

2nd Meeting of the Expert Panel on the Revision of the Corporate Governance Code

Material 1

## Secretariat Briefing Pack

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February 26, 2026



金融庁

Financial Services Agency, the Japanese Government

# Summary of Opinions at the 1<sup>st</sup> Meeting of the Expert Panel

## Streamlining the Code

- A general consensus was formed on the direction to streamline the Corporate Governance Code (the “Code”)
- The Code should be reclassified to promote corporate governance reform in substance.
- **The revised Code should not reduce the importance of dialogue with shareholders**
- **Be cautious of slimming down, deleting and classifying “too much.”** Care should be taken not to delete important provisions that could be perceived as reduced policy importance.
- **Provisions should remain in “Guidance” sections to the extent possible, as deletion from the Code could be perceived as “no longer necessary in governance practice.” Effective communication is necessary to avoid misunderstanding between companies and investors with respect to provisions to be deleted.**
- Clear organization of “Principles” subject to “Comply or Explain” and “Guidance” not subject to “Comply or Explain” is crucial. **Going back to the spirit of the “principles-based approach,” the standard of reclassification should be that certain provisions, which companies should use as principles for their governance practices, should be upgraded to “Principles.”**
- With respect to “reducing burdens” for companies, **simply taking into account costs and manpower for disclosure burdens is misleading since companies are putting resources into integrated reports.** If companies feel more “burdened” when they are unsure how they should implement it or how investors will evaluate an “Explain,” the streamlining of the Code could end up creating new burdens, as it will require companies to think on their own.
- The current Code contains some statements resembling how-to manuals. **The Code should show basic principles of corporate governance. Statements focusing on details or items that should be implemented differently by companies and investors depending on their characteristics, should be covered in guidelines, advisory materials or case studies of good practices.**

# Summary of Opinions at the 1<sup>st</sup> Meeting of the Expert Panel

## Integrating Provisions Covering the Same Issue

- There was no objection to the direction to organize and integrate provisions covering the same issue.
- **Provisions related to sustainability should be combined and integrated.** Many provisions in Section 2 (Appropriate Cooperation with Stakeholders Other Than Shareholders) could be moved and integrated into the Section 4 (Responsibilities of the Board).
- In addition to sustainability and dialogue with shareholders, provisions related to diversity are scattered across the Code, despite its importance. As in the U.K. Code, diversity should be stipulated as a factor for companies to consider. Also, **provisions concerning the importance of the nominating committee and risk management (including group governance)** should be organized and integrated.
- **Companies should first come up with their value creation story, then discuss it with shareholders.** Related provisions (Principle 3.1(i), Supplementary Principle 3.1.3, 4.1.2, 4.2.2 and Principle 5.2) are scattered across the Code, and these should be combined and integrated to clarify such spirit.

## Preamble

- **A general consensus has formed on adding the Preamble.**
- It is necessary to clarify that “Comply” and “Explain” should be conducted **in a manner that investors can make sense of. The quality of “Explain” is important.**
- While many companies “Comply” in a formalistic manner, **it is important to provide companies with options to select the approach that they consider most appropriate for their specific circumstances.** It is also necessary to spread the message that appropriately choosing to “Explain” is important.
- In some cases, it is important and beneficial to explain the background or intention of “Complain” and “Explain.”
- It is appropriate to clarify **the aim and spirit of the Principles-Based Approach.**
- It could be an option to add statements regarding the distribution of values to various stakeholders **and achieving positive outcomes for all stakeholders.**
- The Preamble is the most important section in the Code, and **it should be read and relied on by the management when making decisions.**
- Not all management read the Code thoroughly. The Code should be written in a way that **management feels they should and can read it.**
- The focus of corporate governance reform is **to promote growth investments.** It is crucial to state the aim and spirit of the Code in the Preamble similar to the original preamble attached to the original Code.
- While short-termism is gaining strengths, **it is important that companies engage with investors who provide patient capital and execute investments from the perspective of mid- to long- term growth.** Companies should create and explain their value-creation story.

