



## Excellent Integrated Reports and Most-improved Integrated Reports Selected by GPIF's Asset Managers Entrusted with Domestic Equity Investments

Government Pension Investment Fund (GPIF) requested its external asset managers entrusted with domestic equity investments (hereinafter, "external asset managers") to nominate "excellent integrated reports" and "most-improved integrated reports."

This year, GPIF requested 20 external asset managers to each nominate up to 10 companies, and 18 of them cooperated with our request. The results of the survey were compiled into two lists, comprised of 78 (70 in the previous survey) and 93 (100 in the previous survey) companies selected for creating excellent integrated reports and most-improved integrated reports, respectively, as shown on pages 2 and 3. Looking at companies by size, large companies accounted for approximately half of the companies selected for excellent integrated reports, whereas the majority of companies selected for most-improved integrated reports were small- and medium-sized.

This time, we requested the external asset managers to indicate their "expectations for the integrated reports that Japanese companies produce or information disclosure in general by Japanese companies as well as any matters considered necessary to improve." Details are provided on page 7 onwards.

### **[Companies nominated by four or more external asset managers for their excellent integrated reports] (number of external asset managers)**

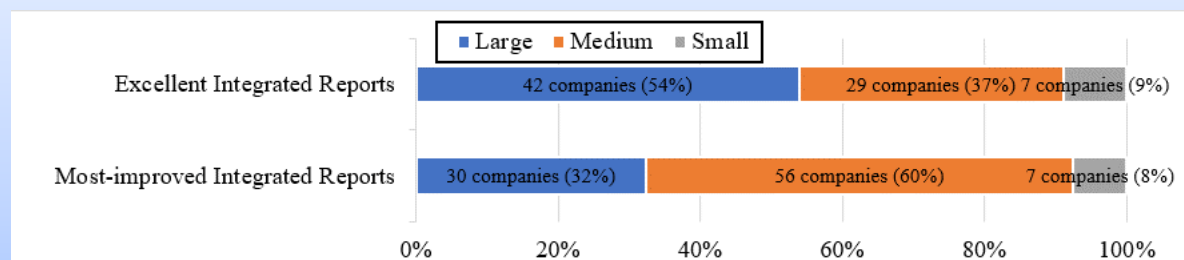
◇ ITOCHU Corporation	(8)	◇ Ajinomoto Co., Inc.	(5)
◇ Nomura Research Institute, Ltd.	(7)	◇ Sekisui House, Ltd.	(4)
◇ Hitachi, Ltd.	(7)	◇ EBARA CORPORATION	(4)
◇ SONY GROUP CORPORATION	(6)	◇ Mitsubishi UFJ Financial Group, Inc.	(4)

### **[Companies nominated by four or more external asset managers for their most-improved integrated reports] (number of external asset managers)**

◇ Mitsubishi UFJ Financial Group, Inc.	(4)
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Note: As the definition of integrated report depends on the individual external asset manager, a report that is not even specified as an integrated report may be also nominated if it is considered by an external asset manager that information disclosure has been conducted based on "**integrated thinking**." The names of the companies are listed in the order of their securities code in cases where the number of nominating external asset managers is the same.

## Distribution of number of companies selected by external asset managers by



The company size is that at the time of requesting selection. "Large" means companies included in TOPIX 100, "Medium" those included in TOPIX Mid400, while "Small" represents other companies.

