

Reference materials: Action Program for Accelerating Corporate Governance Reform: From Form to Substance

1. Issues for promoting sustainable corporate growth and increased corporate value over the mid- to long-term		
Item	Details of measures and considerations	Follow up
A) Encouraging the management with an awareness of profit-making and growth	<ul style="list-style-type: none"> ● Encourage the management with an awareness of profit-making and growth based on the cost of capital (such as the proper allocation of management resources toward risk-taking, including a business portfolio review and investments in human capital, intellectual property and R&D).[Implementation from spring 2023] 	<ul style="list-style-type: none"> ✓ The TSE made a request to companies listed on the Prime Market and the Standard Market to implement a series of actions in order to implement management that is conscious of cost of capital and stock prices. (March 2023) ✓ The TSE published a list of companies that disclosed information based on this request. (Since January 2024) ✓ The TSE published key points considering investors' points of view and case studies. (February 2024)
B) Encouraging the management with an awareness of sustainability issues	<ul style="list-style-type: none"> ● Encourage companies to take actions on sustainability issues through the statutory disclosure framework of sustainability information, including human capital, intellectual property and diversity, which was newly established in the Annual Securities Report (including the publication of companies' good disclosure practices). [Implementation from 2023 to 2025] ● Actively participate in the international discussion for the formulation of sustainability disclosure standards, and as a part of that, promote "human capital" to be included in the agenda priority of international sustainability disclosure standards. [Implementation from 2023] ● Consider whether additional measures are needed to improve the diversity of the board and core human resources, such as 	<ul style="list-style-type: none"> ✓ The FSA published "Good Practices for Disclosure of Narrative Information 2023" on sustainability issues. (December 2023) ✓ Discussions on sustainability disclosures and assurances are underway at the Working Group on Disclosure and Assurance of Sustainability-related Financial Information of the Financial System Council. (Since March 2024) <p>(Reference) Internationally, the G20/OECD Principles of Corporate Governance were revised to include a new chapter on Sustainability and Resilience (September 2023)</p> <ul style="list-style-type: none"> ✓ The TSE amended its listing rules to set numerical targets for the ratio of female executives at companies listed on the Prime Market. (October 2023)

	<p>increasing the percentage of female executives (target of 30% or more by 2030), depending on the evaluation of the achievement.</p>	
<p>C) Improving the effectiveness of independent directors (improvement of the effectiveness of the board, nomination committee and remuneration committee)</p>	<ul style="list-style-type: none"> ● In light of the enhanced disclosure of information on the activities of the board, the nomination committee, and the remuneration committee in Annual Securities Reports, investigate, compile and publish the actual status and examples thereof and, through these initiatives, promote the establishment of a "PDCA" cycle based on the evaluation of the effectiveness of the board and strive to further demonstrate its functions. [Fall 2023] ● Conduct educational activities, including skill development through training, to promote understanding of the roles expected of independent directors. [Spring 2023] 	<p>✓ The Ministry of Economy, Trade and Industry (METI) jointly with the FSA and the TSE published "The Basics of Being an Independent Director" as part of their efforts to ensure and improve the quality of independent directors. (January 2024)</p> <p>(Reference) The private sector, including international organizations, continues to conduct training, disseminate proposals, give awards, and conduct other educational activities for directors, including independent directors.</p>