# Summary of Opinions at the 1<sup>st</sup> Meeting of the Expert Panel

## Appropriate Allocation of Business Recourses

- Companies should explain their plan for how to utilize cash to achieve their targeted balance sheet and to enhance capital efficiency, as well as their measures **when their plan and the actual result deviate from each other**.
- **Investors focus on whether capital allocation is optimal, not only shareholder return.**
- Capital allocation is an important element of governance and the board's responsibilities. Specifically, a persistent improvement in capital efficiency and ROE is expected.
- Allocation of business resources **should be left to the companies' autonomous business judgement**. Careful discussion is necessary when adding a statement like "promoting investments through appropriate allocation of business resources" in the Code. There is a risk of increasing pressure for shareholder returns.
- The **PDCA cycle of disclosing and explaining a company's capital allocation, evaluating the performance of investments, and reflecting on its next action** is crucial for the management.
- It is not appropriate to focus only on cash for the scope of evaluation and accountability. Among various investments, there are investments that should be explained from a mid- to long-term perspective and in the context of risk-taking. **The explanation of how investments contribute to the mid- to long-term growth of the company** is important. It is inappropriate to label specific items as bad practices.
- There is a horizontal agency problem in which a conflict of interest exists among investors with short-term mindset and long-term mindsets. It is necessary to consider the **distribution of values among various stakeholders, especially in light of the mid- to long-term time horizon**, instead of at a specific point in time.
- It is important to recognize and discuss the issue of cash accumulation at a high level, while investments—**especially the labor share— have been at low levels**.
- Promoting the evaluation of business resources allocation to support appropriate growth investments is a desirable direction.

## Disclosure of Annual Securities Report before AGM

- Annual Securities Reports contain information that is core for dialogue between management and shareholders. In order to ensure time for investors' digestion and dialogue with companies, Annual Securities Reports should be **submitted sufficiently in advance of or more than several days before** the Annual General Meeting. The Code should clarify that Annual Securities Reports should be submitted **three weeks before** the meeting.
- The disclosure burden is increasing, including enhanced disclosure of non-financial information. It is necessary to create an environment that enables **feasible and efficient disclosure**, including the **integration or consolidation of the Annual Securities Report and Business Report**.

# Summary of Opinions at the 1<sup>st</sup> Meeting of the Expert Panel

## Enhancing the Roles of the Board Secretariat

- The Code should clarify **the roles expected of the board secretariat and the term “company secretary.”**
- **In companies with a high ratio of independent directors, or where an independent director serves as the chair of the board**, the roles of the board secretariat are particularly important, and this role provides a meaningful opportunity for developing future managerial talent.

## Expertise and Independence of Outside Directors

- There is an issue in ineffective independent directors. The number of independent directors has increased significantly, while **concerns remain about their expertise**. Companies should appoint directors who understand the essence of the oversight responsibilities that the board is expected to fulfill and who are capable of discussing corporate value improvement plans and corporate governance with shareholders on equal terms. It is necessary to **improve their capabilities during normal periods**. The Code should include an **independent section of the mission, commitment, background, and code of conduct of outside directors**.
- There is a room for improvement in the **independence, diversity and skills** of independent directors. The Code should emphasize these points.
- The Code should also add statements regarding the necessity of appointing independent directors who comprise **a majority of the board**, ensuring the leadership of independent directors including the **independence of the chair**, and promoting **director training**.
- With respect to the Principle 4.8 (Effective use of Independent Directors), companies tend to **comply in a formalistic manner** by merely **satisfying the required number or ratio**.
- Outside directors should **contribute to the board’s strategic discussions and decision-making from an independent and objective standpoint while delegating business execution to the management during normal periods**. Meanwhile, **special committees composed of outside directors should play a leading role when considering or facing merger and acquisitions from the perspective of corporate value improvement**. The Code could also emphasize the importance of ensuring the expertise of outside directors by **enhancing their effectiveness, clarifying their roles, improving the transparency of the nominating process, strengthening the skill matrix, and improving the evaluation of board effectiveness**.
- Companies should first enhance disclosure to increase **transparency regarding the status of corporate practices**, including opinions, authority, activities and remuneration of outside directors, then proceed with corporate governance reform in substance.
- It is problematic to determine the independence of **outside directors who are affiliated with companies that issue shares held as strategic shareholding by the company**.
- To oversee the company’s value creation story, enhancing board effectiveness is important. The Code should clarify the roles of the board.
- **The chair also needs to function effectively** by appropriately setting the agenda for board meetings.