## [Companies selected by GPIF's external asset managers for excellent integrated reports]

Code	Company name	Sector	Small	Number of nominations	Code	Company name	Sector	Small	Number of nominations
1605	INPEX CORPORATION	Mining		2	6758	SONY GROUP CORPORATION	Electric Appliances		6
1911	Sumitomo Forestry Co.,Ltd.	Construction		1	6762	TDK Corporation	Electric Appliances		3
1925	DAIWA HOUSE INDUSTRY CO.,LTD.	Construction		1	6902	DENSO CORPORATION	Transportation Equipment		1
1928	Sekisui House,Ltd.	Construction		4	6925	USHIO INC.	Electric Appliances		2
2201	Morinaga & Co.,Ltd.	Foods		1	6981	Murata Manufacturing Co.,Ltd.	Electric Appliances		1
2502	Asahi Group Holdings,Ltd.	Foods		3	7011	Mitsubishi Heavy Industries,Ltd.	Machinery		1
2607	FUJI OIL HOLDINGS INC.	Foods		1	7186	Concordia Financial Group,Ltd.	Banks		3
2768	Sojitz Corporation	Wholesale Trade		2	7241	FUTABA INDUSTRIAL CO.,LTD.	Transportation Equipment	☆	1
2802	Ajinomoto Co.,Inc.	Foods		5	7267	HONDA MOTOR CO.,LTD.	Transportation Equipment		1
3405	KURARAY CO.,LTD.	Chemicals		1	7381	Hokkoku Financial Holdings,Inc.	Banks	☆	1
3407	ASAHI KASEI CORPORATION	Chemicals		2	7741	HOYA CORPORATION	Precision Instruments		1
4004	Resonac Holdings Corporation	Chemicals		2	7751	CANON INC.	Electric Appliances		1
4063	Shin-Etsu Chemical Co.,Ltd.	Chemicals		1	7832	Bandai Namco Holdings Inc.	Other Products		1
4183	Mitsui Chemicals,Inc.	Chemicals		1	7915	Nissha Co.,Ltd.	Other Products	☆	2
4188	Mitsubishi Chemical Group Corporation	Chemicals		1	7936	ASICS Corporation	Other Products		2
4204	Sekisui Chemical Co.,Ltd.	Chemicals		2	7947	FP CORPORATION	Chemicals	☆	1
4208	UBE Corporation	Chemicals		1	7972	ITOKI CORPORATION	Other Products	☆	1
4307	Nomura Research Institute,Ltd.	Information & Communication		7	8001	ITOCHU Corporation	Wholesale Trade		8
4452	Kao Corporation	Chemicals		1	8031	MITSUI & CO.,LTD.	Wholesale Trade		3
4503	Astellas Pharma Inc.	Pharmaceutical		1	8035	Tokyo Electron Limited	Electric Appliances		2
4519	CHUGAI PHARMACEUTICAL CO.,LTD.	Pharmaceutical		1	8058	Mitsubishi Corporation	Wholesale Trade		1
4536	SANTEN PHARMACEUTICAL CO.,LTD.	Pharmaceutical		1	8113	UNICHARM CORPORATION	Chemicals		1
4901	FUJIFILM Holdings Corporation	Chemicals		2	8136	Sanrio Company,Ltd.	Wholesale Trade		1
4980	Dexerials Corporation	Chemicals		1	8174	NIPPON GAS CO.,LTD.	Retail Trade		1
5019	Idemitsu Kosan Co.,Ltd.	Oil & Coal Products		1	8252	MARUI GROUP CO.,LTD.	Retail Trade		1
5108	BRIDGESTONE CORPORATION	Rubber Products		1	8267	AEON CO.,LTD.	Retail Trade		1
5201	AGC Inc.	Glass & Ceramics Products		2	8306	Mitsubishi UFJ Financial Group,Inc.	Banks		4
5411	JFE Holdings,Inc.	Iron & Steel		1	8309	Sumitomo Mitsui Trust Group,Inc.	Banks		1
5901	Toyo Seikan Group Holdings,Ltd.	Metal Products		1	8331	The Chiba Bank,Ltd.	Banks		1
5938	LIXIL Corporation	Metal Products		1	8381	The San-in Godo Bank,Ltd.	Banks	☆	1
6098	Recruit Holdings Co.,Ltd.	Services		1	8411	Mizuho Financial Group,Inc.	Banks		1
6301	KOMATSU LTD.	Machinery		1	8591	ORIX CORPORATION	Other Financing Business		1
6326	KUBOTA CORPORATION	Machinery		1	8750	Dai-ichi Life Holdings,Inc.	Insurance		2
6361	EBARA CORPORATION	Machinery		4	8766	Tokio Marine Holdings,Inc.	Insurance		2
6501	Hitachi,Ltd.	Electric Appliances		7	8801	Mitsui Fudosan Co.,Ltd.	Real Estate		1
6645	OMRON Corporation	Electric Appliances		2	9022	Central Japan Railway Company	Land Transportation		1
6701	NEC Corporation	Electric Appliances		2	9202	ANA HOLDINGS INC.	Air Transportation		1
6702	Fujitsu Limited	Electric Appliances		1	9508	Kyushu Electric Power Company,Incorporated	Electric Power & Gas		2
6741	Nippon Signal Company,Limited	Electric Appliances	☆	1	9719	SCSK Corporation	Information & Communication		1

Note: The above list is composed of companies whose integrated reports were selected by external asset managers as "excellent integrated reports" (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 most-improved integrated reports]

