



METI



# SX Brand 2024

**SX Brand 2024 Report**  
**April 23, 2024**

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# **1 . Outline of the "SX Brand 2024" Project, etc.**

## (1) "SX Brands 2024 Report" Business Overview, etc.

# Purpose and Intended Audience of the SX Brands 2024 Report

- The SX Brand 2024 report has the following three objectives;
  1. To provide specific case study information that will lead to the implementation of corporate SX initiatives.
  2. To promote understanding of the contents of the Ito Review and Guidance for Collaborative Value Creation.
  3. To encourage companies to understand their position and investors to evaluate Japanese equities by showing the progress of initiatives by companies with advanced initiatives in Japan.

### Main anticipated application scenarios

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#### Target Audience

It is intended for the entire Ito Review audience, but is particularly useful for managers, directors, investors, as well as those involved in corporate planning, sustainability promotion, etc., analysts, rating agencies, etc.

## (1) Outline of the "SX Brands 2024" Business, etc.

# Purpose of the "SX Brands 2024" Project

- In this project, a group of leading companies that have enhanced their ability to generate sustainable sources of growth through SX and have improved their corporate value will be selected and honored as "SX Brands 2024," and the results will be published along with a report.
- **"SX"** refers to management and business transformation with an awareness of capital efficiency through constructive dialogue with investors to enable companies to generate sustainable sources of growth and increase corporate value ("Sustainability of the Company"). It is important to conduct this dialogue based on the medium to long-term risks and business opportunities arising from sustainability issues in society (synchronized with "Sustainability of Society").  
\*The "SX" referred to here is distinct from so-called social contribution activities, which have no direct relationship to the corporate value creation through the company's operations.
- The "societal issues" related to sustainability are becoming more diverse, as exemplified by climate change and human rights issues, and the environment for the formulation of international rules is changing as well. In addition, economic security-related issues such as supply chain risk and cybersecurity have emerged, making sustainability issues increasingly complex.
- The players in the investment chain (management, internal business units, investors, business partners, etc.) are expected to engage in constructive dialogue and repeated engagement on the desirable business portfolio, growth investments, etc. from a long-term perspective, considering the risks and business opportunities arising from sustainability issues in society. Through these efforts, they are expected to co-create and execute a corporate value creation story.
- By positioning the successful companies as "symbols of Japanese companies pursuing value-creating management," this project aims to create an opportunity to encourage investors in Japan and abroad to reevaluate Japanese companies. In addition, by presenting the messages conveyed by METI through the Ito Review series in the form of case analyses, the project aims to encourage Japanese companies to implement management and business reforms aimed at long-term, sustainable corporate value enhancement.

## (1) Outline of the "SX Brands 2024" Business, etc.

# Background of "SX Brands" (METI's "Ito Review" series and "Guidance for Collaborative Value Creation")

- The return on equity (ROE) of Japanese companies has improved to some extent, but still lags behind that of Western companies.
- In addition, the percentage of companies with a price book value ratio (PBR) below 1x is much higher than in Europe and the United States.
- Since 2014, through the Ito Review series, METI has consistently advocated the importance of improving corporate sustainability (the long-term, sustainable corporate value of the company), the importance of constructive dialogue, engagement, and disclosure with investors and others for this purpose, and the importance of ESG perspectives. It has also published "Guidance for Collaborative Value Creation" as a practical framework (guidance) for SX management.
- In particular, the "Ito Review 3.0," the 2022 supplement, emphasizes the importance of "SX" for the long term, sustainable value creation of companies, in light of the increasing importance of synchronizing corporate sustainability with the sustainability of society. At the same time, the Guidance for Collaborative Value Creation was revised and published as "Guidance for Collaborative Value Creation 2.0" as a framework for realizing SX.

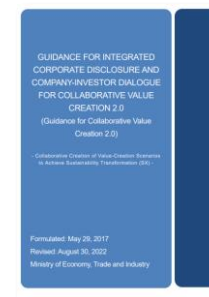
[Reference] "Ito Review" series and "Guidance for Collaborative Value Creation 2.0"

Ito Review (2014) [https://www.meti.go.jp/policy/economy/keiei\\_innovation/kigyoukaikei/ito\\_review\\_released\\_august2014.pdf](https://www.meti.go.jp/policy/economy/keiei_innovation/kigyoukaikei/ito_review_released_august2014.pdf)  
Ito Review 2.0 (2017, expanded edition) [https://www.meti.go.jp/policy/economy/keiei\\_innovation/kigyoukaikei/itoreport2.0.pdf](https://www.meti.go.jp/policy/economy/keiei_innovation/kigyoukaikei/itoreport2.0.pdf)  
Ito Review 3.0 (2022, expanded edition) [https://www.meti.go.jp/policy/economy/keiei\\_innovation/kigyoukaikei/ito\\_review\\_3.0\\_sx\\_edition\\_released\\_august2022.pdf](https://www.meti.go.jp/policy/economy/keiei_innovation/kigyoukaikei/ito_review_3.0_sx_edition_released_august2022.pdf)  
Guidance for Collaborative Value Creation 2.0 (Revised 2022) [https://www.meti.go.jp/policy/economy/keiei\\_innovation/kigyoukaikei/guidance\\_for\\_collaborative\\_value\\_creation\\_2.0.pdf](https://www.meti.go.jp/policy/economy/keiei_innovation/kigyoukaikei/guidance_for_collaborative_value_creation_2.0.pdf)

### The "Ito Review" series (theory)



### "Guidance for Collaborative Value Creation 2.0" (Practical Framework)

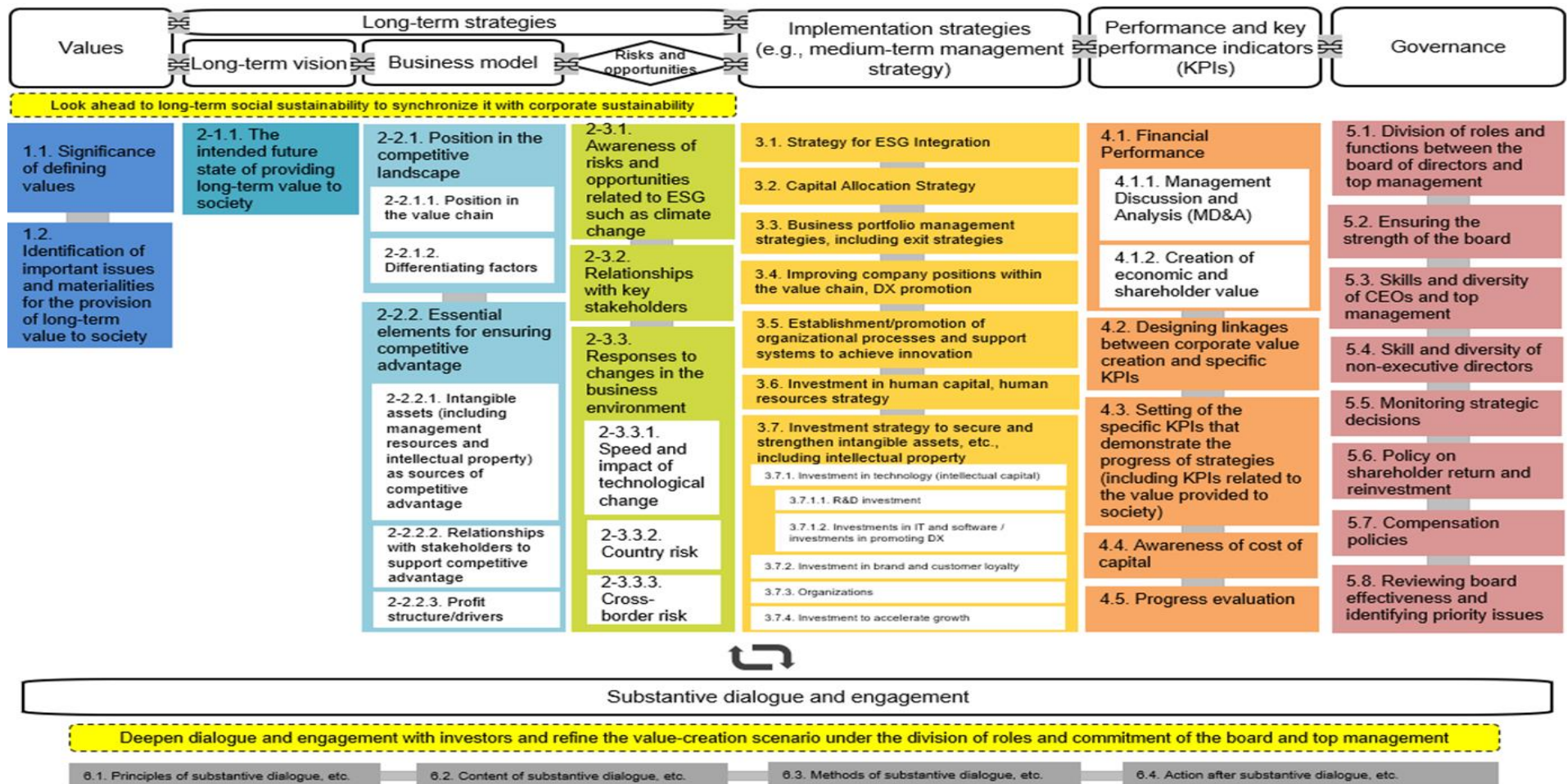


## (1) Outline of the "SX Brands 2024" Business, etc.

### (Reference) "Guidance for Collaborative Value Creation 2.0" as a "Practical Framework"

- To promote sustainable corporate value creation management, an issue raised in the Ito Review (2014), METI formulated and published the **"Guidance for Collaborative Value Creation"** in 2017 as a **framework for companies to effectively disclose information and engage in constructive dialog with investors**. In addition, METI formulated a revised version of the **"Guidance for Collaborative Value Creation 2.0"** in 2022 to **clarify the elements included in the SX**.

