework in April 2019. The Company strives to develop employees who can talk about childcare by creating a work environment where everyone can take childcare and family care leave as a matter of course. Furthermore, in 2021, we formulated and published our Health Management Declaration and have been

working to become a company in which our employees can work in good health and with vitality.
For more information, please visit our company corporate website.
Action Plan of the Women's Advancement Act: https://www.●●●
Health Management Policy: https://www.●●●
For employees: https://www.●●●
(Other products)

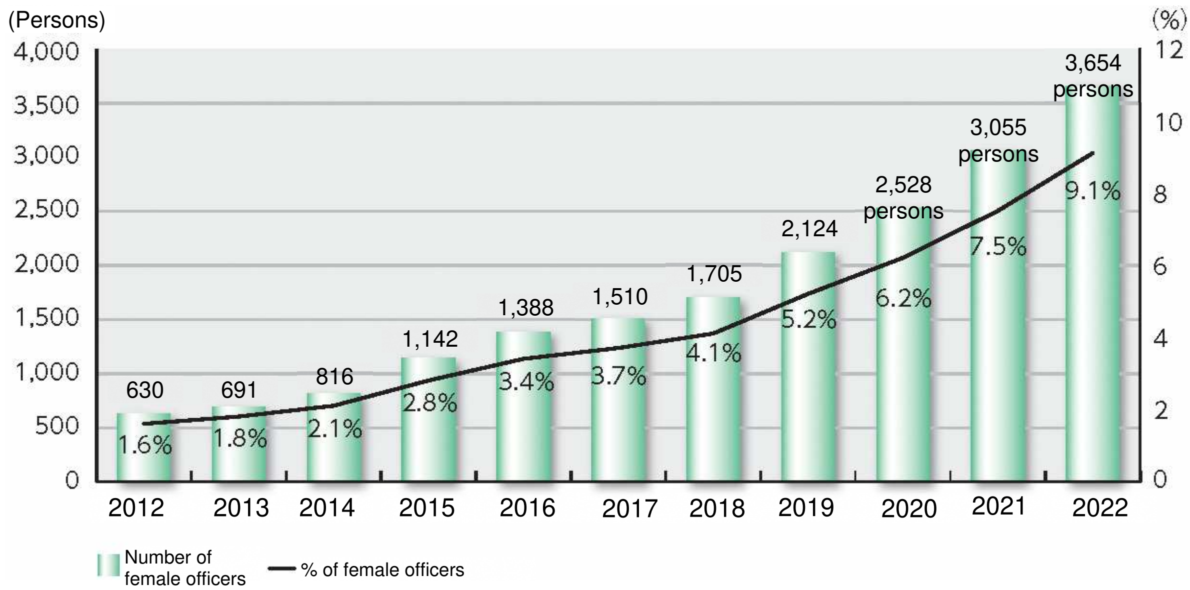
[Column 6] Promotion of Women's Career Advancement

The promotion of women's participation and advancement in the workplace is essential for the sustainable growth of Japan, and is one of the most important policy issues. This is because women's involvement in corporate decision-making is expected to reflect diverse values in corporate management and, at the same time, to promote innovation at organizations that welcome diverse values, thereby improving business competitiveness, social reputation and enhancing corporate value.

In April 2013, then Prime Minister ABE Shinzo requested the business community to appoint a woman to one of its board members. As a result, among listed companies, the number of female executives increased more than 5 times from 630 to 3,654 in the 10 years from 2012 to 2022, and the results have been steadily increasing. For example, in November 2020, KEIDANREN (Japan Business Federation) formulated and announced its "New Growth Strategy"[59] with the specific goal of increasing the percentage of women on its board of directors to 30% or more by 2030, and in March 2021 announced its "Challenge to 30% in 2030 #Here We Go 203030."[60] In response to these and other initiatives, the movement to appoint female executives has accelerated.

Despite these trends, the percentage of female directors among all directors remains just under 10% (Chart 88), which is lower than the percentage of female directors in other countries (Chart 89). As of the end of July 2022, there were 344 companies (18.7%) listed on the Prime Market without female directors (Chart 90).

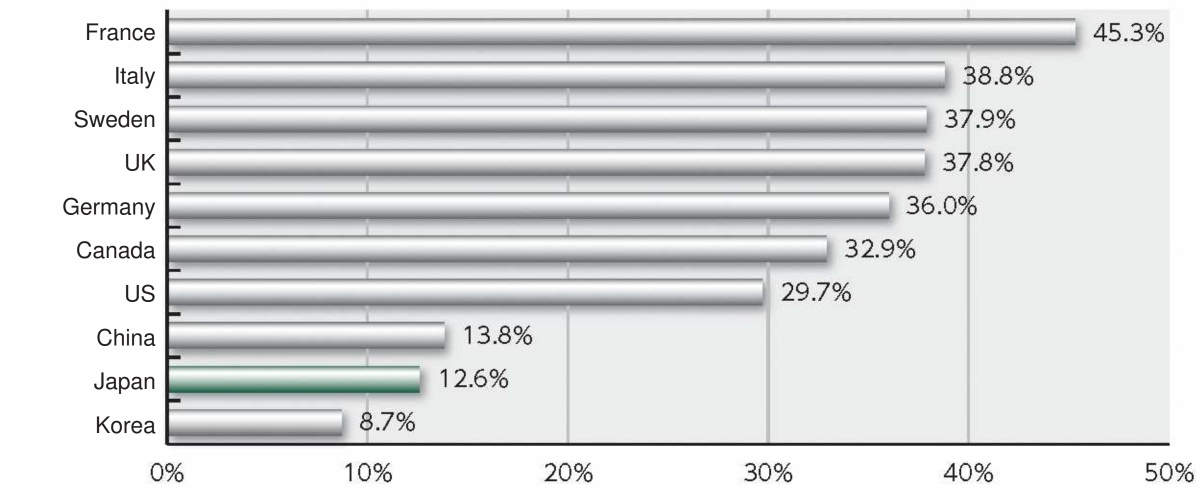
Chart 88 Number of Female Officers at Listed Companies



Source: Prepared from the website of the Gender Equality Bureau, Cabinet Office

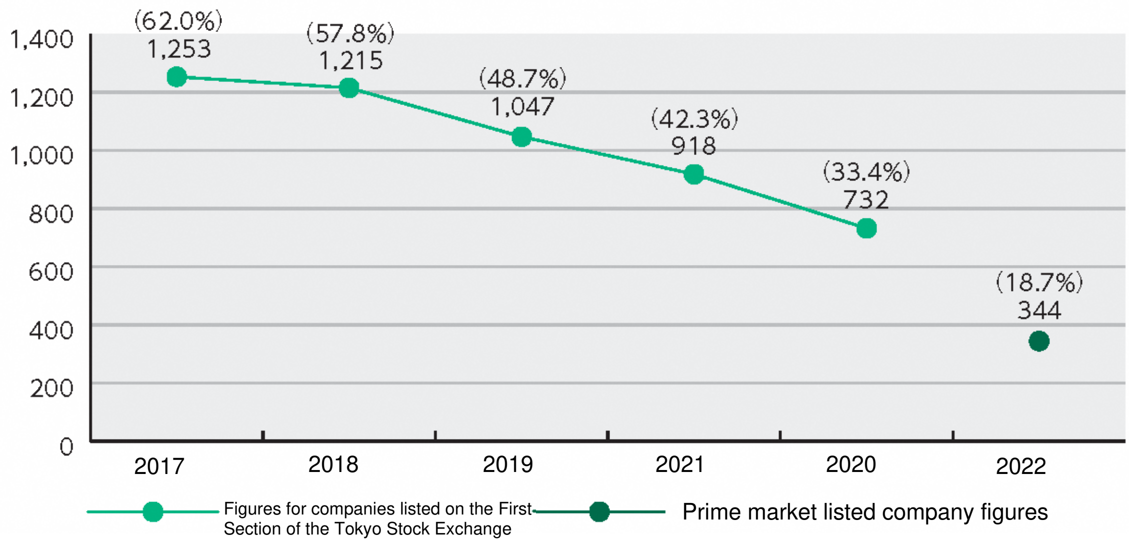
59 https://www.keidanren.or.jp/en/policy/2020/108.html
60 https://www.challenge203030.com/EN.php

Chart 89 Percentage of women executives in other countries (2021)



Source: Prepared from the website of the Gender Equality Bureau, Cabinet Office

Chart 90 Number of prime market-listed companies with no female directors



Source: Prepared from the website of the Gender Equality Bureau, Cabinet Office

As a government initiative, the Act on Promotion of Women’s Participation and Advancement in the Workplace came into full effect in April 2016, imposing an obligation on private companies to disclose information on one or more of the following items (ratio of female managers, ratio of female officers, etc.). In addition, the revised the Act on Promotion of Women’s Participation and Advancement came into full effect on April 1, 2022, making it mandatory for companies that employ more than 101 but not more than 300 workers on a regular basis to formulate and submit general employer action plans and disclose information. In addition, on July 8, 2022, institutional changes were made to the Act on Promotion of Women's Participation and Advancement, requiring companies with more than 301 full-time employees to disclose information on "gender wage differences" as well. The Ministry of Health, Labour and Welfare operates a database of companies that promote the advancement of women[64]

64 https://positive-ryouritsu.mhlw.go.jp/positivedb/en_index.html

as a tool for publicizing general employers' action plans based on the Act on Promotion of Women's Participation and Advancement and information about the advancement of women in their companies.

According to statistics from the Ministry of Health, Labour and Welfare for fiscal year 2021[65], the percentage of companies with female managers is 53.2% (52.8% in fiscal year 2020) in companies with female managers (including directors) at or above the rank of section chief, and 61.1% (61.1% in fiscal year 2020) in companies with female managers (including directors) at or above the rank of section chief. By size, the larger the company, the higher the percentage of companies with female managers in each position. In companies with 1,000 to 4,999 employees, 44.0% of companies have female managers in the position of general manager or equivalent, and 81.7% have female managers in the position of section chief or equivalent. By contrast, at companies with 5,000 or more employees, 78.7% have female employees in the position of general manager or equivalent, and 86.0% have female managers in the position of section chief or equivalent.

In addition, the Ministry of Economy, Trade and Industry and the TSE have selected listed companies that excel in promoting the advancement of women and introduced Nadeshiko brands[66] since fiscal 2012 that are attractive to investors who value mid- to long-term enhancement of corporate value.

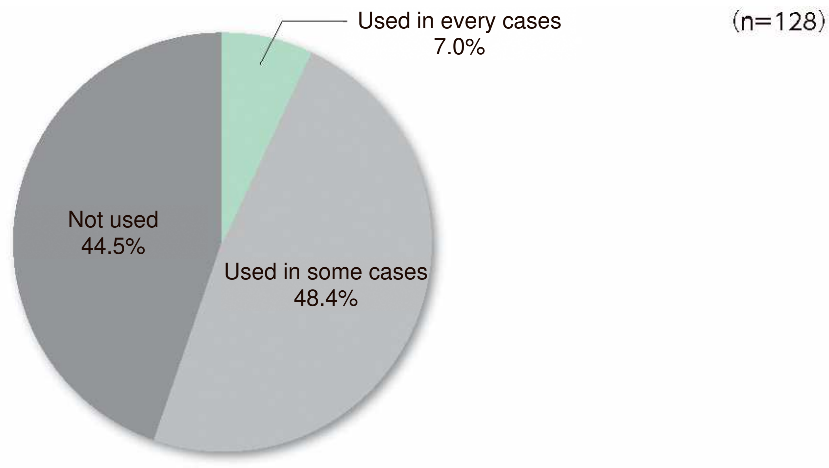
Furthermore, the Cabinet Office has conducted and published a survey of the evaluation of women's advancement in the capital market. This trend reflects the expansion of so-called ESG (Environmental, Social and Governance) investing, which aims to improve long-term investment returns by incorporating non-financial ESG information into investment decisions, as a global trend. According to the Survey Research on Gender Investment[67] conducted by the Cabinet Office, more than half of the respondents to the survey used information on women's empowerment in their investment decisions (Chart 91), and about 90% of them said that institutional investors believe that information on women's empowerment has a long-term impact on corporate performance (Chart 92). In addition, the ratio of female directors to executive officers and the ratio of female managers are frequently cited as information on women's advancement that institutional investors use in their investments and operations. In particular, emphasis is placed on the seriousness of the company's initiatives and future strategies, such as the ratio of female executives, the commitment of top management to promoting the advancement of women, and management strategies (Chart 93). Furthermore, “company reports (annual reports, annual securities reports, etc.)” was the most common source of information on women's empowerment, followed by “company visits” and “company websites” (Chart 94). Incidentally, institutional investors were most likely to request disclosure of information on the active participation of women in companies by "specifying future goals," followed by "disclosing in stories that improve corporate value," "increasing the number of items of quantitative information to be disclosed," and "disclosing past information so that changes over time can be seen" (Chart 95).

Major voting advisory companies also include information on gender diversity on the Board in their

65 The Ministry of Health, Labour and Welfare 2021 Basic Survey of Equal Employment.
66 https://www.meti.go.jp/english/press/2023/0322_001.html
67 https://www.gender.go.jp/policy/mieruka/company/pdf/r2 gender_lens_investing_research_02.pdf

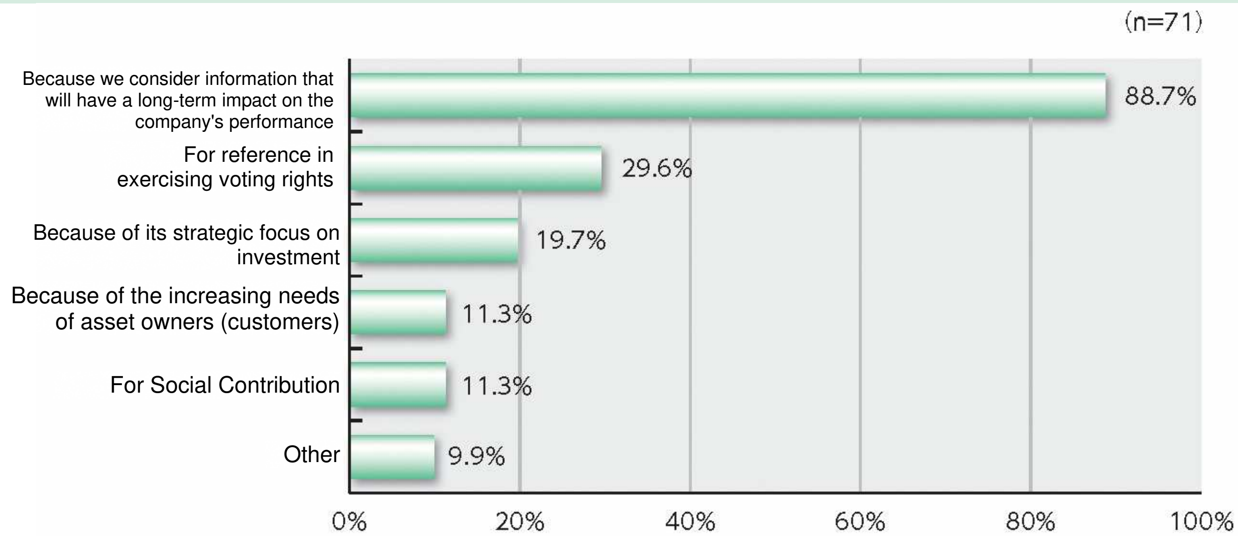
voting advisory standards. For example, it has been stated in Glass Lewis to recommend against the appointment of a top executive or a chairperson of the nominating committee[68] to a prime market listed company if the gender diversity ratio on the board is less than 10%, and to a non-prime market listed company if there is no gender diversity director. It has also been stated that ISS recommends against the appointment of top management[69] when there are no female directors on the board. As these voting advisory firms and many institutional investors seek to strengthen their voting standards on gender diversity, the diversity of their boards of directors is attracting increasing attention.

Chart 91　Utilization of information on active participation of women



Source: Research on Gender Investment, Cabinet Office

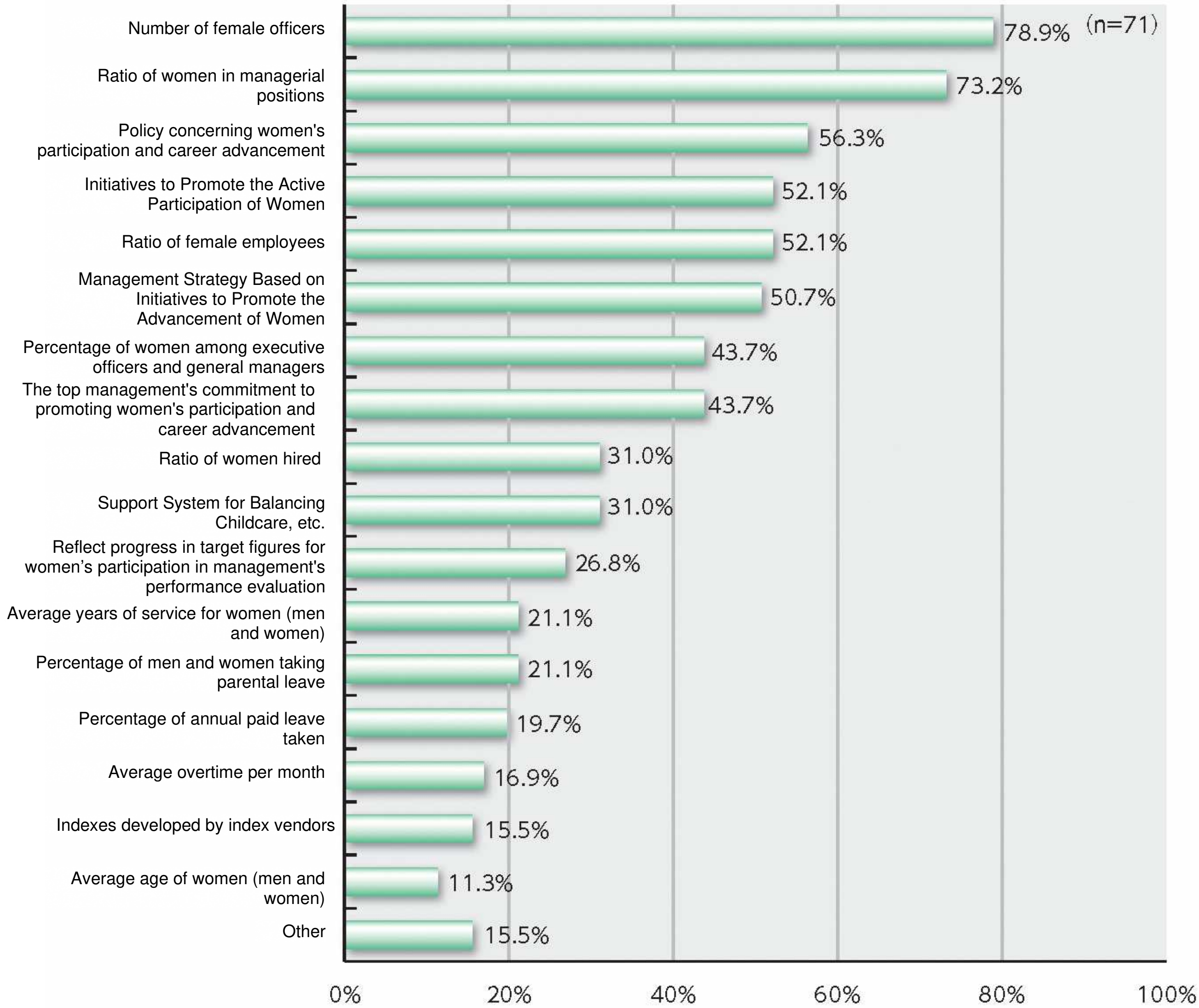
Chart 92　Reasons for using information on the active participation of women in investment decisions and operations



Source: Research on Gender Investment, Cabinet Office

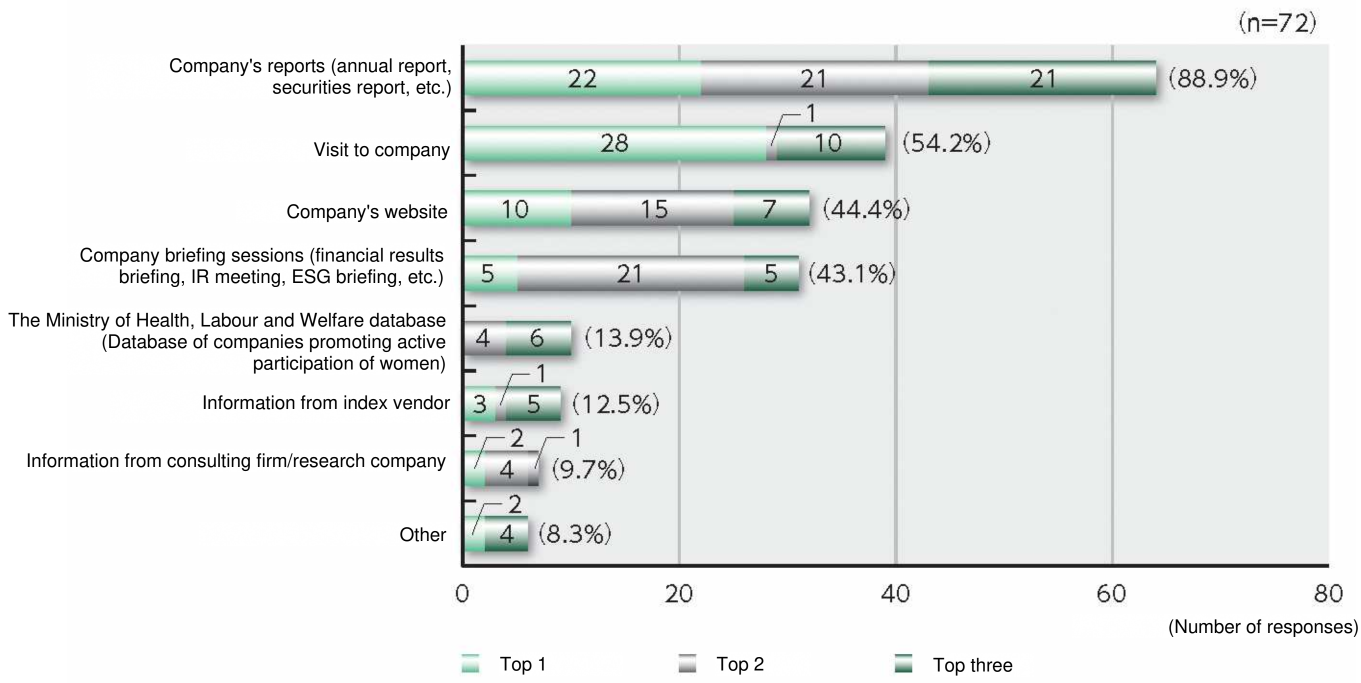
68　The policy was applied at general meetings of shareholders held in or after January 2023.
69　The policy was applied at general meetings of shareholders held in or after February 2023.

Chart 93 Information on women used in investments and operations



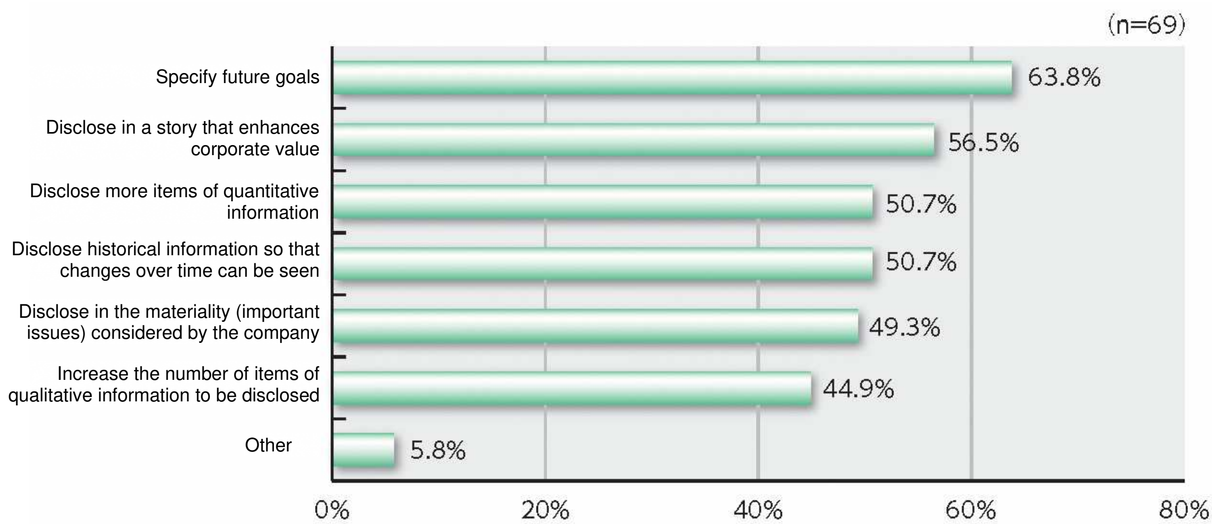
Source: Research on Gender Investment, Cabinet Office

Chart 94 How to Get Information on Women's Advancement



Source: Research on Gender Investment, Cabinet Office

Chart 95 What to look for in the disclosure of corporate information on women's participation



Source: Research on Gender Investment, Cabinet Office

1 - 5. Evaluation of the Effectiveness of the Board (Supplementary Principle 4.11.3)

Supplementary Principle 4.11.3 requires the board to analyze and evaluate its effectiveness as a whole, and to disclose a summary of the results. The evaluation of the effectiveness of the board assumes an ongoing process of regularly verifying not only the execution of duties by individual directors, but also whether the board is functioning properly as a whole, and taking appropriate measures based on the results such as improvements to problems and augmenting strengths to ensure that the roles and responsibilities of the board are effectively fulfilled.

Evaluation of the effectiveness of the Board is already common in the United Kingdom, the United States, and other countries, and the implementation and disclosure of such evaluations are required by codes, exchange rules, etc. Since the development of the code, an increasing number of listed companies in our country have also conducted evaluations of the effectiveness of their boards. As 91.7% (1,684 companies) of companies listed on the Prime Market and 57.8% (842 companies) of companies listed on the Standard Market complied with the Supplemental Principle 4.11.3, it seems to have become a practice at least for companies listed on the Prime Market.

Disclosure based on the Supplemental Principles can be broadly divided into "evaluation process" and "summary of evaluation results." The typical evaluation process consists of the distribution of questionnaires, etc. to directors and *kansayaku*, and deliberations on effectiveness evaluation and future improvement measures, etc. based on the aggregated results. Keyword analysis also revealed that the most common keyword related to the evaluation process was “questionnaires surveys, etc.,” cited by 70.8% (1,788 companies), while “interviews, hearings, etc.” was cited by 10.6% (269 companies).

In addition, 36.0% (909 companies) said they would conduct a, while 22.6% (572 companies) mentioned a “Use of external assessments (Third-party organizations, external evaluation organizations, lawyers, etc.), including future consideration.” Specifically, in addition to cases of the creation, gathering, totaling and analysis of questionnaires, etc. and conducting of hearings by external evaluation organizations, there have been examples where third-party organizations participate in the board to directly observe the state of deliberation and conduct an evaluation of effectiveness. An increasing number of companies that have traditionally conducted in-house evaluations of the effectiveness of their boards of directors are now using external evaluations in order to utilize external knowledge.

Many companies also list the composition and role of the Board, operational status, deliberation status, and support systems for directors (training, information provision, etc.) as evaluation items. In a keyword analysis of the 2,526 companies listed on the Prime and Standard Markets that complied with the Supplemental Principle, 59.8% (1,510 companies) mentioned "operation and management," 51.8% (1,309 companies) mentioned "composition," and 39.1% (987 companies) mentioned "deliberation" (Chart 96).

Some companies seem to have included "dialogue with shareholders such as IR and SR," "participation of individual directors in the Board," "risk management compliance," and "ESG/sustainability" as evaluation items. There were companies that also mentioned “group governance” and “board culture” as evaluation items. In addition, there were companies for which at least five years have elapsed since the introduction of evaluations on effectiveness of the board and that have included a “review on the response to challenges in the evaluation for the previous fiscal year or previous time” as an evaluation item.

In their overview of evaluation results, many companies state that “the effectiveness of the board is ensured.” However, some companies clearly stated challenges and the response policy for ensuring an even more effective board, which will lead to future initiatives as follows. The main challenges that were pointed out include succession planning, risk management and compliance, and having deeper deliberations on mid to long-term strategies, and there were also many companies that viewed the quantity and quality of materials as a continued challenge from the previous year. In addition, as a recent trend, more and more companies are referring to sustainability and ESG as issues.

Chart 96 Keywords Related to Evaluations on the Effectiveness of the Board

Item	Number of companies	Ratio
Companies complying with Supplementary Principle 4.11.3	2,526	100.0%
■ Keywords related to the evaluation process		
Questionnaires, etc. (surveys, etc.)	1,788	70.8%
Self-assessment	909	36.0%
Hearings, etc. (interviews, hearings, etc.)	269	10.6%
External evaluation, etc. (third party institutions, lawyers, etc.)	572	22.6%
■ Keywords Related to the Effectiveness of the Board		
Operation (management)	1,510	59.8%
Composition	1,309	51.8%
Deliberation	987	39.1%
Strategy (management strategy, business strategy, etc.)	664	26.3%
Roles, duties, etc. (responsibilities)	590	23.4%
Risk (risk management, etc.)	416	16.5%
Remuneration	406	16.1%
Shareholders, investors	428	16.9%
Nomination	335	13.3%
Succession Planning	209	8.3%
Dialogue (with shareholders)	246	9.7%
ESG, SDGs, Sustainability	339	13.4%

Looking at individual cases, < Example 1 > refers to specific initiatives implemented in the current fiscal year in response to issues identified in the previous year's assessment. For example, with regard to the issue identified for fiscal 2020, "Conducted mega-trend discussions, expert sessions, and junior employee sessions at the Board meetings to gain a common understanding of mega-trends, opportunities, and risks for 2050" for fiscal 2021, the report states, "We will conduct discussions on strategies and business portfolios with an eye to ultra-long-term and long-term megatrends. In addition, based on these findings, discussions on the business portfolio are conducted and the medium- to long-term management policy is updated. The report also describes issues that need to be addressed to further improve the effectiveness of the Board as well as the voluntary Nomination and Remuneration Committees, after assessing their effectiveness. Similar to < Example 1 >, < Example 2 > also refers to how the company responded to the issues in the previous year's assessment in the current fiscal year. However, since the company is a listed parent company with listed subsidiaries, it is unique in that it conducts discussions from the perspective of group management on matters such as the business portfolio and the rationale for parent-subsidiary listings. Specifically, the report states that the Board recognized the issue of "deepening discussions on business portfolios" and set up a forum for discussion on the theme of "portfolio transformation" at its meeting in fiscal 2021 to discuss methods of portfolio assessment and the direction of future portfolios. In addition, from the perspective of maximizing corporate value, the report confirms the reasonableness of maintaining the listing of listed subsidiaries and states that the companies have shared the options they could have if they were to dissolve their parent-subsidiary listings. While < Example 3 > assesses that the current board is functioning effectively, it says that monitoring functions need to be further enhanced in the future, and that it aims to be a board that can encourage change in the company over the long term. < Example 4 > found that agenda setting and facilitation by the chairperson of the board, who is an independent outside director, contributed significantly to the effectiveness of the company's board. < Example 5 > is a case in which the name of a third-party evaluation organization is disclosed with reference to its involvement. In response to "Strengthening the monitoring function for non-financial management indicators," which was identified as an issue in the previous year's evaluation, < Example 6 > refers to initiatives in the current fiscal year, such as the introduction of non-financial indicators into the indicators of the performance-based stock-based compensation system, the review of the status of the response to materiality by the Sustainability Committee, and discussions on internal carbon taxes. < Example 7 > specifies the electronic data distribution of materials and the use of a Web conferencing system as necessary as ingenuity in the management of the Board during the pandemic. In addition, by incorporating face-to-face discussions depending on the situation, there has been an improvement in information exchange and awareness sharing among executives, the report said. In addition to the voluntary Nomination and Remuneration Committees, < Example 8 > specifies the summary of the results of the effectiveness evaluation of the Board of Company Auditors. It states that after conducting a self-assessment analysis of all corporate auditors and individual interviews based on the results of the self-assessment analysis, all corporate auditors discussed issues and measures to be taken and evaluated the effectiveness of the Board of Company Auditors. < Example 9 > is unique in that it clearly states decarbonization and strengthening the governance of overseas subsidiaries as initiatives to improve the effectiveness of the Board.

<Example 1: Conducted an assessment of the status of responses to issues in the previous year's assessment and the effectiveness of the voluntary Nomination and Remuneration committees>

Our company analyzes and evaluates the effectiveness of the Board to contribute to the enhancement of our company's corporate value over the medium to long term. Each year, based on the results of the evaluation conducted in the previous fiscal year, the Board identifies the necessary themes to be discussed and monitored, and in order to evaluate that the Board appropriately deliberating and monitoring them under the necessary Board structure, the Board establishes evaluation items and analysis methods, receives the Director's evaluation, the Secretariat's evaluation, and third party opinions on these based on third-party surveys, conducts an evaluation at the Board meeting in the first quarter of the following year, and discloses a summary of the results. Similarly, the effectiveness of the Nomination Committee and the Remuneration Committee will be evaluated.

Our company Board has analyzed and evaluated the effectiveness of the Board in fiscal year 2021 and identified issues that need to be addressed to further improve the effectiveness of the Board. A summary of these issues is provided below.

Overview of Analysis and Evaluation Results

i) Conclusion

The Company's Board evaluated that the 2021 Board of Directors, together with the Nomination Committee and Remuneration Committee, is highly effective enough to achieve sustainable growth and increase corporate value in our company over the medium- to long-term on the basis of what has been built up. We also believe it is important to address high-level issues with the aim of further improving effectiveness.

ii) Perspective of evaluation

① Necessary themes have been identified and set as targets for deliberation and monitoring

In fiscal 2021, we were able to deepen discussions on issues important to long-term corporate value enhancement, such as long-term and ultra-long-term strategies, sustainability and group governance, which we used to update our medium- to long-term management policies.

② Deliberation and monitoring under the necessary structure of the Board

In fiscal 2021, the decision-making and supervisory framework (PDCA) reached a very high level, thanks to the Board structure we have established and the establishment of planned discussions. This allowed discussion of important matters to proceed in a timely and appropriate manner.

<u>Responses to Issues Identified in FY2020</u>

<u>i) Discussions on strategies and business portfolios with an eye on ultra-long-term and long-term megatrends</u>

<u>・The Board held mega-trend discussions, expert sessions, and junior employee sessions to gain a common understanding of mega-trends, opportunities, and risks for 2050.</u>

<u>・In addition, based on these findings, discussions on the business portfolio are conducted and the medium- to long-term management policy is updated. In this way, we updated our medium- to long-term management policy.</u>

<u>ii) Discussions on Group Global Governance and Advancement of Crisis Management</u>

<u>・The Board held group governance discussions. Confirmed future RHQ structure.</u>

<u>・The Board held risk management discussions. Confirmed Group ERM initiatives and crisis management systems at Group headquarters</u>

<u>iii) Implement integrated discussions and monitoring of sustainability and management strategies</u>

<u>・Discussions on the integration of sustainability and management were held at the Board meetings, and discussions on sustainability were also held during discussions on medium- to long-term management policies.</u>

<u>・Reports on responses to important issues such as respect for human rights.</u>

<u>iv) Discussions on upgrading the functions of the Board as a global company</u>

<u>・The Board held group governance discussions.</u>

<u>・Confirmed the direction of the future corporate governance system.</u>

III. Issues to be addressed to further improve effectiveness

(Board)

The fiscal 2021 effectiveness assessment identified the following three issues that should be addressed to further improve the effectiveness of the Board. These issues, as well as activities to address medium- to long-term and ongoing issues identified in the last fiscal year, will be incorporated into the annual activity plan of the Board for fiscal 2022 and addressed.

i) Governance with an eye toward a new group structure

・With the transition to the new GHQ/RHQ group structure, we decided that the scope of business execution, supervision and delegation of authority of the Company's Board also needed to change and adapt.

ii) Monitoring sustainability initiatives (addressing new issues, etc.)

・ As new sustainability challenges continue to mount, the Board has decided that it is necessary to monitor them from a bird's-eye perspective while backcasting.

iii) Succession of the entire board as a team

・ In order to maintain the effectiveness of the Board on an ongoing basis, it is necessary to consider the Board's succession not only as an individual but also as a team (organization).

Status of Holding Nomination and Remuneration Committees

The fiscal 2021 effectiveness assessment identified the following three issues that should be addressed to further improve the effectiveness of the Nomination and Remuneration Committees.

i) Further strengthening of planning

・ Because there are many issues to be considered that are not completed in a single fiscal year, it is necessary to further strengthen operations based on the existing annual plan and enhance planning over a long-term time horizon.

ii) Improved sharing of information between committees and the board

・ In order to further improve the sharing of information between the Committee and the Board, it is necessary to consider how to report and share information.

iii) Ensuring the continuity of long-term discussions

・ To determine that it is necessary to establish an operational framework similar to that of the Board that ensures the continuity of long-term discussions.

IV. Method of Evaluation

The evaluation of the effectiveness of the Company's Board and the Nominating and Remuneration Committees in fiscal year 2021 was based on the following 3 types of evaluations and opinions, which were discussed by the Board from December 2021 to January 2022. In this way, the evaluation of each fiscal year 2021 and the issues to be addressed in fiscal year 2022 were determined.

i) Executive evaluation

Results of questionnaires and interviews were compiled and analyzed by a third party.

All directors and all *Kansayaku* in the questionnaire were given evaluation opinions on a small number of evaluation items focused on substance, instead of grades.

Interviews were conducted by third parties for all directors.

ii) Secretariat assessment

Formal items were verified by the Board Secretariat with a third party.

iii) Third-party opinion

Opinions were received from third parties on the basis of the above evaluations of the officers and the secretariat, as well as the Board's materials and minutes.

For details, please visit the Company's website.

(Japanese Version)

https://www.●●●.com/company/governance/policy.html

(English version)

https://www.●●●.com/en/company/governance/policy.html

(Foods)

<Example 2: The status of measures taken to address issues in the previous year's assessment and the fact that issues such as the business portfolio and parent-child listing are to be addressed>

(Omitted)

Responses to Issues Identified in FY2020

(a) Deepening discussions on business creation using data and digital technologies

At a meeting of the Board in fiscal 2021, the Board set up a forum for discussion on the status of digital technology use and application in each business, and discussed how the basic systems of the ●● Group should be. In order to formulate the next medium-term management plan, it was confirmed that further discussion is needed on the direction of the strategy and future resources, after clarifying the vision.

(b) Deepening discussion of business portfolio

Specifically, the report states that the Board recognized the issue of "deepening discussions on business portfolios" and set up a forum for discussion on the theme of "portfolio transformation" at its meeting in fiscal 2021 to discuss methods of portfolio assessment and the direction of future portfolios. In the discussion on "Verifying the Reasonableness of the Parent-Subsidiary Listings and Consideration of Possible Options," from the perspective of maximizing the corporate value of the ●● Group, ●● Co., Ltd., and ●●, we confirmed the reasonableness of maintaining the listing of ●● Co., Ltd., and ●● Co., Ltd., and shared the possible options if the parent-subsidiary listings are dissolved. The Board will continue to discuss the rationale for maintaining the listing of both group companies in fiscal 2022.

(c) Deepening discussions on issues arising from stakeholder dialogue analysis

At a meeting of the Board in fiscal 2021, a forum was set up to discuss the Stakeholder Communication Report. They shared stock prices and valuations, as well as comments from investor dialogue activities, and discussed issues visible from the comments. In fiscal 2022, the Board plans to deepen discussions on issues arising from stakeholder dialogue analysis.

(d) Review the agenda of the Board and enhance discussion of management strategies

The agenda of the Board is determined by adding items raised as issues in the effectiveness evaluation of the Board to regular matters such as financial results, except for matters that occur unexpectedly during the fiscal year, and after confirmation by the Chairperson of the Board at the beginning of the fiscal year. In fiscal 2021, the Board also set the agenda for a number of management strategies, including discussions on portfolio transformation and the formulation of the next Medium-Term Management Plan, and discussed the future of the ●● Group. In fiscal 2022, we will deepen discussions on management strategies in conjunction with discussions on the next medium-term management plan.

(3) Issues recognized in this evaluation of the effectiveness of the Board and future initiatives

In fiscal 2022, as a result of discussions at the Board based on this evaluation of effectiveness, we recognized the following issues in particular, and decided to further promote efforts to address them in conjunction with discussions on the next medium-term management plan.

(a) Discussion on using data and digital technologies to create innovation

(b) Discussion of the business portfolio

(c) Discussion on the reasonableness of parent-subsidiary listings

(d) Discussions on how to deal with BCP, including supply chains

(e) Discussion of allocation of management resources to human capital/intellectual property, etc.

Through these measures, our company strives to improve the effectiveness of the Board and further strengthen corporate governance.

(Textile products)

< Example 3: It clearly states that the role of the Board is to aim for a board that can encourage change in the company >

The Board of the Company conducts an annual evaluation of the effectiveness of the Board in an effort to maximize our company's corporate value by improving its effectiveness. The results of the fiscal 2021 effectiveness evaluation are summarized below.

1. Overview of evaluation results

1) Evaluation process

(Omitted)

2) Evaluation content

(Omitted)

2. Future Initiatives

The Board will discuss and monitor the progress of the following important management issues and changes in the external environment (environmental issues, geopolitical risks, etc.) that may affect these issues, which were reconfirmed during the evaluation of the effectiveness of the Board, at future meetings of the Board, and will continuously review the issues related to the effectiveness of the Board pointed out in this year's evaluation.

(Important management issues)

(i) Establishing a sustainable and resilient organization and business structure that can respond to the rapidly changing business environment

(ii) Realization of growth strategy for semiconductor materials business

(iii) Strengthening the foundation and solid growth of the life sciences business

(iv) Initiatives for sustainable business growth, including carbon neutrality and maximizing employee engagement

(v) Continued investment in innovation, including digital transformation

(Issues pointed out)

- The current Board is functioning effectively, but the future function of the board is to enhance its monitoring function. In moving to a monitoring model, it is necessary to study specific ways of monitoring, the size and composition of the Board, and the qualities and diversity of directors, in order to aim for a board that can encourage changes in the company over the long term.
- While the discussion on sustainability management in the Board has progressed, it is necessary to consider measures for further revitalization.
- While the support system for outside directors and outside *Kansayaku* in general is highly regarded, it is necessary to enhance the support system for training and education, such as conducting on-site inspections online, which were difficult to conduct during the pandemic, in order to further deepen the understanding of the business of outside directors and outside *Kansayaku*.

(Chemicals)

<Example 4: Clarifying that the chairperson of the Board of independent outside directors contributes significantly to the effectiveness of the Board>

■ Keywords Related to the Effectiveness of the Board

◇ As in the fiscal year ended December 2020, for the fiscal year ended December 2021, the effectiveness of the Board was assessed using questionnaires and individual interviews conducted by a third-party organization, ●●, Ltd.

◇ The following is a summary of the results of the assessment for the fiscal year ended December 2021.

- As the Company's management has evolved, including the transition to a co-president system, it was confirmed that the Board is taking an active and proactive role in dealing with the situation. The number of meetings of the Board has been significantly increased and meetings have been held flexibly to enhance deliberations on important issues. In addition, the agenda setting and facilitation by the new Chairperson of the Board, who is an independent outside director, has made a significant contribution to the effectiveness of the Board of the Company. It was also confirmed that preparations were underway to appoint directors with the experience and skills required of our company Board in order to further enhance the Board's functions.
- Among the issues pointed out in the evaluation of the effectiveness of the Board for the fiscal year ended December 2020, it was confirmed that significant progress has been made in further strengthening the audit function, and that progress is also being made in improving the monitoring model, expanding discussion of important proposals, and strengthening the nomination function.
- Based on the above, the evaluation concluded that the effectiveness of the Company Board is generally assured. On the other hand, the Board recognized the following issues to be addressed in the fiscal year ended December 2022: more discussion of growth strategies at the Board meetings, more efficient management of the Board, further contributions by independent outside directors, and strengthening the functions of the Board Secretariat to support independent outside directors.

◇Based on the above results, our company Board will continue its efforts to improve the effectiveness of the Board in order to achieve sustainable shareholder value maximization.

(Chemicals)

< Example 5 > Cases involving a third-party evaluating organization and disclosing the name of the third party evaluating organization.

The Company recognizes that it is crucial to strengthen governance through the Board adequately fulfilling its function in order to increase our corporate value continuously. We have implemented self-evaluation since the fiscal year 2015 in order to improve the effectiveness of the Board. In fiscal 2020, we changed the composition of the Board and increased the number of independent outside directors. In order to gain a more objective perspective in the process of evaluating the effectiveness of the Board, we conducted questionnaires and individual interviews with each director and *Kansayaku* with the support of ●● Co, Ltd. as a third-party organization. Based on the third-party report, the Board discussed the matter and evaluated its effectiveness. (The rest omitted)

(Information and communication)

<Example 6: A case that specifies measures for strengthening monitoring functions for non-financial management indicators>

In April 2022, the Company sent a questionnaire to directors and *Kansayaku* assessing the composition and operation of the Board, deliberations on management strategy and other matters, and the state of supervision of business execution in fiscal 2021, and the effectiveness of the Board was assessed based on the results of the questionnaire.

As a result, it was confirmed that the effectiveness of the Board of the Company is sufficiently secured, and in particular, it was confirmed that effective initiatives are being implemented regarding the following items.

- In light of the management strategy, the skills required of the Board have been identified, and the Board has a membership structure that ensures the knowledge, ability, experience and diversity necessary to fulfill roles and responsibilities.
- Their views on the importance of strengthening the supervisory function of the Board and the role of outside directors are shared.
- The Board has appropriately established internal controls and risk management systems that support appropriate compliance and risk-taking, and supervises the operation of these systems through the Internal Audit Division, Compliance Committee, Risk Management Committee, etc.
- The Board recognizes that sustainability initiatives, such as consideration of global environmental issues such as climate change and respect for human rights, are important from the perspective of increasing corporate value over the medium to long term, and confirms that management is actively working to address these issues.
- In order to determine appropriate incentive compensation, the Remuneration committee assesses whether management's execution of business is appropriate from the perspective of sustainable growth and increasing corporate value.
- The Board strives to improve the effectiveness of the Board by devising improvement measures as appropriate for important issues identified in the effectiveness evaluation of the Board.

Among the issues raised in the FY 2020 Effectiveness Assessment, the Company System was introduced in April 2021 for the purpose of clarifying the responsibilities and authority of the business execution departments and making flexible decisions. However, the Board verified whether the system was having the desired effect, taking into account the opinions of the outside directors, and confirmed that periodic verification would continue. To strengthen the monitoring function for non-financial management indicators, we introduced non-financial indicators as indicators for the performance-based stock-based compensation system in fiscal 2021, and the CSR and Sustainability Committee, which is attended by all directors and *Kansayaku*, reviewed the Group's response to "Priority Issues (Materiality)" and discussed the introduction of an in-house carbon tax and environmental fund.
In order to further enhance the effectiveness of the Board in this evaluation of its effectiveness, the Board identified as desirable issues the further enhancement of discussions on medium- to long-term management strategies and monitoring of the medium-term management plan, and the improvement of the distribution and explanation of materials to outside officers in advance.
(Glass, earth and stone products)

< Example 7: The Board stated operation using a web conferencing system during the pandemic >

To further enhance the effectiveness of the Board, the Company regularly evaluates and analyzes the Board and discloses a summary of its procedures and results.
In fiscal 2021, the effectiveness of the Board was evaluated by the following methods: The General Affairs Division conducted a questionnaire in December 2021 for all directors and *Kansayaku* who are members of the Board. The Board received a report of the results from the Secretariat and, based on the report, conducted analysis, discussion and evaluation at the regular Board meeting in February 2022. The following is a summary of the results of the assessment for the fiscal year ended December 2021.
As in the previous year, the survey results were generally positive in terms of the size, composition and operational status of the Board, confirming that the Board is performing its functions of decision-making and supervision related to the execution of business. Based on these findings, the Board judged that the effectiveness of the Board as a whole was reasonably assured. <u>In addition, we have received a certain level of recognition for our appropriate management to minimize the impact of the novel coronavirus pandemic through the electronic data distribution of materials and the use of web conferencing systems as needed, which we have been conducting since the year before last. In addition, the introduction of face-to-face discussions, based on Web meetings and taking full account of the infection situation, improved information exchange and awareness sharing among officers.</u>

On the other hand, there have been some opinions expressed by outside directors, such as that greater efforts should be made to ensure the diversity of the members of the Board and that opportunities to communicate with the executive department have been reduced due to the impact of the novel coronavirus, and that the Company would like to provide a forum for dialogue with the executive department. In light of these opinions, we will consider a more diverse Board structure in order to contribute to invigorating further discussion at the Board, and will make further efforts to provide opportunities for active exchange of views, including at the field level. In addition, with regard to the opinion that discussions on the development of successors in the Board and the further use of the Nomination and Remuneration Advisory Council should be considered, the opinion was expressed that there is still room for improvement from the perspective of strengthening the supervisory function of the Board, and it was decided to share the recognition and consider improvement proposals with a view to further improving the function of the Board and revitalizing discussions.

In the future, based on this assessment of effectiveness, the Board of the Company will continue its efforts to enhance the functions of the Board by promptly responding to issues after thorough consideration.

(Construction industry)

< Example 8: Outline of the results of the evaluation of the effectiveness of the Nomination and Remuneration Committee and the Board of Company Auditors >

(Omitted)

(Evaluation of the effectiveness of the Nomination and Remuneration Committee)

The Company sought the views of the Directors and the *Kansayaku* through questionnaires and individual interviews to evaluate the effectiveness of the Board in order to clarify issues and areas for improvement in the Nomination and Remuneration Committee.

In summary, the Nomination and Remuneration Committee is generally considered to be appropriate in terms of its composition and operation, as it ensures objectivity, fairness and appropriateness and deliberates on matters such as the succession plan for the president and executive officer, the supervisory function of the Board and changes in the composition of the Board to enhance corporate governance. Our company has replaced the Nomination and Remuneration Committee with the Nomination and Remuneration Committees since June 22, 2022, with the aim of enhancing discussions and deepening debate on nominating and compensation matters. Going forward, the company will continue to consider measures to further strengthen its corporate governance system, including ensuring diversity in each committee.

(Evaluation of the Effectiveness of the Board of Company Auditors)

To improve the effectiveness of auditing by *company auditor*, the Company evaluates and verifies the effectiveness of its *company auditor* (boards) every fiscal year. In fiscal 2021, after conducting a self-assessment analysis of all company auditor and individual interviews based on the results of the analysis, all *company auditor* discussed issues and initiatives to be taken.

The following is a summary of the results of the fiscal 2021 evaluation of the effectiveness of *Kansayaku* (board) and the policy for fiscal 2022.

(1) Overview of evaluation results

In fiscal 2021, each *company auditor* worked in accordance with the following three pillars: (1) further improving the quality of audit work, (2) auditing focusing on the prevention of fraud, and (3) rechecking the governance of the ●● Group. In addition to resolving and discussing legal matters, the Board of Company Auditors shared audit activities by each *company auditor* listened to reports from the accounting auditor, the internal audit department, and the internal control department, and exchanged opinions with the executive officer and president on important management issues.

More specifically, (1) in order to further improve the quality of audit work, with a focus on themes that reflect the internal and external environment in mind, the *company auditor*'s audit conducted an exchange of views with the *company auditor* of domestic subsidiaries and audit firms in charge of accounting audits of overseas subsidiaries, and implemented measures to promote the sharing of audit activities and audit issues with outside directors. (2) As a means of auditing focused on the prevention of improprieties, we received reports of self-evaluations by the head of the organization from the perspectives of business operations and internal control, and exchanged views with the head of the organization on issues and other matters related to the organization based on these reports. Furthermore,

(3) from the perspective of re-examining the governance of the ●● Group, the audits by *company auditor* should focus on the three-line model (a framework for risk management and control activities widely recognized internationally), with particular emphasis on confirming the effectiveness of the second-line functions (including audits focusing on quality control activities and their systems).

(2) Initiatives in Fiscal 2022

- Based on a basic auditing perspective that reflects the Company's basic policies for management and business operations as well as changes in the internal and external environment, we will continue to strive to improve the quality of our auditing operations with an eye toward ensuring that audits contribute to the realization of the NEC 2030 VISION.
- From the perspective of preventing fraud and strengthening the governance of the ●● Group, we will continue to conduct audit activities that encourage self-directed improvement, combining self-assessment by the head of the organization with feedback from *company auditor*. In addition, we will continue to monitor the entire three-line model, and in particular, we will continue to confirm the effectiveness of the governance system of the ●● Group through audits of second-line functions, and we will further enhance the three-way audit collaboration with the accounting auditors and the internal audit department and strengthen the auditing system of *company auditor* in the ●● Group.

(Electrical appliances)

< Example 9 > Cases in which efforts to improve board effectiveness describe decarbonizing and strengthening the governance of overseas subsidiaries.

The Company analyzes and evaluates the effectiveness of the Board every year, and continuously strives to further improve the functions of the Board.

As a method of analysis and evaluation, we use a third-party organization to prepare questionnaires and analyze them. The summary and results of the evaluation of the effectiveness of the Board are as follows.

(1) Evaluation method

A questionnaire was administered to all directors and company auditors regarding the effectiveness of the Board. Based on the awareness of issues identified in the questionnaire, interviews were conducted, and the results were analyzed and evaluated at the Board meeting on May 20, 2022.

(2) Evaluation items

- Structure of the Board (Number of people, ratio of executive to non-executive, diversity, etc.)
- Operating Results of the Board (Number of meetings held, attendance rate, deliberation time, number of deliberation items, provision of information, Q&A, etc.)
- Others (Issues in evaluating the effectiveness of the previous meeting of the Board, the Remuneration Advisory Committee, the Nomination Advisory Committee, meetings of outside officers, etc.)

(3) Evaluation Results

In the questionnaire, each evaluation item was generally rated high. In addition, based on the previous evaluation of the effectiveness of the Board as described below, the Board confirmed through questionnaires and interviews that improvement efforts have been made and that the effectiveness of the Board has been properly ensured.

(Main Initiatives Based on the Previous Effectiveness Evaluation, etc.)

(i) Discussions, reports and sharing of important issues

In formulating the Group Action Plan to Achieve a Decarbonized Society, a meeting of outside officers was held at the review stage, and a report was made to the Board at the formulation stage to discuss the issues and initiatives and directions for decarbonization in our group.

In addition, the progress of initiatives was reported to the Board, and the progress and direction of decarbonization in our group were discussed.

(ii) Strengthen governance and supervisory functions of overseas subsidiaries

A meeting of outside directors was held on the theme of "Personnel Structure and Risk Management at Overseas Subsidiaries," and discussions were held on improving governance and strengthening supervisory functions at overseas subsidiaries.

(iii) Deepening Outside Directors' and Company Auditors's Understanding of the Company’s Project

In order to deepen the understanding of the Company’s Project, on-site tours were held in the Nihombashi and

Kashiwanoha areas, where our company is promoting town development.

(4) Future Initiatives

Regarding the issues identified in the questionnaire and interviews, the Company will take the following actions to further improve the functions of the Board.

(i) Sharing the status of dialogue with stakeholders

In addition to explaining the current status of dialogue with stakeholders at each proposal, a forum will be set up to collectively share the overall status.

(ii) Further deepening of the Board discussions

To further deepen the discussion of the Board by sharing questions and opinions in the discussion on the executive side when explaining each proposal.

(Real Estate)

1 - 6. Ensuring the credibility of audits

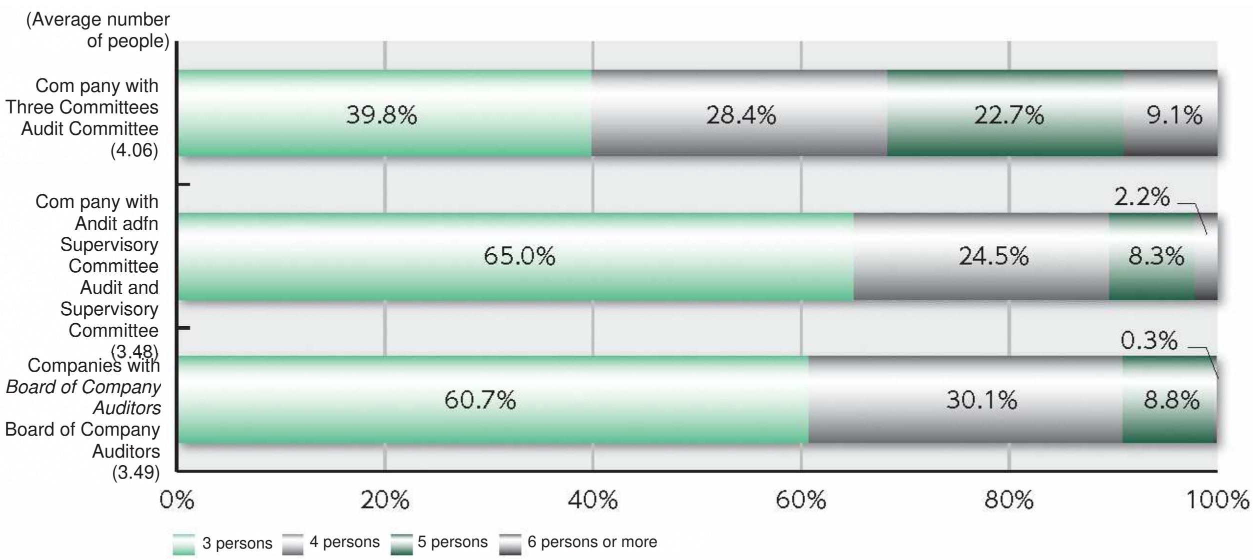
1 - 6 - 1. Structure of Audit Committe, Audit and Supervisory Committee, and Board of Company Auditors

"Chart 14 Organizational Form (by Market Segment)" shows the status of Companies with Board of Company Auditors, Company with Audit and Supervisory Committee, Company with Three Committees. In recent years many companies have shifted from Companies with Board of Company Auditors to a Company with Audit and Supervisory Committee.

(1) Number of Audit Committee, Audit and Supervisory Committee, and Company Auditors Board Members

Chart 97 displays the number of Audit Committee, Audit and Supervisory Committee and *Company Auditors* Board members. The average number of members of each committee is 4.06 for the Audit Committee, 3.48 for the Audit and Supervisory Committee, and 3.49 for the Board of Company Auditors. In all organizational forms, companies with 3 members account for the highest proportion.

Chart 97 Number of Audit Committee, Audit and Supervisory Committee, and Company Auditors Board Members



(2) Ratio and number of inside officers and outside officers at Audit Committees, Andit and Supervisory Committees and *B*oards of Company Auditors

Chart 98 displays the ratio of inside officers and outside officers at Audit Committees, Audit and Supervisory Committees and *B*oards of Company Auditors.

Note that the inside officers displayed on the graph are inside directors at Audit Committees and Audit and Supervisory committees, and inside company auditors at Boards of Company Auditors. In the same manner, the outside officers are outside directors at Audit Committees and Audit and Supervisory Committees, and outside *company auditors* at *B*oards of Company Auditors.

About 80% of outside directors are from Company with Three Committees and Company with Audit and Supervisory Committee and about 70% of outside *company auditors* are from Companies with

Board of Company Auditors.

Chart 98　Ratio of Inside Officers and Outside Officers at Audit Committees, Audit and Supervisory Committees, and Boards of Company Auditors

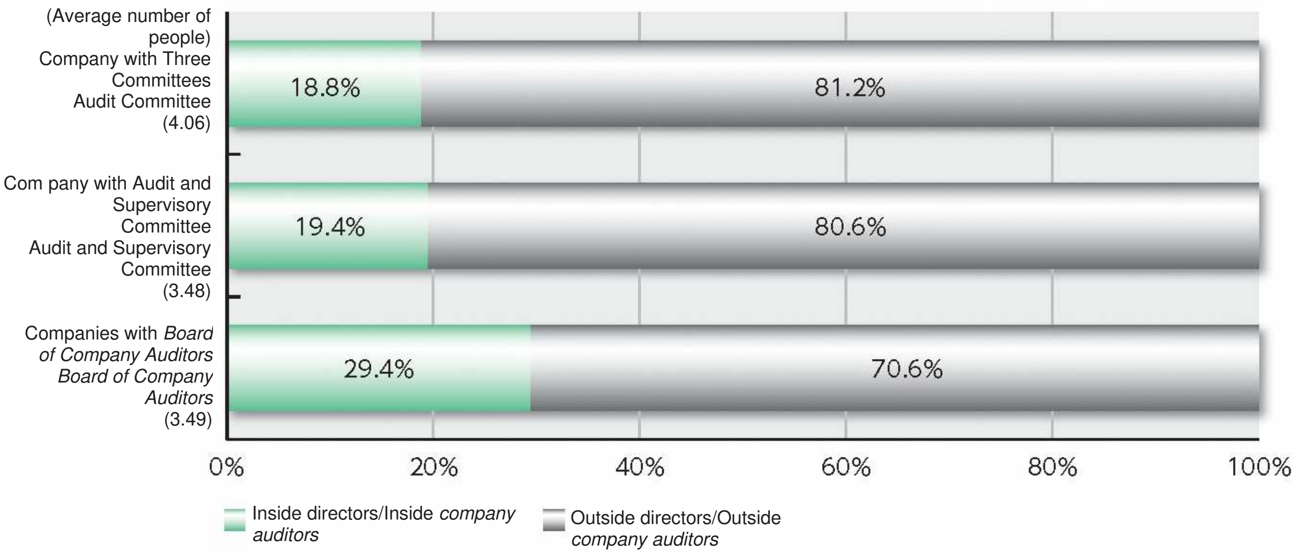


Chart 99 displays the number of inside officers (inside directors and inside *company auditors*) at Audit Committees, Audit and Supervisory Committees, and Boards of Company Auditors. For Audit Committees, 39.8% of the companies have no internal directors, which is higher than for Audit and Supervisory committees and Boards of Company Auditors. As for Audit and Supervisory Committee, companies with one internal director account for the highest percentage at 60.2%. At Board of Company Auditors, the majority of companies have at least one inside company auditor.

Chart 99　Number of Inside Officers at Audit Committees, Audit and Supervisory Committees and Boards of Company Auditors

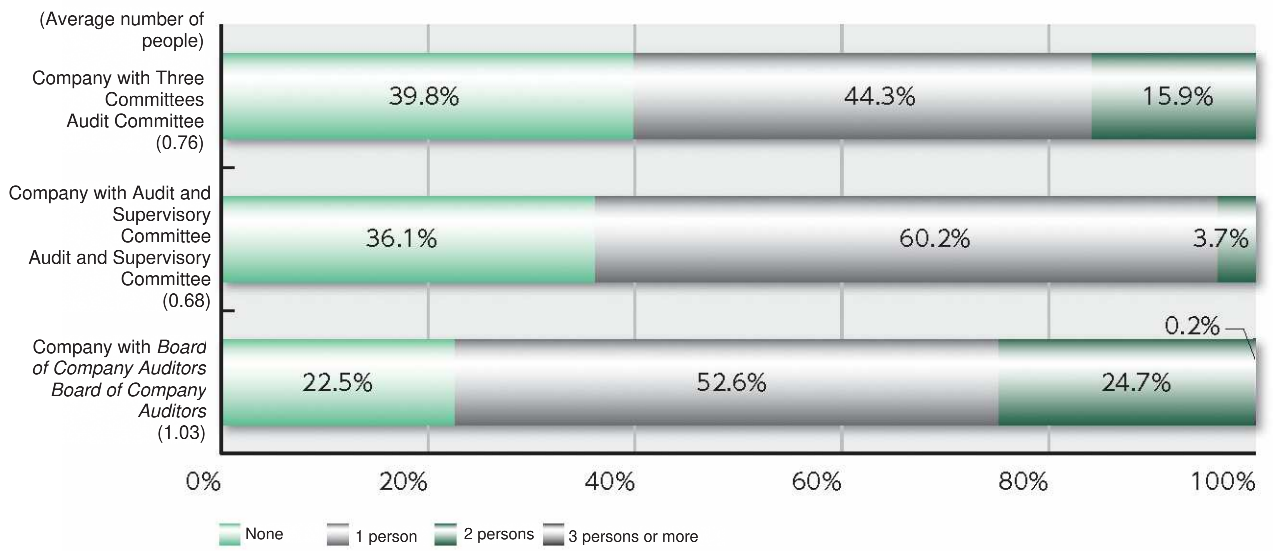
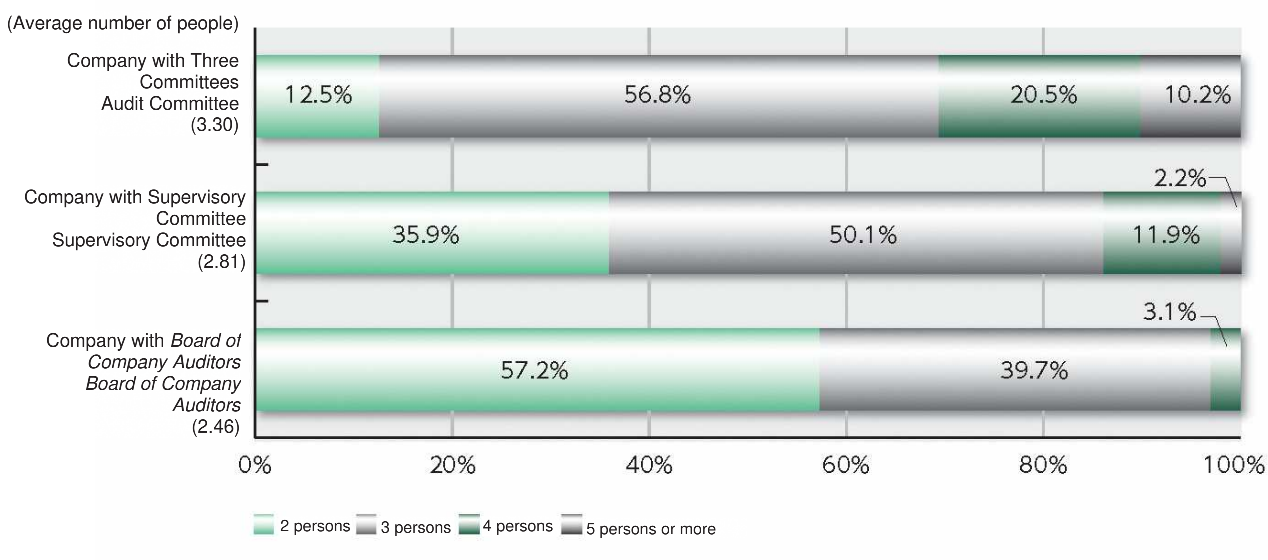


Chart 100 displays the number of outside officers (outside directors and outside company auditors) at Audit Committees, Audit and Supervisory Committees and Boards of Company Auditors. In either case, while the requirement is for there to be at least two outside officers, for Audit Committees of Companies with Three Committees, the majority of companies have at least three outside directors.