# Summary of Opinions at the 1<sup>st</sup> Meeting of the Expert Panel

## Others

- While the importance of risk management at companies is increasing, strategic shareholding is a risk-averse decision. It might be an option to consider **providing preferential benefits to companies that sell their strategic shareholdings within a certain period of time.**
- **Designing a remuneration structure linked to shareholder value, disclosing the status of corporate governance practices, disclosing the voting results of director elections, and ensuring high-quality evaluation of board effectiveness all contribute to improving corporate governance.**
- Strategic shareholding should be **reduced to zero.** More transparent disclosure is expected regarding **the reasoning behind maintaining strategic shareholding and the timeline for unwinding them.**
- It is necessary to consider rules to enhance the **transparency and accountability of proxy advisors.**
- **Disclosure burdens are increasing,** and this is one reason companies cannot allocate sufficient business resources to the creation of growth strategies and dialogue with investors. It is necessary to fundamentally reconsider and **reorganize disclosure rules across different regimes.**
- **The Code** should clearly distinguish **the roles of the “board,” “management,” and “outside directors.”**
- It is questionable that **the Code is being used for various unintended policy objectives,** including intellectual property matters that already have separate guidelines.
- **Global talent and lateral hiring** are important, but these may fall under the responsibility of the management rather than the board.
- **“Notes” might be too light a label,** and a designation carrying more weight, such as “Supplementary Principles” should be used.
- The Code should also state the importance of **collaboration within internal divisions,** as a value-creation story should be developed through collaboration across the company’s divisions.

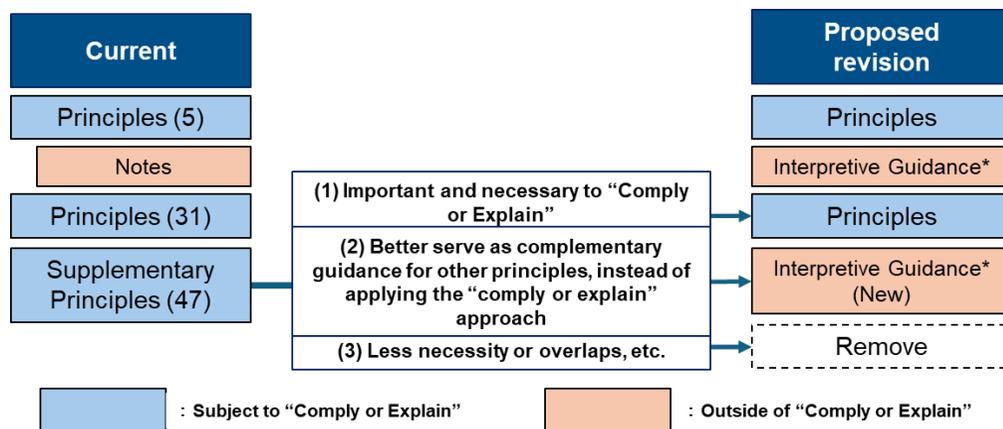
# Streamlining of the Corporate Governance Code

- ❑ In the first meeting of the Expert Panel, there was a general consensus to reclassify the Code in accordance with the following directions.