#### (Overall diagram of "Guidance for Collaborative Value Creation 2.0" )



## (1) Outline of the "SX Brands 2024" Business, etc.

### Selection of the SX Brands

- For the SX Brands, we have **selected a group of leading companies that**, based on the background on p.6, **will enhance their ability to create sustainable sources of growth through SX and increase their corporate value.**
- Since such companies are expected to generate returns in excess of their cost of equity over the medium to long term, SX brands were selected from companies with a **P/B ratio of at least 1x.**

#### Selection of SX Brands

Sent survey sheets to **all companies listed on the Tokyo Stock Exchange**  
〈 About 3,800 companies 〉

Selection of items based on the **Guidance for Collaborative Value Creation 2.0"**.  
Screening of **value creation stories** with descriptive items  
**P/B ratio of at least 1x** is a prerequisite.

**Corporate Sustainability**  
**(Sustainable corporate value creation)**

**Selected "SX Brands"**

**Social Sustainability**  
**(Business Risks and Opportunities)**

Corporate Sustainability (Sustainable Creation of Corporate Value)  
Group of companies that are synchronizing and improving  
"Sustainability of Society (Business Risks and Opportunities)"

**Presenting a vision for Japanese companies to aspire to, and expecting more motivation from advanced companies**

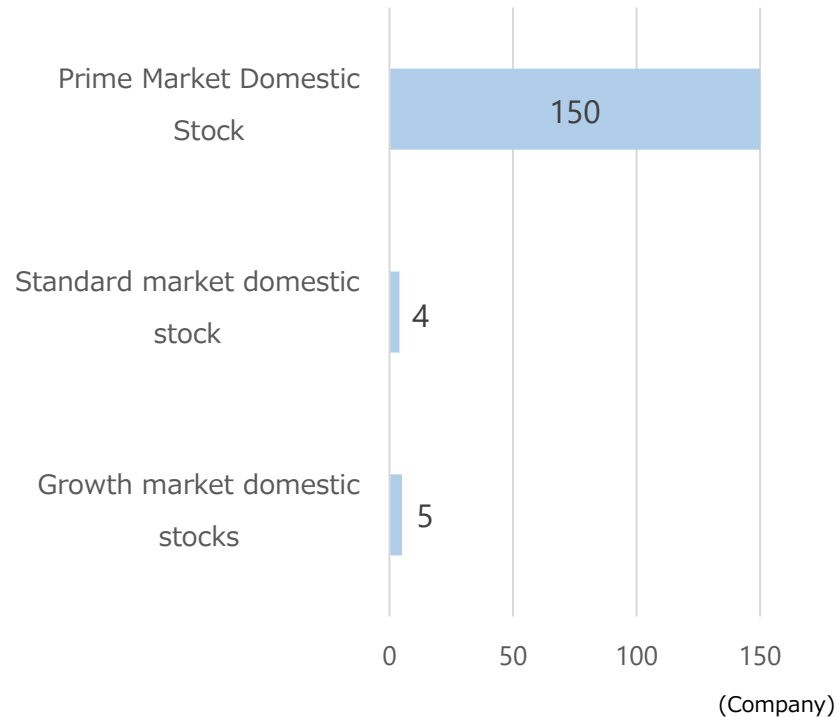


## **2. Analysis of companies applying**

# Analysis of Companies Applying | Overview

- The greatest number of companies applying for the SX Brands were Prime market companies, but there were also applications from Standard and Growth markets.
- The larger the market capitalization, the greater the number of companies applying, with 70% of companies with a market capitalization of over 4 trillion yen applying for the SX Brands.

Market Segment Breakdown of Companies Applying



Market capitalization	Percentage of applications for each market capitalization category (Number of applications/all those exceeding 1x PBR)
More than 4 trillion yen	70.0%
1 trillion yen to 4 trillion yen	41.2%
500 billion yen to 1 trillion yen	24.0%
Less than 500 billion yen	4.2%

① Values and long-term strategies

Features of SX Successful Companies and Top Selective Items and Challenges for Japanese Companies

The establishment of a vision based on the backcasting and forecasting perspectives is confirmed as a characteristic initiative of the companies selected for the SX Brands.

			Response Results		
			All applied companies	Top Selective Item Firms	SX Brands 2024
In many Japanese companies Initiatives to be confirmed	Identification of key issues	✓ Most companies identify key issues	92%	98%	100%
		Q1-1 Identification of material issues			
In some companies Initiatives to be confirmed	Setting up a business model	✓ Business models are being set up based on the aspirations of the top companies in the selective items. Q1-8 The business model is set up based on the goals of the company.	30%	45%	53%
	Identifying differentiator	✓ Only a few companies have clearly defined their market positioning based on their goals Q1-11 Position of the company in the market power structure based on its goals company is analyzing the data and identifying the factors that differentiate it from its competitors.	24%	35%	40%
	Setting the Goal	✓ Although the overall percentage is low, a relatively high percentage of SX brands selection companies are backcasting and forecasting Q1-6 The goal is set by back casting. Q1-7 The goal is set in forecasting.	14%	31%.	47%
For SX brands. Distinctive Efforts	Setting the Goal	Q1-7 The goal is set in forecasting.	11%	18%	40%

② Execution strategy

Features of SX Successful Companies and Top Selective Items and Challenges for Japanese Companies

Many companies will be involved in value chain reform, developing strategies for intangibles, and capitalizing on opportunities such as ESG. SX companies, in particular, are even promoting innovation and participating in rule-making

			Response Results		
			All applied companies	Top Selective Item Firms	SX Brands 2024
In some companies Initiatives to be confirmed	Value Chain Reform	<div>✓ 80% of the companies in the top selective items are implementing value chain reforms by going beyond their existing business areas and collaborating with new companies.</div> <div>Q2-4 Collaborate with new companies, Value Chain Innovation is being implemented.</div>	57%	80%	93%
	Intangible assets, etc. Secure and strengthen Building Strategies	<div>✓ About 80% of the companies with the highest number of selected itstrategies to secure and strengthen intangible assets and other assets, including intellectual assets. 80% of the companies with the highest number of selected items are developing investment strategies to secure and strengthen their intangible assets, including intellectual assets.</div> <div>Q2-9 To secure and strengthen intangible assets and other assets Building an investment strategy.</div>	54%	76%	80%
	Investment and resource allocation to ESG and other opportunities	<div>✓ 90% of the companies with the highest number of selective items view ESG and other factors as opportunities to change and strengthen their business models, and are investing and allocating resources accordingly.</div> <div>Q2-14 ESG and other risks positioned as opportunities Investment and resource allocation is being implemented.</div>	66%	90%	100%
For SX Brands. Distinctive Efforts	Driving Innovation	<div>✓ Approximately 70% of the companies selected for the SX Brands have established a system for innovation creation and are promoting innovation initiatives.</div> <div>Q2-5 Establish a system for innovation creation, Promoting innovation initiatives</div>	37%	53%	67%
	To rule formation taking part in planning	<div>✓ About 70% of the companies selected for the SX Brands have established a strategic structure and are actively and strategically participating in the formation of rules of high importance.</div> <div>Q2-8 Active and strategic participation in rule formation.</div>	30%	45%	67%

**Features of SX Successful Companies and Top Selective Items and Challenges for Japanese Companies**

The top companies in terms of selective items set KPIs based on MD&A and ensured a link between KPIs and executive compensation, etc. On the other hand, only a small number of companies disclosed their recognition of capital costs for their business segments. On the other hand, only a small number of companies disclose their recognition of the cost of capital for their business segments.

			Response Results		
			All applied companies	Top Selective Item Firms	SX Brands 2024
In many Japanese companies Initiatives to be confirmed	Value creation KPIs and unique KPI settings	✓ 60% of all applications set KPIs for value creation or their own KPIs.	60%	86%	87%
		Q3-1 KPIs related to value creation and Company's own KPIs are set.			
In some companies Initiatives to be confirmed	Strategy review and KPI setting based on MD&A	✓ About 70% of the companies in the top selective response category are flexibly reviewing their strategies and setting KPIs based on the results of analysis and evaluation of their financial situation and business performance.	38%	67%	67%
		Q3-2 Based on MD&A Strategy review and KPI setting are being conducted.			
	Company-specific KPIs Disclosure of Basis for Establishment	✓ About 80% of the companies with the top selective items explain the rationale for setting KPIs that the company has set independently.	53%	80%	80%
		Q3-3 Explains the rationale for setting company-specific KPIs			
	Linkage of KPIs with mechanisms to motivate executives	✓ About 90% of the companies with the highest number of selective items have linked KPIs to initiatives and mechanisms to motivate executives (e.g., executive compensation).	59%	90%	93%
		Q3-15. Creating initiatives and mechanisms to motivate board members and Linked KPIs.			
Future challenges for many companies	Recognized disclosures on cost of capital for business segments	✓ 6% of all companies that applied were found to have disclosed their perception of the cost of capital for their major business segments	6%	16%	27%
		Q3-4 to the cost of capital for major business segments. Disclose your perception of			

④ Governance

Features of SX Successful Companies and Top Selective Items and Challenges for Japanese Companies

Many companies are working on appointing and dismissing management based on skill requirements. Furthermore, in the companies selected for the SX Brand , governance is clearly positioned and outside directors are appropriately supervising and evaluating management.