Chart 100 Number of Outside Officers at Audit Committees, Audit and Supervisory Committees and Boardsof Company Auditors

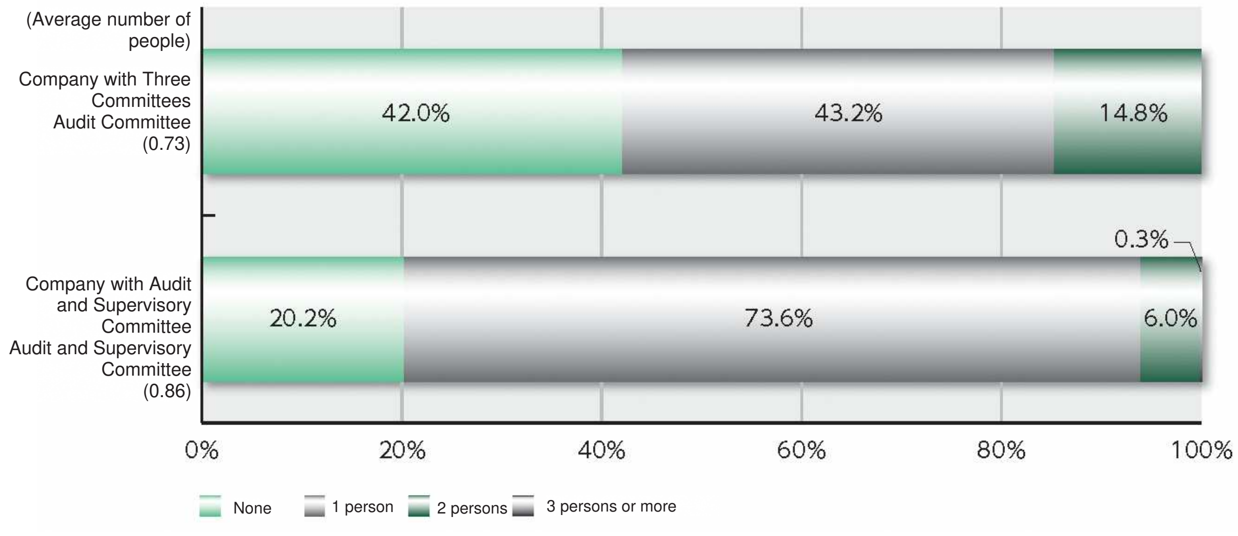


(3) Ratio of full-time members at Audit Committees, Audit and Supervisory Committees and Boards of Company Auditors

Chart 101 displays the number of full-time members at Audit Committees, Audit and Supervisory Committees and Boards of Company Auditors. The average number of full-time members on the Audit Committee was 0.73, 43.2% for companies with 1 employee and 42.0% for companies with 0 employees. The average number of full-time members on the Audit and Supervisory Committee was 0.86, and companies with one member accounted for the highest portion at 73.6%. The Board of Company Auditors is required by the Companies Act to have full-time member[70], and this figure is not included here.

Chart 101 Number of Full-time Members at Audit Committees and Audit and Supervisory Committees

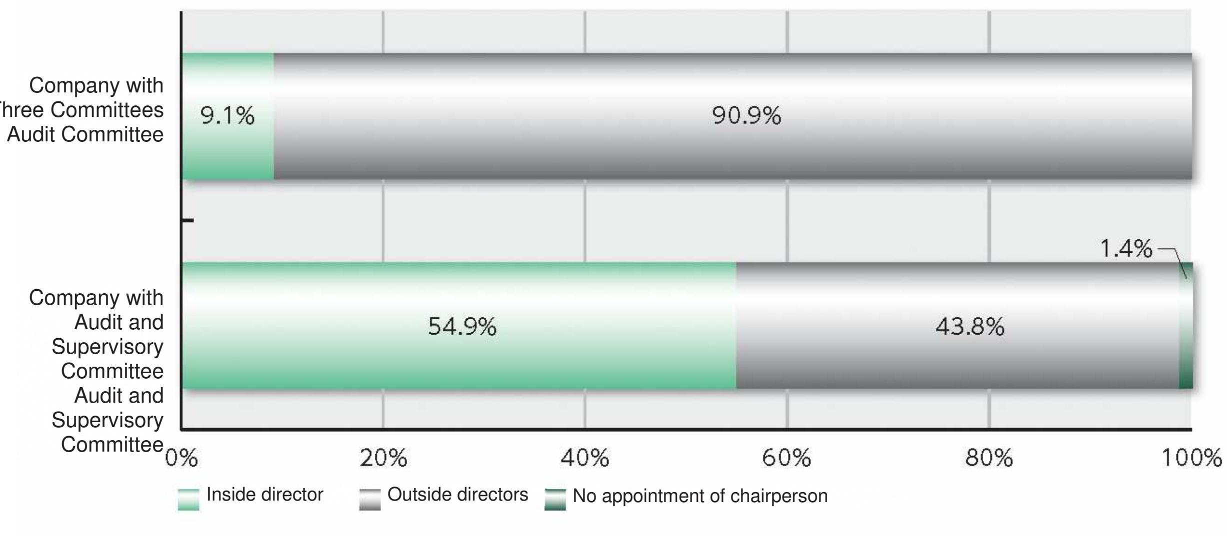
70 Article 390, Paragraph 3 of the Companies Act.



(4) Attributes of chairpersons of Audit Committees and Audit and Supervisory Committees

Chart 102 displays the attributes of chairpersons of Audit Committees and Audit and Supervisory Committees. While many chairpersons are outside directors at Audit Committees (90.9%), for Audit and Supervisory Committees 54.9% of chairpersons are inside directors. In addition, for Audit and Supervisory Committees, 1.4% of companies do not designate a chairperson.

Chart 102 Attributes of chairpersons of Audit Committees and Audit and Supervisory Committees



1 - 6 - 2. Attributes of outside *company* auditors

The CG Report requires companies to provide information on the number of outside *company auditors* appointed as ID/As. Among the total 5,635 outside *company auditors* appointed by 2,290 TSE-listed Companies with Board of Company Auditors, 4,752 (84.3%) *company auditors* were notified as ID/As.

In the same manner as the attributes of outside directors, the CG report requires listed companies to specify each outside *company auditor*'s attribute by choosing one of the following: “from another company,” “lawyer,” “tax accountant,” “academic,” and “other.”

In this regard, among all *company auditors* of TSE-listed companies with Board of Company Auditors, those “from another company” accounted for 45.3%, followed by “lawyers” (21.7%), “certified public accountants” (20.4%), “tax accountants” (6.9%), and “academics” (2.1%). (Chart 103)

Comparing the attributes of outside company auditors at Companies with Board of Company Auditors and outside directors at Companies with Audit and Supervisory Committee and Companies with Three Committees, the breakdowns by the attribute figures of outside directors at Companies with Audit and Supervisory Committee are close to those for Companies with Board of Company Auditors. This can be due in part to the fact that many of outside *company auditors* are changed to outside directors when companies shift from a Company with Board of Company Auditor structure to a Company with Audit and Supervisory Committee structure.

Chart 103 Attributes of outside *company auditors*

1 - 6 - 3. Appropriate cooperation between *company auditors*, etc., accounting auditors, and internal audits (Supplementary Principle 4.13.3)

The CG Report requires companies to describe existing cooperation between their Audit Committee, Audit and Supervisory Committee or Board of Company Auditors and accounting auditors as well as the internal audit department. Chart 104 shows the ratio of companies that mentioned the keywords “audit planning,”[71] “cooperation/meeting,”[72] and “report.”[73] The ratio of companies that mentioned “audit planning” is higher for Audit Committees than for Boards of Company Auditors or Audit and Supervisory Committees.

Looking at details of descriptions, the majority of companies stated that they held regular gatherings for exchanging opinions and information. Specific descriptions include attendance at site audits by accounting auditors and audit reviews, and receiving reports on audit plans, the focus of audits, progress of audits, internal control systems, risk management, etc. Some companies mentioned the number of meetings to exchange views with accounting auditors, and other companies mentioned discussions held on key audit matters (KAMs).

The June 2021 Code revision added the following to Supplementary Principle 4.13.3: “establishing a system in which the internal audit department appropriately reports directly to the board and the *kansayaku* [company auditor] board in order for them to fulfill their functions.” However, disclosure on this point was limited in CG reports. Among companies that make disclosures on this point, for example in Example 1, some companies have a system in place for reporting the results of the internal audit department directly, not only to the president and representative director, but also to the board,

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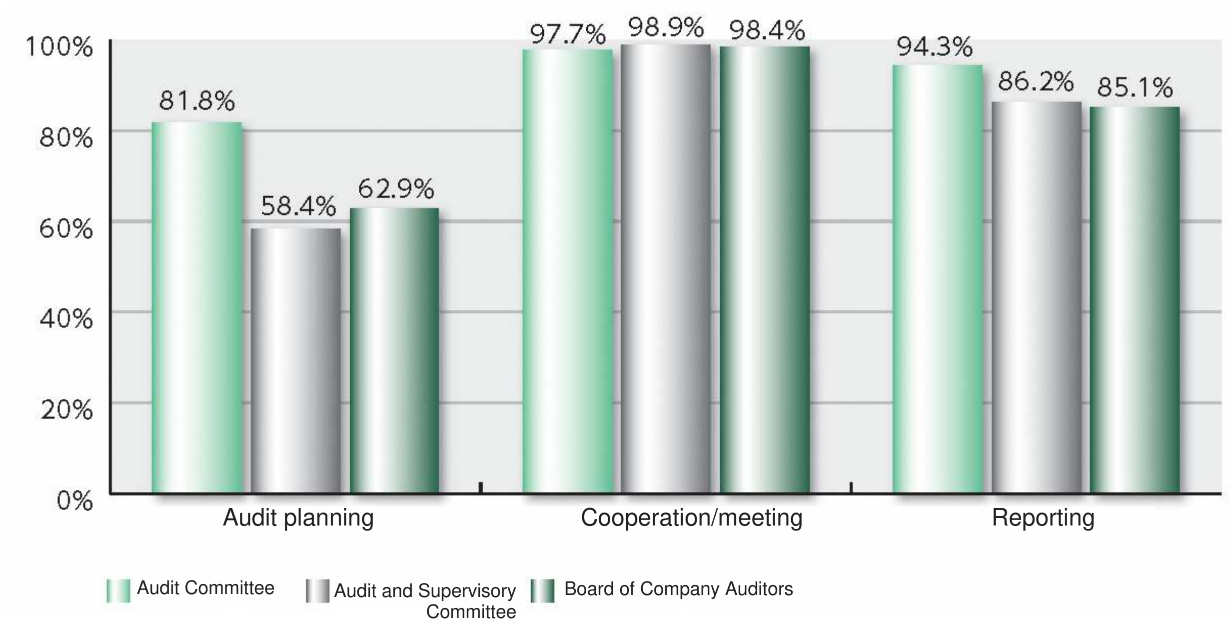
71 Reference to “audit planning” covers companies that mentioned one of the following keywords: “plan,” “policy,” or “regulation.”

72 Reference to “cooperation” covers companies which mentioned one of the following keywords: “cooperation”, “gathering”, “regular”, “exchange”, “consultation” or “meeting”

73 Reference to “report” covers companies which mentioned one of the following keywords: “report”, “result”, “explanation”, “verification” or “control”.

their Audit and Supervisory Committee and its members. In this regard, the revision of the Cabinet Office Order on Disclosure of Corporate Affairs requires the disclosure of "efforts to ensure the effectiveness of internal audits" starting from securities reports for FYE March 2023, and listed companies are expected to take measures as appropriate according to their situation.

Chart 104 Cooperation between *Company Auditors*, etc., Accounting Auditors, and Internal Audit Department



Example 1: Building a system for reporting internal audit results directly to the board and the Audit and Supervisory Committee

The members of the Audit and Supervisory Committee receive explanations on accounting audit plans, systems, etc., from the accounting auditors to discuss. They also receive periodic reports on audits and exchange opinions, etc., to execute their audit duties in close cooperation. The Audit Department, which is the Company's internal audit unit, has a system in place for conducting audits completely independent of other administrative or operational departments, as a direct report to the President and Representative Director, and reporting directly to the President and Representative Director, the Board of Directors, Audit and Supervisory Committee, and the members of the Audit and Supervisory Committee on the status of audits and corrective measures. The full-time members of the Audit and Supervisory Committee meet the Audit Department once a month, in principle, and also hold a three-way audit information exchange meeting, including the Accounting Auditor, on a quarterly basis to share the details of audits and issues identified with one another, and report the content to the Audit and Supervisory Committee. In addition, the General Manager of the Audit Department holds a close exchange of information on a quarterly basis at the Audit and Supervisory Committee meeting, where they report on the status of internal audits and their results/findings.

(Service industry)

2. Reviews of business portfolio and cost of capital

Corporate governance reforms in our country are intended to promote sustainable corporate growth and corporate value enhancement in the medium to long term through encouraging decisive business decisions by management. However, it seems that many companies still do not make decisive decisions in response to changes in their business environment, while some companies are committed to governance reforms to improve their corporate value. As some have noted, for instance, Japanese companies do not necessarily review their business portfolios enough, but as others have noted, this is because management still is not fully aware of the cost of capital.

In light of these observations and in order to clarify that making decisive business decision on business portfolio reviews, etc., is important, and that to make such decisions, own cost of capital should be captured properly, we added the description of the "cost of capital" in Principles 1.4 and 5.2 at the 2018 Code revision.

This chapter provides an overview of efforts by listed companies on capital cost-conscious management, business portfolio strategies, and cross-shareholdings.

2 - 1. Management awareness of cost of capital (capital cost-conscious management)

The objective of corporate governance reform is to achieve sustainable corporate growth and enhance corporate value over the medium to long term. However, in order to realize this objective, it is necessary to be decisive in making management decisions, including reviews of the business portfolio and allocation of management resources (for example, capital spending, R&D and human resource investment), based on an accurate understanding of the company's capital costs.

Management based on the cost of capital is also a key area of interest for institutional investors. The Life Insurance Association of Japan, an industry group of life insurance companies that is a leading long-term investor in Japan, calls on listed companies to "set ROE targets adjusted for cost of capital and target higher ROE levels"[74] in its report on initiatives to reinvigorate the equity market and achieve a sustainable society.

The cost of capital is the cost of raising capital (interest-bearing debt and shareholders' capital). While the cost of raising interest-bearing debt is clearly stated in the financial statements as "interest expense", the cost of procuring shareholders' capital (cost of shareholders' capital) is not shown in the financial statements. Over the years, many managers of Japanese companies have understood the "dividend burden" to be the cost of raising shareholders' capital, which is different from finance theory. Therefore, although the cost of shareholders' capital is essentially the expected return of equity investors, and expected returns are as high as 8%-10%[75] because of the high level of risk borne, there is a tendency to consider low capital efficiency as acceptable based on the management perceptions described above. This has led to Japanese companies retaining a business with poor asset efficiency in their portfolios, with no attempt to weed out underperforming assets and improve returns. This appears to be one of the factors reducing the international competitiveness of Japanese companies.

One of the reasons why the management of listed companies are now more conscious of capital efficiency indicators, such as ROE, is that ISS, a major proxy advisory company, has had a policy of voting against proposed appointments for top management positions in companies with low ROE (5-year average and most recent ROE of less than 5%)[76] at general shareholders' meetings since February 2015. Since then, major institutional investors in Japan have regularly laid down ROE criteria for proposed directors' appointments, and listed companies in our country have become more conscious of the importance of improving capital efficiency by setting ROE-based management objectives, for example in their medium-term management plans.

In the 2018 Code revision, the concept of "cost of capital" was specified because of concern that many Japanese companies did not make decisive business decisions in response to changes in the business environment, and that business portfolio reviews and management's awareness of the cost of capital were inadequate, while there was a perception gap between investors and companies about

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74 The Life Insurance Association of Japan "Initiatives by Life Insurers to Reinvigorate the Equity Market and Achieve a Sustainable Society through Asset Management" (April 2022)

75 According to a survey by the Life Insurance Association of Japan (April 2022), 88% of the respondents (investors) stated that they expect a ROE level of 8% or more in the medium to long term.

76 In view of the COVID-19 impact, ISS has suspended the application of the ROE standard since June 2020, according to the 2023 edition of the Standards for Proxy Advice in Japan (effective February 1, 2023).

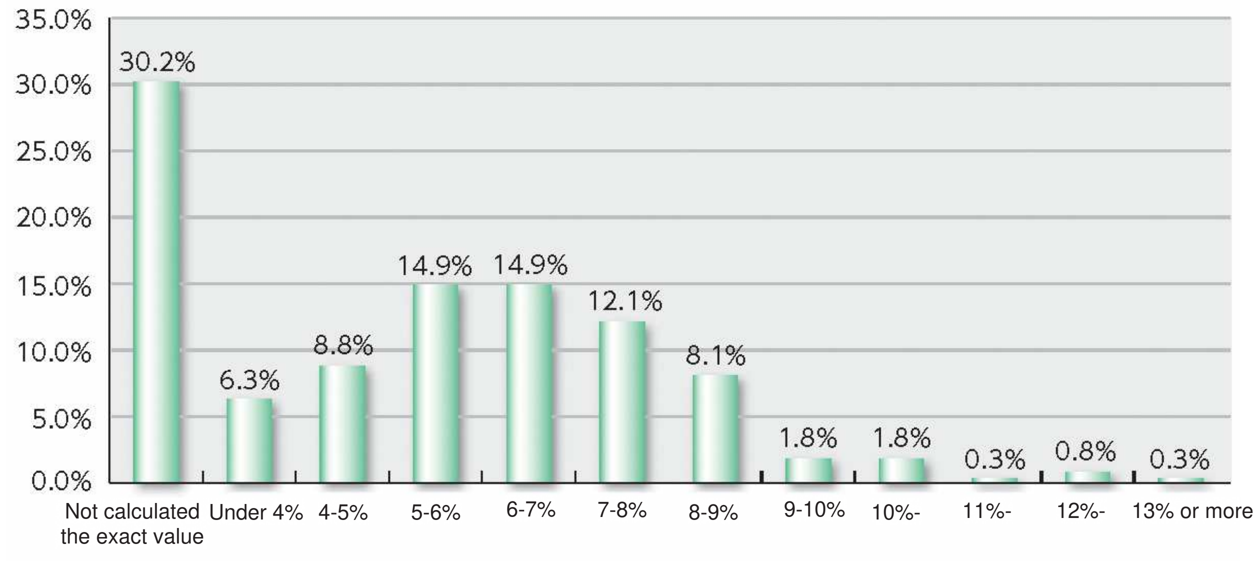
whether companies produced returns greater than their cost of capital. Specifically, Principle 1.4 calls for in-depth review on whether benefits and risks associated with cross-shareholdings match the cost of capital. Principle 5.2 requires the following four points: (1) capturing own cost of capital accurately; (2) presenting basic policies on earnings plans and capital policy; (3) presenting targets for profitability, capital efficiency, etc.; and (4) presenting clear explanations to shareholders in easy-to-understand language and logic about specific actions the company will perform on its business portfolio reviews, management resource allocation including capital investments, R&D investments, and human capital investments, to achieve its goals. Furthermore, at the time of the 2021 Code revision, when the environment surrounding companies changed even faster due to the COVID-19 pandemic amid growing uncertainty, Supplementary Principle 5.2.1 was created, which requires companies to disclose basic policies on their business portfolios and the status of their reviews in an easy-to-understand manner, with an eye on increasing needs for management resource allocation including business portfolio reviews based on the cost of capital by business segment.

As a result of these Code revisions, many listed companies now know their cost of capital. For example, according to the 2021 survey by the Life Insurance Association of Japan, 93% of listed companies are aware of their own cost of capital. Chart 105 shows the level of the cost of capital as perceived by Japanese companies. 70% of listed companies have detailed figures for the cost of capital, and most of them assess their own cost in the range of 5% to 7%.

There are also some of the listed companies that voluntarily disclose their own cost of capital as well as targets related to profitability and capital efficiency based on this cost. In Example 1, the company sets its weighted average cost of capital (WACC) at 5%, with its own benchmarks and ROIC / ROE targets set to exceed this. It explains that it discloses their progress on a regular basis and uses WACC as the hurdle rate for investment projects. In Example 2, the company conservatively estimates its cost of capital at 8% and explains that it aims to achieve ROE in excess of its cost of capital.

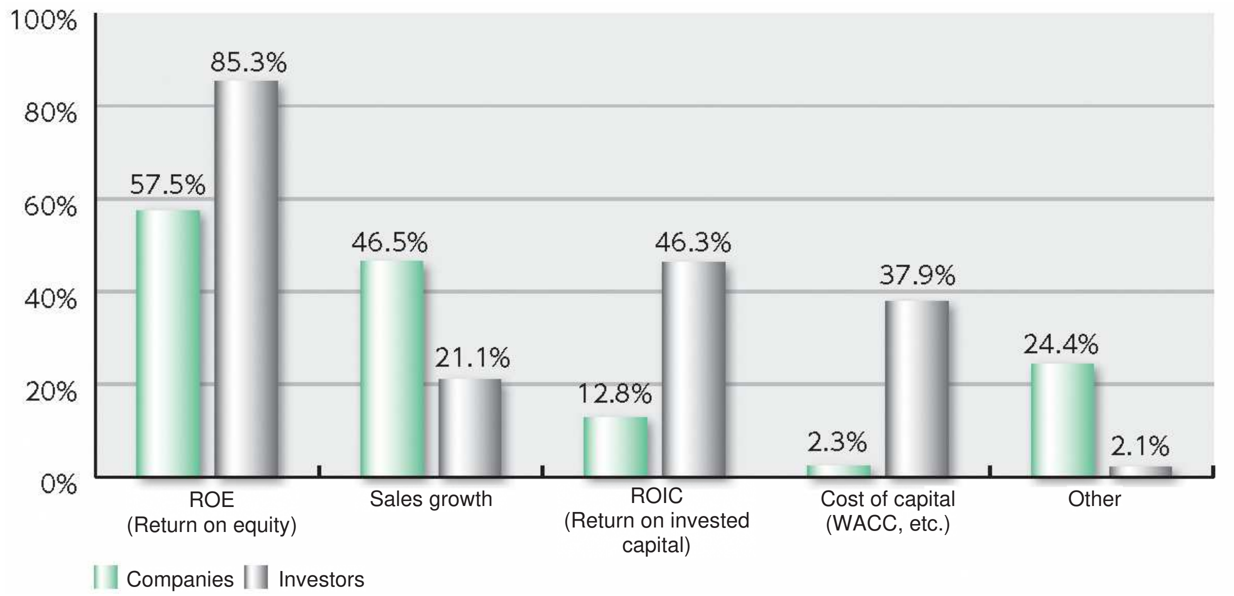
According to the 2021 survey by the Life Insurance Association of Japan, 37.9% of institutional investors view cost of capital (WACC, etc.) as an important management indicator, while only 2.3% of listed companies clearly refer to their cost of capital in their medium-term management plans. (Chart 106) In addition, nearly 50% of companies say that their ROE is "above" the cost of capital, while more than 90% of investors say "about the same" or "below" the cost of capital, which indicates a significant perception gap between companies and investors about the levels of cost of capital. (Chart 107) In addition to improving the disclosure of their view on capital cost with future policy and specific measures based on such view, listed companies should actively utilize this cost of capital in their decision-making processes (M&A and capital investment, financial and capital policies, including the enhancement of shareholder returns, etc.) and link it to constructive dialogue with investors.

Chart 105 Japanese Companies' Understanding of the Cost of Capital



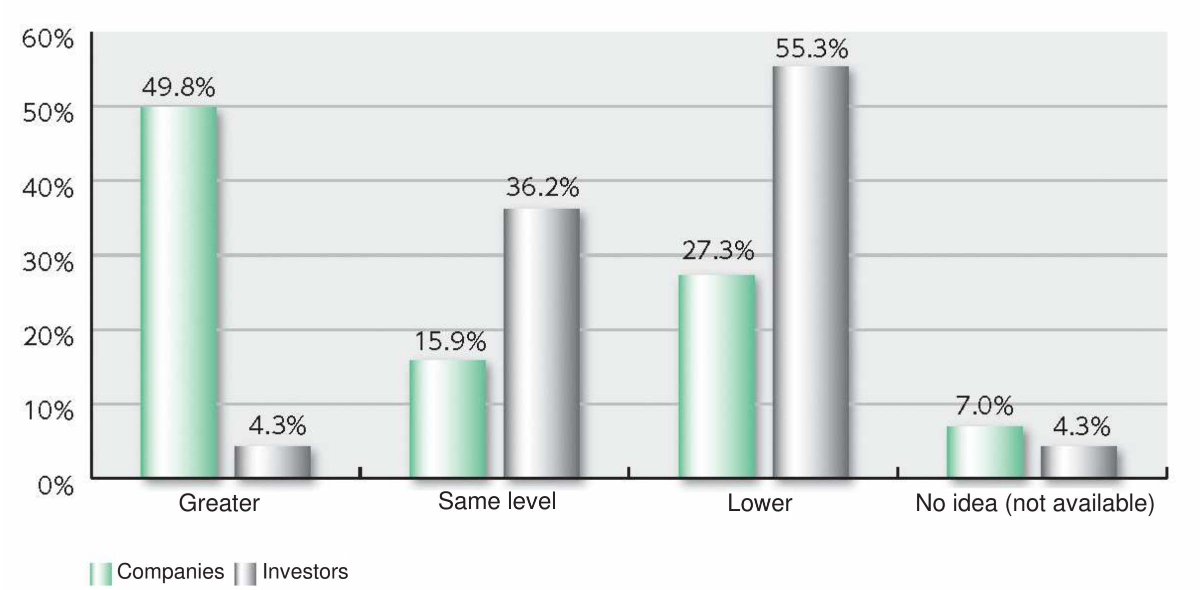
Source: Compiled based on the Life Insurance Association of Japan "Initiatives by Life Insurers to Reinvigorate the Equity Market and Achieve a Sustainable Society through Asset Management" (April 2022)

Chart 106 Indicators under Medium-Term Management Plans (Companies) / Indicators to be Stressed as Management Goals (Investors)



Source: Compiled based on the Life Insurance Association of Japan "Initiatives by Life Insurers to Reinvigorate the Equity Market and Achieve a Sustainable Society through Asset Management" (April 2022)

Chart 107 Perceptions of ROE Levels against Cost of Capital



Source: Compiled based on the Life Insurance Association of Japan "Initiatives by Life Insurers to Reinvigorate the Equity Market and Achieve a Sustainable Society through Asset Management" (April 2022)

Example 1: Setting the targets of in-house indicators, etc., at above capital costs and using WACC as a hurdle rate

The Company's business model aims to efficiently generate returns on a slim asset base. We believe the current capital structure is sufficient to support the future growth of the Group's business without a significant reliance on external procurement.
The Company has set its WACC at 5% and has established demanding targets for ●VA ("● Value Added"), ROIC (Return on Invested Capital) and ROE (Return on Equity), which are well ahead of this cost of capital. The Company discloses its progress against these objectives at its semi-annual results briefings. With regard to working capital, we promote CCC (cash conversion cycle)-based management, making group-wide efforts toward more efficient and reduced CCC. A WACC of 5% is used as the base hurdle rate for our investment projects. (Omitted)
(Other products)

Example 2: Aiming for ROE greater than cost of capital

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, the Company is conscious of attaining ROE at a 15% level, with an equity spread at a 7% level for FY2025.
(Pharmaceuticals)

[Column 7] Practical Guidelines for Business Transformations

Amid dramatic changes in management environments, if Japanese companies intend to achieve sustainable growth they must concentrate their management resources in efforts to enhance core businesses or to invest in growth businesses. In this respect, Japanese companies should urgently and continuously review their business portfolios and carry out business transformations in line with best practices.

Nevertheless, most Japanese companies, while raising awareness of the need to review business portfolios, have been less active in divestments compared with mergers and acquisitions (M&A). This indicates a situation where Japanese companies are not always assessing their business portfolios in a sufficient manner.

In light of these situations, the Interim Report on the Formulation of the New Action Plan of the Growth Strategy, compiled by the Future Investment Council on December 19, 2019, showed future directions where "Japan should compile guidelines concerning ideal approaches to enhancing the supervisory role of boards directors as an effort in encouraging Japanese companies to carry out their business transformations, including spin-off businesses, to improve corporate value."

In response, METI inaugurated the Study Group in January 2020 and, since then, the study group held six official meetings from January to the end of May 2020. Also, it held comprehensive discussions on specific measures for effectively making corporate governance of Japanese companies functional through three layers of stakeholders, namely management, the board of directors/independent directors, and investors, in order to encourage Japanese companies to carry out their business transformations toward sustainable growth.

The Action Plan of the Growth Strategy, on which a cabinet decision was made on July 17, 2020, upheld a policy that "Japan should formulate practical guidelines for promoting business transformations which include spin-off businesses, and it should encourage Japanese companies to take their actions under the guidelines." In response, METI, as a ministry in charge of corporate governance and economic policies, formulated "Practical Guidelines for Business Transformations - Toward Changes to Business Portfolios and Organizations -" by compiling the results of the discussions held by the study group on July 31, 2020[77].

Based on the assumption of discussions on business portfolio management as set forth in the "Practical Guidelines for Group Governance Systems" (published on June 28, 2019; See Column 19.), the foregoing Guidelines, with a particular focus on business restructuring, set out appropriate incentives for management, supervisory functions to be performed by the board, addressing engagement with investors, and the building and disclosure of business assessment mechanisms, while showing practical devices for the smooth execution of business segmentation, as best practices. The Guidelines are expected to be for "companies seeking sustainable growth in global competitions," which are intended users, to practice appropriate business portfolio management, as well as to be referenced and used in engagement activities or the exercise of voting rights on proposed election of directors, etc., by institutional investors.

[Column 8] Ito Review/Ito Review 2.0

Reflecting on the past financial crises, there have been international discussions, particularly in Europe and the United States, on the correction of short-termism of investors and companies, the strengthening of corporate governance, as well as dialogue (or engagement) between companies and

77https://www.meti.go.jp/english/press/2020/0731_004.html#:~:text=On%20the%20premise%20of%20the%20Chapter%203%20Business,assessment%20and%20disclosing%20the%20results%20of%20the%20assessment.

investors, revisiting the practice of corporate disclosure and reporting, and such. Meanwhile, in our country based on the recognition that the challenge for future growth is to create a virtuous cycle, in which companies can firmly establish their medium to long-term profit structures and also earn sustainable profits in the capital market through such investments in them, the results of discussions held in the "Competitiveness and Incentives for Sustainable Growth: Building Desirable Relationships between Companies and Investors" project, which was set up by the Ministry of Economy, Trade and Industry, were compiled and published as the “Final Report (Ito Review)”[78] in August 2014. The Review suggests: "In dialogue with global investors, the minimum line should be ROE at above 8%, and a higher level should be pursued," which seems to lead to a certain degree of awareness among listed companies in Japan of the 8% threshold as one of the indicators for ROE.

After the Review was published, the volume zone of ROE among companies listed on the former TSE First Section rose from 2.5% ~ 5% in 2014 to 5% ~ 7.5% in 2016. The challenge was to redirect this trend steadily into sustainable corporate growth and establish a cycle of long-term investments generating profits. On the other hand, some noted that increased attention on profitability through corporate governance reforms might make it harder for companies to make medium to long-term strategic investments, which could weigh on profits in the short term. In addition, global institutional investors that take a long-term stance began to emphasize non-financial information on "ESG (environment, society and governance)" as an indicator for evaluating companies; such moves include the Government Pension Investment Fund (GPIF) signing the United Nations Principles for Responsible Investment (PRI).

Given a chain of these developments, the Ministry of Economy, Trade and Industry set up the “study group on long-term investment for sustainable growth (investments in ESG/intangible assets),” which published, after new discussions, the "Guidance on Integrated Disclosure and Dialogue for Collaborative Value Creation: ESG/Non-Financial Information and Investments in Intangible Assets (Guidance for Collaborative Value Creation)" in May 2017 and the "Ito Review 2.0 ("Study Group on Long-Term Investment for Sustainable Growth (investments in ESG/intangible assets" Report)"[79] in October 2017.

Subsequently in August 2022, the Ministry of Economy, Trade and Industry issued the Ito Review 3.0 (Ito Review SX Edition) and the Guidance on Value Creation 2.0, which will be discussed later in Column (xi) in "3.2 Disclosure of sustainability initiatives."

78 https://www.meti.go.jp/english/policy/economy/corporate_governance/pdf/FRIR.pdf
79 https://www.meti.go.jp/policy/economy/keiei_innovation/kigyoukaikei/itoreport2.0.pdf

2 - 2. Business portfolio strategy (Supplementary Principles 4.2.2 and 5.2.1)

In addition to Principle 5.2 and Supplementary Principle 5.2.1 described above in 2-1, Supplementary Principle 4.2.2 was created when the Code was revised in 2021, requiring: " in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company." These Principles specify that the role of the board is to conduct periodic reviews and effective supervision of business portfolios.

Supplementary Principle 5.2.1 is not positioned as a principle to be disclosed, but some companies proactively and voluntarily disclose their efforts. In Example 1, for instance, the company classifies its businesses into four areas for assessment, in an effort to pursue growth and improve profitability. In Example 2, the company evaluates its business portfolios by dividing and organizing its businesses into four quadrants using the two axes of "operating profit margin" and "market growth potential," which are used as KPIs under the medium-term management plan. In Example 3, the company reviews and evaluates its business portfolios with the two axes of "ROIC-based profitability" and "growth potential measured by sales growth rate," which are KPIs under the medium-term management plan, as well as takes account of ROIC and internal carbon prices when making capital investment decisions.

Example 1: Specifying the position of each business in portfolio

Our management strategy and plans are posted as the Medium-Term Management Plan (FY2020 to FY2022) on our website. (https://www.●●.co.jp/ja/ir/management/strategy.html)

Further, <u>the Company, under its business portfolio policy, which stipulates that it optimizes management resources allocation through portfolio management based on a biaxial assessment of growth potential and profitability, categorizes businesses across the group into four business areas for assessment, “strategic business,” “growth business,” “core business,” and “divested/exited business,” in an effort to pursue growth and improve profitability.</u>

<u>・Strategic business: to be strategically developed into the next growth business; e-comics (overseas retail), for hospitals (Asian operations), and for nursing care/health services</u>

<u>・Growth business: aimed at continuing and maximizing growth; e-comics (domestic retail), crisis management services, and ERP</u>

<u>・Core business: to maintain and improve earnings; systems construction for hospitals, pharmaceuticals, and major companies</u>

<u>・Divested/exited business: to be considered for withdrawal</u>

(Information and communication)

Example 2: Specifying portfolio management practices for each business

On June 22, 2021, the Company formulated and announced its Medium-Term Management Plan for FYE May 2022 through FYE May 2026. While formulating the Medium-Term Management Plan, we also discussed business portfolio reviews and management resources allocation. Given the purpose of the new Code after the June 2021 revision, described below are our basic policy on business portfolios and the status of the review of business portfolios:

<u>Basic policy on business portfolios</u>

1) <u>Businesses are divided into four quadrants with the two axes of operating profit margin and market growth potential,</u>

which are used as KPIs under the Medium-Term Management Plan

2) Each quadrant is sorted into “growth business,” “core business,” “challenging business,” and “problem business,” and resource allocation policies are arranged

Our basic policy on business portfolios and the status of the review of business portfolios will be also explained, as appropriate, in materials for financial results briefings and other documents.

(Retail Trade)

Example 3: A case of a company implementing ROIC management and an evaluation using the ESG perspective, in addition to disclosing the status of business portfolio reviews

(Basic policy on business portfolios

We desire to be a company that offers new values to society using its unique ceramic technology.

To review business portfolios, we conduct a careful examination based on the two axes of profitability (ROIC ●● version) and growth potential (sales growth rate) through a semi-annual budgeting process for each product’s single year plans and mid-term management plans. By applying business assets (accounts receivable, inventories, and fixed assets) instead of invested capital, and operating income instead of profit after tax, the ●● version of ROIC is intended to be directly linked to a business unit's performance and enable the business unit to manage its own targets. To create new products and businesses, we place a high priority on being highly competitive in the global market, where no other companies could easily catch up with us because of our unique materials and production technologies, and thus it takes a relatively long time to develop and launch a new product and contribute to earnings. Our businesses also belong to a highly capital intensive-process industry, which means they are highly profitable but tend to have low asset turnover.

Aside from considering the allocation of management resources to core businesses and business groups that are expected to grow in the future, the Board of Directors supervises businesses classified into low-growth/low-profit businesses as key managerial matters, by assessing their future business continuity in terms of numbers based on the single-year and medium-term management plans and discussing their growth potential and profitability from a long-term perspective at individual strategy meetings. We will make decisions on R&D focus areas and development investments in individual items in line with the ●● Group Vision. We will also decide capital investments by making value-added assessments from an ESG point of view using the ROIC ●● version and Internal Carbon Pricing (ICP), which was introduced in FY2022, as well as the payback period for individual investments.

(Status of business portfolio reviews)

The Board of Directors receives a report on biaxial assessments of profitability (ROIC ●● version) and growth potential (sales growth rate), on a regular basis. For low-growth/low-profit-classified businesses, their growth potential, profitability, etc., from a long-term perspective are discussed at a strategy meeting and other meetings.

(Glass, earth and stone products)

2 - 3. Cross-shareholdings (Principle 1.4)

In the past, there have been concerns that the presence of stable shareholders (who are expected to support company management) could lead to a lack of management discipline, and that cross-shareholdings are risk assets on company balance sheets that are not proactively used and therefore inefficient in terms of capital management. In light of these concerns, Principle 1.4 requires (1) companies to disclose their policies on cross-shareholdings, including policies and approaches to reducing these; and (2) the Board to examine whether the purpose of each individual cross-shareholding is appropriate and whether the benefits of the holding are commensurate with the risks and cost of capital, and disclose its findings. Furthermore, the Principle requires companies to (3) formulate/disclose specific criteria concerning the exercise of voting rights in relation to cross-shareholdings, and to take steps in accordance with these criteria.

In addition, the June 2018 "Report by the Working Group on Corporate Disclosure of the Financial System Council - Realizing a Virtuous Circle in the Capital Markets" pointed out that the disclosure of the purpose of cross-shareholdings is limited to a standardized and abstract description, and that this does not allow verifying the rationality and effectiveness of the holding, expressing the opinion that detailed disclosure of the purpose, effectiveness and rationality of the holding would be required. Accordingly, disclosure related to cross-shareholdings in securities reports is being expanded in securities reports for FYE March 2019 and beyond. Specifically, the new rules require disclosure of (1) criteria and approach employed to determine pure investment and cross-shareholding categories; (2) policy for cross-shareholdings and method for verifying their rationality; (3) details of verification by the board, etc. of the appropriateness of the holdings; (4) the reasons for any increase in the number of shares held; and (5) the purpose and effect of holding individual stocks (specific descriptions, including quantitative holding effects). Furthermore, (6) the scope of disclosure of individual stocks has been expanded from 30 stocks to 60 stocks. In addition, in November 2019 and March 2021, the opinions of investors and analysts were compiled, and examples of key points for good disclosure expected by investors regarding cross-shareholdings were published[80] (Chart 108).

80 In view of the opinion on a large gap between the expectations of investors and the actual state of disclosure, the key points for good disclosure were published in November 2019. While some cases were in line with the key points, a large gap was still seen between investors' expectations and the disclosures in annual securities reports for FYE March 2020. The key points were updated in March 2021, accordingly.

Chart 108 Key points for good disclosure as expected by investors (FSA)

Large category	Item	Key points
Overall cross-shareholdings	Cross-shareholding policy	• Specifically describe how the company takes advantage of holdings in light of its management strategy, e.g., to use know-how/license of the investee company (it is not sufficient to merely describe "considered benefits of holdings in light of the management strategy") • Set and disclose the maximum limit of cross-shareholdings (it is important to take a viewpoint of how shareholders' equity is utilized, and it is, therefore, desirable to assess the size of shareholdings compared to shareholders' equity instead of total assets) • Describe the policy for selling cross-shareholdings, if any • Provide indicators for judgments on selling such shares, if any
	Method of verifying rationality of cross-shareholdings	Not limited to the verification in terms of the market value (unrealized gain) and dividends, specifically describe the degree of contribution to earning business revenue, in a similar manner to business investments e.g., The size of business transactions increased by more than x% compared to the average in x years; ROE or RORA increased by x% (*) While a verification only in terms of the market value (unrealized gain) and dividends is the similar approach to assess pure investments, it should be noted that a verification of cross-shareholdings requires a different approach
	Details of verification by the board etc.	• Specifically describe the results of the verification in line with the cross-shareholding policy (it is too abstract to merely describe "The board verified the appropriateness of shareholdings in light of the purpose of the shareholdings") • Include the dates of meetings and agendas when describing discussions at board meetings
Individual shareholdings	Purpose of cross-shareholdings	• Specifically describe how the company takes advantage of holdings by referring to relevant business and transactions, in line with the shareholding policy and in light of the management strategy (it is too abstract and not sufficient to provide the following explanations: benefits for a broader segment that is a unit used in financial reporting, such broad explanations as "business transactions" and "financial transactions," as well as "to maintain/strengthen the B2B transactions" or "to contribute to regional development") • In case of mutual shareholdings, describe specific reasons for such shareholdings
	Quantitative benefits of cross-shareholdings	Describe actual results of indicators specified in "Method of verifying rationality of cross-shareholdings" and their assessment (*) While a verification only in terms of the market value (unrealized gain) and dividends is the similar approach to assess pure investments, it should be noted that a verification of cross-shareholdings requires a different approach (If it is difficult to describe quantitative benefits of the shareholdings) • Specifically explain what made quantitative measurement difficult • Specifically describe how the company takes advantage of the holdings in light of its management strategy (*)Even if it is associated with trade secrets, describe in what way it falls under trade secret
	Reasons for increase	Not limited to descriptions of such acquisition processes as "reinvested the dividend" or "acquired through the client share ownership plan," specifically describe how the company takes advantage of holdings in light of its management strategy, e.g., to use know-how/license of the investee company (it is not sufficient to merely describe "to strengthen the business relationship")
	Whether the issuer holds the company's shares (Mutual shareholdings)	In case of strategically holding shares of a listed holding company, even if the company's shares are held by an affiliate of the holding company, it is virtually regarded as mutual shareholding relationship, so describe whether or not there are such shareholdings in footnote as reference information

Source: compiled from "Cross-Shareholdings: Key Points of Good Disclosure Expected by Investors (Example)," FSA

In the past, many financial institutions in the banking and insurance industries were required to reduce their cross-shareholdings, which are risk assets, in order to comply with capital controls, and many of these companies were fully committed to the reduction of cross-shareholdings as their basic policies. In response to these moves by exchanges and the government, however, recent years have also seen cases of business companies actively selling their cross-shareholdings and disclosing their implementation policies and progress. In addition, Glass Lewis and ISS, both major proxy advisors with influence over institutional investors including overseas investors, have announced that they will recommend against proposals for the appointment of top management at companies that hold over a certain ratio of their net assets in the form of cross-shareholdings (10% or more in the case of Glass Lewis and 20% or more in the case of ISS)[81]. It can be said that the requirement of the capital market on listed companies with cross-shareholdings are shifting from "strengthening accountability" to "implementing specific reductions."

The compliance rate[82] with Principle 1.4 is 95.0% (1,746 companies) in the Prime Market and 90.4% (1,316 companies) in the Standard Market. The following is an analysis of disclosures by the Prime Market-listed and Standard Market-listed companies that comply with the Principle (3,062 companies).

First, disclosures on policies and approaches regarding the reduction of cross-shareholdings can be broadly divided into cases where cross-shareholdings are held and reduction policies are indicated, and cases where there are no cross-shareholdings at the time when CG reports are submitted. The first pattern applies to 72.1% of companies (2,208 companies) complying with this principle, while the second pattern applies to 27.9% (854 companies). For the latter companies that do not hold cross-shareholdings, statements that "we do not hold listed shares for any purposes other than pure investment" were observed.

On the other hand, as a result of an analysis of the keywords used in policies and approaches regarding reduction among the former companies that hold cross-shareholdings, it was found that 64.9% (1,988 companies) used keywords such as “reduce,” “sell” and “dispose.” Some companies indicated a policy for reduction and sale, and clearly stated that, as a general rule, they would not acquire any new cross-shareholdings. This suggests that listed companies are becoming increasingly aware of the need to reduce or sell their cross-shareholdings.

Next, in regard to the board’s verification of the appropriateness of cross-shareholdings, 35.1% (1,075 companies) used keywords such as “the cost of capital” and “capital efficiency.” Some companies described their verification process in detail. For example, some clearly stated that they verify the appropriateness of cross-shareholdings based on the cost of capital, which takes into account factors such as whether the economic benefits of transaction-related earnings and dividends are commensurate with the WACC (weighted average cost of capital). Others mentioned they verify the appropriateness of cross-shareholdings in consideration of target and actual ROE, ROA and ROIC.

Some companies also discussed progress made with such verifications and the results of the actual sale of cross-shareholdings. 10.1% (308 companies) disclosed progress made with verification, stating, for example, "At the board meeting held in [month], we reviewed the appropriateness of cross-shareholdings.” In addition, 12.2% (374 companies) mentioned their record of actual sales. As the demands of capital markets toward the reduction of cross-shareholding increase, it appears that boards are trying to draw the attention of investors and shareholders to their efforts to reduce their companies’ cross- shareholdings by specifically indicating verification results and actual sales of cross-shareholdings.

Finally, analysis of the disclosure of specific voting criteria on cross-shareholdings in CG reports

81 Glass Lewis and ISS will apply such policies to shareholder meetings effective from 2021 and 2022, respectively.

82 Companies stating that they do not hold any cross-shareholdings are counted as those “comply” with Principle 1.4.

shows that while the 2018 Code revision requires the formulation and disclosure of specific voting criteria, most companies are limited to abstract statements such as “with respect to the exercise of voting rights, we verify each agenda item and exercise voting rights with an eye to improving the Company’s corporate value over the medium to long term.” On the other hand, some companies have presented examples of specific proposals (e.g. anti-takeover measures, retirement benefits and proposals for the appropriation of dividends and other surplus) and have formulated their stance on those proposals. In the keyword analysis, 57 companies mentioned "anti-takeover (measures)," 79 mentioned the "appointment (of directors)," 58 mentioned "surplus (proposed appropriation)," and 36 mentioned "retirement benefits.” Some companies explained that they exercise voting rights with reference to the policies of institutional investors and proxy advisors.

Chart 109 Keywords for Policies on Cross-shareholdings and on the Exercise of Voting Rights

Item	Number of companies	Ratio
Companies complying with Principle 1.4	3,062	100.0%
■Keywords related to policies		
Keywords related to transactions (transactions, sales, etc.)	2,168	70.8%
Keywords related to reduction (reduction, sale, etc.)	1,988	64.9%
Risk	1,074	35.1%
Cost of capital (capital efficiency, etc.)	1,075	35.1%
Keywords related to strategy (business strategy, etc.)	790	25.8%
Sales record	374	12.2%
■Keywords related to the exercise of voting rights		
Corporate value	2,286	74.7%
Damage (corporate value, shareholder value, etc.)	504	16.5%
Shareholder value	502	16.4%
Cautious/opposed	333	10.9%
Appointments (of officers)	79	2.6%
Anti-takeover measures	57	1.9%
Treatment of retained earnings	58	1.9%
Retirement benefits	36	1.2%

In terms of specific examples of disclosure, we will start with Examples 1 to 2, which are examples of disclosure of policies and approaches to the reduction of cross-shareholdings. Example 1 is a case where reduction targets for cross-shareholdings are defined for the three-year period of a medium-term management plan. In Example 2, a company discloses policies and approaches to the reduction of cross-shareholdings, and then goes on to mention progress in the reduction targets set previously.

Example 1: Specifying reduction targets for cross-shareholdings

・ (Cross-shareholdings policy) The Company holds shares for the purpose of maintaining and strengthening business relationships and only when it contributes to enhancement in corporate value over the medium to long term. Each year, as a result of careful examination of each individual stock in terms of both quantitative evaluation, such as whether benefits and risks associated with holding the stock match with the cost of capital, and qualitative evaluation, such as whether holding the stock contributes to the enhancement of corporate value over the medium to long term, the Board of Directors makes revisions (reductions, etc.) in the stocks deemed with minor significance of holding, through a dialogue and negotiation with their issuers. Under the new Medium-Term Management Plan (FY2022 to FY2024), we will further reduce our cross-shareholdings, with the aim of reducing to a value of 20% or less of consolidated net assets by the end of March 2025.
・ (Voting criteria related to cross-shareholdings) The Company exercises voting rights for each proposal in an appropriate manner, according to the criteria for judging contributions to the sustainable growth or the medium to long-term enhancement in corporate value of the issuers and the Company.

(Construction industry)

Example 2: Specifying the progress of reduction targets for cross-shareholdings

(1) The Company, under the corporate philosophy of "Coexistence and Co-prosperity," which is its founding spirit, strategically holds shares in business partners only when it is deemed necessary for the purpose of its smooth business operations, such as business alliances and the maintenance and expansion of transactions.

(2) Whether to keep these cross-shareholdings and the appropriateness of the number of shares held are verified by the Board of Directors each year on a case-by-case basis, in accordance with the shareholding standards that take into account benefits, risks, and capital costs associated with holding. The economic rationality of the significance of holding is also verified using ROIC for each company (business profit after tax / market value of shares held) based on the weighted average cost of capital of the business unit which is a counterparty to relevant transactions.

(3) Relative to the target of "reducing the market value of cross-shareholdings to 10% of net assets or less by the end of March 2022," we achieved cutting them down to 9.9% of net assets, by selling 11 issues (sales proceeds of 2,728 million yen and sales profit of 727 million yen) in FY2021. The market value of our shareholdings at the end of FY2021 was 11.4 billion yen. We will continue to reduce this amount through adequate dialogue with our business partners, in terms of mitigating shareholding risks and improving capital efficiency.

(Textile products)

Next, Examples 3 through 6 provide examples of disclosure of how the appropriateness of cross-shareholdings is verified. As for the verification method, there are some companies that discuss it with the cost of capital in mind. Among these, some go beyond simply stating that "verification is conducted based on capital cost and other factors," and disclose the detailed and specific verification process for the economic rationality of cross-shareholdings, clearly stating that specific indicators will be used for verification.

For example, Example 3 states that WACC is set at 6% and used as an indicator of the cost of capital, with the benefits of ownership and the cost of capital as factors to be considered in the verification. In Example 4, the company discloses the use of target ROE (8%) in verifying economic rationality.

In Example 5, the company makes a comprehensive evaluation of the method of verifying the rationality of holdings after qualitative and quantitative evaluations and discloses the specific processes and items for quantitative and qualitative evaluations.

In Example 6, cross-shareholdings are classified into three categories, and for each of the categories specific verification methods are described, with progress toward reduction targets (reducing the ratio of the balance sheet value of cross-shareholdings to consolidated net assets to a 10% level) disclosed.

Example 3: Disclosing the hurdle rate for verifying the rationality of cross-shareholdings

In certain cases, we acquire and hold the shares of business partners in order to build good relationships, facilitate business and thus increase the Company's corporate value from a medium- to long-term perspective. The board will examine the relationship between the benefits of cross-shareholdings of listed company shares (dividends received and profits from business transactions) and the Company's cost of capital (WACC set at 6%) in relation to the acquisition price for each issue, and will promptly consider selling shares when the need for such holdings has diminished. (Omitted)

(Metal products)

Example 4: Specifying standards for economic rationality (ROE)

1. Policy on cross-shareholdings

The Company does not hold shares in affiliates or partners unless such strategic holdings are deemed necessary for the purpose of strengthening the Company's businesses or functions. The rationality of holdings is assessed comprehensively by the Board of Directors once a year, after the review of relevant business conditions (reasons of acquisition, stable supply of raw materials, utilization of distribution channels, transaction plans such as joint development, etc.) as a qualitative evaluation and acquisition effects (to verify economic rationality) as a quantitative evaluation, for each individual stock. To verify economic rationality, we make evaluations by comparing business earnings from issuers (of the holdings) and increases in BPS and dividends from issuers with the target values based on our target ROE (8%). (Omitted)

(Foods)

Example 5: Specifying detailed verification process for cross-shareholdings

(Details of method of verifying rationality of cross-shareholdings and verification by the board, etc.)

Each year we examine and verify the rationality of the holdings comprehensively, based on the following verification process and evaluation items: These evaluation process and items are used as a transitional measure in the course of a gradual reduction based on a shift of the basic policy. We will consider their brush-up to a new method of verification going forward.

Based on the above policy, the significance of the holding and benefits associated with the holding were verified for each stock at the Board of Directors meeting in December 2021.

The Company held 94 issues (18,347 million yen recorded on balance sheet) at the end of FY2020 and sold 17 issues during FY2021 (sold 13 issues in full, 4 issues in part; total sales proceeds of 17 issues were 1,333 million yen). As a result, the number of issues decreased to 81 at the end of FY2021, but the amount recorded on the balance sheet increased to 18,477 million yen due to rising prices of the issues held.

*Verification process

(1) Qualitative and quantitative evaluations (see below for evaluation items) are conducted before comprehensive evaluation.

(2)-1 For the holding assessed with no rationality in the comprehensive evaluation, an improvement action plan is developed and implemented, and such details are verified by the Board of Directors.

(2)-2 For the holding assessed with rationality in the comprehensive evaluation, such details are verified by the Board of Directors.

(3) Upon verification by the Board of Directors, the holding determined with rationality will be continued, and for the holding determined with no rationality its sale will be negotiated.

*Evaluation items

Qualitative evaluation: purpose of holding; history of acquisition; existence of business relationships; strategic significance and benefits of holding; risks associated with business continuity/stability if it is sold

Quantitative evaluation: sales and profits for the most recent two years (sales customers only); annual dividends received and valuation gains/losses; benefits/risks associated with holding and capital costs

(Foods)

Example 6: Setting methods of verification by attributes, such as "capital and business partner"

The Company, in accordance with its basic policy on corporate governance, addresses the reduction of shares in domestic listed companies, as one of our priority issues, to the extent possible, while strategically holding shares in companies,

including startups and ventures, only when it judges that such holding should contribute to the Group's sustainable growth and medium to long-term enhancement in corporate value.
Specifically, in order to actively advance business operations centered on "financial inclusion," "urban concentration and rural decline," "low carbonization and decarbonization," and "health issues," which the Group has selected as social issues to contribute to their solutions for the realization of sustainable society, collaboration/co-creation activities and stable/cooperative partnerships with these companies are needed in some cases to continuously create business opportunities and utilize technologies. The holding of shares in such cases are positioned as an investment consistent with the Group growth strategy and defined as a "strategic shareholding." To verify the rationality of keeping shares, the Company classifies its shareholdings into the following three categories and sets a method of verification for each category:

- Capital and business partner
- Customer
- Other

The specific methods of verification are as follows:

(Capital and business partner)
After taking equity positions, the Company continues to hold the shares for a certain period of time, which is predetermined as a period for laying the groundwork for a strategic alliance.
After the period, the Company verifies the progress of collaborative businesses or if there are any ongoing transactions, based on qualitative evaluations.
For those whose significance of holding is determined as subtle (minor) as a result of the verification, listed shares will be put on sale by taking account of market conditions and other factors, while unlisted shares, upon consultation with the issuers, will be sold as soon as a buyer is found.

(Customer)
Based on the balance sheet amount of each cross-shareholding, the Company calculates the percentage of the sum of business income and dividends from each issuer and its affiliates to this amount and checks if such percentage is greater than 10%. For those whose significance of holding is determined as subtle (minor) as a result of the verification and the qualitative evaluation of prospective transactions, etc., listed shares will be put on sale by taking account of market conditions and other factors, while unlisted shares, upon consultation with the issuers, will be sold as soon as a buyer is found.

(Other - not falling under any of the above)
The Company checks if the volume of business transactions with each issuer in the previous year increased by 5% or more compared to the average of the last three years.
For those whose significance of holding is determined as subtle (minor) as a result of the verification, unless securing personnel and technologies in business operations is interfered, listed shares will be put on sale by taking account of market conditions and other factors, while unlisted shares, upon consultation with the issuers, will be sold as soon as a buyer is found.

The Company also aims for the reduction of the ratio of the balance sheet value of cross-shareholdings to consolidated net assets to a 10% level, while pursuing the reduction in line with the above policy and approach. To this end, the Company reduced cross-shareholdings of 9 issues, including 8 issues sold in full (7,538 million yen); due to fluctuations in market value in the stock market and other factors, the balance sheet amount for FYE March 2022 decreased by 8,294 million yen from the previous fiscal year to 54,359 million yen. As a result, the foregoing ratio was 17.9% for FYE March 2022 (down 4.5 percentage points YoY), or 11.7% after excluding strategic shareholdings. (Omitted)
(Information and communication)

In addition, a typical example of voting criteria is provided in Example 7. The company formulates specific voting criteria for each proposal and explains that it will oppose any proposal that it considers problematic from a shareholder value perspective. This is an example of a company that has formulated and announced specific criteria, while many other companies only state that they will "make a comprehensive judgment." Example 8 is a case of the disclosure of specific voting criteria. To exercise its voting rights, the company makes decisions based on the payout ratio for appropriation of surplus, the return on equity (ROE) and the number of outside directors for election of directors, and contributions to enhancement in a company's corporate value for other proposals.

In other cases, some companies explain that they will exercise their voting rights in consideration of the voting criteria published by external proxy advisors, as in Example 9. Given that cross-shareholdings are based on the premise of maintaining business relationships, there are concerns that many companies may be indulgent towards the management of an investee company in the exercise of voting rights. Making reference to the views of third parties such as proxy advisors and institutional investors on the exercise of voting rights may be one way to ensure objectivity. In such a case, they are still expected not to blindly rely on the standards of third parties, but to proactively verify the validity of the standards.

Example 7: Disclosing detailed voting criteria for cross-shareholdings

Policy on the Exercise of Voting Rights

1. Basic policy

(1) Does the issuing company have a corporate governance system in place?

(1) Does the company appropriately deal with legal misconduct and formulate measures to prevent its recurrence?

(2) Do outside directors have the independence required to fulfill their role?

(2) Does the issuing company have a history of consecutive years of poor performance, including recently?

(3) Are the issuing company's retained earnings and shareholder returns balanced appropriately?

2. Specific criteria

(1) Appointment of directors

Oppose the appointment of top management if the company has been in the red for a certain period of time and has little prospect of recovery.

Also oppose the appointment in cases where the independence of outside directors is deemed to be low.

(2) Appointment of *kansayaku*

Oppose the appointment in cases where the independence of outside *kansayaku* is deemed to be low.

(3) Anti-takeover measures

Oppose when the operation is not objective, or when there is no outside committee, or when an outside committee has been set up, but its members are not independent.

(4) Proposals for the treatment of retained earnings

Oppose when retained earnings are excessive and return to shareholders is insufficient.

(5) Other

Take decisions on other proposals based on careful examination.

(Machinery)

Example 8: Specifying voting criteria for cross-shareholdings (ROE / outside director criteria)

(Voting criteria)

The Company makes decisions on proposals based on the following criteria: the payout ratio for appropriation of surplus; the return on equity (ROE) and the number of outside directors (i.e., two or more) for election of directors; and contributions to enhancement in a company's corporate value for other proposals.

(Wholesale trade)

Example 9: Specifying ISS for reference purposes for voting criteria

(Omitted)

Regarding voting rights associated with cross-shareholdings, the Company carefully reviews the details of agendas by reference to the voting criteria by ISS and other proxy advisors. If it determines that the corporate value of an investee company is damaged or shareholder interests are not to be enhanced, or if there is no adequate explanation, the Company gives comprehensive consideration before exercising the voting rights prudently.

(Information and communication)

[Column 9] Recent Trends in Capital Markets Related to Cross-Shareholdings

In the past few years, there has been an increasingly strong trend toward requiring listed companies to expand disclosure of their cross-shareholdings and to actually sell or reduce them. Chart 110 shows the capital market trends surrounding cross-shareholdings in recent years. The main points are the expansion of disclosure in securities reports through the revision of the Cabinet Office Order on Disclosure of Corporate Affairs, etc.; strengthened accountability for cross-shareholdings through the formulation and revision of the Code (Principle 1.4, etc.); and the clarification of the opposition by proxy advisors and institutional investors (including activist investors) to listed companies holding a certain number of cross-shareholdings.

Chart 110 Major Capital Market Trends on Cross-Shareholdings

Timing	Major trend (entity in charge)	Key changes/revisions
2010	Revision of the Ordinance on Disclosure (FSA)	Requires companies to disclose "specified investment shares" (cross-shareholdings) by issue in the securities report (each issue with value exceeding 1% of total shareholders' capital, or top 30 issues)
2015	Establishment of CG Code (FSA/TSE)	Principle 1.4 requires boards to disclose cross-shareholding policies and to verify the economic rationality of the shareholdings and disclose the results
2018	Revision of CG Code (FSA/TSE)	Principle 1.4 requires companies to disclose their policies on the reduction of cross-shareholdings, and to verify whether the shareholdings are appropriate in light of the cost of capital and disclose the results
2019	Revision of the Ordinance on Disclosure (FSA)	Requires enhanced disclosure on cross-shareholdings in the securities report ◎ Criteria/concept of distinguishing shareholdings for pure investment purpose and shareholdings for other purposes (cross-shareholdings) ◎ Method for reviewing the reporting company's policy on cross-shareholdings and the rationality of the shareholdings ◎ Details of the board's verification on cross-shareholdings in terms of the appropriateness of the holding of individual issues ◎ Number of issues which see increases/decreases in the number of shares from the previous year, and reasons for such increases ◎ Raised the maximum number of issues to be disclosed (max. top 30 issues >> max. top 60 issues) ◎ Full disclosure of each individual issue (the reporting company's management policy/strategy, etc., quantitative benefits from the shareholdings in association with its business lines and segmental information, reasons for increases in the number of shares, existence of mutual shareholdings)
2021	Policy on proxy advice (Glass Lewis)	Recommends voting against the director, who is the top management, when the size of cross-shareholding exceeds 10% or more of the net assets (published in 2019)
2022	Policy on proxy advice (ISS)	Recommends voting against the director, who is the top management, when the size of cross-shareholding exceeds 20% or more of the net assets (published in 2020)
From 2022 onward	Voting criteria of institutional investors	Effective from shareholder meetings in April 2022, Asset Management ONE, etc. introduced a standard to oppose the top management of listed companies with surplus cross-shareholdings in excess of a certain quantitative threshold (such as a ratio to net asset of 20% or more). Resona AM, Nomura AM, and Daiwa AM announced the adoption of quantitative criteria for cross-shareholdings, effective from 2023.
2023	Revision of the Ordinance on Disclosure (FSA)	The information on individual issues of cross-shareholdings (the top 60 issues with balance sheet amounts exceeding 1% of the capital amount or in order of size of balance sheet amounts) must include an outline of business transactions and alliances with the issuers of the cross-shareholdings (if the purpose of the holding is transactions, alliances, etc.).

Source: compiled by Daiwa Institute of Research

First, with regard to the expansion of disclosure in securities reports and the strengthening of accountability through the formulation and revision of the Code, the 2018 revision of the Code requires listed companies to disclose their policies for reducing cross-shareholdings, and to verify the economic rationality of their holdings based on the cost of capital. Furthermore, as mentioned in this

White Paper, the 2019 revision of the Cabinet Office Order on Disclosure of Corporate Affairs (“Ordinance on Disclosure”) requires disclosure of the board’s method of verifying the economic rationality of the holding, as well as quantitative benefits for each holding for up to 60 issues held. Following the 2019 revision of the Ordinance on Disclosure, some of the listed companies began to make drastic changes in their holdings, while there still was a concern over a significant gap between such disclosures and the good practices from investors’ point of view. Accordingly, the 2023 revision of the Ordinance on Disclosure also required the disclosure of the summary of business alliances, etc., with the issuers of the cross-shareholdings.

In addition, in recent years, there has been a widespread trend toward not only requiring listed companies to fulfill their accountability through disclosure, but also to take action to eliminate their cross-shareholdings by selling them, etc. Specifically, proxy advisors and institutional investors have been demanding improvements from companies that hold a certain number of cross-shareholdings through engagement, campaigns and tightened voting criteria in some cases.

For example, the Institutional Investors Collective Engagement Forum, an incorporated association in which major institutional investors participate, sends letters to listed companies that hold a certain number of cross-shareholdings regarding their "Policy on Cross-Shareholdings" and asks them to engage in collaborative dialogue. In addition, recent years have seen an increase in the number of cases of activist investors making shareholder proposals, etc., to listed companies which hold a certain amount of cross-shareholdings.

Moreover, major proxy advisors with significant influence over the exercise of voting rights by overseas investors have set quantitative criteria for the maximum number of cross-shareholdings to be held, and have announced policies of recommending for investors to oppose company proposals for the appointment of directors at companies that do not meet these criteria. Specifically, Glass Lewis has announced that it will recommend voting against proposals for the appointment of top management to the board at companies that allocate 10% or more of their net assets to cross-shareholdings from 2021 onward, while ISS has announced that it will do the same in the case companies that allocate 20% or more of their net assets to cross-shareholdings from 2022 onward. In addition, some institutional investors have already introduced voting standards that require them to vote against a company's proposal to appoint directors based on the cross-shareholding ratios. In the future, this attitude of seeking improvements through the exercise of voting rights is expected to spread, especially among major institutional investors.

In response to such changes in their environment, some listed companies have pushed forward with the reduction of cross-shareholdings. Chart 111 shows the number of issues held by 100 major companies (constituents of the TOPIX 100). 58 out of 100 companies, mainly financial institutions such as banks and insurance companies, electrical appliances, wholesalers, and oil and coal products companies reduced their cross-shareholdings in FYE March 2022. If we look at the number of issues held by the TOPIX 100 constituents as a whole (87 business companies excluding financial institutions and one company with special factors) (Chart 112), we can see that the number of issues held has been decreasing steadily over the past few years. On the other hand, only 22 companies increased the number of issues they held in FYE March 2022, with some explaining the increase on the grounds of business reasons, such as the strengthening of relationships.

Some companies still hold a substantial amount of cross-shareholdings relative to their net assets. Chart 113 shows the distribution of the market capitalization of cross-shareholdings as a percentage of net assets of companies in the Prime Market. The average and median ratios are 8.0% and 4.5%, respectively, and for most companies the ratio is less than 10% of net assets. The number of companies holding 10% or more of net assets as cross-shareholdings, which is the cut-off for opposition according to the Glass Lewis criteria, is 507 companies and the number of companies holding 20% or more of net assets as cross- shareholdings, which is the cut-off for opposition according to the ISS criteria, is 191 companies, in the Prime Market.

In the past, companies have been required to be "accountable for explaining the significance of their holdings" through enhanced disclosure of their cross-shareholdings. Now that proxy advisors with influence over institutional investors have set opposition criteria for cross-shareholding ratios, however, companies may find themselves under further pressure to reduce their holdings until they fall below a certain ratio of net assets even if holding stock in a certain company were meaningful. The environment of listed companies is developing in a way that will require them to take more in-depth measures than ever before.