Code	Company name	Sector	Small	Number of nominations	Code	Company name	Sector	Small	Number of nominations
1801	TAISEI CORPORATION	Construction		1	6724	SEIKO EPSON CORPORATION	Electric Appliances		1
1802	OBAYASHI CORPORATION	Construction		2	6762	TDK Corporation	Electric Appliances		2
1878	DAITO TRUST CONSTRUCTION CO.,LTD.	Real Estate		1	6770	ALPS ALPINE CO.,LTD.	Electric Appliances		1
2181	PERSOL HOLDINGS CO.,LTD.	Services		1	6841	YOKOGAWA ELECTRIC CORPORATION	Electric Appliances		2
2267	YAKULT HONSHA CO.,LTD.	Foods		1	6857	ADVANTEST CORPORATION	Electric Appliances		1
2269	Meiji Holdings Co.,Ltd.	Foods		1	6902	DENSO CORPORATION	Transportation Equipment		1
2282	NH Foods Ltd.	Foods		2	6925	USHIO INC.	Electric Appliances		2
2301	GAKUJO CO.,Ltd.	Services	☆	1	7013	IHI Corporation	Machinery		1
2503	Kirin Holdings Company,Limited	Foods		1	7180	Kyushu Financial Group,Inc.	Banks		1
2579	Coca-Cola Bottlers Japan Holdings Inc.	Foods		1	7203	TOYOTA MOTOR CORPORATION	Transportation Equipment		1
2602	The Nisshin Oillio Group,Ltd.	Foods	☆	1	7241	FUTABA INDUSTRIAL CO.,LTD.	Transportation Equipment	☆	1
2607	FUJI OIL HOLDINGS INC.	Foods		3	7261	Mazda Motor Corporation	Transportation Equipment		1
2897	NISSIN FOODS HOLDINGS CO.,LTD.	Foods		2	7267	HONDA MOTOR CO.,LTD.	Transportation Equipment		3
3064	MonotaRO Co.,Ltd.	Retail Trade		1	7276	KOITO MANUFACTURING CO.,LTD.	Electric Appliances		1
3088	MatsukiyoCocokara & Co.	Retail Trade		3	7532	Pan Pacific International Holdings Corporation	Retail Trade		1
3382	Seven & i Holdings Co.,Ltd.	Retail Trade		1	7701	Shimadzu Corporation	Precision Instruments		2
3407	ASAHI KASEI CORPORATION	Chemicals		2	7735	SCREEN Holdings Co.,Ltd.	Electric Appliances		1
3635	KOEI TECMO HOLDINGS CO.,LTD.	Information & Communication		2	7741	HOYA CORPORATION	Precision Instruments		1
3861	Oji Holdings Corporation	Pulp & Paper		1	7911	TOPPAN Holdings Inc.	Other Products		1
4004	Resonac Holdings Corporation	Chemicals		1	7915	Nissha Co.,Ltd.	Other Products	☆	1
4005	SUMITOMO CHEMICAL COMPANY,LIMITED	Chemicals		1	8015	TOYOTA TSUSHO CORPORATION	Wholesale Trade		1
4063	Shin-Etsu Chemical Co.,Ltd.	Chemicals		2	8031	mitsui & CO.,LTD.	Wholesale Trade		1
4091	NIPPON SANSO HOLDINGS CORPORATION	Chemicals		3	8113	UNICHARM CORPORATION	Chemicals		1
4188	Mitsubishi Chemical Group Corporation	Chemicals		1	8306	Mitsubishi UFJ Financial Group,Inc.	Banks		4
4205	ZEON CORPORATION	Chemicals		1	8309	Sumitomo Mitsui Trust Group,Inc.	Banks		1
4208	UBE Corporation	Chemicals		1	8316	Sumitomo Mitsui Financial Group,Inc.	Banks		1
4403	NOF CORPORATION	Chemicals		1	8331	The Chiba Bank,Ltd.	Banks		1
4503	Astellas Pharma Inc.	Pharmaceutical		1	8370	The Kiyo Bank,Ltd.	Banks	☆	1
4519	CHUGAI PHARMACEUTICAL CO.,LTD.	Pharmaceutical		1	8381	The San-in Godo Bank,Ltd.	Banks	☆	1
4523	Eisai Co.,Ltd.	Pharmaceutical		1	8411	Mizuho Financial Group,Inc.	Banks		1
4540	TSUMURA & CO.	Pharmaceutical		1	8439	Tokyo Century Corporation	Other Financing Business		1
4578	Otsuka Holdings Co.,Ltd.	Pharmaceutical		1	8591	ORIX CORPORATION	Other Financing Business		2
4612	NIPPON PAINT HOLDINGS CO.,LTD.	Chemicals		1	8595	JAFCO Group Co.,Ltd.	Securities & Commodity Futures		1
4661	ORIENTAL LAND CO.,LTD.	Services		1	8601	Daiwa Securities Group Inc.	Securities & Commodity Futures		1
4901	FUJIFILM Holdings Corporation	Chemicals		1	8714	Senshu Ikeda Holdings,Inc.	Banks	☆	1
5201	AGC Inc.	Glass & Ceramics Products		2	8795	T&D Holdings, Inc.	Insurance		1
5401	NIPPON STEEL CORPORATION	Iron & Steel		2	8801	Mitsui Fudosan Co.,Ltd.	Real Estate		1
5411	JFE Holdings,Inc.	Iron & Steel		1	9020	East Japan Railway Company	Land Transportation		1
5471	Daido Steel Co.,Ltd.	Iron & Steel		1	9104	Mitsui O.S.K.Lines,Ltd.	Marine Transportation		2
5631	The Japan Steel Works,Ltd.	Machinery		1	9201	Japan Airlines Co.,Ltd.	Air Transportation		1
5803	Fujikura Ltd.	Nonferrous Metals		1	9301	Mitsubishi Logistics Corporation	Warehousing & Harbor Transportation Services		1
6367	DAIKIN INDUSTRIES,LTD.	Machinery		1	9401	TBS HOLDINGS,INC.	Information & Communication		3
6383	DAIFUKU CO.,LTD.	Machinery		2	9508	Kyushu Electric Power Company,Incorporated	Electric Power & Gas		1
6479	MINEBEA MITSUMI Inc.	Electric Appliances		1	9513	Electric Power Development Co.,Ltd.	Electric Power & Gas		1
6504	FUJI ELECTRIC CO.,LTD.	Electric Appliances		1	9532	OSAKA GAS CO.,LTD.	Electric Power & Gas		1
6594	NIDEC CORPORATION	Electric Appliances		1	9697	CAPCOM CO.,LTD.	Information & Communication		1
6645	OMRON Corporation	Electric Appliances		1					

