

**Issues concerning dialogue between companies and investors**

Possible topic for dialogue	Remarks
<p><b>(1) Management decisions in response to changes in the management environment</b></p> <ul style="list-style-type: none"> <li>○ Whether companies established concrete business principles as well as business strategies and business plans to increase the mid- to long-term corporate value</li>   <li>○ Whether the management of a company properly understands its capital cost; whether the management is capital-conscious for increasing its corporate value; and whether the company achieves returns which cover capital costs on a mid- to long-term basis</li>   <li>○ Whether the management of a company properly understands the management environment and risks surrounding its businesses, and makes decisive management decisions on such matters as restructuring of its business portfolio; whether the process of reviewing its business portfolio works effectively</li> </ul>	<ul style="list-style-type: none"> <li>← In judging whether business principles and business strategies/business plans, etc. lead to increased corporate value over the mid- to long-term, what is considered to be important to focus on, in addition to the concreteness?</li>   <li>← In conducting capital cost-conscious management, what efforts are considered to be important? For example, what do you think about setting indicators of earning power, capital efficiency, etc.?</li>   <li>← To ensure that the process of restructuring business portfolio works effectively, what is considered to be important to focus on?</li> </ul>

Possible topic for dialogue	Remarks
<p><b>(2) Investment strategy and financial management</b></p> <ul style="list-style-type: none"> <li>○ Whether a company invests in equipment, R &amp; D, and human resources strategically and systematically, for the purpose of achieving returns which cover capital costs on a the mid- to long-term basis</li> <li>○ Whether a company properly establishes and manages its financial management policy based on its business strategy and investment strategy</li> </ul>	<p>← Does a company hold excessive cash and deposits or similar assets, for example, to prepare for unforeseeable circumstances?</p>
<p><b>(3) Appointment/dismissal of CEO and Responsibilities of the Board</b></p> <p>(Appointment/dismissal of CEO, etc.)</p> <ul style="list-style-type: none"> <li>○ Whether a company spends sufficient time and resources to appoint a CEO, who is capable of making decisive management decisions in response to the changing business environment, through an objective, timely and transparent process, including the use of an independent nomination committee; whether a CEO succession plan is appropriately established and implemented, and CEO candidates are developed in a planned way</li> <li>○ Whether a company establishes a process to dismiss a CEO, who is deemed not to function properly, in a timely manner</li> </ul>	<p>← In order to ensure that the CEO appointment process is not based on a rationale solely for the benefit of the management, but can respond to changes in the business strategy/management environment, what is considered to be important?</p>

Possible topic for dialogue	Remarks
<p>(Determination on remuneration of the management)</p> <p>○ Whether the remuneration system for the management is designed in a manner to properly function as an incentive for increasing corporate value over the mid- to long-term; whether the company establishes effective processes for designing the remuneration system and deciding remuneration amounts, including the use of independent remuneration committee</p> <p>(Appointment of independent directors and their responsibilities)</p> <p>○ Whether independent directors are appointed from those who have appropriate qualifications, recognize their roles, and provide the management with appropriate advice in response to business challenges as well as properly oversee the management</p> <p>(Appointment of Audit Committee Members and their responsibilities)</p> <p>○ Whether a company appoints those who have appropriate expertise and experience as internal, full-time <i>kansayaku</i>, Audit Committee Members, or Audit and Supervisory Committee Members; whether they appropriately conduct business audits by themselves, and work effectively on securing appropriate accounting audits</p>	<p>← In judging whether a company has in place effective processes for designing the remuneration system and deciding remuneration amounts, what is considered to be important to focus on?</p> <p>← As qualifications and roles required for independent directors, what is considered to be especially important to focus on?</p>

Possible topic for dialogue	Remarks
<p><b>(4) Cross-shareholdings</b></p> <p>(Decision making on cross-shareholdings)</p> <ul style="list-style-type: none"> <li>○ Whether a company explains reasons for individual cross-shareholding in an understandable manner, and makes appropriate decisions, specifically considering returns (benefits from such shareholdings) and costs</li>   <li>○ Whether a company clarifies reduction policy of cross-shareholdings, and has taken appropriate actions in accordance with such a policy</li> </ul> <p>(“Held company” that makes certain companies hold its shares as cross-shareholdings)</p> <ul style="list-style-type: none"> <li>○ Whether cross-shareholdings impede a “holding company” from selling shares of a “held company”; whether companies in a cross-shareholding relationship carry out a trading that may harm interests of the company or common interests of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>← What should be focused on, with regard to the exercise of voting rights pertaining to cross-shareholdings?</li>   <li>← What should we think about such shares that are formally assets of an entity other than the company in question, but are effectively cross-held by the company?</li> </ul>

Possible topic for dialogue	Remarks
<p><b>(5) Asset owners</b></p> <p>What initiatives its sponsoring company has taken in human resource and operational aspects for fulfilling expected functions as an asset owner of a corporate pension funds</p> <p>(Reference) Corporate pension funds which signed up for the Stewardship Code have taken the following initiatives to enhance their expertise, for example:</p> <ul style="list-style-type: none"> <li>• While half of the directors of a corporate pension fund are elected by mutual vote among representative committee members who were selected by its sponsoring company, the sponsoring company provides the fund with experts by appointing such representative committee members/directors from persons in charge of IR, etc.</li> <li>• Representative committee members/directors, who are in charge of IR, etc. of the sponsoring company, participate in dialogue between the corporate pension fund and investee companies/asset management firms.</li> <li>• Concerning decisions on specific asset management methods, risk management, and so forth, the corporate pension fund takes the initiative in those matters, instead of leaving all decision-making to asset management firms.</li> </ul>	<ul style="list-style-type: none"> <li>← What do you think about the fact that strengthening such initiatives may give rise to conflicts of interest between the sponsoring company and beneficiaries of corporate pension funds?</li> <li>← What do you think about the current situation where only a limited number of corporate pension funds have signed up for the Stewardship Code so far?</li> </ul>