Chart 111 Number of Issues Held as Cross-Shareholdings by Major Corporations (TOPIX100)

Top 20 companies that reduced cross-shareholdings

Industry	2021 Number of issues held	2022 Number of issues held	Change	Reduction (%)
Banking	2,419	2,267	-152	-6%
Banking	1,317	1,172	-145	-11%
Banking	1,987	1,866	-121	-6%
Electrical appliances	251	135	-116	-46%
Banking	1,978	1,909	-69	-3%
Insurance	2,627	2,559	-68	-3%
Oil and coal products	105	44	-61	-58%
Wholesale trade	302	244	-58	-19%
Insurance	1,747	1,693	-54	-3%
Insurance	1,908	1,870	-38	-2%
Banking	816	782	-34	-4%
Wholesale trade	389	361	-28	-7%
Electrical appliances	283	256	-27	-10%
Wholesale trade	302	277	-25	-8%
Chemicals	47	26	-21	-45%
Electrical appliances	217	198	-19	-9%
Iron and steel	301	284	-17	-6%
Foods	267	253	-14	-5%
Wholesale trade	244	230	-14	-6%
Textile products	132	121	-11	-8%
Securities	233	222	-11	-5%

YoY comparison

YoY change	Number of companies
Increased	22
Unchanged	20
Reduced	58
TOTAL	100

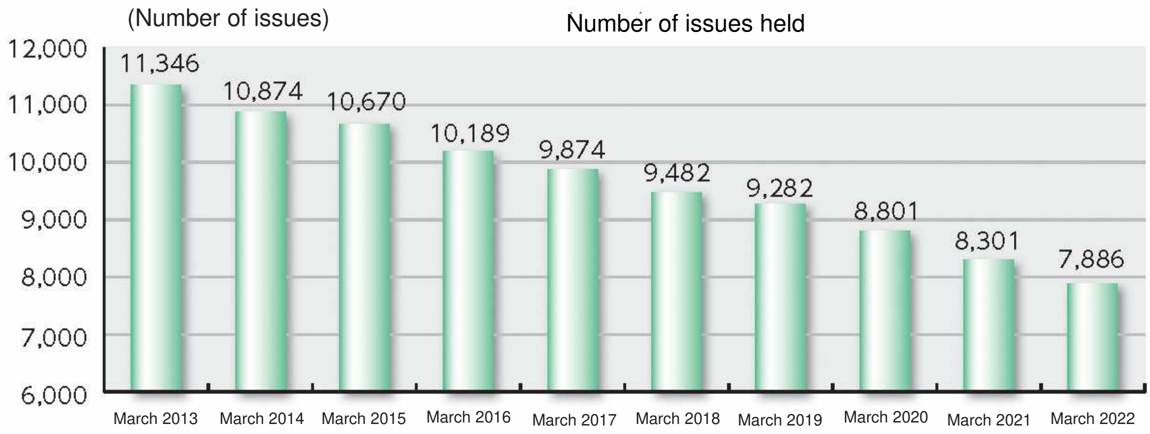
Companies that increased cross-shareholdings (2 or more issues)

	Increase in number of issues held	Number of issues held	Number of listed issues purchased
Electrical appliances	74	157	-
Communication	16	160	2
Chemicals	8	195	-
Pharmaceuticals	6	44	3
Transportation equipment	6	94	1
Information and communication	5	69	-
Pharmaceuticals	4	64	-
Service industry	3	38	-
Machinery	3	175	-
Foods	2	53	-
Retail Trade	2	32	-
Electrical appliances	2	7	1
Electrical appliances	2	70	3
Retail Trade	2	94	-

Note: “shares held for purposes other than pure investment” are totaled as cross-shareholdings.

Source: Compiled by Daiwa Institute of Research based on securities reports of companies

Chart 112 Decrease in Cross-Shareholdings (Cumulative) by Major Companies (TOPIX100 Excluding Financial)



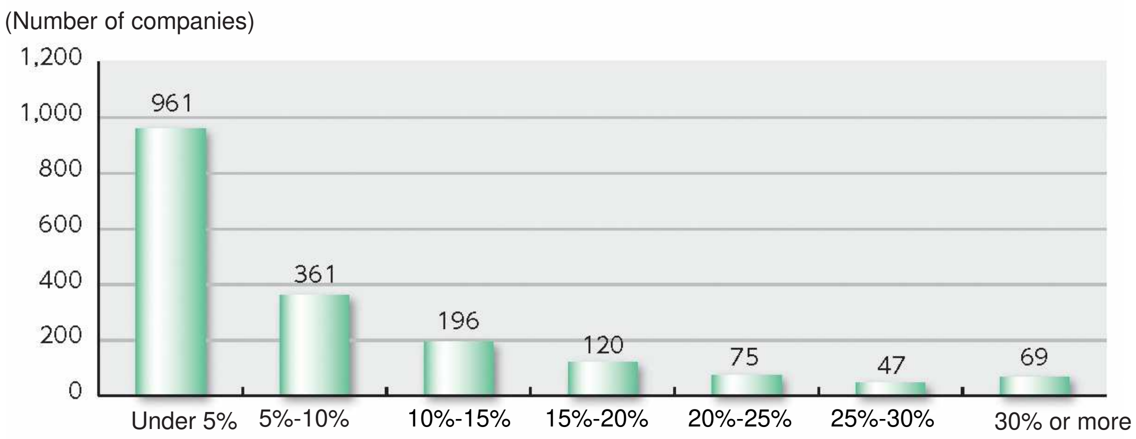
	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021	March 2022
Number of issues held as cross-shareholdings (87 companies except financial institutions and one chemical company)	10,874	10,670	10,189	9,874	9,482	9,282	8,801	8,301	7,886
Average number of issues held per company	125	123	117	113	109	107	101	95	91
YoY reduction (%)	-4%	-2%	-5%	-3%	-4%	-2%	-5%	-6%	-5%

(Note 1) "Shares held for purposes other than pure investment" are totaled as cross-shareholdings.

(Note 2) The financial industry was excluded from aggregation because it is characterized by large amounts of cross-shareholdings, making it difficult to see the trend for business companies to reduce their cross-shareholdings; a chemical company was excluded because the scope of subsidiaries to be aggregated differed during the aggregation period.

Source: Compiled by Daiwa Institute of Research based on securities reports of companies

Chart 113 Ratio of Cross-Shareholdings to Net Assets of TOPIX Constituents



(Note 1) "Shares held for purposes other than pure investment" are totaled as cross-shareholdings.

(Note 2) Covers data for 1,829 companies listed on the Prime Market, excluding companies for which data aggregation is not possible.

Source: Source: Compiled by Daiwa Institute of Research based on QUICK Astra Manager

3. Addressing sustainability issues

Concerning sustainability, the E (environment) elements have drawn increasing attention and the importance of the S (social) elements, such as human capital investments, has been noted in recent years. In addition to human capital investments, advancing more effective initiatives on intellectual property appears to be desirable, in terms of strengthening international competitiveness.

As described below, Sections 2 and 3 of the Code set out "General Principle 2: Appropriate cooperation with stakeholders other than shareholders" and "General Principle 3: Ensuring appropriate information disclosure and transparency," respectively, calling for addressing sustainability issues since the time when the Code was formulated.

[General Principle 2]

Companies should fully recognize that their sustainable growth and the creation of mid- to long- term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders.

The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

[General Principle 3]

Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non- financial information, such as business strategies and business issues, risk, and governance.

The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

The “Notes” in Section 2 reads: "There is a growing awareness that sustainability (medium and long-term sustainability, including ESG elements) is an important management issue for improving corporate value over the medium to long term. Against this backdrop, it is important for companies in our country to take further proactive measures to address sustainability issues."

Further, the “Notes” in Section 3 stating, "There is a concern that non-financial information, which provides explanations on the financial position of a company, management strategies, risks, and matters related to governance, social and environmental issues (so-called ESG elements), contains stereotypical descriptions or lacks detail or specifics, often with an insignificant value added," refers to the need for the board to be actively involved in making the information disclosed/provided to users as useful as possible, including such information.

For companies to achieve new growth in changing corporate environments, which were triggered by the COVID-19 pandemic in 2020, etc., they are required to be aware of challenges and anticipate changes preemptively. For this reason, it is important for companies to address sustainability issues with a sense of speed toward the realization of sustainable growth and increased corporate value over the medium to long term. Accordingly, when the Code was revised again in June 2021, it enhanced requirements/expectations relating to sustainability.

Following the 2021 Code revision, companies are making progress in their sustainability initiatives and disclosures. In this chapter, we introduce the status of their initiatives, which are revealed from descriptions in CG reports, etc.[83]

83 Please note that the collected results and case examples presented in this chapter are primarily based on descriptions seen in CG reports and are not the exhaustive collection of sustainability information which is provided independently by each company.

3 - 1. Background to the emphasis on sustainability

3 - 1 - 1. Addressing sustainability issues (Supplementary Principles 2.3.1, 3.1.3 and 4.2.2)

To address sustainability issues, it is important for the board to "recognize them as important management issues that can lead to earning opportunities as well as risk mitigation, and to further consider addressing these matters positively and proactively in iterms of increasing corporate value over the medium to long term." (Supplementary Principle 2.3.1) The reason for this description is that addressing sustainability issues is a management issue in the context of risk management, so-called "defense," as well as in the context of “offense” that leads to profit opportunities through the chances of creating and providing new values and services, which gives a message for listed companies to make proactive efforts. Chart 114 shows the collected results of CG reports as of July 14, 2022; 95.8% of the Prime Market-listed companies and 94.0% of the Standard Market-listed companies complied with Supplementary Principle 2.3.1, which suggests that this principle has penetrated many listed companies.

After recognizing sustainability issues, “the board should develop basic policies for the company's sustainability initiatives from the perspective of increasing corporate value over the medium to long-term." (Supplementary Principle 4.2.2) The compliance rate with this supplementary principle was 86.4% (1,582 companies) in the Prime Market, which shows that the Prime Market-listed companies have a better understanding of the importance of the board’s developing basic policies and effectively supervising the execution of strategies as set forth in the Supplementary Principle. The compliance rate of the Supplementary Principle was 67.1% (977 companies) among the companies listed on the Standard Market.

Identifying/recognizing sustainability issues and developing basic policies on sustainability initiatives are ensued by the disclosure of the actual state of initiatives. The compliance rate with Supplementary Principle 3.1.3, which requires companies to disclose their sustainability initiatives, is 62.3% (1,145 companies) in the Prime Market and 59.1% (861 companies) in the Standard Market, at relatively lower levels compared to Supplementary Principles 2.3.1 and 4.2.2. Particularly, one of the reasons why the compliance rate with Supplementary Principle 3.1.3 is lower than those with Supplementary Principles 2.3.1 and 4.2.2 in the Prime Market is that the requirement, "disclosures based on TCFD or an equivalent framework regarding the impact of climate change-related risks and profit opportunities on a company's business activities and earnings should be enhanced qualitatively and quantitatively," has applied to the Prime Market-listed companies since April 4, 2022, which raises the level of expectation for compliance further.

Under these circumstances, some listed companies are addressing and disclosing sustainability issues depending on their situation, while many others are expected to address and disclose these issues going forward. However, the key point in complying with Supplementary Principle 3.1.3 is that disclosure per se is not a purpose, and that listed companies are rather expected to continue to examine how they deal with sustainability issues in terms of both risks and profit opportunities from the perspective of their sustainable growth and medium to long-term enhancement of corporate value, appropriately review/revise their management strategies and specific initiatives according to future changes in society/environments, their situation, strengths, etc., and then go on to implement them.

Chart 114 "Comply or Explain" Status Relating to Sustainability Principles

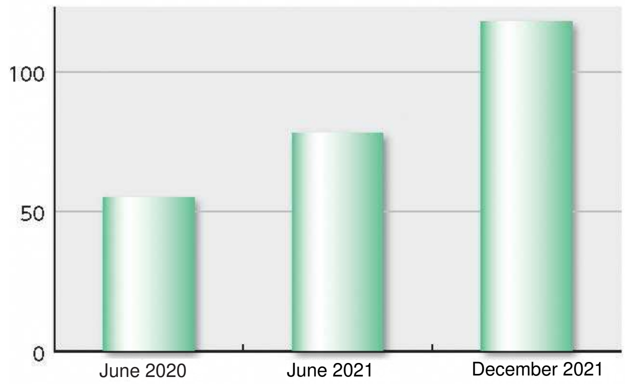
New/revised principles	Summary	Compliance rate	
		Prime	Standard
Supplementary Principle 2.3.1	Board should recognize that dealing with sustainability issues are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively.	95.8%	94.0%
Supplementary Principle 3.1.3 (New)	・Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues. ・Prime Market-listed companies should enhance the quality and quantity of disclosure based on TCFD or equivalent frameworks.	62.3%	59.1%
Supplementary Principle 4.2.2 (New)	・The board should develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value. ・In light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company	86.4%	67.1%

3 - 1 - 2. Status of establishment of Sustainability Committee

At the follow-up meetings held from September 2020 to April 2021, it was noted that in order to accelerate efforts to address sustainability issues, boards should have an opportunity to discuss such issues at a sustainability committee meeting, which should be newly formed, to supervise the execution in terms of sustainability. As such, Supplementary Principle 4.2.2 adds a new statement, as mentioned earlier: "The board should develop basic policies on the company's sustainability initiatives from the perspective of increasing corporate value over the medium to long term." The Guidelines for Investor and Company Engagement, which was formulated by the FSA, also mentions a sustainability committee in 1-3: "Does the company have in place a framework for reviewing and promoting sustainability initiatives on a company-wide level, for example, by establishing a sustainability committee under the board of directors or on the management side?" The Guidelines for Investor and Company Engagement, per se, are not directly subject to the "comply or explain" approach in the Code, but they summarize matters that attract investors' interest and are expected to serve as a reference for companies to address issues.

According to a survey by HR Governance Leaders, 55 companies of JPX-Nikkei 400 companies set up a sustainability committee as at the end of June 2020, 78 as of June 2021, and 118 as of December 2021 (Chart 115), with year-on-year increases seen in the number of companies with the committee.

Chart 115 Establishment of Sustainability Committee (JPX-Nikkei 400 companies)



Source: Compiled from "1 in 4 Major 400 Companies to Adopt ESG Committee" on the March 12, 2022 morning edition of Nihon Keizai Shimbun

3 - 2. Disclosure of sustainability initiatives

As mentioned above, Supplementary Principle 3.1.3 states, “when disclosing management strategies, companies should appropriately disclose their initiatives on sustainability” and “disclose and provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.” As noted for Chart 114, approximately 60% of listed companies on the Prime and Standard Markets comply with Supplementary Principle 3.1.3 and the disclosure of sustainability initiatives also shows progress in CG reports.

Sustainability issues vary according to the business types and models of listed companies. For this reason, more diverse descriptions are found in CG reports than in other principles. For example, Chart 116 shows the results of analysis of key words related to sustainability in the CG reports of 1,837 companies listed on the Prime Market. As a keyword related to sustainability in general, "corporate value" and "management strategies/management plans" are very common, and the view on sustainability as an important management issue from the perspective of increasing corporate value over the medium to long term, rather than the previous CSR positioning, seems to be becoming more prevalent to some extent. On the other hand, "risks" is used more frequently than "earning opportunities," which suggests that in terms of "defense" and "offense," not a few listed companies still view sustainability issues in the context of "defense." As a keyword related to sustainability elements, S (Social)-related rather than E (Environment)-related keywords in terms of ESG elements tend to be used by many companies: "diversity" (91.0%), "women" (75.4%), "employees" (83.2%), "business partners" (53.9%), and "human capital" (55.5%) are used more frequently than the word "climate change." There are various possible reasons behind this. First in many cases, details are omitted and just a link to integrated reports is posted in CG reports because disclosures on climate change have already been established to some degree in other media such as integrated reports. Or the recent trend of the theme of “investment and distribution to people,” which is positioned as one of the most important issues under the “new capitalism” advocated by the Kishida administration, has sparked directors’ and executives’ interest in the S (Social)-related fields, which is possibly represented in the figures.

Chart 116 Analysis of Sustainability Disclosure Keywords (Prime Market)

Keywords related to sustainability in general	Basic sustainability policy	SDGs･ESG	Corporate value	Corporate Strategies and Business Plan	Risk	Earning opportunities
	366 (19.9%)	786 (42.8%)	1,703 (92.7%)	1,678 (91.3%)	1,415 (77.0 %)	374 (20.4 %)
Keywords related to sustainability elements	Global environment	Climate change	Natural capital	Natural disaster	Human rights	Diversity
	263 (14.3%)	904 (49.2%)	7 (0.4%)	81 (4.4%)	291 (15.8 %)	1,672 (91-0%)
	Women	Foreigner	Employees	Business partners	Human capital	Intellectual property and intangible assets
	1,385 (75.4%)	979 (53.3%)	1,529 (83.2%)	990 (53.9 %)	1,020 (55.5 %)	943 (51.3 %)
Keywords related to the framework	TCFD	SASB	IIRC / international integrated reporting framework	Guidance for Collaborative Value Creation	ISO30414	IP/Intangible Assets Governance Guidelines
	906 (49.3%)	3 (0.2%)	6 (0.3%)	5 (0.3%)	1 (0.1%)	1 (0.1%)

In Example 1, as a case of disclosure in CG reports, the company identifies its own materiality, in line with which the company outlines its approach and responses in a CG report, and for such details other media including an integrated report and the company's website are referred to. It is desirable that the CG report also clearly describe how the company recognizes and addresses sustainability issues.

Example 1: Descriptions in line with identified materiality

<Sustainability initiatives>

Based on the belief that a sustainability initiative is a management strategy per se, the Company sees social and environmental issues as business opportunities and aims to offer new values for the global environment and human society through self-initiated innovation and ultimately achieve its sustainable growth and business creation. Based on possible social challenges in ten years, the Company defines social values it should offer for their solutions, as five materiality. Themes where the Group can create significantly great social values by bringing together its intangible assets are shown. More details are available in the Integrated Report and the Sustainability Report on our website.

Integrated report pp.6-10 : https://www.●●.com/jp-ja/investors/ir_library/ar/ar2021/pdf/●●_ar2021_j_0929.pdf

Our website: https://www.●●.jp/about/csr/index.html

(1) Consideration for global environmental issues such as climate change

We aim for the realization of "carbon negative/minus" by actively engaging in CO2 reductions on the planet through collaboration with stakeholders, mainly our business partners and customers. We define “carbon negative/minus” as “to increase contributions to CO2 reductions outside the Company's area of responsibility, relative to the amount of CO2 emissions limited within its area of responsibility.” We aim to reduce CO2 emissions (Scope 1, 2 and 3 emissions) directly related to our products and businesses, and to achieve a condition/state as early as possible, where society and customers can make greater reductions than their emissions.

Our goals are approved as the Science Based Targets initiative, and we have signed and joined international initiatives, such as supporting the Final Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and becoming a RE100 member.

More details and disclosures in line with the TCFD recommendations are available in the Integrated Report and the Sustainability Report on our website.

Integrated report p.39-40 : https://www.●●.com/jp-ja/investors/ir_library/ar/ar2021/pdf/●●_ar2021_ j_0929.pdf
Our website: https://www.●●.jp/about/csr/environment/index.html

(2) Respect for human rights

Under its management vision, "Imaging to the People," the Company aims for the pursuit of human-centered purpose of life and the realization of sustainable society. To this end, we have the ●● Group Code of Conduct and other rules in place and formulated the Human Rights Policy in September 2021. The Code of Conduct, the Human Rights Policy, and the Supply Chain Code of Conduct, which covers our business partners as well, set out respect for the Universal Declaration of Human Rights as one of the most fundamental requirements for our business activities, identify the scope of impact, and adopt human rights due diligence.
More details are available through the Sustainability Report on our website.
Our website: https://www.●●.jp/about/csr/social/rights/index.html

(3) Consideration for employees' health and workplace environment and their fair and proper treatment

The Company adopts an evaluation/treatment and pay system that completely eliminates age-based pay and any other factors of seniority and promotes the appointment of younger employees. In addition, we actively recruit talents internally and allow employees to have second or additional careers outside the Company. We also have established a job return system, which allows ex-employees to come back after they resign from the company and supports diverse life stage options for employees and helps them to grow as an individual through various experiences.

(4) Fair and proper transactions with business partners

The Company promotes CSR procurement activities, in which labor (human rights), ethics, environment, and health and safety in the supply chain, including business partners, are considered. In order to prevent human rights violations at mines at the uppermost stream of the supply chain in conflict areas, the Company takes measures to comply with conflict minerals regulations and other regulations.
The Company formulated a general policy on procurement activities, the ●● Procurement Policy in FY2008, and joined the Responsible Business Alliance (RBA) and formulated the ●● Supply Chain Code of Conduct in line with the RBA Code in FY2013. We also incorporate "compliance with the ●● Supply Chain Code of Conduct" in our basic business/service agreements to ask our business partners to comply with the Code of Conduct. More details are available through the Sustainability Report on our website.
Our website: https://www.●●.jp/about/csr/social/suppliers/index.html

(5) Addressing natural disasters

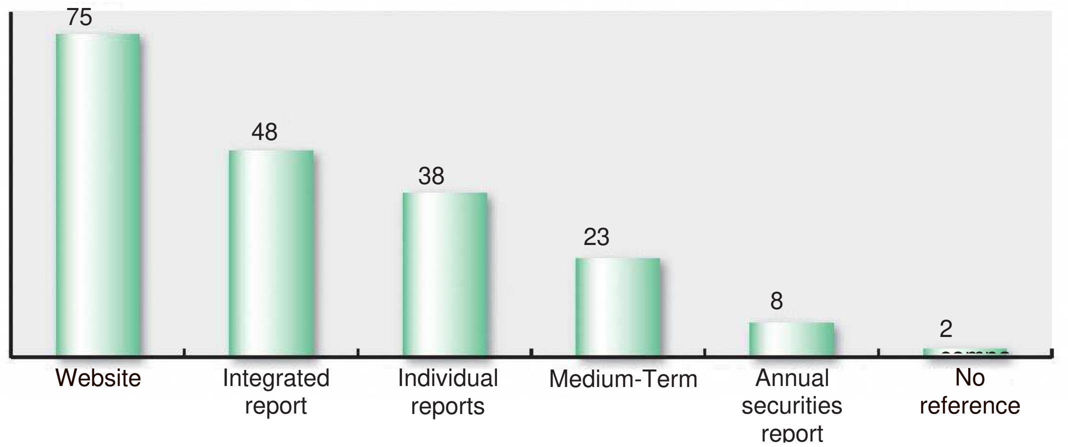
In recent years, we have experienced not only major earthquakes but also natural disasters such as typhoons, heavy rains, and floods more frequently and in larger scale than before, due to climate change caused by global warming.

Based on the Medium-Term Disaster Prevention Plan (FY2020-FY2022), the Company is working to improve its practical capabilities for both hard and soft aspects of disaster prevention, in terms of prevention/mitigation, emergency/initial response, and recovery/restoration measures. In preparation for major disasters, the Group's key offices regularly assess the level of their preparedness using indicators from public institutions to improve their issues. At the same time, the Group has built an emergency information network for nearly 300 Group sites in Japan and established a system for enabling the prompt execution of necessary support and measures. We also regularly conduct practical disaster drills at business sites so that our employees can take autonomous action in the event of a disaster, while using IT tools, in response to work-style changes, to ensure that our disaster prevention system can function at the time of remote work.
In order to continues its business operations to fulfill corporate social responsibility and to ensure a stable supply of products and services that our customers need, the Group has formulated the Contingency Plan. We are also working to verify and improve the effectiveness of our measures, such as reducing risks by diversifying our production bases for key consumables, examining alternative means for items with high procurement risks, and securing sufficient inventory. In the local community, we are working together with the local government of each base to make contributions to the local community, by providing shelters, water and supplies in the event of a natural disaster.

(Electrical appliances)

To make disclosures related to the Supplementary Principle in CG reports, the exhaustive description of sustainability initiatives is not required. The inclusion of an overview in a CG report and then reference to the company's website, integrated reports, or sustainability reports, as shown in Example 1, is possible. As shown in Chart 117, the most referenced medium for TOPIX 100 companies in the CG reports submitted by the end of December 2021 was their website. However, as disclosure items set forth in the Supplementary Principle, the following three elements are required: “sustainability initiatives,” “investment in human capital and intellectual property, etc.,” and “risks and earning opportunities related to climate change.” Thus, attention should be paid to whether these elements are explained exhaustively in the reference.

Chart 117 References for Sustainability-Related Disclosures (TOPIX 100 Companies)



Source: TSE “State of Compliance with the Corporate Governance Code” (as at the end of December 2021)

[Column 10] Trends in sustainability standards in Japan and abroad

Rapid developments have been seen in a discussion of sustainability disclosure standards. In November 2021, the IFRS Foundation, which has developed international accounting standards, announced the establishment of the International Sustainability Standards Board (ISSB), a sustainability standard-setting body, and in March 2022 published the Exposure Draft S1, which outlines general requirements for sustainability-related disclosures, and the Exposure Draft S2, which focuses on climate change. They are expected to be finalized in the first half of 2023.

In our country, based on the report released by the Disclosure Working Group of the Financial System Council on June 13, 2022, a new section about "views and initiatives on sustainability" was added to a securities report. Effective from securities reports for FYE March 2023, "governance" and "risk management" become mandatory entries, with "strategies" and "indicators and targets" arbitrary according to their significance. In addition, the Working Group published a new report on December 27, 2022, indicating issues to be considered and a roadmap for sustainability disclosures in Japan.

Meanwhile, other global developments in addition to the ISSB include sustainability standards developed in Europe and by the US Securities and Exchange Commission (SEC).

In Europe, the Corporate Sustainability Reporting Directive (CSRD) was announced in April 2021 and finalized in November 2022. In April 2022, the draft European Sustainability Reporting Standards (ESRS), specific disclosure standards based on the CSRD, were published by the European Financial Reporting Advisory Group (EFRAG) and sent to the European Commission (EC) in November 2022 after public consultation, being under further discussion. As for non-EU corporate groups earning large net sales in the EU market, there is a policy requiring them to report in accordance with ESRS or equivalent third-country standards effective from FY2028.

In the United States, the Securities and Exchange Commission (SEC) published draft rules to mandate climate-related disclosures in March 2022 for public consultation, which are under review. Concerning Scope 1 and 2 GHG (greenhouse gas) emissions, with the exception of small reporting companies (those with a market cap of less than $250 million), the draft rules propose to provide limited guarantees for large early reporting companies (those meeting requirements such as a market capitalization of $700 million or more) starting from FY2024 and for early reporting companies (those meeting requirements such as a market capitalization of $75 million or more and less than $700 million) and non-early reporting companies (those not meeting requirements for large early reporting companies and early reporting companies) starting from FY2025, and to provide reasonable guarantees for large early reporting companies starting from FY2026 and for early reporting companies and non-early reporting companies starting from FY2027.

In any case, companies need to consider corporate sustainability in an effort to achieve sustainable growth and medium to long-term increase in corporate value. Companies are advised not to aim for disclosure itself, but to consider what they should do in line with their original goals and in accordance with sustainability standards.

This column is written based on the information available at the end of January 2023.

[Column (11)] Ito Review 3.0 (Ito Review SX Edition) and Guidance on Value Creation 2.0

Capital efficiency and long-term growth investments of Japanese companies have been stagnant, and “earning power” and long-term corporate value enhancement, which were first raised in the Ito Review (published in 2014), still remain challenges. Meanwhile, looking at international trends, the situation surrounding sustainability issues has a significant impact on the sustainability of corporate activities, and a response to sustainability is becoming a fundamental element of corporate management for the creation of long-term and sustainable values. Given these circumstances, the Ministry of Economy, Trade and Industry published in August 2022 the Ito Review 3.0 (Ito Review SX Edition), which summarizes the importance of sustainability transformation (SX) practices and specific initiatives to realize them, and the Guidance on Value Creation 2.0[84] as a framework for strengthening management, effective information disclosure and constructive dialogue to realize SX.

Various guidelines have been published by different agencies and organizations, including ministries, which are systematically organized in the Guidance, as a "Relationship Chart between Other Guidelines and the Guidance on Value Creation 2.0 (as of August 2022)."

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84 https://www.meti.go.jp/press/2022/08/20220831004/20220831004.html

[Column (12)] ESG Disclosure Study Group Report 2022

Amid increasingly lively discussions on the disclosure of sustainability information in Japan and abroad, the General Incorporation Association of ESG Disclosure Study Group was established in June 2020 to deepen discussions on how non-financial information should be disclosed in our country and provide a place for free and frank discussions between listed companies and investors. The Study Group conducted research with the aim of creating a mechanism for harmonizing the sustainable development of society and companies' efforts to increase their own value and grow, and released the "ESG Disclosure Study Group Report 2022: Achieving World-Leading Disclosure and Dialogue Standards"[85][86] on June 29, 2022, which summarizes the results of the two-year research, and recommendations on ESG disclosure and more effective engagement between issuers and investors, for issuers, investors, and standard-setting organizations, respectively.

85 Whole document: https://edsg.org/wp-content/uploads/2022/06/38892e73de188c07a6273771d05eb4e2.pdf

86 Executive Summary: https://edsg.org/wp-content/uploads/2022/08/207b7d3b5f5ad6e55ee6d 827147af01f.pdf

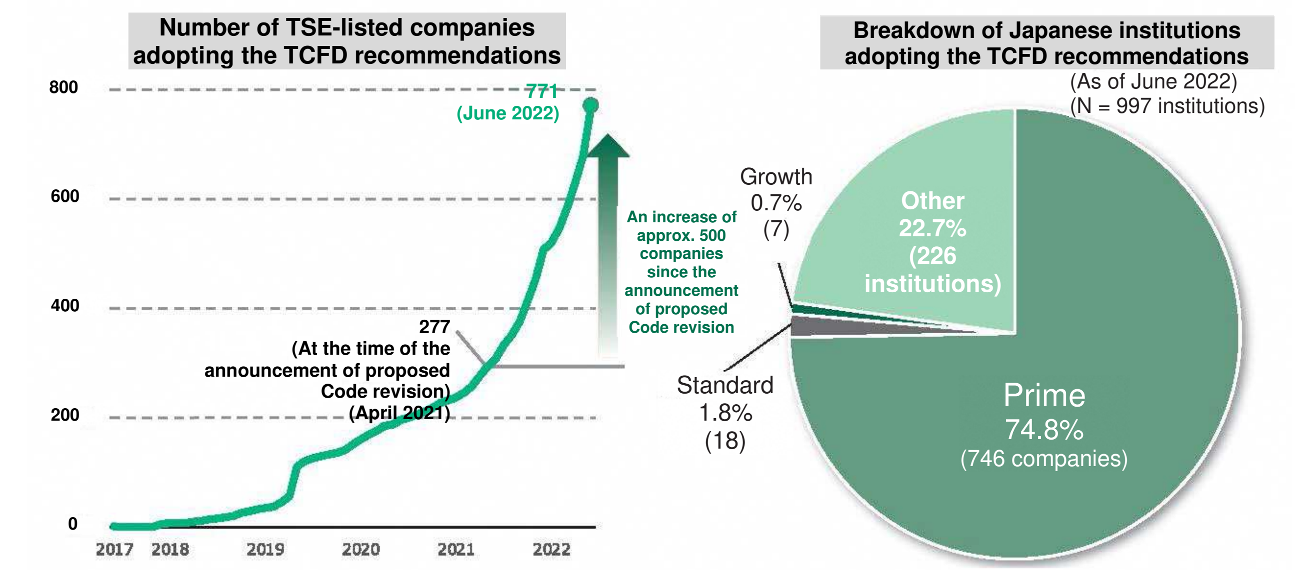
3 - 3. Environment (climate change) related disclosures

3 - 3 - 1. Disclosures on climate change (including TCFD compliance) (Supplementary Principle 3.1.3)

Supplementary Principle 3.1.3 requires that: "The Prime Market-listed companies, in particular, should collect and analyze necessary data about the impact of climate change-related risks and profit opportunities on a company's business activities and earnings to enhance the disclosure based on TCFD, an established global disclosure framework, or an equivalent framework, qualitatively and quantitatively.” An "equivalence framework" in this Supplementary Principle is “expected to be the standards published by the ISSB under the IFRS Foundation,” according to the 2021 revised recommendations[87] by the Follow-Up Meeting.

In light of the concept of the Prime Market, which was launched on April 4, 2022, "market for companies with a focus on constructive dialogue with global investors," the number of companies showing support for TCFD has rapidly increased, particularly among those listed on the Prime Market. As at the end of June 2022, 997 Japanese companies and organizations expressed their support for TCFD, of which 746 were listed on the Prime Market. As of January 25, 2023, the number of Japanese companies and organizations declaring their support for TCFD has increased to 1,199, which makes Japan with the largest number of TCFD-supporters in the world.

Chart 118 Number of listed companies adopting TCFD recommendations (as at the end of June 2022)



Source: Compiled based on data on the TCFD website

For disclosure in CG reports, many companies include statements on their support for TCFD and reference to integrated reports, sustainability reports, and their websites for further details. Other efforts to enhance the quality and quantity of climate change disclosure include disclosures on a “TCFD Consortium[88] membership” or a “RE100 membership” with the goal of running businesses on

87 https://www.jpx.co.jp/equities/listing/cg/tvdivq0000008jdy-att/nlsgeu000005lnv6.pdf

88 See Column 13 TCFD Guidance for the TCFD Consortium.

100% renewable energy power, and disclosures on “SBT Initiative-certified” with the Paris Agreement-aligned GHG emission reduction targets set.

Disclosures in media other than CG reports are not covered by this White Paper, but climate change disclosure is increasingly enhanced qualitatively and quantitatively, in line with an increasing number of companies supporting TCFD. It is expected that risks and opportunities associated with climate change will be identified and their scenario analysis will be studied, but scenario analysis and disclosures per se are only means and should not be an end. Rather than meeting disclosure obligations through superficial disclosures, enhancing a company's sustainable growth and medium to long-term corporate value through a strategy with climate-related risks and opportunities considered is important.

[Column (13)] TCFD Guidance

Amid prevailing global trends to assess the impact of climate change on the business activities of investees as a result of the acceptance of the Paris Agreement, the Task Force on Climate-Related Financial Disclosures (TCFD) published its final report (TCFD recommendations) in June 2017. In response, in December 2018, the Ministry of Economy, Trade and Industry released the Guidance on Climate-Related Financial Disclosures (TCFD Guidance), as its manual/handbook. Subsequently, the TCFD Consortium, which was formed in May 2019, became a forum for knowledge accumulated through discussions between companies and investors, and in July 2020, the TCFD Guidance was revised in line with previous discussions and published as the Guidance on Climate-Related Financial Disclosures 2.0 (TCFD Guidance 2.0)[89].

Further, after a recommendation on carbon neutral targets (in October 2020) and the Code revision (in June 2021), the trend to enhance the quality and quantity of the TCFD recommendation-based disclosure has intensified in Japan. In the wake of this trend, the TCFD Consortium released the Guidance on Climate-Related Financial Disclosures 3.0 (TCFD Guidance 3.0)[90] in October 2022, primarily for companies in the process of expanding their disclosure efforts based on the TCFD recommendations, along with “recommended disclosure items by industry” and “collection of cases.”

[Column (14)] Fact-finding survey on information disclosure in line with TCFD recommendations

In January 2023, the Japan Exchange Group published the “Fact-Finding Survey on Information Disclosure in Line with TCFD Recommendations,”[91] which covered JPX-Nikkei 400 companies. The purpose of the Survey is to understand the actual state of climate change-related disclosures by Japanese companies in line with the TCFD recommendations, provide information of help to listed companies in their efforts of making climate change-related disclosures, and serve as a reference for consideration for the enhancement of the quality and quantity of disclosures.

Chart 119 shows the disclosure status of the 11 items recommended in the TCFD recommendations. "(3) Risks and opportunities" was disclosed most, followed by "(1) Monitoring system by the board,"

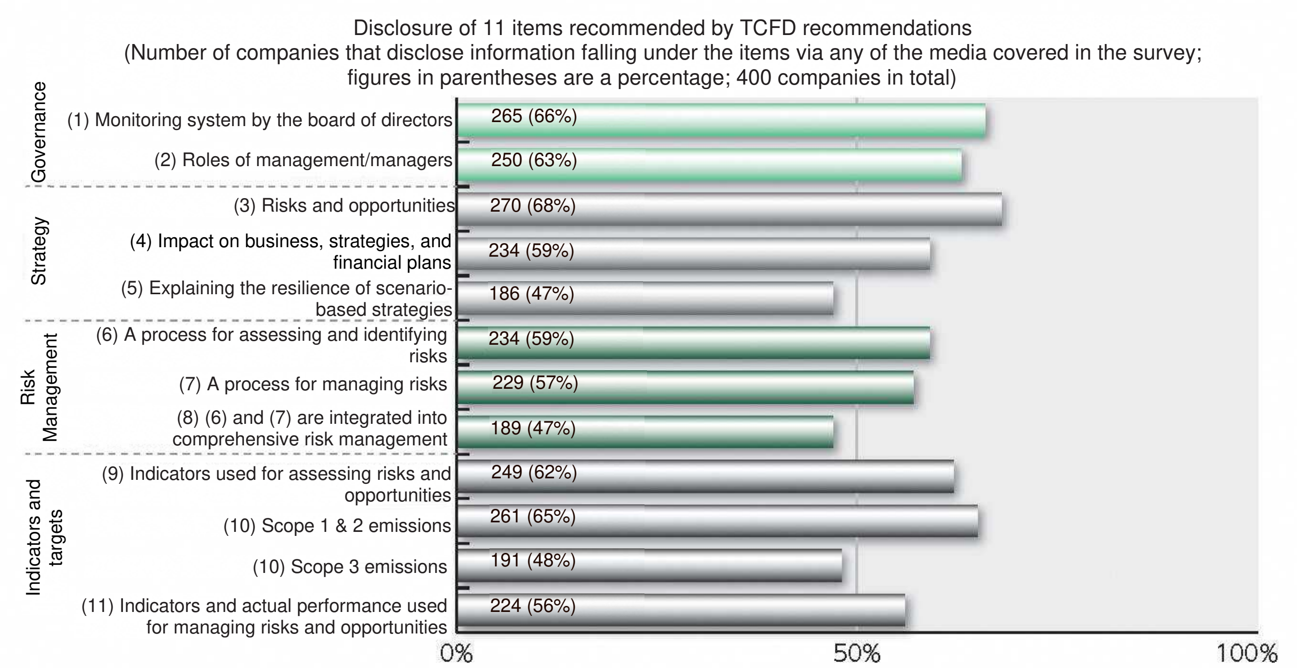
89 https://tcfd-consortium.jp/news_detail/20073103
90 https://tcfd-consortium.jp/news_detail/22100501
91 https://www.jpx.co.jp/corporate/sustainability/esgknowledgehub/disclosure-framework/ nlsgeu0000053pgw-att/tcfd2022jp.pdf

"(10) Scope 1 & 2 GHG emissions," and "(2) Roles of management/managers." On the other hand, the items disclosed by fewer companies were: "(5) Explaining the resilience of scenario-based strategies," "(8) (6) (A process for assessing and identifying risks) and (7) (A process for managing risks) are integrated into comprehensive risk management," and "(10) Scope 3 GHG emissions," all of which were disclosed by less than 50% of the respondents.

Chart 120 shows the number of items disclosed by the 400 companies surveyed. 102 companies disclosed information on all 11 items recommended in the TCFD recommendations, while 82 companies did not disclose any of the items, which reveals a gap in response by companies supporting the TCFD recommendations.

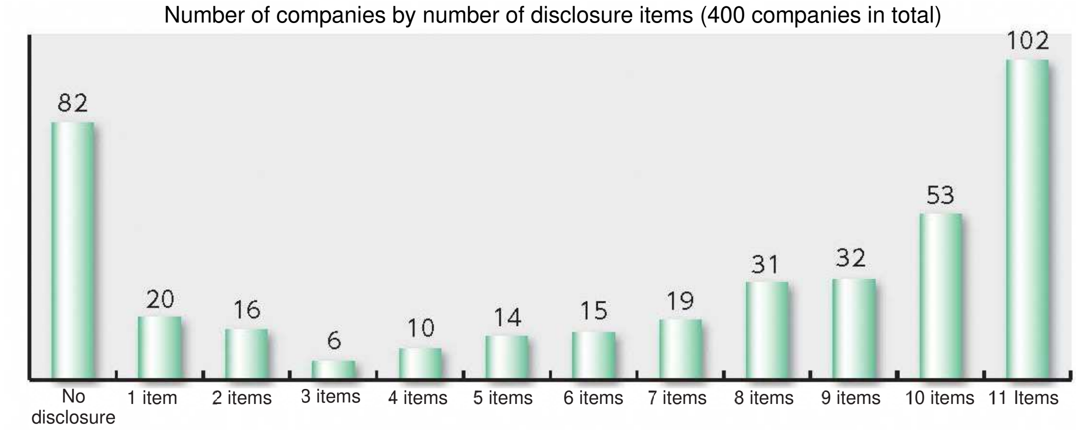
Listed companies' response to climate change disclosures are making progress year after year, and we expect them to take actions to enhance such disclosures qualitatively and quantitatively.

Chart 119 Disclosure of 11 Items Recommended by TCFD Recommendations (JPX-Nikkei 400 Companies)



Source: Japan Exchange Group "2022 Fact-Finding Survey on Information Disclosure in Line with TCFD Recommendations" (January 2023)

Chart 120 Number of Companies by Number of Disclosure Items (JPX-Nikkei 400 Companies)



Source: Japan Exchange Group “2022 Fact-Finding Survey on Information Disclosure in Line with TCFD Recommendations” (January 2023)

[Column (15)] International initiatives for climate change response

There are many international initiatives to encourage companies and organizations to address climate change. Outlined below in this White Paper is a brief introduction to CDP and SBT (Science Based Targets).

CDP (Carbon Disclosure Project) is an international NGO founded in the UK and runs the world's largest corporate disclosure program on climate change, water, and forests. As of March 2022, the "CDP data," which covers environmental data from 13,000 companies worldwide, has established its status as basic data for ESG investments by more than 590 institutional investors. Using the three types of corporate questionnaires on “climate change,” “forest,” and “water security,” a survey is conducted on an annual basis. In Japan 500 major companies were previously surveyed, but since 2022 all the companies listed on the Prime Market have been covered. Reportedly, the 2022 survey had 1,084 respondents[92]. The questionnaire on "climate change" is based on the TCFD recommendations, but the International Sustainability Standards Board (ISSB) announced[93] that in or after 2024 it would change the content to be based on the Exposure Draft S2 (climate-related disclosure standards), which is scheduled to be finalized in the first half of 2023.

On the other hand, the SBT (Science Based Targets) initiative is an initiative for certifying corporate GHG emission reduction targets consistent with the levels required by the Paris Agreement. The SBT initiative, a joint operation by CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF), certifies reduction targets for supply chain emissions (Scope 1, 2, and 3 emissions). The number of certified companies is on the increase every year. As of January 19, 2023, the number of certified companies worldwide has grown to 2,186 companies, out of a total of 4,456 companies including 2,270 committed companies[94]. As for Japanese companies, 354 are certified and 69 are committed, totaling 423 companies, which ranks

92 https://cdn.cdp.net/cdp-production/comfy/cms/files/files/000/006/998/original/JPNPR_ Sustainability_Reporting_FSA.pdf
93 https://www.ifrs.org/news-and-events/news/2022/11/cdp-to-incorporate-issb-climate-related- disclosure-standard-into-global-environmental-disclosure-platform/
94 A "committed company" is one that has declared its SBT setting within two years.

our country third in the number of certified/committed companies[95].

3 - 3 - 2. Implementation of environmental conservation activities and CSR activities

2,819 companies (74.8% of all TSE-listed companies) stated in the CG Report that they carry out environmental conservation activities, CSR activities, etc. By market segment, the Prime Market had the highest percentage at 86.0%, followed by the Growth Market at 66.7% and the Standard Market at 63.3%. 92.5% of JPX-Nikkei 400 companies engage in the activities, 6.5 points higher than in the Prime Market.

Among supplementary explanations on environmental conservation and CSR activities, 419 companies reported that they obtained ISO 14000 or ISO 14001 certification, which are international standards for establishing an environment management system. As for the rest, there were notes on direct actions such as support in response to the Great East Japan Earthquake of 2011 and the Kumamoto Earthquake of 2016, medical support funds for COVID-19 cases, and humanitarian relief funds for the Ukrainian crisis, as well as notes on disaster prevention and contingency measures, power saving/energy saving, solar power generation, recycling, and reducing the use of natural resources.

95 Compiled by TSE using data as of January 19, 2023 obtained from Science Based Targets' website "Companies Taking Action" (http://sciencebasedtargets.org/ companies-taking-action/).

3 - 4. Disclosures on human capital and intellectual property investments

3 - 4 - 1. Disclosures on human capital and intellectual property investments (Supplementary Principles 3.1.3 and 4.2.2)

Concerning sustainability, the E (environment) elements have drawn increasing attention. On top of that, the importance of the S (social) elements, such as human capital investments, has been noted in recent years. In terms of strengthening international competitiveness, it is also pointed out that more effective efforts should be made on intellectual property. The follow-up meeting also noted that it is important to properly disclose increasing corporate value by solving what social issues in the core business, as well as how to realize diversity, create a comfortable working environment, and train personnel as long-term innovation is created by human resources.

In light of this trend, Supplementary Principle 3.1.3 was newly added at the time of the Code revision in June 2021, stating “Companies should disclose and provide information regarding investments in human capital and intellectual property specifically and in an easy-to-understand manner, with an awareness of consistency with their management strategies and issues.”

Given the significant impact of human capital investments and intellectual property creation on corporate value when management resources are allocated for sustainable corporate growth, as pointed out by some, for the purpose of encouraging the effective supervision of management resources allocation, such as making investments in human capital and intellectual property, so that they can serve for the sustainable growth of companies, Supplementary Principle 4.2.2 covered a new content, stating: "Given the importance of making investments in human capital and intellectual property, effective supervision is needed to ensure that the allocation of management resources, including these, and the execution of strategies related to business portfolios contribute to the sustainable growth of the company."

In CG reports submitted by July 14, 2022, descriptions of the status of reviews by respective companies to this effect are seen, as a disclosure under Supplementary Principle 3.1.3. Regarding disclosures on human capital, in Example 1 the company discloses human capital investments related to training, including quantitative information. In Example 2, the company mentions the specific uses and amounts of investments in human capital. Example 3 describes investments made in human capital in line with the company’s strategic talent portfolios.

For investments in intellectual property, Example 4 is a case of disclosures made through intellectual property reports. In Example 5, the company discloses that positioning intellectual property investments as important management resources, the company makes such investments. Example 6 is a case where the company refers to the reforms of intellectual property portfolios to achieve management strategies. In this way, many listed companies recognize the importance of making investments in human capital and intellectual property for increases in corporate value and take measures, which are becoming predominant.

On the other hand, some companies claim to comply with Supplementary Principle 3.1.3 but do not mention any "investments in human capital and intellectual property." Investing in human capital and intellectual property is an important element to address the changing business environment. We advise companies to consider measures/actions based on the purpose of the Code.

Example 1: Disclosing quantitative information on specific investments in human capital (related to training)

■Investment in human capital

●● Shared Value is created by human resources, which are our company's greatest assets and the source of competitiveness. For the purpose of becoming a company in which diverse and versatile human resources are connected and fulfill their responsibilities proactively with a sense of pride and satisfaction, we have established the three pillars of our human resources policy, "human resources strategy," "enhancing engagement," and "data utilization," with an eye on maximizing the value of human capital.

Firstly, the "human resources strategy" is aimed at the implementation of human resources strategies that immediately align with management strategies. In response to rapid changes in the business environment, we will strive to promote the right people in the right place to allow all personnel to demonstrate their abilities and strengthen our ability to adapt to environmental change. Secondly, "enhancing engagement" is meant to foster connections across business companies and organizations as well as promote talent management that utilizes diverse and versatile individuals, in an effort to create an organization culture capitalized on diversity. Thirdly, "data utilization" is intended to improve the effectiveness of human resources measures and enhance information disclosure to relevant parties, through the collection and analysis of quantitative information on human capital.

We aim to maximize the value of our human capital through the above personnel measures for achieving "vibrant, exciting people and organizations" and thereby enhance ●● Shared Value.

Reference information: Investment in human capital (training programs)

With OJT as a basic training, ●● has established a human resource development program that allows employees to learn knowledge and skills at the right timing as needed. Quantitative data on training programs held for enhancing the value of human capital is as follows:

Overview of ●● training programs (unconsolidated, FY2021)

・Number of participants in annual training (Note 1): 3,915

・Total training hours per year (Note 2): 74,000 hours

・Average training hours per person (Note 3): 13.2 hours

・Total education and training expenses (Note 4): 1.75 billion yen

・Training expenses per person (Note 5): 316,000 yen

(Note 1) Only the training programs sponsored by the head office human resources department.

(Note 2) Only the training programs sponsored by the head office human resources department (excluding overseas training programs).

(Note 3) Total training hours per year are divided by the number of all employees. In addition to this, there are self-learning hours for participants to learn using the Company's online learning platform.

(Note 4) Education and training expenses plus fees for outsourcing training services to external training institutions.

(Note 5) Total education and training expenses divided by the number of all employees.

(Wholesale trade)

Example 2: Citing the specific use and amount of human capital investments

<Human capital investments, etc.>

Positioning "people" as its greatest management resource, the ●● Group has pushed forward organizational reforms and environmental developments for making the best of its organization and human resources, as an "investment in people."

We actively recruit diverse human resources as a measure to enhance employee engagement, increase productivity, and create innovation. In addition, in order for diverse talents to exert higher levels of productivity and creativity, we implement human resource development measures as planned, including scouting personnel who will take leadership for next generations, developing and providing training programs for such personnel, developing and providing programs for digital personnel essential to digital transformation (DX), and holding human rights awareness training.

The ●● Group has recorded expenses for these measures, totaling nearly 8 billion yen group-wide for FY2021. The ●●

Group will continue to make active investments in human capital.
More details are available in the Integrated Report and the Sustainability Report.
Integrated report (https://jpn.●●.com/ir/library/annual/index.html)
Sustainability report (https://jpn.●●.com/ir/library/annual/index.html)
(Electrical appliances)

Example 3: Stating the building of a strategic human resources portfolio

Supplementary Principle 3.1.3: Sustainability initiatives, etc.
For its sustainability, setting the themes of activities to work as a chemical company in terms of environment, sociality, and governance, the Company discloses the progress of these activities in an integrated report. With regard to human capital, in the section "Strengthening Human Capital Management" of the Long-Term Management Plan, the Company clearly states that it will "build a strategic human capital portfolio to maximize the value of human capital" and discloses various efforts on the page "Human Capital Management" of the Integrated Report. With regard to intellectual property, based on the notion that the use of intellectual property rights is essential for the creation of new values, which is an important management issue, the Company promotes the use of intellectual property information in business by actively utilizing the IP landscape, etc., to grasp the relative intellectual property power between the Company and other companies. It also has a system in place, in which business/technology/intellectual property divisions unite to advance intellectual property strategies consistent with business strategies. These efforts are disclosed in the section "Creating New Values" of the Integrated Report.
Furthermore, the Company has expressed its support for TCFD, collecting and analyzing data on carbon pricing and other data presented in the World Energy Outlook (WEO) “Sustainable Development Scenarios” by the International Energy Agency (IEA), data on decarbonization technologies, and data from the International Intergovernmental Panel on Climate Change (IPCC) on risks, including cases of damage to other companies, such as disasters at plants located on the coast and the suspension of infrastructure functions, in line with the climate change forecast scenarios (RCP 8.5) to perform scenario analysis on the impact of climate change risks and profit opportunities on its business activities and earnings. The Company discloses these activities in the section “TCFD Initiatives” of the Integrated Report in accordance with the TCFD framework and makes efforts to enhance their coverage.
Integrated report: https://www.●●.com/ja/csr/annual/
Long-term management plan “●● Vision 2030”: http://www.●●.com/ja/ir/plan.html
(Chemicals)

Example 4: Disclosure on intellectual property (intellectual property reports)

(7) Intellectual property investment
The Company's approach to technology/intellectual property strategies and the results of implementing the strategies are disclosed in our integrated reports.
For our strategy on patent rights and other intellectual property rights among intellectual property, and the actual records and internal structures related to the acquisition/exercise of intellectual property rights, please refer to the Intellectual Property Report on our website.
Integrated report p.24 and 63: https://www.● ●.com/jp-ja/investors/ir_library/ar/ar2021/pdf/ ● ● _ar2021_ j_0929.pdf
Intellectual Property Report: https://www.●●.com/jp-ja/investors/ir_library/intellectual_property/index.html
(Electrical appliances)

Example 5: Identifying and specifying intellectual property investment as an important management asset

<Investment in intellectual property, etc.>
The Company draws on its technological capabilities and knowledge gained through research and development activities in the fields of fermentation and biotechnology, expanding its business domains from food to medicine. Positioning intellectual property created in each domain as one of its important management assets, the Company secures and utilizes patent rights, etc. While valuing the rights of other companies, it aims to achieve sustainable growth through the differentiation and secured flexibility of businesses by creating customer values.
In our food domain, for example, we have achieved differentiation through the creation of new values for customers, using

our patented ●● formula for "● ●," for applying a naturally derived adsorbent to remove caffeine from tea leaves while their *umami* and richness are retained. We also work to improve the competitiveness of our products and services by drawing on our intellectual property in the home beer server "● ●" (patent and design registered) and the craft beer dispenser "● ●" (business model patent, etc.).
Further, our medical domain is based on research and development activities, and intellectual property is one of our most important management assets. For critical intellectual property for R&D/business strategic purposes, we make efforts to acquire broad, strong, and effective patent rights through strategic patent application and maintenance, defend core technologies, and maximize product value through life cycle management and other measures. At the same time, we respect the rights of other companies and promote compliance not to infringe, while ensuring flexibility in research and business activities. These efforts should contribute to maximizing the value and earnings and minimizing risks in our global business activities, and lead to a stable supply of pharmaceuticals as well.
In the domain of health science, which connects the food and medical domains, and we entered in 2019 as a newcomer, we have launched the "● ●" brand product, which contains "●●"and is the first to be filed and approved in Japan as a functional food for immune functions (patent application, etc.). We are also committed to solving the social issue of health through the launch of our original materials and products that should lead to the creation of new values, such as the functional food label product "● ●" series (patent application, etc.) that support the "maintenance of memory," which declines with age. Based on the results of a multifaceted analysis, we identify the intellectual property needed to achieve our financial targets (for FY2027) in this business and make plans to build strategic assets by applying it to the allocation of human resources and activity costs for the R&D department, which are needed to acquire rights.
As noted in the case of our food domain, under the policy of recognizing unique and attractive designs, in addition to patents, as our important assets and making active investments in them, we promote activities to prevent imitation by other companies by securing the rights to container packaging and beverage servers of advanced design, as design rights.
Furthermore, to serve the enhancement of corporate value and the achievement of financial targets, we are working to improve the brand value of our group and products and prevent their damage and dilution, by actively and strategically securing and utilizing our trademark rights in Japan and abroad.

As described above, the Company considers intellectual property as an important management asset, advancing highly competitive business activities by making active investments.

(Foods)

Example 6: Referring to intellectual property portfolio reforms

<u>In order to realize our management strategy of "portfolio reforms," we aim for the transformation of intellectual property portfolios of the ●● Group. For the Strategic Focus field, which is to be developed for future earnings, and the Profitable Growth field, which is targeted at further growth, we have formulated respective basic policies and promoted the creation of intellectual property and intangible assets, for the purpose of achieving business objectives consistent with the management strategy. As a result, the percentage of the patent value in the Strategic Focus field to the total value of patents owned by the ●● Group (Patent Asset IndexTM) is gradually increasing; we are making steady progress in transforming our intellectual property portfolios, for the realization of the "portfolio reforms."</u>
In addition to the above activities for transforming intellectual property (IP) portfolios, we are promoting an initiative to utilize IP landscape in making management and business decisions, as a strategic use of IP information analysis. To be specific, we have independently developed the methods of information analysis and of patent value evaluation, by mixing global IP information with non-IP information, such as academic article information and market information, and use these methods in order to: (1) search and evaluate potential M&A and alliance targets/candidates; (2) search for new businesses and new R&D themes; and (3) evaluate the value of intellectual property rights held and optimize their maintenance/management. We understand that trade secrets, such as important technical know-how, are also material operating assets which contribute to securing a competitive advantage, just as intellectual property rights. Based on such understanding, we have formulated the Group Trade Secret Management Guidelines, which are the Group's uniform standards, under which we continue the strict management of trade secrets. Further, we have established award systems, such as ●● Invention Award for patents related to the product that made significant contributions to new business creation or the exploration of new technological fields in the existing businesses of the Group, and ●● Patent License Award for applications that have an outstanding effect on the sustainable development of our business, to foster a spirit of innovation and creation in our business operations and encourage employees to take on more challenges. In recognition of these IP activities, we received the

Award of Minister of Economy, Trade and Industry at the 2021 Intellectual Property Achievement Awards.
For further information on intellectual property activities, please refer to the Securities Report.
(Securities report) https://www.●●.co.jp/ir/library/business-report/
(Textile products)

[Column (16)] Guidelines associated with human capital and intellectual property

As a guideline on human capital, the Ministry of Economy, Trade and Industry published the Ito Review on Human Capital [96] and the Ito Review on Human Capital 2.0[97], and the Non-Financial Information Visualization Study Group, which was established in the New Form of Capitalism Realization Headquarters under the Cabinet Secretariat, published the Guidelines on Visualization of Human Capital.[98]

On the other hand, as a guideline on intellectual property, the Guidelines on Disclosure and Governance of Investment and Utilization Strategy for Intellectual Property and Intangible Assets Ver. 1.0[99] was published by the Cabinet Office's Study Group on Effective Disclosure and Governance of Intellectual Property Investment and Utilization Strategy.

The outlines of these guidelines are provided below. More details are available on the websites of the Ministry of Economy, Trade and Industry, the Cabinet Secretariat, and the Cabinet Office.

<u>"Ito Review on Human Capital" and "Ito Review on Human Capital 2.0"</u>

For companies to increase corporate value sustainably while addressing changes in the business environment, it is important to have human resources strategies suitable to management strategies, such as building human resources portfolios and innovation with an eye on changes in business portfolios, securing and developing human resources that can create added values, and building an organization. The respective roles of management, directors, and investors in terms of human resources strategies, how dialogue with investors should be, measures to facilitate behavior change among stakeholders, and other matters were discussed, and such results were published as the Ito Review on Human Capital in September 2020 by the Study Group on Improvement of Sustainable Corporate Value and Human Capital, established under the Ministry of Economy, Trade and Industry.

Since the publication of the Ito Review on Human Capital, changes in the management environment that make it difficult to link management strategies with human resources strategies, such as digitization, decarbonization, and changing public awareness during the COVID-19 pandemic, have come to the surface; human capital, which is at the core of non-financial information, has gained weight as an issue in actual managerial scenes. Accordingly, the study group for the realization of human capital management, formed by the Ministry of Economy, Trade and Industry, had discussions on how to practice the human resources strategies linked to management strategies for the sustainably increased corporate value, in line with the June 2021 Code revision, and published a report, the Ito Review on Human Capital 2.0, in May 2022. The Ito Review on Human Capital 2.0 recognizes the importance of "human capital" and presents an idea, which would be useful in implementing the transformation of human capital management, with a focus on how to embody and put it into practice.

96 https://www.meti.go.jp/shingikai/economy/kigyo_kachi_kojo/20200930_report.html
97 https://www.meti.go.jp/press/2022/05/20220513001/20220513001.html
98 https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/wgkaisai/jinteki/sisin.pdf
99 https://www.kantei.go.jp/jp/singi/titeki2/tyousakai/tousi_kentokai/governance_guideline_v1.html

Guidelines on Visualization of Human Capital

The Non-Financial Information Visualization Study Group established under the New Form of Capitalism Realization Headquarters edited and published the Guidelines on Visualization of Human Capital in August 2022. With a particular focus on how human capital information should be, the Guidelines outline, as a comprehensive guide to the direction of responses including methods for using existing standards and guidelines, basic approaches to effective disclosures (visualization), examples of detailed preparations, responses to disclosure media, and indicators and examples to be disclosed, and recommend companies to actively use them according to their own industry, business models and strategies. The Ito Review on Human Capital and the Ito Review on Human Capital 2.0, as introduced in the foregoing column, deal with the development and practice of human resources (strategies), and through their combined use with the Guidelines on Visualization of Human Capital the synergy of the implementation and visualization of human resources strategies is expected to take effect.

Guidelines on Disclosure and Governance of Investment and Utilization Strategy for Intellectual Property and Intangible Assets Ver. 1.0

In response to the revision of the Code in June 2021, the Guidelines were reviewed by the Study Group on Effective Disclosure and Governance of Intellectual Property Investment and Utilization Strategy and finalized in January 2022, for the purpose of providing easy-to-understand explanations on how companies should disclose their investment and utilization strategies for intellectual property and intangible assets and build governance in order to be appropriately evaluated by investors and financial institutions. The Guidelines are expected to be used by directors and executives of listed companies, mainly large corporations, who engage in planning management and business strategies; personnel of a wide range of internal departments that support corporate strategies for investing and utilizing intellectual property and intangible assets when they develop and implement strategies; and investors and financial institutions when they engage in dialogue with companies.

In addition, the Study Group was having ongoing discussion as at the end of January 2023[100], about the promotion of dissemination and use of the Guidelines and making revisions to the Guidelines to include new initiatives in view of changes in the business environment, etc. Further developments should be monitored closely.

100 The meeting materials and minutes are available to public on the Intellectual Property Strategy Promotion Headquarters' website, under the Cabinet Office.
https://www.kantei.go.jp/jp/singi/titeki2/tyousakai/tousi_kentokai/index.html

3 - 5. Appropriate cooperation with stakeholders other than shareholders

3 - 5 - 1. Fulfilment of the Function of Corporate Pension Funds as Asset Owners (Principle 2.6)

Principle 2.6 requires companies to take and disclose measures to improve the deployment of human resources and operational practices, and to appropriately manage conflicts of interest which could arise between pension fund beneficiaries and companies to ensure that corporate pension funds fulfill their functions as asset owners. In particular, corporate pension funds, which are positioned at the top of the investment chain, are questioned to thoroughly fulfill their role and function as asset owners that truly benefit beneficiaries in optimizing the entire investment chain, from the pension fund (asset owner), which is the provider of funds, to the asset managers and investee companies.

Since the formulation of the Stewardship Code in 2014, only 79 pension funds, which is a total of public pension funds and corporate pension funds, have announced their acceptance of the Code, even though 322 asset managers have already done so (as of December 31, 2022).

One of the reasons that corporate pension funds are reluctant to adopt Japan's Stewardship Code is the significant challenge presented by a lack of specialized human resources. Corporate pension funds are under the jurisdiction of a human resources department at most companies, and many of those managers are from the human resources department. Thus, there are concerns that the circumstances of companies take precedence over the interests of beneficiaries when selecting asset management companies or exercising voting rights on companies invested in by corporate pension funds, and over the management of conflicts of interest.

The compliance rate of the Supplementary Principle[101] is high at 98.2% (1,804 companies) in the Prime Market and 96.2% (1,400 companies) in the Standard Market. An analysis of attributes by company and descriptions in CG reports found that companies are roughly classified into three categories: companies with a defined-benefit corporate pension, companies with a defined-contribution pension plan, and companies with no pension plan. Among companies with a defined-benefit pension plan, with regard to human resources and operational practices, many mentioned the implementation of appropriate human resource allocation and training, the establishment of an asset management committee, and the use of consultants. Further, some companies stated that they monitored asset managers as part of their operational practices. Further, many companies stated that conflicts of interest were "appropriately managed by an asset management committee, etc."

Note that the Regulation for Enforcement of the Defined-Benefit Corporate Pension Act (Article 84, Paragraph 1, Item 2) requires making efforts to assign personnel with specialized knowledge and experience to make decisions on the composition of assets, and contains provisions regarding efforts related to human resources measures. In addition, the "Guidelines on the Roles and Responsibilities of Personnel Involved in Asset Management Related to Defined-Benefit Corporate Pension Funds" require defined-benefit pension funds with assets worth over 10 billion yen to establish an asset management committee, and the same approach as outlined in the Code can be seen in laws,

101 "Companies without a pension plan" are totaled as companies that comply with Principle 2.6.

regulations, guidelines, etc.

Meanwhile, among companies that have introduced a defined-contribution pension plan, there were disclosures on conducting employee’s education, etc. on defined-contribution pension plans, as well as the appropriate selection of asset managers. The employees of companies with a defined-contribution pension plan in place choose their own investment products and manage their own assets. Consequently, the company is not expected to play a direct role or function as an asset owner, but it is nevertheless required to create an appropriate environment for building the employees’ pension assets.

Keyword analysis shows that among the Prime or Standard Market-listed companies that comply with Principle 2.6 (3,204 companies), 26.4% (846 companies) mentioned “defined-benefit,” 6.2% (198 companies) mentioned “contract-type,” and 31.6% (1,013 companies) mentioned “defined-contribution.” (Chart 121)

Keywords related to efforts to ensure that the functions are fulfilled included “human resources/personnel” (22.2%, 712 companies) and “expertise (specialty/expert, etc.)” (20.5%, 658 companies). 16.7% (535 companies) mentioned "committee (asset management committee)" in relation to the use of committees, etc. with the aim of achieving proper pension fund management from a multi-faceted perspective. As descriptions implying that departments besides the human resources department engage in the asset management committee as participants, 18.5% (593 companies) mentioned “accounting” or “finance” and 2.2% (72 companies) mentioned “(external / investment) consultants.” 994 companies (31.0%) mentioned the “monitoring” of asset managers. Many of these companies explained that they were complying with the intent of the Code by appropriately monitoring the exercise of voting rights by asset managers.

In addition, 11.5% (369 companies) mentioned “stewardship (Japan’s Stewardship Code, stewardship activities, etc.),” and many of them stated that they select asset managers that have signed up to the Stewardship Code.

As for individual cases, Examples 1 to 3 are a case of defined-benefit pension funds, in all of which the acceptance of the Stewardship Code is disclosed. As such, in Example 1, the company states that human capital (personnel) with an appropriate qualification for professional corporate pension fund administration is recruited or appointed, and that conflicts of interest between beneficiaries and the company are managed by entrusting the selection of individual investments and the exercise of voting rights to the asset manager, while the company’s aim is to improve specialty knowledge through the utilization of external consultants and manager training. In Example 2, the company mentions its response to ESG issues, while in Example 3 it clearly states that it has signed up to the United Nations Principles for Responsible Investment (PRI) and makes ESG investments based on global standards.

On the other hand, Example 4 is a case study of a company that has adopted defined contribution pension plans. The company stated that its subsidiaries operate defined contribution pension schemes and that it has selected a subsidiary as its asset manager, which holds a member training.

Example 1: Disclosure of the utilization of human capital with expertise in corporate pension administration

The Company manages its corporate pension funds operations through the ●● Corporate Pension Fund and the Corporate Pension Fund for the ●● Affiliates (hereinafter "both funds"), and its basic policy is as follows:

(1) For both funds to enhance their investment expertise and perform their expected functions as an asset owner of monitoring investment institutions, etc., the Company systematically appoints or assigns people with experience in accounting, finance, or human resources, who have expertise and are properly qualified for corporate pension funds operations.

(2) The Company sets up a pension review committee, which will verify the soundness of the overall operations through the review of the system/plans, asset management policies, etc. Appropriate information will also be disclosed to beneficiaries, in the minutes of the board of representatives' meetings, the summary of the pension review committee meetings, and so on to be published on the intranet.