Note: The above list is composed of companies whose integrated reports were selected by external asset managers as “most-improved integrated reports” (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 the “excellent integrated reports” nominated by four or more external asset managers]**

### **ITOCHU Corporation**

- Investment criteria and withdrawal criteria are clearly stated. The explanation on corporate management conscious of the three-variable matrix of ROE, profit growth and shareholder returns is also excellent.
- Significant emphases are placed on the improvement of corporate value and reduction of the cost of capital, and there is no pro forma value-creation story. We can see clearly that top management, the Board of Directors and all employees in the field are striving to improve corporate value.
- Both financial and non-financial analyses are substantial, and the functions, and the messages from chief officers effectively convey their functions, effectiveness, and enthusiasm.. - Furthermore, while the company is engaged in a variety of businesses as a general trading company, it is highly evaluated that detailed analysis of risks and opportunities specific to each business is provided, as well as the approach to business investment to deal with them.
- The company's overall picture is clearly depicted in the CEO message which mentions “Corporate value,” “Market orientation” and “No growth without investment.” I was impressed by the remarks of each officer (COO, CFO, CSO and other chief officers) on growth in the domains of their respective responsibilities. In addition, we appreciate that the CFO message disclosed specific images and growth rates such as total payout ratio of 40% and ROE of 15%.
- The report is well organized, carrying a strong message to investors. It is highly evaluated that the PDCA cycle can be confirmed, and items to focus on every year are selected and explained in a clear manner, which is impactful to investors.
- In line with the revision of disclosed content of the medium-term plan, the message carried for the future picture has been made clearer. The content described in a concise style and well-balanced with charts is very easy to read.
- The CEO's thoughts have been clearly passed on to us. Furthermore, we appreciate that this time the company disclosed how the investment value can be increased and the outcome of each investment, which raises hopes of future reproducibility.
- The annual integrated report of ITOCHU Corporation explains its business overview in a clear and concise manner. This integrated report depicts in detail not only the progress of the current Medium-term Management Plan but also that of the past management plan. Useful information is provided, particularly, by explaining in a simplified form the breakdown of business performance of each major group company.

### **Nomura Research Institute, Ltd.**

- The description on the expansion of human capital is excellent as usual. Particularly, with respect to the development plan of core personnel who will sustain the growth cycle of the organization, the path for more specific and gradual/comprehensive skill development, and its expected effects are clearly depicted.
- The company focuses on addressing materiality by clarifying its ideal goals in line with the concept that creating a sustainable future society and its growth strategy are integrated. The analytical description on what kind of value should be created from that point has a strong appeal.
- We appreciate that the report not only comprehensively covers the significant financial and non-financial matters but also provides in-depth analysis and disclosure on human development, which will become the core of the company's medium- to long-term growth.
- We could understand the creative leadership from the CFO interview, not to mention the message of the new president. A company-wide desire for achievement of ROE of 20% and higher emerged from them. The analysis of the company's strengths and PBR is convincing with in-depth analysis by disclosing competitors'

and customers' names.