			Response Results		
			All applied companies	Top Selective Item Firms	SX Brands 2024
In many Japanese companies Initiatives to be confirmed	Appoint and dismiss management based on skill requirements	✓ 60% of all companies that applied identified the skills required of board members and management in order to achieve their goals, and selected or dismissed them based on these skills.	87%	98%	93%
		Q3-11 Required of board members and management team Skills-based appointment and dismissal are in place.			
In some companies Initiatives to be confirmed	Management. Succession Planning	✓ 61% of the top selective item companies have clarified the qualifications of their managers and have even developed succession plans to appoint and train managers	31%	61%	60%
		Q3-10 Clarify the qualities of management, Succession planning is in place.			
For SX brands. Distinctive Efforts	Governance. Positioning Clarification	✓ About 80% of the companies selected for the SX Brand position their governance structure within their value creation story and clearly show how it is works.	52%	59%	80%
		Q3-6 In Value Creation Stories Clarify governance positioning.			
	Outside Directors Participation in supervision	✓ 67% of the companies selected for the SX Brand have outside directors and others appropriately supervising and evaluating the strategic decision-making of the management team responsible for business execution.	25%	41%	67%
		Q3-13. Outside directors provide appropriate oversight of anagement's strategic decision-making. Governor/Evaluation.			

⑤ Substantive dialogue and engagement

Features of SX Successful Companies and Top Selective Items and Challenges for Japanese Companies

Although individual dialogues with investors have been held, participation of outside directors has not progressed. In addition, many companies have yet to see the results of investor dialogue reflected in their initiatives.

			Response Results		
			All applied companies	Top Selective Item Firms	SX Brands 2024
In many Japanese companies Initiatives to be confirmed	Management Individual Dialogue	✓ More than 90% of all companies that applied had one-on-one meetings between investors and management, including the president of the company.	94%	100%	100%
		Q4-3 management, including the president, and investors. Individual dialogue.			
Future challenges for many companies	Outside Directors Individual Dialogue	✓ Compared to the percentage of management participating in dialogue with investors, Fewer companies have outside directors interacting with investors individually.	55%	59%	60%
		Q4-3 Outside Directors and Investors. Individual dialogue.			
	Reflecting on suggestions from the dialogue	✓ Less than 20% of the companies that applied reviewed and improved their key issues, strategies, KPIs, governance structure, etc., based on the suggestions obtained through the dialogue, etc.	16%	18%	20%
		✓ Including companies that are considering a review, only about 30% of companies are considering a review.			
		Q4-6 Reflecting suggestions from the dialogue in our initiatives			
		✓ Only 8% of all companies that applied for the award are implementing a virtuous cycle of dialogue with investors and management improvement based on that dialogue.	8%	14%	13%
		✓ Although advice is sought from investors, reflecting this advice in initiatives is an issue. The number of companies that responded that they seek advice from investors, but that it is a challenge to reflect this advice in their initiatives is low, at about 20%.			
		Q4-7 Management improvement based on dialogue and intion A virtuous circle is forming.			

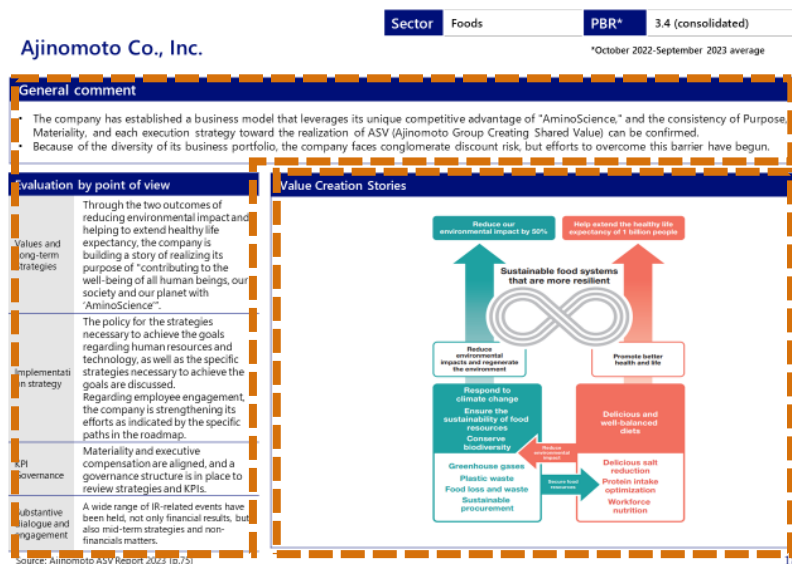
### **3. Successful companies Report**



# How to read the documents

## page layout

### Company Profile (Page 1)



## Description

### 1 General comments and evaluation by viewpoint

SX Brand Evaluation Committee (hereinafter, the details of the evaluation by the Evaluation Committee are described by company as a whole and by perspective)

- In selecting SX Brands, companies are evaluated from four perspectives ((1) values and long-term strategy, (2) execution strategy, (3) KPIs and governance, and (4) substantive dialogue and engagement)

### 2 Value Creation Story

Value creation story (process) as a way of medium- to long-term value creation of a company, excerpted from disclosure materials

### 3 Guidance for Collaborative Value Creation 2.0 where applicable

In "Guidance for Collaborative Value Creation 2.0", Paragraph number(s) associated with each initiative

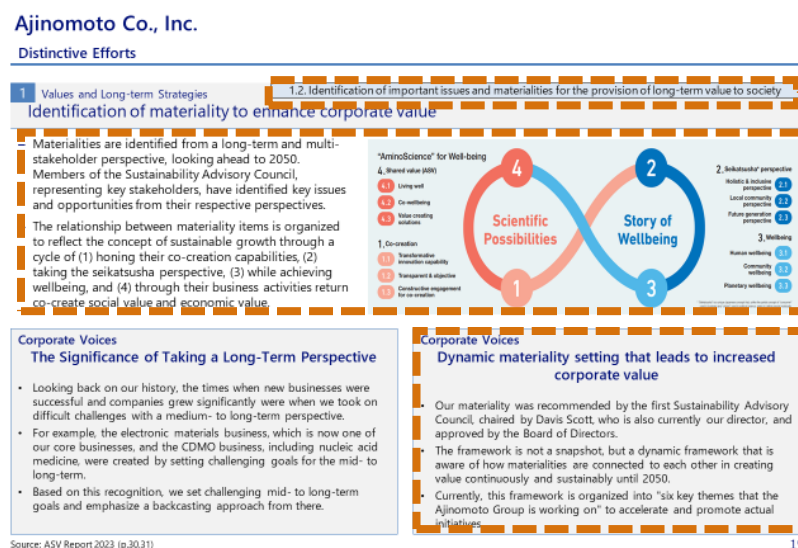
### 4 Introduction of distinctive initiatives

Introducing the characteristic studies and initiatives of each company, focusing on the contents that were highly evaluated by the evaluation committee.

### 5 Company Voices

Comments from the company on the trigger, review process, etc. for each initiative. Independent of the content of the evaluation by the evaluation committee

### Initiatives (Page 2,3)



## List of companies (alphabetical order)

Company Name	page
Ajinomoto Co., Inc.	18
OMRON Corporation	21
Kirin Holdings Company, Limited	24
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DAIKIN INDUSTRIES, LTD.	33
Tokyo Electron Limited	36
TOKYO OHKA KOGYO CO., LTD.	39
Japan Airlines Co., Ltd.	42
Hitachi, Ltd.	45
FUJIFILM Holdings Corporation	48
BRIDGESTONE CORPORATION	51
Mitsui & Co.	54
Meiji Holdings Co., Ltd.	57
UNICHARM CORPORATION	60

# Ajinomoto Co., Inc.

\*October 2022-September 2023 average

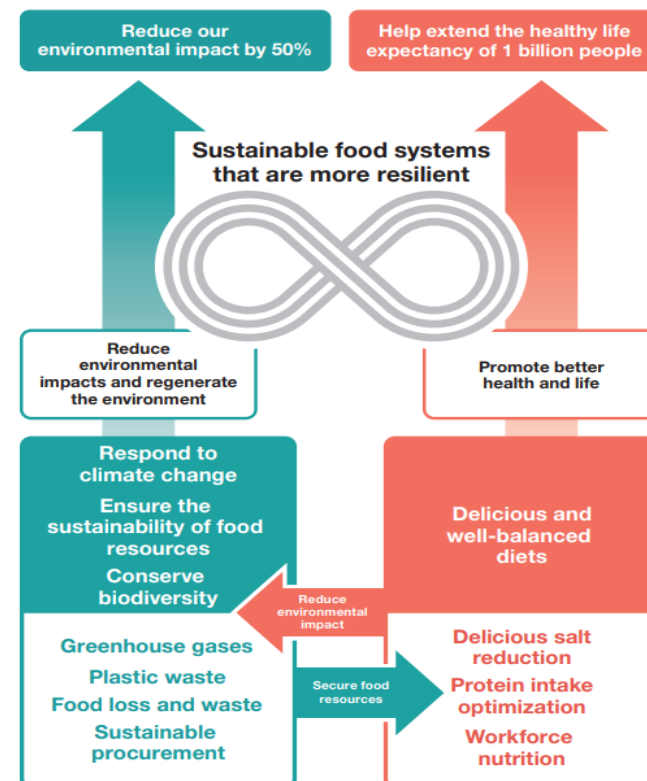
## General comment

- The company has established a business model that leverages its unique competitive advantage of "AminoScience," and the consistency of Purpose, Materiality, and each execution strategy toward the realization of ASV (Ajinomoto Group Creating Shared Value) can be confirmed.
- Because of the diversity of its business portfolio, the company faces conglomerate discount risk, but efforts to overcome this barrier have begun.

## Evaluation by point of view

Values and Long-term Strategies	Through the two outcomes of reducing environmental impact and helping to extend healthy life expectancy, the company is building a story of realizing its purpose of "contributing to the well-being of all human beings, our society and our planet with 'AminoScience'".
Implementation strategy	The policy for the strategies necessary to achieve the goals regarding human resources and technology, as well as the specific strategies necessary to achieve the goals are discussed. Regarding employee engagement, the company is strengthening its efforts as indicated by the specific paths in the roadmap.
KPI Governance	Materiality and executive compensation are aligned, and a governance structure is in place to review strategies and KPIs.
Substantive dialogue and engagement	A wide range of IR-related events have been held, not only financial results, but also mid-term strategies and non-financials matters.

