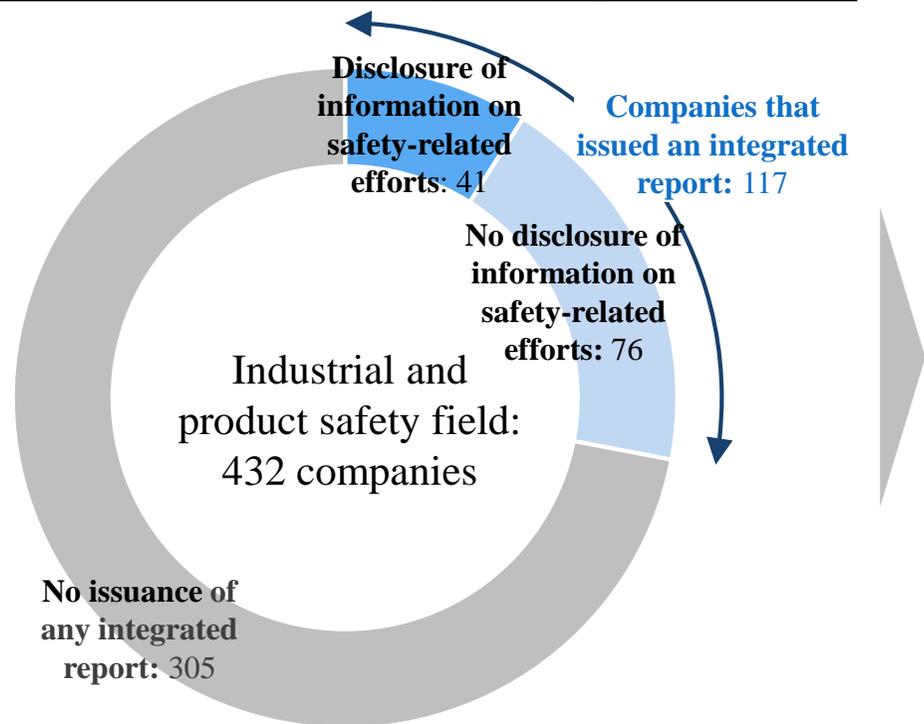


Background to Formulation of the Guidance

Few Japanese companies in the field of industrial and product safety have been conveying sufficient information on their safety-related efforts to investors despite the fact that investors consider such information as significant. The Ministry of Economy, Trade and Industry (METI) decided to formulate a guidance for enriching understanding of “integrated thinking” among companies, aiming to promote useful information disclosure.

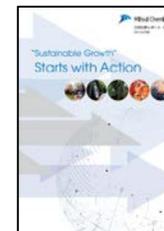
Current status of companies disclosing information on their safety-related efforts in their integrated reports (in the field of industrial and product safety)



- ✓ As plant or product accidents are critical information that impacts the financial situations or stock prices of companies, companies, rightly, should convey information on their efforts for enhancing safety to a broad range of investors.
- ✓ Nevertheless, **only a limited number of companies have been disclosing information on their safety-related efforts in their integrated reports**, a reference with which long-term investors make decisions on investment.

Guidance for integrated thinking that helps companies resolve their challenges

- ✓ Aiming to encourage companies to disclose information on their safety-related efforts, which is useful for investors, METI established a study group of researchers, institutional investors and other stakeholders and held intensive discussions.
 - In particular, some members pointed out that **very few companies have a “value-creation roadmap”** centering on their safety-related efforts, an essential point that helps investors in making decisions on investment.
- ✓ To overcome this challenge, METI decided to **formulate guidance to enrich the understanding of integrated thinking** among companies in order to encourage companies to create a consistent roadmap incorporating the following elements: core values, business models, sustainability and growth, business strategies, performance and key performance indicators (KPIs), and governance.
- ✓ Moreover, METI examined integrated reports issued by companies in the field, **chose those by Mitsui Chemicals, Inc. and Joshin Denki Co., Ltd.** as “outstanding companies in integrated disclosure of information on safety-related efforts,” and **presented them in the guidance as specific case examples.**



Mitsui Chemicals Report 2017
(Mitsui Chemicals, Inc.)



Magokoro Integrated Report 2018
(Joshin Denki Co., Ltd.)

Effects Expected to be Brought about by Utilization of the Guidance

This guidance is expected to contribute to fostering understanding of information disclosure among companies and thereby create a “virtuous cycle” in which companies accelerate communication of information and investors further invest in companies and encourage them to disclose information, and as a synergistic effect of these efforts, companies are able to achieve sustainable growth.