(3) The operation of both funds shall be delegated to multiple asset management institutions both inside and outside Japan in accordance with the basic policy on management of pension assets. By delegating specific investment choices and the voting rights to each asset management institution, the Company can prevent any conflict of interest arising between the Company and the beneficiaries of the corporate pension scheme. The Company shall also hire people with knowledge of corporate pensions as consultants from outside institutions. These people shall provide advice regarding portfolio creation and the selection of asset management institutions and funds and advice at the Pension Committee meetings. The Company aims to appropriately manage conflicts of interest and strengthen expertise through this process.

(4) By allowing related personnel to attend seminars related to corporate pensions held by each asset management institution and the Pension Fund Association, the Company aims to improve quality and develop personnel who can be involved in the management of its pension funds.

(5) Both funds declare their acceptance of the Japanese version of the Stewardship Code as an asset owner who allocates its assets proactively and require stewardship activities from asset management agencies to which they delegate investment operations.

(Construction industry)

Example 2: Statement of acceptance of Stewardship Code and response to ESG issues

The Group has established the following system at each of the group companies so that the corporate pension fund can enhance its investment expertise and perform the functions expected as an asset owner.

- ●● manages its pension assets investment operations through the ●● Corporate Pension Fund (hereinafter "Fund"). For the manager of the Fund, the Group systematically assigns person(s) with adequate qualifications for the operations and monitors trustee institutions. The Asset Management Committee, whose members are experts in human resources, market operations, risks, finance, and other operations, is established for the Fund to review important matters such as basic investment policies and the evaluation of trustee institutions. The Retirement Benefits Committee, established at its parent company, Bank of Yokohama, also continuously monitors the investment management of pension assets and reviews important matters concerning overall retirement benefit plans, by taking into account the independence of the Fund and the protection of beneficiaries.
  The Fund has expressed its support of the Japanese Stewardship Code, and has formulated and disclosed specific policies for the fulfillment of its responsibilities.
  (●● Corporate Pension Fund https://www.nenkin-kikin.jp/●●/)
  The fund makes ESG investments in companies that are working to improve their corporate value over the long term through appropriate action on ESG issues, based on the belief that this will ensure stable management of the fund's assets.
- ■■ receives reports from trustee institutions and conducts their monitoring at Corporate Planning Department, Risk Management Department, and Human Resources Department. The Corporate Pension Committee, which is chaired by the director in charge of Human Resources with members well-versed in human resources, market operations, risks, finance, and other operations, also reviews basic investment policies, evaluation of trustee institutions, the status of management of pension funds operations, and other important matters about the overall corporate pension system.

ESG investments are made in companies that are working to improve their corporate value over the long term through appropriate action on ESG issues, based on the belief that this will ensure stable management of the fund's assets.

- The Group Corporate Pension Fund has a system, in which the selection of individual investees and the exercise of voting rights are entrusted to trustee institutions to avoid any conflict of interest arising from the exercise of voting rights.

(Banking)

Example 3: Statement of acceptance of Stewardship Code and signatory to PRI

Given the importance of human capital, the "●● Corporate Pension Fund ("the Fund")" adopted the Corporate Stewardship Code in February 2018. In December 2019, it became a signatory to the Principles for Responsible Investment (PRI) and is making ESG investments that are based on global standards. The Fund will strive to maximize pension returns, and improve its operation through enhancing human capital, etc. Currently, the Fund does not have sufficient resources in place, and there is a framework for the finance department to provide support to the Fund. In the future, the Company will work to distribute sufficient resources including the deployment of staff who have the requisite experience and qualities, and strive to develop such staff, etc. in order for the Fund to be able to fulfill its expected function as asset owner. Major decision making on asset management is decided and confirmed by a representative committee based on deliberation of an asset management committee. While the finance department provides support as a member of the asset management committee, the composition of the representative committee has the talent management department as its core member, and since the finance department has no authority to make decisions, the Company believes that this system is able to appropriately manage conflicts of interest.

(●● Corporate Pension Fund "Principles for Responsible Institutional Investors"
https://www.●●.or.jp/pop.html)

(Pharmaceuticals)

Example 4: Mentioning matching contributions and operation management institutions for defined contribution pension plans

The Company's key subsidiaries in Japan, including ●● and stock companies, employ defined-contribution pension plans to reduce future risks in corporate accounting and to support free asset building in accordance with economic rationality and individual employees' life plans. Based on its high degree of specialized expertise, the Company's subsidiary ★★ is designated as the asset-management agency. It provides employees of individual companies that have adopted these plans with thorough member training using e-learning and encourages use of the matching-contribution program, among other efforts to promote the pension plans.

(Insurance)

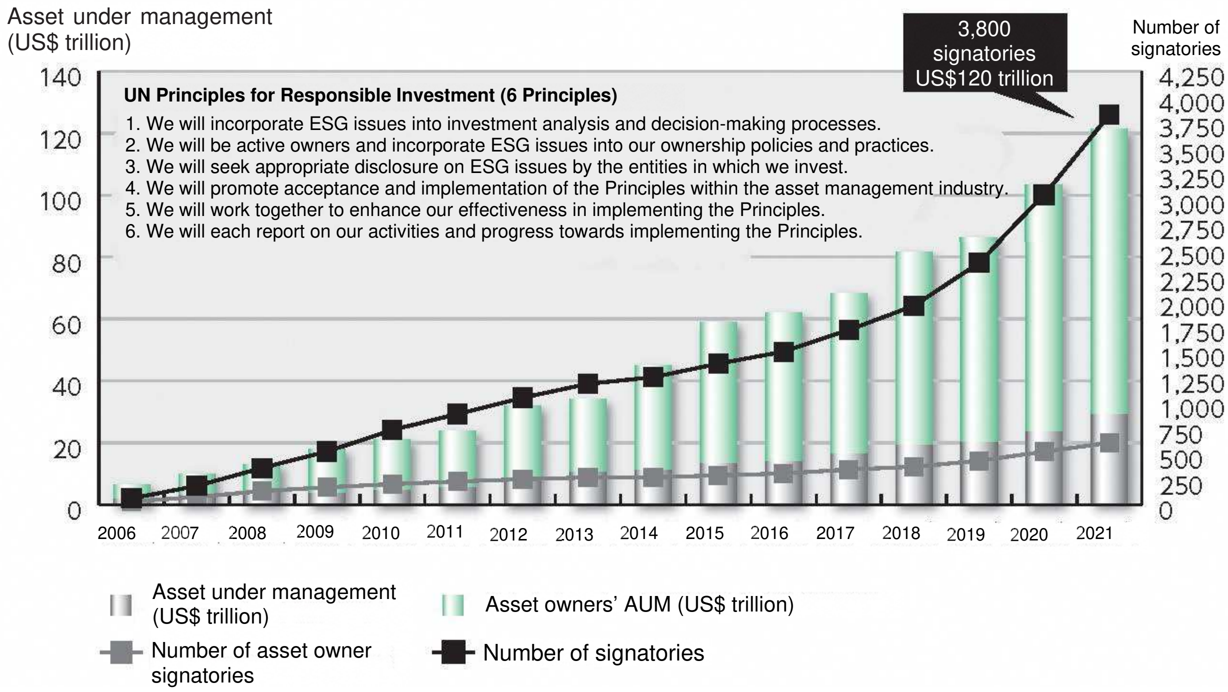
Chart 121 Keywords Related to Fulfilling Function as an Asset Owner

Item	Number of companies	Ratio
Companies complying with Principle 2.6	3,204	100.0%
■Related to pension form		
Defined benefit	846	26.4%
Contract-type	198	6.2%
Defined Contribution (401K)	1,013	31.6%
■Related to efforts		
Expertise	658	20.5%
Human resources	712	22.2%
Committee (asset management committee)	535	16.7%
Accounting and Finance	593	18.5%
Consultant	72	2.2%
■Other		
Monitoring	994	31.0%
Stewardship	369	11.5%

[Column (17)] Expansion of ESG investment and responses by listed companies

In the past few years there has been a rapid increase in ESG (Environmental, Social and Governance) investment, and listed companies have been promoting ESG initiatives. The term “ESG investment” was coined in 2006 in the United Nations Principles for Responsible Investment (PRI), an initiative proposed for the financial industry by Kofi Annan, former Secretary-General of the United Nations. In addition to financial information, PRI signatories are required to incorporate environmental, social and governance perspectives into their investment process. Chart 122 shows the number of institutional investors that have signed up to the PRI and their total assets under management. The number has grown rapidly over the past few years, with a total of around 3,800 investors and $120 trillion AUM by 2022. In 2015 in particular, initiatives for sustainable societies were launched in the global community, such as the adoption of the Sustainable Development Goals (SDGs) by the United Nations, the adoption of the Paris Agreement at the Conference of the Parties (COP21) at the United Nations Framework Convention on Climate Change (UNFCCC), the publication of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) by the Financial Stability Board (FSB), and the permeation of sustainability bonds including transition-conscious green bonds, all contributed to an increase in global interest in addressing social issues, including climate change. In the past few years, institutional investors have stepped up their ESG initiatives, partly due to the growing awareness of ESG matters in society as a whole.

Chart 122 PRI Signatories



Source:Compiled from PRI website.

The Japanese stock market first took notice of ESG investment when the Government Pension Investment Fund (GPIF) signed up to the PRI in 2015. Since 2015, institutional investors and others entrusted with funds from the GPIF have been actively engaging in dialogue with companies in their portfolios from an ESG perspective as well as the traditional corporate governance perspective. In addition, in 2017, the GPIF began managing a portion of its equity investments in ESG indices that incorporate listed companies with high ESG scores (ESG assessments), and at the same time disclosed the ESG scores of investee companies under management with these indices.

The start of GPIF's investment in ESG indices has led to a growing awareness among the managers of Japanese listed companies that they must properly implement, disclose, and evaluate their ESG initiatives to make their shares more attractive to institutional investors. This has triggered the acceleration of ESG initiatives by Japanese listed companies.

The total amount invested by the GPIF in ESG indices has been increasing year by year. At the start of implementing its ESG index policy in 2017, the GPIF had a total of 1 trillion yen invested in four indices. As of the end of March 2022, it had invested a total of 12.1 trillion yen in eight ESG indices (6.7 trillion yen in domestic equities), as shown in Chart 123. GPIF's ESG-based domestic equity investments account for more than 10% of its total domestic equity portfolio, and its influence on listed companies is growing.

Chart 123 Overview of ESG indices in which GPIF invests and AUM (as of March 31, 2022)

	FTSE Blossom Japan Index	FTSE Blossom Japan Sector Relative Index	MSCI Japan ESG Select Leaders Index	MSCI ACWI ESG Universal Index (ex-Japan, ex-China A-Shares)	MSCI Japan Empowering Women Index (WIN)	Morningstar Developed Markets (Ex-Japan) Gender Diversity Index (GenDi)	S&P/JPX Carbon Efficient Index	S&P Global (ex-Japan) LargeMidCap Carbon Efficient Index
Concept of Index	•FTSE Russell's ESG index series, one of the oldest in the world •Evaluating using the ESG rating criteria of the FTSE4Good Japan Index •Comprehensive ESG index including companies with a high overall ESG score, while weighting each issue by using an industry neutral methodology	•Based on FTSE Russell's ESG rating, just as the FTSE Blossom Japan Index, management attitudes toward the company's climate change risks and opportunities are also reflected in assessments for certain companies with high carbon intensity (GHG emissions per unit of revenue) •Selecting companies with a relatively high ESG score in each industry, with their industry weights neutralized at a sector level in the end	•Comprehensive ESG index built based on the MSCI's ESG research, which is used by more than 1,000 companies worldwide, with various ESG risks reflected in its market portfolio •Selecting companies with a relatively high ESG score in each industry	•One of MSCI's flagship ESG indexes; Comprehensive index that enhances the overall ESG rating of the index, primarily for adjusting weights based on ESG ratings/trends •An index developed for large investors who aim to achieve ESG integration while maintaining investment opportunities and risk exposures similar to its parent index'	•Based on disclosed data on the employment of women under the Act on the Promotion of Women's Active Engagement, the index is created by calculating a multifaceted gender diversity score and selecting companies with a higher score in each industry •The first index in the field for which a multifaceted evaluation is made	•Weights of investment are determined based on the Equileap Gender Equality Scorecard, which assesses companies' efforts for gender equality •Evaluation is made in four categories: (1) leadership and gender balance among employees; (2) pay equality and work-life balance; (3) policies for promoting gender equality, and (4) commitment, transparency, and accountability	•Created by S&P Dow Jones Indices based on data on carbon emissions from Trucost, a pioneer in the environmental rating •Placing higher weights on companies with relative corporate carbon efficiency within an industry (lower levels of GHG emissions per unit of revenue) and disclosures on their GHG emissions	•Created by S&P Dow Jones Indices based on data on carbon emissions from Trucost, a pioneer in the environmental rating •Placing higher weights on companies with relative corporate carbon efficiency within an industry (lower levels of GHG emissions per unit of revenue) and disclosures on their GHG emissions
Target	Domestic stocks	Domestic stocks	Domestic stocks	Foreign stocks	Domestic stocks	Foreign stocks	Domestic stocks	Foreign stocks
Selection universe (parent index)	FTSE Japan All CAPINDEX (1,395 issues)	FTSE Japan All CAPINDEX (1,395 issues)	MSCI JAPAN IMI TOP700 (699 issues)	MSCI ACWI (ex-Japan, ex-China A-Shares) (2,180 issues)	MSCI JAPAN IMI TOP700 (699 issues)	Morningstar Developed Markets (Ex-Japan) Large-Mid (2,177 issues)	TTOPIX (2,175 issues)	S&P Global Large Mid Index (ex-Japan) (3,080 issues)
Number of constituents	229	493	222	2,111	352	2,149	1,855	2,428
AUM balance	983 billion yen	800 billion yen	2,099 billion yen	1,618.7 billion yen	1,245.7 billion yen	419.5 billion yen	1,567.8 billion yen	3,390.6 billion yen

Source:Compiled based on GPIF "2021 ESG Activity Report"

In addition, some institutional investors are increasingly clarifying their approach to ESG matters in their voting criteria. For example, major Japanese institutional investors, such as Dai-ichi Life Insurance, have made it clear that they will oppose companies' proposals to appoint top management and other directors if the investee companies do not improve the status of their efforts to address ESG matters through dialogue or other means. Major overseas institutional investors are also asking the companies they invest in to respond to ESG issues. For example, BlackRock, the world's largest asset management company, has written to the companies in which it invests, informing them that it is stepping up its approach on ESG matters and requesting them to disclose information based on the TCFD recommendations.

4. Dialogue with Shareholders

Regarding dialogue with shareholders, the Code sets out the following basic principles:

[General Principle 5]

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting.

During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

The Code adopts a principles-based approach and a comply-or-explain mechanism. It expects listed companies to identify the purpose and spirit of individual principles of the Code, and then interpret and apply them in view of their own circumstances and act autonomously, and to brush up their actions through constructive dialogue with investors and lead up to an increase in their corporate value. Shareholder meetings, in particular, are an important forum for dialogue to listed companies, and they are required to go beyond just setting dates and accommodating the meeting on the day, and to make the entire process for decision-making at the meeting constructive and substantive.

In light of the above, this chapter provides an overview of policies on dialogue with shareholders and the current state of general shareholders' meetings.

4 - 1. Constructive dialogue with shareholders

4 - 1 - 1. Policy on dialogue

Principle 5.1 requires the disclosure of policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders. In addition, Supplementary Principle 5.1.2 stipulates: (i) appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place; (ii) measures to ensure positive cooperation between internal departments; (iii) measures to promote opportunities for dialogue aside from individual meetings; (iv) measures to appropriately and effectively relay shareholder opinions and concerns learned through dialogue to the senior management and the board; and (v) measures for managing insider information. As these are efforts that many companies have made as part of IR/SR development until now, the compliance rate with the Principle is 99.8% (1,833 companies) in the Prime Market and 97.3% (1,417 companies) in the Standard Market, with almost all companies in compliance with the Principle.

As for the contents of descriptions for each item, for (i) appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, a remarkable number of companies mention the appointment of an officer, etc. responsible for IR. 18.4% (599 companies) of the complying companies used the keyword “director responsible for IR/officer responsible for IR” (Chart 124), while 14.5% (471 companies) used “responsible” as a keyword. Some companies also mentioned the specific position such as the manager of the administrative headquarters or CFO as the person responsible for IR. 9.8% (320 companies) used "outside directors/*kansayaku*" as a key word, and some companies stated their policy that outside directors and *kansayaku* respond to dialogue, to a reasonable extent, upon request from shareholders.

Next, in terms of (ii) measures to ensure positive cooperation between internal departments, a remarkable number of companies stated that information was shared with internal departments, centering around the departments responsible for IR. The keyword “sharing (information, etc.)” was mentioned by 27.2% (883 companies).

In terms of (iii) measures to promote opportunities for dialogue aside from individual meetings, many companies mentioned “(results) briefings” and the “general shareholders’ meetings.” 58.9% (1,914 companies) and 18.1 % ((588 companies) mentioned "briefings" and "general shareholders’ meetings," respectively.

In terms of (iv) measures to appropriately and effectively relay shareholder opinions and concerns learned through dialogue to the senior management and the board, it seems that many companies establish opportunities for feedback as necessary rather than regularly. While 26.5 % (861 companies) mentioned “as necessary”, 16.0% (519 companies) mentioned “regularly”.

Lastly, in terms of (v) measures to control insider information, many companies mention the development and implementation of internal regulations, etc. The keyword “regulations (rules), etc.” was mentioned by 40.2% (1,308 companies). 12.0% (391 companies) mentioned a silent period by using the word “silent/quiet.”

In addition, 3.3% (107 companies) mentioned keywords related to sustainability (sustainability, ESG or non-financial), which have been a focus for the capital markets in recent years. Many of the companies mentioning sustainability refer to "enhanced disclosure of non-financial information in addition to financial information" in their information disclosure, and some mention issuing integrated reports as well.

Chart 124 Keywords Related to Policy for Constructive Dialogue with Shareholders

Item	Number of companies	Ratio
Companies complying with Principle 5.1	3,250	100.0%
■Appointing a member of the management or a director who is responsible for overseeing constructive dialogue		
Director/officer responsible for IR	599	18.4%
Person responsible for IR	471	14.5%
Outside directors/*kansayaku*	320	9.8%
■Measures to ensure positive cooperation between internal departments		
Sharing (information, etc.)	883	27.2%
■Opportunities for dialogue aside from individual meetings		
Briefing (financial results briefing, etc.)	1,914	58.9%
General shareholders' meeting	588	18.1%
■Measures to relay shareholder opinions and concerns to the board, etc.		
As necessary	861	26.5%
Regular	519	16.0%
■Measures to control insider information		
Regulations, etc. (rules, regulations)	1,308	40.2%
Silent	391	12.0%
Other keywords		
Sustainability, ESG and Non-Financial	107	3.3%

As for individual cases, Example 1 is a case in which the basic stance towards dialogue is described before the five viewpoints required under Supplementary Principle 5.1.2 are specified, explaining basic policies and individual measures in an easy-to-follow manner. Example 2 is a case of the detailed disclosure of a structure and activities for dialogue with shareholders. In addition to disclosing detailed information on the company's efforts to engage in dialogue with institutional investors (domestic/overseas), the company discloses information on the participation of each officer (President and CEO, CFO) and IR department in specific IR activities. Example 3 is a case in which the members of the supervisory committee, including all outside directors, and institutional investors hold regular dialogue. Example 4 is a case where opinions received from shareholders and investors through dialogue are regularly relayed to corporate and outside directors to reflect them in corporate activities.

Example 1: Disclosing policies for promoting constructive dialogue with shareholders

The Company has established the following policies to build a relationship of trust over the medium to long term through active and constructive dialogue with shareholders and investors, and to link IR activities to the sustainable enhancement of corporate value.

(1) Appointing a member of the management or a director for constructive dialogue with shareholders

We regard investor relations as one of the most important issues for management. Top management, including the chief executive officer, is actively involved in this. In addition, the Company has appointed an executive officer to oversee investor relations, and is working to ensure consistency and continuity by developing activities in an integrated manner. In response to needs based on the purpose of an activity and concerns in dialogue, directors including outside directors, and other executive officers are actively engaged in activities.

(2) Measures to ensure positive cooperation between internal departments

IR department positions are appointed based on the allocation of duties, with human resources who have the skills to carry out the required duties according to management resources and authority. In order to promote and provide support for a constructive dialogue between the directors and executive officers and the shareholders and investors, the Company has established a system that enables constant collaboration with the divisions in charge of corporate planning, finance, accounting, general affairs, legal affairs, public relations and ESG.

(3) Initiatives to enhance dialogue

Briefings on financial results are held every six months for shareholders and investors, and explanatory materials are published on the Company's website. The Company also holds individual interviews with investors and provides explanations to shareholders as necessary. In order to promote understanding of the Company, we strive to provide easy-to-understand information that integrates not just financial information, but also non-financial information including the Group's corporate philosophy, medium- to long-term management strategies and ESG-related initiatives. In formulating and announcing management strategies and plans, the Company clearly states its earnings plans, investment plans and capital initiatives based on an understanding of the cost of capital. For disclosure documents, the Company also works to disclose and provide the information required in the course of dialogue with shareholders and investors, in English.

*In light of the COVID-19 pandemic, we have refrained from holding group financial results meetings and individual face-to-face meetings.

(4) Feedback initiatives for senior management and the Board of Directors

Opinions and concerns from shareholders and investors obtained through dialogue are fed back on a quarterly basis by the director in charge of IR to the Board of Directors and the Executive Committee, which is the decision-making body for execution of business activities. We continuously strive improve corporate value by reflecting thought-provoking opinions and concerns in our management of the business.

(5) Policy to control insider information during dialogue

With respect to the management of insider information when engaging in dialogue with shareholders and investors, we have established a period of time prior to the announcement of financial results as a silent period to restrict the content of this dialogue. In addition, interviews with shareholders and investors are conducted in principle by directors, executive officers, and other authorized personnel who have been trained in handling information to ensure there is no disclosure of insider information, even in individual responses.

(Other products)

Example 2: Disclosing the details of dialogue with shareholders

Basic policy on dialogue with shareholders:

As an opportunity to communicate with shareholders and investors, the Company holds general meetings of shareholders, quarterly financial results briefings, and individual meetings in an effort to explain its corporate management and business activities.

An executive officer appointed as the officer in charge of dialogue with shareholders and investors supervises the dialogue, in cooperation with relevant internal departments that convey information to and gather opinions from shareholders and investors.

When engaging in dialogue with shareholders and investors, we manage insider information appropriately in accordance with our internal rules to prevent insider trading.

Implementation systems and activities

To achieve its sustainable growth and increase its corporate value over the medium to long term, the Company promotes dialogue with shareholders, investors and other stakeholders, which is provided by top management, including the President and Chief Executive Officer, taking into account the requests and major concerns of shareholders and investors in direct communication opportunities.
The Company has established the IR Committee with the aim of promoting more effective IR and SR (Shareholder Relations) activities as a means of enhancing dialogue with these shareholders and investors. The committee is chaired by the CSO(*1) and its members include the CFO(*2), CAO(*3) and general managers of other relevant corporate departments. It meets monthly to discuss policies, issues and measures regarding IR and SR activity activities, aiming to enhance dialogue with shareholders and investors. The Company has established a system where feedback is provided to the management through the committee in a timely manner regarding comments and requests obtained from outside by way of IR and SR activities. The Company has also established the Investor Relations Department which is dedicated to IR and SR activities. While collaborating with other relevant corporate departments in a coordinated fashion, it serves as an organization that aims to plan and manage a variety of IR and SR activities, disclose information to meet the expectations of shareholders and investors, and obtain opinions from outside through IR and SR activities to help improve the quality of management in a timely manner.

(*1)CSO (Chief Strategy Officer) Officer in charge of planning
(*2)CFO (Chief Financial Officer): Officer in charge of finance, accounting and risk management
(*3)CAO (Chief Administrative Officer) Officer in charge of human resources, general affairs and legal affairs

・General shareholders' meeting

The Company proactively discloses not only information required by law but also information on the environmental, social and governance (ESG) and corporate governance initiatives etc. within the Notice of Convocation of the General Meeting of Shareholders, and strives to provide in-depth explanations in response to questions from shareholders at the General Meeting.

・Institutional investors (in Japan)

The Company holds quarterly financial results briefings by the President and Chief Executive Officer and the CFO for institutional investors in Japan as well as small meetings hosted by the President and Chief Executive Officer and CFO on a biannual basis. When shareholders and investors request meetings on an individual basis, the President and CEO, CFO and the Investor Relations Department, hold one-on-one meeting whenever possible. The Company also holds business unit briefings, ESG briefings, etc., by the sales department on a regular basis. Additionally, since FY2019, the Company has held an Investor Day to carry out deep dialogue with institutional investors, with the goal of supporting them to understand its initiatives for medium to long-term growth.

・Institutional investors (outside Japan)

The Company regularly visits institutional investors, primarily in Europe, North America and Asia, to hold one-on-one meetings with the President and CEO, CFO and the Investor Relations Department. The Investor Relations Dept., the Sustainability Promotion Dept., and the Corporate Legal & General Affairs Department jointly holds one-on-one meeting with managers who are in charge of executing voting rights in institutional investors (SR activities) in Japan, Europe and the United States (done online in 2021 as well as in 2020).

・Individual investors

The Company periodically holds briefings in various cities in Japan, as well as online briefings several times a year.
(All of these were held online in FY2021, as in FY2020.)
To shareholders and investors, the Company discloses not only financial but also non-financial information, including that related to ESG. By presenting the Group's medium- to long-term efforts to increase its corporate value, the Company strives to enhance dialogue with them.

<List of activities in FY2021>
President and CEO: General Meeting of Shareholders, financial results briefings (14 times), Investor Day, dialogue with institutional investors in and outside Japan (11 times), and online briefings for individual investors (1 time)
CFO: Financial results briefings (4 times), dialogue with institutional investors in and outside Japan (22 times)
CFO: Financial results briefings (1 time), ESG briefings (1 time), dialogue with institutional investors in and outside Japan (1 time), SR activities (5 times overseas)
CAO: ESG briefings (1 time), SR activities (3 times in Japan and overseas, respectively)
Investor Relations Department:
Dialogue with institutional investors in and outside Japan and analysts (approximately 220 times), online briefings for

individual investors (5 times), and dialogue with shareholders as part of SR activities (26 times in Japan and 13 times overseas)

(Wholesale trade)

Example 3: Holding periodic meetings between all outside directors and institutional investors

- IR activities are supervised by the President in person, who also handles IR interviews and financial results briefings. We take other proactive actions for overseas investors, such as giving them direct explanations. We also hold meetings between the members of the Supervisory Committee, including all the outside directors, and institutional investors on a regular basis.
- To promote dialogue with shareholders rationally and conduct flexible IR activities, the Public Relations & Investors Relations Section is set up under the General Affairs Department.
- Dialogue with domestic and overseas institutional investors and analysts is held upon request with the President and CEO, Officers in charge, or the Public Relations and Investor Relations Section of the General Affairs Department.
- With the Public Relations and Investor Relations Section specialized in the IR activities, other divisions and departments, such as the Finance and Accounting Department and the Corporate Planning Section of the President's Office, work together in an effort to provide more effective information.
- For institutional investors, we announce financial results as well as hold events, such as financial results briefings, management strategy briefings, and tours to our logistics centers. For individual investors, we participate in IR events for individual investors sponsored by stock exchanges as well as make proactive information disclosures, such as contributing articles to stock information magazines and enhancing our website.
- Since 2017, we have held a company information session for shareholders at our Shinagawa Showroom, creating an opportunity to explain our company to individual shareholders mainly in the Kanto region. In the session with all the directors present, the President and CEO gives a presentation on the Company. (Not held in FY2020 and FY2021 to prevent the spread of the COVID-19)
- Presentation materials used and dialogue held in each event are disclosed on our website, with English versions where necessary.
- An integrated report is prepared for each fiscal year and published in both Japanese and English on our website. (https://www.●●.co.jp/company/ir/library/report.html)
- We are engaged in activities to deepen shareholders' understanding of our management strategy, business environment, business progress, and financial information, through direct dialogue and the public disclosure of materials and videos of financial results briefings and general shareholders' meetings on our website.
- The feedback received through dialogue with shareholders and investors is used to improve our management, by the Public Relations and Investor Relations Section.
- We properly handle insider information controls by ensuring the management of undisclosed material facts in accordance with the Rules for the Management of Insider Trading (Insider Trading Prevention Rules).

(Wholesale trade)

Example 4: Disclosing the details of the internal relay of shareholder/investor opinions

The IR Promotion Office of the Corporate Planning Department, which belongs to the Corporate Strategy Division supervised by the top management, is in charge of coordinating dialogue with shareholders and investors, and the top management, the director in charge, and senior management (executive officers etc.) attend meetings, with subjects, schedules, and other factors taken into account.

As a method of having dialogue, we hold conference calls in the first and third quarters of the fiscal year and financial results briefings for the first half and the full year, as well as individual interviews in Japan and overseas. The Company will also hold facility tours, IR Day (a day for investors attended and explained by the directors in charge) and other small meetings that it hosts as appropriate and join in small meetings and IR conferences organized by securities companies, in an effort to create opportunities of dialogue with shareholders and investors.

Opinions and other information received from shareholders and investors through dialogue are reported by Director in charge of IR at the Board of Directors meetings on a regular basis, along with a feedback reporting from General Manager of the IR Promotion Office to the Director on a quarterly basis and a feedback meeting with Outside Directors on a semiannual and case-by-case basis. For Outside directors, this feedback meeting is an opportunity to gain a deep understanding of the views of shareholders and investors, and by having a forum of discussion with General Manager of the IR Promotion Office, they will lead up to an opportunity to lay greater stress on market participants. We will also relay the views of market participants to our senior management and the ●● senior management, one of our major subsidiaries, (executive officers, general managers at their head office, etc.), and the presidents of the regional headquarters of overseas businesses by e-mail and other means as needed, while providing feedbacks to relevant internal parties on a quarterly basis, in an effort to reflect the views in our corporate activities.

With the IR Promotion Office serving as an executive office, the Corporate Communications Department, the Office of Secretary, the Financial Planning Department, the Accounting Department, the Corporate Planning Department, and other departments at the head office work together to formulate, implement, and revise disclosure policies, or discuss the appropriateness of information disclosure activities and submit it to the Board of Directors for review and approval/determination. In accordance with the disclosure policy resolved by the Board of Directors, the Company makes information disclosures with the top management or Director in charge of each disclosed information as a responsible person. Through a business execution report from the Director in charge of the Corporate Planning Department, the Board of Directors shares the details of information disclosure activities and confirms their appropriateness.

Our disclosure policy is posted on our website.

Japanese: https://www.●●.com/ja/ir/disclosure/

English: https://www.●●.com/en/ir/disclosure/

(Land transportation)

4 - 1 - 2. Formulation/publication of disclosure policy

Following the inclusion of fair disclosure rules[102] in the revised Financial Instruments and Exchange Act which was enforced on April 1, 2018, 50.8% (1,917 companies) of all formulated and announced their disclosure policy, showing an increase from 43.9% at the time of counting for the previous White Paper.

By market segment, the Growth Market had the highest percentage of formulation/announcement at 80.9%, followed by the Prime Market at 58.7% and the Standard Market at 31.0%. (Chart 125)

As to descriptions, there were many companies that described their stance including constructive dialogue with shareholders and investors, timely, appropriate, and fair information disclosure, and mutual communication, as well as descriptions on the development of regulations including compliance with the Companies Act, the Financial Instruments and Exchange Act, various laws and regulations, and the TSE regulations; the prompt disclosure of information; and posting information on corporate websites. There were also companies that clearly described the establishment of a silent period on the release date of financial results during which no comments regarding the financial results or responses to inquiries would be made in order to prevent the leakage of information that could affect the stock price.

In addition, there were companies that stated they prohibited the preferential disclosure of non-disclosed material information and companies describing an awareness of fair disclosure through efforts to disclose information deemed to be useful even if it was not information subject to related laws or regulations or the Timely Disclosure Rules.

102 This states, "When a listed company, etc. communicates (undisclosed) material information, etc. to business partners, such as financial instruments business operators, in relation to its business, it must make that material information public at the same time as it is communicated to the business partner." In the "Action Guidelines for Best Practices of Information Disclosure and Dialogue" (https://www.jira.or.jp/download/guiding_20180228.pdf) published by the Japan Investor Relations Association, companies are encouraged to formulate their disclosure policies with the aim of proactively communicating their efforts to achieve sustainable growth and enhance corporate value over the medium to long term, and to engage in in-depth dialogue with investors.

Chart 125 Investor Relations (IR) Activities (by Market Segment)

	Formulation/ publication of disclosure policy	Briefings for individual investors	Briefings for analysts & institutional investors	Briefings for overseas investors	Posting on the company website	Establishment of department in charge of IR
All companies	50.8%	41.7%	78.1%	25.0%	99.0%	93.7%
Prime	58.7%	45.8%	94.0%	29.8%	99.6%	97.4%
Standard	31.0%	24.4%	52.9%	7.8%	98.1%	87.4%
Growth	80.9%	78.8%	94.1%	58.9%	99.8%	98.7%
JPX-Nikkei 400	73.9%	52.4%	99.5%	61.9%	99.5%	99.5%

4 - 1 - 3. Holding regular briefings

Investor briefings or seminars are an important means for establishing direct contact between listed companies and investors. TSE has continuously contributed to improving their communications with investors by holding briefings.

(1) For individual investors

Companies which hold regular briefings[103] for individual investors accounted for 41.7% of TSE-listed companies. (Chart 125) In 29.6% of these companies, company representatives make presentations.

By market segment, the highest is 78.8% in the Growth Market, followed by 45.8% in the Prime Market and 24.4% in the Standard Market.

In supplementary explanations, many companies mentioned that they hold regular briefings, and some listed the date, the number of times, and the location of briefings. Some companies mentioned their participation in briefing events for individual investors sponsored by securities exchanges or the Securities Analysts Association of Japan, and other companies also mentioned their posting of the materials for such briefings on their website to disclose information to individual investors that did not participate in briefings, for the sake of fair information. Furthermore, there were companies that described the representative director and president using slides at briefings to provide their own explanations, and the representative director and president providing their own response to questions.

(2) For analysts and institutional investors

Companies which hold regular briefings for analysts and institutional investors accounted for 78.1% of TSE-listed companies. (Chart 125) In 74.5% of these companies, company representatives make presentations.

By market segment, the percentage of companies which hold briefings for analysts and institutional investors is higher in the Growth Market (94.1%) and the Prime Market (94.0%), than in the Standard Market (52.9%). After the market segments were restructured, opportunities for dialogue with analysts and institutional investors appear to be increasing in the Prime Market, which centers on constructive dialogue with domestic and overseas institutional investors, and in the Growth Market, which requires the timely and appropriate disclosure of business plans for enabling the realization of high growth potential and their progress.

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103 “Regular briefings” refer to the case where a company holds briefings with certain frequency throughout a year (at least once a year).

According to supplementary explanations, biannual briefings were held after the release of year-end financial results and after the release of second quarter results in some cases, or quarterly briefings were held for each quarter in other cases. In addition to briefings physically held at a venue, some of them were held via conference call or online.

(3) For foreign investors

Companies which hold regular briefings for overseas investors accounted for 25.0% of TSE-listed companies. (Chart 125) In 15.1% of these companies, company representatives make presentations.

By market segment, the Growth Market had the highest percentage at 58.9%, followed by the Prime Market at 29.8% and the Standard Market at 7.8%. As for JPX-Nikkei 400 companies, 61.9% hold briefings for overseas investors, 32.1 points higher than in the Prime Market.

Many companies stated in their supplementary notes that executives go abroad to speak at such briefings or individual meetings. Destinations are mainly the US and Europe, but some companies reported that they also held such sessions in Asian countries such as Hong Kong and Singapore. Some also note that they hold online meetings using a web conference system after the COVID-19 pandemic. Moreover, there were also cases of companies mentioning the number of times of briefings and meetings with investors were held, participation in conferences for overseas institutional investors hosted by securities firms, distributing information with English translations over the website, and arranging visits to overseas factories. Among companies that do not hold briefings for overseas investors at present, there were some mentioning it as an issue for future consideration.

4 - 1 - 4. Posting on the company website

The disclosure of IR materials[104] via company websites is already generally known as a tool for providing information to investors and market participants. The CG Report requires companies to state whether they post IR materials on their own websites and to explain the types of information they post on company websites and their URLs as supplemental explanations on IR activities, if they do post such data.

TSE-listed companies which post IR information on company websites reached 99.0%, and accordingly, this is already considered to be a generally used method (Chart 125).

In terms of the types of IR materials posted on company websites, the majority of companies mention financial results information and other timely disclosure materials, etc. A high percentage of companies mentioned keywords related to financial results, as 53.9% mentioned “earnings summary”, 49.2% mentioned “annual securities reports”, and 19.9% mentioned “convening notice”. There were also descriptions containing instances of integrated reports, corporate governance information, sustainability reports, TCFD reports, CSR reports, intellectual property reports, and fact books. 226 companies also posted videos.

4 - 1 - 5. Department (or person) responsible for IR

93.7% of TSE-listed companies mentioned that they have a department or person responsible for IR activities. By market segment, the Growth Market (98.7%) and the Prime Market (97.4%) had a

104 “IR materials” are documents or electromagnetic files prepared by a company to serve for investors, etc. (investors, securities analysts, business partners or shareholders) to understand and evaluate the current state of the company appropriately.

high percentage, while the Standard Market had a limited one at 87.4%. Among JPX-Nikkei 400 companies, nearly all (99.5%) of them have the IR department or person responsible in place. (Chart 125)

As to a department actually in charge of IR, while the majority have the specialized IR department, some companies stated that the (management) planning, PR, or financial accounting department had IR functions or operations.

4 - 1 - 6. English-language disclosure (Supplementary Principle 3.1.2)

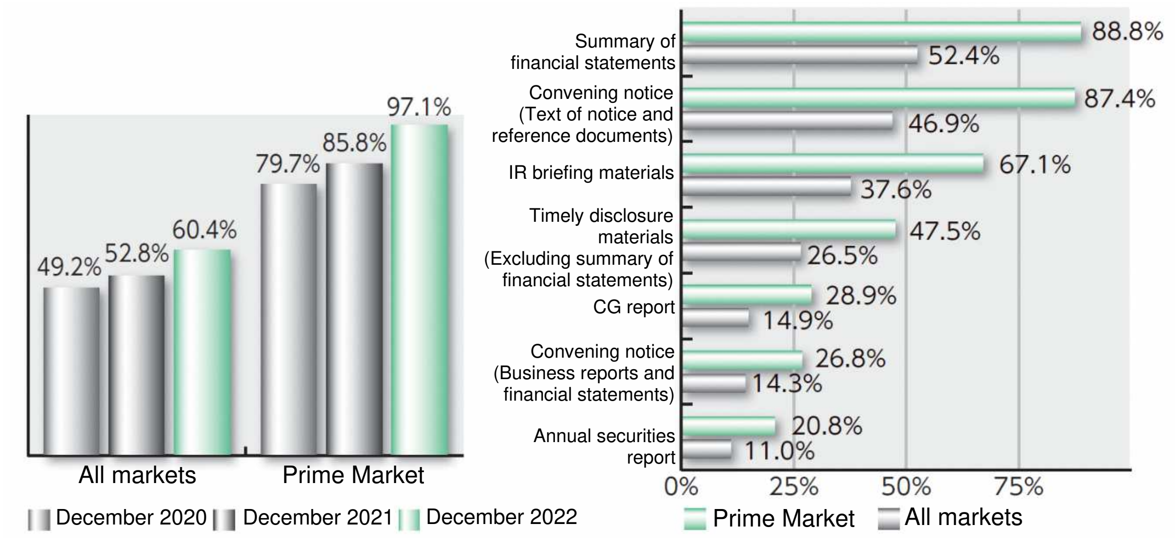
As to the existing Supplementary Principle 3.1.2: "Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosure," some noted in a follow-up meeting that English-language disclosure should be further promoted in the Prime Market, which is oriented to constructive dialogue with global investors, as increasing efforts of making English-language disclosure are seen in non-English-speaking countries. As such, the 2021 revision includes, among other things, a principle that the companies listed on the Prime Market should disclose and provide "required information" in their disclosure documents, in English. Even before the revision, the English-language disclosure was desirable, especially for companies with a high percentage of shares held by foreign nationals, and these listed companies took actions in line with this. Given the purpose of the revision, the Prime Market-listed companies are expected to take steps toward disclosure in English regardless of the current ratio of foreign ownership.

The rate of English disclosure is on the increase every year; as at the end of December 2022, 60.4% of all TSE-listed companies and 97.1% of the Prime Market companies provided English-language disclosure[105]. The transition to the new market segments has triggered progress of such efforts, particularly by the companies listed on the Prime Market[106]. Looking at the percentage of the Prime Market-listed companies that provide English disclosure by type of materials, most companies disclose summary of financial statements (88.8%), convening notices for general shareholders' meetings (text of notice and reference documents) (87.4%), and IR briefing materials (67.1%), while the smaller percentage of companies disclose timely disclosure materials excluding summary of financial statements (47.5%), CG reports (28.9%), business reports and financial statements attached to convening notices (26.8%), and securities reports (20.8%). (Chart 126) As for the timing of disclosure, 47.9% and 60.2% of the Prime Market-listed companies disclose summary of financial statements and convening notices for general shareholders' meetings (text of notice and reference documents), respectively, in Japanese and in English at the same time or on the same day. (Chart 127).

105 A "listed company that provides English-language disclosure" refers to a company that answered that they provide English disclosure of any of the following documents included in the scope of the survey: Summary of financial statements; other timely disclosure materials; convening notice of general shareholders' meeting (text of notice); convening notice of general shareholders' meeting (business report and financial statements); securities report; IR briefing materials; and other English disclosure materials.

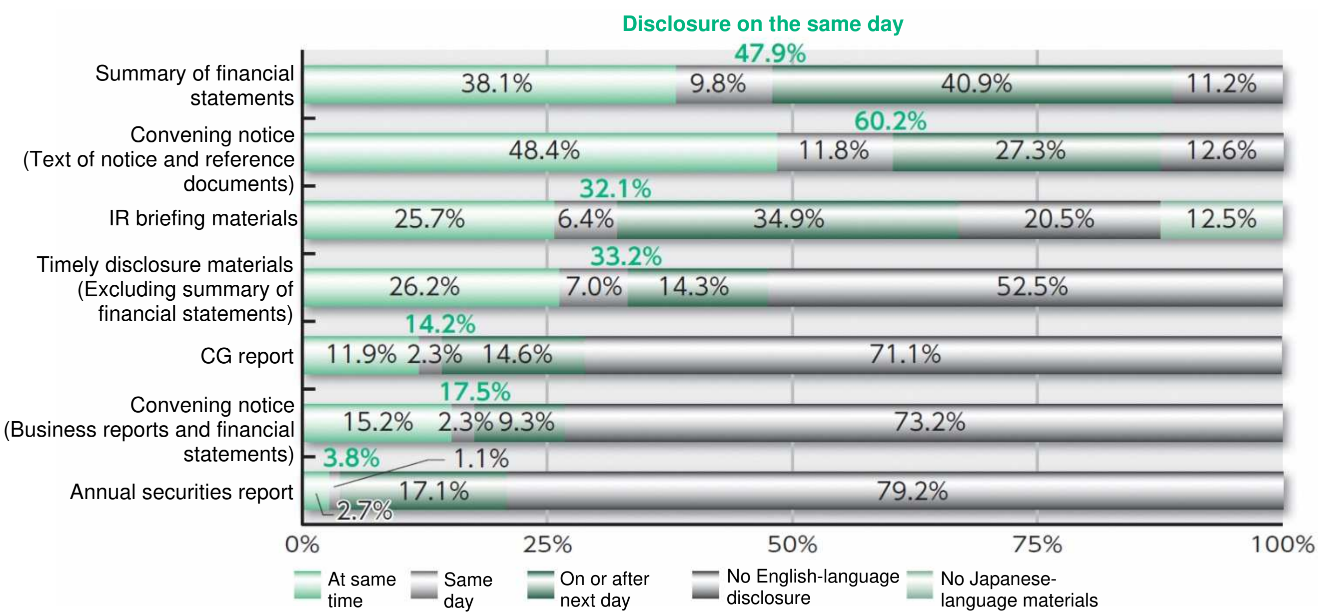
106 https://www.jpx.co.jp/equities/listed-co/disclosure-gate/survey-reports/nlsgeu000005qpys-att/ co3pgt0000005u3w.pdf

Chart 126 Percentage of English-Language Disclosure



Source: TSE "Survey on the Provision of English-Language Disclosure: Result Report" (as at the end of December 2022)

Chart 127 Timing of English-Language Disclosure by Prime Market-Listed Companies (Number of Companies)



Source: TSE "Survey on the Provision of English-Language Disclosure: Result Report" (as at the end of December 2022)

Meanwhile, not a few listed companies recognize the importance of English disclosure but wonder how they should deal with it or discuss the "documents required" to be disclosed in English. The TSE, thus, prepared the Practical Handbook for English Disclosure (published in September 2022) to help listed companies to start or expand their English disclosure practices. Further, in order to provide an opportunity to understand the needs of overseas investors, a questionnaire survey was conducted with overseas institutional investors and the results were published in August 2021. The results are as outlined below. For more details, refer to each respective material as necessary.

(1) Practical Handbook for English Disclosure[107]

The Handbook is prepared as a reference guide for listed companies when they start or expand English disclosure practices. The first chapter deals with planning for English disclosure, and the second chapter covers key points for preparing English materials (1) (when outsourcing translations), with the third chapter covering key points for preparing English materials (2) (when using machine translation). It also contains columns about the U.S. Securities Act, such as “Will English disclosure be required when ADRs are issued?”

Chart 128 Outline of Practical Handbook for English Disclosure

Chapter 1 Drafting a plan for English disclosure (PRONEXUS Inc.)	1-1 Needs for English disclosure 1-2 Clarifying purpose and formulating policy for English disclosure 1-3 Selecting documents to be disclosed in English and scope of translation 1-4 Timing of English disclosure 1-5 Developing systems, human resources, technologies, and knowledge for conducting English disclosure 1-6 Use of disclaimer
Chapter 2 Key points for preparing English materials (1) (When outsourcing translations) (Takara Printing Co., Ltd.)	2-1 Overall work flow 2-2 Key points when signing a contract 2-3 Key points when requesting translations 2-4 Requesting translation of manuscripts containing confidential information 2-5 Points of confirmation for deliverables
Chapter 3 Key points for preparing English materials (2) (When using machine translation) (Eiichiro Sumita, National Institute of Information and Communications Technology)	3-1 What is machine translation? 3-2 Latest knowledge of machine translation 3-3 Key points to consider when introducing machine translation 3-4 Tips for taking advantage of machine translation 3-5 Conclusion

In addition to the above, columns about the U.S. Securities Act are contained.

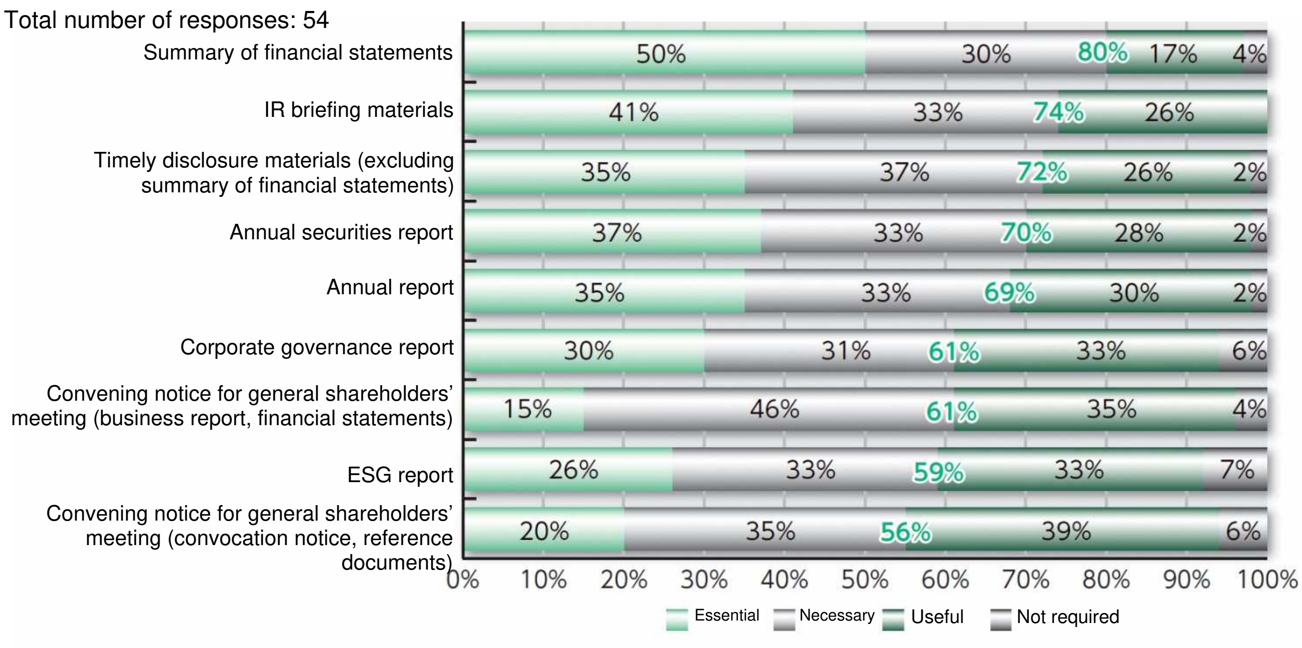
Authors are shown in parentheses.

(2) Results of the questionnaire of overseas investors on English-language disclosure[108]

The results of the questionnaire are compiled from the results of a questionnaire survey and interviews conducted with overseas institutional investors, etc., between July 1, 2021 and August 13, 2021. With regard to English-language disclosure by Japanese companies, more than 80% of the respondents recognized some improvements in their efforts, while nearly 60% were still dissatisfied with a gap in the amount of information and the timing of disclosure between Japanese and English versions. The results show that inadequate English disclosure is a disincentive for dialogue and the exercise of voting rights, which affects investment behavior. Over 70% of the respondents also answered that the English disclosure of summary of financial statements, IR briefing materials, timely disclosure materials, and securities reports is “mandatory” or “necessary (Chart 129), and most of them gave particular priority to summary of financial statements and IR briefing materials (Chart 130).

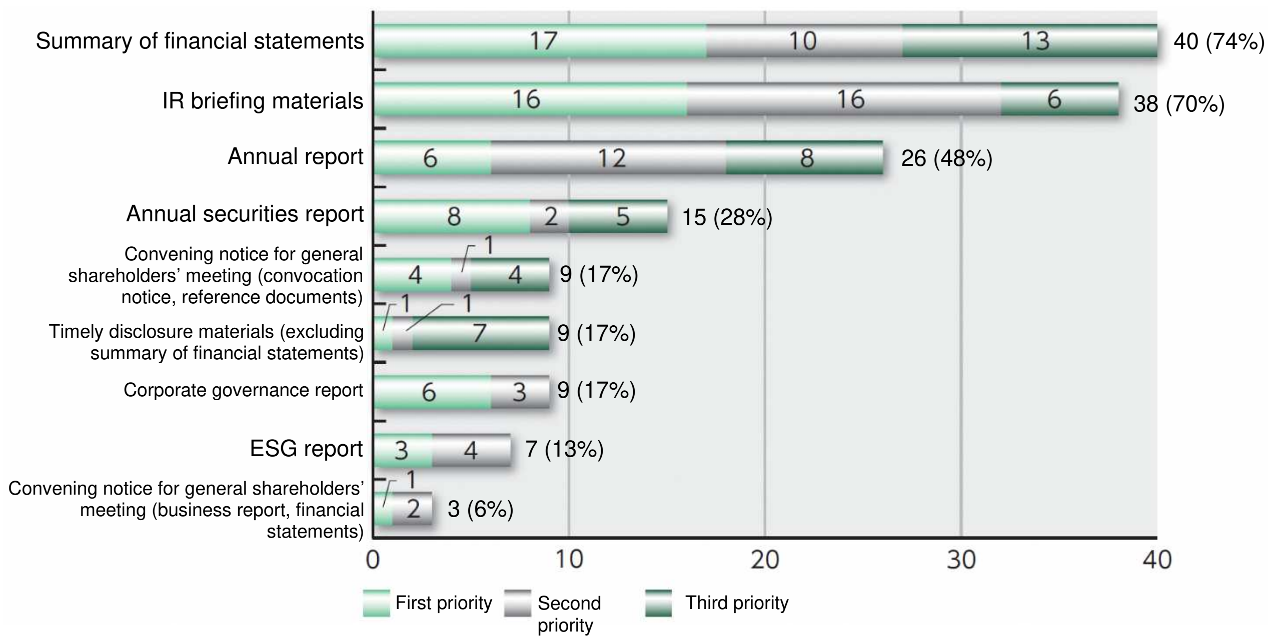
107 https://www.jpx.co.jp/equities/listed-co/disclosure-gate/handbook/nlsgeu000006 mkr2-att/ nlsgeu000006nbam.pdf
108 https://www.jpx.co.jp/equities/listed-co/disclosure-gate/survey-reports/nlsgeu000005qpys-att/ nlsgeu000005qq18.pdf

Chart 129 Materials Required to be Disclosed in English



Source: TSE "Questionnaire Results of Overseas Investors on English-Language Disclosure"

Chart 130 Materials for Which English Disclosure Should be Prioritized



Source: TSE "Questionnaire Results of Overseas Investors on English-Language Disclosure"

4 - 2. General shareholders' meeting

4 - 2 - 1. Early dispatch and early disclosure of convening notices (Supplementary Principle 1.2.2)

76.8% (2,897 companies) stated that they dispatch convening notices for general shareholders' meetings early[109]. Of these, 15.5% (583 companies) stated that they send out the notices approximately three weeks prior to the general shareholders' meeting, and 1.2% (44 companies) stated that they do so about four weeks in advance.

By market segment, the percentage of companies providing early dispatch of convening notices is 85.2% in the Prime Market and 87.4% in the Growth Market, representing higher rates than 62.8% in the Standard Market. (Chart 131). As for JPX-Nikkei 400 companies, 90.7% of them dispatch notices early, 5.5 points higher than in the Prime Market.

Chart 131 Efforts for Encouraging Shareholders' Participation in General Meetings (by Market Segment)

	Early dispatch of convening notice	Setting of general shareholders' meetings avoiding peak dates (Companies with a fiscal year ending in March)	Exercise of voting rights by electronic means	Use of electronic voting platform	English translation of convening notice
All companies	76.8%	38.3%	71.0%	54.5%	55.5%
Prime	85.2%	45.2%	89.0%	82.5%	82.5%
Standard	62.8%	33.3%	44.0%	15.2%	17.7%
Growth	87.4%	27.0%	84.1%	66.2%	66.9%
JPX-Nikkei 400	90.7%	52.1%	96.2%	93.5%	94.0%

The percentage of companies that comply with Supplementary Principle 1.2.2, which prescribes the early dispatch of the convening notices along with digital disclosures (TDnet and company websites) prior to dispatch for the purpose of allowing sufficient time for consideration of the agenda for general shareholders' meetings, was 99.3% (1,824 companies) in the Prime Market and 92.5% (1,347 companies) in the Standard Market.

A system for the electronic provision of materials for general shareholders' meetings was established as a result of the 2019 amendment to the Companies Act. For ordinary general shareholders' meetings held on and after March 1, 2023, listed companies are required to provide materials for general shareholders' meetings, such as reference documents for general shareholders' meetings, financial statements and business reports, via electronic means (posting information on company websites or TSE-listed companies information services), at least three weeks prior to the date of the general shareholders' meeting[110]. It is expected that this will enable shareholders to review the full contents of shareholder meeting materials earlier than they did previously. In addition to this

109 In "Early dispatch of convening notices for general shareholders' meetings" in "III. Implementation of measures related to shareholders and other stakeholders" of the CG report, "early dispatch" is defined as the dispatch of convening notices for the most recent annual general meeting three or more business days earlier than the statutory notification deadline.

110 Article 325-3, Paragraph 1 of the Companies Act.

Supplementary Principle, the TSE requires companies to provide meeting materials at an early date in the Corporate Code of Conduct[111], in terms of ensuring sufficient time for shareholders to consider proposals; listed companies are expected to start providing the materials electronically at even an earlier date.

4 - 2 - 2. Avoidance of peak dates (Supplementary Principle 1.2.3)

Companies with a fiscal year ending in March remained numerous, accounting for 61% of all TSE-listed companies (Chart 3). Partly because shareholder rights may be exercised only within three months from the record date[112], most companies hold their annual general meetings around the end of June. In the fiscal year ending March 2022, 26.0% (596 companies) held[113] their annual general meeting on a peak date[114]. The concentration of shareholder meeting dates makes it difficult for shareholders who own issues of more than one company to attend, and TSE has been requesting that the timing of the meetings be staggered[115]. Recently, some listed companies have set a date differing from the fiscal year end as the record date of the general shareholders' meeting, and have also set the schedule for the general shareholders' meeting more flexibly. Going forward, such efforts to avoid peak dates are spread among companies ending their fiscal year in March.

In the CG Reports, out of all companies with a fiscal year ending in March, 38.3% stated that they scheduled their general shareholders' meetings on non-peak dates (Chart 131). In terms of supplementary explanations, many companies mentioned the "establishment of an environment that makes it possible for as many shareholders as possible to attend." For example, some CG Reports stated that the annual general meeting was held on a Saturday or Sunday for the shareholders' convenience, or, in relation to venues, that ease of access was considered (e.g. distance from stations).

By market segment, the ratio of companies with a fiscal year ending in March that avoid peak dates is 45.2% in the Prime Market, higher than in the Standard Market (33.3%) and the Growth Market (27.0%) (Chart 131). 52.1% of JPX-Nikkei 400 companies avoid peak dates, 6.9 points higher than in the Prime Market. The compliance rate with Supplementary Principle 1.2.3, which requires setting an appropriate schedule for general shareholders' meetings, was 99.6% (1,829 companies) in the Prime market and 97.8% (1,424 companies) in the Standard Market.

4 - 2 - 3. Exercise of voting rights by electronic means

Exercise of voting rights by electronic means[116] is allowed by the board by stipulating that shareholders who are unable to attend the general shareholders' meeting may exercise their voting rights in this way[117]. Companies that specify the exercise of voting rights by electronic means accounted for 71.0% of all companies, up from 51.0% in the previous survey. This shows that the

111 Rule 446 of Securities Listing Regulations and Rule 437-3 of Enforcement Rules for Securities Listing Regulations.
112 Article 124, Paragraph 2 of the Companies Act.
113 Information on the general shareholders' meetings of companies with fiscal year ending in March on the Japan Exchange Group website (https://www.jpx.co.jp/listing/eventschedules/shareholders-mtg/index.html)
114 "Peak dates" refers to dates when very large numbers of listed companies hold their annual general meetings, based on the dates of the most recent annual general meetings (usually the date with the highest number of meetings throughout the year is assumed).
115 Rule 446 of Securities Listing Regulations and Rule 437-1 of Enforcement Rules for Securities Listing Regulations
116 Specific examples include the use of voting platforms for institutional investors, as well as voting services for individual investors via smartphones, etc.
117 Article 298, Paragraph 1, Item 4 and Paragraph 4 of the Companies Act.

environment is gradually being developed, especially in the Prime Market.

By market segment, there is a large gap in the percentage of companies that set the exercise of voting rights by electronic means in the Prime Market (89.0%) and the Growth Market (84.1%) vs. the Standard Market (44.0%). (Chart 131)

4 - 2 - 4. Use of electronic voting platforms for institutional investors (Supplementary Principle 1.2.4)

TSE has striven to foster an environment that facilitates the exercise of voting rights by institutional investors. The CG Report requires listed companies to check off a box if they use electronic voting platforms such as those operated by ICJ and trust banks for institutional investors as part of efforts toward raising participation in general shareholders' meetings and facilitating the exercise of voting rights.

54.5% of all listed companies stated their use of electronic voting platforms for institutional investors. (Chart 131) By market segment, in the wake of the Code revision and the restructuring of market segments, the Prime Market had a percentage of 82.5%, nearly 30 points higher than the former First Section's in the previous survey.

4 - 2 - 5. Preparation of English translations of convening notices and materials for general shareholders' meetings

According to the "FY2021 Survey on the Distribution of Shares" published by stock exchanges nationwide, the percentage of shares held by foreign shareholders has remained high in recent years, with the 30.4% of shares held by foreign institutional investors and other foreign corporations. Against the backdrop of such foreign shareholders, an increasing number of companies are taking steps such as preparing convening notices in English. The CG report requires listed companies to check off a box if they prepare convening notices for annual general meetings and materials for general meetings, or summaries of such notices, etc., in English as part of efforts toward increasing participation in general shareholder meetings and facilitating the exercise of voting rights.

The ratio of companies that prepared convening notices and materials for annual general meetings (including their summaries) in English was 55.5%. By market segment, 82.5% in the Prime Market and 66.9% in the Growth Market showed a wide difference from 17.7% in the Standard Market. (Chart 131) 94.0% of JPX-Nikkei 400 companies is as much as 11.5 points higher than in the Prime Market.

The compliance rate with Supplementary Principle 1.2.4, which prescribes the creation of an infrastructure for electronic voting (e.g., the use of an electronic voting platform) and the provision of convening notices in English, was 83.9% (1,542 companies) in the Prime Market and 15.7% (228 companies) in the Standard Market, with a significant increase seen in the compliance rate of the Prime Market-listed companies. Apparently, measures/actions in line with the concept of the Prime Market are making progress at companies listed on the Market. With regard to reasons for non- compliance with the Supplementary Principle in the Standard Market, the most common explanation was that the current ratio of foreign shareholders was low, but that compliance would be considered in the future if this ratio increased.

4 - 2 - 6. Other efforts for facilitating shareholders' active participation in general shareholders' meetings and the smooth exercise of voting rights

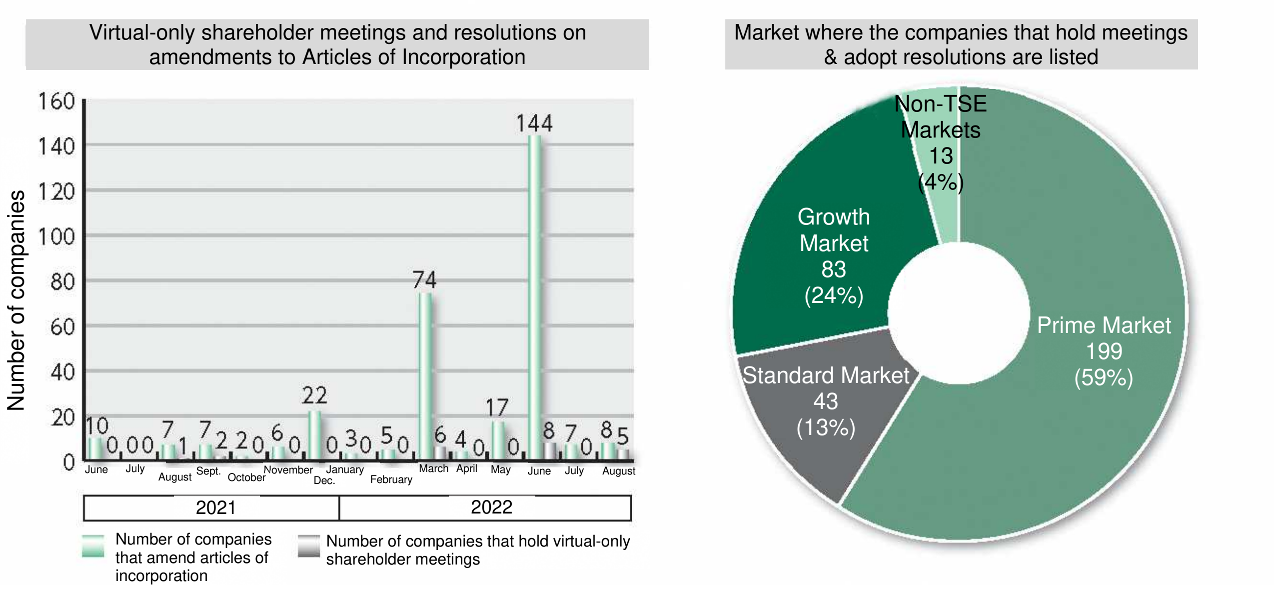
Companies that take other measures for facilitating shareholders' active participation in general shareholders' meetings and the smooth exercise of voting rights in addition to the above are required to provide supplementary explanations on such measures in the CG Report.

A review of the supplementary explanations in CG reports found that 34.0% (1,281 companies) of TSE-listed companies mentioned the use of websites, etc.[118] 10.3% of companies (390) had descriptions related to visual presentations[119]. For example, at general shareholders' meetings, some companies have arranged slide materials, etc. used at the financial results briefings for securities analysts and institutional investors in a way that is easy for individual shareholders to understand, and adopted a style where the Chairperson gives explanations in his/her own words to the shareholders at the venue, not just reading out such materials; and their policy also generally requires the Chairperson to provide detailed replies during Q&A sessions.

In previous years, with the aim of furthering communication with shareholders, there has been a trend for holding company briefings after the general shareholders' meeting or holding the annual general meeting at the company's factory and holding a product information session or factory tour at the same factory in conjunction with the meeting. In 2020, however, the COVID-19 pandemic forced some companies to suspend roundtable discussions and tours. In recent years in the wake of the COVID-19 pandemic, the numbers of the hybrid participatory-type virtual shareholder meetings, which allow shareholders to view and observe deliberations on the Internet without attending the meeting in terms of the Companies Act, and the hybrid attendance-type virtual shareholder meetings, which allow shareholders to attend the meeting in terms of the Companies Act via the Internet or other means, has increased. Through the amendment to the Industry Competitiveness Enhancement Act on June 16, 2021, a new system was created for "general shareholders' meetings with no venue/place given," as an exception to the Companies Act, which allowed companies to hold virtual-only shareholder meetings. In order to hold virtual-only shareholder meetings, listed companies must be confirmed by the Minister of Economy, Trade and Industry and the Minister of Justice, and stipulate in their articles of incorporation that a shareholder meeting may be held with no venue given/fixed[120]. According to the Ministry of Economy, Trade and Industry[121], 22 companies held virtual-only shareholders meetings by August 31, 2022, and 316 companies, about 60% of which are listed on the Prime Market, passed a resolution at their shareholder meeting on the amendment to their articles of incorporation to allow virtual-only shareholder meetings.

118 The term "websites, etc." covers companies that mentioned keywords "website" or "homepage."
119 "Visual" refers to companies that used keywords "visual" or "PowerPoint."
120 Article 66, Paragraph 1 of the Industry Competitiveness Enhancement Act
121 See METI "Explanatory Material for General Shareholders' Meetings with No Venue Given under the Industry Competitiveness Enhancement Act (September 2022)."

Chart 132 Virtual-Only Shareholder Meetings and Amendments to Articles of Incorporation (as of August 31, 2022)



Source: Compiled from METI "Explanatory Material for General Shareholders' Meetings with No Venue Given under the Industry Competitiveness Enhancement Act (September 2022)"

5. Securing the rights and equal treatment of shareholders: protecting the interests of general shareholders and minority

Based on the recognition that shareholders are the cornerstone of the diverse stakeholders of listed companies and an important starting point for corporate governance, the Code sets out basic principles on ensuring substantial shareholders' rights and equality.

General Principle 1

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively.

