



## **Excellent Sustainability Disclosures and Most-improved Sustainability Disclosures from the Perspective of Materiality Selected by GPIF's Asset Managers Entrusted with Domestic Equity Investment**

The Government Pension Investment Fund (GPIF) established its Sustainability Investment Policy last March and aims to contribute to the enhancement of the long-term performance of its entire portfolio by achieving both “reduction of sustainability-related risks and improvement of the sustainability of markets” and “securing of market average return.”

In line with its Sustainability Investment Policy and its Policy to Fulfill Stewardship Responsibilities, GPIF promotes a range of sustainability-related activities with a focus on materiality.

As part of these efforts, in this fiscal year, GPIF asked its external asset managers entrusted with domestic equity investment (hereinafter, “asset managers”) to nominate up to 10 companies providing “excellent sustainability disclosures from the perspective of materiality” that were useful in the asset managers’ engagement activities throughout the year. In addition, “excellent sustainability disclosures,” GPIF also requested the asset managers to nominate up to five companies that have provided the “most-improved sustainability disclosures from the perspective of materiality.”

In response to GPIF’s request, a total of 23 asset managers nominated companies, and as shown in the following list, 89 companies and 66 companies have been selected for “excellent sustainability disclosures” and “most-improved sustainability disclosures,” respectively.

### **【Companies nominated by four or more asset managers for their “excellent sustainability disclosures from the perspective of materiality”】 (number of external asset managers)**

◇ Ajinomoto Co., Inc.	(8)	◇ SONY GROUP CORPORATION	(6)
◇ ITOCHU Corporation	(7)	◇ Sekisui Chemical Co., Ltd.	(4)
◇ Hitachi, Ltd.	(6)	◇ Tokio Marine Holdings, Inc.	(4)

### **【Companies nominated by four or more asset managers for their “most-improved sustainability disclosures from the perspective of materiality”】 (number of external asset managers)**

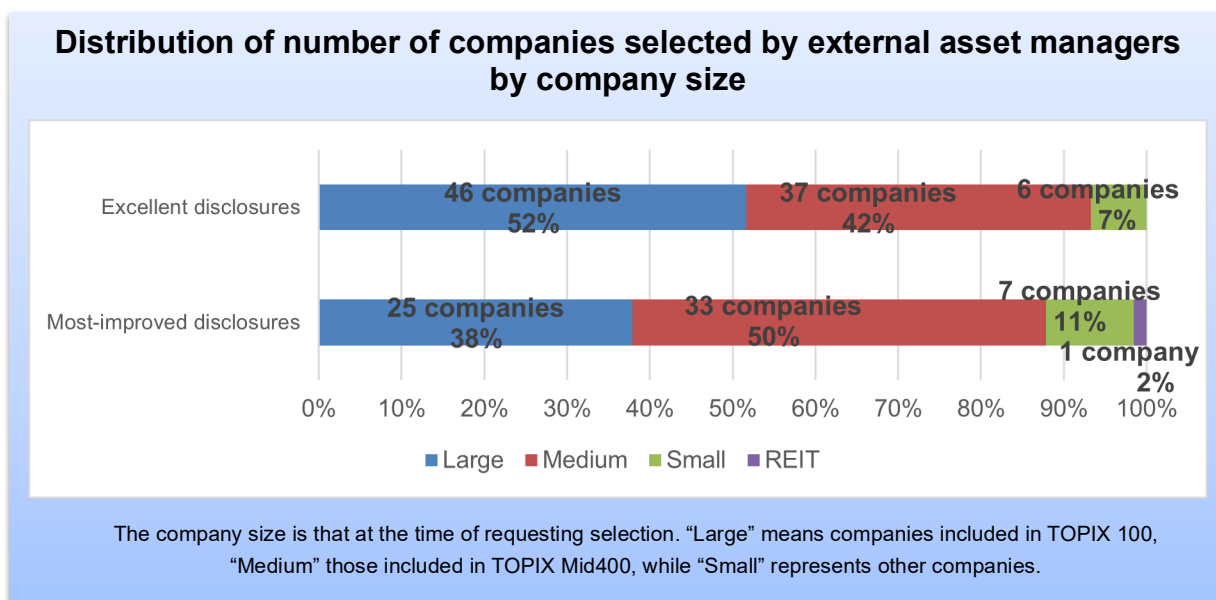
**East Japan Railway Company (4)**

\*The names of the companies are listed in the order of their securities code in cases where the number of nominating asset managers is the same.

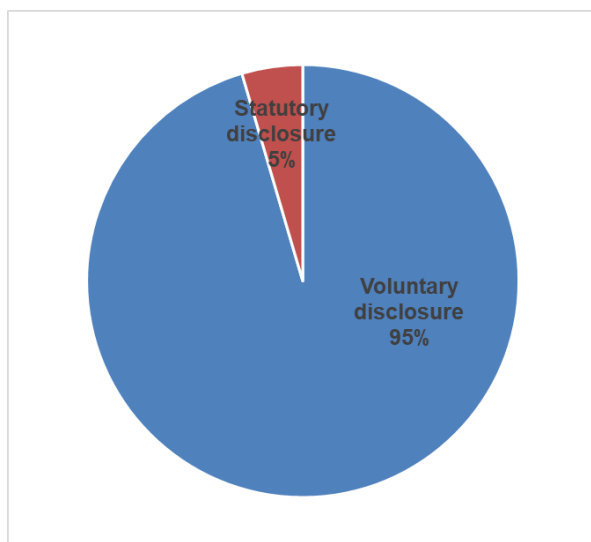
By company size, large companies accounted for approximately half of the companies selected for excellent sustainability disclosures, whereas the majority of companies selected for most-improved sustainability disclosures were small and medium-sized companies.

The distribution by disclosure type (mandatory vs. voluntary) and by disclosure medium is shown on page 3. Regarding the disclosures selected as "excellent sustainability disclosures," voluntary disclosures accounted for an overwhelming majority: 95% (147 cases) were voluntary, of which 97 cases were integrated reports. Some asset managers noted that it was difficult to select disclosures such as compensation in securities reports and corporate governance reports, as the selection was placed particular emphasis on the "perspective of materiality." Nevertheless, even taking this into consideration, the voluntary disclosures still accounted for an overwhelming majority. This time, GPIF also made a similar request to asset managers entrusted with foreign equity investment, and the results of foreign companies (including some Japanese companies) were different from those of domestic companies.