- It is a very comprehensive integrated report, with a substantial amount of information disclosed on human capital. In this report, the process of the social impact creation arising from business activities has been visualized. The calculation of quantitative social impact is highly evaluated.
- The composition of the report is easy to understand, with a focus on the value created and human capital/intellectual capital for creating value. KPIs, which show trends, are also provided, allowing us to easily see the company's changes. We highly appreciate the initiative to visualize the impact.
- Regarding social impact (see pages 56 to 57), the report clearly presents the figures and explains the rationale behind the alignment between the business and its social impact.

### **Hitachi, Ltd.**

- The integrated report has been made compact while having in-depth content. The reader-friendly design is characterized by descriptions on the progress of goals and KPI of each materiality and provision of a link destination to which the readers can jump for the details of the descriptions.
- The overall level of ESG disclosure is high. In particular, the report provides detailed descriptions of discussions by the Board of Directors, such as topic-specific explanations and time allocations, clearly conveying their efforts to enhance the quality of deliberations.
- Detailed reporting in line with TCFD recommendations. Carbon neutrality forms an integral part of the management strategy and action plans. Management of natural capital and human rights are communicated effectively.
- The report inspires confidence and expectations for the achievement of the current Medium-term Management Plan and future growth. It provides substantial disclosures, with a clear focus on the integration of medium- to long-term financial and non-financial strategies, and, as in the previous year, links effectively with the sustainability report.
- The report is sophisticated in terms of design, taking capital markets more into consideration, in addition to the efficiency focused on in the previous report. There is an emphasis on wording which is convincing to readers (investors).
- While the integrated report of Hitachi, Ltd. does not disclose a wide range of information, the disclosure of corporate governance is clear. In particular, the update of the reduction of strategic shareholding and details concerning compensation are disclosed in an easy-to-understand form. Furthermore, we found the topics discussed at the Board meetings and the time spent for each topic very interesting. It is an interesting method to disclose additional information concerning the effectiveness of the Board of Directors.
- The content is selected from the viewpoint of investors, which is simple but demonstrates the power and uniqueness of the message of the top management. We can understand that governance is functioning effectively as both the supervising and executing sides are fulfilling their accountability at a high level concerning future challenges.

### **Sony Group Corporation**

- Messages on their strategy are clearly stated, and each content is well balanced.
- Explanations by business division are provided on business environment, direction of strategies and initiatives for sustainability, which are very clear to understand. We also appreciate that the financial and non-financial disclosure for the realization of the long-term vision is clear enough.
- As the report is developed based on its purpose, the historic business transition as well as current business portfolio are presented in an easy-to-understand manner. Quantitative disclosure on the business environment and driver of each business allows us to expect sustainability of the company's differentiated

unique process of value improvement. Among others, “Growth through Diverse Connections” is convincing, giving us a clear message that the company considers social responsibility as opportunity.

- Continued from the previous fiscal year, descriptions are developed in a unique narrative style, and it is highly evaluated that the enthusiasm for each business jumps out of the entire report. The description of the financial and non-financial initiatives for value creation is also substantial. The retrospective comments of the chairpersons of each committee are extremely useful for investors to understand the effectiveness of management.
- Sony recognises that natural capital and climate change are directly connected so has expanded its disclosure to align with TNFD recommendations also.
- Consistency is observed in the entire flow from purpose to value creation. The content is also well elaborated. The balance between purpose/vision and business, qualitative and quantitative, and non-financial and financial is also excellent. The report is highly comprehensive in terms of the explanations of the strengths and characteristics of the company concerning the company-wide strategy, R&D and human resources, which are well organized from its unique perspectives, in addition to the latest business themes and risks.