Target users of the guidance and purpose of their formulation

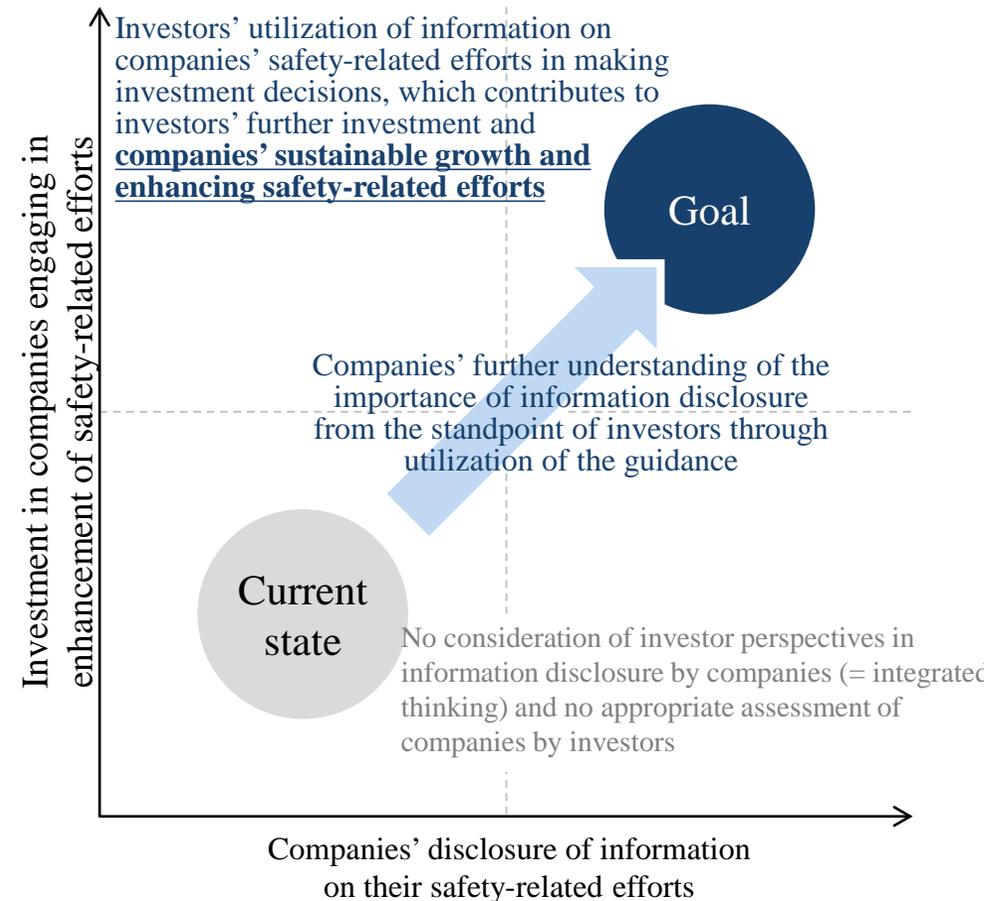
Companies

- The guidance **targets personnel involved in formulation of integrated reports of companies** in the industrial and product safety field, such as **business operators and personnel in charge of IR- or ESG/CSR-related departments**.
- It aims to help companies in preparing integrated reports to communicate information to investors while providing investors’ perspectives so as to encourage companies to disclose the most significant information.
- METI considers it **important** that companies not set information disclosure as a goal in and of itself, but **think of systems created to consistently communicate the details in the reports as the manifestation of their commitment to investors**.

Investors

- The guidance also targets investors and aims to encourage them to **utilize the guidance as a reference in holding dialogues with companies**.
- It aims to encourage investors not to wait for companies’ disclosure and explanations of information on safety-related efforts, but to proactively pursue dialogues with companies while referring to the guidance, in order to fill in the gaps between their preconceptions and actual information that investors receive from companies; and encourage companies to disclose information useful for investment decision-making.

Concept of companies’ ideal approaches to enhancing safety-related efforts taking advantage of ESG investment