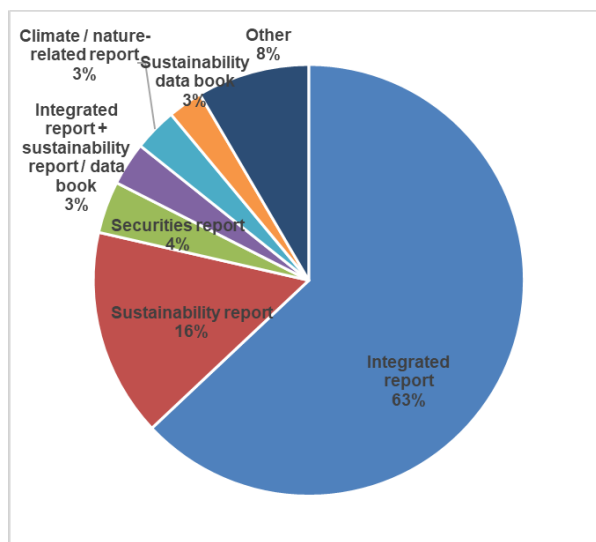
In Japan, the creation and disclosure of integrated reports have advanced significantly and are highly evaluated. In contrast, some issues with mandatory disclosures have been identified. In addition, as disclosures based on the SSBJ standards are expected to be introduced in phases, careful consideration will be required regarding how to appropriately distinguish and utilize mandatory and voluntary disclosures in the future. In conjunction with the selection of companies, GPIF also requested asset managers to provide their views on areas where materiality-focused sustainability disclosures should be further enhanced, as well as on any gaps identified through their engagement with companies (see page 11 onward for details.) We hope that these insights will serve as a useful reference for the future development of sustainability disclosures.



**<Distribution by type of disclosure  
(mandatory vs voluntary disclosures)>**



**<Distribution by disclosure medium>**



\*“Integrated report + sustainability report/data book” in “Distribution by disclosure medium” refers to companies selected based on a combination of these two formats.

\*“Others” in the graph comprises annual reports, corporate governance reports, board of directors effectiveness evaluation results, human rights reports, human capital reports, medium-term management plans, impact reports, investor reports, and website disclosures.

(Background information)

GPIF regards sustainability disclosures provided through corporate integrated reports and other media as important tools for constructive dialogue to enhance their corporate value, and considers them useful in facilitating engagement between asset managers and investee companies. Accordingly, GPIF has been promoting companies to enhance their sustainability disclosures and urging investors to utilize them. As part of this effort, until the previous fiscal year, GPIF requested its asset managers to select “excellent integrated reports,” “most-improved integrated reports,” “excellent TCFD disclosures,” and following the revision of the Corporate Governance Code, “excellent corporate governance reports.” Last year, GPIF also requested the asset managers to select “excellent TNFD disclosures.”

Meanwhile, the adoption of sustainability disclosures based on the ISSB standards has been promoted globally. In particular for Japanese companies, mandatory disclosures based on the SSBJ standards, aligned with the ISSB standards, are expected to be introduced in phases. In light of this development, sustainability disclosures are required to be approached in an integrated manner rather than through individual media. Under these circumstances, GPIF has decided to consolidate the disclosure categories into a single one: “Excellent sustainability disclosures.”

Moreover, GPIF released a document titled “Direction and medium-term initiatives of GPIF’s stewardship activities” last March. As one of the important issues for the 5th Medium-term Objectives period, which started from fiscal 2025, we state: “Going forward, from the perspective of financial materiality, GPIF will continue to consider it important that external asset managers encourage investee companies’ pursuit of opportunities, risk reduction (including enhancing resilience), and information disclosure related to sustainability.” Against this backdrop, GPIF requested its asset managers to nominate companies that provide excellent sustainability disclosures and most-improved sustainability disclosures from the perspective of materiality.

## Companies selected by GPIF’s external asset managers for their “excellent sustainability disclosures from the perspective of materiality”

Code	Company name	Sector	Small	Number of nominations	Code	Company name	Sector	Small	Number of nominations
1332	Nissui Corporation	Fishery, Agriculture & Forestry		1	6762	TDK Corporation	Electric Appliances		2
1911	Sumitomo Forestry Co., Ltd	Construction		1	6841	YOKOGAWA ELECTRIC CORPORATION	Electric Appliances		1
1925	DAIWA HOUSE INDUSTRY CO., LTD.	Construction		1	6902	DENSO CORPORATION	Transportation Equipment		1
1961	SANKI ENGINEERING CO., LTD.	Construction	☆	1	6925	USHIO INC.	Electric Appliances		1
2413	M3, Inc.	Services		1	7011	Mitsubishi Heavy Industries, Ltd.	Machinery		1
2502	Asahi Group Holdings, Ltd.	Foods		3	7186	Yokohama Financial Group, Inc.	Banks		1
2503	Kirin Holdings Company, Limited	Foods		1	7203	TOYOTA MOTOR CORPORATION	Transportation Equipment		3
2802	Ajinomoto Co., Inc.	Foods		8	7381	CCI Group, Inc.	Banks	☆	1
2871	NICHIREI CORPORATION	Foods		1	7453	RYOHIN KEIKAKU CO., LTD.	Retail Trade		1
3088	MatsukiyoCocokara & Co.	Retail Trade		2	7701	Shimadzu Corporation	Precision Instruments		1
3099	Isetan Mitsukoshi Holdings Ltd.	Retail Trade		1	7741	HOYA CORPORATION	Precision Instruments		3
3116	TOYOTA BOSHOKU CORPORATION	Transportation Equipment		1	7751	CANON INC.	Electric Appliances		1
3407	ASAHI KASEI CORPORATION	Chemicals		2	7752	RICOH COMPANY, LTD.	Electric Appliances		1
3697	SHIFT Inc.	Information & Communication		1	7915	Nissha Co., Ltd.	Other Products	☆	1
4004	Resonac Holdings Corporation	Chemicals		2	7936	ASICS Corporation	Other Products		2
4063	Shin-Etsu Chemical Co., Ltd.	Chemicals		1	7956	PIGEON CORPORATION	Other Products		1
4186	TOKYO OHKA KOGYO CO., LTD.	Chemicals		1	7972	ITOKI CORPORATION	Other Products	☆	2
4204	Sekisui Chemical Co., Ltd.	Chemicals		4	8001	ITOCHU Corporation	Wholesale Trade		7
4307	Nomura Research Institute, Ltd.	Information & Communication		2	8002	Marubeni Corporation	Wholesale Trade		1
4452	Kao Corporation	Chemicals		1	8015	TOYOTA TSUSHO CORPORATION	Wholesale Trade		1
4503	Astellas Pharma Inc.	Pharmaceutical		3	8031	MITSUI & CO., LTD.	Wholesale Trade		3
4519	CHUGAI PHARMACEUTICAL CO., LTD.	Pharmaceutical		2	8035	Tokyo Electron Limited	Electric Appliances		3
4523	Eisai Co., Ltd.	Pharmaceutical		2	8053	SUMITOMO CORPORATION (SUMITOMO SHOJI KAISHA,LTD.)	Wholesale Trade		1
4540	TSUMURA & CO.	Pharmaceutical		1	8058	Mitsubishi Corporation	Wholesale Trade		1
4612	NIPPON PAINT HOLDINGS CO., LTD.	Chemicals		2	8136	Sanrio Company, Ltd.	Wholesale Trade		1
4666	PARK24 Co., Ltd.	Real Estate		1	8174	NIPPON GAS CO., LTD.	Retail Trade		1
4901	FUJIFILM Holdings Corporation	Chemicals		1	8252	MARUI GROUP CO., LTD.	Retail Trade		1
4911	Shiseido Company, Limited	Chemicals		1	8306	Mitsubishi UFJ Financial Group, Inc.	Banks		3
4912	Lion Corporation	Chemicals		1	8316	Sumitomo Mitsui Financial Group, Inc.	Banks		1
5108	BRIDGESTONE CORPORATION	Rubber Products		1	8411	Mizuho Financial Group, Inc.	Banks		2
5110	Sumitomo Rubber Industries, Ltd.	Rubber Products		1	8591	ORIX Corporation	Other Financing Business		1
5201	AGC Inc.	Glass & Ceramics Products		1	8601	Daiwa Securities Group Inc.	Securities & Commodity Futures		1
5713	Sumitomo Metal Mining Co., Ltd.	Nonferrous Metals		1	8766	Tokio Marine Holdings, Inc.	Insurance		4
5741	UACJ Corporation	Nonferrous Metals	☆	1	8801	Mitsui Fudosan Co., Ltd.	Real Estate		3
5805	SWCC Corporation	Nonferrous Metals	☆	1	8802	Mitsubishi Estate Company, Limited	Real Estate		2
6098	Recruit Holdings Co., Ltd.	Services		2	9021	West Japan Railway Company	Land Transportation		1
6301	KOMATSU LTD.	Machinery		1	9022	Central Japan Railway Company	Land Transportation		1
6361	EBARA CORPORATION	Machinery		2	9142	Kyushu Railway Company	Land Transportation		2
6367	DAIKIN INDUSTRIES, LTD.	Machinery		3	9433	KDDI CORPORATION	Information & Communication		1
6501	Hitachi, Ltd.	Electric Appliances		6	9434	SoftBank Corp.	Information & Communication		2
6504	FUJI ELECTRIC CO., LTD.	Electric Appliances		2	9508	Kyushu Electric Power Company, Incorporated	Electric Power & Gas		1
6701	NEC Corporation	Electric Appliances		1	9532	OSAKA GAS CO., LTD.	Electric Power & Gas		1
6702	Fujitsu Limited	Electric Appliances		2	9697	CAPCOM CO., LTD.	Information & Communication		1
6723	Renesas Electronics Corporation	Electric Appliances		1	9983	FAST RETAILING CO., LTD.	Retail Trade		1
6758	SONY GROUP CORPORATION	Electric Appliances		6					