### **Ajinomoto Co., Inc.**

- The report has been produced in line with the purpose of contributing to the well-being developed by “AminoScience” called ASV (Ajinomoto Group’s Shared Value), in which the business strategy and the initiatives for sustainability are completely integrated. In terms of the progress of KPIs, which are disclosed every fiscal year, the detailed background and future challenges are also disclosed, rather than just disclosing figures. (e.g. engagement scores)
- The reader-friendly page layout effectively promotes the company’s message, succeeding in communicating the recognition of challenges for its goals. We highly appreciate that the report has been sophisticated so as to become a good example for other companies.
- It is highly evaluated that the initiatives and progress of business and organization toward the realization of the 2030 roadmap by promoting the Medium-Term ASV Management have been even more clearly demonstrated. The top message of President Fujie is also expressed in line with the vision, conveying his thoughts to us.
- The CEO message summarizes everything well. The short- and medium-term challenges and the direction to be pursued are clearly stated. Based on that, the complexity of the business and inclusion of sustainability into the business are straightforwardly stated to investors.
- The top message is powerful and shows its commitment. The clear explanations consistently highlight that the solution of environmental and social challenges through business directly contributes to the improvement of corporate value and sustainability. Each item gets to the point, albeit simply, highlighting the company’s competitive advantage. The explanation on intangible assets and corporate governance is substantial.

### **Sekisui House, Ltd.**

- The effects of technology transfer from Japan to the United States and skill development of suppliers/overseas partners are incorporated in the value creation process. The viewpoints of value creation and the resources required for it are comprehensive. Furthermore, the KPIs for the participation of women and younger employees are carefully designed. The company is a leader in the industry in terms of both goals and actual performance.
- The values including global vision, materiality deriving from it, and the KPIs to measure progress are extremely substantial. The report deserves to be praised for describing human capital and human resources strategy using a lot of space in the report. Furthermore, the disclosure of the initiatives for biodiversity is highly



substantial.

- The purpose and values of the company are consistently communicated across the integrated report. The analysis of the present status of both financial and non-financial information is substantial, with detailed statements on KPIs and their progress for the material items. Therefore, the company's initiatives are very clear to understand.
- A lot of non-financial information such as environment, social and governance is substantial, and efforts to enhance disclosure can be also observed. The report shows the seriousness of the company's commitment to practicing ESG management.

### **EBARA CORPORATION**

- The report demonstrates the passion and dedication with which the company has overcome huge changes in its business environment and endeavored to increase corporate value while valuing its founding spirit and the Ebara Way. The company's unstinting efforts to continue to evolve from a company advanced in governance to one advanced in CSV is highly evaluated.
- Disclosure from the investors' point of view.
- Sophisticated and in-depth information disclosure overall. The message of President Asami is persuasive by including specific examples. In addition, the disclosure of the measures to expand the ROIC-WACC spread by business segment is advanced in the industry. The strength in governance is also stated.
- ROIC management is explained in detail. The company's unique visualization is realized for Intellectual Property ROIC, Production Innovation ROIC, TSR Logic Tree, etc. It is observed that visualization of intangible assets such as technology and human resources has advanced and is utilized in management.

### **Mitsubishi UFJ Financial Group, Inc.**

- We appreciate the capability of story development that starts from the purpose, the appealing power of awareness of the problem "Has MUFG really changed?" and the persuasive power of corporate value improvement measures. Readability has been dramatically improved and the story development has become easier to understand as a result of the reduction in the number of pages.
- The medium-term business has three pillars: Expand & Refine Growth Strategies, Drive Social & Environmental Progress, Accelerate Transformation & Innovation. ESG related information is included in Expand & Refine Growth Strategies and the has provided with KPI (Number of co-created GX projects to be 50). The value creation section includes financial capital, human capital, intellectual capital, Social & relationship capital and natural capital, stating why it is material to the firm. Has disclosed the interim targets for high emitting sectors.
- We appreciate that the disclosure reflects the efforts made for ROE and awareness of being a global company throughout the report. It is an integrated report of high resolution to promote understanding of the company's ROE with explanations such as the relationship between PBR and ROE, the logic tree for improvement of ROE, capital allocation and ROE by Business Group, etc.
- This integrated report discloses corporate governance in an appropriate manner. For example, compensation for officers and the significance of strategic shareholding and the reason for the evaluation of its economic grounds are disclosed. Furthermore, the report provides useful information concerning the company's Medium-term Business Plan by comparing the major targets under past business plans.

**[Remarks on the “most-improved integrated reports” nominated by four or more external asset managers]**

**Mitsubishi UFJ Financial Group, Inc.**

- Even though the number of pages was reduced, the report has become easier to read and understand by focusing on the key points, such as the company’s characteristics, strengths and matters to be conveyed to stakeholders.
- A lot of quantitative data to compare with other companies is provided, and the KPIs are set even more carefully from the viewpoint of the capital market. Novel content such as a roundtable discussion by mid-career employees strongly demonstrates the current status of MUFG.
- MUFG has significantly improved their disclosure related to ESG which is connected to their medium-term business plan. Moreover, the company has disclosed their green investments and provides additional support to startups which will help in solving Japan’s key issues such as aging population and low birthrate. Furthermore, the bank has set strict interim targets for high emitting sectors and has disclosed the progress towards the targets. Overall, these factors prove that MUFG has truly incorporated ESG within the corporate structure.
- Drastic changes have been made to the layout which reduce the burden on readers by summarizing the points to be conveyed.