## Directions for Reclassification (proposal)

- (1) To **move up certain Supplementary Principles to Principles**: Supplementary Principles that are persistently **important and necessary for disciplining the comply or explain approach** in light of the current practice.
- (2) To **move certain Supplementary Principles to new “Notes” sections for Principles**: Supplementary Principles that, in light of the current practice, could better **serve as complementary guidance for other Principles to promote reform in substance, instead of applying the comply or explain approach**.
- (3) To **remove certain Supplementary Principles**: Supplementary Principles, including those that the necessity of being mentioned on the Code is reduced by implementation in practice and those that overlap with rules adopted after the formation of the Code.

[Reclassification of Supplementary Principles reflecting the opinions at the 1<sup>st</sup> Meeting of the Expert Panel (revised from Secretariat Briefing Pack at the 1<sup>st</sup> Meeting)]



Note: Previously labeled as “Notes” in the Secretariat Brief Pack of the 1<sup>st</sup> meeting of the Expert Panel

# Summary of Proposed Revisions by Topic (1/2)

- It is proposed to revise the Code in accordance with the following directions (by topics).

| Topics  | The Status of Progress and Directions of Proposed Revisions of the Code  |
|---|--|
| <p>Preamble</p>   | <ul style="list-style-type: none"> <li>Using the Preamble of the “Japan’s Corporate Governance Code [Final Proposal]” as a reference, <b>the new Preamble is added</b> including the following contents:               <ul style="list-style-type: none"> <li>➤ Objectives of the Code</li> <li>➤ Explanation of the “Principles-Based Approach” and the “Comply-or-Explain Approach”</li> <li>➤ Depending on companies’ situations, there are cases where companies should explain.</li> <li>➤ Explaining the reasons why companies comply is desirable to promote constructive dialogue.</li> <li>➤ Role of the “Interpretive Guidance”</li> <li>➤ Aim of Streamlining the Code</li> </ul> </li> </ul>   |
| <p>Dialogue with Shareholders<br/>(Combine and organize provisions covering the same topic)</p> | <ul style="list-style-type: none"> <li>It remains important to engage in constructive dialogue. <b>Combine Section 5 (dialogue with shareholders) with Section 1 (securing the rights and equal treatment of shareholders) and place them at the beginning of the Code</b> due to their importance.</li> </ul>   |
| <p>Board of Directors<br/>(Combine and organize provisions covering the same topic)</p>         | <ul style="list-style-type: none"> <li>As the enhancement of the board functions remains an issue, <b>provisions related to the core responsibilities of the board are upgraded to Principles</b>, while specific description and examples are moved to the “Interpretive Guidance.”</li> <li>To promote the establishment of an appropriate enterprise risk-management framework, add statements in the “Interpretive Guidance” for 4.3 (effective oversight of management and directors) noting that factors the board may consider include responses to cybersecurity risks, supply-chain disruption risks, and risks of information leakage.</li> <li>To enhance the effectiveness of outside directors, <b>clarify the aims of their roles and responsibilities, and ensure their expertise, number, and independence</b> (4.7, 4.8, 4.9).</li> <li>Add <b>the roles and responsibilities of the board secretariat (e.g., corporate secretary)</b> to the “Interpretive Guidance” for 4.12 (active board deliberations) and 4.13 (Information gathering and support structure), then combine these Principles.</li> </ul> |

Note: Unless otherwise stated, the code numbers of General Principles, Principles, and Supplementary Principles shown above are code numbers under the current Code.