Note: The above list shows the companies selected by external asset managers for their “excellent sustainability disclosures from the perspective of materiality” (listed in order of securities code). The companies highlighted in blue were nominated by two or more external asset managers. Small size refers to companies other than those in the TOPIX 500 at the time of requesting selection.

## Companies selected by GPIF’s external asset managers for their “most-improved sustainability disclosures from the perspective of materiality”

Code	Company name	Sector	Small	Number of nominations
1605	INPEX CORPORATION	Mining		1
1801	TAISEI CORPORATION	Construction		2
1803	SHIMIZU CORPORATION	Construction		1
1808	HASEKO Corporation	Construction		1
1835	TOTETSU KOGYO CO., LTD.	Construction	☆	1
1944	KINDEN CORPORATION	Construction		1
2264	MORINAGA MILK INDUSTRY CO., LTD.	Foods		1
2267	YAKULT HONSHA CO., LTD.	Foods		1
2413	M3, Inc.	Services		2
2503	Kirin Holdings Company, Limited	Foods		1
2607	FUJI OIL CO., LTD.	Foods		1
2871	NICHIREI CORPORATION	Foods		1
3088	MatsukiyoCocokara & Co.	Retail Trade		1
3099	Isetan Mitsukoshi Holdings Ltd	Retail Trade		2
3132	MACNICA HOLDINGS, INC.	Wholesale Trade		1
3382	Seven & i Holdings Co., Ltd.	Retail Trade		1
3402	TORAY INDUSTRIES, INC.	Textiles & Apparels		1
3466	LaSalle LOGIPOINT REIT	REIT		1
3635	KOEI TECMO HOLDINGS CO., LTD.	Information & Communication		2
3861	Oji Holdings Corporation	Pulp & Paper		1
4005	SUMITOMO CHEMICAL COMPANY, LIMITED	Chemicals		1
4452	Kao Corporation	Chemicals		2
4503	Astellas Pharma Inc.	Pharmaceutical		1
4536	SANTEN PHARMACEUTICAL CO., LTD.	Pharmaceutical		1
4886	ASKA Pharmaceutical Holdings Co., Ltd.	Pharmaceutical	☆	1
4901	FUJIFILM Holdings Corporation	Chemicals		2
4971	MEC COMPANY LTD.	Chemicals	☆	1
5401	NIPPON STEEL CORPORATION	Iron & Steel		1
5706	Mitsui Kinzoku Company, Limited	Nonferrous Metals		1
5844	Kyoto Financial Group, Inc.	Banks		1
5943	NORITZ CORPORATION	Metal Products	☆	1
6273	SMC CORPORATION	Machinery		1
6301	KOMATSU LTD.	Machinery		1
6383	DAIFUKU CO., LTD.	Machinery		1
6752	Panasonic Holdings Corporation	Electric Appliances		1
6762	TDK Corporation	Electric Appliances		2
6841	YOKOGAWA ELECTRIC CORPORATION	Electric Appliances		1
6857	ADVANTEST CORPORATION	Electric Appliances		1
6902	DENSO CORPORATION	Transportation Equipment		1
6925	USHIO INC.	Electric Appliances		3
6981	Murata Manufacturing Co., Ltd.	Electric Appliances		1
7013	IHI Corporation	Machinery		1
7203	TOYOTA MOTOR CORPORATION	Transportation Equipment		1
7241	FUTABA INDUSTRIAL CO., LTD.	Transportation Equipment	☆	1
7453	RYOHIN KEIKAKU CO., LTD.	Retail Trade		2
7741	HOYA CORPORATION	Precision Instruments		1
7864	FUJI SEAL INTERNATIONAL, INC.	Other Products	☆	1
7936	ASICS Corporation	Other Products		1
8031	mitsui & co., LTD.	Wholesale Trade		1
8035	Tokyo Electron Limited	Electric Appliances		1
8129	TOHO HOLDINGS CO., LTD.	Wholesale Trade		1
8136	Sanrio Company, Ltd.	Wholesale Trade		1
8381	The San-in Godo Bank, Ltd.	Banks	☆	1
8473	SBI Holdings, Inc.	Securities & Commodity Futures		1
8604	Nomura Holdings, Inc.	Securities & Commodity Futures		1
8630	Sompo Holdings, Inc.	Insurance		1
8750	Daiichi Life Group, Inc.	Insurance		2
9020	East Japan Railway Company	Land Transportation		4
9024	SEIBU HOLDINGS INC.	Land Transportation		1
9107	Kawasaki Kisen Kaisha, Ltd.	Marine Transportation		1
9202	ANA HOLDINGS INC.	Air Transportation		1
9432	NTT, Inc.	Information & Communication		1
9433	KDDI CORPORATION	Information & Communication		1
9508	Kyushu Electric Power Company, Incorporated	Electric Power & Gas		1
9531	TOKYO GAS CO., LTD.	Electric Power & Gas		1
9843	Nitori Holdings Co., Ltd.	Retail Trade		1

Note: The above list shows the companies nominated by external asset managers for their “most-improved sustainability disclosures from the perspective of materiality” (listed in order of securities code). The companies highlighted in blue were nominated by two or more external asset managers. Small size refers to companies other than those in the TOPIX 500 at the time of requesting selection.