**[Expectations for and Improvement Desired in Integrated Reports Produced by Japanese Companies or Information Disclosure in General of Japanese Companies (\*)]**

Remarks of external asset managers
<p>- The following three points are requested.</p> <p>i) Disclosure to increase understanding of value creation process</p> <p>We ask for descriptions of high resolution so that we can understand the process by expressly indicating the strengths of capital and unique business models in the midst of the paths in which economic value and social value are generated from solution of challenges through business based on materiality appropriately established.</p> <p>ii) Consolidation of non-financial and forward-looking financial information into an integrated report</p> <p>I would like to request that non-financial and forward-looking financial information that can be reflected in “Cost of capital” and “Expected growth rate” in the corporate value calculation formula be stated together in an integrated report.</p> <p>iii) Arrangement of information which is effective for promoting dialogue</p> <p>- I would like to request that information that may encourage further dialogue based on dialogue with investors, such as the policy and progress of actions, be easily found using an index, etc.</p>
<p>1) Exhibiting material ESG issues into their short / mid-term strategy and have set quantitative KPIs (demonstrating that ESG is truly integrated in their business)"</p> <p>2) CFO interview/comment section includes concrete ESG issues and articulating WHY it is relevant to its bottom line (if CFO one cannot be found, it is okay to find other C-suite comments)"</p> <p>3) Examples of ESG/sustainability thinking leading to innovation"</p> <p>4) Value creation section includes ESG topics and EXPLAINS why they are relevant</p> <p>5) Stakeholder engagement includes investors and evidences discussion on ESG topics with the investors</p>



Remarks of external asset managers
6) Social Data - human capital data is largely still a partial disclosure which only encompasses parent or select consolidated group entities. We would like to see consolidated group basis data ideally. At the minimum, we would like the company to indicate % of entities included in the stats, E.g., % of Female manager figure includes parent entity, as well as seven main consolidated group companies globally, which represent 85% of total revenue for FY 20XX.
- Provision of Information disclosure according to the materiality from the viewpoint contributing to sustainable growth and value creation, and the disclosure of goals and progress based on quantitative indicators would be appreciated.
- It is a favorable change that companies that disclose their capital policy are increasing in accordance with the guidelines of the Tokyo Stock Exchange. It is desirable that capital policy be explained as one of the elements of the medium- to long-term management strategy and in connection with other content rather than being described as an independent item. I think that an integrated report is a media that suits such disclosure. Disclosure to depict the entire picture of financial and non-financial management strategy from such a perspective is expected.
- Compared with the previous fiscal year, while companies referring to “management conscious of the cost of capital and share price” are increasing, the number of companies providing specific disclosure is limited. Going forward, more substantial descriptions on the cost of capital, growth rate, ROE and cash flows are expected. Moreover, I expect that disclosure of corporate governance (cross-shareholding issue, capital policy, gender issue and succession plans) will continue to be improved.
<ul style="list-style-type: none"> <li>- It is desirable that the top message stress the company’s goals from a long-term perspective.</li> <li>- Explanations should be provided on how the efforts for materiality lead to both financial and non-financial aspects of the creation of corporate value.</li> <li>- I expect that information on TCFD, TNFD and human rights will be disclosed based on the characteristics of the company’s business models.</li> <li>- I would like to know how the company is striving to visualize non-financial value such as human capital and intellectual property.</li> <li>- I would like to request the company to transmit how outside directors evaluate the company, their recognition of challenges, etc.</li> </ul>
- Regarding top message, I expect more persuasive explanations on the management policy and the consolidation of policy and creation of social value from a broad and high-level perspective. I would like to request that the evaluation of track record also be described.
<ul style="list-style-type: none"> <li>- The disclosure has improved a lot. However, companies seem to focus on making conventional descriptions look better, and only a handful of companies are successful in explaining the relationship with their business. They should think again why investors demand the disclosure of non-financial information.</li> <li>- The items for disclosure have been enriched and unified. On the other hand, there are many companies whose management strategy and goals are not clear enough, and we have often found that the connection</li> </ul>