In addition, companies should secure effective equal treatment of shareholders.

Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

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There are a wide range of governance issues relating to ensuring the rights and equal treatment of shareholders. For instance, defensive measures against so-called hostile takeovers[122], if used properly, could contribute to corporate value and ultimately the common interests of shareholders, while if used for the protection of management, they could preserve ineffective management and damage the interests of general shareholders and investors. In view of these points, listed companies are expected to provide adequate explanations to investors about the necessity and rationality of anti-takeover measures.

Concerning group management in our country, there is a risk of structural conflicts of interest identified between controlling/quasi-controlling shareholders and minority shareholders at a listed company with controlling shareholders or those who do not hold a majority of the voting rights but have substantial voting power almost equivalent to that of the controlling shareholders (hereinafter "quasi-controlling shareholders"). Therefore, enhancing information disclosure for minority shareholders/investors and improving the effectiveness of governance are recognized as one of the issues.

As such, this chapter, among the issues relating to ensuring the rights and equal treatment of shareholders, deals with anti-takeover measures and group governance, as matters which might cause a significant impact on the interests of general/minority shareholders and thus make the protection of such interests particularly important, and provides an overview of the present state.

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122 A "hostile takeover" used in this White Paper refers to a takeover bid tendered without the current management's consent.

5 - 1. Matters concerning anti-takeover measures

TSE has stipulated matters to be complied with[123] in case of the adoption[124] of anti-takeover measures[125] in the Code of Corporate Conduct. At the same time, Principle 1.5 of the Code stipulates that from the perspective of stewardship of the board and *kansayaku* to shareholders on the implementation and operations of anti-takeover measures, its necessity and rationality should be carefully reviewed to ensure the appropriate procedures, and that sufficient explanations should be provided to shareholders. The compliance rate with the Principle was 100% (1,837 companies) in the Prime Market and 99.8% (1,453 companies) in the Standard Market.

The CG Report requires companies to indicate whether they have adopted any anti-takeover measures. Companies that have adopted such measures are required to describe their objectives and provide an overview of the scheme.

Anti-takeover measures may have a large impact on the rights of shareholders and have the potential to be abused in order to serve the interests of executives. In this respect, companies with such measures in place are required to provide explanations, including the rationality of such measures, in their CG reports.

(1) Number of companies with anti-takeover measures in place

Companies mentioning the adoption of anti-takeover measures in their CG Reports were 264, or 7.0% of TSE-listed companies. Although the number of companies that put anti-takeover measures in place had increased significantly since around 2005 due to factors including changes in the management environment, such as the unwinding of cross-shareholdings and growing interest in hostile takeovers (increased from 132 companies in 2006, when surveys for the White Paper were started, to 461 companies in 2008), the number has gradually fallen in recent years as a result of the development of laws on abusive hostile acquisitions and investors' critical outlook on anti-takeover measures. In fact, the opposition rate of institutional investors to proposals for the introduction or continuation of anti-takeover measures at shareholder meetings remains high[126].

By market segment, the percentage of companies with anti-takeover measures is 8.5% in the Prime Market, 7.0% in the Standard Market, and 1.0% in the Growth Market. (Chart 133)

As for the relationship with the ownership ratio of the largest shareholder, the ratio of companies implementing anti-takeover measures tended to be higher in the category where the ownership ratio of the largest shareholder was low, while it was only 12.8% in the category where the ownership ratio was less than 5%, down 1.0 percentage point from the previous survey (Chart 134). Meanwhile, the category of "5% to under 10%" shareholding ratio accounts for 19.2%, an increase of 4.3 points compared to the previous survey.

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123 Rule 440 of Securities Listing Regulations.

124 "Adoption" here refers to an act where a company determines the specific nature of anti-takeover measures, such as a resolution on issuance of new stocks or new share subscription rights for takeover defense.

125 An "anti-takeover measure" refers to a measure which a listed company adopts prior to the commencement of a takeover by a party that is undesirable from management's perspective, among measures intended to obstruct the acquisition of the listed company (meaning the acquisition of as many shares as necessary to exercise influence on the company), for example, by issuing new stocks or new share subscription rights not mainly for the purpose of fundraising or other business reasons.

126 According to ICJ Inc.'s Fact Sheet "Data from Shareholder Meetings Held in June 2021 (908 meetings for which host companies joined platforms)," the ratio of opposition from domestic and overseas institutional investors exceeded 80%, respectively.

The above is a summary of the status of the introduction of anti-takeover measures, but as anti-takeover measure types, most of these are advance-warning type rights plans, which require approval from shareholders. Specifically, companies establish procedures during normal times that should be followed by acquirers in the event that they begin a hostile takeover attempt. In the event of a hostile takeover attempt that does not follow pre-established procedures, the takeover will be handled as an abusive acquisition that damages corporate value, and the board will decide to issue new share subscription rights and enact a rights plan.

Most companies that have not adopted anti-takeover measures and have provided an explanation for this mentioned that the maximization of corporate value (stock price) is the most effective anti-takeover measure and that they did not plan to introduce anti-takeover measures at the time.

Chart 133 Adoption of Anti-Takeover Measures (by Market Segment)

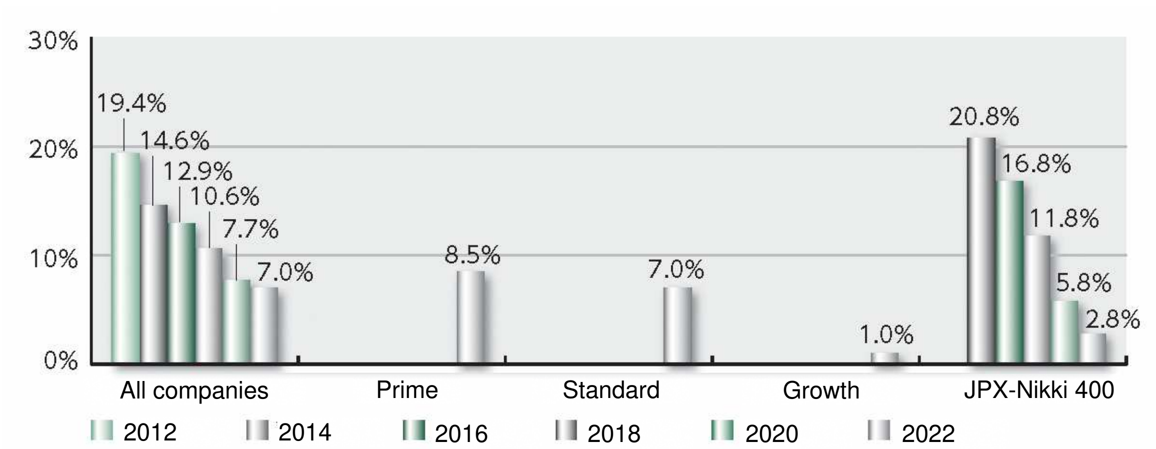
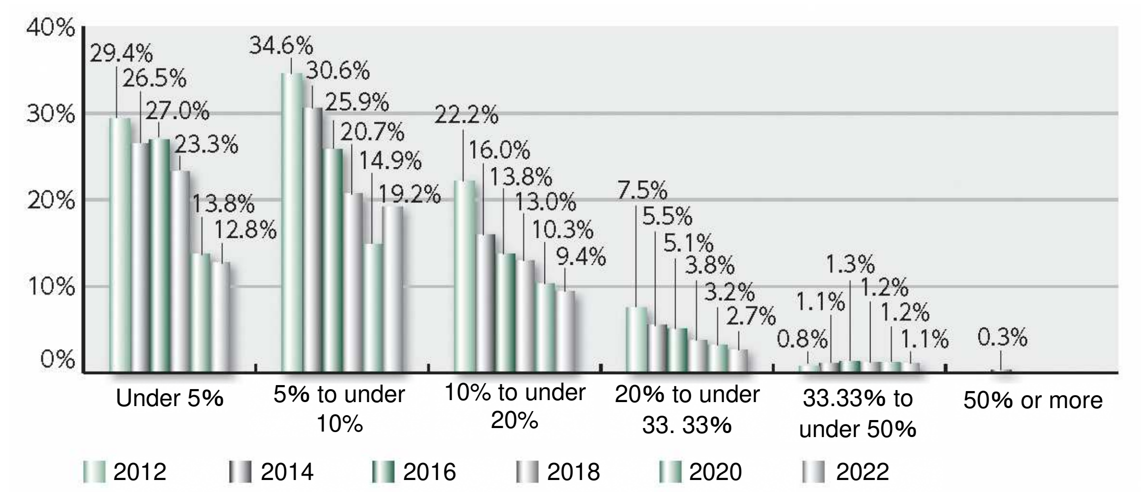


Chart 134 Adoption of Anti-Takeover Measures (By Shareholding Ratio of the Largest Shareholder)



(2) Corporate governance system of companies with anti-takeover measures

Chart 135 shows a comparison of the corporate governance systems of companies that have adopted anti-takeover measures and companies without anti-takeover measures. For companies with anti- takeover measures, the role of independent directors as advocates for general shareholders is likely to be more important, and the ratio of companies that have appointed independent directors is slightly higher in companies with anti-takeover measures.

Chart 135 Adoption of Anti-Takeover Measures and Governance System

	Average number of directors (Average per company)	Average number of independent directors (per company)	Percentage of companies appointing at least 1 independent director	Percentage of companies appointing at least 2 independent directors	Percentage of companies appointing at least one-third independent directors
Companies adopting anti-takeover measures	8.52	3.03	98.9%	92.8%	75.8%
Companies not adopting anti-takeover measures	8.07	2.91	98.5%	84.8%	68.7%

[Column (18)] Guidelines Concerning Takeover Defensive Measures for Securing and Ensuring Corporate Value and the Common Interests of Shareholders

The Ministry of Economy, Trade and Industry and the Ministry of Justice published the Guidelines Concerning Takeover Defensive Measures for Securing and Ensuring Corporate Value and the Common Interests of Shareholders in 2005. In line with judicial precedents, theories, and the Corporate Value Study Group's Corporate Value Report (published on May 27, 2005, the same day as the Guidelines were formulated), the Guidelines were intended to present legitimate and reasonable anti-takeover measures and encourage the formation of fair takeover rules, with an eye on the measures considered to be typical at the time.

According to the Guidelines, anti-takeover measures must adhere to the following principles so as to ensure or enhance corporate value and ultimately the common interests of shareholders:

1 Principle of ensuring corporate value and the common interests of shareholders

The adoption, invocation, and abolition of anti-takeover measures should be executed with the aim of ensuring or enhancing corporate value and ultimately the common interests of shareholders.

2 Principle of prior disclosure and reflection of the will of shareholders

When adopting anti-takeover measures, their purposes, content, etc. should be specifically disclosed and they should be based on the reasonable will of shareholders.

3 Principle of ensuring necessity and proportionality

Anti-takeover measures should be necessary and proportional enough to prevent takeovers.

The Corporate Value Study Group also published "Takeover Defense Measures in Light of Recent Environmental Changes" in 2008. Given the actual state of adoption of anti-takeover measures after the implementation of the Guidelines, the report presents a rational approach to anti-takeover measures that can gain the understanding and consent of shareholders and investors.

Many of anti-takeover measures today in Japan seem to be designed with reference to these guidelines or the report.

In recent years we have seen cases of the adoption and invocation of emergency-triggered anti-takeover measures (i.e., those adopted after an acquirer begins its takeover action) which are not covered in the Guidelines, and an increasing number of cases where new options (counteroffers) are presented by third parties in the wake of initial takeover offers and opinions are divided over their evaluations. In view of these changing situations, the Ministry of Economy, Trade and Industry set up the Study Group on Fair Acquisition in November 2022. Considering recent developments, the Study Group continues to examine how the parties concerned with acquisitions should conduct, with an eye on a case where the evaluation of an acquisition proposal differs between an acquirer and a target company (e.g., an acquisition without consent and a competitive acquisition), including how the parties concerned act in response to anti-takeover measures (as at the end of January 2023).

5 - 2. Group governance

5 - 2 - 1. Listed companies with controlling shareholders and parent company

A listed company with controlling or quasi-controlling shareholders has a risk of harming the interests of minority shareholders if controlling/quasi-controlling shareholders exercise their influence for their own benefits (i.e., so-called a risk of structural conflicts of interest). Properly protecting the interests of minority shareholders at a time when these risks become apparent is an essential element in developing an environment for shareholders and investors to participate in investment with a sense of security.

(1) Trends in listed companies and institutional investors for parent-subsidiary listings

In the past few years, the stock market has become increasingly critical of parent-subsidiary listings. Parent-subsidiary listings are viewed critically by overseas investors as a phenomenon unique to Japan because, in addition to creating a structural conflict of interest between the parent company as the controlling shareholder and the minority shareholders of the listed subsidiary, permanent parent-subsidiary listings are uncommon overseas (e.g., in the United States and the United Kingdom). While the corporate governance of listed companies in Japan has evolved significantly since the formulation of the Stewardship Code and the Corporate Governance Code, parent-subsidiary listings, along with cross-shareholdings, have been recognized as one of the remaining representative issues related to corporate governance.

Chart 136 shows the main stock market trends, etc. regarding parent-subsidiary listings. With regard to the protection of minority shareholders in parent-subsidiary listings, TSE clearly stated in its "Comprehensive Improvement Program for Listing Systems 2007" in 2007 that "TSE should set forth in its Code of Corporate Conduct measures to prevent minority shareholders from suffering damage due to conflicts of interest in transactions involving management and controlling shareholders" as a matter for continued consideration. Since then, TSE has consistently made efforts to protect the minority shareholders of listed subsidiaries by enhancing the disclosure system and requiring companies to "obtain an opinion that the transaction is not disadvantageous to minority shareholders" in case of important transactions with controlling shareholders.

In March 2019, at a meeting of the Council on Investments for the Future established at the Headquarters for Japan's Economic Revitalization, the then Prime Minister Shinzo Abe instructed relevant ministers to consider making rules to improve corporate governance of "listed subsidiaries" on the stock market. In addition, the Ministry of Economy, Trade and Industry (METI) released practical guidelines on group governance systems in June 2019, which suggests how listed subsidiaries should be governed. From the perspective of protecting minority shareholders, securing independent directors at listed subsidiaries is a major issue to consider, and the practical guidelines state that independent directors should be at least one-third or a majority of board members (see column (xix) “practical guidelines concerning group governance system (group guidelines)”).

In addition, the 2021 revision of the Code requires the appointment of a majority (in the case of companies listed on the Prime Market) or 1/3 or more (in the case of companies listed on the Standard Market) of independent outside directors who are independent of the controlling shareholders, or, in lieu of them, the establishment of a special committee consisting of persons who are independent of the controlling shareholders.

In parallel with these developments, as shown in Chart 137, following the 2021 revision of the Code and the start of the Prime Market in 2022, major voting advisory companies and many institutional investors are now introducing the so-called controlling shareholder standard, which requires a majority of the board members of listed companies with controlling shareholders or parent companies to be outside directors or independent outside directors, as the standard for exercising voting rights, and the level of corporate governance required of listed subsidiaries is higher than ever before.

Chart 136 Major Capital Market Trends Concerning Listed Companies

Timing	Entity	Major movements
April 2007	Tokyo Stock Exchange	The “Comprehensive Improvement Program for Listing Systems 2007” was published and "establishing measures in the Corporate Code of Conduct to prevent minority shareholders from suffering damages due to conflicts of interest in transactions involving management and controlling shareholders" was specified as a matter for continuous consideration.
June 2007	Tokyo Stock Exchange	The “Basic Stance of TSE on Subsidiary Listings” was published to raise awareness that subsidiary listings are not necessarily a desirable capital policy.
July 2008	Tokyo Stock Exchange	Disclosure of matters relating to parent companies, etc. and transactions involving the management and controlling shareholders of companies that have parent companies, etc. was enhanced in accordance with the “Comprehensive Improvement Program for Listing Systems 2007.” *The disclosure regarding “parent company, etc.,” which was previously subject to timely disclosure for companies that have parent companies, etc., has been restructured as disclosure regarding “controlling shareholders, etc.,” and the scope has been expanded to include individual controlling shareholders in addition to “parent company, etc.”
June 2010	Tokyo Stock Exchange	The Corporate Code of Conduct was newly established that imposed obligation to “obtain opinions concerning the fact that there is no disadvantage to minority shareholders” in connection with important transactions, etc., with controlling shareholders, based on “Implementation Plan of Listing System Development 2009” (released in September of the same year) *From the perspective of preventing abuse of power by the controlling shareholder and realizing appropriate protection for minority shareholders, when making an institutional decision on a material transaction, etc., involving a controlling shareholder, it is required to obtain opinions from persons who have no interest in the controlling shareholder regarding the fact that it is not disadvantageous to minority shareholders and to make necessary and sufficient timely disclosure on such opinions
March 2019	Japan Economic Revitalization Headquarters (Cabinet Secretariat)	At the Future Investment Conference, the then Prime Minister Shinzo Abe instructed relevant ministers to consider creating rules to enhance corporate governance at “listed subsidiaries” listed on the stock market
June 2019	Ministry of Economy, Trade and Industry	“Practical Guidelines for Group Governance Systems (Group Guidelines)” were published to organize and propose issues regarding parent and subsidiary listing and measures required to protect minority shareholders
February 2020 -	Voting advisory companies and institutional investors	ISS announced that it would oppose the top management director at general meetings of shareholders after February 2020 if, with respect to a listed company with a parent company, etc., the number of independent outside directors was less than 1/3 of the board of directors At general meetings of shareholders in 2020, major institutional investors, including Mitsubishi UFJ Trust and Banking Corporation and Nomura Asset Management, introduced the controlling shareholder criteria for the proposal of appointment of directors such as top management, and required listed subsidiaries, etc., to secure 1/3 or more of independent outside directors. Some institutional investors, such as Asset Management One and Sumitomo Mitsui Trust Asset Management, required to ensure a majority on the board.
February 2020	Tokyo Stock Exchange	Listing system was revised, and reporting guidelines for corporate governance reports and “practical considerations for securing independent officers” were revised based on the "Development of Listing System for Improving Governance of Listed Subsidiaries" (published in November 2019)
September 2020	Tokyo Stock Exchange	“Interim report on concept, etc., of protection of minority shareholders in listed companies with controlling shareholders and shareholders with substantial control” was published
June 2021	Tokyo Stock Exchange	Upon the CG Code revision, listed companies with controlling shareholders are required to appoint a majority (in the case of the Prime Market) or 1/3 or more (in the case of Standard Market) of independent outside directors, or to establish special committees pursuant to Supplementary Principle 4.8.3.
February 2022 -	Voting advisory companies and institutional investors	In light of the CG Code revision, many major institutional investors raised the independence standard required for the board of directors of listed companies with controlling shareholders (listed subsidiaries) to "majority" in their voting standards.

Source: compiled by Daiwa Institute of Research

Chart 137 Introduction of Controlling Shareholder Criteria in the Voting Criteria of Major

Institutional Investors	Existence of controlling shareholder standard	Standard, etc. (in the case of Companies with Board of Company Auditors)
ISS (Revised in 2020)	○	In a company with a parent company or controlling shareholders, if after a general meeting of shareholders outside directors who meet the ISS independence standards are less than 1/3 of the board of directors, or if the number of such outside directors is less than two, disapproval is recommended against directors who are top management
Glass Lewis (Revised in 2022)	○	Since February 2023, in principle, Glass Lewis recommends disapproval to the chairperson (in the case of Companies with Board of Company Auditors or Companies with Audit and Supervisory Committee) (or the most senior officer if there is no chairperson) and the chairperson of the nomination committee (in the case of Companies with Three Committees), if at least a majority (1/3 or more in cases other than the Prime Market) of the board of directors of a company with controlling shareholders listed on the Prime Market is independent
Mitsubishi UFJ Trust and Banking Corporation (Revised in 2022)	○	(In the case of a listed company with a parent company, etc.) If independent outside directors do not constitute a majority of the total number of directors after April 2023, all candidates for directors will be opposed
Asset Management One (Revised in 2020)	○	In a company with a “parent company,” “controlling shareholder,” or “major shareholder(*),” if outside directors do not account for a majority of the board of directors, election of the representative director will be opposed (*) 40% or more of voting right ownership ratio
Sumitomo Mitsui Trust AM (Revised in 2022)	○	In a company with a parent company, etc., if independent outside directors do not constitute a majority of the total number of directors, the election of directors will be opposed
Resona AM (Revised in 2022)	○	In the case of a company with a parent company or controlling shareholders, if the board of directors does not have a majority of independent outside directors elected, the election of a representative director will be opposed unless there is a reasonable and convincing explanation.
Mitsubishi UFJ Kokusai Asset Management (Revised in 2022)	○	In the case of a listed company with a parent company (listed subsidiary), if the board of directors does not have a majority of independent outside directors, the proposal to appoint directors will be opposed
Nissay Asset (Revised in 2022)	○	A standard is added in which, in the case of a company listed on the Prime Market, if there are controlling shareholders and independent outside directors do not constitute a majority, election of the representative director will be opposed (applicable from June 2022)
Nomura AM (Revised in 2022)	○	In the case of a company with controlling shareholders, if independent outside directors do not constitute a majority, in principle the reappointment of the president, chairperson, etc., will be opposed
Yamato AM (Revised in 2022)	○	If a company with a parent company or controlling shareholders does not satisfy the criteria that there are two or more outside directors under the Companies Act and such directors constitute 1/3 or more of the board members (in the case of a company listed on the Prime Market, the criteria that there are two or more outside directors under the Companies Act and such directors constitute a majority of the board members), candidates for reappointment of representative directors (or representative statutory executive officer) will be opposed
Nikko AM (Revised in 2022)	○	In principle, if 1/3 or more (or a majority in the case of a company with a parent company) of the total number of directors are not outside directors who meet our company's independence standards, the proposal to elect a top management director will be opposed
Dai-ichi Life (Revised in 2020)	○	For listed subsidiaries with controlling shareholders, at least 1/3 or more of the total number of directors should be elected as independent outside directors in order to protect the interests of minority shareholders of listed subsidiaries, and it is desirable that a majority be elected as soon as possible in order to establish a more effective governance system.

Source: compiled by Daiwa Institute of Research

On the other hand, in relation to parent-child listings, issues have been pointed out in terms of how the parent company allocates management resources in group strategy, in addition to the structural conflict of interest risk in listed subsidiaries. It is necessary to consider whether it is optimal to keep the subsidiary as a listed company from the perspective of enhancing the corporate value of the group as a whole and capital efficiency, because special consideration is required for the independence of the listed subsidiary and for the interests of minority shareholders which can be a constraint on the management of the group, and a part of the profits will flow outside the group (minority shareholders) even though the parent company bears the management costs.

Chart 138 shows changes in the number of delisting companies, with the number of delisting resulting from corporate actions (MBO, becoming wholly-owned subsidiaries of listed companies, M&A, etc.) increasing in recent years. Against the backdrop of the above-mentioned government discussions and TSE initiatives, as well as changes in the voting standards of voting advisory companies and institutional investors, it is believed that many of these included moves that listed parent companies dissolve parent-child listings as part of a review of group strategy, or that listed subsidiaries agree to become private or choose M&A to enhance their corporate value.

After coronavirus catastrophe, the positioning of listed subsidiaries in terms of group management strategy is expected to be an important consideration for each company. More than in the past, a parent company with a listed subsidiary needs to carefully fulfill its responsibility for explaining to the parent company's own shareholders about the group management policy, the significance of maintaining the status of a listed subsidiary, and the concept of protecting minority shareholders of a listed subsidiary, from the perspective of optimizing group management and protecting minority shareholders, and a listed subsidiary needs to explain to its own minority shareholders about its position in the parent company's group strategy and the concept and measures of ensuring independence from the parent company. Furthermore, in cases where a parent-subsidiary listing relationship is to be maintained, listed companies are required to take concrete measures, such as securing a sufficient ratio of independent directors on the listed subsidiary’s board and utilizing special committees independent of controlling shareholders in situations where conflicts of interest may be an issue, so that minority shareholders are protected appropriately.

Chart 138 Changes in number of delisted companies

(2) Disclosure to protect minority shareholders

When a listed company has a controlling shareholder (including parent company), there is a risk of structural conflicts of interest between the minority shareholders of the listed company and the controlling shareholder (parent company). Accordingly, TSE requires disclosure of matters related to conflicts of interest in CG Reports, etc.

First, in cases where a listed company has a controlling shareholder[127], the listed company is required to include guidelines on measures to protect minority shareholders in its CG Reports. Specifically, the listed company must provide concrete descriptions on matters such as policies on internal frameworks and systems, the internal decision-making process and the use of external agencies, with the aim of preventing the company itself and, ultimately, minority shareholder interests from being undermined by transactions intended to favor the controlling shareholder by leveraging its influence. In addition, after each fiscal year, the company is required to disclose in a timely fashion the status of implementation of the measures stipulated in the guidelines as part of the "disclosure of matters relating to controlling shareholders, etc."[128]

With regard to the policy for establishing internal systems, guidelines on measures to protect minority shareholders contained numerous statements to the effect that transactions with controlling shareholders should be carried out in accordance with the same conditions as regular transactions so as not to damage the interests of minority shareholders. There were also statements to the effect that the company does not conduct transactions with controlling shareholders as a matter of policy. Regarding internal decision-making procedures, many companies stated that decisions on transactions with controlling shareholders are taken by the board of directors. In more specific terms, many stated that decisions are made at meetings of the board with the participation of outside directors who are independent of the controlling shareholder in order to ensure that the listed company makes its own business decisions. Although few companies mentioned the use of external organizations, in most of the cases where there were such statements, it was explained that they sought the opinions of accounting auditors, lawyers, tax accountants, etc., regarding the pros and cons of transactions on an as-necessary basis.

In addition, TSE is enhancing the disclosure of matters related to conflicts of interest in CG Reports in the case of parent-subsidiary listings where the listed company has a parent company and that parent company is also listed. Specifically, the guidelines for CG Reports were revised in February 2020, so that under "Other Special Circumstances that May Have a Material Impact on Corporate Governance," parent companies with listed subsidiaries are now required to disclose "Approaches and Policies Concerning Group Management" and, based on this, "Significance of Having Listed Subsidiaries" and "Measures to Ensure the Effectiveness of the Governance System of Listed Subsidiaries," while listed subsidiaries are required to disclose "Approaches and Policies to Ensure Independence from the Parent Company as Necessary to Protect Minority Shareholders."

As examples, Example 1 - Example 6 are the cases in which a parent company with a listed subsidiary explains the policy for maintaining the listing of the subsidiary and the status of

127 "Controlling shareholder" includes not only the parent company (including unlisted companies) but also individuals who hold a majority of voting rights. Rule 2, Item (42)-2 of Securities Listing Regulations, and Rule 3-2 of Enforcement Rules for Securities Listing Regulations.

128 Rule 411 of Securities Listing Regulations, and Rule 412 of Enforcement Rules for Securities Listing Regulations.

consideration of the policy as a group management policy and philosophy. Example 1 is a case in which a policy to make a listed subsidiary independent is expressed. On the other hand, Example 2 is a case in which the policy of maintaining holdings is stated as long as it can be determined that it will contribute to maximizing the group's corporate value. Example 3 also states a policy to maintain ownership of subsidiary shares, stating that maintaining subsidiary listing would contribute to the development of the group's overall business activities. Example 4 states that the company periodically inspects whether to maintain the listed subsidiaries from the perspective of corporate value and capital efficiency for the group as a whole, and deliberates at meetings of the board on the rationale for maintaining listed subsidiaries and on how to ensure the effectiveness of their governance systems. Example 5 states that the company reviews the significance of listing of the listed subsidiary on a regular basis, and takes necessary actions after confirmation by the board of directors. Example 6 states that the capital relationship with the listed subsidiary is discussed annually at the management meeting to determine the holding policy.

Examples 7 through 9 are the cases in which a parent company with a listed subsidiary explains the rationality of holding the subsidiary. Example 7 explains as the reason for keeping the listing of the subsidiary that attracting and motivating a wide range of excellent human resources will increase its corporate value. Example 8 states that the trust obtained from business partners through the listing will contribute to the enhancement of the corporate value of the group as a whole. Example 9 states that by promoting the initial public offering of subsidiaries and clarifying the business value of each business entity, the corporate value of the group as a whole is realized.

Examples 10 to 12 are the cases where listed subsidiaries specifically explain the division of business within the group as seen by the subsidiaries, as the parent company's group management policy and philosophy. Example 10 explains that there is no business competition within the group and indicates the company’s view that such conflict is not expected to occur in the future. Example 11 refers to the fact that although some of the group companies have overlapped business areas, there is no restrictions or adjustments at each company on business development within the group. Example 12 discloses that the company's business areas are clearly segregated from the parent company's policies.

<Example 1: The policy to make listed subsidiary independent is expressed>

It is the policy that going forward, we make listed subsidiaries of non-core businesses independent as strong independent businesses. In making them independent, we will examine the issues from the perspectives of ensuring the sustainable growth of the business, maximizing the value of our company's assets, and the best timing for becoming independent.

(Electrical appliances)

<Example 2: The policy to keep the listed subsidiary is expressed>

The Company will continuously evaluate the policy of holding shares in the publicly listed subsidiaries, and the Company will keep holding the shares of the two publicly listed subsidiaries as long as they meet the above preconditions and it can be determined that they contribute to maximizing the corporate value of ●● Group. At this time, the Company does not plan to newly list the shares of other subsidiaries on stock markets.

(Electrical appliances)

<Example 3: The policy to keep the listed subsidiary is expressed>

The Company owns 53.5% of the voting rights in ●● Co., Ltd. (listed on TSE Prime). For the reasons described below, we believe that maintaining the listing of the company will contribute to the enhancement of the company's corporate value and the development of our group's overall business activities, and at this time, we do not intend to make the company a wholly-owned subsidiary or sell the shares we hold.

(Chemicals)

<Example 4: Suitability of having a listed subsidiary is periodically reviewed>

The Company has incorporated its main business companies, ●● Corporation, □□ Corporation and △△ Corporation, as wholly-owned subsidiaries, while other Group companies may be operated as wholly-owned subsidiaries or listed subsidiaries, etc., depending on the need to maintain and expand their businesses. It is the Company's policy to periodically inspect whether it is optimal to maintain listed subsidiaries from the perspective of improving corporate value and capital efficiency for the Group as a whole, and to deliberate at meetings of the board on the rationale for maintaining listed subsidiaries and on how to ensure the effectiveness of their governance systems.

(Oil and coal products)

<Example 5: The significance of listing of the listed subsidiary is verified>

The Company reviews the significance of listing of the listed subsidiary on a regular basis, and takes necessary actions after confirmation by the board of directors. This content was examined and discussed at the Board of Directors meeting held in May 2022.

(Iron and steel)

<Example 6: Capital relationships with listed subsidiaries are reviewed annually>

The Company discusses the capital relationship with its listed subsidiaries annually at the management committee and determines its shareholding policy on the basis of the utilization of our group's management resources and the synergies with the Company and the group companies, etc., and will continue to examine the optimal way of collaboration.

(Retail Trade)

<Example 7: The reasonableness of listing of subsidiaries is explained in terms of securing human resources and employee motivation>

A. ●● Co., Ltd.

a. The company has established the "●●" brand as a specialized trading company dealing with various manufacturers' commercial products. The company's strength in the textiles and chemicals business and its strong presence in China (designated as a Friendship Trading Company in 1961) make it possible to expect synergistic effects through collaboration and partnership, and it is possible to utilize the knowledge of the company that has advanced into emerging countries at an early stage as the resource for business development in the manufacturing industry by utilizing its human resources with qualities different from those of our company, which is a manufacturing industry, and mobility, and also, by actively promoting various initiatives of the company as an independent trading company outside the □□ group, the business development of □□ group as a whole will be broad, deep and multifaceted. In order to realize these benefits, we believe that Corporation A has to maintain its listing status for the purpose of enhancing its corporate value, and thereby contributing to the enhancement of the Group's overall competitive advantages, by recruiting and motivating a broad range of excellent talents, a key asset for the business of trading company, while remaining independent from the Company, as a listed subsidiary. …

B. △△ Co., Ltd. ...

(Textile products)

5

2. Group governance

<Example 8: Reasonableness of listing of subsidiaries is explained from the standpoint of creditworthiness>

Our Company owns a listed subsidiary, ●● Co., Ltd.
The company was listed on the JASDAQ Standard of Tokyo Stock Exchange and the Second Section of Nagoya Stock Exchange in December 2017.

Although the company is consolidated under our group, it is managed quickly and boldly as an independent company and is not restricted by the allocation of funds of our Company. We believe that the company can raise funds in a variety of ways as a listed company and that listing will lead to trust from business partners, enhance the corporate value such as increase in earnings opportunities, and enhance our group's corporate value. For the reasons described above, we believe that the benefits of having the company listed outweigh the restrictions and costs associated with taking into account the interests of shareholders other than our Company, and that it is fully meaningful to maintain the company as a listed company.
(Service industry)

<Example 9: The reasonableness of listing of subsidiaries is explained from the perspective of actualizing the corporate value of the entire group>

Our group's business areas cover a broad range and some investors claim that it is difficult to understand the overall picture, and in response, we are seeking to make the corporate value of our group as a whole manifest by promoting initial public offerings of subsidiaries and clarifying the business value of each business entity. We believe that the group companies can raise their fund-raising capability and strengthen their financial position, enabling them to stand on their own.
(Securities and commodity futures trading)

<Example 10: The fact that there is no business competition within the group is explained>

Our group belongs to a corporate group led by ●● Corporation (hereinafter referred to as "●●"). △△ Inc. is the parent company that directly holds the Company's shares as a wholly-owned subsidiary of □□ Corporation, which in turn is a wholly owned subsidiary of ●● Corporation (meaning that △△ Inc. is a wholly-owned sub-subsidiary of ●● Corporation). △△ Inc. belongs to the "Electronics Products & Solutions" segment, and the Company Group is positioned to provide Internet-related services within this segment.
Although there are other companies in ●● that provide Internet-related services, the Company Group is mainly engaged in the business of providing RTB-based DSPs to advertisers and advertising agencies in Japan, and does not face any competition from these companies in terms of business or region.
Based on the above, the Company recognizes that the Company Group does not face any competition within ●●, and that there are no plans for this to change in the future. Any future changes in the management policies of ●●, however, may affect the Company Group's business performance and financial position.
(Service industry)

<Example 11: The fact that there are no constraints and adjustments to business development within the Group is stated>

Our Company belongs to ●● Group, centered on its parent company, ●● Inc. ●● Group has established a Group Company Charter that states that "each group company respects the dignity, autonomy, and independence as a mutually independent company," and its strategy is to realize growth for the entire Group by promoting alliances in which each group company takes advantage of its own strengths, while each group company develops its business according to its own policies, etc.
In such an environment, our Company's core business is software development business, which leverages its many years of accumulated communications technologies to handle a wide range of control and business fields. In addition, in order to meet the diversifying needs of our customers, we have developed SI services to perform network/server construction, maintenance and operation, evaluation and verification, and a service business to sell the products of our Company. Although some of the group companies have overlapping business areas, each company has no restrictions and adjustments in its business development within the group, and our Company recognizes that it maintains a certain level of independence from the parent company.
(Information and communication)

<Example 12: The business domain is explained from the management policy of the parent company>

The parent company, ●● Co., Ltd., plans to focus its management resources on technology solutions and to further transform into a DX company. On the other hand, our Company, one of the group companies, is developing its business mainly in the battery business and the electronics business, and our Company's business area is clearly separated from the group's policy.
(Electrical appliances)

(3) Governance for the protection of minority shareholders (Supplementary Principle 4.8.3)

It has long been pointed out that in a listed company with a controlling shareholder, the controlling shareholder may exert its influence for its own interests and interests of minority shareholders may be harmed (a risk of structural conflicts of interest). The 2021 revised recommendations of the Follow-up Meeting pointed out that controlling shareholders should respect the interests of the company and the common interests of shareholders and should not treat minority shareholders unfairly, and that in listed companies with controlling shareholders, protection of minority shareholders should be promoted through the realization of a board structure with a higher level of independence and the deliberation and examination by an independent special committee on transactions and acts that may cause conflicts of interest between controlling shareholders and minority shareholders. In light of this, with a view to developing a governance system to protect the interests of minority shareholders, Supplementary Principle 4.8.3 which was newly established in the 2021 revision requires a majority (in the case of companies listed on the Prime Market) or 1/3 or more (in the case of companies listed on the Standard Market) of independent outside directors who are independent of the controlling shareholders, or, in lieu of them, the establishment of a special committee consisting of persons who are independent of the controlling shareholders.

Of 164 companies listed on the Prime Market with controlling shareholders, 126 have indicated that they are complying with this Supplemental Principle. Of these, 21 companies have a majority of independent outside directors. Therefore, for the other 105 companies, it is considered that they have responded to the Supplementary Principle by establishing special committees. In addition, of the 38 companies listed on the Prime Market that explain the Supplemental Principle, 17 provide explanations such as “we plan to establish a special committee in the future,” and there are more such companies than companies that plan or consider increasing the ratio or number of independent outside directors (Chart 139).

Chart 139 Status of Responses to Supplementary Principle 4.8.3 (listed companies with controlling shareholders)

[Status of companies complying with Supplementary Principle 4.8.3]

	Prime Market			Standard Market		
Ratio of independent outside director	Number of companies	Ratio	Companies that disclose establishment of special committee	Number of companies	Ratio	Companies that disclose establishment of special committee
More than 1/2	21	16.7%	1 company	15	7.4%	1 company
One-third to 50%	97	77.0%	64	135	66.8%	15
Under one-third	8	6.3%	4 companies	52	25.7%	16
Total	126	-	69	202	-	32

[Status of companies that explain Supplementary Principle 4.8.3]

	Prime Market		Standard Market	
Item	Number of companies	Ratio	Number of companies	Ratio
Companies that explain Supplementary Principle 4.8.3	38		82	
Of which, companies that plan/consider to increase the ratio or number of independent outside directors	10	26.3%	33	40.2%
Of which, companies that plan/consider establishment of independent special committee	17	44.7%	30	36.6%

If a listed company with a controlling shareholder establishes a special committee composed of independent persons, including independent outside directors, based on the Supplemental Principle, it is recommended that such fact is stated in its CG Report as a guideline for measures to protect minority shareholders when conducting transactions, etc., with the controlling shareholder. In actual practice, however, there are cases where a listed company with controlling shareholders that does not appoint 1/3 or more (or a majority for companies listed on the Prime Market) of independent outside director states that it "complies" with the said Supplementary Principle, while there is no statement in the CG Report about the establishment of a special committee composed of independent persons. In addition, only a limited number of companies go further than disclosing whether or not a special committee has been established and disclose specifically the composition of the special committee and its powers, roles, and activities, but Example 1 states that the special committee examines the necessity, reasonableness, adequacy of conditions, and fairness of important transactions and acts, etc., with controlling shareholders and reports to the board of directors. It further states that the members of the special committee must be a person independent of the controlling shareholders to ensure their independence and objectivity, and that the committee consists of three independent outside directors. Example 2 is a case that goes further than disclosing the composition of the special committee and the matters deliberated, and specifies the names of the members.

<Example 1: The authority and composition of the special committee are mentioned>

(1) The Company has established a special committee as a system to protect the interests of general shareholders. In order to ensure fairness, transparency and objectivity in the transactions and acts, etc., with ●● group, the special committee examines the necessity, reasonableness, adequacy of conditions, etc., and fairness of transactions with ●● group, including ●●Holdings Co., Ltd., over a certain amount of money, and transactions and acts, etc., involving management resources that are the source of the Company's corporate value, such as brands, personnel, important assets and information (hereinafter collectively referred to as the "Material Transactions and Acts, etc."), and reports to the board of directors.
The members of the special committee must be persons independent of ●● group to ensure their independence and objectivity, and the committee currently consists of three independent outside directors.

(2) Regarding transactions and acts, etc., with ●● group, in accordance with internal regulations, the department conducting the transactions and acts, etc., and the legal department and the finance and accounting department confirm in advance the necessity, reasonableness, appropriateness of conditions, etc. and fairness, from the perspective of independence from ●● Holdings Co., Ltd. Furthermore, with regard to Material Transactions and Acts, etc., the board of directors makes decisions after fully deliberating on the necessity, reasonableness, appropriateness of conditions, etc., and fairness of the Material Transactions and Acts, etc., following deliberations and recommendations by the special committee.

(3) In addition to prior deliberation, in accordance with internal regulations, the legal, finance and accounting, and internal audit departments conduct ex post facto checks on the contents, etc. of transactions and acts, etc., and the audit and supervisory committee conducts audits to determine whether transactions and acts, etc. are conducted based on the contents of the deliberations. For Material Transactions and Acts, etc., the implementation status is reported to the special committee and the board of directors after the fact to confirm the implementation results.

(4) Through these systems, we will ensure the soundness and appropriateness of transactions and acts, etc., with ●● group.

(Foods)

<Example 2: The names of the members of the special committee are disclosed>

With respect to transactions with our parent company, ●● Co., Ltd., we carry out such transactions under the same terms and conditions as in ordinary transactions with business partners with no capital relationship, in order to avoid any disadvantages to minority shareholders. In relation to material transactions among such transactions, the board of directors makes a decision on whether such transactions may be made after consulting and receiving a report from the advisory sub-committee on management of conflict of interest transaction, etc., of the governance committee which consists of independent outside directors and independent outside experts.

[Main deliberation matters of the advisory sub-committee on management of conflict of interest transaction, etc., of the governance committee]
(i) A transaction that may involve a conflict of interest between the Company and a director and requires the approval of the board of directors under the Companies Act.
(ii) A transaction between the Company and a related party on which the board of directors, etc., makes consultation by determining that such consultation is necessary to ensure the fairness of decision-making by the board of directors.

[Seven members of the advisory sub-committee on management of conflict of interest transaction, etc., of the governance committee]
●●●● Chairperson (independent outside director)
●●●● Member (independent outside director)
●●●● Member (independent outside director)
●●●● Member (independent outside director)
●●●● Member (independent outside director)
●●●● Member (independent outside director)
●●●● Member (independent outside expert, lawyer)

Furthermore, the fairness of transactions with the parent company is ensured by regularly reporting the status of transactions to the advisory sub-committee on management of conflict of interest transaction, etc., of the governance committee.

(Information and communication)

[Column (19)] Practical Guidelines for Group Governance Systems (Group Guidelines)

The Group Guidelines were published by the Ministry of Economy, Trade and Industry in June 2019 to amplify the intent of the Code and to supplement the Code by presenting best practices for effective governance in group-managed companies to enhance the corporate value of the group as a whole. The Group Guidelines contain a lot of information that can be used as reference by companies that consider the appropriate group governance system for their companies, such as the current status and issues of group governance, the basic thinking behind the recommendations, matters to be considered in practice and various ideas that can be taken, the results of a questionnaire survey of companies and CEOs, and examples of initiatives taken by Japanese and Western companies.

The main points of the Group Guidelines are shown in Chart 140, but please refer to the original text[129] if necessary.

Chart 140 Key Points of the Group Guidelines

Category	Item	Key points
Parent company's stance	From the perspective of business portfolio strategy	• It is important for the parent company to regularly check whether it is appropriate to maintain a company as its listed subsidiary from the perspectives of increasing corporate value of the entire group and ensuring capital efficiency. • The board should discuss the rationale for maintaining a listed subsidiary and ways to ensure the effectiveness of the governance system, and fulfill the accountability by disclosing such information to investors.
	From the perspective of risk management	With respect to matters necessary for the group's risk management, it is reasonable that the parent company requests prior consultation, on the premise that independent decision-making by a listed subsidiary is secured.
Governance system in listed subsidiaries	Basic policy	Considering that there is a risk of possible conflicts of interest between the parent company and general shareholders, a listed subsidiary should establish an effective governance system in order to secure its independent decision-making.
	Roles of independent directors	Independent directors of a listed subsidiary are required to be independent not only from its executives, but also from the parent company as they are expected to play a role in securing the interests of general shareholders.
	View on the independence of independent directors	(Independence criteria in listed subsidiaries) • Independent directors of a listed subsidiary should not be appointed from those who had worked for its parent company as executives in the past 10 years. (Appointment of independent directors in listed subsidiaries) • A listed subsidiary should nominate and appoint independent directors after confirming they are capable of playing an important role in protecting the interests of general shareholders. * The protection of the interests of general shareholders is an important role of directors based on the duty of care of a good manager, and it is important to raise the awareness of such a role. (Measures to secure appropriate independent directors in listed subsidiaries) • When the parent company exercises its authority to appoint/remove directors of its listed subsidiary, the parent company should give full consideration to ensuring governance of its listed subsidiary.
	Effective governance structure	• A listed subsidiary should establish an effective governance system that is capable of addressing risk of conflict of interest. • In general, a listed subsidiary should aim at increasing the percentage of independent directors on the board (at least one-third or a majority, etc.). Even if it is difficult to immediately do so, with respect to material transactions involving possible conflicts of interest, such a listed subsidiary should consider the adoption of a system where a committee led by independent directors (or independent *kansayaku*) deliberates/examines such transactions.
	Disclosure	•A listed company should proactively disclose its governance policy from the perspective of fulfilling the accountability to investors and obtaining the confidence of the capital market. *If there is any difficulty in disclosing what was discussed (including policies concerning the acquisition of 100% ownership of the subsidiary or divestment), it is considered that the parent company may disclose the process by which the board sufficiently discussed and objectively confirmed the rationale for maintaining the listed subsidiary.
Nomination of senior management of listed subsidiary		• With respect to the appointment of senior management of a listed subsidiary, from the perspective of contributing to increasing its corporate value, the listed subsidiary should develop a succession plan and nominate a candidate from an independent standpoint. • In doing so, if the parent company suggested a candidate, the listed subsidiary should objectively judge the appropriateness of such a candidate. • To ensure that the best candidate is nominated for increasing its corporate value, the independence of the listed subsidiary's Nomination Committee from the parent company's board/Nomination Committee should be substantively secured.
Remuneration for senior management of listed subsidiary		• To ensure that remuneration provides senior management of a listed subsidiary with appropriate incentives for maximizing its corporate value, the listed subsidiary should be able to consider remuneration from an independent standpoint. • To ensure that remuneration is designed optimally for a listed subsidiary, the independence of the listed subsidiary's Remuneration Committee from the parent company's board/Remuneration Committee should be substantively secured.

Source: excerpt from "Practical Guidelines for Group Governance Systems (Group Guidelines)," METI

129 https://www.meti.go.jp/press/2019/06/20190628003/20190628003.html

[Column (20)] Study group on protection of minority shareholders, etc. in dependent listed companies

In January 2020, TSE set up the “Study group on protection of minority shareholders, etc., in dependent listed companies” to discuss how to reconcile interests between controlling shareholders/dominant shareholders and minority shareholders of listed companies and a framework for protecting minority shareholders, etc., and in September of the same year, put together as an interim report the issues to be considered and the direction to be taken with regard to improving information disclosure and developing governance systems.

Following the publication of the interim report, the revision of the Code in June 2021 newly established Supplementary Principle 4.8.3 which requires listed companies with controlling shareholders to develop governance systems to protect minority shareholders, and listed companies are taking actions based on this. With regard to information disclosure, one major issue is the enhancement of information disclosure regarding the "agreement concerning governance" between listed companies and their controlling shareholders/dominant shareholders, and in response, since January 2022, TSE has conducted a wide-ranging fact-finding survey of listed companies with parent companies and other affiliated companies regarding the existence and content of governance-related agreements. The survey revealed a situation where even though agreements concerning governance existed for more than 20% of the listed companies surveyed, disclosure is not made sufficiently. In relation to this, the report of the “Disclosure Working Group” of the Financial System Council in June 2022 also recommended enhancing disclosure of "material contracts" such as agreements concerning governance in annual securities reports.

In light of these developments and circumstances, TSE resumed discussion at the study group[130] in January 2023, by way of continuation from the interim report. Based on the discussions in this study group, it is planned that arrangements towards enhancement of information disclosure are made and the way of governance for the protection of minority shareholders is further examined.

5 - 2 - 2. Related party transactions (Principle 1.7)

Principle 1.7 stipulates that when a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the common interests of its shareholders, it should establish procedures for preventing conflicts of interest, disclose the framework of these procedures, and then conduct monitoring based on these procedures. Because certain disclosures regarding related party transactions are required under the Companies Act and the Financial Instruments and Exchange Act, many companies had already developed frameworks for the protection of investors since before the application of the Code. Thus far, companies have also been required to disclose, in their CG Reports, guidelines on measures to protect minority shareholders in conducting transactions with controlling shareholders. Due to such reasons, the compliance rate of the Supplementary Principle is high at 100% (1,837 companies) in the Prime Market and 99.8% (1,453 companies) in the Standard Market.

130 With respect to the “Study group on protection of minority shareholders, etc., in dependent listed companies,” meeting materials and minutes, etc., are posted on JPX website.
https://www.jpx.co.jp/equities/improvements/study-group/index.html

The contents of Principle 1.7 can be broadly divided into procedures for preventing conflicts of interest and transaction conditions. In terms of procedures for preventing conflicts of interest, it seems that many companies have already established a system that requires approval or resolution by the board or reporting on related party transactions based on the Companies Act and other laws and regulations. In a keyword analysis of 3,290 companies listed on the Prime Market and Standard Market that comply with the said Principle, 92.5% (3,044 companies) mentioned "board of directors." The next most common keywords are "resolution" and/or "approval," mentioned by 86.0% (2,830 companies). In addition, 48.7% of companies (1,603 companies) mentioned "reports," while 32.5% (1,069 companies) mentioned "laws and regulations" and the "Companies Act." In addition, 53.2% (1,749 companies) mentioned "rules" and/or "regulations," which means that about half of companies have also clearly stated that the above-mentioned systems have been documented in internal regulations, etc. Note that 20.4% (670 companies) mentioned "survey," indicating that the status of related party transactions is regularly monitored through questionnaires, survey forms, etc.

23.2% (764 companies) mentioned "transaction conditions" in their disclosures. The majority of them disclosed procedures for confirming the suitability, etc. of transaction conditions. Only 3.4% (111 companies) specifically mention that they take "market price" into consideration when deciding transaction conditions.

To deal with the risk of conflicts of interest in related party transactions, some companies have introduced a system whereby persons with a certain degree of independence are involved in deliberations and reviews. With respect to Principle 1-7, 16.4% (540 companies) mentioned "*kansayaku*," "supervisory committee" or "audit committee," while only 6.4% (211 companies) mentioned "outside directors" (including independent directors), and even when the analysis is limited to companies with the parent company (284 companies), only 19.4% (55 companies) mentioned "outside directors."

If we analyze individual cases, there are examples of detailed disclosures of the specific process for related party transactions. For example, in Example 1, the basic policies and structures for related party transactions are mentioned, and each process is disclosed in detail, including the identification of transactions, the approval of new transactions, the management of existing transactions and checks by *kansayaku*. This can be considered a special case, as many companies only mention that "a resolution by the board is required."

There are also some companies that clearly state that they have established a process for outside officers and external experts to confirm the suitability of transactions as part of approval procedures for related party transactions, and that they have developed systems to ensure that the interests of general shareholders are not undermined by related party transactions. For example, in Example 2, the rationality of transactions and the appropriateness of procedures are validated by a third party committee composed of independent directors, etc., and resolutions by the board undergo a legal check by legal counsel. Example 3 states that the opinions of the special committee consisting of outside directors are confirmed.

On the other hand, as in Examples 4 and 5, companies with parent-subsidiary listings have described their processes for determining transaction prices, etc., in order to ensure the transparency of parent-subsidiary transactions. In particular, in Example 5, the company determines prices, etc. in consideration of market prices, etc.; with regard to important transactions, the company explains that it has established a system whereby the Governance Committee, which is composed of a majority of independent directors and independent external experts, is consulted in advance in order to ensure that the interests of minority shareholders are not unreasonably impaired through parent-subsidiary transactions.

<Example 1: The system is disclosed in details in addition to the basic policy>

The Company has established the "Related Party Transaction Management Regulations," stipulating basic policies, procedures and management methods for related party transactions, among other matters. Further, the Company has developed systems in accordance with these regulations so that transactions with related parties do not harm the Company or the common interests of shareholders or lead to any concerns with respect to such harm.

Basic policy on the implementation of related party transactions
The parties in related party transactions are parties that have a specific relationship with the company, and are recognized as parties that can have an influence over the company.
Accordingly, transactions with related parties will need to be judged extremely carefully from the perspective of protecting the interests of general shareholders, including the necessity of the transactions.

[System for ensuring the appropriateness of related party transactions]
a. Identification of transactions
The Finance Department determines whether a business partner is a related party when each department applies for registration as a new business partner; if this is the case, the Finance Department identifies and manages all transactions with the business partner. Related party transactions with consolidated subsidiaries are examined and monitored based on the "Consolidated Survey Form" that is submitted by consolidated subsidiaries every fiscal year. The presence of transactions with officers and their close relatives is examined and monitored based on the "Related Party Survey Form" that is submitted by each officer every fiscal year.
b. Approval of new transactions
When starting a new transaction with a party qualifying as a related party, the Company will confirm the rationality (business necessity) of the transaction itself and the appropriateness of the conditions of the transaction, and will obtain approval through the approval procedure based on the provisions of the Rules on Administrative Authorities and the Table of Standards for Administrative Authorities. Significant transactions subject to disclosure based on the Companies Act, Financial Instruments and Exchange Act, Regulations Concerning Financial Statements, etc., accounting standards, etc., will require the board's approval.
c. Management of existing transactions
Existing ongoing related party transactions are reported to the Management Committee and the Board of Directors on a regular basis in order to monitor the rationality (business necessity) of continuing such transactions and the appropriateness of their conditions; when matters that need to be taken into consideration regarding the appropriateness of transactions arise, these are examined and reviewed, including the pros and cons of continuing transactions.
d. Checks by *kansayaku*
Kansayaku will check the appropriateness, suitability, etc. of related party transactions when viewing and examining approval documents in the course of the operational audits that are regularly conducted every fiscal year for new transactions. Existing ongoing transactions will be checked through reports regularly received from the Finance Department.
(Foods)

<Example 2: The fact that the lawyer conducts legal checks is stated>

The Company has established the following system to ensure that when the Company conducts transactions with its officers and major shareholders, etc. (transactions between related parties), such transactions are not detrimental to the interests of the Company and common interests of shareholders. Related-party transactions between the Company and its officers and major shareholders are specified as matters to be approved by the board of directors in the "Regulations on the Board of Directors" established by resolution of the board of directors, the board of directors monitors such transactions through approval or receipt of reports on the actual individual transactions, and audits by company auditors are conducted in accordance with the "Standards for Audits by Company Auditors." In addition, the internal audit department conducts ex post facto checks on the content of transactions. When conducting transactions with directors, major shareholders, etc. ("related party transactions") that may have a major impact on the Company and the common interests of shareholders, a committee composed of independent directors and independent third parties will validate the transactions' rationality and the appropriateness of procedures. When the board resolves on a related party transaction, the Corporate Administration Department will request legal counsel to conduct a legal check. In addition, the responsible department will also commission a legal check to legal counsel as necessary for matters related to transactions between the Company and the Company's subsidiaries.

(Precision instruments)

<Example 3: The fact is stated that the special committee approves the transactions with the parent company and that the transactions do not infringe on the interests of minority shareholders>

When the Company enters into competing transactions or conflict-of-interest transactions with directors of the Company, an approval of the board of directors of the Company is to be obtained in accordance with the Regulations on Board of Directors. In addition, the Company conducts transactions such as sale and purchase of products with its parent company, ●● Co., Ltd., but the sales price of products is determined through consultation on a case-by-case basis, taking into consideration the estimate of the Company and market prices, as is the case with general transaction prices. We recognize that there are risks of conflict of interest on transactions with the parent company, and as to approvals and after-the-fact checks of transactions, the board of directors approves the basic policy and outline of the transactions after consulting and obtaining the approval of a special committee consisting of three independent outside officers, and the board of directors of the Company believes that the transactions with the parent company will not harm the interests of the Company or minority shareholders.

(Foods)

<Example 4: Prior consultation with the Transaction, etc. Review Committee is made regarding transactions with the parent company group>

The company has established a system to ensure that transactions with officers or major shareholders do not infringe on the interests of the company or its shareholders, as follows.

- Transactions between the Company and its parent company, ●● Co., Ltd. and each company of ●● (hereinafter referred to as the "Parent Company, etc.") are managed based on the "●● Inter-Group Transaction Management Rules," and the arm's length rule is strictly complied with in transactions between related parties. In addition, important transactions between the Parent Company, etc. and ●● group (our Company and its subsidiaries) are subject to prior consultation with the Transaction, etc. Review Committee which consists of all of the independent outside directors, and the approval of the board of directors based on the recommendation of the committee.
- We have clearly stated that, in principle, the approval by the board is required for competitive transactions and transactions involving conflicts of interest between the company and its directors in accordance with the Companies Act. In addition, strict procedures are followed, such as excluding directors related to the transaction from the resolution as special interested parties.
- Note that regular checks are conducted for the presence of transactions with directors, auditors and major shareholders, etc.

(Other Financing Business)

<Example 5: Pricing and approval procedures are disclosed in detail for transactions with major shareholders>

In accordance with laws, regulations, and internal rules, competitive transactions and transactions involving conflicts of interest between the Company and its directors require prior approval by the board; and in the event that such transactions are conducted, the state of such transactions and other matters will be reported periodically to the board. Prior to the board of directors meeting, consultation is made with the Governance Committee, which is composed of independent outside directors and independent outside experts, and the matter is submitted to the board of directors. In addition, for transactions with major shareholders, as in the case of ordinary transactions with business partners with which the Company has no capital relationship, the Company determines prices, etc. by taking into account market prices, cost ratios, etc., and the content of such transactions is subject to appropriate approval procedures pursuant to internal rules, such as a request for approval. With respect to important transactions with major shareholders, the board decides whether or not to enter into such transactions after consulting with and receiving a report from the Governance Committee. In addition, the status of transactions with major shareholders is regularly reported to the Governance Committee.

(Information and communication)

[Column (21)] Guidelines for fair M&A

Taking into account the discussions held at the “Study Group on Fair M&A,” the Ministry of Economy, Trade and Industry revised full part of the previous “Guidelines on Management Buyout (MBO) to Enhance Corporate Value and Ensure Fair Procedures” and formulated the “Guidelines on Fair M&A - Enhancing Corporate Value and Securing Shareholder Interests” in June 2019[131], in order to present the outline of way of thinking including principles and practical responses based on such way of thinking of fair M&A that should be shared within corporate community of our country from the perspectives of enhancing corporate value and securing shareholder interests.

The Guidelines set out how fair M&A should be conducted in corporate community of our country primarily from a procedural point of view, with a focus on MBOs and acquisitions of dependent company by controlling shareholders, which typically have structural conflicts of interest and information asymmetry issues. The aim of the Guidelines is to enhance confidence in capital market in Japan and promote M&A that contributes to enhancing corporate value.

In the Guidelines, Chapter 1 "Introduction" clarifies the position and subjects, etc. and Chapter 2 "Principles and Basic Perspectives" clarifies the principles to be respected in conducting transactions and the basic perspective from which practical responses are considered in order to realize these principles. Chapter 3 “Practical Specific Measures (Measures to Ensure Fairness)” takes up the typical measures that are generally considered to be highly effective, such as the establishment of an independent special committee among the measures to ensure fairness as practical specific measures for conducting M&A through fair procedures, and presents their functions and desirable practices.