**Remarks on “excellent sustainability disclosures from the perspective of materiality” nominated by four or more external asset managers**

<b>Ajinomoto Co., Inc.</b>	Points of excellence (reasons)
Integrated report	Based on the Ajinomoto Group Shared Value (ASV), the report clearly disclosed the company’s materiality (health and nutrition, and reduction of environmental impact) as a linkage between social value and economic value.
Integrated report	In the message from the new President Nakamura, the introduction of the new president is enhanced through his personal profile and management policies. The succession process for the new president in a contingency was explained in the governance section, with a focus on the Chairperson of the Board of Directors. This demonstrated the high effectiveness of the Board and resulted in a high evaluation.
ASV Report	In its human capital-related disclosures, the company conducts quantitative analysis of performance and non-financial indicators, referred to as “Key engagement indicators impacting the Ajinomoto Group’s performance.” In addition, as part of its 2030 vision, the company is committed to reducing environmental impact by 50% and extending healthy life expectancy for one billion people. It also discloses quantitative data on both its positive and negative impacts as part of its efforts to demonstrate the connectivity between financial and non-financial data. These efforts were highly evaluated.
ASV Report	For 6 material themes, the company clearly separates target areas and initiatives. Its sustainability initiatives and targets are listed with direct connection to its business, as well as specific examples.
ASV Report	Upholding the purpose of “Contributing to the well-being of people, society and the planet through AminoScience,” the company is characterized by an integrated approach centered on “Ajinomoto Group Creating Shared Value (ASV) management,” which aims to co-create social and economic value through its business. In its integrated report, “ASV Report 2025,” the company discloses its business activities and sustainability initiatives in an integrated manner and emphasizes that its founding aspiration, “Eat Well, Live Well”, has been carried forward into its current ASV management approach. The company has set ambitious targets of “reducing environmental impact by 50%” and “extending healthy life expectancy for one billion people” by 2030, and reports on its progress in its sustainability report. In particular, since fiscal 2025, the company has started disclosures in line with the TNFD recommendations and is enhancing its response to new disclosure frameworks. With these forward-looking initiatives, the company received high recognition.
Sustainability Report (Sustainability / ESG Report)	<p>The company has disclosed a wide range of sustainability-related information, including environmental data, human resources and labor -related data, and tax-related data, in addition to the data disclosed in the sustainability report. In its sustainability report, the company clearly shows its profit structure by business ( such as seasonings and AminoScience).</p> <p>Among companies in the food industry, the company provides relatively detailed information about its intangible assets (brand and technologies).</p> <p>The company provides well-organized explanations of risks to its supply chain, materials prices and others.</p> <p>The company mentions food loss, animal welfare, human rights and others in detail. The company also identifies its materiality issues in an appropriate manner in the integrated report (ASV Report).</p>
Sustainability Report	The report clearly demonstrates that the company’s Purpose is embedded in the Ajinomoto Group Creating Shared Value (ASV) initiative, which fully integrates social and economic value creation into its business strategy. The value chain diagram, mapping each phase to material sustainability issues with page references, is particularly investor-friendly, supporting analysis of how these issues are incorporated into the business model. Additionally, the report goes beyond presenting targets by providing detailed context, progress updates, and discussion of future challenges, enabling investors to better assess the credibility of the targets and their progress.
Integrated report + Sustainability report	The company’s commitment to increasing the effectiveness of its measures is evident not only in the integrated report but also in dialogue with outside directors on IR Day, as well as in the advanced initiatives for enhancing corporate value described in business briefing sessions.

<b>ITOCHU Corporation</b>	Points of excellence (reasons)
Integrated report	Based on the formula, “Enhancement of corporate value = Expand created value / (Lower cost of capital – Increase growth rate),” the company explains corporate value by linking it to the three elements of its management policy: “Grow Earnings,” “Financial Strategies / Shareholder Returns” and “Enhancement of Corporate Brand Value” The report also explains how the business model relates to each type of capital.
Integrated report	In line with the revision of disclosed content of the medium-term management plans, the message regarding the company’s future vision has become clearer. The details of the value creation system and its implementation have been described in a sophisticated manner year by year, and the content is presented concisely and well-balanced between charts and text, making it very easy to read.
Integrated report	The integrated report is structured to clearly present the company’s vision and initiatives for enhancing corporate value. The report shows the company’s corporate mission and management philosophy, positions human capital as the foundation of its competitive strengths, and systematically explains the specific measures to be implemented to further enhance these strengths based on the PDCA cycle. The report is clear, persuasive and commendable.
Integrated report	The report links materiality to its value creation story through both “financial capital” and “non-financial capital” and clearly presents quantitative KPIs, ensuring disclosures that are effective and easy for investors to understand.
Integrated report	Materiality issues are appropriately identified. Explanations of the business segments (such as energy, machinery, food, general products & reality, and ICT) are presented in a very systematic manner. The report carefully explains indicators unique to a general trading company, such as those related to cash flow, equity in earnings of affiliates, and investment recovery. Among trading companies in Japan, the company excels in its explanations of risk management (resource prices, country risks and foreign exchange risks) The company has long been publishing an English version of the report, which is widely utilized by foreign investors.
Integrated report	Based on its corporate philosophy of, “ <i>Sampo-yoshi</i> ,” the company has identified its materiality issues in consideration for all stakeholders, making it easy to understand that they are aligned with the corporate values and strategic direction. It is also highly regarded that the description of each materiality issue includes background information, the challenges to be addressed, and the actions to be taken.
ESG Report	Referencing globally recognized reporting guidelines, the company’s ESG report provides detailed and well-structured disclosure of financially material sustainability issues across all its businesses while the company is engaged in a variety of businesses as a general trading company, making it easy for investors to follow and benchmark against international peers. The report outlines holding-company-level policies, management measures, and targets for these issues, while also offering division-level disclosures on specific approaches. This level of transparency reflects robust group-level oversight and top-down progress tracking, while enabling a clear understanding of business-specific sustainability risks, how the company addresses them, and how these considerations inform its overall business strategy.

<b>Hitachi, Ltd.</b>	Points of excellence (reasons)
Integrated report	Based on its corporate philosophy of, “contribute to society through the development of superior, original technology and products,” the company is advanced in positionings sustainability as the core of its management strategy. The company conducts social innovation business globally and through its sustainability strategy “PLEDGES,” aims to further accelerate this business with Lumada at its core, thereby delivering greater value to people and the Earth. This strategic integration is clearly demonstrated through the linkage of multiple disclosure vehicles, including the integrated report, and securities report. It is designed to enable a comprehensive understanding of the company’s management strategies, progress in ESG initiatives, and related data when these materials are read together.
Sustainability report	The company ensures transparency through systematic disclosure of sustainability-related information. It demonstrates the linkage between its sustainability strategy, “PLEDGES” and financial impact, thereby substantiating its effectiveness in enhancing corporate value.