Remarks of external asset managers
<p>with sustainability management is missing even if they were clear. I expect that companies will be aware that financial and non-financial strategies are the same in terms of improvement of corporate value despite the difference of time line.</p>
<p>- In anticipation of ongoing sustainability disclosure in the Securities Report, I expect that an integrated report mainly provide narrative content toward the increase in corporate value.</p>
<p>- What I expect from an integrated report prepared by Japanese companies is the company's medium- to long-term perspectives which cannot be expressed in a financial report. To that end, formulation and disclosure of not only a medium-term management plan but also a long-term vision are required. I believe that this will lead to the improvement of information disclosure in general in addition to the preparation of an integrated report. Furthermore, it is essential for a company to freely express its value creation in the integrated report. Therefore, the company should focus more on substantial content rather than the formal aspect in preparing the report. I expect an integrated report which makes me excited about the company's future and sustainability after reading it.</p>
<p>- I believe that an integrated report should be a media to disclose information based on "integrated thinking" rather than a media to disclose financial and non-financial information simply by consolidating them. I think that whether each element links to each other for the purpose (of creating value) is more important.</p> <p>- The purpose of an integrated report is not to show materiality (maps and specified process), but to provide material (significant) information. The stated information should be important for corporate management (obviously, the management should be aware of and considering this).</p> <p>- An integrated report should obviously be prepared mainly for "those who provided financial capital," not for stakeholders other than investors. It should also be a useful media, as an auxiliary material, when other stakeholders read it.</p>
<p>- Quantitative descriptions should be provided as much as possible concerning how the company's competitive advantage and capital contribute to the value creation process, not limited to the company profile and outline of business. I observe a lot of companies introduce their businesses by using "input," "output" and "outcome." However, it is often the case that such presentation method is insufficient for deepening understanding of their proprietary "business models."</p> <p>- If the content is not like a model that may fit any other companies, and provides an anecdote with an impressive presence (e.g., a substantial final decision discussed at a Board of Directors meeting, or a background of succession plans discussed until the assumption of office of the president), such description would contribute to investment decisions because those events usually invisible to investors would give us a glimpse of effectiveness held by such organization.</p> <p>- While the number of pages is increasing, an integrated report should focus more on matters of interest for stakeholders, rather than allocating the same number of pages to each business. In addition, it is desirable for an integrated report to focus more on the material points of the relevant fiscal year, by making the most of online media, to further clarify the content.</p>

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<p>- My impression is that only few quantitative data have been provided yet. While a company-specific KPI, such as employee engagement, is a challenge in comparability, it will be useful for us to have a glimpse of the corporate culture. When talking about financial matters, the use of indicators common to those of investors can make them feel comfortable rather than using the company's unique indicators.</p>
<p>- Probably because of a lot of requests received from investors to disclose more information, I find a lot of reports that cover many domains as the volume of disclosure increases. That is all right, but on the other hand, that prevents us from identifying what is important for the company, weakening the appeal of the company's uniqueness. I would like to ask companies to pay attention to clarifying what is important and demonstrating their uniqueness.</p>
<p>- While the number of companies issuing integrated reports is increasing, there are some cases where the purpose of issuing the integrated report, which is not statutory disclosure, is unclear, or where companies reluctantly issue the report by following investors' opinions and the movements of other companies. At the Round Table Conference on Ideal Approaches to Information Disclosure of Companies organized by the Ministry of Economy, Trade and Industry, there were opinions expressing the view that Securities Report should be truly and highly integrated and prepared by referring more to the views of active managers to contribute to investors' long-term business forecasts, and that it is desirable to issue the Securities Report before the general meeting of shareholders (or to postpone the timing of the general meeting). In the future, the application of the IFRS Sustainability Disclosure Standards and the SSBJ Standards will become a reality. These movements expect that information contributing to corporate value will be defined and transmitted by the company itself. And, this expectation also coincides with the appeal made by the Tokyo Stock Exchange, i.e., management with awareness of the cost of capital and share price. Companies should reconsider the significance of listing their shares and the ideal information disclosure in order to increase corporate value, which means to raise their share price, whether it is statutory or arbitrary.</p>
<p>- In general, considering that an integrated report should be prepared in accordance with global standards such as those of the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI), we urge Japanese issuers to follow those standards. However, I have observed some actual cases where companies are unable to prepare an integrated report in accordance with those standards due to their limited scale and resources. Accordingly, we have indicated and discussed specified business domains whose improvement of disclosure is most desired by frequently holding engagement dialog with companies. Furthermore, being fully aware of a lot of barriers present against further integration of non-financial and financial information, we have recommended them to realize more in-depth consistency and wider-range integration between an integrated report and the annual Securities Report.</p>
<p>- Large cap (Prime Listed) companies generally have good disclosure that covers key items as well as publishing in English for international investors. Small cap listings have a long way to go to reach the same level of disclosure.</p>