131 https://www.meti.go.jp/press/2019/06/20190628004/20190628004.html

Appendix

Status of Implementation of All 83 Principles

Itemized Tabulation (Company Attribute Information and Status of Response to All 83 Principles of the Code)

	Total	Number of companies that disclosed responses to CG Codes	General Principle 1				Principle 1.1			
			Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
Total of Prime and Standard	3,293	3,293	3,293	0	3,293	100.0%	3,291	2	3,293	99.9%
Organizational form	3,293	3,293								
Companies with *Kansayaku*	1,963	1,963	1,963	0	1,963	100.0%	1,962	1	1,963	100.0%
Company with Supervisory Committee	1,247	1,247	1,247	0	1,247	100.0%	1,246	1	1,247	99.9%
Company with Three Committees	83	83	83	0	83	100.0%	83	0	83	100.0%
Outside directors	3,293	3,293								
Appointed	3,290	3,290	3,290	0	3,290	100.0%	3,288	2	3,290	99.9%
Not appointed	3	3	3	0	3	100.0%	3	0	3	100.0%
Foreign shareholding ratio	3,293	3,293								
Under 10%	1,877	1,877	1,877	0	1,877	100.0%	1,876	1	1,877	100.0%
10% to under 20%	685	685	685	0	685	100.0%	684	1	685	99.9%
20% to under 30%	407	407	407	0	407	100.0%	407	0	407	100.0%
30% or more	324	324	324	0	324	100.0%	324	0	324	100.0%
Major shareholders	3,293	3,293								
Ownership ratio of the largest shareholder is 0% or more and under 5%	28	28	28	0	28	100.0%	28	0	28	100.0%
Ownership ratio of the largest shareholder is 5% or more and under 10%	441	441	441	0	441	100.0%	441	0	441	100.0%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,397	1,397	1,397	0	1,397	100.0%	1,397	0	1,397	100.0%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	683	683	683	0	683	100.0%	682	1	683	99.9%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	498	498	498	0	498	100.0%	498	0	498	100.0%
Ownership ratio of the largest shareholder is 50% or more	246	246	246	0	246	100.0%	245	1	246	99.6%
Listed exchanges and market segment	3,293	3,293								
Prime	1,837	1,837	1,837	0	1,837	100.0%	1,836	1	1,837	100.0%
Standard	1,456	1,456	1,456	0	1,456	100.0%	1,455	1	1,456	99.9%
JPX Nikkei 400 (Prime and Standard only)	399	399	399	0	399	100.0%	399	0	399	100.0%
(Consolidated) Number of employees	3,293	3,293								
Under 100	185	185	185	0	185	100.0%	185	0	185	100.0%
100 to under 500	919	919	919	0	919	100.0%	918	1	919	99.9%
500 to under 1000	613	613	613	0	613	100.0%	613	0	613	100.0%
1000 or more	1,576	1,576	1,576	0	1,576	100.0%	1,575	1	1,576	99.9%
(Consolidated) Sales	3,293	3,293								
Under 10 billion yen	691	691	691	0	691	100.0%	691	0	691	100.0%
10 billion to under 100 billion yen	1,669	1,669	1,669	0	1,669	100.0%	1,667	2	1,669	99.9%
100 billion to 1 trillion yen	776	776	776	0	776	100.0%	776	0	776	100.0%
1 trillion yen or more	157	157	157	0	157	100.0%	157	0	157	100.0%
Controlling shareholder/parent company	3,293	3,293								
With parent company	284	284	284	0	284	100.0%	283	1	284	99.7%
With parent company (listed)	227	227	227	0	227	100.0%	226	1	227	99.6%
With parent company (not listed)	57	57	57	0	57	100.0%	57	0	57	100.0%
With controlling shareholder (not parent company)	164	164	164	0	164	100.0%	164	0	164	100.0%
No controlling shareholder	2,845	2,845	2,845	0	2,845	100.0%	2,844	1	2,845	100.0%
Number of consolidated subsidiaries	3,293	3,293								
Under 10	1,970	1,970	1,970	0	1,970	100.0%	1,969	1	1,970	100.0%
10 to under 50	1,012	1,012	1,012	0	1,012	100.0%	1,011	1	1,012	99.9%
50 to under 100	166	166	166	0	166	100.0%	166	0	166	100.0%
100 to under 300	114	114	114	0	114	100.0%	114	0	114	100.0%
300 or more	31	31	31	0	31	100.0%	31	0	31	100.0%
Fiscal year-end	3,293	3,293								
January	46	46	46	0	46	100.0%	46	0	46	100.0%
February	183	183	183	0	183	100.0%	183	0	183	100.0%
March	2,155	2,155	2,155	0	2,155	100.0%	2,154	1	2,155	100.0%
April	34	34	34	0	34	100.0%	34	0	34	100.0%
May	75	75	75	0	75	100.0%	75	0	75	100.0%
June	107	107	107	0	107	100.0%	107	0	107	100.0%
July	33	33	33	0	33	100.0%	33	0	33	100.0%
August	62	62	62	0	62	100.0%	62	0	62	100.0%
Sept.	126	126	126	0	126	100.0%	126	0	126	100.0%
October	45	45	45	0	45	100.0%	45	0	45	100.0%
November	45	45	45	0	45	100.0%	45	0	45	100.0%
Dec.	382	382	382	0	382	100.0%	381	1	382	99.7%
Industry	3,293	3,293								
Fisheries, agriculture, and forestry	12	12	12	0	12	100.0%	12	0	12	100.0%
Mining	6	6	6	0	6	100.0%	6	0	6	100.0%
Construction industry	147	147	147	0	147	100.0%	146	1	147	99.3%
Foods	120	120	120	0	120	100.0%	120	0	120	100.0%
Textile products	49	49	49	0	49	100.0%	49	0	49	100.0%
Pulp and paper	24	24	24	0	24	100.0%	24	0	24	100.0%
Chemicals	209	209	209	0	209	100.0%	209	0	209	100.0%
Pharmaceuticals	41	41	41	0	41	100.0%	41	0	41	100.0%
Oil and coal products	11	11	11	0	11	100.0%	11	0	11	100.0%
Rubber products	19	19	19	0	19	100.0%	19	0	19	100.0%
Glass, earth and stone products	55	55	55	0	55	100.0%	55	0	55	100.0%
Iron and steel	42	42	42	0	42	100.0%	42	0	42	100.0%
Nonferrous metal	34	34	34	0	34	100.0%	34	0	34	100.0%
Metal products	89	89	89	0	89	100.0%	89	0	89	100.0%
Machinery	223	223	223	0	223	100.0%	223	0	223	100.0%
Electrical appliances	233	233	233	0	233	100.0%	233	0	233	100.0%
Transportation equipment	87	87	87	0	87	100.0%	87	0	87	100.0%
Precision instruments	45	45	45	0	45	100.0%	45	0	45	100.0%
Other products	105	105	105	0	105	100.0%	105	0	105	100.0%
Electricity and gas	24	24	24	0	24	100.0%	24	0	24	100.0%
Land transportation	60	60	60	0	60	100.0%	60	0	60	100.0%
Shipping	11	11	11	0	11	100.0%	11	0	11	100.0%
Air transport	5	5	5	0	5	100.0%	5	0	5	100.0%
Business related to warehousing and transportation	38	38	38	0	38	100.0%	38	0	38	100.0%
Information and communication	349	349	349	0	349	100.0%	349	0	349	100.0%
Wholesale trade	300	300	300	0	300	100.0%	300	0	300	100.0%
Retail Trade	308	308	308	0	308	100.0%	308	0	308	100.0%
Banking	80	80	80	0	80	100.0%	80	0	80	100.0%
Securities and commodity futures trading	36	36	36	0	36	100.0%	36	0	36	100.0%
Insurance	8	8	8	0	8	100.0%	8	0	8	100.0%
Other Financing Business	33	33	33	0	33	100.0%	33	0	33	100.0%
Real Estate	120	120	120	0	120	100.0%	120	0	120	100.0%
Service industry	370	370	370	0	370	100.0%	369	1	370	99.7%
Anti-takeover measures	3,293	3,293								
Yes	259	259	259	0	259	100.0%	259	0	259	100.0%
N/A	3,034	3,034	3,034	0	3,034	100.0%	3,032	2	3,034	99.9%
Independent officers	3,291	3,293								
Designated as directors only	1,432	1,432	1,432	0	1,432	100.0%	1,431	1	1,432	99.9%
Designated as *kansayaku* only	40	40	40	0	40	100.0%	40	0	40	100.0%
Designated as directors and *kansayaku*	1,819	1,819	1,819	0	1,819	100.0%	1,818	1	1,819	100.0%
Term of office of directors	3,293	3,293								
1 year	2,664	2,664	2,664	0	2,664	100.0%	2,662	2	2,664	99.9%
2 years	629	629	629	0	629	100.0%	629	0	629	100.0%

Supplementary Principle 1.1.1				Supplementary Principle 1.1.2				Supplementary Principle 1.1.3				Principle 1.2				Supplementary Principle 1.2.1			
Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
3,280	13	3,293	99.6%	3,290	3	3,293	99.9%	3,292	1	3,293	100.0%	3,286	7	3,293	99.8%	3,289	4	3,293	99.9%
1,955	8	1,963	99.6%	1,960	3	1,963	99.8%	1,963	0	1,963	100.0%	1,957	6	1,963	99.7%	1,961	2	1,963	99.9%
1,243	4	1,247	99.7%	1,247	0	1,247	100.0%	1,247	0	1,247	100.0%	1,246	1	1,247	99.9%	1,245	2	1,247	99.8%
82	1	83	98.8%	83	0	83	100.0%	82	1	83	98.8%	83	0	83	100.0%	83	0	83	100.0%
3,277	13	3,290	99.6%	3,287	3	3,290	99.9%	3,289	1	3,290	100.0%	3,283	7	3,290	99.8%	3,286	4	3,290	99.9%
3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%
1,868	9	1,877	99.5%	1,876	1	1,877	99.9%	1,877	0	1,877	100.0%	1,872	5	1,877	99.7%	1,873	4	1,877	99.8%
685	0	685	100.0%	684	1	685	99.9%	685	0	685	100.0%	684	1	685	99.9%	685	0	685	100.0%
404	3	407	99.3%	406	1	407	99.8%	407	0	407	100.0%	406	1	407	99.8%	407	0	407	100.0%
323	1	324	99.7%	324	0	324	100.0%	323	1	324	99.7%	324	0	324	100.0%	324	0	324	100.0%
26	2	28	92.9%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%
439	2	441	99.5%	441	0	441	100.0%	440	1	441	99.8%	439	2	441	99.5%	441	0	441	100.0%
1,392	5	1,397	99.6%	1,397	0	1,397	100.0%	1,397	0	1,397	100.0%	1,397	0	1,397	100.0%	1,397	0	1,397	100.0%
681	2	683	99.7%	681	2	683	99.7%	683	0	683	100.0%	680	3	683	99.6%	680	3	683	99.6%
496	2	498	99.6%	498	0	498	100.0%	498	0	498	100.0%	496	2	498	99.6%	497	1	498	99.8%
246	0	246	100.0%	245	1	246	99.6%	246	0	246	100.0%	246	0	246	100.0%	246	0	246	100.0%
1,833	4	1,837	99.8%	1,836	1	1,837	99.9%	1,836	1	1,837	99.9%	1,837	0	1,837	100.0%	1,836	1	1,837	99.9%
1,447	9	1,456	99.4%	1,454	2	1,456	99.9%	1,456	0	1,456	100.0%	1,449	7	1,456	99.5%	1,453	3	1,456	99.8%
399	0	399	100.0%	399	0	399	100.0%	399	0	399	100.0%	398	1	399	99.7%	399	0	399	100.0%
182	3	185	98.4%	185	0	185	100.0%	185	0	185	100.0%	184	1	185	99.5%	185	0	185	100.0%
914	5	919	99.5%	917	2	919	99.8%	919	0	919	100.0%	915	4	919	99.6%	917	2	919	99.8%
612	1	613	99.8%	613	0	613	100.0%	613	0	613	100.0%	612	1	613	99.8%	611	2	613	99.7%
1,572	4	1,576	99.7%	1,575	1	1,576	99.9%	1,575	1	1,576	99.9%	1,575	1	1,576	99.9%	1,576	0	1,576	100.0%
684	7	691	99.0%	690	1	691	99.9%	691	0	691	100.0%	687	4	691	99.4%	690	1	691	99.9%
1,665	4	1,669	99.8%	1,667	2	1,669	99.9%	1,669	0	1,669	100.0%	1,667	2	1,669	99.9%	1,666	3	1,669	99.8%
775	1	776	99.9%	776	0	776	100.0%	776	0	776	100.0%	775	1	776	99.9%	776	0	776	100.0%
156	1	157	99.4%	157	0	157	100.0%	156	1	157	99.4%	157	0	157	100.0%	157	0	157	100.0%
282	2	284	99.3%	283	1	284	99.6%	284	0	284	100.0%	284	0	284	100.0%	284	0	284	100.0%
226	1	227	99.6%	226	1	227	99.6%	227	0	227	100.0%	227	0	227	100.0%	227	0	227	100.0%
56	1	57	98.2%	57	0	57	100.0%	57	0	57	100.0%	57	0	57	100.0%	57	0	57	100.0%
164	0	164	100.0%	164	0	164	100.0%	164	0	164	100.0%	163	1	164	99.4%	164	0	164	100.0%
2,834	11	2,845	99.6%	2,843	2	2,845	99.9%	2,844	1	2,845	100.0%	2,839	6	2,845	99.8%	2,841	4	2,845	99.9%
1,961	9	1,970	99.5%	1,968	2	1,970	99.9%	1,970	0	1,970	100.0%	1,964	6	1,970	99.7%	1,968	2	1,970	99.9%
1,011	1	1,012	99.9%	1,011	1	1,012	99.9%	1,012	0	1,012	100.0%	1,011	1	1,012	99.9%	1,010	2	1,012	99.8%
164	2	166	98.8%	166	0	166	100.0%	166	0	166	100.0%	166	0	166	100.0%	166	0	166	100.0%
113	1	114	99.1%	114	0	114	100.0%	113	1	114	99.1%	114	0	114	100.0%	114	0	114	100.0%
31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%
183	0	183	100.0%	183	0	183	100.0%	183	0	183	100.0%	183	0	183	100.0%	183	0	183	100.0%
2,144	11	2,155	99.5%	2,154	1	2,155	100.0%	2,154	1	2,155	100.0%	2,150	5	2,155	99.8%	2,154	1	2,155	100.0%
34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%
75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%
107	0	107	100.0%	107	0	107	100.0%	107	0	107	100.0%	107	0	107	100.0%	106	1	107	99.1%
32	1	33	97.0%	33	0	33	100.0%	33	0	33	100.0%	32	1	33	97.0%	33	0	33	100.0%
62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%
126	0	126	100.0%	126	0	126	100.0%	126	0	126	100.0%	126	0	126	100.0%	126	0	126	100.0%
44	1	45	97.8%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
382	0	382	100.0%	380	2	382	99.5%	382	0	382	100.0%	381	1	382	99.7%	380	2	382	99.5%
12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%
6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
146	1	147	99.3%	146	1	147	99.3%	147	0	147	100.0%	147	0	147	100.0%	147	0	147	100.0%
119	1	120	99.2%	120	0	120	100.0%	120	0	120	100.0%	119	1	120	99.2%	120	0	120	100.0%
49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%
24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
209	0	209	100.0%	209	0	209	100.0%	209	0	209	100.0%	209	0	209	100.0%	209	0	209	100.0%
41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%
11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%
54	1	55	98.2%	55	0	55	100.0%	55	0	55	100.0%	55	0	55	100.0%	55	0	55	100.0%
42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%
33	1	34	97.1%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%
88	1	89	98.9%	89	0	89	100.0%	89	0	89	100.0%	89	0	89	100.0%	88	1	89	98.9%
223	0	223	100.0%	223	0	223	100.0%	223	0	223	100.0%	223	0	223	100.0%	223	0	223	100.0%
231	2	233	99.1%	233	0	233	100.0%	232	1	233	99.6%	231	2	233	99.1%	232	1	233	99.6%
87	0	87	100.0%	87	0	87	100.0%	87	0	87	100.0%	87	0	87	100.0%	87	0	87	100.0%
45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
105	0	105	100.0%	104	1	105	99.0%	105	0	105	100.0%	103	2	105	98.1%	104	1	105	99.0%
24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%
11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%
346	3	349	99.1%	349	0	349	100.0%	349	0	349	100.0%	349	0	349	100.0%	349	0	349	100.0%
299	1	300	99.7%	300	0	300	100.0%	300	0	300	100.0%	299	1	300	99.7%	300	0	300	100.0%
306	2	308	99.4%	307	1	308	99.7%	308	0	308	100.0%	307	1	308	99.7%	307	1	308	99.7%
80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%
8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%
120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%
370	0	370	100.0%	370	0	370	100.0%	370	0	370	100.0%	370	0	370	100.0%	370	0	370	100.0%
258	1	259	99.6%	259	0	259	100.0%	259	0	259	100.0%	258	1	259	99.6%	259	0	259	100.0%
3,022	12	3,034	99.6%	3,031	3	3,034	99.9%	3,033	1	3,034	100.0%	3,028	6	3,034	99.8%	3,030	4	3,034	99.9%
1,427	5	1,432	99.7%	1,432	0	1,432	100.0%	1,431	1	1,432	99.9%	1,431	1	1,432	99.9%	1,430	2	1,432	99.9%
39	1	40	97.5%	39	1	40	97.5%	40	0	40	100.0%	39	1	40	97.5%	39	1	40	97.5%
1,812	7	1,819	99.6%	1,817	2	1,819	99.9%	1,819	0	1,819	100.0%	1,814	5	1,819	99.7%	1,818	1	1,819	99.9%
2,655	9	2,664	99.7%	2,663	1	2,664	100.0%	2,663	1	2,664	100.0%	2,660	4	2,664	99.8%	2,661	3	2,664	99.9%
625	4	629	99.4%	627	2	629	99.7%	629	0	629	100.0%	626	3	629	99.5%	628	1	629	99.8%

	Supplementary Principle 1.2.2				Supplementary Principle 1.2.3				Supplementary Principle 1.2.4			
	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
Total of Prime and Standard	3,171	122	3,293	96.3%	3,253	40	3,293	98.8%	1,770	1,523	3,293	53.8%
Organizational form												
Companies with *Kansayaku*	1,883	80	1,963	95.9%	1,936	27	1,963	98.6%	1,041	922	1,963	53.0%
Company with Supervisory Committee	1,206	41	1,247	96.7%	1,234	13	1,247	99.0%	654	593	1,247	52.4%
Company with Three Committees	82	1	83	98.8%	83	0	83	100.0%	75	8	83	90.4%
Outside directors												
Appointed	3,168	122	3,290	96.3%	3,250	40	3,290	98.8%	1,770	1,520	3,290	53.8%
Not appointed	3	0	3	100.0%	3	0	3	100.0%	0	3	3	0.0%
Foreign shareholding ratio												
Under 10%	1,776	101	1,877	94.6%	1,848	29	1,877	98.5%	579	1,298	1,877	30.8%
10% to under 20%	673	12	685	98.2%	682	3	685	99.6%	540	145	685	78.8%
20% to under 30%	401	6	407	98.5%	401	6	407	98.5%	358	49	407	88.0%
30% or more	321	3	324	99.1%	322	2	324	99.4%	293	31	324	90.4%
Major shareholders												
Ownership ratio of the largest shareholder is 0% or more and under 5%	26	2	28	92.9%	27	1	28	96.4%	3	25	28	10.7%
Ownership ratio of the largest shareholder is 5% or more and under 10%	429	12	441	97.3%	434	7	441	98.4%	211	230	441	47.8%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,358	39	1,397	97.2%	1,385	12	1,397	99.1%	923	474	1,397	66.1%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	646	37	683	94.6%	673	10	683	98.5%	318	365	683	46.6%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	475	23	498	95.4%	495	3	498	99.4%	206	292	498	41.4%
Ownership ratio of the largest shareholder is 50% or more	237	9	246	96.3%	239	7	246	97.2%	109	137	246	44.3%
Listed exchanges and market segment												
Prime	1,824	13	1,837	99.3%	1,829	8	1,837	99.6%	1,542	295	1,837	83.9%
Standard	1,347	109	1,456	92.5%	1,424	32	1,456	97.8%	228	1,228	1,456	15.7%
JPX Nikkei 400 (Prime and Standard only)	397	2	399	99.5%	397	2	399	99.5%	386	13	399	96.7%
(Consolidated) Number of employees												
Under 100	168	17	185	90.8%	181	4	185	97.8%	29	156	185	15.7%
100 to under 500	849	70	919	92.4%	900	19	919	97.9%	225	694	919	24.5%
500 to under 1000	601	12	613	98.0%	606	7	613	98.9%	268	345	613	43.7%
1000 or more	1,553	23	1,576	98.5%	1,566	10	1,576	99.4%	1,248	328	1,576	79.2%
(Consolidated) Sales												
Under 10 billion yen	626	65	691	90.6%	676	15	691	97.8%	108	583	691	15.6%
10 billion to under 100 billion yen	1,617	52	1,669	96.9%	1,649	20	1,669	98.8%	808	861	1,669	48.4%
100 billion to 1 trillion yen	771	5	776	99.4%	772	4	776	99.5%	699	77	776	90.1%
1 trillion yen or more	157	0	157	100.0%	156	1	157	99.4%	155	2	157	98.7%
Controlling shareholder/parent company												
With parent company	274	10	284	96.5%	278	6	284	97.9%	130	154	284	45.8%
With parent company (listed)	221	6	227	97.4%	225	2	227	99.1%	116	111	227	51.1%
With parent company (not listed)	53	4	57	93.0%	53	4	57	93.0%	14	43	57	24.6%
With controlling shareholder (not parent company)	154	10	164	93.9%	162	2	164	98.8%	39	125	164	23.8%
No controlling shareholder	2,743	102	2,845	96.4%	2,813	32	2,845	98.9%	1,601	1,244	2,845	56.3%
Number of consolidated subsidiaries												
Under 10	1,875	95	1,970	95.2%	1,941	29	1,970	98.5%	697	1,273	1,970	35.4%
10 to under 50	986	26	1,012	97.4%	1,004	8	1,012	99.2%	771	241	1,012	76.2%
50 to under 100	165	1	166	99.4%	164	2	166	98.8%	161	5	166	97.0%
100 to under 300	114	0	114	100.0%	114	0	114	100.0%	110	4	114	96.5%
300 or more	31	0	31	100.0%	30	1	31	96.8%	31	0	31	100.0%
Fiscal year-end												
January	42	4	46	91.3%	46	0	46	100.0%	19	27	46	41.3%
February	174	9	183	95.1%	183	0	183	100.0%	89	94	183	48.6%
March	2,098	57	2,155	97.4%	2,118	37	2,155	98.3%	1,271	884	2,155	59.0%
April	31	3	34	91.2%	34	0	34	100.0%	8	26	34	23.5%
May	73	2	75	97.3%	75	0	75	100.0%	20	55	75	26.7%
June	101	6	107	94.4%	107	0	107	100.0%	36	71	107	33.6%
July	31	2	33	93.9%	33	0	33	100.0%	6	27	33	18.2%
August	58	4	62	93.5%	62	0	62	100.0%	22	40	62	35.5%
Sept.	114	12	126	90.5%	126	0	126	100.0%	50	76	126	39.7%
October	41	4	45	91.1%	45	0	45	100.0%	13	32	45	28.9%
November	42	3	45	93.3%	45	0	45	100.0%	17	28	45	37.8%
Dec.	366	16	382	95.8%	379	3	382	99.2%	219	163	382	57.3%
Industry												
Fisheries, agriculture, and forestry	12	0	12	100.0%	12	0	12	100.0%	7	5	12	58.3%
Mining	6	0	6	100.0%	6	0	6	100.0%	5	1	6	83.3%
Construction industry	143	4	147	97.3%	145	2	147	98.6%	83	64	147	56.5%
Foods	117	3	120	97.5%	119	1	120	99.2%	64	56	120	53.3%
Textile products	48	1	49	98.0%	49	0	49	100.0%	25	24	49	51.0%
Pulp and paper	23	1	24	95.8%	24	0	24	100.0%	12	12	24	50.0%
Chemicals	205	4	209	98.1%	205	4	209	98.1%	134	75	209	64.1%
Pharmaceuticals	40	1	41	97.6%	41	0	41	100.0%	35	6	41	85.4%
Oil and coal products	11	0	11	100.0%	11	0	11	100.0%	9	2	11	81.8%
Rubber products	18	1	19	94.7%	18	1	19	94.7%	11	8	19	57.9%
Glass, earth and stone products	52	3	55	94.5%	55	0	55	100.0%	30	25	55	54.5%
Iron and steel	40	2	42	95.2%	42	0	42	100.0%	25	17	42	59.5%
Nonferrous metal	32	2	34	94.1%	34	0	34	100.0%	20	14	34	58.8%
Metal products	87	2	89	97.8%	88	1	89	98.9%	31	58	89	34.8%
Machinery	215	8	223	96.4%	220	3	223	98.7%	127	96	223	57.0%
Electrical appliances	229	4	233	98.3%	230	3	233	98.7%	146	87	233	62.7%
Transportation equipment	86	1	87	98.9%	87	0	87	100.0%	57	30	87	65.5%
Precision instruments	44	1	45	97.8%	44	1	45	97.8%	31	14	45	68.9%
Other products	99	6	105	94.3%	104	1	105	99.0%	43	62	105	41.0%
Electricity and gas	24	0	24	100.0%	24	0	24	100.0%	23	1	24	95.8%
Land transportation	58	2	60	96.7%	60	0	60	100.0%	37	23	60	61.7%
Shipping	11	0	11	100.0%	11	0	11	100.0%	7	4	11	63.6%
Air transport	5	0	5	100.0%	5	0	5	100.0%	3	2	5	60.0%
Business related to warehousing and transportation	38	0	38	100.0%	38	0	38	100.0%	16	22	38	42.1%
Information and communication	338	11	349	96.8%	345	4	349	98.9%	176	173	349	50.4%
Wholesale trade	284	16	300	94.7%	294	6	300	98.0%	145	155	300	48.3%
Retail Trade	290	18	308	94.2%	303	5	308	98.4%	125	183	308	40.6%
Banking	80	0	80	100.0%	80	0	80	100.0%	77	3	80	96.3%
Securities and commodity futures trading	35	1	36	97.2%	36	0	36	100.0%	22	14	36	61.1%
Insurance	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
Other Financing Business	33	0	33	100.0%	33	0	33	100.0%	25	8	33	75.8%
Real Estate	110	10	120	91.7%	117	3	120	97.5%	51	69	120	42.5%
Service industry	350	20	370	94.6%	365	5	370	98.6%	160	210	370	43.2%
Anti-takeover measures												
Yes	249	10	259	96.1%	253	6	259	97.7%	155	104	259	59.8%
N/A	2,922	112	3,034	96.3%	3,000	34	3,034	98.9%	1,615	1,419	3,034	53.2%
Independent officers												
Designated as directors only	1,382	50	1,432	96.5%	1,417	15	1,432	99.0%	757	675	1,432	52.9%
Designated as *kansayaku* only	34	6	40	85.0%	39	1	40	97.5%	5	35	40	12.5%
Designated as directors and *kansayaku*	1,753	66	1,819	96.4%	1,795	24	1,819	98.7%	1,008	811	1,819	55.4%
Term of office of directors												
1 year	2,575	89	2,664	96.7%	2,635	29	2,664	98.9%	1,542	1,122	2,664	57.9%
2 years	596	33	629	94.8%	618	11	629	98.3%	228	401	629	36.2%

Supplementary Principle 1.2.5				Principle 1.3				Principle 1.4				Supplementary Principle 1.4.1				Supplementary Principle 1.4.2			
Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
3,105	188	3,293	94.3%	3,199	94	3,293	97.1%	3,062	231	3,293	93.0%	3286	7	3293	99.8%	3290	3	3293	99.9%
1,854	109	1,963	94.4%	1,900	63	1,963	96.8%	1,809	154	1,963	92.2%	1959	4	1963	99.8%	1961	2	1963	99.9%
1,171	76	1,247	93.9%	1,216	31	1,247	97.5%	1,170	77	1,247	93.8%	1244	3	1247	99.8%	1246	1	1247	99.9%
80	3	83	96.4%	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%
3,103	187	3,290	94.3%	3,196	94	3,290	97.1%	3,059	231	3,290	93.0%	3283	7	3290	99.8%	3287	3	3290	99.9%
2	1	3	66.7%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%
1,721	156	1,877	91.7%	1,797	80	1,877	95.7%	1,726	151	1,877	92.0%	1873	4	1877	99.8%	1875	2	1877	99.9%
666	19	685	97.2%	676	9	685	98.7%	649	36	685	94.7%	683	2	685	99.7%	685	0	685	100.0%
397	10	407	97.5%	405	2	407	99.5%	381	26	407	93.6%	407	0	407	100.0%	407	0	407	100.0%
321	3	324	99.1%	321	3	324	99.1%	306	18	324	94.4%	323	1	324	99.7%	323	1	324	99.7%
21	7	28	75.0%	22	6	28	78.6%	25	3	28	89.3%	28	0	28	100.0%	28	0	28	100.0%
425	16	441	96.4%	430	11	441	97.5%	394	47	441	89.3%	437	4	441	99.1%	440	1	441	99.8%
1,341	56	1,397	96.0%	1,368	29	1,397	97.9%	1,296	101	1,397	92.8%	1396	1	1397	99.9%	1397	0	1397	100.0%
636	47	683	93.1%	654	29	683	95.8%	640	43	683	93.7%	682	1	683	99.9%	682	1	683	99.9%
455	43	498	91.4%	481	17	498	96.6%	473	25	498	95.0%	497	1	498	99.8%	498	0	498	100.0%
227	19	246	92.3%	244	2	246	99.2%	234	12	246	95.1%	246	0	246	100.0%	245	1	246	99.6%
1,794	43	1,837	97.7%	1,824	13	1,837	99.3%	1,746	91	1,837	95.0%	1831	6	1837	99.7%	1836	1	1837	99.9%
1,311	145	1,456	90.0%	1,375	81	1,456	94.4%	1,316	140	1,456	90.4%	1455	1	1456	99.9%	1454	2	1456	99.9%
397	2	399	99.5%	399	0	399	100.0%	382	17	399	95.7%	398	1	399	99.7%	399	0	399	100.0%
167	18	185	90.3%	174	11	185	94.1%	173	12	185	93.5%	185	0	185	100.0%	185	0	185	100.0%
824	95	919	89.7%	860	59	919	93.6%	838	81	919	91.2%	916	3	919	99.7%	917	2	919	99.8%
574	39	613	93.6%	605	8	613	98.7%	569	44	613	92.8%	612	1	613	99.8%	613	0	613	100.0%
1,540	36	1,576	97.7%	1,560	16	1,576	99.0%	1,482	94	1,576	94.0%	1573	3	1576	99.8%	1575	1	1576	99.9%
600	91	691	86.8%	638	53	691	92.3%	638	53	691	92.3%	691	0	691	100.0%	691	0	691	100.0%
1,584	85	1,669	94.9%	1,633	36	1,669	97.8%	1,544	125	1,669	92.5%	1664	5	1669	99.7%	1666	3	1669	99.8%
765	11	776	98.6%	771	5	776	99.4%	729	47	776	93.9%	774	2	776	99.7%	776	0	776	100.0%
156	1	157	99.4%	157	0	157	100.0%	151	6	157	96.2%	157	0	157	100.0%	157	0	157	100.0%
263	21	284	92.6%	280	4	284	98.6%	269	15	284	94.7%	284	0	284	100.0%	283	1	284	99.6%
214	13	227	94.3%	224	3	227	98.7%	217	10	227	95.6%	227	0	227	100.0%	226	1	227	99.6%
49	8	57	86.0%	56	1	57	98.2%	52	5	57	91.2%	57	0	57	100.0%	57	0	57	100.0%
142	22	164	86.6%	155	9	164	94.5%	156	8	164	95.1%	164	0	164	100.0%	164	0	164	100.0%
2,700	145	2,845	94.9%	2,764	81	2,845	97.2%	2,637	208	2,845	92.7%	2838	7	2845	99.8%	2843	2	2845	99.9%
1,820	150	1,970	92.4%	1,891	79	1,970	96.0%	1,818	152	1,970	92.3%	1966	4	1970	99.8%	1968	2	1970	99.9%
978	34	1,012	96.6%	997	15	1,012	98.5%	944	68	1,012	93.3%	1009	3	1012	99.7%	1011	1	1012	99.9%
162	4	166	97.6%	166	0	166	100.0%	159	7	166	95.8%	166	0	166	100.0%	166	0	166	100.0%
114	0	114	100.0%	114	0	114	100.0%	110	4	114	96.5%	114	0	114	100.0%	114	0	114	100.0%
31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
40	6	46	87.0%	45	1	46	97.8%	43	3	46	93.5%	45	1	46	97.8%	46	0	46	100.0%
172	11	183	94.0%	171	12	183	93.4%	168	15	183	91.8%	183	0	183	100.0%	183	0	183	100.0%
2,045	110	2,155	94.9%	2,103	52	2,155	97.6%	2,000	155	2,155	92.8%	2153	2	2155	99.9%	2154	1	2155	100.0%
32	2	34	94.1%	31	3	34	91.2%	32	2	34	94.1%	34	0	34	100.0%	34	0	34	100.0%
72	3	75	96.0%	71	4	75	94.7%	69	6	75	92.0%	75	0	75	100.0%	75	0	75	100.0%
100	7	107	93.5%	103	4	107	96.3%	101	6	107	94.4%	107	0	107	100.0%	106	1	107	99.1%
28	5	33	84.8%	32	1	33	97.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%
57	5	62	91.9%	61	1	62	98.4%	60	2	62	96.8%	62	0	62	100.0%	62	0	62	100.0%
113	13	126	89.7%	122	4	126	96.8%	119	7	126	94.4%	125	1	126	99.2%	125	1	126	99.2%
42	3	45	93.3%	44	1	45	97.8%	41	4	45	91.1%	44	1	45	97.8%	45	0	45	100.0%
40	5	45	88.9%	45	0	45	100.0%	43	2	45	95.6%	45	0	45	100.0%	45	0	45	100.0%
364	18	382	95.3%	371	11	382	97.1%	353	29	382	92.4%	380	2	382	99.5%	382	0	382	100.0%
11	1	12	91.7%	11	1	12	91.7%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%
6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
142	5	147	96.6%	145	2	147	98.6%	140	7	147	95.2%	147	0	147	100.0%	147	0	147	100.0%
114	6	120	95.0%	117	3	120	97.5%	109	11	120	90.8%	118	2	120	98.3%	120	0	120	100.0%
46	3	49	93.9%	47	2	49	95.9%	42	7	49	85.7%	49	0	49	100.0%	49	0	49	100.0%
24	0	24	100.0%	24	0	24	100.0%	23	1	24	95.8%	24	0	24	100.0%	24	0	24	100.0%
200	9	209	95.7%	202	7	209	96.7%	189	20	209	90.4%	209	0	209	100.0%	209	0	209	100.0%
39	2	41	95.1%	40	1	41	97.6%	38	3	41	92.7%	41	0	41	100.0%	41	0	41	100.0%
11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
19	0	19	100.0%	19	0	19	100.0%	17	2	19	89.5%	19	0	19	100.0%	19	0	19	100.0%
55	0	55	100.0%	53	2	55	96.4%	53	2	55	96.4%	55	0	55	100.0%	55	0	55	100.0%
42	0	42	100.0%	41	1	42	97.6%	39	3	42	92.9%	42	0	42	100.0%	42	0	42	100.0%
33	1	34	97.1%	32	2	34	94.1%	31	3	34	91.2%	34	0	34	100.0%	34	0	34	100.0%
84	5	89	94.4%	87	2	89	97.8%	78	11	89	87.6%	89	0	89	100.0%	89	0	89	100.0%
207	16	223	92.8%	218	5	223	97.8%	205	18	223	91.9%	222	1	223	99.6%	222	1	223	99.6%
227	6	233	97.4%	226	7	233	97.0%	214	19	233	91.8%	233	0	233	100.0%	233	0	233	100.0%
83	4	87	95.4%	86	1	87	98.9%	81	6	87	93.1%	87	0	87	100.0%	87	0	87	100.0%
43	2	45	95.6%	45	0	45	100.0%	44	1	45	97.8%	45	0	45	100.0%	45	0	45	100.0%
100	5	105	95.2%	96	9	105	91.4%	96	9	105	91.4%	105	0	105	100.0%	105	0	105	100.0%
24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
58	2	60	96.7%	58	2	60	96.7%	49	11	60	81.7%	60	0	60	100.0%	60	0	60	100.0%
10	1	11	90.9%	11	0	11	100.0%	9	2	11	81.8%	11	0	11	100.0%	11	0	11	100.0%
5	0	5	100.0%	5	0	5	100.0%	3	2	5	60.0%	5	0	5	100.0%	5	0	5	100.0%
33	5	38	86.8%	38	0	38	100.0%	37	1	38	97.4%	38	0	38	100.0%	38	0	38	100.0%
328	21	349	94.0%	339	10	349	97.1%	329	20	349	94.3%	349	0	349	100.0%	349	0	349	100.0%
284	16	300	94.7%	293	7	300	97.7%	269	31	300	89.7%	300	0	300	100.0%	300	0	300	100.0%
272	36	308	88.3%	294	14	308	95.5%	295	13	308	95.8%	307	1	308	99.7%	307	1	308	99.7%
79	1	80	98.8%	80	0	80	100.0%	78	2	80	97.5%	80	0	80	100.0%	80	0	80	100.0%
36	0	36	100.0%	35	1	36	97.2%	35	1	36	97.2%	36	0	36	100.0%	36	0	36	100.0%
8	0	8	100.0%	8	0	8	100.0%	7	1	8	87.5%	8	0	8	100.0%	8	0	8	100.0%
33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%
109	11	120	90.8%	117	3	120	97.5%	108	12	120	90.0%	117	3	120	97.5%	119	1	120	99.2%
340	30	370	91.9%	358	12	370	96.8%	358	12	370	96.8%	370	0	370	100.0%	370	0	370	100.0%
243	16	259	93.8%	258	1	259	99.6%	227	32	259	87.6%	256	3	259	98.8%	259	0	259	100.0%
2,862	172	3,034	94.3%	2,941	93	3,034	96.9%	2,835	199	3,034	93.4%	3030	4	3034	99.9%	3031	3	3034	99.9%
1,348	84	1,432	94.1%	1,395	37	1,432	97.4%	1,349	83	1,432	94.2%	1429	3	1432	99.8%	1431	1	1432	99.9%
37	3	40	92.5%	37	3	40	92.5%	35	5	40	87.5%	40	0	40	100.0%	40	0	40	100.0%
1,718	101	1,819	94.4%	1,765	54	1,819	97.0%	1,676	143	1,819	92.1%	1816	3	1819	99.8%	1817	2	1819	99.9%
2,531	133	2,664	95.0%	2,599	65	2,664	97.6%	2,479	185	2,664	93.1%	2659	5	2664	99.8%	2662	2	2664	99.9%
574	55	629	91.3%	600	29	629	95.4%	583	46	629	92.7%	627	2	629	99.7%	628	1	629	99.8%

	Principle 1.5				Supplementary Principle 1.5.1				Principle 1.6			
	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
Total of Prime and Standard	3,290	3	3,293	99.9%	3,293	0	3,293	100.0%	3,292	1	3,293	100.0%
Organizational form												
Companies with *Kansayaku*	1,961	2	1,963	99.9%	1,963	0	1,963	100.0%	1,962	1	1,963	99.9%
Company with Supervisory Committee	1,246	1	1,247	99.9%	1,247	0	1,247	100.0%	1,247	0	1,247	100.0%
Company with Three Committees	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%
Outside directors												
Appointed	3,287	3	3,290	99.9%	3,290	0	3,290	100.0%	3,289	1	3,290	100.0%
Not appointed	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%
Foreign shareholding ratio												
Under 10%	1,874	3	1,877	99.8%	1,877	0	1,877	100.0%	1,876	1	1,877	99.9%
10% to under 20%	685	0	685	100.0%	685	0	685	100.0%	685	0	685	100.0%
20% to under 30%	407	0	407	100.0%	407	0	407	100.0%	407	0	407	100.0%
30% or more	324	0	324	100.0%	324	0	324	100.0%	324	0	324	100.0%
Major shareholders												
Ownership ratio of the largest shareholder is 0% or more and under 5%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%
Ownership ratio of the largest shareholder is 5% or more and under 10%	441	0	441	100.0%	441	0	441	100.0%	441	0	441	100.0%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,396	1	1,397	99.9%	1,397	0	1,397	100.0%	1,397	0	1,397	100.0%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	681	2	683	99.7%	683	0	683	100.0%	683	0	683	100.0%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	498	0	498	100.0%	498	0	498	100.0%	497	1	498	99.8%
Ownership ratio of the largest shareholder is 50% or more	246	0	246	100.0%	246	0	246	100.0%	246	0	246	100.0%
Listed exchanges and market segment												
Prime	1,837	0	1,837	100.0%	1,837	0	1,837	100.0%	1,837	0	1,837	100.0%
Standard	1,453	3	1,456	99.8%	1,456	0	1,456	100.0%	1,455	1	1,456	99.9%
JPX Nikkei 400 (Prime and Standard only)	399	0	399	100.0%	399	0	399	100.0%	399	0	399	100.0%
(Consolidated) Number of employees												
Under 100	185	0	185	100.0%	185	0	185	100.0%	185	0	185	100.0%
100 to under 500	917	2	919	99.8%	919	0	919	100.0%	918	1	919	99.9%
500 to under 1000	613	0	613	100.0%	613	0	613	100.0%	613	0	613	100.0%
1000 or more	1,575	1	1,576	99.9%	1,576	0	1,576	100.0%	1,576	0	1,576	100.0%
(Consolidated) Sales												
Under 10 billion yen	689	2	691	99.7%	691	0	691	100.0%	690	1	691	99.9%
10 billion to under 100 billion yen	1,669	0	1,669	100.0%	1,669	0	1,669	100.0%	1,669	0	1,669	100.0%
100 billion to 1 trillion yen	775	1	776	99.9%	776	0	776	100.0%	776	0	776	100.0%
1 trillion yen or more	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%
Controlling shareholder/parent company												
With parent company	284	0	284	100.0%	284	0	284	100.0%	284	0	284	100.0%
With parent company (listed)	227	0	227	100.0%	227	0	227	100.0%	227	0	227	100.0%
With parent company (not listed)	57	0	57	100.0%	57	0	57	100.0%	57	0	57	100.0%
With controlling shareholder (not parent company)	164	0	164	100.0%	164	0	164	100.0%	164	0	164	100.0%
No controlling shareholder	2,842	3	2,845	99.9%	2,845	0	2,845	100.0%	2,844	1	2,845	100.0%
Number of consolidated subsidiaries												
Under 10	1,968	2	1,970	99.9%	1,970	0	1,970	100.0%	1,969	1	1,970	99.9%
10 to under 50	1,011	1	1,012	99.9%	1,012	0	1,012	100.0%	1,012	0	1,012	100.0%
50 to under 100	166	0	166	100.0%	166	0	166	100.0%	166	0	166	100.0%
100 to under 300	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%
300 or more	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
Fiscal year-end												
January	46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%
February	183	0	183	100.0%	183	0	183	100.0%	183	0	183	100.0%
March	2,154	1	2,155	100.0%	2,155	0	2,155	100.0%	2,155	0	2,155	100.0%
April	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%
May	75	0	75	100.0%	75	0	75	100.0%	74	1	75	98.7%
June	107	0	107	100.0%	107	0	107	100.0%	107	0	107	100.0%
July	32	1	33	97.0%	33	0	33	100.0%	33	0	33	100.0%
August	62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%
Sept.	125	1	126	99.2%	126	0	126	100.0%	126	0	126	100.0%
October	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
November	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
Dec.	382	0	382	100.0%	382	0	382	100.0%	382	0	382	100.0%
Industry												
Fisheries, agriculture, and forestry	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%
Mining	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
Construction industry	147	0	147	100.0%	147	0	147	100.0%	147	0	147	100.0%
Foods	120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%
Textile products	49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%
Pulp and paper	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
Chemicals	209	0	209	100.0%	209	0	209	100.0%	209	0	209	100.0%
Pharmaceuticals	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%
Oil and coal products	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
Rubber products	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%
Glass, earth and stone products	55	0	55	100.0%	55	0	55	100.0%	55	0	55	100.0%
Iron and steel	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%
Nonferrous metal	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%
Metal products	89	0	89	100.0%	89	0	89	100.0%	89	0	89	100.0%
Machinery	223	0	223	100.0%	223	0	223	100.0%	223	0	223	100.0%
Electrical appliances	233	0	233	100.0%	233	0	233	100.0%	233	0	233	100.0%
Transportation equipment	87	0	87	100.0%	87	0	87	100.0%	87	0	87	100.0%
Precision instruments	44	1	45	97.8%	45	0	45	100.0%	45	0	45	100.0%
Other products	105	0	105	100.0%	105	0	105	100.0%	105	0	105	100.0%
Electricity and gas	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
Land transportation	60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%
Shipping	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
Air transport	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
Business related to warehousing and transportation	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%
Information and communication	349	0	349	100.0%	349	0	349	100.0%	349	0	349	100.0%
Wholesale trade	300	0	300	100.0%	300	0	300	100.0%	300	0	300	100.0%
Retail Trade	306	2	308	99.4%	308	0	308	100.0%	308	0	308	100.0%
Banking	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
Securities and commodity futures trading	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%
Insurance	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
Other Financing Business	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%
Real Estate	120	0	120	100.0%	120	0	120	100.0%	119	1	120	99.2%
Service industry	370	0	370	100.0%	370	0	370	100.0%	370	0	370	100.0%
Anti-takeover measures												
Yes	259	0	259	100.0%	259	0	259	100.0%	259	0	259	100.0%
N/A	3,031	3	3,034	99.9%	3,034	0	3,034	100.0%	3,033	1	3,034	100.0%
Independent officers												
Designated as directors only	1,431	1	1,432	99.9%	1,432	0	1,432	100.0%	1,432	0	1,432	100.0%
Designated as *kansayaku* only	40	0	40	100.0%	40	0	40	100.0%	40	0	40	100.0%
Designated as directors and *kansayaku*	1,817	2	1,819	99.9%	1,819	0	1,819	100.0%	1,818	1	1,819	99.9%
Term of office of directors												
1 year	2,662	2	2,664	99.9%	2,664	0	2,664	100.0%	2,664	0	2,664	100.0%
2 years	628	1	629	99.8%	629	0	629	100.0%	628	1	629	99.8%

Principle 1.7				General Principle 2				Principle 2.1				Principle 2.2				Supplementary Principle 2.2.1			
Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
3,290	3	3,293	99.9%	3,290	3	3,293	99.9%	3,291	2	3,293	99.9%	3,283	10	3,293	99.7%	3,238	55	3,293	98.3%
1,961	2	1,963	99.9%	1,961	2	1,963	99.9%	1,961	2	1,963	99.9%	1,955	8	1,963	99.6%	1,924	39	1,963	98.0%
1,246	1	1,247	99.9%	1,246	1	1,247	99.9%	1,247	0	1,247	100.0%	1,245	2	1,247	99.8%	1,231	16	1,247	98.7%
83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%
3,287	3	3,290	99.9%	3,287	3	3,290	99.9%	3,288	2	3,290	99.9%	3,280	10	3,290	99.7%	3,235	55	3,290	98.3%
3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%
1,875	2	1,877	99.9%	1,877	0	1,877	100.0%	1,876	1	1,877	99.9%	1,869	8	1,877	99.6%	1,830	47	1,877	97.5%
685	0	685	100.0%	683	2	685	99.7%	684	1	685	99.9%	684	1	685	99.9%	680	5	685	99.3%
407	0	407	100.0%	406	1	407	99.8%	407	0	407	100.0%	407	0	407	100.0%	406	1	407	99.8%
323	1	324	99.7%	324	0	324	100.0%	324	0	324	100.0%	323	1	324	99.7%	322	2	324	99.4%
28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%
440	1	441	99.8%	440	1	441	99.8%	441	0	441	100.0%	440	1	441	99.8%	435	6	441	98.6%
1,397	0	1,397	100.0%	1,396	1	1,397	99.9%	1,396	1	1,397	99.9%	1,391	6	1,397	99.6%	1,377	20	1,397	98.6%
683	0	683	100.0%	682	1	683	99.9%	682	1	683	99.9%	682	1	683	99.9%	670	13	683	98.1%
498	0	498	100.0%	498	0	498	100.0%	498	0	498	100.0%	497	1	498	99.8%	485	13	498	97.4%
244	2	246	99.2%	246	0	246	100.0%	246	0	246	100.0%	245	1	246	99.6%	243	3	246	98.8%
1,837	0	1,837	100.0%	1,834	3	1,837	99.8%	1,837	0	1,837	100.0%	1,836	1	1,837	99.9%	1,831	6	1,837	99.7%
1,453	3	1,456	99.8%	1,456	0	1,456	100.0%	1,454	2	1,456	99.9%	1,447	9	1,456	99.4%	1,407	49	1,456	96.6%
399	0	399	100.0%	399	0	399	100.0%	399	0	399	100.0%	399	0	399	100.0%	399	0	399	100.0%
185	0	185	100.0%	185	0	185	100.0%	184	1	185	99.5%	182	3	185	98.4%	176	9	185	95.1%
917	2	919	99.8%	919	0	919	100.0%	918	1	919	99.9%	913	6	919	99.3%	888	31	919	96.6%
613	0	613	100.0%	613	0	613	100.0%	613	0	613	100.0%	613	0	613	100.0%	605	8	613	98.7%
1,575	1	1,576	99.9%	1,573	3	1,576	99.8%	1,576	0	1,576	100.0%	1,575	1	1,576	99.9%	1,569	7	1,576	99.6%
689	2	691	99.7%	691	0	691	100.0%	689	2	691	99.7%	684	7	691	99.0%	659	32	691	95.4%
1,668	1	1,669	99.9%	1,667	2	1,669	99.9%	1,669	0	1,669	100.0%	1,666	3	1,669	99.8%	1,648	21	1,669	98.7%
776	0	776	100.0%	775	1	776	99.9%	776	0	776	100.0%	776	0	776	100.0%	775	1	776	99.9%
157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%	156	1	157	99.4%
283	1	284	99.6%	284	0	284	100.0%	284	0	284	100.0%	284	0	284	100.0%	277	7	284	97.5%
226	1	227	99.6%	227	0	227	100.0%	227	0	227	100.0%	227	0	227	100.0%	223	4	227	98.2%
57	0	57	100.0%	57	0	57	100.0%	57	0	57	100.0%	57	0	57	100.0%	54	3	57	94.7%
163	1	164	99.4%	164	0	164	100.0%	164	0	164	100.0%	163	1	164	99.4%	158	6	164	96.3%
2,844	1	2,845	100.0%	2,842	3	2,845	99.9%	2,843	2	2,845	99.9%	2,836	9	2,845	99.7%	2,803	42	2,845	98.5%
1,969	1	1,970	99.9%	1,968	2	1,970	99.9%	1,968	2	1,970	99.9%	1,962	8	1,970	99.6%	1,924	46	1,970	97.7%
1,011	1	1,012	99.9%	1,011	1	1,012	99.9%	1,012	0	1,012	100.0%	1,010	2	1,012	99.8%	1,004	8	1,012	99.2%
165	1	166	99.4%	166	0	166	100.0%	166	0	166	100.0%	166	0	166	100.0%	165	1	166	99.4%
114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%
31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%	45	1	46	97.8%	42	4	46	91.3%
183	0	183	100.0%	183	0	183	100.0%	183	0	183	100.0%	183	0	183	100.0%	181	2	183	98.9%
2,153	2	2,155	99.9%	2,153	2	2,155	99.9%	2,154	1	2,155	100.0%	2,152	3	2,155	99.9%	2,126	29	2,155	98.7%
34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	33	1	34	97.1%
75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%
107	0	107	100.0%	107	0	107	100.0%	107	0	107	100.0%	105	2	107	98.1%	106	1	107	99.1%
33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	32	1	33	97.0%
62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%	60	2	62	96.8%
125	1	126	99.2%	125	1	126	99.2%	126	0	126	100.0%	124	2	126	98.4%	123	3	126	97.6%
45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	43	2	45	95.6%
45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	43	2	45	95.6%
382	0	382	100.0%	382	0	382	100.0%	381	1	382	99.7%	380	2	382	99.5%	374	8	382	97.9%
12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%
6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
147	0	147	100.0%	147	0	147	100.0%	147	0	147	100.0%	146	1	147	99.3%	144	3	147	98.0%
120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%	119	1	120	99.2%
49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%
24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
209	0	209	100.0%	209	0	209	100.0%	209	0	209	100.0%	209	0	209	100.0%	207	2	209	99.0%
41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%
11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%
55	0	55	100.0%	55	0	55	100.0%	55	0	55	100.0%	54	1	55	98.2%	54	1	55	98.2%
42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%
34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	32	2	34	94.1%
89	0	89	100.0%	89	0	89	100.0%	89	0	89	100.0%	89	0	89	100.0%	88	1	89	98.9%
223	0	223	100.0%	223	0	223	100.0%	222	1	223	99.6%	220	3	223	98.7%	219	4	223	98.2%
232	1	233	99.6%	232	1	233	99.6%	233	0	233	100.0%	232	1	233	99.6%	228	5	233	97.9%
87	0	87	100.0%	86	1	87	98.9%	87	0	87	100.0%	87	0	87	100.0%	85	2	87	97.7%
45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
105	0	105	100.0%	105	0	105	100.0%	104	1	105	99.0%	105	0	105	100.0%	103	2	105	98.1%
24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%	59	1	60	98.3%
11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%
348	1	349	99.7%	349	0	349	100.0%	349	0	349	100.0%	348	1	349	99.7%	340	9	349	97.4%
300	0	300	100.0%	299	1	300	99.7%	300	0	300	100.0%	298	2	300	99.3%	293	7	300	97.7%
308	0	308	100.0%	308	0	308	100.0%	308	0	308	100.0%	308	0	308	100.0%	304	4	308	98.7%
80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%
8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	32	1	33	97.0%
120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%	118	2	120	98.3%
369	1	370	99.7%	370	0	370	100.0%	370	0	370	100.0%	369	1	370	99.7%	362	8	370	97.8%
259	0	259	100.0%	259	0	259	100.0%	259	0	259	100.0%	259	0	259	100.0%	256	3	259	98.8%
3,031	3	3,034	99.9%	3,031	3	3,034	99.9%	3,032	2	3,034	99.9%	3,024	10	3,034	99.7%	2,982	52	3,034	98.3%
1,431	1	1,432	99.9%	1,431	1	1,432	99.9%	1,432	0	1,432	100.0%	1,429	3	1,432	99.8%	1,414	18	1,432	98.7%
40	0	40	100.0%	40	0	40	100.0%	39	1	40	97.5%	40	0	40	100.0%	40	0	40	100.0%
1,817	2	1,819	99.9%	1,817	2	1,819	99.9%	1,818	1	1,819	99.9%	1,812	7	1,819	99.6%	1,782	37	1,819	98.0%
2,661	3	2,664	99.9%	2,662	2	2,664	99.9%	2,664	0	2,664	100.0%	2,659	5	2,664	99.8%	2,627	37	2,664	98.6%
629	0	629	100.0%	628	1	629	99.8%	627	2	629	99.7%	624	5	629	99.2%	611	18	629	97.1%

	Principle 2.3				Supplementary Principle 2.3.1				Principle 2.4			
	Number of compa-nies that comply	Number of compa-nies that explain		Compliance rate	Number of compa-nies that comply	Number of compa-nies that explain		Compliance rate	Number of compa-nies that comply	Number of compa-nies that explain		Compliance rate
Total of Prime and Standard	3,242	51	3,293	98.5%	3,128	165	3,293	95.0%	3,272	21	3,293	99.4%
Organizational form												
Companies with *Kansayaku*	1,932	31	1,963	98.4%	1,863	100	1,963	94.9%	1,949	14	1,963	99.3%
Company with Supervisory Committee	1,229	18	1,247	98.6%	1,184	63	1,247	94.9%	1,240	7	1,247	99.4%
Company with Three Committees	81	2	83	97.6%	81	2	83	97.6%	83	0	83	100.0%
Outside directors												
Appointed	3,239	51	3,290	98.4%	3,125	165	3,290	95.0%	3,269	21	3,290	99.4%
Not appointed	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%
Foreign shareholding ratio												
Under 10%	1,838	39	1,877	97.9%	1,771	106	1,877	94.4%	1,859	18	1,877	99.0%
10% to under 20%	680	5	685	99.3%	650	35	685	94.9%	683	2	685	99.7%
20% to under 30%	405	2	407	99.5%	392	15	407	96.3%	407	0	407	100.0%
30% or more	319	5	324	98.5%	315	9	324	97.2%	323	1	324	99.7%
Major shareholders												
Ownership ratio of the largest shareholder is 0% or more and under 5%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%
Ownership ratio of the largest shareholder is 5% or more and under 10%	434	7	441	98.4%	418	23	441	94.8%	441	0	441	100.0%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,383	14	1,397	99.0%	1,334	63	1,397	95.5%	1,390	7	1,397	99.5%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	669	14	683	98.0%	645	38	683	94.4%	678	5	683	99.3%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	485	13	498	97.4%	468	30	498	94.0%	490	8	498	98.4%
Ownership ratio of the largest shareholder is 50% or more	243	3	246	98.8%	235	11	246	95.5%	245	1	246	99.6%
Listed exchanges and market segment												
Prime	1,824	13	1,837	99.3%	1,759	78	1,837	95.8%	1,831	6	1,837	99.7%
Standard	1,418	38	1,456	97.4%	1,369	87	1,456	94.0%	1,441	15	1,456	99.0%
JPX Nikkei 400 (Prime and Standard only)	399	0	399	100.0%	396	3	399	99.2%	399	0	399	100.0%
(Consolidated) Number of employees												
Under 100	177	8	185	95.7%	167	18	185	90.3%	180	5	185	97.3%
100 to under 500	901	18	919	98.0%	870	49	919	94.7%	912	7	919	99.2%
500 to under 1000	602	11	613	98.2%	578	35	613	94.3%	608	5	613	99.2%
1000 or more	1,562	14	1,576	99.1%	1,513	63	1,576	96.0%	1,572	4	1,576	99.7%
(Consolidated) Sales												
Under 10 billion yen	669	22	691	96.8%	647	44	691	93.6%	679	12	691	98.3%
10 billion to under 100 billion yen	1,644	25	1,669	98.5%	1,570	99	1,669	94.1%	1,661	8	1,669	99.5%
100 billion to 1 trillion yen	772	4	776	99.5%	754	22	776	97.2%	775	1	776	99.9%
1 trillion yen or more	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%
Controlling shareholder/parent company												
With parent company	279	5	284	98.2%	270	14	284	95.1%	282	2	284	99.3%
With parent company (listed)	224	3	227	98.7%	217	10	227	95.6%	227	0	227	100.0%
With parent company (not listed)	55	2	57	96.5%	53	4	57	93.0%	55	2	57	96.5%
With controlling shareholder (not parent company)	159	5	164	97.0%	153	11	164	93.3%	160	4	164	97.6%
No controlling shareholder	2,804	41	2,845	98.6%	2,705	140	2,845	95.1%	2,830	15	2,845	99.5%
Number of consolidated subsidiaries												
Under 10	1,931	39	1,970	98.0%	1,850	120	1,970	93.9%	1,952	18	1,970	99.1%
10 to under 50	1,000	12	1,012	98.8%	968	44	1,012	95.7%	1,009	3	1,012	99.7%
50 to under 100	166	0	166	100.0%	165	1	166	99.4%	166	0	166	100.0%
100 to under 300	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%
300 or more	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
Fiscal year-end												
January	44	2	46	95.7%	40	6	46	87.0%	46	0	46	100.0%
February	180	3	183	98.4%	164	19	183	89.6%	182	1	183	99.5%
March	2,122	33	2,155	98.5%	2,057	98	2,155	95.5%	2,142	13	2,155	99.4%
April	33	1	34	97.1%	32	2	34	94.1%	34	0	34	100.0%
May	74	1	75	98.7%	74	1	75	98.7%	74	1	75	98.7%
June	105	2	107	98.1%	100	7	107	93.5%	105	2	107	98.1%
July	32	1	33	97.0%	29	4	33	87.9%	32	1	33	97.0%
August	62	0	62	100.0%	59	3	62	95.2%	62	0	62	100.0%
Sept.	125	1	126	99.2%	122	4	126	96.8%	124	2	126	98.4%
October	43	2	45	95.6%	42	3	45	93.3%	45	0	45	100.0%
November	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
Dec.	377	5	382	98.7%	364	18	382	95.3%	381	1	382	99.7%
Industry												
Fisheries, agriculture, and forestry	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%
Mining	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
Construction industry	147	0	147	100.0%	146	1	147	99.3%	146	1	147	99.3%
Foods	120	0	120	100.0%	114	6	120	95.0%	120	0	120	100.0%
Textile products	48	1	49	98.0%	47	2	49	95.9%	48	1	49	98.0%
Pulp and paper	24	0	24	100.0%	23	1	24	95.8%	24	0	24	100.0%
Chemicals	207	2	209	99.0%	200	9	209	95.7%	208	1	209	99.5%
Pharmaceuticals	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%
Oil and coal products	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
Rubber products	18	1	19	94.7%	18	1	19	94.7%	19	0	19	100.0%
Glass, earth and stone products	54	1	55	98.2%	54	1	55	98.2%	55	0	55	100.0%
Iron and steel	42	0	42	100.0%	41	1	42	97.6%	42	0	42	100.0%
Nonferrous metal	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%
Metal products	86	3	89	96.6%	82	7	89	92.1%	89	0	89	100.0%
Machinery	218	5	223	97.8%	204	19	223	91.5%	221	2	223	99.1%
Electrical appliances	229	4	233	98.3%	215	18	233	92.3%	233	0	233	100.0%
Transportation equipment	85	2	87	97.7%	83	4	87	95.4%	87	0	87	100.0%
Precision instruments	44	1	45	97.8%	43	2	45	95.6%	45	0	45	100.0%
Other products	103	2	105	98.1%	98	7	105	93.3%	103	2	105	98.1%
Electricity and gas	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
Land transportation	59	1	60	98.3%	57	3	60	95.0%	60	0	60	100.0%
Shipping	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
Air transport	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
Business related to warehousing and transportation	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%
Information and communication	341	8	349	97.7%	326	23	349	93.4%	345	4	349	98.9%
Wholesale trade	293	7	300	97.7%	284	16	300	94.7%	299	1	300	99.7%
Retail Trade	303	5	308	98.4%	292	16	308	94.8%	305	3	308	99.0%
Banking	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
Securities and commodity futures trading	35	1	36	97.2%	34	2	36	94.4%	35	1	36	97.2%
Insurance	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
Other Financing Business	32	1	33	97.0%	32	1	33	97.0%	33	0	33	100.0%
Real Estate	119	1	120	99.2%	113	7	120	94.2%	118	2	120	98.3%
Service industry	365	5	370	98.6%	352	18	370	95.1%	367	3	370	99.2%
Anti-takeover measures												
Yes	258	1	259	99.6%	248	11	259	95.8%	259	0	259	100.0%
N/A	2,984	50	3,034	98.4%	2,880	154	3,034	94.9%	3,013	21	3,034	99.3%
Independent officers												
Designated as directors only	1,410	22	1,432	98.5%	1,359	73	1,432	94.9%	1,425	7	1,432	99.5%
Designated as *kansayaku* only	38	2	40	95.0%	36	4	40	90.0%	38	2	40	95.0%
Designated as directors and *kansayaku*	1,792	27	1,819	98.5%	1,731	88	1,819	95.2%	1,807	12	1,819	99.3%
Term of office of directors												
1 year	2,627	37	2,664	98.6%	2,542	122	2,664	95.4%	2,650	14	2,664	99.5%
2 years	615	14	629	97.8%	586	43	629	93.2%	622	7	629	98.9%

Supplementary Principle 2.4.1				Principle 2.5				Supplementary Principle 2.5.1				Principle 2.6				General Principle 3			
Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliiance rate
1,941	1,352	3,293	58.9%	3,284	9	3,293	99.7%	3,198	95	3,293	97.1%	3204	89	3293	97.3%	3,290	3	3,293	99.9%
1,147	816	1,963	58.4%	1,956	7	1,963	99.6%	1,897	66	1,963	96.6%	1906	57	1963	97.1%	1,961	2	1,963	99.9%
727	520	1,247	58.3%	1,245	2	1,247	99.8%	1,219	28	1,247	97.8%	1216	31	1247	97.5%	1,246	1	1,247	99.9%
67	16	83	80.7%	83	0	83	100.0%	82	1	83	98.8%	82	1	83	98.8%	83	0	83	100.0%
1,940	1,350	3,290	59.0%	3,281	9	3,290	99.7%	3,195	95	3,290	97.1%	3201	89	3290	97.3%	3,287	3	3,290	99.9%
1	2	3	33.3%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%
932	945	1,877	49.7%	1,871	6	1,877	99.7%	1,802	75	1,877	96.0%	1811	66	1877	96.5%	1,875	2	1,877	99.9%
461	224	685	67.3%	685	0	685	100.0%	674	11	685	98.4%	673	12	685	98.2%	685	0	685	100.0%
300	107	407	73.7%	404	3	407	99.3%	401	6	407	98.5%	404	3	407	99.3%	406	1	407	99.8%
248	76	324	76.5%	324	0	324	100.0%	321	3	324	99.1%	316	8	324	97.5%	324	0	324	100.0%
9	19	28	32.1%	27	1	28	96.4%	26	2	28	92.9%	27	1	28	96.4%	28	0	28	100.0%
247	194	441	56.0%	440	1	441	99.8%	433	8	441	98.2%	430	11	441	97.5%	440	1	441	99.8%
896	501	1,397	64.1%	1,393	4	1,397	99.7%	1,364	33	1,397	97.6%	1351	46	1397	96.7%	1,397	0	1,397	100.0%
377	306	683	55.2%	682	1	683	99.9%	653	30	683	95.6%	665	18	683	97.4%	682	1	683	99.9%
261	237	498	52.4%	497	1	498	99.8%	481	17	498	96.6%	487	11	498	97.8%	497	1	498	99.8%
151	95	246	61.4%	245	1	246	99.6%	241	5	246	98.0%	244	2	246	99.2%	246	0	246	100.0%
1,337	500	1,837	72.8%	1,836	1	1,837	99.9%	1,823	14	1,837	99.2%	1804	33	1837	98.2%	1,835	2	1,837	99.9%
604	852	1,456	41.5%	1,448	8	1,456	99.5%	1,375	81	1,456	94.4%	1400	56	1456	96.2%	1,455	1	1,456	99.9%
342	57	399	85.7%	398	1	399	99.7%	394	5	399	98.7%	395	4	399	99.0%	399	0	399	100.0%
63	122	185	34.1%	183	2	185	98.9%	175	10	185	94.6%	181	4	185	97.8%	184	1	185	99.5%
401	518	919	43.6%	915	4	919	99.6%	871	48	919	94.8%	891	28	919	97.0%	918	1	919	99.9%
323	290	613	52.7%	612	1	613	99.8%	600	13	613	97.9%	589	24	613	96.1%	613	0	613	100.0%
1,154	422	1,576	73.2%	1,574	2	1,576	99.9%	1,552	24	1,576	98.5%	1543	33	1576	97.9%	1,575	1	1,576	99.9%
281	410	691	40.7%	687	4	691	99.4%	651	40	691	94.2%	677	14	691	98.0%	689	2	691	99.7%
899	770	1,669	53.9%	1,665	4	1,669	99.8%	1,624	45	1,669	97.3%	1605	64	1669	96.2%	1,668	1	1,669	99.9%
619	157	776	79.8%	775	1	776	99.9%	766	10	776	98.7%	765	11	776	98.6%	776	0	776	100.0%
142	15	157	90.4%	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%
176	108	284	62.0%	284	0	284	100.0%	278	6	284	97.9%	280	4	284	98.6%	284	0	284	100.0%
145	82	227	63.9%	227	0	227	100.0%	222	5	227	97.8%	224	3	227	98.7%	227	0	227	100.0%
31	26	57	54.4%	57	0	57	100.0%	56	1	57	98.2%	56	1	57	98.2%	57	0	57	100.0%
76	88	164	46.3%	163	1	164	99.4%	157	7	164	95.7%	163	1	164	99.4%	164	0	164	100.0%
1,689	1,156	2,845	59.4%	2,837	8	2,845	99.7%	2,763	82	2,845	97.1%	2761	84	2845	97.0%	2,842	3	2,845	99.9%
965	1,005	1,970	49.0%	1,964	6	1,970	99.7%	1,897	73	1,970	96.3%	1911	59	1970	97.0%	1,967	3	1,970	99.8%
700	312	1,012	69.2%	1,010	2	1,012	99.8%	995	17	1,012	98.3%	983	29	1012	97.1%	1,012	0	1,012	100.0%
148	18	166	89.2%	166	0	166	100.0%	164	2	166	98.8%	165	1	166	99.4%	166	0	166	100.0%
102	12	114	89.5%	113	1	114	99.1%	111	3	114	97.4%	114	0	114	100.0%	114	0	114	100.0%
26	5	31	83.9%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
24	22	46	52.2%	46	0	46	100.0%	45	1	46	97.8%	44	2	46	95.7%	46	0	46	100.0%
102	81	183	55.7%	183	0	183	100.0%	174	9	183	95.1%	180	3	183	98.4%	183	0	183	100.0%
1,338	817	2,155	62.1%	2,148	7	2,155	99.7%	2,092	63	2,155	97.1%	2089	66	2155	96.9%	2,152	3	2,155	99.9%
16	18	34	47.1%	34	0	34	100.0%	33	1	34	97.1%	32	2	34	94.1%	34	0	34	100.0%
30	45	75	40.0%	75	0	75	100.0%	74	1	75	98.7%	75	0	75	100.0%	75	0	75	100.0%
57	50	107	53.3%	107	0	107	100.0%	104	3	107	97.2%	105	2	107	98.1%	107	0	107	100.0%
17	16	33	51.5%	33	0	33	100.0%	32	1	33	97.0%	32	1	33	97.0%	33	0	33	100.0%
30	32	62	48.4%	62	0	62	100.0%	58	4	62	93.5%	62	0	62	100.0%	62	0	62	100.0%
58	68	126	46.0%	125	1	126	99.2%	122	4	126	96.8%	125	1	126	99.2%	126	0	126	100.0%
23	22	45	51.1%	45	0	45	100.0%	45	0	45	100.0%	42	3	45	93.3%	45	0	45	100.0%
23	22	45	51.1%	44	1	45	97.8%	43	2	45	95.6%	43	2	45	95.6%	45	0	45	100.0%
223	159	382	58.4%	382	0	382	100.0%	376	6	382	98.4%	375	7	382	98.2%	382	0	382	100.0%
7	5	12	58.3%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%
6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
87	60	147	59.2%	147	0	147	100.0%	145	2	147	98.6%	145	2	147	98.6%	147	0	147	100.0%
77	43	120	64.2%	120	0	120	100.0%	120	0	120	100.0%	115	5	120	95.8%	120	0	120	100.0%
32	17	49	65.3%	49	0	49	100.0%	47	2	49	95.9%	49	0	49	100.0%	49	0	49	100.0%
13	11	24	54.2%	24	0	24	100.0%	22	2	24	91.7%	24	0	24	100.0%	24	0	24	100.0%
124	85	209	59.3%	206	3	209	98.6%	202	7	209	96.7%	201	8	209	96.2%	209	0	209	100.0%
30	11	41	73.2%	41	0	41	100.0%	40	1	41	97.6%	41	0	41	100.0%	41	0	41	100.0%
7	4	11	63.6%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
14	5	19	73.7%	19	0	19	100.0%	18	1	19	94.7%	19	0	19	100.0%	19	0	19	100.0%
26	29	55	47.3%	55	0	55	100.0%	51	4	55	92.7%	53	2	55	96.4%	55	0	55	100.0%
27	15	42	64.3%	42	0	42	100.0%	42	0	42	100.0%	40	2	42	95.2%	42	0	42	100.0%
21	13	34	61.8%	34	0	34	100.0%	32	2	34	94.1%	32	2	34	94.1%	34	0	34	100.0%
43	46	89	48.3%	89	0	89	100.0%	87	2	89	97.8%	88	1	89	98.9%	89	0	89	100.0%
122	101	223	54.7%	222	1	223	99.6%	215	8	223	96.4%	216	7	223	96.9%	222	1	223	99.6%
145	88	233	62.2%	233	0	233	100.0%	224	9	233	96.1%	225	8	233	96.6%	232	1	233	99.6%
50	37	87	57.5%	87	0	87	100.0%	84	3	87	96.6%	83	4	87	95.4%	87	0	87	100.0%
24	21	45	53.3%	45	0	45	100.0%	43	2	45	95.6%	45	0	45	100.0%	45	0	45	100.0%
56	49	105	53.3%	105	0	105	100.0%	100	5	105	95.2%	102	3	105	97.1%	105	0	105	100.0%
22	2	24	91.7%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
39	21	60	65.0%	60	0	60	100.0%	58	2	60	96.7%	60	0	60	100.0%	60	0	60	100.0%
5	6	11	45.5%	11	0	11	100.0%	11	0	11	100.0%	10	1	11	90.9%	11	0	11	100.0%
4	1	5	80.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
22	16	38	57.9%	38	0	38	100.0%	35	3	38	92.1%	37	1	38	97.4%	38	0	38	100.0%
187	162	349	53.6%	349	0	349	100.0%	346	3	349	99.1%	337	12	349	96.6%	349	0	349	100.0%
171	129	300	57.0%	298	2	300	99.3%	290	10	300	96.7%	287	13	300	95.7%	300	0	300	100.0%
190	118	308	61.7%	307	1	308	99.7%	296	12	308	96.1%	303	5	308	98.4%	308	0	308	100.0%
76	4	80	95.0%	80	0	80	100.0%	80	0	80	100.0%	79	1	80	98.8%	80	0	80	100.0%
19	17	36	52.8%	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%
8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
23	10	33	69.7%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%
51	69	120	42.5%	120	0	120	100.0%	120	0	120	100.0%	116	4	120	96.7%	120	0	120	100.0%
213	157	370	57.6%	368	2	370	99.5%	355	15	370	95.9%	362	8	370	97.8%	369	1	370	99.7%
156	103	259	60.2%	259	0	259	100.0%	253	6	259	97.7%	250	9	259	96.5%	259	0	259	100.0%
1,785	1,249	3,034	58.8%	3,025	9	3,034	99.7%	2,945	89	3,034	97.1%	2954	80	3034	97.4%	3,031	3	3,034	99.9%
840	592	1,432	58.7%	1,429	3	1,432	99.8%	1,396	36	1,432	97.5%	1396	36	1432	97.5%	1,430	2	1,432	99.9%
15	25	40	37.5%	40	0	40	100.0%	35	5	40	87.5%	40	0	40	100.0%	40	0	40	100.0%
1,084	735	1,819	59.6%	1,813	6	1,819	99.7%	1,765	54	1,819	97.0%	1766	53	1819	97.1%	1,818	1	1,819	99.9%
1,638	1,026	2,664	61.5%	2,659	5	2,664	99.8%	2,600	64	2,664	97.6%	2593	71	2664	97.3%	2,661	3	2,664	99.9%
303	326	629	48.2%	625	4	629	99.4%	598	31	629	95.1%	611	18	629	97.1%	629	0	629	100.0%