Sustainability report	The report presents the company's climate-related disclosures in a clear and structured manner in line with TCFD's four pillars (governance, strategy, risk management, and metrics and targets). The disclosed information includes scenario analysis (comparison between the 1.5 °C and 4.0 °C scenarios), clear metrics and targets, in-house carbon pricing, governance and strategy. The sustainability report has also received third-party assurance.
Sustainability report (Sustainability/ESG Report)	The company has established important processes for sustainable management in line with its clearly defined sustainability strategy "PLEDGES" (on materiality). Among major manufacturing companies, the company provides a relatively high volume of governance- and risk-related disclosures, and the information is presented in a systematic manner. Detailed disclosures are provided for each business segment (social infrastructure, IT, industrial system and others). Explanations of internal controls, auditing and risk identification are well organized and a high level of consistency is maintained in the descriptions. English version of the report is also provided on a consistent basis, contributing to a high level of transparency for non-Japanese investors.
Sustainability Report	Hitachi's Sustainability Report 2025 provides detailed information about their new sustainability strategy, PLEDGES. In particular, this provides useful disclosure on how this new sustainability strategy is aligned with their new management plan Inspire 2027, in addition to detailed information on the governance and oversight of this sustainability strategy throughout the business. The disclosures have been prepared in accordance with global standards, including SASB, providing both quantitative and qualitative disclosure across a range of financially material sustainability topics. Key sustainability information has also received third-party assurance.
Integrated report + Sustainability report	By selectively presenting both financial and non-financial information related to corporate value enhancement through Lumada, the company has further strengthened the persuasiveness of its value creation story.

<b>SONY GROUP CORPORATION</b>	Points of excellence (reasons)
Integrated report	The entire report is structured around a coherent narrative based on the corporate purpose. Materiality is also presented in relation to the purpose.
Integrated report	The company has identified diversity, respect for human rights and climate change as three key priorities for realizing its vision of creating "Inspire a world filled with emotion for this generation and beyond." In particular, with respect to its human resource strategy, which serves as the driving force behind creating "inspiration," the company clearly articulates specific mechanisms to ensure that the organization remain creative as a whole despite difficulty of expressing such elements in both qualitative and quantitative manner.
Sustainability report (Sustainability/ESG Report)	The long-term vision, "Human-centric technology x creativity" is easy to understand, and the company provides high-quality non-financial information. The report clearly explains how IP (music, anime and games) is linked with hardware (semiconductors and imaging equipment). The medium- to long-term strategy (Road to 2030) and financial KPIs are logically organized, resulting in a compelling the company's value creation story. Non-financial information (ESG and human capital) is organized in line with relevant international standards. The company also demonstrates a strong awareness of supply chain management.
Sustainability Report	Sony Group's Sustainability Report 2025, as well as their integrated Corporate Report 2025, together provide a comprehensive overview of how they manage financially material sustainability risks and also how they look to benefit from sustainability-related opportunities. In particular, the reporting provides useful qualitative and quantitative disclosures regarding their approach to managing and fostering human capital, such as supporting cross-function mentoring and rotation, enabling further understanding of how this is aligned with their efforts to expand intellectual property across entertainment and technology segments.
Sustainability report	Through its materiality analysis, the company clearly identifies sustainability issues and provides an easy-to-understand disclosure of the framework for implementing initiatives across the group in a coordinated manner. The report explains the company's value creation initiatives for each business and the disclosures are comprehensive.

Sustainability report	Materiality for each business is clearly defined and linked to the company's management strategies. A wide range of topics, including diversity, climate change, supply chains, and human rights, is covered, and quantitative KPIs and progress are also disclosed. The company demonstrates a strong awareness of need to align with global standards.
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<b><u>Sekisui Chemical Co., Ltd.</u></b>	Points of excellence (reasons)
Integrated report	The report quantitatively discloses the company's corporate value in a circular economy.
Integrated report	In the report, the company has established indicators for the environmental impact of its corporate activities (use of natural and social capital) and measured return ratios by comparing these impacts with contributions made by its products. Through this approach, the company continues to conduct highly distinctive business evaluations. Also, by converting the impact of its corporate activities on stakeholders as a whole into monetary value, the company evaluates the validity of its strategies. The company exhibits a high level of alignment between sustainability management and business strategies. In addition to its integrated report, the company utilizes multiple disclosure documents, such as its sustainability report and TCFD and TNFD reports, to report comprehensively and systematically on both financial and non-financial aspects.
Integrated report	On its Products to Enhance Sustainability, the company has carried out environmental impact assessments and demonstrated the high profitability of its Premium Framework-certified products by showing numerical data. In the report, the company explains its approach to increasing its corporate value through the solution of social issues in an intelligible manner, which is highly appreciated.
Sustainability report	In the report, the company clearly shows its strategy to make the solution of social issues and profitability compatible and discloses progress toward the preset KPIs to ensure transparency. Also, the company has quantified the environmental and social value of its products and businesses and thereby promoting social awareness and providing feedback to its business.

<b><u>Tokio Marine Holdings, Inc.</u></b>	Points of excellence (reasons)
Corporate Governance Report	Tokio Marine ensures high transparency for its compensation disclosures through the setting of comprehensive performance targets and reporting the results. The company clarifies the purpose of compensation and links performance-related compensation with the achievements made by individuals and organizations, while aligning the incentives provided to the management team with the creation of shareholder value. In addition to specific financial targets, including thresholds for adjusted net income and ROE, employee engagement- and sustainability strategy-related qualitative indicators are disclosed in detail.
Integrated report	The integrated report provides detailed explanations of the company's overseas growth strategy in its non-life insurance business and strongly conveys its position as a global top-tier company.
Integrated report	The report shows that Tokio Marine is evolving into a truly global company through the management message and a wide range of data. It also provides easy-to-understand explanations of the key management issues for the company's medium- to long-term growth in a Q&A format.
Climate & Nature Report; Integrated Annual Report; Sustainability Report	Tokio Marine's inaugural, integrated Climate & Nature Report 2025 applies a unified four-pillar architecture (Governance, Strategy, Risk Management, Metrics/Targets) spanning TCFD and TNFD, reflecting the interdependence of climate and biodiversity in a coherent investor narrative. Unified TCFD/TNFD disclosure with climate scenario analysis and TNFD LEAP mapping across underwriting, investment, and operations clarifies roles and accountability. Eight clearly articulated material issues, with ESG and medium-to-long-term goals embedded in performance-linked bonuses, strengthen executive accountability to sustainability outcomes. Robust client decarbonization engagement: target expanded from 60 to 200 large GHG-intensive clients (≈90% of insurance-associated emissions) and a policy to cease underwriting, investment, and financing by 2030 for companies without credible plans. Quantified operational and portfolio metrics, including sustained operational carbon neutrality and reported GHG reduction versus

	base year; portfolio monitoring via total emissions/WACI, plus decarbonization-related premium ambition (e.g., ¥45.0bn by FY2026). Continued use of independent, limited assurance over key sustainability indicators enhances reliability and comparability for investors.
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**Remarks on “most-improved disclosures from the perspective of materiality” nominated by four or more external asset managers**

<b>East Japan Railway Company</b>	Reason for “Most-improved” evaluation
Integrated report	“Dual-axis management,” which the company has long advocated, is more clearly articulated in this year’s report with more concrete details provided. In addition, the company’s target vision has become even clearer through the establishment of KPIs for each axis. In addition, the roundtable discussion between the Audit and Supervisory Committee members and the Chairman reveals the company’s commitment to addressing, in a sincere and transparent manner, fraud and misconduct that could undermine reliability and safety—its top priority—and to using these efforts to strengthen Group governance. This content further raises expectations for the future of the company.
Integrated report	The explanations of the company’s business model has shifted from focusing on “what the company does” to emphasizing “what the company can do”, resulting in a more appealing to investors.
Integrated report	Although the report also serves as the company’s safety report, its quantitative analysis has been strengthened. This fiscal year, the company is working to enhance visibility of its social value by implementing the impact accounting framework and is taking on the challenge of increasing its transparency to the capital markets.
Integrated report	Following the announcement of its new long-term vision in 2025, the company has revamped its integrated report. The value creation story has become easier to understand, and current initiatives of each business strategies are explained more clearly. Moreover, the report includes more commentary from outside directors on governance, which creates a positive impression.