## Value Creation Stories

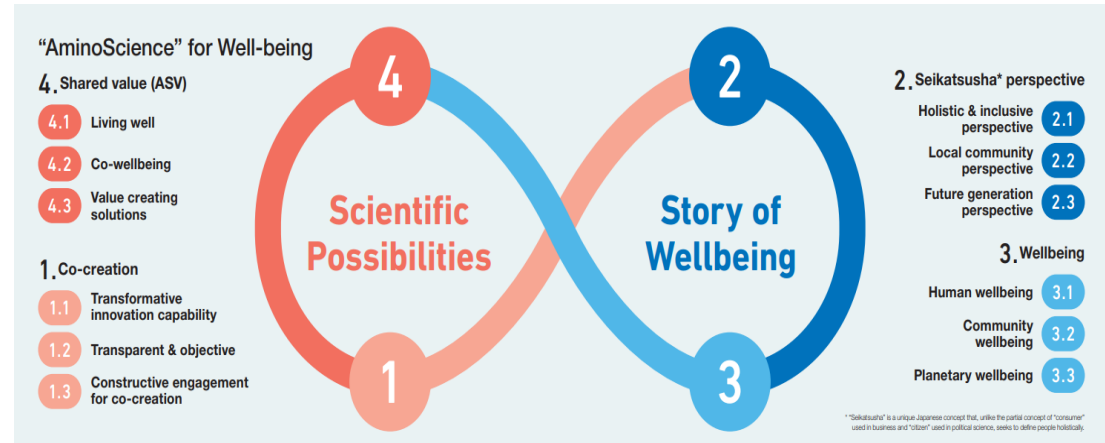


### 1 Values and Long-term Strategies

### 1.2. Identification of important issues and materialities for the provision of long-term value to society

#### Identification of materiality to enhance corporate value

- Materialities are identified from a long-term and multi-stakeholder perspective, looking ahead to 2050. Members of the Sustainability Advisory Council, representing key stakeholders, have identified key issues and opportunities from their respective perspectives.
- The relationship between materiality items is organized to reflect the concept of sustainable growth through a cycle of (1) honing their co-creation capabilities, (2) taking the seikatsusha perspective, (3) while achieving wellbeing, and (4) through their business activities return co-create social value and economic value.



#### Corporate Voices

##### The Significance of Taking a Long-Term Perspective

- Looking back on our history, the times when new businesses were successful and companies grew significantly were when we took on difficult challenges with a medium- to long-term perspective.
- For example, the electronic materials business, which is now one of our core businesses, and the CDMO business, including nucleic acid medicine, were created by setting challenging goals for the mid- to long-term.
- Based on this recognition, we set challenging mid- to long-term goals and emphasize a backcasting approach from there.

#### Corporate Voices

##### Dynamic materiality setting that leads to increased corporate value

- Our materiality was recommended by the first Sustainability Advisory Council, chaired by Davis Scott, who is also currently our director, and approved by the Board of Directors.
- The framework is not a snapshot, but a dynamic framework that is aware of how materialities are connected to each other in creating value continuously and sustainably until 2050.
- Currently, this framework is organized into "six key themes that the Ajinomoto Group is working on" to accelerate and promote actual initiatives.

# Ajinomoto Co., Inc.

## Distinctive Efforts

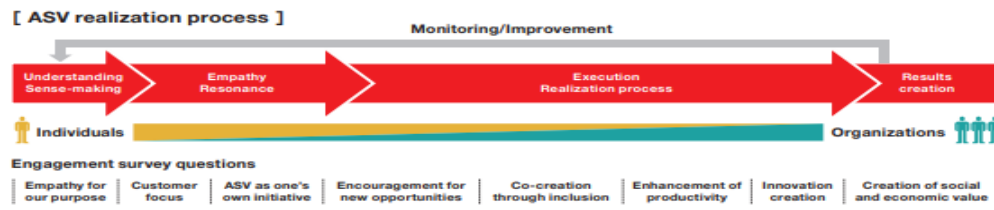
### 2 Implementation strategy

#### 3.6. Investment in human capital, human resources strategy

## Visualization of the relationship between goals and human capital

- The process from the understanding and acceptance of ASV by individuals to the creation of results as an organization is visualized as the "ASV realization process".
- In the engagement survey, questions accompanying each step of the "ASV realization process" are set to monitor the progress of ASV realization.

### ASV Realization Process



### Corporate Voices

#### Triggers for visualization and review process

- The former president, who had used engagement surveys in management at overseas subsidiary, planned to link engagement and value creation across the group.
- The results of the past four surveys show that there is a correlation between some of the question items and sales and business profit per capita.
- From FY2022, the "ASV Realization Process" up to the creation of results is clarified, and opportunities and challenges are visualized and utilized for management by linking each process with the related engagement score.

### 3 Implementation strategy

#### 2-2.2.1. Intangible assets, including management resources and intellectual property, as sources of competitive advantage

## Intellectual capital as a competitive advantage common to multiple businesses

- "AminoScience" is a competitive advantage common to the four growth areas (Healthcare, Food & Wellness, ICT, and Green) that the company has identified in its vision.
- Although the R&D organization is divided into the Institute of Food Sciences and Technologies and the Research Institute of Bioscience Products & Fine Chemicals, the two R&D Institutes strengthen the company's common strengths by collaborating with each other.

### Corporate Voices

#### Strengthen intellectual capital across domains

- One of our customers commented, "Even though there is only one employee who handles inquiries, the responses to inquiries incorporate opinions from a variety of fields, and I can sense that there are many researchers behind the scenes". This is a proof that our technology, based on our 1,700 researchers, is not divided vertically among our businesses, but is used across various businesses.

## General comment

- The vision to which the company aspires is set by both backcasting and forecasting, and the connections can be easily understood between the values, long-term strategy, implementation strategy, and governance as they are all consistent.
- Also, appropriate KPIs are set for each of them, ensuring the effectiveness of the strategies for enhancing corporate value.

## Evaluation by point of view

### Values and Long-term Strategies

As a long-term value, OMRON predict the future based on the interaction of science, technology, and society, and from this the company formulate future scenarios and determine the direction of management.

### Implementation strategy

The three-year medium-term management plan is in line with the company's values and long-term strategy. As for human resources, the strategy takes into account the fundamental aspects of how to increase added value as well as the functional aspects of how to fill the core positions at overseas locations, indicating the effectiveness of the strategy.

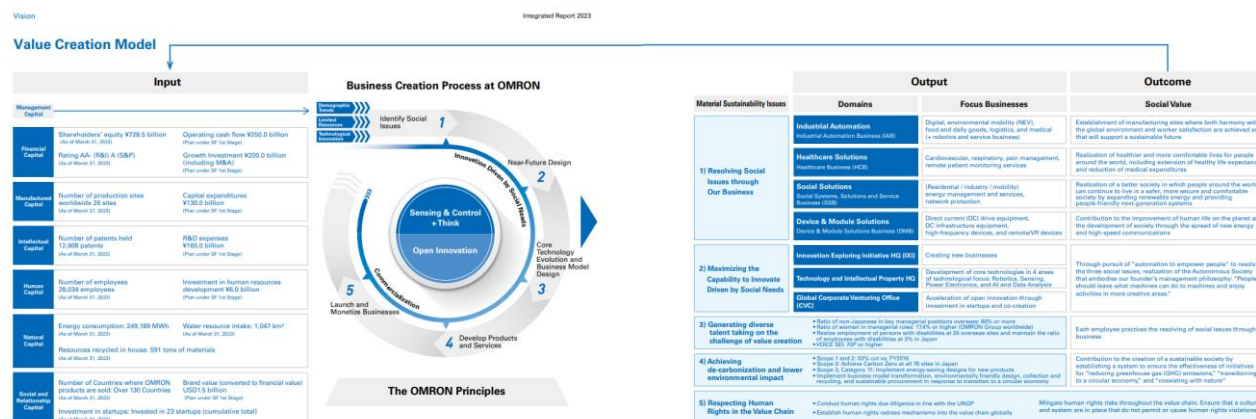
### KPI Governance

KPIs are set with medium-term targets, not only for the financial goals but also for many of the material sustainability issues identified in the materiality analysis.

### Substantive dialogue and engagement

In the dialogue process, it includes feedback to management team, and a mechanism to reflect the dialogue to improve management initiatives are established

## Value Creation Story





# OMRON Corporation

## Distinctive Efforts

### 1 Values and Long-term Strategies

#### Setting the goal by backcasting & forecasting

#### 2-1.1. The intended future state of providing long-term value to society

- In considering the long-term vision, Shaping the Future 2030 (hereinafter referred to as “SF2030”), OMRON envisions an “Autonomous Society: a society where individual fulfillment is compatible with the society’s affluence” in 2030 and beyond, based on their SINIC theory. In the changes that will occur in the process of moving toward such a society, the company has identified “achievement of carbon neutrality,” “realization of a digital society,” and “extension of healthy life expectancies,” as social issues where the company can create the greatest impact by leveraging its strengths in “automation,” “customer assets,” and “business assets.”
- In addition, in order to resolve the above three social issues, OMRON reorganized the Group’s business domains into “Industrial Automation,” “Healthcare Solutions,” “Social Solutions,” and “Device & Module Solutions”. Each and every domain has a business vision showing how the business can contribute to creating social value. Furthermore, the Company has launched Data Solutions Business to accelerate the evolution of their business model for the Group from that of hardware manufacturing business to that of solutions business utilizing data.