## Summary of Proposed Revisions by Topic (2/2)

| Topics  | The Status of Progress and Directions of Proposed Revisions of the Code  |
|---|--|
| Allocation of Business Resources<br>(Combine and organize provisions covering the same topic) | <ul style="list-style-type: none"> <li>Combine and organize 4.2.2 (latter part) (monitoring the allocation of business resources and implementation of strategies regarding business portfolio), 5.2 (establishing and disclosing business strategies and business plans) and 5.2.1 (basic policy and the status of review regarding business portfolio under business strategies) under 4.1 (setting strategic directions for companies' business strategies), 4.2 (establishing environment that supports appropriate risk-taking) and their "Integrative Guidance."</li> <li>Clarify that the board has the <b>roles and responsibilities for setting the path for growth</b> toward corporate goals (4.1).</li> <li>Clarify that <b>the board should explain specific measures related to allocation of business resources</b> such as growth investment and review of their business portfolio based on the company's path for growth (4.1).</li> <li>Clarify that <b>the board should persistently assess whether the current allocation of resources is appropriate</b>, including whether the company effectively utilizes its cash for investments, <b>and that the board should appropriately allocate business resources while recognizing various investment opportunities</b>.</li> </ul> |
| Sustainability<br>(Combine and organize provisions covering the same topic)                   | <ul style="list-style-type: none"> <li><b>Clarify the responsibilities of the board.</b> Combine and organize 2.3 (sustainability issues including social and environmental matters), 2.3.1 (initiatives addressing sustainability issues), and the front part of 4.2.2 (basic policy for sustainability initiatives) under the new 4.4 (sustainability initiatives) and its "Interpretive Guidance."</li> <li>Upgrade 2.4.1 (ensuring diversity such as in promotion to senior positions, disclosing policies for human resource development and internal environment development) to a Principle as diversity remains an issue.</li> </ul>   |
| Cross-Shareholding  | <ul style="list-style-type: none"> <li>As reduction efforts remain in progress, 1.4.1 (hindering sales of cross-held shares by implying a possible reduction of business transactions) and 1.4.2 (transactions with cross-shareholders) are <b>upgraded to Principles</b>, as these remain important.</li> </ul>   |
| Disclosure of Annual Securities Report Before Annual General Meeting                          | <ul style="list-style-type: none"> <li>As Annual Securities Reports contain useful and reliable information for investors' decision-making, add statements to Principle 1.2 (exercise of shareholder rights at Annual General Meetings) from the perspective of promoting companies to develop an appropriate environment for the exercise of shareholder rights at Annual General Meetings.</li> </ul>  |

Note: Unless otherwise stated, the code numbers of General Principles, Principles, and Supplementary Principles shown above are code numbers under the current Code.

# Supplementary Principles Upgraded to Principles (proposed)

- Pursuant to the directions of proposed revisions by topics (slides 7 and 8), the following Supplementary Principles could be **upgraded to Principles**, as they **remain important to state in the Code and are necessary to ensure discipline in the comply or explain approach to promote reform in substance**.

| Supplementary Principles              | Summary   |
|---------------------------------------|---|
| 1.1.1                                 | Assessment of, and response to, company proposals that a substantial number of shareholders opposed at general shareholder meetings.                    |
| 1.2.1, 1.2.3, 1.2.4 (latter part)     | Provision of information, appropriate setting of meeting dates, the use of electric voting platform for general shareholders meetings.                  |
| 1.4.1, 1.4.2                          | Prohibition of “pressure not to sell” cross-shareholding shares; assessment of the economic rationale for holding such shares.                          |
| <u>2.4.1</u> (front and latter parts) | Disclosure of the company’s approach, measurable targets, policies and status of implementation regarding ensuring diversity.                           |
| 3.1.2 (front part)                    | English-language disclosure.  |
| 4.1.3                                 | Succession planning for the CEO.  |
| 4.3.1, 4.3.2, 4.3.3                   | Appointment and dismissal of the CEO and management.  |
| <u>4.8.1, 4.8.2</u>                   | Exchange of information and recognition among independent directors; coordination between management and <i>kansayaku</i> (the <i>kansayaku</i> board). |
| 4.8.3 (front part)                    | Independent directors comprising one-third of the board for listed companies with controlling shareholders (and a majority for Prime listed companies). |
| 4.10.1 (latter part)                  | Disclosure related to independence of voluntary committees for Prime listed companies.  |
| <u>4.11.1</u> (front and latter part) | Disclosure of the company’s approach to board balance, diversity and size; disclosure of policies and procedures for director appointments.             |
| <u>4.11.3</u>                         | Evaluation of board effectiveness.  |
| <u>4.14.1, 4.14.2</u>                 | Knowledge acquisition and training for directors and <i>kansayaku</i> regarding the company’s business, finance and organizational matters.             |
| 5.1.1                                 | Designation of persons responsible for dialogue with shareholders.  |