\* The names of the disclosure documents shown under each company name are listed exactly as selected by investors as either excellent or most-improved disclosures.

## Content to be enhanced in materiality-focused sustainability disclosures and gaps identified in dialogue with investee companies

Content
<ul style="list-style-type: none"> <li>Explanations about some sustainability measures remain at the level of simply describing their present status. We expect disclosures that lead to better initiatives, including explanations of current issues to be resolved and future plans.</li> </ul>
<ul style="list-style-type: none"> <li>Our company has been urging Japanese companies to make integrated reports in line with international standards. Specifically, we have been recommending that they align their reporting with the standards set by the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI). However, it may be difficult for some companies to do this due to their size and the resources available to them. Based on this recognition, we frequently engage in dialogue with companies and discuss material ESG issues for which we particularly hope to see improvements in disclosure.</li> <li>The adoption of integrated reporting has rapidly expanded over the past five years, with ongoing improvements in the quality and depth of disclosures. Companies that adopt integrated reports as the primary means of disclosing their financial and sustainability performance are implementing outstandingly advanced initiatives. Companies should identify the metrics that are most important to their business lines and focus on enabling investors to understand the most significant sustainability impacts and trends, as well as to track relevant progress over time.</li> </ul>
<ul style="list-style-type: none"> <li>We deem it most important in materiality-focused sustainability disclosures for companies to specify measures that lead to true value creation and to disclose information about them.</li> <li>Traditional CSR-oriented approach may have positive impact on the environment, society, employees and local communities, however they tend to be perceived by companies as merely a cost burden. Such unidirectional approaches cannot support a company's sustainable growth, and may not lead to long-term value creation.</li> <li>To deliver useful sustainability disclosures, it is essential for companies to identify materiality issues that have a positive impact on both corporate value and ESG factors.</li> <li>We think that, once materiality issues are identified, quantitatively demonstrating their link to corporate value creation would greatly enhance the credibility and effectiveness of their sustainability disclosures. Moreover, by setting appropriate KPIs for the identified materiality issues and regularly monitoring their progress, companies will be able to measure the extent of corporate value enhancement and link it to continuous improvements.</li> <li>Taking an integrated approach combining financial and nonfinancial aspects is the key to achieving both sustainability and profitability, and providing truly meaningful sustainability disclosures. In reality, however, disclosures often remain a mere listing of generic items, and we perceive a gap in that the identification of company-specific materiality that are important to each company's value creation.</li> </ul>
<ul style="list-style-type: none"> <li>As is often pointed out, the materiality identified is weakly linked to the company's specific business models and business strategies, and therefore often has limited usefulness as investment information. It is desirable for companies to set distinctive materiality issues grounded in their specific business characteristics and in line with their management challenges, as well as to set quantitative indicators that enable the evaluation and analysis of progress.</li> <li>Some companies do not disclose their assumed cost of capital or pay sufficient attention to their stock price, although they state that they will manage their business with a focus on the cost of capital and stock price. They need to present clear policies on enhancing shareholder value.</li> </ul>
<ul style="list-style-type: none"> <li>Some companies lack a clear value creation story about how their sustainability initiatives contribute to corporate value. To enhance the level of clarity, it is important to provide an appropriate explanation of materiality issues aligned with the company's purpose, clearly articulate the objectives of addressing these issues by leveraging its capabilities and business models, organize opportunities and risks, assess their financial impact, and explain the pathway by which opportunities will outweigh risks. Moreover, distinguish between material issues related to future corporate value and those that form the foundation of management. For the former, we would like top management to communicate how it leads to corporate value enhancement through impact pathways and a narrative-driven story.</li> </ul>
<ul style="list-style-type: none"> <li>Some companies still provide only qualitative explanations regarding the selection of their materiality issues and related measures.</li> <li>Companies are expected to clearly explain the causal relationship between their initiatives for each materiality issue and how these contribute to enhancing corporate value from both financial and non-financial perspectives.</li> <li>In addressing their material issues, it is important for companies to organize the challenges they face and the capabilities and skills required, and present concrete policies for action based on them. In disclosures related to TCFD, TNFD, and human rights, companies are expected to provide persuasive disclosures that reflect the specific characteristics of their business models.</li> </ul>