#### Corporate Voices

#### Defining the value created by each business based on the value created by our company

- In expanding our businesses in the midst of moving toward an “Autonomous Society,” we took into account the social changes that will have significant influence on our businesses over the next decade, and set themes that will create the greatest impact on society by leveraging our unique strengths. Our approach is based on our management philosophy centered on “putting the OMRON Principles into practice,” which is to realize our growth through the resolution of social issues that arise in the modern era.
- Following the development of vision and definition of value creation for the Group, we developed business vision for each business, formulated functional strategies, and defined how each business is to create value. It took us a total of two and a half years until we finalized SF2030; one year to develop the Group vision, nine months to develop business vision, six months to interconnect those vision.

#### SF2030 Vision Statement

##### We Will Continue to Create “Innovation Driven by Social Needs” through Automation to Empower People.

Design the nearfuture, detect and uncover social needs, and create new value through automation. We call this process “innovation driven by social needs” and have been contributing to a better society by practicing it since our foundation. Contributing to creation of a social and economic system capable of sustainable development is OMRON’s fundamental purpose. We will remain true to corporate philosophy management, continuing its practice without change.

Automation in industrial society was the replacement of human work by machines. What is required in an “autonomous society” is automation that helps people realize their full potential through the optimal combination of replacement, collaboration, and harmonization. We have defined automation from now on as “automation which empowers people,” and will continue to evolve our Sensing & Control + Think technologies to realize this automation.

In the next decade, as existing social issues become more pressing and new ones emerge, we will remain true to our core values and contribute to achievement of carbon neutrality, realization of a digital society, and extension of healthy life expectancies through “automation which empowers people,” with the aim of realizing an autonomous society where individual fulfillment is compatible with the society’s affluence.

#### Business Vision (Industrial Automation Business)

VISION

Enriching the Future for People, Industries and the Globe by Innovative-Automation

# OMRON Corporation

## Distinctive Efforts

### 2 Implementation strategy

#### 3.6. Investment in human capital, human resources strategy

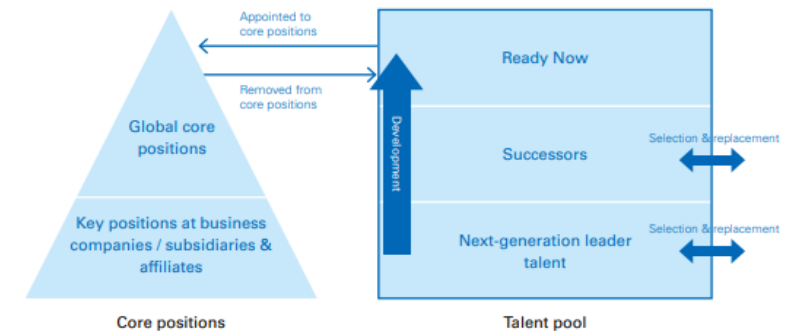
## Human Resources Strategy to Achieve Long-Term Vision

- For key positions established globally (Global core positions), in order to assign the right people to the right jobs, OMRON select and train at least two successors for each position.  
In addition, next-generation leaders who are expected to assume core positions in the future are selected and trained to ensure the talent pool.

### Corporate Voices

#### Early identifying and nurturing human resources with high expectations for the next 5 to 10 years

As well as fostering successors at the leadership level, we are nurturing the next generation of leaders further down the line to fill the vacancies left by the successors, and we have been able to realize smooth human resource turnover.



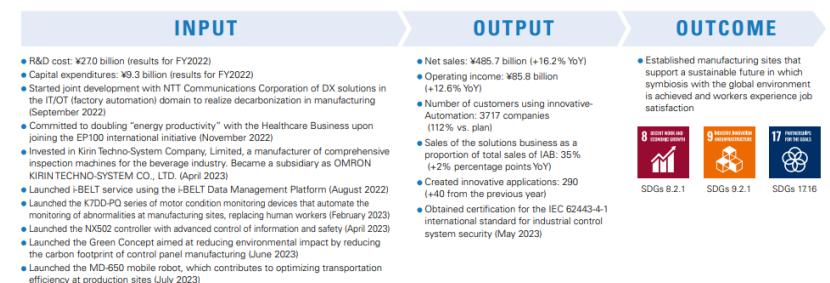
### 3 KPI & Governance

#### 4.2 Designing linkages between corporate value creation and the company's own KPIs

## Setting KPIs for Social Value by Business

- The value created ("OUTCOME") is clearly set for each business, and the process of value creation is visualized by creating a logic model.
- A unique "social value KPI" is set, which indexes the content corresponding to "OUTPUT" of the logic model.

## Logic Model (Industrial Automation Business)





# Kirin Holdings Company, Limited

\*October 2022-September 2023 average

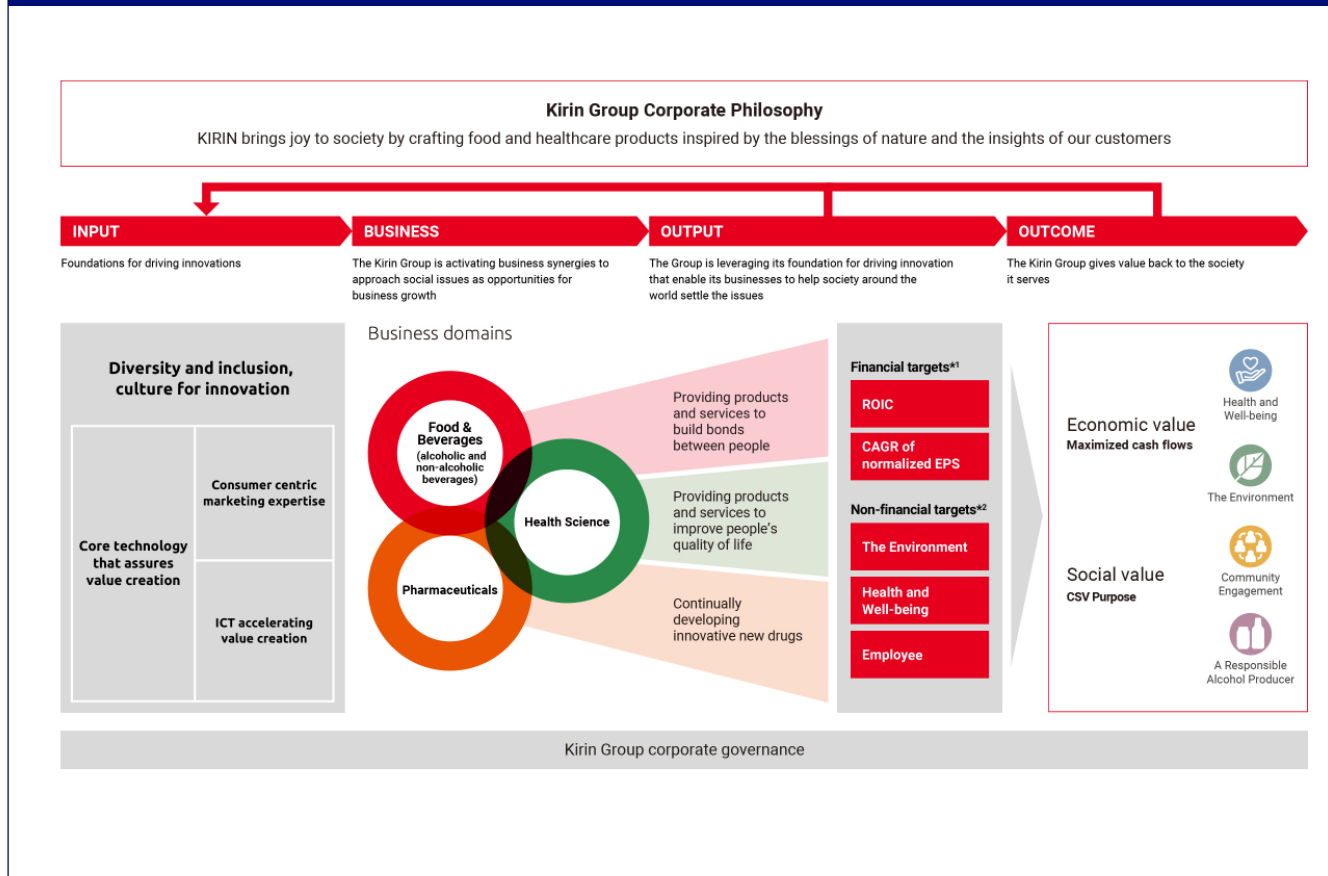
## General comment

- Building a value creation story that combines forecast & backcast perspectives, including climate change, human capital, and governance systems.  
The company is exemplary in its commitment to sustainability on all fronts.

## Evaluation by point of view

Values and Long-term Strategies	The company is developing a business model that leverages "fermentation and biotechnology" to create unique value in fields ranging from food to medicine, viewing health, a social issue, as an opportunity for growth.
Implementation strategy	The company aims to achieve sustainable growth and create social value through human capital development and DX strategies that combine expertise and diversity.
KPI Governance	KPIs are defined using ROIC and ESG assessments, and a system is in place to review KPIs based on these assessments.
Substantive dialogue and engagement	There are mechanisms in place to reflect the content of the dialogue and to reflect the content of the dialogue in initiatives to elicit dialogue in line with the objectives.

## Value Creation Story



# Kirin Holdings Company, Limited

## Distinctive Efforts

### 1 Values and Long-term Strategies

#### 2-1.1. The intended future state of providing long-term value to society

### Setting the goal by backcasting & forecasting

- In formulating the Kirin Group Vision 2027 (KV2027), a long-term management concept, the company envisions its future positioning ("the world's leading CSV company") in light of changes in the market environment (maturation of beer markets in developed countries, global shift to craft and premium beers, etc.), and takes into account backcasting. The backcasting perspective is taken into account.
- In addition, all three of the business areas in KV2027 are based on "Fermentation & Biotechnology," which continues to be a unique strength of the Kirin Group to this day, and are also based on the perspective of forecasting.