Note 1: Unless otherwise stated, the code numbers of General Principles, Principles, and Supplementary Principles shown above are the current code numbers under the current Code.

Note 2: Underlined items indicate Principles that are partially upgraded.

# Principles to be Moved to “Interpretive Guidance” (proposed) (1/2)

- Pursuant to the directions of proposed revisions by topics (slides 7 and 8), the following Principles remain important but **could better serve as “Interpretive Guidance” for other Principles, outside the scope of the comply or explain approach, rather than applying comply or explain discipline, to promote reform in substance.**

| Principle and Supplementary Principle | Summary  |
|---------------------------------------|--|
| 1.1.3                                 | Protection of minority shareholders to ensure the rights and equal treatment of shareholders (General Principle 1).  |
| 1.2.2, 1.2.4 (front part), 1.2.5      | Provisions related to early disclosure of information in proxy statements, establishing environment for electronic voting, and enabling beneficial shareholders to exercise voting rights at general shareholder meetings (1.2). |
| 1.3                                   | Explanation of basic capital policy to ensure the rights and equal treatment of shareholders (General Principle 1).  |
| 2.2, 2.2.1                            | Establishment, operation and periodic review of a code of conduct by the board and management to foster corporate culture (General Principle 2).   |
| 2.3.1                                 | Specific measures for responding to sustainability issues (2.3).   |
| <u>2.4</u>                            | Purpose of ensuring diversity within companies (2.4).  |
| <u>2.4.1</u> (front and latter part)  | Examples of diversity (2.4); disclosure of policies and status of implementation regarding human resource development and internal environment development (2.4.1 latter part).  |
| <u>2.5</u> , 2.5.1                    | Perspectives and examples of whistleblowing frameworks (2.5).  |
| <u>3.1</u>                            | Perspectives on appropriate, accurate and useful information disclosure (General Principle 3).   |
| 3.1.3 (front part)                    | Notes for the creation and disclosure of business strategies (4.1).  |
| 3.2.1, 3.2.2                          | Examples of appropriate responses to ensure effective auditing (3.2).  |
| 4.1.2                                 | Examples of setting strategic directions for the company and its business strategies (4.1).  |
| <u>4.2</u> , 4.2.1                    | The board's stance on establishing an environment that supports appropriate risk-taking (4.2); perspectives and specific measures for director incentive remuneration (4.2).   |

Note 1: Unless otherwise stated, the code numbers of General Principles, Principles, and Supplementary Principles shown above are code numbers under the current Code.

Note 2: Underlined items indicate Principles that are partially moved to “Interpretive Guidance.”

## Principles to be Moved to “Interpretive Guidance” (proposed) (2/2)

- Pursuant to the directions of proposed revisions by topics (slides 7 and 8), the following Principles remain important but **could better serve as “Interpretive Guidance” for other Principles, outside the scope of the comply or explain approach, rather than applying comply or explain discipline, to promote reform in substance.**