2. Issues related to dialogues between companies and investors		
Item	Details of measures and considerations	Follow up
A) Effective implementation of stewardship activities	<ul style="list-style-type: none"> Promote the efforts of asset managers and asset owners to deal with the issues involved in the effective implementation of stewardship activities (including allocating sufficient resources at asset managers, devising engagement methods, providing incentives for stewardship activities, establishing governance structures of asset owners such as pensions). [Implementation from spring 2023] 	<ul style="list-style-type: none"> ✓ The Asset Management Task Force of the Financial System Council discussed initiatives toward the effective implementation of stewardship activities. In a published report, the Task Force made recommendations for promoting collective/collaborative engagement. (December 2023) ✓ The Working Group on Tender Offer Rule and Large Shareholding Reporting Rule of the Financial System Council discussed rules for promoting dialogues between investors and companies. In a report, the Working Group made recommendations for the revision of the large shareholding reporting rule and ensuring the transparency of beneficial shareholders. (December 2023)
B) Enhancing the quality of disclosure as a basis for dialogue	<ul style="list-style-type: none"> Request companies listed in the Prime Market to disclose the status of dialogues with their investors and the content of such dialogues. [Spring 2023] Re-emphasize the purpose of the “Comply or Explain” principle and make clear sufficient and insufficient cases of “Explain.” [Spring 2023] Continue to consider measures to provide investors with the information they need prior to general shareholders meetings in an effective and efficient manner, including enhancing the efficiency of disclosure of duplicate information in Annual Securities Report required by the Financial Instruments and Exchange Act and Business Report required by the Companies Act. Consider measures to enhance timely disclosure of information 	<ul style="list-style-type: none"> ✓ The TSE published "Better Dialogue with Shareholders and Related Disclosure" to encourage companies listed on the Prime Market to disclose information about dialogues with shareholders. (March 2023) ✓ The TSE published "Using 'Explain' to Contribute to Constructive Dialogue" to encourage listed companies to carry out a self-review of their use of "explain." (March 2023)

	that can serve as a basis for dialogues between companies and investors.	
C) Promoting dialogues with global investors	<ul style="list-style-type: none"> ● Promote dialogues between companies and investors by "visualizing" companies that willingly and actively respond to the expectations of global investors (such as the ratio of independent directors, diversity, and disclosure in English). [Implementation from summer 2023] ● In particular, expand the coverage of English disclosure practices, including making English disclosure of relevant documents of the companies listed in the Prime Market mandatory. [Fall 2023] 	<ul style="list-style-type: none"> ✓ The TSE has been discussing mandatory English disclosures by companies listed on the Prime Market. The TSE published an outline of the revision of the Listing Rules in order to expand English disclosures, which prioritizes making mandatory English disclosures of financial statements and timely disclosure information. (Published in February 2024, effective for disclosure made on or after April 1, 2025)
D) Resolving legal issues	<ul style="list-style-type: none"> ● Clarification of "act of making important suggestions" and "joint holders" under the large shareholding reporting rule. ● Consider what beneficial shareholders transparency should be. ● Consider how to protect minority shareholders in the case of a partial takeover bid. 	<ul style="list-style-type: none"> ✓ The Working Group on Tender Offer Rule and Large Shareholding Reporting Rule of the Financial System Council has published a report that addresses issues regarding the large shareholding reporting rule, the tender offer rule, and the transparency of beneficial shareholders. (December 2023) ✓ In relation to recommendations in the above report, a bill to amend the Financial Instruments and Exchange Act, etc., including clarification of the scope of "joint holders" under the Large Shareholding Reporting Rule, was submitted to the Diet. (March 2024)
E) Resolving market environment issues	<ul style="list-style-type: none"> ● Continue to consider the disclosure and corporate governance issues with regard to quasi-controlled listed companies. ● With regard to the reduction of cross-shareholdings, continue to follow up on the progress made in light of the strengthening of disclosure rules in Annual Securities Reports, the change of continued listing criteria due to the reorganization of market segments by Tokyo Stock Exchange, and transitional measures 	<ul style="list-style-type: none"> ✓ The TSE published "Enhancement of Information Disclosure on Protection of Minority Shareholders and Group Management" and "Roles Expected of Independent Directors in Listed Companies with Controlling/Quasi-controlling Shareholder" regarding information disclosures and governance of dependent listed companies. (December 2023)

	<p>therefor, and consider whether further measures are called for. [Implementation from 2023 to 2025]</p>	<ul style="list-style-type: none">✓ The FSA published "Good Practices for Disclosure of Narrative Information 2023" including examples of disclosures of cross-shareholdings. (March 2024)✓ The FSA published "Results of the 2023 Securities Report Review and Matters to Be Noted," in which issues regarding the disclosure of cross-shareholdings were pointed out. (March 2024)
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