#### Corporate Voices

### Backcasting to set the goal of the project

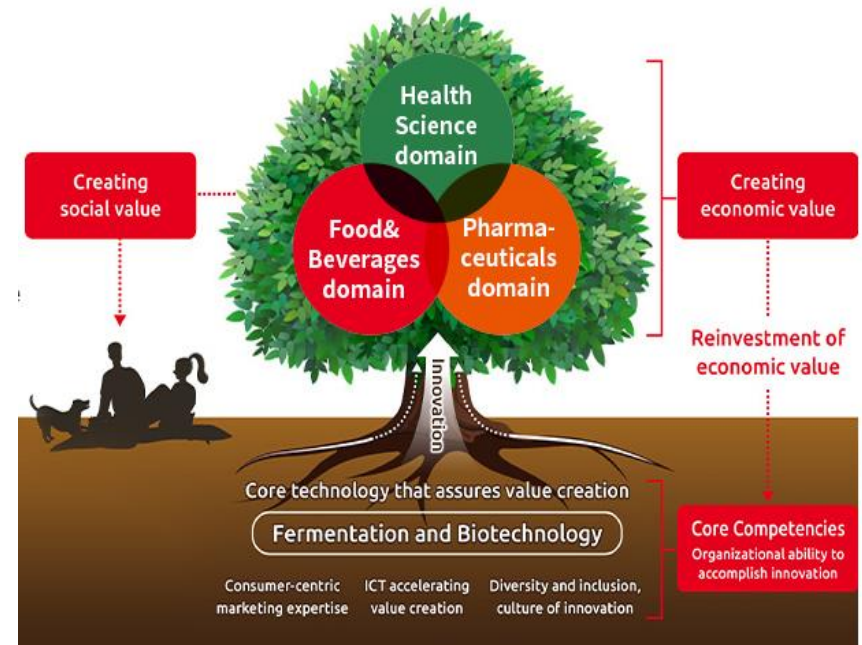
- We consider the image of a "leading global CSV company" to be one in which CSV has taken root as a matter of course in every corner of management and is being applied to strategy, and we aim to be on par with companies around the world that have already reached a state close to that of CSV.
- In the future, society will have tighter regulations on alcohol, and demand for low-alcohol and non-alcoholic beverages is expected to increase, and sales expansion is also a CSV commitment.

#### Corporate Voices

### Setting a goal by forecasting

- Among various competitive advantages, "Fermentation & Biotechnology" has been cultivated in the beer business, our ancestral business, and we are developing this technology as our core competence in the pharmaceutical and health science businesses, aiming to realize growth in each of these businesses in the future.
- We believe that we are building a portfolio that capitalizes on the unique strengths derived from our ancestral business.

### Value Creation Cycle



# Kirin Holdings Company, Limited

## Distinctive Efforts

### 2 Values and Long-term Strategies

#### 2-2. Business model

Establish a business model that will serve as the foundation for long-term, sustainable corporate value based on the vision of the company

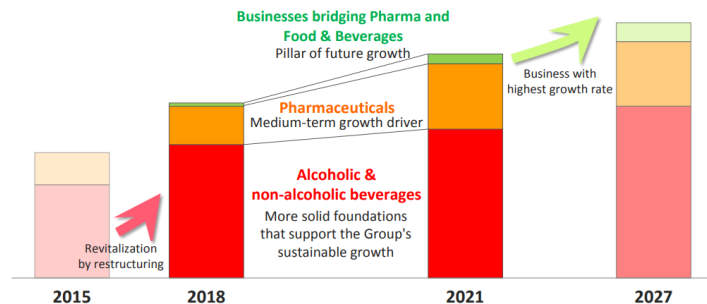
- Based on the vision of "A global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals," the company is working to expand its business in the health science field, which links food and medicine, in addition to the food and medical fields.

#### Corporate Voices

#### Growth in new areas by leveraging strengths in existing areas

- Aiming to develop business in the health science field based on our strengths in "fermentation and biotechnology",  
We plan to grow in the health science field by utilizing unique materials such as plasma lactobacilli.
- In the area of intellectual property, we intend to promote the integration of the medical and health science fields in the future,  
In the non-financial targets of the 2022 Mid-Term Business Plan, we have set the achievement level of "promotion of collaboration with the medical field".

Increase Group profit through existing businesses while also creating the drivers of future growth



### 3 implementation strategy

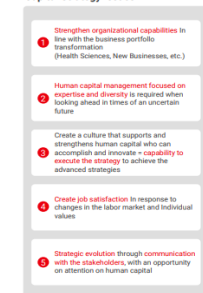
#### 3.6. Investment in human capital, human resources strategy

#### Human Resource Strategy Linked to Management Strategy

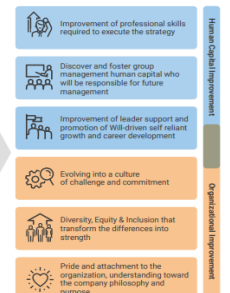
- The shift in the business portfolio required the company to strengthen its organizational capabilities and strategy execution in the short term, and in the medium to long term, the company was required to shift its business and take on challenges in new areas in its existing businesses, in addition to health sciences as an area to be strengthened. It was decided that the company needed to develop human resources with expertise and diversity.
- Through secondments across businesses and by providing opportunities to take on advanced and far-reaching challenges,  
The goal is to hone diverse perspectives and values, and to enhance human resource capabilities to improve the organization's capacity.

#### Human capital disclosure index

Viewed from Group Management  
Issues Recognition of Human  
Capital Strategy Issues



#### Key Initiatives for Human Capital Strategy



## General comment

- The materiality process, which identifies critical issues, aligns values, social trends, and business models with the critical issues, and there is a link to the implementation strategy.
- The company is building a value creation story that links the value it provides to society to the enhancement of corporate value by leveraging its strengths, such as partnerships and a stable financial base centered on telecommunications technology.

## Evaluation by point of view

### Values and Long-term Strategies

In addition to the technology that is the company's strength, there are initiatives that are its unique strengths, such as partnerships and a stable financial base.

### Implementation strategy

Implementation strategies are being formulated in a manner that is connected to key issues. For example, in human capital, KDDI is working to revitalize human capital by introducing the KDDI job type.

### KPI Governance

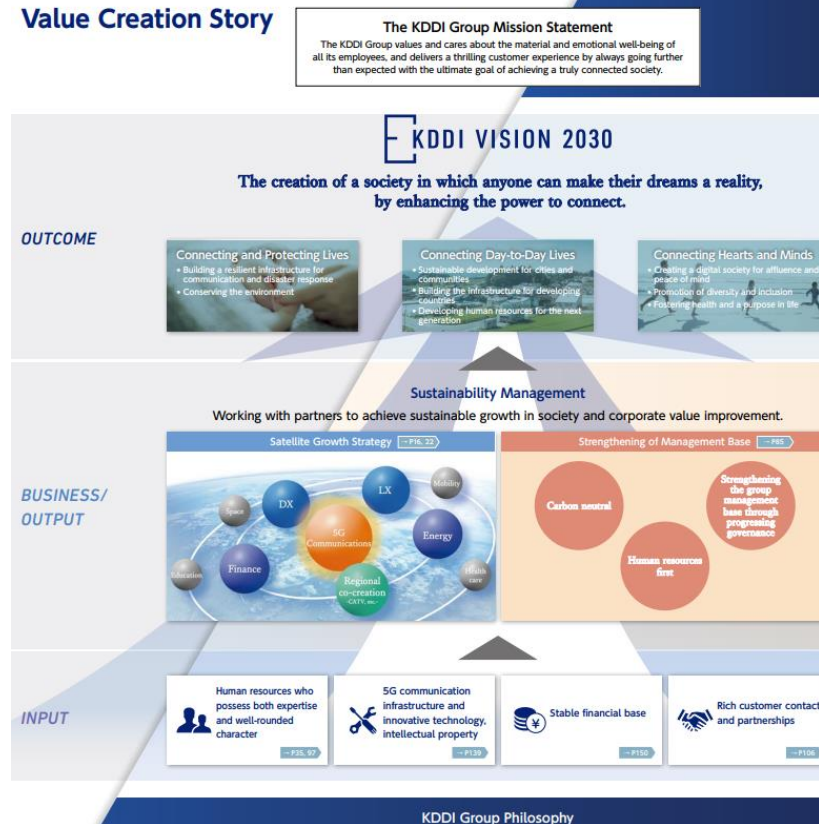
In order to respond to materiality and manage progress, non-financial KPIs tied to the business have been established and a system for reviewing them has also been established.

### Substantive dialogue and engagement

The management, including the president, is in dialogue with investors.

## Value Creation Story

### Value Creation Story



### Six Material Issues and Mid-Term Sustainability Targets FY23-25 targets

#### 1. Promotion of Innovation Centered on Telecommunications

Number of business strategy and R&D projects based on Satellite Growth Strategy (cumulative total): **60** cases  
IoT connections (cumulative total): **44** million connections  
\* Figures since the start of the service

#### 2. Realization of Safe, Secure, and Prosperous Society

Transaction Volume of Settlement/Loan (cumulative total): **16.3** trillion yen

#### 3. Carbon Neutral

KDDI's carbon neutrality (scope 1+2)  
(KDDI non-consolidated): **Fiscal 2030**

#### 4. Strengthening the Group Management Base Through Progressing Governance

Number of advanced security technology initiatives (cumulative total): **15** cases  
\* Number of new initiatives and topics by KDDI (non-consolidated) and KDDI Research, Inc.