| Principle and Supplementary Principle                                 | Summary   |
|---|---|
| <u>4.3</u> , 4.3.4  | Perspectives on monitoring management and directors; specific measures for establishing internal-control and risk-management systems (4.3).   |
| <u>4.4</u> , 4.4.1 (latter part)                                      | Examples of the roles and responsibilities of <i>kansayaku</i> (4.4), coordination with outside directors.  |
| 4.5   | Fiduciary duties of directors and <i>kansayaku</i> .  |
| 4.6   | Specific examples of separating monitoring from business execution to ensure effective monitoring of management (4.3).  |
| <u>4.8.1</u> , <u>4.8.2</u>   | Examples of effective functioning of independent directors (newly added 4.11).  |
| 4.8.3 (latter part)   | Formation of a special committee in lieu of appointing independent directors comprising one-third of the board (4.8.3 front part).  |
| 4.10.1 (front part)   | Specific instances of the use of optional approaches (voluntary committees) (4.10).   |
| <u>4.11.1 (front part)</u> , 4.11.2 (front part), 4.11.3 (front part) | Disclosure of policies and procedures for director appointments; examples of precondition for ensuring board and <i>kansayaku</i> board effectiveness (4.11); specific measures for evaluating board effectiveness. |
| 4.12.1  | Specific measures to promote active deliberation by the board (4.12).   |
| 4.13.3  | Specific measures for information gathering by directors and <i>kansayaku</i> (4.13).   |
| General Principle 5 (latter part)                                     | Purpose and stance of constructive dialogue with shareholders (General Principle 5 front part).   |
| 5.1.2   | Specific elements of policies to promote constructive dialogue with shareholders (5.1).   |
| 5.2.1   | Specific content required when explaining the creation and disclosure of business strategies and business plans (5.2).  |

Note 1: Unless otherwise stated, the code numbers of General Principles, Principles, and Supplementary Principles shown above are code numbers under the current Code.

Note 2: Underlined items indicate Principles that are partially moved to “Interpretive Guidance”

## Principles Removed from the Code (proposed) (1/2)

- ❑ Ten years have passed since the formulation of the Code. Corporate governance reform has progressed to some extent, including the establishment of governance systems in form. Companies' recognition and understanding of corporate governance, particularly the functions, roles, responsibilities and authorities of each corporate body, have also improved.
- ❑ The following parts of the Principles could be **removed** due to a **reduced necessity for them to be stated in the Code, as these concepts are now widely accepted and implemented in practice**.

| Reasons for Removal             | Principles                           | Summary   | Rate of Compliance (Reference) |
|---------------------------------|--------------------------------------|---|--------------------------------|
| Widely accepted and implemented | 1.1.2                                | Factors to consider when proposing the delegation of authority to the board at the general shareholder meeting.     | 99.9%                          |
|                                 | General Principle 4 (latter part)    | Roles and responsibilities of the board should be fulfilled regardless of the company's organizational structure.   | 100.0%                         |
|                                 | General Principle 4 "Note" (partial) | Commentary on the three forms of organizational structure.  | Out of scope                   |
|                                 | 4.1.1                                | Disclosure of the scope of delegation from the board to management.   | 99.8%                          |
|                                 | 4.4.1 (front part)                   | Functions of <i>kansayaku</i> board (combination of independence and effective information-gathering capabilities). | 99.9%                          |
|                                 | 5.1.3 (front part)                   | Identify the ownership structure.   | 99.8%                          |

Note 1: Unless otherwise stated, the code numbers of General Principles, Principles, and Supplementary Principles shown above are code numbers under the current Code.

Note 2: The rate of compliance is calculated based on Corporate Governance Reports submitted by all listed companies on the Prime and Standard markets (as of July 12, 2024).

## Principles Removed from the Code (proposed) (2/2)

- ❑ The following Principles could be **removed** due to a **reduced necessity for them to be stated in the Code, as they overlap with other Principles as well as with existing laws and regulations.**