<ul style="list-style-type: none"> <li>Strengthening quantitative disclosures on financial impact, including those related to materiality issues.</li> <li>Companies tend to set their materiality issues based on the 17 goals of the SDGs, and sustainability disclosures often remain limited to general data disclosure, giving the impression that their initiatives are just a formality. (If companies set their materiality issues in consideration of their own features and the social impact of their business, and disclose sustainability information as part of their process to solve the issues, the disclosed information will be more persuasive and acceptable to their stakeholders. We aim to have dialogue with companies to urge them to do this.)</li> </ul>
<ul style="list-style-type: none"> <li>Materiality, strategy and resource allocation are particularly important elements of credible reporting. The reliability of disclosed indicators varies widely, for instance, not all companies have obtained third-party assurance for their climate-related data.</li> <li>Large companies (listed on the Prime Market) provide high-quality disclosures covering key topics, and the disclosure of information in English for international investors is also progressing. On the other hand, small- and mid-cap listed companies will still require time to reach the same level of disclosure. In addition, as the Tokyo Stock Exchange promotes “management with an awareness of the cost of capital,” companies are increasingly reviewing their business portfolios. However, disclosures that link these developments with their own human capital strategies remain limited. Going forward, companies are expected to align human capital with their growth strategies and provide disclosures that include quantitative information.</li> </ul>
<ul style="list-style-type: none"> <li>Although companies are actively advancing the identification of materiality issues, we feel that in many cases the process ends there, with only weak linkage to management. In particular, the gap we perceive through dialogues are; (1) insufficient linkage between materiality issues, and business strategy and KPIs (2) initiatives addressing key issues are not sufficiently linked to outcome indicators f (quantitative KPIs); (3) insufficient explanation about the involvement of the Board of Directors and oversight framework(4) lack of explanation of the materiality review process (the reflection of social changes). Going forward, companies are expected to set KPIs to enhance corporate value (financial impact), monitor progress, and promote the visualization of their governance systems, rather than merely listing their materiality issues.</li> </ul>
<ul style="list-style-type: none"> <li>By incorporating compelling quantitative data into their disclosures, companies can strengthen their value creation message. Hitachi and Ajinomoto clearly demonstrate this linkage and present quantitative evidence of both sustainability outcomes and financial performance. For example, robust corporate ethics and compliance systems can contribute to reductions in administrative expenses.</li> </ul>
<ul style="list-style-type: none"> <li>Going forward, with sustainability disclosures including those under ISSB standards to be incorporated into annual securities reports, we expect companies to treat these reports as the primary disclosure vehicle and further enrich their content so that they can be actively utilized in dialogue.</li> <li>We believe that it is desirable for companies to provide disclosures and explanations that position sustainability within their long-term management strategy.</li> </ul>
<ul style="list-style-type: none"> <li>In our review of reporting by Japanese companies, and in our engagement, we seek to understand their approach to managing the material sustainability-related risks and opportunities in their business models. We observe that Japanese company disclosures are commonly structured in line with the specific pillars of international sustainability disclosure frameworks and demonstrate robust governance and risk-oversight practices. As a global investor, we find this consistency helpful in our assessment of how companies across markets, and within sectors, manage financially material sustainability-related risks and opportunities.</li> <li>We observe that many Japanese companies provide information that is at least comparable to, and often more detailed than, their international peers. Given the overseas operations and revenues generated by many Japanese-listed companies, we have noted that some also refer in their sustainability disclosures to the standards applied in jurisdictions where they have a local presence. For example, many Japanese companies with a significant footprint in Europe may refer to the European Sustainability Reporting Standards (ESRS). That said, we have also observed a meaningful divergence in the accessibility and quality of sustainability-related disclosures across the market.</li> <li>The robustness of financial statements, inclusive of material financial and non-financial information, is of paramount importance to us as an investor in companies on behalf of our clients. We have observed that Japanese companies are increasingly obtaining third-party assurance of sustainability-related data, ahead of the regulatory timelines set out in the FSA's Roadmap for sustainability disclosures and assurances in Japan.</li> <li>A final observation is that excellence in sustainability reporting may also signal where a company sees financially material sustainability-related opportunities. One example is the potential for commercial opportunities arising from a transition to a low-carbon economy and how a company will be able to create differentiated long-term value as a result. The disclosures Japanese companies provide in integrated reports often provides a narrative on how sustainability-related risks and opportunities align with the company's medium- and long-term strategy. This information will continue to be useful for investors, and will help inform our engagements, as Japanese-listed companies prepare for the timelines of the FSA's roadmap for mandatory sustainability-related reporting.</li> </ul>
<ul style="list-style-type: none"> <li>We would like companies to clearly explain their unique business models in writing with evidence, not</li> </ul>

just a one-page explanation of their value creation process.

- Issuers' climate-related disclosures are a key input to our Climate Research and ESG Teams' analysis of issuers' exposure to physical and transition climate risks, their acknowledgement of such risks, and their capacity to manage these risks and capitalize on climate-related opportunities. Per our signing of the Statement of Support for the Task Force for Climate-Related Financial Disclosures (TCFD), we encourage the adoption of the framework through engagement.
  - We are encouraged by the progress of adoption; not surprisingly, we have seen the broadest uptake from European companies, but global awareness for the framework continues to grow, and regulators, including in the UK and Singapore, are referencing TCFD as they develop standards for company disclosures. We believe that this is due in part to the non-prescriptive nature of the framework as disclosure can be tailored to unique business models and material risks. Examples of best practice are aggregated in the TCFD Good Practice Handbook, and our ESG and Climate Research teams can provide additional company examples upon request. While the quality of disclosure varies, we see five primary areas as opportunities for improvement: 1) attention to physical risks, 2) assessment of expected future financial costs/benefits, 3) disclosure of scope 3 emissions, 4) plans for setting and executing against forward-looking emission reduction targets, and 5) consideration of multiple climate scenarios.
  - We find most companies focus less on identifying and addressing physical climate risks than on mitigating transition risks. We would like more companies to disclose their expected financial impacts of physical risks under multiple climate scenarios, and for management teams to proactively adapt to these risks. Over the years, we have engaged with companies to disclose physical risks, including a specific call for information on physical location and biodiversity impacts. We also ask about companies' intentions to disclose more about their oversight and assessment frameworks of these physical risks.
  - For both physical and transition risks, the connection to financial materiality is indirect in most disclosures. The cost of a carbon tax appears to be the most commonly quantified financial impact, and the outcome of most analyses is that the cost will be largely immaterial. We encourage companies to disclose the potential financial impacts of other transition risks beyond policy, including consumer demand, obsolescence of existing technology, and potential liabilities. We would also like to see companies describe in greater detail how they assess and mitigate the future costs of impacts, including supply chain disruptions that lead to lost revenues and capital investments required to upgrade or repair fixed assets.
  - Disclosing carbon emissions is an increasingly standard practice, particularly in the developed market, larger-cap space, but we still see material gaps - particularly in companies measuring and reporting scope 3, or indirect emissions that result from their upstream and downstream supply chain—which are filled with estimates by third-party data providers. We are supportive of the gradual introduction of mandatory disclosure of scope 3 emissions from public companies.
  - We acknowledge that scenario analysis remains the most difficult aspect of the TCFD framework for companies to implement in practice and that the widely accepted scenarios were not created with the intention of individual entity planning. While first attempts will be imperfect, it is important for companies to improve disclosure about the resilience of their strategies under different climate scenarios. Increased disclosure would help investors assess the flexibility of a company's strategy as climate inputs (emissions, policy) evolve since each scenario will emphasize and de-emphasize certain risks to the business.
- We recognize that materiality-aligned disclosures will increasingly be included in securities reports going forward. We understand that it is challenging for companies to disclose detailed information in their statutory disclosure documents when disclosure standards may be interpreted differently by different issuer. However, management teams and board of directors are expected to demonstrate full commitment to disclosures in statutory disclosure documents, as a tool for bridging perception gaps between themselves and external stakeholders, including capital markets. We hope that companies recognize this necessity.
  - It is widely pointed out that sustainability disclosures in securities reports may impose burdens on companies, especially when such reports are prepared prior to their general meetings of shareholders. These burdens include those related to time, labor and cost. We recognize that companies devote substantial resources to issue their integrated reports and sustainability reports. The burdens imposed may prompt to reassess their disclosure media and identify what is truly important as a disclosure medium. At the same time, even companies that are not sufficiently disclosing sustainability-related information are expressing the burdens. However, there are examples of proactive disclosures regardless of company size. While investors frequently provide feedback on integrated reports and sustainability reports, they seldom do so for securities reports or performance briefing materials. At the same time, it has been suggested that some investors openly say that they do not review securities reports. However, if investors are genuinely committed to conducting corporate analysis from a long-term perspective and to fulfilling their stewardship responsibilities, they should recognize the expectation that statutory disclosure documents be appropriately utilized in their investment processes.
  - Similar to the feedback provided on the integrated report mentioned above, there has been an increasing number of cases in which shareholder opinions are sought when determining materiality. It is rare, at present, to be able to recognize a company's materiality simply by looking at its stated materiality alone. This is probably the case not only for shareholders but also for internal stakeholders, including

employees. Management and the board of directors are encouraged to engage in deeper discussions to fulfill their accountability to stakeholders. While we do not entirely oppose the use of external consultants as advisors in this process, we expect companies to determine their materiality issues internally by revitalizing discussions at all levels of the organization.