#### 5. Human Resources First

Maintain and improve employee engagement score (KDDI non-consolidated): **maintain 72 or over**  
Ratio of female directors (KDDI non-consolidated): **20% or over**  
Percentage of females in managerial positions (KDDI non-consolidated): **15% or over**

\* Calculated excluding incoming secondaries and current secondaries.  
Personnel in managerial positions: Leaders who have personnel evaluation authority and experts in specialized areas

#### 6. Advancing Stakeholder Engagement

### Financial Objectives FY23-FY25.3

ARPU revenue increase due to 5G promotion (FY22.3 vs. FY25.3)	
Business growth	Profit growth in focus areas
	100 billion yen or more
	Cost efficiency
	100 billion yen target
Financial policy	<ul style="list-style-type: none"> <li>Prioritize capital expenditures and strategic business investments in 5G and focus areas</li> <li>Dividend payout ratio over 40%</li> <li>Flexible share repurchases</li> </ul>
EPS growth	Continue to aim for 1.5x growth versus FY19.3

# KDDI CORPORATION

## Distinctive Efforts

### 1 Values and Long-term Strategies

## Corporate Collaboration for Business Co-Creation

- In order to expand services that have synergy with 5G, which is one of the company's strengths, the company is working with a variety of partners to create many new businesses.
- In addition, the company has built a platform for business co-creation. It is positioned as an important intangible asset for creating new businesses.

### Corporate Voices

## Partnering is the key to value creation and sustainable growth

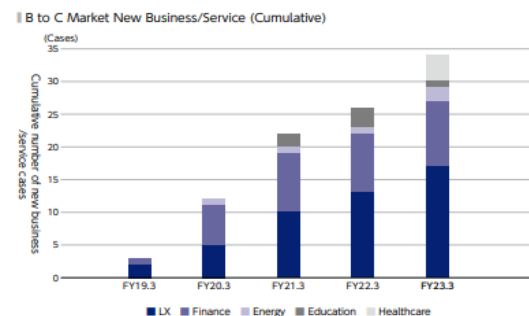
- We are focusing on strengthening relationships with business partners and partnerships to create innovations that would not be possible on our own.
- One of our strengths is partnering. Since there is only so much we can do on our own, we believe that we can create something new by partnering and combining our assets with those of other companies, and we will continue to strengthen our relationships with partners.
- We believe that by pouring the value of KDDI's telecommunications into the assets that our partners have, we can make our customers feel the benefits. In the future, there will be more telecommunications + α businesses that are not just telecommunications.
- We want to work together with our partners to achieve sustainable growth of society and increase corporate value. We believe that a virtuous cycle in which social growth is utilized in the next business strategy and returned to society again is desirable and is being promoted.

### 3.5. Establishment/promotion of organizational processes and support systems to achieve innovation

## Deepening partnerships for business co-creation

In our "Satellite Growth Strategy," we are advancing the expansion of services that synergize with our strengths, such as 5G. Given that expanding our services requires collaboration with a diverse range of partners, we are actively deepening our partnerships.

For instance, in the past five years, we have achieved over 30 commercialization imperatives of new businesses and services for B to C markets, excluding communication. Many of these successes are the results of business co-creation with partners, including large enterprises and startups.



\* The breakdown of the graph represents the domains of the Satellite Growth Strategies to which each

To create such collaborative businesses, we have platforms such as "KDDI DIGITAL GATE"<sup>\*1</sup>, which collaborates with corporate customers to create new businesses, "KDDI<sup>∞</sup> Labo"<sup>\*2</sup>, a business co-creation platform that collaborates with large corporate alliances to support startup growth, and the "KDDI Open Innovation Fund"<sup>\*3</sup>, a corporate venture capital initiative aimed at supporting startup growth within the KDDI Group. These platforms are also considered important intangible assets for generating new businesses.

We will continue to work on strengthening partnerships for business co-creation in the future.

### || The progress status of each business co-creation platform



<sup>\*1</sup> KDDI DIGITAL GATE (Japanese only)

<sup>\*2</sup> KDDI<sup>∞</sup> Labo

<sup>\*3</sup> KDDI Open Innovation Fund



# KDDI CORPORATION

## Distinctive Efforts

### 2 Implementation strategy

#### Human Resource Strategies to Achieve the Goals

#### 3.6. Investment in human capital, human resources strategy

- The company has set "Transformation into a Human Capital First Company" as its materiality, and aims to create innovation and contribute to the sustainable growth of society by fostering a corporate culture in which diverse and highly-skilled professional human capital can play an active role and a spirit of challenge abounds.
- KDDI will adopt a "KDDI version of a job-based personnel system" starting in 2020, and is currently in the process of transitioning from a membership-based to a job-based system. This system is based on the following principles,  
All employees will be able to utilize the experience they have gained in the existing telecommunications business while also acquiring skills that can be applied in new areas, with the aim of becoming professional human resources that can be used outside the company as well.
- KDDI has established "KDDI DX University," an in-house human resource development institution, for DX, which has been set as one of the areas, and is putting in place a system to enable employees to acquire DX and related knowledge. The scope will be expanded to include specialized areas other than DX-related areas, and the necessary training will be provided in all 30 specialized areas in FY2024.

### 3 KPI & Governance

#### Set KPIs for non-financial information

#### 4.3. Setting of the company's own KPIs that demonstrate the progress of strategies

- KPIs tied to the business are set to address materiality and to manage progress.
- Achievement of sustainability-related KPIs is linked to executive compensation and bonuses for all employees to promote the penetration of sustainability management and encourage action.

Materiality	Values We Embrace	Mid-Term Sustainability Targets (FY23.3-FY25.3)				
		Details of Implementation	Index	FY22.3 results <sup>*1</sup>	FY23.3 results	FY25.3 targets
Materiality 1 Promotion of Innovation Centered on Telecommunications	(1) Molding future society → P48	Promoting business creations and R&D projects based on Satellite Growth Strategy	Number of projects (Mid-Term cumulative total)	21	20	60
		Providing LX Services in collaboration with local governments <sup>*1</sup>	Expansion of LX Service provision areas and number of facilities <sup>*2</sup>	—	—	—
		Promoting innovation to strengthen intellectual capital	Number of patents held in 5G/Beyond 5G + Satellite Growth-related areas	—	Year on year grew 28%	Year on year grew 20%
	(2) Realization of sustainable industrial/infrastructure environment → P52	Contribution to industry/infrastructure DX	IoT connections <sup>*3</sup>	24.5 million connections	32.4 million connections	44 million connections
		Promoting customer workstyle reform	Percentage of KDDI customers (corporate customers) deploying zero-trust solutions	—	7%	35%
		Expand 5G coverage	5G population coverage governmental target 95% by FY24.3	—	—	—
Materiality 2 Realization of Safe, Secure, and Prosperous Society	(3) Regional co-creation → P61	Eradication of major incident	Number of serious incidents (equipment failures) <sup>*4</sup> <sup>*5</sup> Based on the Ministry of Internal Affairs and Communications' incident reporting guidelines, etc.	0	2	0
		Solving disparity in regions	Number of people supported (Mid-Term cumulative total) <sup>*6</sup> Services such as smartphone classes, in-store support, usage support, on-demand transportation, supporting regional education (lectures and seminars) Simple TV Phone service, and disparity elimination for local governments, medium-sized and SMEs.	5.7 million	5.67 million	15 million
		Development of regional experience support services	Number of users of regional experience support services (Mid-Term cumulative total)	—	—	—
	(4) Eliminating regional and economic disparities globally → P67	Eliminating financial divides	Transaction volume of settlement/loan	11.7 trillion yen	14.3 trillion yen	16.3 trillion yen
		Expand global business in emerging countries <sup>*2</sup>	Respect the human rights of the people in emerging countries, and strive to maintain the social infrastructure that is essential to people's daily lives. <sup>*2</sup>	—	—	—
		Education and training of the next generation in Mongolia using telecommunications	Number of subscribers to Stars, a telecommunications service for children aged 13 and under (cumulative total)	—	0.13 million	0.18 million

## General comment

- The company is steadily advancing its IP strategy, divestment of non-core assets, and other initiatives. The company has established a structure in terms of governance and engagement.
- Based on the analysis of the gap between the company's goals and its current state, the business strategy, human capital strategy, DX, and capital strategy are discussed and sublimated into an overall strategy.

## Evaluation by point of view

**Values and Long-term Strategies**

The overall strategy, business model, and competitiveness are consistent, and areas of strength and competitive advantage based on backcasting and forecasting correspond.

**Implementation on strategy**

Mechanisms for innovation creation, human capital strategies, and intellectual capital strategies have been established, especially with regard to intellectual capital, DXd-ADC technology is positioned as an important intangible asset, and the company has set aside approximately 1.8 trillion yen for research and development during the 5-year business plan period.

**KPI Governance**

Highly commended the Board of Directors for its expected skills, role, monitoring of strategies, and efforts to improve effectiveness.

**Substantive dialogue and engagement**

The company's willingness to engage in substantive dialogue is evident in the establishment of agendas and correspondents (e.g., chairman of the board (outside director), CEO, COO, CFO, R&D officers, etc.) according to the purpose of the dialogue.