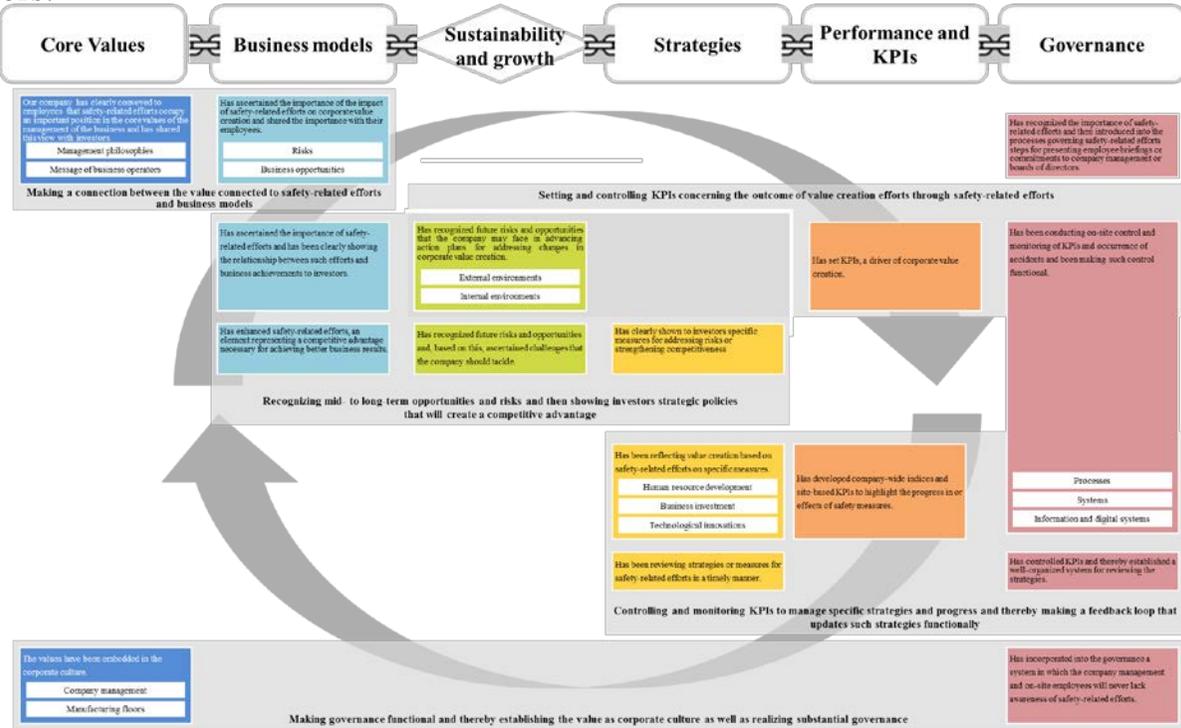
Overview of the Guidance for Integrated Corporate Disclosure Concerning Industrial and Product Safety

The guidance focuses on ideal approaches to integrated thinking (the most important concept in this guideline), offers basic examples, perhaps "and provides more effective strategies than other conventional guidance, including descriptions and case examples analyzed from the perspective of investors.

Part I

Integrated disclosure of information on safety-related efforts

- ✓ Part I **explains** the chain and circulation of the components of the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation **as the Overview of Integrated Thinking in Safety**.
- ✓ It also focuses on the cases of Mitsui Chemicals, Inc. and Joshin Denki Co., Ltd. and interprets their integrated reports to uncover approaches that these companies took to advancing integrated thinking concerning their safety-related efforts.
- ✓ Instead of providing instructions on preparing an integrated report, it aims to provide **a way of thinking in preparing the report**, since companies need to formulate the reports with originality and describe their own value-creation roadmap.



Part II

Key points of information disclosure for safety by item according to the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation

- ✓ Based on the information in the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation and the results of interviews with investors, Part II describes **specific, organized, key facets of companies' information disclosure** and presents and explains case examples of integrated reports that leading companies have issued, aiming to **enrich understanding of information disclosure among companies**

<p>1.1. Positioning safety-related efforts in corporate philosophies</p> <p>1.2. Business operators communicate the importance of safety-related effort to investors</p> <p>1.3. Including in a report the efforts for company-wide dissemination of corporate philosophies for and business operators' stance on safety-related efforts</p>	<p>2.1. Recognizing the importance of safety-related efforts for business</p> <p>2.2. Recognizing the importance of safety-related efforts for supply chains</p> <p>2.3. Recognizing the importance of safety-related efforts for stakeholders</p>	<p>3.1. Recognizing how changes in internal and external environments impact safety-related efforts</p> <p>3.2. Explaining in a report the safety measures that address changes in business environments</p>	<p>4.1. Associating a mid- to long-term management plan with safety-related efforts</p> <p>4.2. Including the efforts for further enhancing safety through technical innovations in a report</p> <p>4.3. Conveying to investors the efforts for fortifying the existing facilities</p> <p>4.4. Explaining educational efforts and training programs for employees to investors</p> <p>4.5. Conveying the company's success in gaining official approvals or recognition involving its safety-related efforts to investors</p>	<p>5.1. Conveying safety-related KPIs and related achievements as well as action policies of the next fiscal year to investors</p> <p>5.2. Showing in a report safety-related KPIs that contribute to business growth</p> <p>5.3. Producing a report of comparable indices for safety-related efforts</p>	<p>6.1. Conveying to investors safety-related efforts tracked across group companies</p> <p>6.2. Showing in a report that board members supervise a system for promoting safety-related efforts</p> <p>6.3. Monitoring KPIs</p>
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7. Recommended amount of information conveyed to investors