	Principle 3.1				Supplementary Principle 3.1.1				Supplementary Principle 3.1.2			
	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
Total of Prime and Standard	3,088	205	3,293	93.8%	3,282	11	3,293	99.7%	2,177	1,116	3,293	66.1%
Organizational form												
Companies with *Kansayaku*	1,840	123	1,963	93.7%	1,954	9	1,963	99.5%	1,267	696	1,963	64.5%
Com pany with Supervisory Committee	1,166	81	1,247	93.5%	1,245	2	1,247	99.8%	832	415	1,247	66.7%
Com pany with Three Committees	82	1	83	98.8%	83	0	83	100.0%	78	5	83	94.0%
Outside directors												
Appointed	3,086	204	3,290	93.8%	3,279	11	3,290	99.7%	2,176	1,114	3,290	66.1%
Not appointed	2	1	3	66.7%	3	0	3	100.0%	1	2	3	33.3%
Foreign shareholding ratio												
Under 10%	1,718	159	1,877	91.5%	1,867	10	1,877	99.5%	896	981	1,877	47.7%
10% to under 20%	657	28	685	95.9%	685	0	685	100.0%	593	92	685	86.6%
20% to under 30%	403	4	407	99.0%	407	0	407	100.0%	382	25	407	93.9%
30% or more	310	14	324	95.7%	323	1	324	99.7%	306	18	324	94.4%
Major shareholders												
Ownership ratio of the largest shareholder is 0% or more and under 5%	24	4	28	85.7%	28	0	28	100.0%	4	24	28	14.3%
Ownership ratio of the largest shareholder is 5% or more and under 10%	415	26	441	94.1%	440	1	441	99.8%	275	166	441	62.4%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,328	69	1,397	95.1%	1,395	2	1,397	99.9%	1,034	363	1,397	74.0%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	634	49	683	92.8%	678	5	683	99.3%	421	262	683	61.6%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	457	41	498	91.8%	495	3	498	99.4%	302	196	498	60.6%
Ownership ratio of the largest shareholder is 50% or more	230	16	246	93.5%	246	0	246	100.0%	141	105	246	57.3%
Listed exchanges and market segment												
Prime	1,792	45	1,837	97.6%	1,832	5	1,837	99.7%	1,665	172	1,837	90.6%
Standard	1,296	160	1,456	89.0%	1,450	6	1,456	99.6%	512	944	1,456	35.2%
JPX Nikkei 400 (Prime and Standard only)	394	5	399	98.7%	398	1	399	99.7%	390	9	399	97.7%
(Consolidated) Number of employees												
Under 100	156	29	185	84.3%	185	0	185	100.0%	64	121	185	34.6%
100 to under 500	809	110	919	88.0%	912	7	919	99.2%	384	535	919	41.8%
500 to under 1000	588	25	613	95.9%	611	2	613	99.7%	362	251	613	59.1%
1000 or more	1,535	41	1,576	97.4%	1,574	2	1,576	99.9%	1,367	209	1,576	86.7%
(Consolidated) Sales												
Under 10 billion yen	601	90	691	87.0%	685	6	691	99.1%	226	465	691	32.7%
10 billion to under 100 billion yen	1,567	102	1,669	93.9%	1,665	4	1,669	99.8%	1,068	601	1,669	64.0%
100 billion to 1 trillion yen	763	13	776	98.3%	775	1	776	99.9%	727	49	776	93.7%
1 trillion yen or more	157	0	157	100.0%	157	0	157	100.0%	156	1	157	99.4%
Controlling shareholder/parent company												
With parent company	267	17	284	94.0%	284	0	284	100.0%	170	114	284	59.9%
With parent company (listed)	213	14	227	93.8%	227	0	227	100.0%	148	79	227	65.2%
With parent company (not listed)	54	3	57	94.7%	57	0	57	100.0%	22	35	57	38.6%
With controlling shareholder (not parent company)	146	18	164	89.0%	163	1	164	99.4%	78	86	164	47.6%
No controlling shareholder	2,675	170	2,845	94.0%	2,835	10	2,845	99.6%	1,929	916	2,845	67.8%
Number of consolidated subsidiaries												
Under 10	1,801	169	1,970	91.4%	1,961	9	1,970	99.5%	1,005	965	1,970	51.0%
10 to under 50	978	34	1,012	96.6%	1,011	1	1,012	99.9%	863	149	1,012	85.3%
50 to under 100	164	2	166	98.8%	165	1	166	99.4%	165	1	166	99.4%
100 to under 300	114	0	114	100.0%	114	0	114	100.0%	113	1	114	99.1%
300 or more	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
Fiscal year-end												
January	45	1	46	97.8%	46	0	46	100.0%	25	21	46	54.3%
February	169	14	183	92.3%	181	2	183	98.9%	102	81	183	55.7%
March	2,040	115	2,155	94.7%	2,149	6	2,155	99.7%	1,490	665	2,155	69.1%
April	30	4	34	88.2%	34	0	34	100.0%	18	16	34	52.9%
May	66	9	75	88.0%	75	0	75	100.0%	35	40	75	46.7%
June	99	8	107	92.5%	106	1	107	99.1%	63	44	107	58.9%
July	31	2	33	93.9%	32	1	33	97.0%	11	22	33	33.3%
August	55	7	62	88.7%	62	0	62	100.0%	33	29	62	53.2%
Sept.	107	19	126	84.9%	126	0	126	100.0%	74	52	126	58.7%
October	41	4	45	91.1%	45	0	45	100.0%	27	18	45	60.0%
November	42	3	45	93.3%	45	0	45	100.0%	24	21	45	53.3%
Dec.	363	19	382	95.0%	381	1	382	99.7%	275	107	382	72.0%
Industry												
Fisheries, agriculture, and forestry	12	0	12	100.0%	12	0	12	100.0%	8	4	12	66.7%
Mining	6	0	6	100.0%	6	0	6	100.0%	4	2	6	66.7%
Construction industry	138	9	147	93.9%	147	0	147	100.0%	100	47	147	68.0%
Foods	115	5	120	95.8%	119	1	120	99.2%	77	43	120	64.2%
Textile products	47	2	49	95.9%	49	0	49	100.0%	32	17	49	65.3%
Pulp and paper	20	4	24	83.3%	24	0	24	100.0%	14	10	24	58.3%
Chemicals	199	10	209	95.2%	209	0	209	100.0%	158	51	209	75.6%
Pharmaceuticals	41	0	41	100.0%	41	0	41	100.0%	34	7	41	82.9%
Oil and coal products	9	2	11	81.8%	11	0	11	100.0%	10	1	11	90.9%
Rubber products	18	1	19	94.7%	19	0	19	100.0%	12	7	19	63.2%
Glass, earth and stone products	54	1	55	98.2%	55	0	55	100.0%	36	19	55	65.5%
Iron and steel	41	1	42	97.6%	42	0	42	100.0%	34	8	42	81.0%
Nonferrous metal	29	5	34	85.3%	34	0	34	100.0%	23	11	34	67.6%
Metal products	83	6	89	93.3%	89	0	89	100.0%	38	51	89	42.7%
Machinery	208	15	223	93.3%	220	3	223	98.7%	152	71	223	68.2%
Electrical appliances	225	8	233	96.6%	233	0	233	100.0%	178	55	233	76.4%
Transportation equipment	81	6	87	93.1%	87	0	87	100.0%	71	16	87	81.6%
Precision instruments	42	3	45	93.3%	44	1	45	97.8%	34	11	45	75.6%
Other products	100	5	105	95.2%	105	0	105	100.0%	52	53	105	49.5%
Electricity and gas	23	1	24	95.8%	24	0	24	100.0%	22	2	24	91.7%
Land transportation	56	4	60	93.3%	60	0	60	100.0%	43	17	60	71.7%
Shipping	11	0	11	100.0%	11	0	11	100.0%	8	3	11	72.7%
Air transport	5	0	5	100.0%	5	0	5	100.0%	3	2	5	60.0%
Business related to warehousing and transportation	36	2	38	94.7%	38	0	38	100.0%	22	16	38	57.9%
Information and communication	323	26	349	92.6%	349	0	349	100.0%	234	115	349	67.0%
Wholesale trade	278	22	300	92.7%	300	0	300	100.0%	178	122	300	59.3%
Retail Trade	284	24	308	92.2%	304	4	308	98.7%	164	144	308	53.2%
Banking	79	1	80	98.8%	80	0	80	100.0%	78	2	80	97.5%
Securities and commodity futures trading	31	5	36	86.1%	36	0	36	100.0%	25	11	36	69.4%
Insurance	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
Other Financing Business	33	0	33	100.0%	33	0	33	100.0%	28	5	33	84.8%
Real Estate	109	11	120	90.8%	119	1	120	99.2%	75	45	120	62.5%
Service industry	344	26	370	93.0%	369	1	370	99.7%	222	148	370	60.0%
Anti-takeover measures												
Yes	245	14	259	94.6%	257	2	259	99.2%	185	74	259	71.4%
N/A	2,843	191	3,034	93.7%	3,025	9	3,034	99.7%	1,992	1,042	3,034	65.7%
Independent officers												
Designated as directors only	1,338	94	1,432	93.4%	1,429	3	1,432	99.8%	962	470	1,432	67.2%
Designated as *kansayaku* only	34	6	40	85.0%	40	0	40	100.0%	11	29	40	27.5%
Designated as directors and *kansayaku*	1,714	105	1,819	94.2%	1,811	8	1,819	99.6%	1,202	617	1,819	66.1%
Term of office of directors												
1 year	2,509	155	2,664	94.2%	2,659	5	2,664	99.8%	1,869	795	2,664	70.2%
2 years	579	50	629	92.1%	623	6	629	99.0%	308	321	629	49.0%

Supplementary Principle 3.1.3				Principle 3.2				Supplementary Principle 3.2.1				Supplementary Principle 3.2.2				General Principle 4			
Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
2,006	1,287	3,293	60.9%	3,289	4	3,293	99.9%	3,240	53	3,293	98.4%	3,288	5	3,293	99.8%	3,291	2	3,293	99.9%
1,203	760	1,963	61.3%	1,959	4	1,963	99.8%	1,929	34	1,963	98.3%	1,959	4	1,963	99.8%	1,963	0	1,963	100.0%
734	513	1,247	58.9%	1,247	0	1,247	100.0%	1,229	18	1,247	98.6%	1,246	1	1,247	99.9%	1,245	2	1,247	99.8%
69	14	83	83.1%	83	0	83	100.0%	82	1	83	98.8%	83	0	83	100.0%	83	0	83	100.0%
2,005	1,285	3,290	60.9%	3,286	4	3,290	99.9%	3,238	52	3,290	98.4%	3,285	5	3,290	99.8%	3,288	2	3,290	99.9%
1	2	3	33.3%	3	0	3	100.0%	2	1	3	66.7%	3	0	3	100.0%	3	0	3	100.0%
1,059	818	1,877	56.4%	1,874	3	1,877	99.8%	1,835	42	1,877	97.8%	1,875	2	1,877	99.9%	1,876	1	1,877	99.9%
412	273	685	60.1%	685	0	685	100.0%	679	6	685	99.1%	684	1	685	99.9%	685	0	685	100.0%
289	118	407	71.0%	406	1	407	99.8%	406	1	407	99.8%	407	0	407	100.0%	406	1	407	99.8%
246	78	324	75.9%	324	0	324	100.0%	320	4	324	98.8%	322	2	324	99.4%	324	0	324	100.0%
14	14	28	50.0%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%
250	191	441	56.7%	439	2	441	99.5%	436	5	441	98.9%	440	1	441	99.8%	441	0	441	100.0%
939	458	1,397	67.2%	1,396	1	1,397	99.9%	1,378	19	1,397	98.6%	1,395	2	1,397	99.9%	1,397	0	1,397	100.0%
385	298	683	56.4%	682	1	683	99.9%	672	11	683	98.4%	683	0	683	100.0%	681	2	683	99.7%
255	243	498	51.2%	498	0	498	100.0%	483	15	498	97.0%	496	2	498	99.6%	498	0	498	100.0%
163	83	246	66.3%	246	0	246	100.0%	243	3	246	98.8%	246	0	246	100.0%	246	0	246	100.0%
1,145	692	1,837	62.3%	1,836	1	1,837	99.9%	1,830	7	1,837	99.6%	1,833	4	1,837	99.8%	1,835	2	1,837	99.9%
861	595	1,456	59.1%	1,453	3	1,456	99.8%	1,410	46	1,456	96.8%	1,455	1	1,456	99.9%	1,456	0	1,456	100.0%
348	51	399	87.2%	399	0	399	100.0%	399	0	399	100.0%	398	1	399	99.7%	399	0	399	100.0%
84	101	185	45.4%	185	0	185	100.0%	176	9	185	95.1%	184	1	185	99.5%	185	0	185	100.0%
496	423	919	54.0%	916	3	919	99.7%	893	26	919	97.2%	919	0	919	100.0%	918	1	919	99.9%
344	269	613	56.1%	613	0	613	100.0%	604	9	613	98.5%	613	0	613	100.0%	613	0	613	100.0%
1,082	494	1,576	68.7%	1,575	1	1,576	99.9%	1,567	9	1,576	99.4%	1,572	4	1,576	99.7%	1,575	1	1,576	99.9%
364	327	691	52.7%	689	2	691	99.7%	664	27	691	96.1%	690	1	691	99.9%	691	0	691	100.0%
921	748	1,669	55.2%	1,667	2	1,669	99.9%	1,645	24	1,669	98.6%	1,668	1	1,669	99.9%	1,667	2	1,669	99.9%
574	202	776	74.0%	776	0	776	100.0%	775	1	776	99.9%	774	2	776	99.7%	776	0	776	100.0%
147	10	157	93.6%	157	0	157	100.0%	156	1	157	99.4%	156	1	157	99.4%	157	0	157	100.0%
187	97	284	65.8%	284	0	284	100.0%	282	2	284	99.3%	284	0	284	100.0%	284	0	284	100.0%
160	67	227	70.5%	227	0	227	100.0%	226	1	227	99.6%	227	0	227	100.0%	227	0	227	100.0%
27	30	57	47.4%	57	0	57	100.0%	56	1	57	98.2%	57	0	57	100.0%	57	0	57	100.0%
74	90	164	45.1%	164	0	164	100.0%	155	9	164	94.5%	163	1	164	99.4%	163	1	164	99.4%
1,745	1,100	2,845	61.3%	2,841	4	2,845	99.9%	2,803	42	2,845	98.5%	2,841	4	2,845	99.9%	2,844	1	2,845	100.0%
1,087	883	1,970	55.2%	1,968	2	1,970	99.9%	1,929	41	1,970	97.9%	1,968	2	1,970	99.9%	1,968	2	1,970	99.9%
639	373	1,012	63.1%	1,010	2	1,012	99.8%	1,001	11	1,012	98.9%	1,011	1	1,012	99.9%	1,012	0	1,012	100.0%
143	23	166	86.1%	166	0	166	100.0%	165	1	166	99.4%	164	2	166	98.8%	166	0	166	100.0%
106	8	114	93.0%	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%
31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
20	26	46	43.5%	46	0	46	100.0%	43	3	46	93.5%	46	0	46	100.0%	46	0	46	100.0%
85	98	183	46.4%	183	0	183	100.0%	178	5	183	97.3%	183	0	183	100.0%	183	0	183	100.0%
1,345	810	2,155	62.4%	2,152	3	2,155	99.9%	2,130	25	2,155	98.8%	2,151	4	2,155	99.8%	2,154	1	2,155	100.0%
21	13	34	61.8%	34	0	34	100.0%	33	1	34	97.1%	34	0	34	100.0%	34	0	34	100.0%
44	31	75	58.7%	75	0	75	100.0%	74	1	75	98.7%	75	0	75	100.0%	75	0	75	100.0%
63	44	107	58.9%	107	0	107	100.0%	103	4	107	96.3%	107	0	107	100.0%	107	0	107	100.0%
13	20	33	39.4%	33	0	33	100.0%	29	4	33	87.9%	33	0	33	100.0%	33	0	33	100.0%
33	29	62	53.2%	62	0	62	100.0%	61	1	62	98.4%	62	0	62	100.0%	62	0	62	100.0%
78	48	126	61.9%	126	0	126	100.0%	124	2	126	98.4%	126	0	126	100.0%	125	1	126	99.2%
25	20	45	55.6%	45	0	45	100.0%	44	1	45	97.8%	45	0	45	100.0%	45	0	45	100.0%
30	15	45	66.7%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
249	133	382	65.2%	381	1	382	99.7%	376	6	382	98.4%	381	1	382	99.7%	382	0	382	100.0%
8	4	12	66.7%	12	0	12	100.0%	11	1	12	91.7%	12	0	12	100.0%	12	0	12	100.0%
4	2	6	66.7%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
105	42	147	71.4%	147	0	147	100.0%	145	2	147	98.6%	147	0	147	100.0%	147	0	147	100.0%
70	50	120	58.3%	120	0	120	100.0%	118	2	120	98.3%	120	0	120	100.0%	120	0	120	100.0%
34	15	49	69.4%	49	0	49	100.0%	45	4	49	91.8%	49	0	49	100.0%	49	0	49	100.0%
18	6	24	75.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
128	81	209	61.2%	209	0	209	100.0%	209	0	209	100.0%	208	1	209	99.5%	209	0	209	100.0%
32	9	41	78.0%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%
4	7	11	36.4%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
12	7	19	63.2%	19	0	19	100.0%	18	1	19	94.7%	19	0	19	100.0%	19	0	19	100.0%
36	19	55	65.5%	54	1	55	98.2%	54	1	55	98.2%	55	0	55	100.0%	55	0	55	100.0%
32	10	42	76.2%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%
23	11	34	67.6%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%
52	37	89	58.4%	89	0	89	100.0%	86	3	89	96.6%	89	0	89	100.0%	89	0	89	100.0%
131	92	223	58.7%	223	0	223	100.0%	219	4	223	98.2%	223	0	223	100.0%	223	0	223	100.0%
143	90	233	61.4%	232	1	233	99.6%	233	0	233	100.0%	232	1	233	99.6%	232	1	233	99.6%
62	25	87	71.3%	87	0	87	100.0%	87	0	87	100.0%	87	0	87	100.0%	87	0	87	100.0%
24	21	45	53.3%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
66	39	105	62.9%	105	0	105	100.0%	100	5	105	95.2%	105	0	105	100.0%	104	1	105	99.0%
22	2	24	91.7%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
38	22	60	63.3%	60	0	60	100.0%	59	1	60	98.3%	60	0	60	100.0%	60	0	60	100.0%
6	5	11	54.5%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
4	1	5	80.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
23	15	38	60.5%	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%
186	163	349	53.3%	348	1	349	99.7%	343	6	349	98.3%	348	1	349	99.7%	349	0	349	100.0%
169	131	300	56.3%	299	1	300	99.7%	294	6	300	98.0%	300	0	300	100.0%	300	0	300	100.0%
166	142	308	53.9%	308	0	308	100.0%	301	7	308	97.7%	307	1	308	99.7%	308	0	308	100.0%
76	4	80	95.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
21	15	36	58.3%	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%
6	2	8	75.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
23	10	33	69.7%	33	0	33	100.0%	33	0	33	100.0%	32	1	33	97.0%	33	0	33	100.0%
62	58	120	51.7%	120	0	120	100.0%	118	2	120	98.3%	120	0	120	100.0%	120	0	120	100.0%
220	150	370	59.5%	370	0	370	100.0%	362	8	370	97.8%	370	0	370	100.0%	370	0	370	100.0%
149	110	259	57.5%	259	0	259	100.0%	258	1	259	99.6%	258	1	259	99.6%	259	0	259	100.0%
1,857	1,177	3,034	61.2%	3,030	4	3,034	99.9%	2,982	52	3,034	98.3%	3,030	4	3,034	99.9%	3,032	2	3,034	99.9%
859	573	1,432	60.0%	1,432	0	1,432	100.0%	1,410	22	1,432	98.5%	1,431	1	1,432	99.9%	1,430	2	1,432	99.9%
15	25	40	37.5%	40	0	40	100.0%	38	2	40	95.0%	40	0	40	100.0%	40	0	40	100.0%
1,131	688	1,819	62.2%	1,815	4	1,819	99.8%	1,790	29	1,819	98.4%	1,815	4	1,819	99.8%	1,819	0	1,819	100.0%
1,654	1,010	2,664	62.1%	2,662	2	2,664	99.9%	2,631	33	2,664	98.8%	2,661	3	2,664	99.9%	2,662	2	2,664	99.9%
352	277	629	56.0%	627	2	629	99.7%	609	20	629	96.8%	627	2	629	99.7%	629	0	629	100.0%

	Principle 4.1				Supplementary Principle 4.1.1				Supplementary Principle 4.1.2			
	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
Total of Prime and Standard	3,289	4	3,293	99.9%	3,281	12	3,293	99.6%	2,696	597	3,293	81.9%
Organizational form												
Companies with *Kansayaku*	1,959	4	1,963	99.8%	1,957	6	1,963	99.7%	1,599	364	1,963	81.5%
Company with Supervisory Committee	1,247	0	1,247	100.0%	1,241	6	1,247	99.5%	1,021	226	1,247	81.9%
Company with Three Committees	83	0	83	100.0%	83	0	83	100.0%	76	7	83	91.6%
Outside directors												
Appointed	3,286	4	3,290	99.9%	3,278	12	3,290	99.6%	2,694	596	3,290	81.9%
Not appointed	3	0	3	100.0%	3	0	3	100.0%	2	1	3	66.7%
Foreign shareholding ratio												
Under 10%	1,874	3	1,877	99.8%	1,868	9	1,877	99.5%	1,416	461	1,877	75.4%
10% to under 20%	684	1	685	99.9%	683	2	685	99.7%	607	78	685	88.6%
20% to under 30%	407	0	407	100.0%	406	1	407	99.8%	377	30	407	92.6%
30% or more	324	0	324	100.0%	324	0	324	100.0%	296	28	324	91.4%
Major shareholders												
Ownership ratio of the largest shareholder is 0% or more and under 5%	28	0	28	100.0%	28	0	28	100.0%	18	10	28	64.3%
Ownership ratio of the largest shareholder is 5% or more and under 10%	441	0	441	100.0%	440	1	441	99.8%	371	70	441	84.1%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,396	1	1,397	99.9%	1,389	8	1,397	99.4%	1,223	174	1,397	87.5%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	681	2	683	99.7%	681	2	683	99.7%	518	165	683	75.8%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	497	1	498	99.8%	497	1	498	99.8%	368	130	498	73.9%
Ownership ratio of the largest shareholder is 50% or more	246	0	246	100.0%	246	0	246	100.0%	198	48	246	80.5%
Listed exchanges and market segment												
Prime	1,837	0	1,837	100.0%	1,834	3	1,837	99.8%	1,692	145	1,837	92.1%
Standard	1,452	4	1,456	99.7%	1,447	9	1,456	99.4%	1,004	452	1,456	69.0%
JPX Nikkei 400 (Prime and Standard only)	399	0	399	100.0%	399	0	399	100.0%	381	18	399	95.5%
(Consolidated) Number of employees												
Under 100	183	2	185	98.9%	183	2	185	98.9%	107	78	185	57.8%
100 to under 500	917	2	919	99.8%	916	3	919	99.7%	634	285	919	69.0%
500 to under 1000	613	0	613	100.0%	611	2	613	99.7%	495	118	613	80.8%
1000 or more	1,576	0	1,576	100.0%	1,571	5	1,576	99.7%	1,460	116	1,576	92.6%
(Consolidated) Sales												
Under 10 billion yen	688	3	691	99.6%	685	6	691	99.1%	438	253	691	63.4%
10 billion to under 100 billion yen	1,668	1	1,669	99.9%	1,664	5	1,669	99.7%	1,374	295	1,669	82.3%
100 billion to 1 trillion yen	776	0	776	100.0%	775	1	776	99.9%	732	44	776	94.3%
1 trillion yen or more	157	0	157	100.0%	157	0	157	100.0%	152	5	157	96.8%
Controlling shareholder/parent company												
With parent company	283	1	284	99.6%	284	0	284	100.0%	223	61	284	78.5%
With parent company (listed)	227	0	227	100.0%	227	0	227	100.0%	191	36	227	84.1%
With parent company (not listed)	56	1	57	98.2%	57	0	57	100.0%	32	25	57	56.1%
With controlling shareholder (not parent company)	164	0	164	100.0%	163	1	164	99.4%	106	58	164	64.6%
No controlling shareholder	2,842	3	2,845	99.9%	2,834	11	2,845	99.6%	2,367	478	2,845	83.2%
Number of consolidated subsidiaries												
Under 10	1,966	4	1,970	99.8%	1,960	10	1,970	99.5%	1,489	481	1,970	75.6%
10 to under 50	1,012	0	1,012	100.0%	1,010	2	1,012	99.8%	905	107	1,012	89.4%
50 to under 100	166	0	166	100.0%	166	0	166	100.0%	164	2	166	98.8%
100 to under 300	114	0	114	100.0%	114	0	114	100.0%	109	5	114	95.6%
300 or more	31	0	31	100.0%	31	0	31	100.0%	29	2	31	93.5%
Fiscal year-end												
January	46	0	46	100.0%	46	0	46	100.0%	32	14	46	69.6%
February	183	0	183	100.0%	182	1	183	99.5%	143	40	183	78.1%
March	2,153	2	2,155	99.9%	2,148	7	2,155	99.7%	1,825	330	2,155	84.7%
April	34	0	34	100.0%	34	0	34	100.0%	25	9	34	73.5%
May	74	1	75	98.7%	74	1	75	98.7%	59	16	75	78.7%
June	107	0	107	100.0%	106	1	107	99.1%	83	24	107	77.6%
July	33	0	33	100.0%	33	0	33	100.0%	25	8	33	75.8%
August	62	0	62	100.0%	62	0	62	100.0%	43	19	62	69.4%
Sept.	125	1	126	99.2%	124	2	126	98.4%	89	37	126	70.6%
October	45	0	45	100.0%	45	0	45	100.0%	34	11	45	75.6%
November	45	0	45	100.0%	45	0	45	100.0%	34	11	45	75.6%
Dec.	382	0	382	100.0%	382	0	382	100.0%	304	78	382	79.6%
Industry												
Fisheries, agriculture, and forestry	12	0	12	100.0%	12	0	12	100.0%	10	2	12	83.3%
Mining	6	0	6	100.0%	6	0	6	100.0%	5	1	6	83.3%
Construction industry	146	1	147	99.3%	147	0	147	100.0%	132	15	147	89.8%
Foods	120	0	120	100.0%	120	0	120	100.0%	101	19	120	84.2%
Textile products	49	0	49	100.0%	49	0	49	100.0%	43	6	49	87.8%
Pulp and paper	24	0	24	100.0%	24	0	24	100.0%	21	3	24	87.5%
Chemicals	209	0	209	100.0%	208	1	209	99.5%	181	28	209	86.6%
Pharmaceuticals	41	0	41	100.0%	41	0	41	100.0%	39	2	41	95.1%
Oil and coal products	11	0	11	100.0%	11	0	11	100.0%	10	1	11	90.9%
Rubber products	19	0	19	100.0%	19	0	19	100.0%	16	3	19	84.2%
Glass, earth and stone products	55	0	55	100.0%	55	0	55	100.0%	45	10	55	81.8%
Iron and steel	42	0	42	100.0%	42	0	42	100.0%	38	4	42	90.5%
Nonferrous metal	34	0	34	100.0%	34	0	34	100.0%	27	7	34	79.4%
Metal products	89	0	89	100.0%	88	1	89	98.9%	71	18	89	79.8%
Machinery	222	1	223	99.6%	223	0	223	100.0%	189	34	223	84.8%
Electrical appliances	233	0	233	100.0%	233	0	233	100.0%	204	29	233	87.6%
Transportation equipment	87	0	87	100.0%	87	0	87	100.0%	80	7	87	92.0%
Precision instruments	45	0	45	100.0%	44	1	45	97.8%	39	6	45	86.7%
Other products	105	0	105	100.0%	103	2	105	98.1%	77	28	105	73.3%
Electricity and gas	24	0	24	100.0%	24	0	24	100.0%	23	1	24	95.8%
Land transportation	60	0	60	100.0%	60	0	60	100.0%	54	6	60	90.0%
Shipping	11	0	11	100.0%	11	0	11	100.0%	9	2	11	81.8%
Air transport	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
Business related to warehousing and transportation	38	0	38	100.0%	37	1	38	97.4%	33	5	38	86.8%
Information and communication	348	1	349	99.7%	348	1	349	99.7%	259	90	349	74.2%
Wholesale trade	300	0	300	100.0%	300	0	300	100.0%	243	57	300	81.0%
Retail Trade	307	1	308	99.7%	306	2	308	99.4%	233	75	308	75.6%
Banking	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
Securities and commodity futures trading	36	0	36	100.0%	36	0	36	100.0%	28	8	36	77.8%
Insurance	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
Other Financing Business	33	0	33	100.0%	33	0	33	100.0%	28	5	33	84.8%
Real Estate	120	0	120	100.0%	120	0	120	100.0%	89	31	120	74.2%
Service industry	370	0	370	100.0%	367	3	370	99.2%	276	94	370	74.6%
Anti-takeover measures												
Yes	259	0	259	100.0%	258	1	259	99.6%	233	26	259	90.0%
N/A	3,030	4	3,034	99.9%	3,023	11	3,034	99.6%	2,463	571	3,034	81.2%
Independent officers												
Designated as directors only	1,431	1	1,432	99.9%	1,426	6	1,432	99.6%	1,175	257	1,432	82.1%
Designated as *kansayaku* only	40	0	40	100.0%	39	1	40	97.5%	23	17	40	57.5%
Designated as directors and *kansayaku*	1,816	3	1,819	99.8%	1,814	5	1,819	99.7%	1,496	323	1,819	82.2%
Term of office of directors												
1 year	2,662	2	2,664	99.9%	2,655	9	2,664	99.7%	2,236	428	2,664	83.9%
2 years	627	2	629	99.7%	626	3	629	99.5%	460	169	629	73.1%

Supplementary Principle 4.1.3				Principle 4.2				Supplementary Principle 4.2.1				Supplementary Principle 4.2.2				Principle 4.3			
Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
2,211	1,082	3,293	67.1%	2,983	310	3,293	90.6%	2,489	804	3,293	75.6%	2,559	734	3,293	77.7%	3,269	24	3,293	99.3%
1,286	677	1,963	65.5%	1,756	207	1,963	89.5%	1,438	525	1,963	73.3%	1,510	453	1,963	76.9%	1,952	11	1,963	99.4%
850	397	1,247	68.2%	1,144	103	1,247	91.7%	970	277	1,247	77.8%	970	277	1,247	77.8%	1,234	13	1,247	99.0%
75	8	83	90.4%	83	0	83	100.0%	81	2	83	97.6%	79	4	83	95.2%	83	0	83	100.0%
2,210	1,080	3,290	67.2%	2,982	308	3,290	90.6%	2,489	801	3,290	75.7%	2,557	733	3,290	77.7%	3,266	24	3,290	99.3%
1	2	3	33.3%	1	2	3	33.3%	0	3	3	0.0%	2	1	3	66.7%	3	0	3	100.0%
1,069	808	1,877	57.0%	1,600	277	1,877	85.2%	1,221	656	1,877	65.1%	1,334	543	1,877	71.1%	1,856	21	1,877	98.9%
528	157	685	77.1%	662	23	685	96.6%	596	89	685	87.0%	574	111	685	83.8%	683	2	685	99.7%
343	64	407	84.3%	403	4	407	99.0%	375	32	407	92.1%	358	49	407	88.0%	407	0	407	100.0%
271	53	324	83.6%	318	6	324	98.1%	297	27	324	91.7%	293	31	324	90.4%	323	1	324	99.7%
16	12	28	57.1%	22	6	28	78.6%	16	12	28	57.1%	15	13	28	53.6%	28	0	28	100.0%
289	152	441	65.5%	399	42	441	90.5%	329	112	441	74.6%	330	111	441	74.8%	440	1	441	99.8%
1,045	352	1,397	74.8%	1,306	91	1,397	93.5%	1,148	249	1,397	82.2%	1,156	241	1,397	82.7%	1,390	7	1,397	99.5%
413	270	683	60.5%	600	83	683	87.8%	482	201	683	70.6%	513	170	683	75.1%	676	7	683	99.0%
285	213	498	57.2%	431	67	498	86.5%	330	168	498	66.3%	350	148	498	70.3%	489	9	498	98.2%
163	83	246	66.3%	225	21	246	91.5%	184	62	246	74.8%	195	51	246	79.3%	246	0	246	100.0%
1,469	368	1,837	80.0%	1,779	58	1,837	96.8%	1,640	197	1,837	89.3%	1,582	255	1,837	86.1%	1,831	6	1,837	99.7%
742	714	1,456	51.0%	1,204	252	1,456	82.7%	849	607	1,456	58.3%	977	479	1,456	67.1%	1,438	18	1,456	98.8%
366	33	399	91.7%	398	1	399	99.7%	378	21	399	94.7%	389	10	399	97.5%	399	0	399	100.0%
79	106	185	42.7%	142	43	185	76.8%	101	84	185	54.6%	106	79	185	57.3%	181	4	185	97.8%
471	448	919	51.3%	775	144	919	84.3%	563	356	919	61.3%	630	289	919	68.6%	904	15	919	98.4%
404	209	613	65.9%	561	52	613	91.5%	447	166	613	72.9%	459	154	613	74.9%	610	3	613	99.5%
1,257	319	1,576	79.8%	1,505	71	1,576	95.5%	1,378	198	1,576	87.4%	1,364	212	1,576	86.5%	1,574	2	1,576	99.9%
317	374	691	45.9%	561	130	691	81.2%	389	302	691	56.3%	442	249	691	64.0%	680	11	691	98.4%
1,083	586	1,669	64.9%	1,509	160	1,669	90.4%	1,235	434	1,669	74.0%	1,254	415	1,669	75.1%	1,656	13	1,669	99.2%
660	116	776	85.1%	758	18	776	97.7%	712	64	776	91.8%	711	65	776	91.6%	776	0	776	100.0%
151	6	157	96.2%	155	2	157	98.7%	153	4	157	97.5%	152	5	157	96.8%	157	0	157	100.0%
189	95	284	66.5%	254	30	284	89.4%	214	70	284	75.4%	221	63	284	77.8%	283	1	284	99.6%
157	70	227	69.2%	214	13	227	94.3%	185	42	227	81.5%	183	44	227	80.6%	226	1	227	99.6%
32	25	57	56.1%	40	17	57	70.2%	29	28	57	50.9%	38	19	57	66.7%	57	0	57	100.0%
71	93	164	43.3%	134	30	164	81.7%	95	69	164	57.9%	103	61	164	62.8%	164	0	164	100.0%
1,951	894	2,845	68.6%	2,595	250	2,845	91.2%	2,180	665	2,845	76.6%	2,235	610	2,845	78.6%	2,822	23	2,845	99.2%
1,154	816	1,970	58.6%	1,712	258	1,970	86.9%	1,325	645	1,970	67.3%	1,404	566	1,970	71.3%	1,948	22	1,970	98.9%
768	244	1,012	75.9%	962	50	1,012	95.1%	867	145	1,012	85.7%	854	158	1,012	84.4%	1,010	2	1,012	99.8%
151	15	166	91.0%	164	2	166	98.8%	155	11	166	93.4%	157	9	166	94.6%	166	0	166	100.0%
107	7	114	93.9%	114	0	114	100.0%	111	3	114	97.4%	114	0	114	100.0%	114	0	114	100.0%
31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	30	1	31	96.8%	31	0	31	100.0%
23	23	46	50.0%	39	7	46	84.8%	28	18	46	60.9%	30	16	46	65.2%	45	1	46	97.8%
110	73	183	60.1%	165	18	183	90.2%	132	51	183	72.1%	126	57	183	68.9%	182	1	183	99.5%
1,527	628	2,155	70.9%	1,958	197	2,155	90.9%	1,684	471	2,155	78.1%	1,737	418	2,155	80.6%	2,144	11	2,155	99.5%
20	14	34	58.8%	30	4	34	88.2%	23	11	34	67.6%	23	11	34	67.6%	32	2	34	94.1%
41	34	75	54.7%	69	6	75	92.0%	57	18	75	76.0%	57	18	75	76.0%	74	1	75	98.7%
60	47	107	56.1%	97	10	107	90.7%	74	33	107	69.2%	79	28	107	73.8%	105	2	107	98.1%
16	17	33	48.5%	26	7	33	78.8%	22	11	33	66.7%	17	16	33	51.5%	33	0	33	100.0%
37	25	62	59.7%	54	8	62	87.1%	44	18	62	71.0%	37	25	62	59.7%	61	1	62	98.4%
65	61	126	51.6%	110	16	126	87.3%	88	38	126	69.8%	92	34	126	73.0%	126	0	126	100.0%
29	16	45	64.4%	41	4	45	91.1%	28	17	45	62.2%	28	17	45	62.2%	44	1	45	97.8%
23	22	45	51.1%	41	4	45	91.1%	26	19	45	57.8%	34	11	45	75.6%	45	0	45	100.0%
260	122	382	68.1%	353	29	382	92.4%	283	99	382	74.1%	299	83	382	78.3%	378	4	382	99.0%
7	5	12	58.3%	12	0	12	100.0%	9	3	12	75.0%	9	3	12	75.0%	12	0	12	100.0%
4	2	6	66.7%	6	0	6	100.0%	5	1	6	83.3%	5	1	6	83.3%	6	0	6	100.0%
120	27	147	81.6%	138	9	147	93.9%	114	33	147	77.6%	128	19	147	87.1%	147	0	147	100.0%
81	39	120	67.5%	106	14	120	88.3%	81	39	120	67.5%	103	17	120	85.8%	118	2	120	98.3%
32	17	49	65.3%	47	2	49	95.9%	37	12	49	75.5%	35	14	49	71.4%	49	0	49	100.0%
14	10	24	58.3%	22	2	24	91.7%	18	6	24	75.0%	21	3	24	87.5%	24	0	24	100.0%
142	67	209	67.9%	190	19	209	90.9%	170	39	209	81.3%	163	46	209	78.0%	207	2	209	99.0%
32	9	41	78.0%	40	1	41	97.6%	37	4	41	90.2%	38	3	41	92.7%	41	0	41	100.0%
9	2	11	81.8%	11	0	11	100.0%	10	1	11	90.9%	8	3	11	72.7%	11	0	11	100.0%
14	5	19	73.7%	16	3	19	84.2%	15	4	19	78.9%	16	3	19	84.2%	19	0	19	100.0%
36	19	55	65.5%	46	9	55	83.6%	40	15	55	72.7%	45	10	55	81.8%	55	0	55	100.0%
32	10	42	76.2%	35	7	42	83.3%	32	10	42	76.2%	35	7	42	83.3%	42	0	42	100.0%
28	6	34	82.4%	30	4	34	88.2%	23	11	34	67.6%	29	5	34	85.3%	34	0	34	100.0%
56	33	89	62.9%	79	10	89	88.8%	63	26	89	70.8%	71	18	89	79.8%	87	2	89	97.8%
149	74	223	66.8%	202	21	223	90.6%	165	58	223	74.0%	166	57	223	74.4%	223	0	223	100.0%
172	61	233	73.8%	218	15	233	93.6%	199	34	233	85.4%	183	50	233	78.5%	231	2	233	99.1%
67	20	87	77.0%	81	6	87	93.1%	77	10	87	88.5%	65	22	87	74.7%	87	0	87	100.0%
31	14	45	68.9%	42	3	45	93.3%	39	6	45	86.7%	34	11	45	75.6%	45	0	45	100.0%
68	37	105	64.8%	94	11	105	89.5%	75	30	105	71.4%	82	23	105	78.1%	104	1	105	99.0%
23	1	24	95.8%	24	0	24	100.0%	24	0	24	100.0%	23	1	24	95.8%	24	0	24	100.0%
44	16	60	73.3%	54	6	60	90.0%	47	13	60	78.3%	44	16	60	73.3%	60	0	60	100.0%
9	2	11	81.8%	10	1	11	90.9%	8	3	11	72.7%	9	2	11	81.8%	11	0	11	100.0%
4	1	5	80.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
27	11	38	71.1%	32	6	38	84.2%	27	11	38	71.1%	32	6	38	84.2%	38	0	38	100.0%
220	129	349	63.0%	323	26	349	92.6%	269	80	349	77.1%	269	80	349	77.1%	346	3	349	99.1%
182	118	300	60.7%	259	41	300	86.3%	207	93	300	69.0%	226	74	300	75.3%	298	2	300	99.3%
186	122	308	60.4%	266	42	308	86.4%	205	103	308	66.6%	218	90	308	70.8%	305	3	308	99.0%
72	8	80	90.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
24	12	36	66.7%	34	2	36	94.4%	30	6	36	83.3%	24	12	36	66.7%	36	0	36	100.0%
7	1	8	87.5%	7	1	8	87.5%	7	1	8	87.5%	8	0	8	100.0%	8	0	8	100.0%
25	8	33	75.8%	31	2	33	93.9%	26	7	33	78.8%	27	6	33	81.8%	33	0	33	100.0%
72	48	120	60.0%	104	16	120	86.7%	85	35	120	70.8%	77	43	120	64.2%	117	3	120	97.5%
222	148	370	60.0%	339	31	370	91.6%	260	110	370	70.3%	281	89	370	75.9%	366	4	370	98.9%
189	70	259	73.0%	245	14	259	94.6%	211	48	259	81.5%	212	47	259	81.9%	256	3	259	98.8%
2,022	1,012	3,034	66.6%	2,738	296	3,034	90.2%	2,278	756	3,034	75.1%	2,347	687	3,034	77.4%	3,013	21	3,034	99.3%
984	448	1,432	68.7%	1,313	119	1,432	91.7%	1,110	322	1,432	77.5%	1,114	318	1,432	77.8%	1,419	13	1,432	99.1%
14	26	40	35.0%	28	12	40	70.0%	17	23	40	42.5%	21	19	40	52.5%	39	1	40	97.5%
1,211	608	1,819	66.6%	1,641	178	1,819	90.2%	1,362	457	1,819	74.9%	1,422	397	1,819	78.2%	1,809	10	1,819	99.5%
1,857	807	2,664	69.7%	2,451	213	2,664	92.0%	2,098	566	2,664	78.8%	2,109	555	2,664	79.2%	2,644	20	2,664	99.2%
354	275	629	56.3%	532	97	629	84.6%	391	238	629	62.2%	450	179	629	71.5%	625	4	629	99.4%

	Supplementary Principle 4.3.1				Supplementary Principle 4.3.2				Supplementary Principle 4.3.3			
	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
Total of Prime and Standard	3,200	93	3,293	97.2%	2,901	392	3,293	88.1%	2790	503	3293	84.7%
Organizational form												
Companies with *Kansayaku*	1,902	61	1,963	96.9%	1,699	264	1,963	86.6%	1622	341	1963	82.6%
Company with Supervisory Committee	1,215	32	1,247	97.4%	1,119	128	1,247	89.7%	1085	162	1247	87.0%
Company with Three Committees	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%
Outside directors												
Appointed	3,199	91	3,290	97.2%	2,900	390	3,290	88.1%	2789	501	3290	84.8%
Not appointed	1	2	3	33.3%	1	2	3	33.3%	1	2	3	33.3%
Foreign shareholding ratio												
Under 10%	1,800	77	1,877	95.9%	1,572	305	1,877	83.8%	1486	391	1877	79.2%
10% to under 20%	675	10	685	98.5%	635	50	685	92.7%	629	56	685	91.8%
20% to under 30%	405	2	407	99.5%	383	24	407	94.1%	377	30	407	92.6%
30% or more	320	4	324	98.8%	311	13	324	96.0%	298	26	324	92.0%
Major shareholders												
Ownership ratio of the largest shareholder is 0% or more and under 5%	26	2	28	92.9%	17	11	28	60.7%	18	10	28	64.3%
Ownership ratio of the largest shareholder is 5% or more and under 10%	430	11	441	97.5%	388	53	441	88.0%	379	62	441	85.9%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,371	26	1,397	98.1%	1,270	127	1,397	90.9%	1234	163	1397	88.3%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	655	28	683	95.9%	578	105	683	84.6%	554	129	683	81.1%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	476	22	498	95.6%	426	72	498	85.5%	400	98	498	80.3%
Ownership ratio of the largest shareholder is 50% or more	242	4	246	98.4%	222	24	246	90.2%	205	41	246	83.3%
Listed exchanges and market segment												
Prime	1,822	15	1,837	99.2%	1,728	109	1,837	94.1%	1690	147	1837	92.0%
Standard	1,378	78	1,456	94.6%	1,173	283	1,456	80.6%	1100	356	1456	75.5%
JPX Nikkei 400 (Prime and Standard only)	399	0	399	100.0%	391	8	399	98.0%	387	12	399	97.0%
(Consolidated) Number of employees												
Under 100	168	17	185	90.8%	142	43	185	76.8%	127	58	185	68.6%
100 to under 500	867	52	919	94.3%	741	178	919	80.6%	698	221	919	76.0%
500 to under 1000	596	17	613	97.2%	536	77	613	87.4%	515	98	613	84.0%
1000 or more	1,569	7	1,576	99.6%	1,482	94	1,576	94.0%	1450	126	1576	92.0%
(Consolidated) Sales												
Under 10 billion yen	641	50	691	92.8%	534	157	691	77.3%	492	199	691	71.2%
10 billion to under 100 billion yen	1,629	40	1,669	97.6%	1,467	202	1,669	87.9%	1414	255	1669	84.7%
100 billion to 1 trillion yen	773	3	776	99.6%	743	33	776	95.7%	729	47	776	93.9%
1 trillion yen or more	157	0	157	100.0%	157	0	157	100.0%	155	2	157	98.7%
Controlling shareholder/parent company												
With parent company	278	6	284	97.9%	254	30	284	89.4%	240	44	284	84.5%
With parent company (listed)	223	4	227	98.2%	208	19	227	91.6%	197	30	227	86.8%
With parent company (not listed)	55	2	57	96.5%	46	11	57	80.7%	43	14	57	75.4%
With controlling shareholder (not parent company)	155	9	164	94.5%	136	28	164	82.9%	120	44	164	73.2%
No controlling shareholder	2,767	78	2,845	97.3%	2,511	334	2,845	88.3%	2430	415	2845	85.4%
Number of consolidated subsidiaries												
Under 10	1,887	83	1,970	95.8%	1,666	304	1,970	84.6%	1586	384	1970	80.5%
10 to under 50	1,003	9	1,012	99.1%	928	84	1,012	91.7%	902	110	1012	89.1%
50 to under 100	166	0	166	100.0%	165	1	166	99.4%	160	6	166	96.4%
100 to under 300	113	1	114	99.1%	111	3	114	97.4%	111	3	114	97.4%
300 or more	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
Fiscal year-end												
January	45	1	46	97.8%	38	8	46	82.6%	36	10	46	78.3%
February	179	4	183	97.8%	157	26	183	85.8%	152	31	183	83.1%
March	2,102	53	2,155	97.5%	1,919	236	2,155	89.0%	1869	286	2155	86.7%
April	30	4	34	88.2%	29	5	34	85.3%	28	6	34	82.4%
May	73	2	75	97.3%	67	8	75	89.3%	63	12	75	84.0%
June	102	5	107	95.3%	92	15	107	86.0%	86	21	107	80.4%
July	33	0	33	100.0%	27	6	33	81.8%	22	11	33	66.7%
August	60	2	62	96.8%	53	9	62	85.5%	48	14	62	77.4%
Sept.	120	6	126	95.2%	108	18	126	85.7%	96	30	126	76.2%
October	44	1	45	97.8%	39	6	45	86.7%	38	7	45	84.4%
November	44	1	45	97.8%	37	8	45	82.2%	33	12	45	73.3%
Dec.	368	14	382	96.3%	335	47	382	87.7%	319	63	382	83.5%
Industry												
Fisheries, agriculture, and forestry	12	0	12	100.0%	12	0	12	100.0%	10	2	12	83.3%
Mining	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
Construction industry	144	3	147	98.0%	136	11	147	92.5%	133	14	147	90.5%
Foods	114	6	120	95.0%	103	17	120	85.8%	97	23	120	80.8%
Textile products	48	1	49	98.0%	44	5	49	89.8%	43	6	49	87.8%
Pulp and paper	24	0	24	100.0%	20	4	24	83.3%	19	5	24	79.2%
Chemicals	207	2	209	99.0%	190	19	209	90.9%	181	28	209	86.6%
Pharmaceuticals	41	0	41	100.0%	38	3	41	92.7%	37	4	41	90.2%
Oil and coal products	10	1	11	90.9%	10	1	11	90.9%	10	1	11	90.9%
Rubber products	18	1	19	94.7%	18	1	19	94.7%	18	1	19	94.7%
Glass, earth and stone products	54	1	55	98.2%	49	6	55	89.1%	45	10	55	81.8%
Iron and steel	42	0	42	100.0%	38	4	42	90.5%	36	6	42	85.7%
Nonferrous metal	33	1	34	97.1%	33	1	34	97.1%	31	3	34	91.2%
Metal products	86	3	89	96.6%	75	14	89	84.3%	72	17	89	80.9%
Machinery	217	6	223	97.3%	189	34	223	84.8%	188	35	223	84.3%
Electrical appliances	227	6	233	97.4%	212	21	233	91.0%	210	23	233	90.1%
Transportation equipment	87	0	87	100.0%	80	7	87	92.0%	79	8	87	90.8%
Precision instruments	41	4	45	91.1%	38	7	45	84.4%	36	9	45	80.0%
Other products	102	3	105	97.1%	91	14	105	86.7%	87	18	105	82.9%
Electricity and gas	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
Land transportation	57	3	60	95.0%	51	9	60	85.0%	51	9	60	85.0%
Shipping	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
Air transport	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
Business related to warehousing and transportation	36	2	38	94.7%	33	5	38	86.8%	31	7	38	81.6%
Information and communication	338	11	349	96.8%	298	51	349	85.4%	276	73	349	79.1%
Wholesale trade	289	11	300	96.3%	263	37	300	87.7%	256	44	300	85.3%
Retail Trade	298	10	308	96.8%	252	56	308	81.8%	238	70	308	77.3%
Banking	80	0	80	100.0%	80	0	80	100.0%	79	1	80	98.8%
Securities and commodity futures trading	33	3	36	91.7%	30	6	36	83.3%	29	7	36	80.6%
Insurance	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
Other Financing Business	33	0	33	100.0%	32	1	33	97.0%	32	1	33	97.0%
Real Estate	116	4	120	96.7%	106	14	120	88.3%	97	23	120	80.8%
Service industry	359	11	370	97.0%	326	44	370	88.1%	315	55	370	85.1%
Anti-takeover measures												
Yes	250	9	259	96.5%	237	22	259	91.5%	233	26	259	90.0%
N/A	2,950	84	3,034	97.2%	2,664	370	3,034	87.8%	2557	477	3034	84.3%
Independent officers												
Designated as directors only	1,396	36	1,432	97.5%	1,284	148	1,432	89.7%	1240	192	1432	86.6%
Designated as *kansayaku* only	35	5	40	87.5%	25	15	40	62.5%	22	18	40	55.0%
Designated as directors and *kansayaku*	1,767	52	1,819	97.1%	1,590	229	1,819	87.4%	1526	293	1819	83.9%
Term of office of directors												
1 year	2,596	68	2,664	97.4%	2,377	287	2,664	89.2%	2296	368	2664	86.2%
2 years	604	25	629	96.0%	524	105	629	83.3%	494	135	629	78.5%

Supplementary Principle 4.3.4				Principle 4.4				Supplementary Principle 4.4.1				Principle 4.5				Principle 4.6			
Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
3283	10	3293	99.7%	3,292	1	3,293	100.0%	3,283	10	3,293	99.7%	3,293	0	3,293	100.0%	3,281	12	3,293	99.6%
1957	6	1963	99.7%	1,962	1	1,963	99.9%	1,954	9	1,963	99.5%	1,963	0	1,963	100.0%	1,952	11	1,963	99.4%
1243	4	1247	99.7%	1,247	0	1,247	100.0%	1,246	1	1,247	99.9%	1,247	0	1,247	100.0%	1,246	1	1,247	99.9%
83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%
3280	10	3290	99.7%	3,289	1	3,290	100.0%	3,280	10	3,290	99.7%	3,290	0	3,290	100.0%	3,280	10	3,290	99.7%
3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%	1	2	3	33.3%
1871	6	1877	99.7%	1,876	1	1,877	99.9%	1,872	5	1,877	99.7%	1,877	0	1,877	100.0%	1,867	10	1,877	99.5%
684	1	685	99.9%	685	0	685	100.0%	682	3	685	99.6%	685	0	685	100.0%	683	2	685	99.7%
406	1	407	99.8%	407	0	407	100.0%	407	0	407	100.0%	407	0	407	100.0%	407	0	407	100.0%
322	2	324	99.4%	324	0	324	100.0%	322	2	324	99.4%	324	0	324	100.0%	324	0	324	100.0%
28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%
440	1	441	99.8%	441	0	441	100.0%	440	1	441	99.8%	441	0	441	100.0%	440	1	441	99.8%
1392	5	1397	99.6%	1,396	1	1,397	99.9%	1,394	3	1,397	99.8%	1,397	0	1,397	100.0%	1,395	2	1,397	99.9%
681	2	683	99.7%	683	0	683	100.0%	680	3	683	99.6%	683	0	683	100.0%	675	8	683	98.8%
497	1	498	99.8%	498	0	498	100.0%	496	2	498	99.6%	498	0	498	100.0%	497	1	498	99.8%
245	1	246	99.6%	246	0	246	100.0%	245	1	246	99.6%	246	0	246	100.0%	246	0	246	100.0%
1831	6	1837	99.7%	1,837	0	1,837	100.0%	1,834	3	1,837	99.8%	1,837	0	1,837	100.0%	1,836	1	1,837	99.9%
1452	4	1456	99.7%	1,455	1	1,456	99.9%	1,449	7	1,456	99.5%	1,456	0	1,456	100.0%	1,445	11	1,456	99.2%
399	0	399	100.0%	399	0	399	100.0%	398	1	399	99.7%	399	0	399	100.0%	399	0	399	100.0%
185	0	185	100.0%	185	0	185	100.0%	184	1	185	99.5%	185	0	185	100.0%	184	1	185	99.5%
917	2	919	99.8%	919	0	919	100.0%	914	5	919	99.5%	919	0	919	100.0%	910	9	919	99.0%
610	3	613	99.5%	612	1	613	99.8%	612	1	613	99.8%	613	0	613	100.0%	612	1	613	99.8%
1571	5	1576	99.7%	1,576	0	1,576	100.0%	1,573	3	1,576	99.8%	1,576	0	1,576	100.0%	1,575	1	1,576	99.9%
691	0	691	100.0%	691	0	691	100.0%	686	5	691	99.3%	691	0	691	100.0%	682	9	691	98.7%
1661	8	1669	99.5%	1,668	1	1,669	99.9%	1,666	3	1,669	99.8%	1,669	0	1,669	100.0%	1,667	2	1,669	99.9%
774	2	776	99.7%	776	0	776	100.0%	774	2	776	99.7%	776	0	776	100.0%	776	0	776	100.0%
157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%	156	1	157	99.4%
282	2	284	99.3%	284	0	284	100.0%	283	1	284	99.6%	284	0	284	100.0%	283	1	284	99.6%
225	2	227	99.1%	227	0	227	100.0%	227	0	227	100.0%	227	0	227	100.0%	226	1	227	99.6%
57	0	57	100.0%	57	0	57	100.0%	56	1	57	98.2%	57	0	57	100.0%	57	0	57	100.0%
164	0	164	100.0%	164	0	164	100.0%	163	1	164	99.4%	164	0	164	100.0%	163	1	164	99.4%
2837	8	2845	99.7%	2,844	1	2,845	100.0%	2,837	8	2,845	99.7%	2,845	0	2,845	100.0%	2,835	10	2,845	99.6%
1964	6	1970	99.7%	1,969	1	1,970	99.9%	1,963	7	1,970	99.6%	1,970	0	1,970	100.0%	1,959	11	1,970	99.4%
1009	3	1012	99.7%	1,012	0	1,012	100.0%	1,009	3	1,012	99.7%	1,012	0	1,012	100.0%	1,012	0	1,012	100.0%
165	1	166	99.4%	166	0	166	100.0%	166	0	166	100.0%	166	0	166	100.0%	166	0	166	100.0%
114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%	113	1	114	99.1%
31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%	45	1	46	97.8%
183	0	183	100.0%	183	0	183	100.0%	182	1	183	99.5%	183	0	183	100.0%	181	2	183	98.9%
2147	8	2155	99.6%	2,154	1	2,155	100.0%	2,149	6	2,155	99.7%	2,155	0	2,155	100.0%	2,149	6	2,155	99.7%
34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%
75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%
106	1	107	99.1%	107	0	107	100.0%	107	0	107	100.0%	107	0	107	100.0%	106	1	107	99.1%
33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%
62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%
126	0	126	100.0%	126	0	126	100.0%	124	2	126	98.4%	126	0	126	100.0%	125	1	126	99.2%
45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
381	1	382	99.7%	382	0	382	100.0%	381	1	382	99.7%	382	0	382	100.0%	381	1	382	99.7%
12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%
6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
147	0	147	100.0%	147	0	147	100.0%	147	0	147	100.0%	147	0	147	100.0%	147	0	147	100.0%
118	2	120	98.3%	120	0	120	100.0%	118	2	120	98.3%	120	0	120	100.0%	120	0	120	100.0%
49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%
24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
209	0	209	100.0%	209	0	209	100.0%	209	0	209	100.0%	209	0	209	100.0%	209	0	209	100.0%
41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%
11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%
55	0	55	100.0%	55	0	55	100.0%	55	0	55	100.0%	55	0	55	100.0%	54	1	55	98.2%
42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%
34	0	34	100.0%	34	0	34	100.0%	33	1	34	97.1%	34	0	34	100.0%	33	1	34	97.1%
88	1	89	98.9%	88	1	89	98.9%	88	1	89	98.9%	89	0	89	100.0%	89	0	89	100.0%
223	0	223	100.0%	223	0	223	100.0%	223	0	223	100.0%	223	0	223	100.0%	223	0	223	100.0%
231	2	233	99.1%	233	0	233	100.0%	233	0	233	100.0%	233	0	233	100.0%	232	1	233	99.6%
86	1	87	98.9%	87	0	87	100.0%	87	0	87	100.0%	87	0	87	100.0%	86	1	87	98.9%
45	0	45	100.0%	45	0	45	100.0%	44	1	45	97.8%	45	0	45	100.0%	45	0	45	100.0%
103	2	105	98.1%	105	0	105	100.0%	105	0	105	100.0%	105	0	105	100.0%	104	1	105	99.0%
24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%
11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
37	1	38	97.4%	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%
349	0	349	100.0%	349	0	349	100.0%	347	2	349	99.4%	349	0	349	100.0%	347	2	349	99.4%
299	1	300	99.7%	300	0	300	100.0%	300	0	300	100.0%	300	0	300	100.0%	299	1	300	99.7%
308	0	308	100.0%	308	0	308	100.0%	308	0	308	100.0%	308	0	308	100.0%	307	1	308	99.7%
80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
36	0	36	100.0%	36	0	36	100.0%	35	1	36	97.2%	36	0	36	100.0%	36	0	36	100.0%
8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%
120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%	120	0	120	100.0%
370	0	370	100.0%	370	0	370	100.0%	368	2	370	99.5%	370	0	370	100.0%	367	3	370	99.2%
258	1	259	99.6%	258	1	259	99.6%	256	3	259	98.8%	259	0	259	100.0%	259	0	259	100.0%
3025	9	3034	99.7%	3,034	0	3,034	100.0%	3,027	7	3,034	99.8%	3,034	0	3,034	100.0%	3,022	12	3,034	99.6%
1428	4	1432	99.7%	1,432	0	1,432	100.0%	1,431	1	1,432	99.9%	1,432	0	1,432	100.0%	1,431	1	1,432	99.9%
40	0	40	100.0%	40	0	40	100.0%	40	0	40	100.0%	40	0	40	100.0%	36	4	40	90.0%
1813	6	1819	99.7%	1,818	1	1,819	99.9%	1,810	9	1,819	99.5%	1,819	0	1,819	100.0%	1,812	7	1,819	99.6%
2655	9	2664	99.7%	2,663	1	2,664	100.0%	2,657	7	2,664	99.7%	2,664	0	2,664	100.0%	2,658	6	2,664	99.8%
628	1	629	99.8%	629	0	629	100.0%	626	3	629	99.5%	629	0	629	100.0%	623	6	629	99.0%

	Principle 4.7				Principle 4.8				Supplementary Principle 4.8.1			
	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
Total of Prime and Standard	3,264	29	3,293	99.1%	2,855	438	3,293	86.7%	2,996	297	3,293	91.0%
Organizational form												
Companies with *Kansayaku*	1,936	27	1,963	98.6%	1,585	378	1,963	80.7%	1,737	226	1,963	88.5%
Company with Supervisory Committee	1,245	2	1,247	99.8%	1,188	59	1,247	95.3%	1,176	71	1,247	94.3%
Company with Three Committees	83	0	83	100.0%	82	1	83	98.8%	83	0	83	100.0%
Outside directors												
Appointed	3,264	26	3,290	99.2%	2,855	435	3,290	86.8%	2,996	294	3,290	91.1%
Not appointed	0	3	3	0.0%	0	3	3	0.0%	0	3	3	0.0%
Foreign shareholding ratio												
Under 10%	1,850	27	1,877	98.6%	1,520	357	1,877	81.0%	1,637	240	1,877	87.2%
10% to under 20%	683	2	685	99.7%	626	59	685	91.4%	651	34	685	95.0%
20% to under 30%	407	0	407	100.0%	390	17	407	95.8%	395	12	407	97.1%
30% or more	324	0	324	100.0%	319	5	324	98.5%	313	11	324	96.6%
Major shareholders												
Ownership ratio of the largest shareholder is 0% or more and under 5%	26	2	28	92.9%	18	10	28	64.3%	22	6	28	78.6%
Ownership ratio of the largest shareholder is 5% or more and under 10%	440	1	441	99.8%	384	57	441	87.1%	398	43	441	90.2%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,390	7	1,397	99.5%	1,269	128	1,397	90.8%	1,316	81	1,397	94.2%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	669	14	683	98.0%	555	128	683	81.3%	600	83	683	87.8%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	495	3	498	99.4%	413	85	498	82.9%	436	62	498	87.6%
Ownership ratio of the largest shareholder is 50% or more	244	2	246	99.2%	216	30	246	87.8%	224	22	246	91.1%
Listed exchanges and market segment												
Prime	1,836	1	1,837	99.9%	1,725	112	1,837	93.9%	1,775	62	1,837	96.6%
Standard	1,428	28	1,456	98.1%	1,130	326	1,456	77.6%	1,221	235	1,456	83.9%
JPX Nikkei 400 (Prime and Standard only)	399	0	399	100.0%	387	12	399	97.0%	387	12	399	97.0%
(Consolidated) Number of employees												
Under 100	181	4	185	97.8%	138	47	185	74.6%	149	36	185	80.5%
100 to under 500	899	20	919	97.8%	712	207	919	77.5%	778	141	919	84.7%
500 to under 1000	610	3	613	99.5%	533	80	613	86.9%	565	48	613	92.2%
1000 or more	1,574	2	1,576	99.9%	1,472	104	1,576	93.4%	1,504	72	1,576	95.4%
(Consolidated) Sales												
Under 10 billion yen	674	17	691	97.5%	509	182	691	73.7%	564	127	691	81.6%
10 billion to under 100 billion yen	1,657	12	1,669	99.3%	1,456	213	1,669	87.2%	1,528	141	1,669	91.6%
100 billion to 1 trillion yen	776	0	776	100.0%	736	40	776	94.8%	751	25	776	96.8%
1 trillion yen or more	157	0	157	100.0%	154	3	157	98.1%	153	4	157	97.5%
Controlling shareholder/parent company												
With parent company	283	1	284	99.6%	245	39	284	86.3%	254	30	284	89.4%
With parent company (listed)	226	1	227	99.6%	205	22	227	90.3%	208	19	227	91.6%
With parent company (not listed)	57	0	57	100.0%	40	17	57	70.2%	46	11	57	80.7%
With controlling shareholder (not parent company)	161	3	164	98.2%	130	34	164	79.3%	145	19	164	88.4%
No controlling shareholder	2,820	25	2,845	99.1%	2,480	365	2,845	87.2%	2,597	248	2,845	91.3%
Number of consolidated subsidiaries												
Under 10	1,944	26	1,970	98.7%	1,622	348	1,970	82.3%	1,724	246	1,970	87.5%
10 to under 50	1,009	3	1,012	99.7%	932	80	1,012	92.1%	965	47	1,012	95.4%
50 to under 100	166	0	166	100.0%	160	6	166	96.4%	163	3	166	98.2%
100 to under 300	114	0	114	100.0%	110	4	114	96.5%	113	1	114	99.1%
300 or more	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
Fiscal year-end												
January	43	3	46	93.5%	41	5	46	89.1%	41	5	46	89.1%
February	181	2	183	98.9%	153	30	183	83.6%	163	20	183	89.1%
March	2,137	18	2,155	99.2%	1,884	271	2,155	87.4%	1,957	198	2,155	90.8%
April	34	0	34	100.0%	23	11	34	67.6%	31	3	34	91.2%
May	74	1	75	98.7%	65	10	75	86.7%	70	5	75	93.3%
June	105	2	107	98.1%	85	22	107	79.4%	100	7	107	93.5%
July	33	0	33	100.0%	26	7	33	78.8%	27	6	33	81.8%
August	62	0	62	100.0%	50	12	62	80.6%	58	4	62	93.5%
Sept.	125	1	126	99.2%	112	14	126	88.9%	116	10	126	92.1%
October	45	0	45	100.0%	34	11	45	75.6%	38	7	45	84.4%
November	44	1	45	97.8%	37	8	45	82.2%	39	6	45	86.7%
Dec.	381	1	382	99.7%	345	37	382	90.3%	356	26	382	93.2%
Industry												
Fisheries, agriculture, and forestry	12	0	12	100.0%	8	4	12	66.7%	10	2	12	83.3%
Mining	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
Construction industry	147	0	147	100.0%	130	17	147	88.4%	141	6	147	95.9%
Foods	119	1	120	99.2%	105	15	120	87.5%	101	19	120	84.2%
Textile products	49	0	49	100.0%	43	6	49	87.8%	48	1	49	98.0%
Pulp and paper	24	0	24	100.0%	22	2	24	91.7%	21	3	24	87.5%
Chemicals	209	0	209	100.0%	189	20	209	90.4%	192	17	209	91.9%
Pharmaceuticals	41	0	41	100.0%	37	4	41	90.2%	37	4	41	90.2%
Oil and coal products	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
Rubber products	18	1	19	94.7%	17	2	19	89.5%	16	3	19	84.2%
Glass, earth and stone products	54	1	55	98.2%	42	13	55	76.4%	54	1	55	98.2%
Iron and steel	42	0	42	100.0%	35	7	42	83.3%	39	3	42	92.9%
Nonferrous metal	33	1	34	97.1%	31	3	34	91.2%	32	2	34	94.1%
Metal products	86	3	89	96.6%	72	17	89	80.9%	73	16	89	82.0%
Machinery	220	3	223	98.7%	197	26	223	88.3%	206	17	223	92.4%
Electrical appliances	232	1	233	99.6%	210	23	233	90.1%	221	12	233	94.8%
Transportation equipment	86	1	87	98.9%	81	6	87	93.1%	83	4	87	95.4%
Precision instruments	43	2	45	95.6%	36	9	45	80.0%	39	6	45	86.7%
Other products	104	1	105	99.0%	85	20	105	81.0%	93	12	105	88.6%
Electricity and gas	24	0	24	100.0%	22	2	24	91.7%	24	0	24	100.0%
Land transportation	59	1	60	98.3%	55	5	60	91.7%	54	6	60	90.0%
Shipping	11	0	11	100.0%	10	1	11	90.9%	9	2	11	81.8%
Air transport	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
Business related to warehousing and transportation	38	0	38	100.0%	34	4	38	89.5%	34	4	38	89.5%
Information and communication	348	1	349	99.7%	303	46	349	86.8%	312	37	349	89.4%
Wholesale trade	297	3	300	99.0%	243	57	300	81.0%	270	30	300	90.0%
Retail Trade	306	2	308	99.4%	261	47	308	84.7%	272	36	308	88.3%
Banking	80	0	80	100.0%	79	1	80	98.8%	79	1	80	98.8%
Securities and commodity futures trading	36	0	36	100.0%	36	0	36	100.0%	33	3	36	91.7%
Insurance	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
Other Financing Business	33	0	33	100.0%	32	1	33	97.0%	31	2	33	93.9%
Real Estate	119	1	120	99.2%	99	21	120	82.5%	110	10	120	91.7%
Service industry	364	6	370	98.4%	311	59	370	84.1%	332	38	370	89.7%
Anti-takeover measures												
Yes	259	0	259	100.0%	231	28	259	89.2%	236	23	259	91.1%
N/A	3,005	29	3,034	99.0%	2,624	410	3,034	86.5%	2,760	274	3,034	91.0%
Independent officers												
Designated as directors only	1,429	3	1,432	99.8%	1,346	86	1,432	94.0%	1,341	91	1,432	93.6%
Designated as *kansayaku* only	20	20	40	50.0%	11	29	40	27.5%	19	21	40	47.5%
Designated as directors and *kansayaku*	1,813	6	1,819	99.7%	1,497	322	1,819	82.3%	1,634	185	1,819	89.8%
Term of office of directors												
1 year	2,646	18	2,664	99.3%	2,416	248	2,664	90.7%	2,457	207	2,664	92.2%
2 years	618	11	629	98.3%	439	190	629	69.8%	539	90	629	85.7%