| Reasons of Removal                 | Principles              | Summary  | Overlaps with Sections within the Code and with Laws and Regulations  | Rate of Compliance (Reference) |
|------------------------------------|-------------------------|--|---|--------------------------------|
| Overlaps within the Code           | 1.1                     | Ensuring the rights of shareholders.   | General Principle 1   | 100.0%                         |
|                                    | <u>1.7</u>              | Related-party transactions.  | 4.3   | 99.8%                          |
|                                    | 3.1.1                   | Avoid disclosure that is boilerplate or lacking detail.                                    | General Principle 3 and its “Note”  | 99.8%                          |
|                                    | <u>4.3</u>              | Monitoring timely and accurate information disclosure.                                     | General Principle 3 and 3.1   | 99.5%                          |
|                                    | 4.13.1                  | Additional information gathering by directors and <i>kansayaku</i> .                       | 4.13  | 100.0%                         |
|                                    | 4.13.2                  | Obtaining advice from external specialists at company expense.                             | 4.13  | 100.0%                         |
|                                    | 4.14.1 (latter part)    | Renewing and updating the knowledge of directors and <i>kansayaku</i> .                    | 4.14  | 98.7%                          |
| Overlaps with laws and regulations | 1.5                     | Poison Pills.  | Securities Listing Regulations (timely disclosure)  | 99.4%                          |
|                                    | 1.5.1                   | Position statement of the board when tender offer bid is commenced.                        | Financial Instruments and Exchange Act<br>Securities Listing Regulations (timely disclosure)                              | 99.9%                          |
|                                    | 1.6                     | Capital policy regarding share offerings and management buyouts.                           | Securities Listing Regulations (timely disclosure)  | 100.0%                         |
|                                    | 3.1.2 (latter part)     | English-language disclosure (Prime listed companies).                                      | Securities Listing Regulations  | <u>96.6%</u>                   |
|                                    | 3.1.3 (latter part)     | TCFD-equivalent disclosure (Prime listed companies).                                       | Financial Instruments and Exchange Act<br>(Annual Securities Report)  | <u>85.8%</u>                   |
|                                    | <u>4.9 (front part)</u> | Disclosure of standards for evaluating independence of independent directors.              | Financial Instruments and Exchange Act<br>(Annual Securities Report)  | 97.2%                          |
|                                    | 4.11.2 (latter part)    | Disclosure of the status of directors and <i>kansayaku</i> serving multiple directorships. | Companies Act (business report, proxy statement),<br>Financial Instruments and Exchange Act<br>(Annual Securities Report) | 99.9%                          |
|                                    | 5.1.3 (latter part)     | Cooperation of shareholders in identifying ownership structure.                            | Stewardship Code (transparency of beneficial shareholders)  | 99.8%                          |

Note 1: Unless otherwise stated, the code numbers of General Principles, Principles, and Supplementary Principles shown above are code numbers under the current Code.

Note 2: Underlined items indicate Principles that are partially removed.

Note 3: Rate of compliance is calculated based on Corporate Governance Report submitted by all listed companies on the Prime and Standard markets (as of July 12, 2024).

Principles underlined above only apply to Prime listed companies.

# Discussion Topics

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## [Overall]

With respect to the proposed revised version of the Code in the Material 3:

- (1) Whether these revisions achieve the goal of promoting corporate governance reforms in substance and allowing companies to focus on important governance matters, while reducing unnecessary overlaps with other laws and regulations.
- (2) Whether the proposed direction for reclassifying Principles (slides 7-13) is appropriate, specifically:  
(i) upgrading certain Supplementary Principles to Principles, (ii) moving certain Principles to the “Interpretive Guidance” section, and (iii) removing certain Principles from the Code.

## [Specifics]

- (3) Whether the Preamble accurately and concisely expresses the aim and spirit of the Code.
- (4) How we should consider revised Principles and their “Interpretive Guidance” in the proposed revised version of the Code including the following items:
  - ✓ Appropriate allocation of business recourses (Principle 4.1 and 4.2 (proposal))
  - ✓ Disclosure of Annual Securities Reports before Annual General Meetings (Principle 1.2 (proposal))
  - ✓ Roles of the board secretariat (Principle 4.13 (proposal))
  - ✓ Organizing and clarifying (i) the roles and responsibilities of independent directors and (ii) the expertise, number, and independence required of independent directors (Principle 4.7- 4.10 (proposal))