- Here, materiality should be discussed from the perspective of whether it is important to providers of capital in assessing corporate value and the company's ability to generate cash flow. Achieving this requires that not only management but also the board of directors be adequately equipped with the necessary skills in corporate strategies and corporate finance. In other words, I would like to emphasize that materiality-focused sustainability disclosure is not merely a matter of preparing disclosure documents, but a broader issue that encompasses business strategy and overall governance.

- It would be beneficial for companies to recognize the gaps between themselves and investors and to consider what information they should provide to help investors deepen their understanding of the companies and bring stock prices closer to appropriate levels. They should then prioritize their disclosure items and present their explanations in a clear and coherent narrative. Companies often seem to believe that they can gain more understanding of investors by describing all of their activity in detail.
- In an environment of high uncertainty, it is difficult for investors to assess the appropriateness of corporate decisions and long-term value creation approach based solely on their plans and targets developed under a single future scenario. In particular, for areas where the future regulation, markets and technologies remain uncertain, such as climate change measures and technological shifts, companies should address their material issues not as fixed targets but as flexible strategies with multiple options. They are also expected to demonstrate the value they can secure from these options. They need to explain the uncertainties they recognize in relation to materiality, specifically, (1) what investments and measures they are implementing at present; (2) what technologies and businesses they are retaining as options for the future; and (3) which options they may choose not to pursue or may abandon depending on future developments. These disclosures will help investors understand the corporate approach to long-term value creation and capital allocation based on the use of real options, in addition to corporate responses to priority issues and short-term ESG measures.
- In our dialogue with companies, while materiality issues are often listed, there are many cases where insufficient explanation is provided as to how they are linked to decision-making under uncertainty or to strategies that preserve optionality; this gap is a concern. Materiality issues should not be viewed as a framework for defining a single future direction, but rather as a lens through which management makes decisions while considering option value, and this perspective should be more explicitly communicated in disclosures and dialogues.

- Through our dialogue with various companies, we have seen cases where identifying materiality issues becomes the goal, and the connection to the subsequent value creation story is limited. Especially in instances where double materiality is claimed, the emphasis is often placed primarily on social contributions, while the viewpoint of single materiality – namely, why these factors, represent risks or opportunities for investors, is lacking, creating a noticeable gap. What Investors seek is not a general explanation of social issues, but a company specific logic that explains how those issues translate into financial figures (P/L and B/S) within the context of companies' business models. In preparing for compliance with the SSBJ standards, we encourage companies to move beyond the formal creation of matrices and strengthen companies' ability to translate these issues into financial impact.

- A key challenge we regularly encounter in our engagement with companies is the disconnect between actual practices and public disclosure. We often find that companies may be implementing robust sustainability practices internally, but these are not adequately reflected in their public reporting.
- This gap is particularly significant for investors like ourselves who rely heavily on publicly available information for investment analysis and stewardship activities, including proxy voting decisions. When material sustainability practices are not disclosed, we cannot give companies appropriate credit for their efforts, which can impact our assessment and engagement approach.
- Specific areas where we encourage enhanced disclosure include:
  - Implementation details: Companies may state they have policies in place, but lack disclosure on how these are operationalized, monitored, and enforced
  - Quantitative metrics: Qualitative commitments without accompanying data or targets that would allow us to assess progress and accountability
  - Governance linkages: How sustainability considerations are integrated into board oversight, executive compensation, and strategic decision-making
  - Forward-looking information: Beyond historical performance, disclosure of targets, transition plans, and scenario analysis
- As Japan moves toward mandatory disclosure under SSBJ Standards aligned with ISSB, we would encourage companies to conduct a thorough review to ensure their public disclosures accurately reflect the full scope of their sustainability activities and governance practices. This alignment between practice and disclosure will be essential for effective investor engagement and capital allocation decisions.

- We agree that bridging the gap between investor expectations and corporate practices is critical as Japan moves toward mandatory disclosure under the SSBJ Standards aligned with ISSB. From an investor perspective, transparency on how companies identify, manage, and report material sustainability

<p>risks and opportunities is essential for informed decision making.</p> <ul style="list-style-type: none"> <li>• To prepare for this transition, companies should focus on: <ul style="list-style-type: none"> <li>● Understanding investor priorities: Investors value consistent, comparable, and decision useful information that links sustainability factors to financial performance and long-term value creation.</li> <li>● Building internal capacity: Early adoption of ISSB aligned practices such as governance structures, risk management processes, and metrics will reduce compliance burden and enhance credibility.</li> <li>● Engaging proactively: Dialogue with investors can clarify expectations and help companies communicate their strategy effectively, ensuring disclosures go beyond compliance to demonstrate resilience and opportunity.</li> <li>● Disclosing unwinding of cross-shareholdings.</li> <li>● Disclosing data that is comparable with non-Japanese companies, such as TCFD</li> </ul> </li> <li>• Ultimately, this alignment will strengthen trust and support capital allocation toward companies that manage sustainability risks responsibly.</li> <li>• Governance materiality is at the forefront, particularly when it comes to corporate takeovers and protecting shareholder interests.</li> <li>• We would like to see much more accountability and transparency for corporate boards in protecting minority shareholder interests during corporate takeovers.</li> <li>• We also raised concerns regarding the lack of a third-party fairness opinion and potential conflicts of interest in the review process, particularly given the involvement of cross-shareholding companies in the special committee. We will continue to engage and monitor for meaningful changes to the transaction terms.</li> </ul>
<ul style="list-style-type: none"> <li>• Many companies publish high-quality integrated reports that are worth reading. However, improvements appear to have plateaued since last year.</li> </ul>
<ul style="list-style-type: none"> <li>• We believe that, in sustainability disclosure documents (integrated reports, securities reports and others), it is also necessary to discuss where issues are recognized, including the action to implement management that is conscious of cost of capital and stock price.</li> <li>• Moreover, although the content of these reports has improved every year, many still primarily present details of cash allocation and returns in excess of the cost of capital. In this regard, we often perceive a gap between investors and investee companies. In CFO messages, as well as initiatives aimed at achieving management that is conscious of the cost of capital and stock price, the ultimate objective is sustainable compounding of capital growth, that is, the realization of sustained returns on capital. This requires meaningful discussion of optimal capital structure and balance sheets management, as well as strategic capital allocation.</li> </ul>
<ul style="list-style-type: none"> <li>• Our goal when engaging with companies is to understand the benefits of excellent sustainability practices for stakeholders such as climate, society, fiscal and regulatory bodies etc., but also how these efforts can lead to quantifiable and material benefits to shareholders as important stakeholders of the business. To that end, we seek to understand how specific sustainability efforts translate to improved or more robust returns on invested capital. We have found this linkage to be very challenging and more disclosures of the parameters around that linkage would be helpful.</li> </ul>

End of document.