Supplementary Principle 4.8.2				Supplementary Principle 4.8.3 (*)				Principle 4.9				Principle 4.10				Supplementary Principle 4.10.1			
Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
2,899	394	3,293	88.0%	328	120	448	73.2%	3,186	107	3,293	96.8%	3,104	189	3,293	94.3%	2,112	1,181	3,293	64.1%
1,672	291	1,963	85.2%	183	76	259	70.7%	1,893	70	1,963	96.4%	1,830	133	1,963	93.2%	1,173	790	1,963	59.8%
1,145	102	1,247	91.8%	138	41	179	77.1%	1,210	37	1,247	97.0%	1,191	56	1,247	95.5%	856	391	1,247	68.6%
82	1	83	98.8%	7	3	10	70.0%	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%
2,898	392	3,290	88.1%	328	119	447	73.4%	3,186	104	3,290	96.8%	3,102	188	3,290	94.3%	2,112	1,178	3,290	64.2%
1	2	3	33.3%	0	1	1	0.0%	0	3	3	0.0%	2	1	3	66.7%	0	3	3	0.0%
1,568	309	1,877	83.5%	233	96	329	70.8%	1,795	82	1,877	95.6%	1,722	155	1,877	91.7%	971	906	1,877	51.7%
631	54	685	92.1%	61	17	78	78.2%	664	21	685	96.9%	665	20	685	97.1%	522	163	685	76.2%
389	18	407	95.6%	14	4	18	77.8%	405	2	407	99.5%	399	8	407	98.0%	340	67	407	83.5%
311	13	324	96.0%	20	3	23	87.0%	322	2	324	99.4%	318	6	324	98.1%	279	45	324	86.1%
22	6	28	78.6%	0	0	0		25	3	28	89.3%	23	5	28	82.1%	13	15	28	46.4%
385	56	441	87.3%	0	0	0		426	15	441	96.6%	415	26	441	94.1%	278	163	441	63.0%
1,277	120	1,397	91.4%	3	4	7	42.9%	1,371	26	1,397	98.1%	1,337	60	1,397	95.7%	1,003	394	1,397	71.8%
583	100	683	85.4%	34	22	56	60.7%	652	31	683	95.5%	633	50	683	92.7%	385	298	683	56.4%
418	80	498	83.9%	107	35	142	75.4%	473	25	498	95.0%	461	37	498	92.6%	281	217	498	56.4%
214	32	246	87.0%	184	59	243	75.7%	239	7	246	97.2%	235	11	246	95.5%	152	94	246	61.8%
1,749	88	1,837	95.2%	126	38	164	76.8%	1,812	25	1,837	98.6%	1,800	37	1,837	98.0%	1,515	322	1,837	82.5%
1,150	306	1,456	79.0%	202	82	284	71.1%	1,374	82	1,456	94.4%	1,304	152	1,456	89.6%	597	859	1,456	41.0%
387	12	399	97.0%	39	3	42	92.9%	395	4	399	99.0%	396	3	399	99.2%	357	42	399	89.5%
139	46	185	75.1%	35	15	50	70.0%	168	17	185	90.8%	151	34	185	81.6%	70	115	185	37.8%
722	197	919	78.6%	112	51	163	68.7%	866	53	919	94.2%	838	81	919	91.2%	405	514	919	44.1%
553	60	613	90.2%	55	17	72	76.4%	596	17	613	97.2%	583	30	613	95.1%	379	234	613	61.8%
1,485	91	1,576	94.2%	126	37	163	77.3%	1,556	20	1,576	98.7%	1,532	44	1,576	97.2%	1,258	318	1,576	79.8%
522	169	691	75.5%	97	42	139	69.8%	645	46	691	93.3%	604	87	691	87.4%	257	434	691	37.2%
1,483	186	1,669	88.9%	154	65	219	70.3%	1,616	53	1,669	96.8%	1,581	88	1,669	94.7%	1,045	624	1,669	62.6%
740	36	776	95.4%	66	11	77	85.7%	768	8	776	99.0%	762	14	776	98.2%	657	119	776	84.7%
154	3	157	98.1%	11	2	13	84.6%	157	0	157	100.0%	157	0	157	100.0%	153	4	157	97.5%
246	38	284	86.6%	218	66	284	76.8%	277	7	284	97.5%	269	15	284	94.7%	180	104	284	63.4%
205	22	227	90.3%	183	44	227	80.6%	222	5	227	97.8%	217	10	227	95.6%	156	71	227	68.7%
41	16	57	71.9%	35	22	57	61.4%	55	2	57	96.5%	52	5	57	91.2%	24	33	57	42.1%
131	33	164	79.9%	110	54	164	67.1%	155	9	164	94.5%	150	14	164	91.5%	69	95	164	42.1%
2,522	323	2,845	88.6%	2,799	46	2,845	98.4%	2,754	91	2,845	96.8%	2,685	160	2,845	94.4%	1,863	982	2,845	65.5%
1,655	315	1,970	84.0%	235	94	329	71.4%	1,879	91	1,970	95.4%	1,809	161	1,970	91.8%	1,058	912	1,970	53.7%
938	74	1,012	92.7%	80	24	104	76.9%	998	14	1,012	98.6%	985	27	1,012	97.3%	765	247	1,012	75.6%
162	4	166	97.6%	7	1	8	87.5%	166	0	166	100.0%	166	0	166	100.0%	152	14	166	91.6%
113	1	114	99.1%	5	1	6	83.3%	112	2	114	98.2%	113	1	114	99.1%	106	8	114	93.0%
31	0	31	100.0%	1	0	1	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
41	5	46	89.1%	4	3	7	57.1%	45	1	46	97.8%	45	1	46	97.8%	29	17	46	63.0%
161	22	183	88.0%	31	8	39	79.5%	175	8	183	95.6%	176	7	183	96.2%	113	70	183	61.7%
1,898	257	2,155	88.1%	189	68	257	73.5%	2,093	62	2,155	97.1%	2,045	110	2,155	94.9%	1,443	712	2,155	67.0%
29	5	34	85.3%	0	3	3	0.0%	33	1	34	97.1%	26	8	34	76.5%	13	21	34	38.2%
63	12	75	84.0%	5	3	8	62.5%	70	5	75	93.3%	71	4	75	94.7%	43	32	75	57.3%
95	12	107	88.8%	12	6	18	66.7%	103	4	107	96.3%	104	3	107	97.2%	63	44	107	58.9%
25	8	33	75.8%	3	4	7	42.9%	31	2	33	93.9%	30	3	33	90.9%	13	20	33	39.4%
57	5	62	91.9%	14	2	16	87.5%	60	2	62	96.8%	58	4	62	93.5%	32	30	62	51.6%
107	19	126	84.9%	19	2	21	90.5%	117	9	126	92.9%	113	13	126	89.7%	74	52	126	58.7%
36	9	45	80.0%	3	1	4	75.0%	42	3	45	93.3%	37	8	45	82.2%	19	26	45	42.2%
38	7	45	84.4%	2	2	4	50.0%	44	1	45	97.8%	41	4	45	91.1%	23	22	45	51.1%
349	33	382	91.4%	46	18	64	71.9%	373	9	382	97.6%	358	24	382	93.7%	247	135	382	64.7%
10	2	12	83.3%	1	0	1	100.0%	11	1	12	91.7%	12	0	12	100.0%	8	4	12	66.7%
6	0	6	100.0%	0	0	0		6	0	6	100.0%	6	0	6	100.0%	5	1	6	83.3%
135	12	147	91.8%	15	4	19	78.9%	142	5	147	96.6%	140	7	147	95.2%	99	48	147	67.3%
99	21	120	82.5%	9	4	13	69.2%	117	3	120	97.5%	111	9	120	92.5%	76	44	120	63.3%
44	5	49	89.8%	2	0	2	100.0%	49	0	49	100.0%	49	0	49	100.0%	36	13	49	73.5%
19	5	24	79.2%	0	1	1	0.0%	22	2	24	91.7%	24	0	24	100.0%	17	7	24	70.8%
195	14	209	93.3%	15	6	21	71.4%	208	1	209	99.5%	197	12	209	94.3%	148	61	209	70.8%
36	5	41	87.8%	5	0	5	100.0%	40	1	41	97.6%	40	1	41	97.6%	34	7	41	82.9%
11	0	11	100.0%	2	0	2	100.0%	10	1	11	90.9%	10	1	11	90.9%	8	3	11	72.7%
16	3	19	84.2%	2	0	2	100.0%	18	1	19	94.7%	17	2	19	89.5%	11	8	19	57.9%
54	1	55	98.2%	5	1	6	83.3%	54	1	55	98.2%	50	5	55	90.9%	32	23	55	58.2%
38	4	42	90.5%	5	1	6	83.3%	41	1	42	97.6%	39	3	42	92.9%	31	11	42	73.8%
27	7	34	79.4%	2	2	4	50.0%	32	2	34	94.1%	31	3	34	91.2%	22	12	34	64.7%
73	16	89	82.0%	2	1	3	66.7%	81	8	89	91.0%	78	11	89	87.6%	45	44	89	50.6%
194	29	223	87.0%	11	4	15	73.3%	219	4	223	98.2%	209	14	223	93.7%	145	78	223	65.0%
215	18	233	92.3%	12	11	23	52.2%	226	7	233	97.0%	222	11	233	95.3%	165	68	233	70.8%
80	7	87	92.0%	11	2	13	84.6%	84	3	87	96.6%	85	2	87	97.7%	66	21	87	75.9%
40	5	45	88.9%	2	2	4	50.0%	43	2	45	95.6%	40	5	45	88.9%	28	17	45	62.2%
88	17	105	83.8%	6	3	9	66.7%	101	4	105	96.2%	99	6	105	94.3%	56	49	105	53.3%
24	0	24	100.0%	0	1	1	0.0%	24	0	24	100.0%	24	0	24	100.0%	19	5	24	79.2%
54	6	60	90.0%	3	1	4	75.0%	59	1	60	98.3%	58	2	60	96.7%	46	14	60	76.7%
9	2	11	81.8%	0	0	0		11	0	11	100.0%	11	0	11	100.0%	7	4	11	63.6%
5	0	5	100.0%	1	0	1	100.0%	5	0	5	100.0%	5	0	5	100.0%	4	1	5	80.0%
32	6	38	84.2%	2	2	4	50.0%	37	1	38	97.4%	37	1	38	97.4%	23	15	38	60.5%
298	51	349	85.4%	57	14	71	80.3%	336	13	349	96.3%	333	16	349	95.4%	211	138	349	60.5%
265	35	300	88.3%	17	9	26	65.4%	293	7	300	97.7%	282	18	300	94.0%	189	111	300	63.0%
260	48	308	84.4%	53	19	72	73.6%	292	16	308	94.8%	287	21	308	93.2%	183	125	308	59.4%
80	0	80	100.0%	3	0	3	100.0%	80	0	80	100.0%	80	0	80	100.0%	78	2	80	97.5%
34	2	36	94.4%	5	1	6	83.3%	36	0	36	100.0%	35	1	36	97.2%	25	11	36	69.4%
8	0	8	100.0%	1	0	1	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
30	3	33	90.9%	6	0	6	100.0%	33	0	33	100.0%	30	3	33	90.9%	21	12	33	63.6%
98	22	120	81.7%	22	11	33	66.7%	112	8	120	93.3%	110	10	120	91.7%	64	56	120	53.3%
322	48	370	87.0%	51	20	71	71.8%	356	14	370	96.2%	345	25	370	93.2%	202	168	370	54.6%
229	30	259	88.4%	1	0	1	100.0%	255	4	259	98.5%	243	16	259	93.8%	174	85	259	67.2%
2,670	364	3,034	88.0%	327	120	447	73.2%	2,931	103	3,034	96.6%	2,861	173	3,034	94.3%	1,938	1,096	3,034	63.9%
1,305	127	1,432	91.1%	160	51	211	75.8%	1,391	41	1,432	97.1%	1,370	62	1,432	95.7%	977	455	1,432	68.2%
20	20	40	50.0%	5	2	7	71.4%	24	16	40	60.0%	34	6	40	85.0%	6	34	40	15.0%
1,572	247	1,819	86.4%	163	67	230	70.9%	1,769	50	1,819	97.3%	1,699	120	1,819	93.4%	1,129	690	1,819	62.1%
2,385	279	2,664	89.5%	287	96	383	74.9%	2,589	75	2,664	97.2%	2,523	141	2,664	94.7%	1,830	834	2,664	68.7%
514	115	629	81.7%	41	24	65	63.1%	597	32	629	94.9%	581	48	629	92.4%	282	347	629	44.8%

(*) Listed companies with controlling shareholder are covered

	Principle 4.11				Supplementary Principle 4.11.1				Supplementary Principle 4.11.2			
	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
Total of Prime and Standard	2,468	825	3,293	74.9%	2,571	722	3,293	78.1%	3,291	2	3,293	99.9%
Organizational form												
Companies with *Kansayaku*	1,445	518	1,963	73.6%	1,510	453	1,963	76.9%	1,962	1	1,963	99.9%
Company with Supervisory Committee	942	305	1,247	75.5%	980	267	1,247	78.6%	1,246	1	1,247	99.9%
Company with Three Committees	81	2	83	97.6%	81	2	83	97.6%	83	0	83	100.0%
Outside directors												
Appointed	2,466	824	3,290	75.0%	2,570	720	3,290	78.1%	3,288	2	3,290	99.9%
Not appointed	2	1	3	66.7%	1	2	3	33.3%	3	0	3	100.0%
Foreign shareholding ratio												
Under 10%	1,252	625	1,877	66.7%	1,331	546	1,877	70.9%	1,877	0	1,877	100.0%
10% to under 20%	573	112	685	83.6%	587	98	685	85.7%	685	0	685	100.0%
20% to under 30%	357	50	407	87.7%	364	43	407	89.4%	406	1	407	99.8%
30% or more	286	38	324	88.3%	289	35	324	89.2%	323	1	324	99.7%
Major shareholders												
Ownership ratio of the largest shareholder is 0% or more and under 5%	13	15	28	46.4%	16	12	28	57.1%	28	0	28	100.0%
Ownership ratio of the largest shareholder is 5% or more and under 10%	322	119	441	73.0%	337	104	441	76.4%	441	0	441	100.0%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,106	291	1,397	79.2%	1,157	240	1,397	82.8%	1,396	1	1,397	99.9%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	474	209	683	69.4%	508	175	683	74.4%	682	1	683	99.9%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	367	131	498	73.7%	363	135	498	72.9%	498	0	498	100.0%
Ownership ratio of the largest shareholder is 50% or more	186	60	246	75.6%	190	56	246	77.2%	246	0	246	100.0%
Listed exchanges and market segment												
Prime	1,593	244	1,837	86.7%	1,645	192	1,837	89.5%	1,836	1	1,837	99.9%
Standard	875	581	1,456	60.1%	926	530	1,456	63.6%	1,455	1	1,456	99.9%
JPX Nikkei 400 (Prime and Standard only)	369	30	399	92.5%	383	16	399	96.0%	399	0	399	100.0%
(Consolidated) Number of employees												
Under 100	113	72	185	61.1%	116	69	185	62.7%	184	1	185	99.5%
100 to under 500	577	342	919	62.8%	590	329	919	64.2%	919	0	919	100.0%
500 to under 1000	444	169	613	72.4%	471	142	613	76.8%	613	0	613	100.0%
1000 or more	1,334	242	1,576	84.6%	1,394	182	1,576	88.5%	1,575	1	1,576	99.9%
(Consolidated) Sales												
Under 10 billion yen	420	271	691	60.8%	423	268	691	61.2%	690	1	691	99.9%
10 billion to under 100 billion yen	1,221	448	1,669	73.2%	1,271	398	1,669	76.2%	1,669	0	1,669	100.0%
100 billion to 1 trillion yen	673	103	776	86.7%	725	51	776	93.4%	775	1	776	99.9%
1 trillion yen or more	154	3	157	98.1%	152	5	157	96.8%	157	0	157	100.0%
Controlling shareholder/parent company												
With parent company	207	77	284	72.9%	222	62	284	78.2%	284	0	284	100.0%
With parent company (listed)	171	56	227	75.3%	183	44	227	80.6%	227	0	227	100.0%
With parent company (not listed)	36	21	57	63.2%	39	18	57	68.4%	57	0	57	100.0%
With controlling shareholder (not parent company)	111	53	164	67.7%	100	64	164	61.0%	164	0	164	100.0%
No controlling shareholder	2,150	695	2,845	75.6%	2,249	596	2,845	79.1%	2,843	2	2,845	99.9%
Number of consolidated subsidiaries												
Under 10	1,341	629	1,970	68.1%	1,395	575	1,970	70.8%	1,969	1	1,970	99.9%
10 to under 50	836	176	1,012	82.6%	875	137	1,012	86.5%	1,012	0	1,012	100.0%
50 to under 100	153	13	166	92.2%	161	5	166	97.0%	165	1	166	99.4%
100 to under 300	108	6	114	94.7%	110	4	114	96.5%	114	0	114	100.0%
300 or more	30	1	31	96.8%	30	1	31	96.8%	31	0	31	100.0%
Fiscal year-end												
January	32	14	46	69.6%	40	6	46	87.0%	46	0	46	100.0%
February	141	42	183	77.0%	135	48	183	73.8%	183	0	183	100.0%
March	1,656	499	2,155	76.8%	1,768	387	2,155	82.0%	2,154	1	2,155	100.0%
April	22	12	34	64.7%	20	14	34	58.8%	34	0	34	100.0%
May	53	22	75	70.7%	43	32	75	57.3%	75	0	75	100.0%
June	69	38	107	64.5%	63	44	107	58.9%	107	0	107	100.0%
July	21	12	33	63.6%	23	10	33	69.7%	33	0	33	100.0%
August	46	16	62	74.2%	37	25	62	59.7%	62	0	62	100.0%
Sept.	92	34	126	73.0%	87	39	126	69.0%	126	0	126	100.0%
October	27	18	45	60.0%	31	14	45	68.9%	45	0	45	100.0%
November	24	21	45	53.3%	29	16	45	64.4%	45	0	45	100.0%
Dec.	285	97	382	74.6%	295	87	382	77.2%	381	1	382	99.7%
Industry												
Fisheries, agriculture, and forestry	11	1	12	91.7%	8	4	12	66.7%	12	0	12	100.0%
Mining	6	0	6	100.0%	5	1	6	83.3%	6	0	6	100.0%
Construction industry	115	32	147	78.2%	123	24	147	83.7%	147	0	147	100.0%
Foods	88	32	120	73.3%	89	31	120	74.2%	120	0	120	100.0%
Textile products	35	14	49	71.4%	43	6	49	87.8%	49	0	49	100.0%
Pulp and paper	17	7	24	70.8%	21	3	24	87.5%	24	0	24	100.0%
Chemicals	165	44	209	78.9%	172	37	209	82.3%	209	0	209	100.0%
Pharmaceuticals	33	8	41	80.5%	35	6	41	85.4%	41	0	41	100.0%
Oil and coal products	11	0	11	100.0%	10	1	11	90.9%	11	0	11	100.0%
Rubber products	15	4	19	78.9%	14	5	19	73.7%	19	0	19	100.0%
Glass, earth and stone products	38	17	55	69.1%	45	10	55	81.8%	55	0	55	100.0%
Iron and steel	33	9	42	78.6%	33	9	42	78.6%	42	0	42	100.0%
Nonferrous metal	23	11	34	67.6%	27	7	34	79.4%	34	0	34	100.0%
Metal products	54	35	89	60.7%	56	33	89	62.9%	89	0	89	100.0%
Machinery	141	82	223	63.2%	183	40	223	82.1%	222	1	223	99.6%
Electrical appliances	182	51	233	78.1%	188	45	233	80.7%	233	0	233	100.0%
Transportation equipment	71	16	87	81.6%	73	14	87	83.9%	87	0	87	100.0%
Precision instruments	35	10	45	77.8%	35	10	45	77.8%	45	0	45	100.0%
Other products	68	37	105	64.8%	70	35	105	66.7%	105	0	105	100.0%
Electricity and gas	23	1	24	95.8%	23	1	24	95.8%	24	0	24	100.0%
Land transportation	50	10	60	83.3%	51	9	60	85.0%	60	0	60	100.0%
Shipping	7	4	11	63.6%	7	4	11	63.6%	11	0	11	100.0%
Air transport	4	1	5	80.0%	4	1	5	80.0%	5	0	5	100.0%
Business related to warehousing and transportation	29	9	38	76.3%	27	11	38	71.1%	38	0	38	100.0%
Information and communication	261	88	349	74.8%	270	79	349	77.4%	348	1	349	99.7%
Wholesale trade	208	92	300	69.3%	225	75	300	75.0%	300	0	300	100.0%
Retail Trade	234	74	308	76.0%	226	82	308	73.4%	308	0	308	100.0%
Banking	78	2	80	97.5%	78	2	80	97.5%	80	0	80	100.0%
Securities and commodity futures trading	31	5	36	86.1%	31	5	36	86.1%	36	0	36	100.0%
Insurance	8	0	8	100.0%	7	1	8	87.5%	8	0	8	100.0%
Other Financing Business	25	8	33	75.8%	29	4	33	87.9%	33	0	33	100.0%
Real Estate	89	31	120	74.2%	81	39	120	67.5%	120	0	120	100.0%
Service industry	280	90	370	75.7%	282	88	370	76.2%	370	0	370	100.0%
Anti-takeover measures												
Yes	198	61	259	76.4%	213	46	259	82.2%	259	0	259	100.0%
N/A	2,270	764	3,034	74.8%	2,358	676	3,034	77.7%	3,032	2	3,034	99.9%
Independent officers												
Designated as directors only	1,089	343	1,432	76.0%	1,129	303	1,432	78.8%	1,431	1	1,432	99.9%
Designated as *kansayaku* only	20	20	40	50.0%	17	23	40	42.5%	40	0	40	100.0%
Designated as directors and *kansayaku*	1,358	461	1,819	74.7%	1,423	396	1,819	78.2%	1,818	1	1,819	99.9%
Term of office of directors												
1 year	2,062	602	2,664	77.4%	2,151	513	2,664	80.7%	2,662	2	2,664	99.9%
2 years	406	223	629	64.5%	420	209	629	66.8%	629	0	629	100.0%

Supplementary Principle 4.11.3				Principle 4.12				Supplementary Principle 4.12.1				Principle 4.13				Supplementary Principle 4.13.1			
Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
2,526	767	3,293	76.7%	3,292	1	3,293	100.0%	3,276	17	3,293	99.5%	3,289	4	3,293	99.9%	3,293	0	3,293	100.0%
1,483	480	1,963	75.5%	1,963	0	1,963	100.0%	1,952	11	1,963	99.4%	1,960	3	1,963	99.8%	1,963	0	1,963	100.0%
965	282	1,247	77.4%	1,246	1	1,247	99.9%	1,241	6	1,247	99.5%	1,246	1	1,247	99.9%	1,247	0	1,247	100.0%
78	5	83	94.0%	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%
2,525	765	3,290	76.7%	3,289	1	3,290	100.0%	3,273	17	3,290	99.5%	3,286	4	3,290	99.9%	3,290	0	3,290	100.0%
1	2	3	33.3%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%
1,258	619	1,877	67.0%	1,876	1	1,877	99.9%	1,864	13	1,877	99.3%	1,873	4	1,877	99.8%	1,877	0	1,877	100.0%
601	84	685	87.7%	685	0	685	100.0%	683	2	685	99.7%	685	0	685	100.0%	685	0	685	100.0%
377	30	407	92.6%	407	0	407	100.0%	406	1	407	99.8%	407	0	407	100.0%	407	0	407	100.0%
290	34	324	89.5%	324	0	324	100.0%	323	1	324	99.7%	324	0	324	100.0%	324	0	324	100.0%
18	10	28	64.3%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%	28	0	28	100.0%
342	99	441	77.6%	441	0	441	100.0%	436	5	441	98.9%	440	1	441	99.8%	441	0	441	100.0%
1,173	224	1,397	84.0%	1,396	1	1,397	99.9%	1,391	6	1,397	99.6%	1,396	1	1,397	99.9%	1,397	0	1,397	100.0%
482	201	683	70.6%	683	0	683	100.0%	681	2	683	99.7%	681	2	683	99.7%	683	0	683	100.0%
331	167	498	66.5%	498	0	498	100.0%	495	3	498	99.4%	498	0	498	100.0%	498	0	498	100.0%
180	66	246	73.2%	246	0	246	100.0%	245	1	246	99.6%	246	0	246	100.0%	246	0	246	100.0%
1,684	153	1,837	91.7%	1,837	0	1,837	100.0%	1,835	2	1,837	99.9%	1,837	0	1,837	100.0%	1,837	0	1,837	100.0%
842	614	1,456	57.8%	1,455	1	1,456	99.9%	1,441	15	1,456	99.0%	1,452	4	1,456	99.7%	1,456	0	1,456	100.0%
384	15	399	96.2%	399	0	399	100.0%	399	0	399	100.0%	399	0	399	100.0%	399	0	399	100.0%
87	98	185	47.0%	185	0	185	100.0%	184	1	185	99.5%	184	1	185	99.5%	185	0	185	100.0%
539	380	919	58.7%	918	1	919	99.9%	909	10	919	98.9%	918	1	919	99.9%	919	0	919	100.0%
471	142	613	76.8%	613	0	613	100.0%	611	2	613	99.7%	613	0	613	100.0%	613	0	613	100.0%
1,429	147	1,576	90.7%	1,576	0	1,576	100.0%	1,572	4	1,576	99.7%	1,574	2	1,576	99.9%	1,576	0	1,576	100.0%
346	345	691	50.1%	690	1	691	99.9%	682	9	691	98.7%	690	1	691	99.9%	691	0	691	100.0%
1,293	376	1,669	77.5%	1,669	0	1,669	100.0%	1,662	7	1,669	99.6%	1,666	3	1,669	99.8%	1,669	0	1,669	100.0%
733	43	776	94.5%	776	0	776	100.0%	775	1	776	99.9%	776	0	776	100.0%	776	0	776	100.0%
154	3	157	98.1%	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%
210	74	284	73.9%	284	0	284	100.0%	284	0	284	100.0%	284	0	284	100.0%	284	0	284	100.0%
180	47	227	79.3%	227	0	227	100.0%	227	0	227	100.0%	227	0	227	100.0%	227	0	227	100.0%
30	27	57	52.6%	57	0	57	100.0%	57	0	57	100.0%	57	0	57	100.0%	57	0	57	100.0%
81	83	164	49.4%	164	0	164	100.0%	162	2	164	98.8%	164	0	164	100.0%	164	0	164	100.0%
2,235	610	2,845	78.6%	2,844	1	2,845	100.0%	2,830	15	2,845	99.5%	2,841	4	2,845	99.9%	2,845	0	2,845	100.0%
1,347	623	1,970	68.4%	1,969	1	1,970	99.9%	1,958	12	1,970	99.4%	1,967	3	1,970	99.8%	1,970	0	1,970	100.0%
878	134	1,012	86.8%	1,012	0	1,012	100.0%	1,008	4	1,012	99.6%	1,011	1	1,012	99.9%	1,012	0	1,012	100.0%
160	6	166	96.4%	166	0	166	100.0%	165	1	166	99.4%	166	0	166	100.0%	166	0	166	100.0%
110	4	114	96.5%	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%
31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
34	12	46	73.9%	46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%
135	48	183	73.8%	183	0	183	100.0%	182	1	183	99.5%	183	0	183	100.0%	183	0	183	100.0%
1,735	420	2,155	80.5%	2,155	0	2,155	100.0%	2,144	11	2,155	99.5%	2,151	4	2,155	99.8%	2,155	0	2,155	100.0%
16	18	34	47.1%	34	0	34	100.0%	33	1	34	97.1%	34	0	34	100.0%	34	0	34	100.0%
51	24	75	68.0%	75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%	75	0	75	100.0%
67	40	107	62.6%	107	0	107	100.0%	107	0	107	100.0%	107	0	107	100.0%	107	0	107	100.0%
20	13	33	60.6%	33	0	33	100.0%	32	1	33	97.0%	33	0	33	100.0%	33	0	33	100.0%
39	23	62	62.9%	62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%
82	44	126	65.1%	126	0	126	100.0%	124	2	126	98.4%	126	0	126	100.0%	126	0	126	100.0%
24	21	45	53.3%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
29	16	45	64.4%	45	0	45	100.0%	44	1	45	97.8%	45	0	45	100.0%	45	0	45	100.0%
294	88	382	77.0%	381	1	382	99.7%	382	0	382	100.0%	382	0	382	100.0%	382	0	382	100.0%
8	4	12	66.7%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%
6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
116	31	147	78.9%	147	0	147	100.0%	147	0	147	100.0%	146	1	147	99.3%	147	0	147	100.0%
93	27	120	77.5%	120	0	120	100.0%	119	1	120	99.2%	120	0	120	100.0%	120	0	120	100.0%
42	7	49	85.7%	49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%	49	0	49	100.0%
20	4	24	83.3%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
174	35	209	83.3%	209	0	209	100.0%	208	1	209	99.5%	209	0	209	100.0%	209	0	209	100.0%
38	3	41	92.7%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%
10	1	11	90.9%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
16	3	19	84.2%	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%
38	17	55	69.1%	55	0	55	100.0%	54	1	55	98.2%	55	0	55	100.0%	55	0	55	100.0%
36	6	42	85.7%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%
28	6	34	82.4%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%	34	0	34	100.0%
68	21	89	76.4%	89	0	89	100.0%	89	0	89	100.0%	89	0	89	100.0%	89	0	89	100.0%
183	40	223	82.1%	223	0	223	100.0%	221	2	223	99.1%	222	1	223	99.6%	223	0	223	100.0%
187	46	233	80.3%	232	1	233	99.6%	232	1	233	99.6%	233	0	233	100.0%	233	0	233	100.0%
74	13	87	85.1%	87	0	87	100.0%	87	0	87	100.0%	87	0	87	100.0%	87	0	87	100.0%
38	7	45	84.4%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
67	38	105	63.8%	105	0	105	100.0%	104	1	105	99.0%	105	0	105	100.0%	105	0	105	100.0%
24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
50	10	60	83.3%	60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%
7	4	11	63.6%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
27	11	38	71.1%	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%	38	0	38	100.0%
245	104	349	70.2%	349	0	349	100.0%	344	5	349	98.6%	349	0	349	100.0%	349	0	349	100.0%
224	76	300	74.7%	300	0	300	100.0%	300	0	300	100.0%	300	0	300	100.0%	300	0	300	100.0%
227	81	308	73.7%	308	0	308	100.0%	307	1	308	99.7%	308	0	308	100.0%	308	0	308	100.0%
80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
27	9	36	75.0%	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%
7	1	8	87.5%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
27	6	33	81.8%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%
80	40	120	66.7%	120	0	120	100.0%	119	1	120	99.2%	120	0	120	100.0%	120	0	120	100.0%
254	116	370	68.6%	370	0	370	100.0%	367	3	370	99.2%	368	2	370	99.5%	370	0	370	100.0%
220	39	259	84.9%	259	0	259	100.0%	257	2	259	99.2%	259	0	259	100.0%	259	0	259	100.0%
2,306	728	3,034	76.0%	3,033	1	3,034	100.0%	3,019	15	3,034	99.5%	3,030	4	3,034	99.9%	3,034	0	3,034	100.0%
1,107	325	1,432	77.3%	1,431	1	1,432	99.9%	1,425	7	1,432	99.5%	1,431	1	1,432	99.9%	1,432	0	1,432	100.0%
16	24	40	40.0%	40	0	40	100.0%	40	0	40	100.0%	40	0	40	100.0%	40	0	40	100.0%
1,402	417	1,819	77.1%	1,819	0	1,819	100.0%	1,809	10	1,819	99.5%	1,816	3	1,819	99.8%	1,819	0	1,819	100.0%
2,117	547	2,664	79.5%	2,663	1	2,664	100.0%	2,652	12	2,664	99.5%	2,661	3	2,664	99.9%	2,664	0	2,664	100.0%
409	220	629	65.0%	629	0	629	100.0%	624	5	629	99.2%	628	1	629	99.8%	629	0	629	100.0%

	Supplementary Principle 4.13.2				Supplementary Principle 4.13.3				Principle 4.14			
	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
Total of Prime and Standard	3,293	0	3,293	100.0%	3,272	21	3,293	99.4%	3,242	51	3,293	98.5%
Organizational form												
Companies with *Kansayaku*	1,963	0	1,963	100.0%	1,948	15	1,963	99.2%	1,928	35	1,963	98.2%
Company with Supervisory Committee	1,247	0	1,247	100.0%	1,241	6	1,247	99.5%	1,231	16	1,247	98.7%
Company with Three Committees	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%
Outside directors												
Appointed	3,290	0	3,290	100.0%	3,269	21	3,290	99.4%	3,239	51	3,290	98.4%
Not appointed	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%
Foreign shareholding ratio												
Under 10%	1,877	0	1,877	100.0%	1,863	14	1,877	99.3%	1,833	44	1,877	97.7%
10% to under 20%	685	0	685	100.0%	682	3	685	99.6%	681	4	685	99.4%
20% to under 30%	407	0	407	100.0%	404	3	407	99.3%	406	1	407	99.8%
30% or more	324	0	324	100.0%	323	1	324	99.7%	322	2	324	99.4%
Major shareholders												
Ownership ratio of the largest shareholder is 0% or more and under 5%	28	0	28	100.0%	28	0	28	100.0%	25	3	28	89.3%
Ownership ratio of the largest shareholder is 5% or more and under 10%	441	0	441	100.0%	436	5	441	98.9%	438	3	441	99.3%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,397	0	1,397	100.0%	1,387	10	1,397	99.3%	1,383	14	1,397	99.0%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	683	0	683	100.0%	680	3	683	99.6%	668	15	683	97.8%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	498	0	498	100.0%	495	3	498	99.4%	484	14	498	97.2%
Ownership ratio of the largest shareholder is 50% or more	246	0	246	100.0%	246	0	246	100.0%	244	2	246	99.2%
Listed exchanges and market segment												
Prime	1,837	0	1,837	100.0%	1,830	7	1,837	99.6%	1,829	8	1,837	99.6%
Standard	1,456	0	1,456	100.0%	1,442	14	1,456	99.0%	1,413	43	1,456	97.0%
JPX Nikkei 400 (Prime and Standard only)	399	0	399	100.0%	399	0	399	100.0%	397	2	399	99.5%
(Consolidated) Number of employees												
Under 100	185	0	185	100.0%	185	0	185	100.0%	175	10	185	94.6%
100 to under 500	919	0	919	100.0%	913	6	919	99.3%	896	23	919	97.5%
500 to under 1000	613	0	613	100.0%	608	5	613	99.2%	604	9	613	98.5%
1000 or more	1,576	0	1,576	100.0%	1,566	10	1,576	99.4%	1,567	9	1,576	99.4%
(Consolidated) Sales												
Under 10 billion yen	691	0	691	100.0%	686	5	691	99.3%	665	26	691	96.2%
10 billion to under 100 billion yen	1,669	0	1,669	100.0%	1,657	12	1,669	99.3%	1,647	22	1,669	98.7%
100 billion to 1 trillion yen	776	0	776	100.0%	772	4	776	99.5%	773	3	776	99.6%
1 trillion yen or more	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%
Controlling shareholder/parent company												
With parent company	284	0	284	100.0%	282	2	284	99.3%	277	7	284	97.5%
With parent company (listed)	227	0	227	100.0%	226	1	227	99.6%	224	3	227	98.7%
With parent company (not listed)	57	0	57	100.0%	56	1	57	98.2%	53	4	57	93.0%
With controlling shareholder (not parent company)	164	0	164	100.0%	164	0	164	100.0%	155	9	164	94.5%
No controlling shareholder	2,845	0	2,845	100.0%	2,826	19	2,845	99.3%	2,810	35	2,845	98.8%
Number of consolidated subsidiaries												
Under 10	1,970	0	1,970	100.0%	1,957	13	1,970	99.3%	1,927	43	1,970	97.8%
10 to under 50	1,012	0	1,012	100.0%	1,005	7	1,012	99.3%	1,004	8	1,012	99.2%
50 to under 100	166	0	166	100.0%	165	1	166	99.4%	166	0	166	100.0%
100 to under 300	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%
300 or more	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
Fiscal year-end												
January	46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%
February	183	0	183	100.0%	181	2	183	98.9%	178	5	183	97.3%
March	2,155	0	2,155	100.0%	2,138	17	2,155	99.2%	2,125	30	2,155	98.6%
April	34	0	34	100.0%	34	0	34	100.0%	33	1	34	97.1%
May	75	0	75	100.0%	75	0	75	100.0%	71	4	75	94.7%
June	107	0	107	100.0%	107	0	107	100.0%	106	1	107	99.1%
July	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%
August	62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%
Sept.	126	0	126	100.0%	125	1	126	99.2%	124	2	126	98.4%
October	45	0	45	100.0%	45	0	45	100.0%	45	0	45	100.0%
November	45	0	45	100.0%	45	0	45	100.0%	44	1	45	97.8%
Dec.	382	0	382	100.0%	381	1	382	99.7%	375	7	382	98.2%
Industry												
Fisheries, agriculture, and forestry	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%
Mining	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
Construction industry	147	0	147	100.0%	146	1	147	99.3%	145	2	147	98.6%
Foods	120	0	120	100.0%	120	0	120	100.0%	118	2	120	98.3%
Textile products	49	0	49	100.0%	47	2	49	95.9%	49	0	49	100.0%
Pulp and paper	24	0	24	100.0%	24	0	24	100.0%	23	1	24	95.8%
Chemicals	209	0	209	100.0%	209	0	209	100.0%	206	3	209	98.6%
Pharmaceuticals	41	0	41	100.0%	41	0	41	100.0%	40	1	41	97.6%
Oil and coal products	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
Rubber products	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%
Glass, earth and stone products	55	0	55	100.0%	55	0	55	100.0%	55	0	55	100.0%
Iron and steel	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%
Nonferrous metal	34	0	34	100.0%	33	1	34	97.1%	34	0	34	100.0%
Metal products	89	0	89	100.0%	87	2	89	97.8%	89	0	89	100.0%
Machinery	223	0	223	100.0%	220	3	223	98.7%	223	0	223	100.0%
Electrical appliances	233	0	233	100.0%	233	0	233	100.0%	232	1	233	99.6%
Transportation equipment	87	0	87	100.0%	87	0	87	100.0%	87	0	87	100.0%
Precision instruments	45	0	45	100.0%	45	0	45	100.0%	44	1	45	97.8%
Other products	105	0	105	100.0%	103	2	105	98.1%	102	3	105	97.1%
Electricity and gas	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
Land transportation	60	0	60	100.0%	60	0	60	100.0%	60	0	60	100.0%
Shipping	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
Air transport	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
Business related to warehousing and transportation	38	0	38	100.0%	36	2	38	94.7%	36	2	38	94.7%
Information and communication	349	0	349	100.0%	348	1	349	99.7%	344	5	349	98.6%
Wholesale trade	300	0	300	100.0%	297	3	300	99.0%	293	7	300	97.7%
Retail Trade	308	0	308	100.0%	306	2	308	99.4%	299	9	308	97.1%
Banking	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
Securities and commodity futures trading	36	0	36	100.0%	36	0	36	100.0%	36	0	36	100.0%
Insurance	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
Other Financing Business	33	0	33	100.0%	33	0	33	100.0%	31	2	33	93.9%
Real Estate	120	0	120	100.0%	119	1	120	99.2%	118	2	120	98.3%
Service industry	370	0	370	100.0%	369	1	370	99.7%	360	10	370	97.3%
Anti-takeover measures												
Yes	259	0	259	100.0%	258	1	259	99.6%	258	1	259	99.6%
N/A	3,034	0	3,034	100.0%	3,014	20	3,034	99.3%	2,984	50	3,034	98.4%
Independent officers												
Designated as directors only	1,432	0	1,432	100.0%	1,426	6	1,432	99.6%	1,412	20	1,432	98.6%
Designated as *kansayaku* only	40	0	40	100.0%	39	1	40	97.5%	39	1	40	97.5%
Designated as directors and *kansayaku*	1,819	0	1,819	100.0%	1,805	14	1,819	99.2%	1,789	30	1,819	98.4%
Term of office of directors												
1 year	2,664	0	2,664	100.0%	2,650	14	2,664	99.5%	2,628	36	2,664	98.6%
2 years	629	0	629	100.0%	622	7	629	98.9%	614	15	629	97.6%

Supplementary Principle 4.14.1				Supplementary Principle 4.14.2				General Principle 5				Principle 5.1				Supplementary Principle 5.1.1			
Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
3,259	34	3,293	99.0%	3,164	129	3,293	96.1%	3,291	2	3,293	99.9%	3,250	43	3,293	98.7%	3,264	29	3,293	99.1%
1,937	26	1,963	98.7%	1,877	86	1,963	95.6%	1,962	1	1,963	99.9%	1,934	29	1,963	98.5%	1,943	20	1,963	99.0%
1,239	8	1,247	99.4%	1,205	42	1,247	96.6%	1,246	1	1,247	99.9%	1,233	14	1,247	98.9%	1,238	9	1,247	99.3%
83	0	83	100.0%	82	1	83	98.8%	83	0	83	100.0%	83	0	83	100.0%	83	0	83	100.0%
3,256	34	3,290	99.0%	3,162	128	3,290	96.1%	3,288	2	3,290	99.9%	3,247	43	3,290	98.7%	3,261	29	3,290	99.1%
3	0	3	100.0%	2	1	3	66.7%	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%
1,847	30	1,877	98.4%	1,770	107	1,877	94.3%	1,875	2	1,877	99.9%	1,843	34	1,877	98.2%	1,857	20	1,877	98.9%
684	1	685	99.9%	673	12	685	98.2%	685	0	685	100.0%	678	7	685	99.0%	681	4	685	99.4%
406	1	407	99.8%	405	2	407	99.5%	407	0	407	100.0%	406	1	407	99.8%	405	2	407	99.5%
322	2	324	99.4%	316	8	324	97.5%	324	0	324	100.0%	323	1	324	99.7%	321	3	324	99.1%
28	0	28	100.0%	24	4	28	85.7%	28	0	28	100.0%	27	1	28	96.4%	28	0	28	100.0%
437	4	441	99.1%	426	15	441	96.6%	441	0	441	100.0%	435	6	441	98.6%	437	4	441	99.1%
1,392	5	1,397	99.6%	1,364	33	1,397	97.6%	1,396	1	1,397	99.9%	1,381	16	1,397	98.9%	1,383	14	1,397	99.0%
672	11	683	98.4%	649	34	683	95.0%	682	1	683	99.9%	673	10	683	98.5%	676	7	683	99.0%
487	11	498	97.8%	466	32	498	93.6%	498	0	498	100.0%	489	9	498	98.2%	495	3	498	99.4%
243	3	246	98.8%	235	11	246	95.5%	246	0	246	100.0%	245	1	246	99.6%	245	1	246	99.6%
1,835	2	1,837	99.9%	1,822	15	1,837	99.2%	1,837	0	1,837	100.0%	1,833	4	1,837	99.8%	1,824	13	1,837	99.3%
1,424	32	1,456	97.8%	1,342	114	1,456	92.2%	1,454	2	1,456	99.9%	1,417	39	1,456	97.3%	1,440	16	1,456	98.9%
398	1	399	99.7%	394	5	399	98.7%	399	0	399	100.0%	399	0	399	100.0%	397	2	399	99.5%
182	3	185	98.4%	162	23	185	87.6%	185	0	185	100.0%	182	3	185	98.4%	184	1	185	99.5%
899	20	919	97.8%	854	65	919	92.9%	917	2	919	99.8%	890	29	919	96.8%	910	9	919	99.0%
608	5	613	99.2%	594	19	613	96.9%	613	0	613	100.0%	606	7	613	98.9%	609	4	613	99.3%
1,570	6	1,576	99.6%	1,554	22	1,576	98.6%	1,576	0	1,576	100.0%	1,572	4	1,576	99.7%	1,561	15	1,576	99.0%
673	18	691	97.4%	622	69	691	90.0%	690	1	691	99.9%	667	24	691	96.5%	683	8	691	98.8%
1,654	15	1,669	99.1%	1,621	48	1,669	97.1%	1,668	1	1,669	99.9%	1,652	17	1,669	99.0%	1,655	14	1,669	99.2%
775	1	776	99.9%	764	12	776	98.5%	776	0	776	100.0%	774	2	776	99.7%	769	7	776	99.1%
157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%	157	0	157	100.0%
278	6	284	97.9%	268	16	284	94.4%	284	0	284	100.0%	283	1	284	99.6%	283	1	284	99.6%
225	2	227	99.1%	219	8	227	96.5%	227	0	227	100.0%	226	1	227	99.6%	226	1	227	99.6%
53	4	57	93.0%	49	8	57	86.0%	57	0	57	100.0%	57	0	57	100.0%	57	0	57	100.0%
160	4	164	97.6%	149	15	164	90.9%	164	0	164	100.0%	161	3	164	98.2%	162	2	164	98.8%
2,821	24	2,845	99.2%	2,747	98	2,845	96.6%	2,843	2	2,845	99.9%	2,806	39	2,845	98.6%	2,819	26	2,845	99.1%
1,940	30	1,970	98.5%	1,864	106	1,970	94.6%	1,968	2	1,970	99.9%	1,934	36	1,970	98.2%	1,952	18	1,970	99.1%
1,008	4	1,012	99.6%	990	22	1,012	97.8%	1,012	0	1,012	100.0%	1,005	7	1,012	99.3%	1,003	9	1,012	99.1%
166	0	166	100.0%	165	1	166	99.4%	166	0	166	100.0%	166	0	166	100.0%	165	1	166	99.4%
114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%	114	0	114	100.0%	113	1	114	99.1%
31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%	31	0	31	100.0%
46	0	46	100.0%	46	0	46	100.0%	46	0	46	100.0%	45	1	46	97.8%	45	1	46	97.8%
179	4	183	97.8%	175	8	183	95.6%	183	0	183	100.0%	181	2	183	98.9%	181	2	183	98.9%
2,137	18	2,155	99.2%	2,085	70	2,155	96.8%	2,153	2	2,155	99.9%	2,129	26	2,155	98.8%	2,136	19	2,155	99.1%
33	1	34	97.1%	33	1	34	97.1%	34	0	34	100.0%	33	1	34	97.1%	34	0	34	100.0%
71	4	75	94.7%	69	6	75	92.0%	75	0	75	100.0%	72	3	75	96.0%	74	1	75	98.7%
106	1	107	99.1%	103	4	107	96.3%	107	0	107	100.0%	105	2	107	98.1%	106	1	107	99.1%
33	0	33	100.0%	30	3	33	90.9%	33	0	33	100.0%	33	0	33	100.0%	32	1	33	97.0%
62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%	62	0	62	100.0%	61	1	62	98.4%
124	2	126	98.4%	112	14	126	88.9%	126	0	126	100.0%	125	1	126	99.2%	126	0	126	100.0%
45	0	45	100.0%	44	1	45	97.8%	45	0	45	100.0%	44	1	45	97.8%	45	0	45	100.0%
45	0	45	100.0%	41	4	45	91.1%	45	0	45	100.0%	44	1	45	97.8%	45	0	45	100.0%
378	4	382	99.0%	364	18	382	95.3%	382	0	382	100.0%	377	5	382	98.7%	379	3	382	99.2%
12	0	12	100.0%	10	2	12	83.3%	12	0	12	100.0%	12	0	12	100.0%	12	0	12	100.0%
6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%	6	0	6	100.0%
145	2	147	98.6%	143	4	147	97.3%	147	0	147	100.0%	146	1	147	99.3%	147	0	147	100.0%
120	0	120	100.0%	113	7	120	94.2%	120	0	120	100.0%	120	0	120	100.0%	117	3	120	97.5%
49	0	49	100.0%	48	1	49	98.0%	49	0	49	100.0%	48	1	49	98.0%	48	1	49	98.0%
24	0	24	100.0%	22	2	24	91.7%	24	0	24	100.0%	23	1	24	95.8%	24	0	24	100.0%
207	2	209	99.0%	207	2	209	99.0%	209	0	209	100.0%	206	3	209	98.6%	206	3	209	98.6%
40	1	41	97.6%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%	41	0	41	100.0%
11	0	11	100.0%	10	1	11	90.9%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%	19	0	19	100.0%
55	0	55	100.0%	55	0	55	100.0%	55	0	55	100.0%	54	1	55	98.2%	54	1	55	98.2%
42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%	42	0	42	100.0%
34	0	34	100.0%	32	2	34	94.1%	34	0	34	100.0%	34	0	34	100.0%	33	1	34	97.1%
89	0	89	100.0%	87	2	89	97.8%	87	2	89	97.8%	86	3	89	96.6%	88	1	89	98.9%
223	0	223	100.0%	218	5	223	97.8%	223	0	223	100.0%	220	3	223	98.7%	222	1	223	99.6%
231	2	233	99.1%	224	9	233	96.1%	233	0	233	100.0%	232	1	233	99.6%	231	2	233	99.1%
86	1	87	98.9%	85	2	87	97.7%	87	0	87	100.0%	85	2	87	97.7%	86	1	87	98.9%
44	1	45	97.8%	43	2	45	95.6%	45	0	45	100.0%	44	1	45	97.8%	45	0	45	100.0%
103	2	105	98.1%	97	8	105	92.4%	105	0	105	100.0%	101	4	105	96.2%	103	2	105	98.1%
24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%	24	0	24	100.0%
59	1	60	98.3%	58	2	60	96.7%	60	0	60	100.0%	59	1	60	98.3%	60	0	60	100.0%
11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%	11	0	11	100.0%
5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%	5	0	5	100.0%
38	0	38	100.0%	36	2	38	94.7%	38	0	38	100.0%	36	2	38	94.7%	38	0	38	100.0%
345	4	349	98.9%	333	16	349	95.4%	349	0	349	100.0%	345	4	349	98.9%	347	2	349	99.4%
297	3	300	99.0%	290	10	300	96.7%	300	0	300	100.0%	297	3	300	99.0%	299	1	300	99.7%
298	10	308	96.8%	293	15	308	95.1%	308	0	308	100.0%	302	6	308	98.1%	304	4	308	98.7%
80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%	80	0	80	100.0%
36	0	36	100.0%	33	3	36	91.7%	36	0	36	100.0%	36	0	36	100.0%	35	1	36	97.2%
8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
32	1	33	97.0%	31	2	33	93.9%	33	0	33	100.0%	33	0	33	100.0%	33	0	33	100.0%
119	1	120	99.2%	109	11	120	90.8%	120	0	120	100.0%	119	1	120	99.2%	119	1	120	99.2%
367	3	370	99.2%	351	19	370	94.9%	370	0	370	100.0%	365	5	370	98.6%	366	4	370	98.9%
257	2	259	99.2%	253	6	259	97.7%	259	0	259	100.0%	256	3	259	98.8%	257	2	259	99.2%
3,002	32	3,034	98.9%	2,911	123	3,034	95.9%	3,032	2	3,034	99.9%	2,994	40	3,034	98.7%	3,007	27	3,034	99.1%
1,423	9	1,432	99.4%	1,383	49	1,432	96.6%	1,431	1	1,432	99.9%	1,417	15	1,432	99.0%	1,423	9	1,432	99.4%
39	1	40	97.5%	35	5	40	87.5%	40	0	40	100.0%	39	1	40	97.5%	40	0	40	100.0%
1,795	24	1,819	98.7%	1,744	75	1,819	95.9%	1,818	1	1,819	99.9%	1,792	27	1,819	98.5%	1,799	20	1,819	98.9%
2,641	23	2,664	99.1%	2,572	92	2,664	96.5%	2,662	2	2,664	99.9%	2,636	28	2,664	98.9%	2,643	21	2,664	99.2%
618	11	629	98.3%	592	37	629	94.1%	629	0	629	100.0%	614	15	629	97.6%	621	8	629	98.7%

	Supplementary Principle 5.1.2				Supplementary Principle 5.1.3				Principle 5.2			
	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate	Number of companies that comply	Number of companies that explain		Compliance rate
Total of Prime and Standard	3,249	44	3,293	98.7%	3,286	7	3,293	99.8%	2,557	736	3,293	77.6%
Organizational form												
Companies with *Kansayaku*	1,932	31	1,963	98.4%	1,958	5	1,963	99.7%	1,505	458	1,963	76.7%
Company with Supervisory Committee	1,234	13	1,247	99.0%	1,245	2	1,247	99.8%	973	274	1,247	78.0%
Com pany with Three Committees	83	0	83	100.0%	83	0	83	100.0%	79	4	83	95.2%
Outside directors												
Appointed	3,246	44	3,290	98.7%	3,283	7	3,290	99.8%	2,554	736	3,290	77.6%
Not appointed	3	0	3	100.0%	3	0	3	100.0%	3	0	3	100.0%
Foreign shareholding ratio												
Under 10%	1,838	39	1,877	97.9%	1,871	6	1,877	99.7%	1,308	569	1,877	69.7%
10% to under 20%	680	5	685	99.3%	684	1	685	99.9%	589	96	685	86.0%
20% to under 30%	407	0	407	100.0%	407	0	407	100.0%	366	41	407	89.9%
30% or more	324	0	324	100.0%	324	0	324	100.0%	294	30	324	90.7%
Major shareholders												
Ownership ratio of the largest shareholder is 0% or more and under 5%	28	0	28	100.0%	28	0	28	100.0%	17	11	28	60.7%
Ownership ratio of the largest shareholder is 5% or more and under 10%	432	9	441	98.0%	440	1	441	99.8%	339	102	441	76.9%
Ownership ratio of the largest shareholder is 10% or more and under 20%	1,380	17	1,397	98.8%	1,392	5	1,397	99.6%	1,154	243	1,397	82.6%
Ownership ratio of the largest shareholder is 20% or more and under 33.33%	677	6	683	99.1%	682	1	683	99.9%	503	180	683	73.6%
Ownership ratio of the largest shareholder is 33.33% or more and under 50%	488	10	498	98.0%	498	0	498	100.0%	352	146	498	70.7%
Ownership ratio of the largest shareholder is 50% or more	244	2	246	99.2%	246	0	246	100.0%	192	54	246	78.0%
Listed exchanges and market segment												
Prime	1,834	3	1,837	99.8%	1,836	1	1,837	99.9%	1,660	177	1,837	90.4%
Standard	1,415	41	1,456	97.2%	1,450	6	1,456	99.6%	897	559	1,456	61.6%
JPX Nikkei 400 (Prime and Standard only)	399	0	399	100.0%	399	0	399	100.0%	383	16	399	96.0%
(Consolidated) Number of employees												
Under 100	182	3	185	98.4%	185	0	185	100.0%	103	82	185	55.7%
100 to under 500	895	24	919	97.4%	916	3	919	99.7%	586	333	919	63.8%
500 to under 1000	603	10	613	98.4%	610	3	613	99.5%	465	148	613	75.9%
1000 or more	1,569	7	1,576	99.6%	1,575	1	1,576	99.9%	1,403	173	1,576	89.0%
(Consolidated) Sales												
Under 10 billion yen	676	15	691	97.8%	689	2	691	99.7%	408	283	691	59.0%
10 billion to under 100 billion yen	1,641	28	1,669	98.3%	1,664	5	1,669	99.7%	1,274	395	1,669	76.3%
100 billion to 1 trillion yen	775	1	776	99.9%	776	0	776	100.0%	722	54	776	93.0%
1 trillion yen or more	157	0	157	100.0%	157	0	157	100.0%	153	4	157	97.5%
Controlling shareholder/parent company												
With parent company	281	3	284	98.9%	284	0	284	100.0%	217	67	284	76.4%
With parent company (listed)	224	3	227	98.7%	227	0	227	100.0%	188	39	227	82.8%
With parent company (not listed)	57	0	57	100.0%	57	0	57	100.0%	29	28	57	50.9%
With controlling shareholder (not parent company)	160	4	164	97.6%	164	0	164	100.0%	97	67	164	59.1%
No controlling shareholder	2,808	37	2,845	98.7%	2,838	7	2,845	99.8%	2,243	602	2,845	78.8%
Number of consolidated subsidiaries												
Under 10	1,935	35	1,970	98.2%	1,963	7	1,970	99.6%	1,385	585	1,970	70.3%
10 to under 50	1,003	9	1,012	99.1%	1,012	0	1,012	100.0%	871	141	1,012	86.1%
50 to under 100	166	0	166	100.0%	166	0	166	100.0%	160	6	166	96.4%
100 to under 300	114	0	114	100.0%	114	0	114	100.0%	111	3	114	97.4%
300 or more	31	0	31	100.0%	31	0	31	100.0%	30	1	31	96.8%
Fiscal year-end												
January	44	2	46	95.7%	46	0	46	100.0%	31	15	46	67.4%
February	181	2	183	98.9%	183	0	183	100.0%	135	48	183	73.8%
March	2,128	27	2,155	98.7%	2,149	6	2,155	99.7%	1,733	422	2,155	80.4%
April	33	1	34	97.1%	34	0	34	100.0%	24	10	34	70.6%
May	72	3	75	96.0%	75	0	75	100.0%	55	20	75	73.3%
June	107	0	107	100.0%	106	1	107	99.1%	77	30	107	72.0%
July	32	1	33	97.0%	33	0	33	100.0%	20	13	33	60.6%
August	61	1	62	98.4%	62	0	62	100.0%	47	15	62	75.8%
Sept.	125	1	126	99.2%	126	0	126	100.0%	85	41	126	67.5%
October	45	0	45	100.0%	45	0	45	100.0%	32	13	45	71.1%
November	45	0	45	100.0%	45	0	45	100.0%	32	13	45	71.1%
Dec.	376	6	382	98.4%	382	0	382	100.0%	286	96	382	74.9%
Industry												
Fisheries, agriculture, and forestry	12	0	12	100.0%	12	0	12	100.0%	7	5	12	58.3%
Mining	6	0	6	100.0%	6	0	6	100.0%	5	1	6	83.3%
Construction industry	144	3	147	98.0%	147	0	147	100.0%	125	22	147	85.0%
Foods	120	0	120	100.0%	118	2	120	98.3%	92	28	120	76.7%
Textile products	49	0	49	100.0%	49	0	49	100.0%	40	9	49	81.6%
Pulp and paper	23	1	24	95.8%	24	0	24	100.0%	20	4	24	83.3%
Chemicals	206	3	209	98.6%	208	1	209	99.5%	174	35	209	83.3%
Pharmaceuticals	41	0	41	100.0%	41	0	41	100.0%	37	4	41	90.2%
Oil and coal products	11	0	11	100.0%	11	0	11	100.0%	10	1	11	90.9%
Rubber products	19	0	19	100.0%	19	0	19	100.0%	15	4	19	78.9%
Glass, earth and stone products	55	0	55	100.0%	55	0	55	100.0%	47	8	55	85.5%
Iron and steel	42	0	42	100.0%	42	0	42	100.0%	36	6	42	85.7%
Nonferrous metal	34	0	34	100.0%	34	0	34	100.0%	27	7	34	79.4%
Metal products	87	2	89	97.8%	88	1	89	98.9%	66	23	89	74.2%
Machinery	219	4	223	98.2%	223	0	223	100.0%	168	55	223	75.3%
Electrical appliances	232	1	233	99.6%	233	0	233	100.0%	185	48	233	79.4%
Transportation equipment	87	0	87	100.0%	87	0	87	100.0%	78	9	87	89.7%
Precision instruments	44	1	45	97.8%	45	0	45	100.0%	38	7	45	84.4%
Other products	101	4	105	96.2%	104	1	105	99.0%	70	35	105	66.7%
Electricity and gas	24	0	24	100.0%	24	0	24	100.0%	23	1	24	95.8%
Land transportation	60	0	60	100.0%	60	0	60	100.0%	53	7	60	88.3%
Shipping	10	1	11	90.9%	11	0	11	100.0%	8	3	11	72.7%
Air transport	5	0	5	100.0%	5	0	5	100.0%	4	1	5	80.0%
Business related to warehousing and transportation	35	3	38	92.1%	38	0	38	100.0%	31	7	38	81.6%
Information and communication	347	2	349	99.4%	348	1	349	99.7%	255	94	349	73.1%
Wholesale trade	292	8	300	97.3%	299	1	300	99.7%	221	79	300	73.7%
Retail Trade	302	6	308	98.1%	308	0	308	100.0%	221	87	308	71.8%
Banking	80	0	80	100.0%	80	0	80	100.0%	78	2	80	97.5%
Securities and commodity futures trading	36	0	36	100.0%	36	0	36	100.0%	25	11	36	69.4%
Insurance	8	0	8	100.0%	8	0	8	100.0%	8	0	8	100.0%
Other Financing Business	33	0	33	100.0%	33	0	33	100.0%	28	5	33	84.8%
Real Estate	118	2	120	98.3%	120	0	120	100.0%	88	32	120	73.3%
Service industry	367	3	370	99.2%	370	0	370	100.0%	274	96	370	74.1%
Anti-takeover measures												
Yes	256	3	259	98.8%	258	1	259	99.6%	215	44	259	83.0%
N/A	2,993	41	3,034	98.6%	3,028	6	3,034	99.8%	2,342	692	3,034	77.2%
Independent officers												
Designated as directors only	1,417	15	1,432	99.0%	1,430	2	1,432	99.9%	1,126	306	1,432	78.6%
Designated as *kansayaku* only	40	0	40	100.0%	40	0	40	100.0%	18	22	40	45.0%
Designated as directors and *kansayaku*	1,790	29	1,819	98.4%	1,814	5	1,819	99.7%	1,411	408	1,819	77.6%
Term of office of directors												
1 year	2,636	28	2,664	98.9%	2,661	3	2,664	99.9%	2,128	536	2,664	79.9%
2 years	613	16	629	97.5%	625	4	629	99.4%	429	200	629	68.2%

Supplementary Principle 5.2.1			
Number of companies that comply	Number of companies that explain		Compliance rate
2,559	734	3,293	77.7%
1,488	475	1,963	75.8%
990	257	1,247	79.4%
81	2	83	97.6%
2,558	732	3,290	77.8%
1	2	3	33.3%
1,311	566	1,877	69.8%
588	97	685	85.8%
362	45	407	88.9%
298	26	324	92.0%
15	13	28	53.6%
325	116	441	73.7%
1,147	250	1,397	82.1%
517	166	683	75.7%
361	137	498	72.5%
194	52	246	78.9%
1,629	208	1,837	88.7%
930	526	1,456	63.9%
383	16	399	96.0%
119	66	185	64.3%
620	299	919	67.5%
457	156	613	74.6%
1,363	213	1,576	86.5%
439	252	691	63.5%
1,272	397	1,669	76.2%
695	81	776	89.6%
153	4	157	97.5%
225	59	284	79.2%
186	41	227	81.9%
39	18	57	68.4%
105	59	164	64.0%
2,229	616	2,845	78.3%
1,400	570	1,970	71.1%
863	149	1,012	85.3%
157	9	166	94.6%
109	5	114	95.6%
30	1	31	96.8%
32	14	46	69.6%
125	58	183	68.3%
1,713	442	2,155	79.5%
21	13	34	61.8%
57	18	75	76.0%
83	24	107	77.6%
19	14	33	57.6%
44	18	62	71.0%
96	30	126	76.2%
32	13	45	71.1%
32	13	45	71.1%
305	77	382	79.8%
9	3	12	75.0%
6	0	6	100.0%
124	23	147	84.4%
87	33	120	72.5%
39	10	49	79.6%
22	2	24	91.7%
166	43	209	79.4%
38	3	41	92.7%
10	1	11	90.9%
15	4	19	78.9%
47	8	55	85.5%
35	7	42	83.3%
27	7	34	79.4%
65	24	89	73.0%
171	52	223	76.7%
189	44	233	81.1%
70	17	87	80.5%
36	9	45	80.0%
75	30	105	71.4%
24	0	24	100.0%
44	16	60	73.3%
7	4	11	63.6%
5	0	5	100.0%
32	6	38	84.2%
281	68	349	80.5%
216	84	300	72.0%
218	90	308	70.8%
77	3	80	96.3%
29	7	36	80.6%
8	0	8	100.0%
27	6	33	81.8%
91	29	120	75.8%
269	101	370	72.7%
209	50	259	80.7%
2,350	684	3,034	77.5%
1,141	291	1,432	79.7%
21	19	40	52.5%
1,396	423	1,819	76.7%
2,132	532	2,664	80.0%
427	202	629	67.9%

Appendix

Contact information

Tokyo Stock Exchange, Inc.
Listing Department

2-1, Nihombashi Kabutocho, Chuo-ku,
Tokyo 103-8220

Tel. 03-3666-0141 (Main)
https://www.jpx.co.jp/