## Value Creation Story



# DAIICHI SANKYO COMPANY, LIMITED

## Distinctive Efforts

### 1 Values and Long-term Strategies

#### 2-1.1. The intended future state of providing long-term value to society

### Setting the goal by backcasting & forecasting

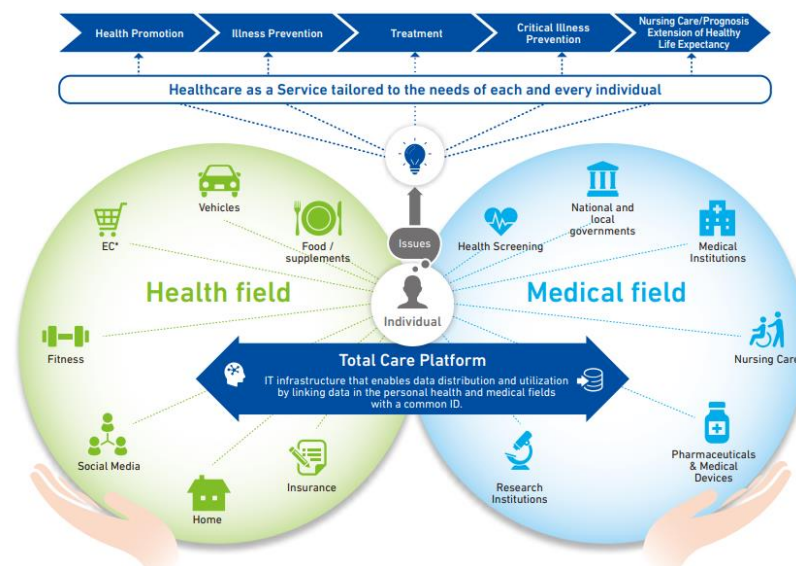
- In formulating its 2030 Vision, the Company sees "Science & Technology (S&T)" as a source of value creation. Based on the status of the pipeline at the time of formulation and the areas in which S&T can demonstrate its strengths, the company has positioned oncology as a pillar of its growth strategy and aims to become a global healthcare company, as stated in its vision, by promoting globalization and fostering specialized professionals. (Forecasting Perspective)
- The future social environment is envisioned as a society in which "Healthcare as a Service (HaaS)" will be realized, and healthcare services will be individually optimized through the provision and utilization of data, care for patients' families, and support for patients' prognosis will become possible. As areas where we can contribute to such a society, we are considering the creation of innovative drugs from the perspective of patient centricity and the provision of services that contribute to the improvement of patients' quality of life. (From the viewpoint of backcasting)
  - The HaaS Planning Department, a group of diverse experts from R&D, marketing, sales, digital, and other fields, has been newly established to create innovative services and solutions based on scientific capabilities and the trust that has been built up.
  - As part of the realization of HaaS, the company is collaborating with various companies and organizations to build a "total care ecosystem" (an IT infrastructure that enables the utilization of data by linking personal medical and health domain data with a common ID).

#### Corporate Voices

#### Backcasting to set the goal of the project

- The concept of HaaS in our company is based on the idea of Society 5.0, from the perspective of what a future society could be like from a health and medical perspective.
- We are discussing the concept of HaaS in our company, incorporating the opinions of not only board members but also those from outside our company, and how we can contribute to HaaS by developing our business in this context.

### Our Approach to HaaS





Distinctive Efforts

2 implementation strategy

3.6. Investment in human capital, human resources strategy

Human capital for the realization of our Vision

- To strengthen S&T, which is the source of the Group's value creation and its greatest strength, the Company believes that transformative changes starting with "human resources," "technology," and "organization" are necessary.
- In recent years, the company has focused particularly on developing and acquiring biotech human resources who are active in drug discovery research and pharmaceutical technology, global talents who promote global management, and DX professionals to promote DX throughout the company.

Corporate Voices

Human capital to generate intellectual capital

- The biggest reason why we have been able to continue to produce new drugs is that the strength of S&T permeates our organization at the DNA level. We believe that this strength has been shaped by a culture that allows lively discussions regardless of hierarchy, and a history of continuous R&D investment by management who believe in the strength of the company's research department.
- In addition, the organization's track record of continuous innovative drug creation is a source of experience and confidence.

3 Implementation strategy

3.2. Capital allocation strategy

Maintain R&D investment

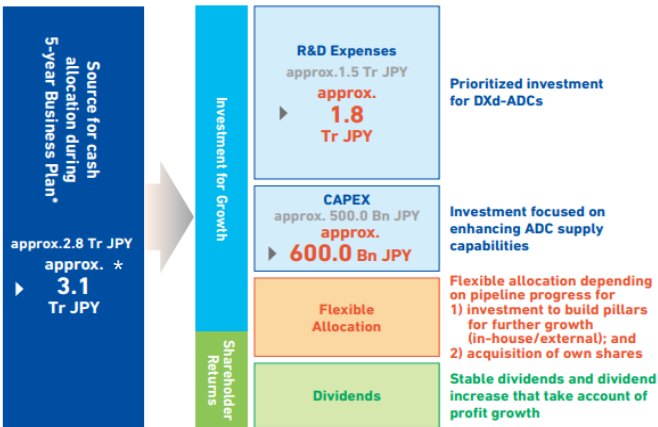
- The company is prioritizing R&D expenditures on five products (5DXd-ADCs) that use its proprietary "DXd-ADC technology". Furthermore, in order to create a virtuous cycle for sustainable growth, the Company plans to invest aggressively in growth driver candidates and initial research following 5DXd-ADCs.

Corporate Voices

Reasons for maintaining a high R&D expense ratio

- For many years, we have been able to invest approximately 20% of its R&D expenditures as a percentage of sales. Our strength in S&T platform has enabled us to continuously create innovative drugs and maximize the value of our pipeline through strategic alliances and other means, which has led to cash inflows and enabled us to reinvest in S&T.
- In addition, although the business plan is based on a five-year period, the budget management is updated every year with a three-year forecast that incorporates measures to address changes in the given conditions, thus achieving flexible resource allocation.

Image of cash allocation



\* FY2020 cash in hands (excluding working capital) approx.400.0 Bn JPY+ Operating Cash Flow before R&D expenses during 5-year

\* Plan at the time of formulation of the Fifth Medium-Term Management Plan

# DAIKIN INDUSTRIES, LTD.

\*October 2022-September 2023 average

## General comment

- It is a business model that has been developed from both backcasting and forecasting perspectives, and is connected and consistent with each strategy.
- From a governance perspective, the company has established a governance structure that enables management to make timely decisions and to establish an appropriate oversight and monitoring structure. These efforts have enabled the company to continuously and promptly revise its strategies to respond to changing situations.

## Evaluation by point of view

Values and Long-term Strategies	Identify risks and opportunities in the climate change issued as an air conditioning business, and develop business in the air-conditioning business. While taking a bird's-eye view, the company's integrated thinking is evident in its appeal to technological capabilities as the source of its competitiveness.
Implementation strategy	The company possesses advanced technology, and its firm commitment to rule formation is highly evaluated. The company's IP strategy (strategic nature of patents) is effectively linked to its execution strategy, which is contributing to market expansion.
KPI Governance	The company advocates Integrated management framework, communicating its uniqueness and other aspects of rapid management. Also, The roles and division of functions between the board of directors and the management team are clearly defined.
Substantive dialogue and engagement	The management, including the president, interacts with investors.

## Value Creation Story



# DAIKIN INDUSTRIES, LTD.

## Distinctive Efforts

### 1 Values and Long-term Strategies

#### 2-1.1. The intended future state of providing long-term value to society

### Setting the goal by backcasting & forecasting

- In the strategic management plan "FUSION25" for the period from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2026, the company has established a clear process from the perspective of both backcasting, which takes into account long-term social changes and the company's positioning in the future market, and forecasting, which is based on the company's unique strengths. The company has set its "Aiming Image."
- The company is flexibly revising its action plan in light of changes in the external environment since the FUSION25 initial plan was formulated.

### Corporate Voices

#### Positioning of our company at a future point in time

- Currently, we have a high market share in each of the global regions, and in the future we intend to lead the air conditioning industry as a leading company in emerging markets such as India and Africa, where demand for air conditioners is expected to increase. Although we have not disclosed quantitative market share targets, our policy is to approach solutions to environmental and social issues through sales of air conditioners with high environmental performance and energy solutions.
- As each employee engages with various stakeholders in the course of their work, they are aware of the position that external stakeholders expect of Daikin, and this is reflected in the direction that our Company as a whole aims to take.

### Corporate Voices

#### A corporate culture that favors free and vigorous discussion

- When deciding on strategies and policies, we have a corporate culture in which employees, regardless of their positions or responsibilities, are able to freely express their opinions from their respective standpoints and engage in a series of intense discussions. By fully voicing their opinions, employees feel a strong sense of accomplishment in setting goals, which is linked to the ability to implement them onsite.

### Assumptions for Formulation of FUSION25 Latter-Half Three-Year Plan

#### Assumptions

##### Changes in Our External Circumstances

###### Factors to Consider in Formulating the Initial Plan

- Increased importance of environmental and social contributions
- Consumption shift from goods to experiences
- Increased needs for IAQ and ventilation
- Innovative advances in digital, AI, 5G, and other technologies



##### Changes in External Business Environment Since Formulation of the Initial Plan

- Accelerating movement toward carbon neutrality and circular economy
- Rapid development of new solutions by competitors and throughout the industry
- Remarkable growth of India's economy
- Development of semiconductor, automotive, and information/communication fields

#### Our Strengths

- Energy-saving, environmental, IAQ technologies
- Globally expanding robust sales network
- Local production for local consumption model
- People-Centered Management, diversity management

#### Our Group Philosophy

# DAIKIN INDUSTRIES, LTD.

## Distinctive Efforts

### 2 Implementation strategy

#### Efforts to create new intellectual property both internally and externally

- In order to promote IP activities that contribute to business, the R&D and sales departments and the IP group are working together to build and strengthen the IP portfolio. Each of the company's overseas bases is also building such an intellectual property system.
- Through the "Effective Patent Reward System," which rewards not only patents that protect the company's products and technologies, but also patents that attract the attention of other companies, the company is working to raise awareness of intellectual property.
- In light of changes in industrial and social structures, the company defines "co-creation" as an effort to break away from a self-focused approach and work together with startups, industry, government, and academia to provide new value. The company also focuses on creating new intellectual property by creating mechanisms that provide incentives for both parties to create inventions.

3.5. Establishment/promotion of organizational processes and support systems to achieve innovation

#### Research and Development Bases



### 3 Implementation strategy

#### Market expansion through standardization of in-house technology

3.7. Investment strategy to secure and strengthen intangible assets, etc., including intellectual property

- The indicator for properly evaluating the energy-saving performance of inverter machines, which was proposed in cooperation with other companies in the industry in Japan, was adopted as an ISO standard, an international standard, in 2013. The adoption of this indicator has led to a wider evaluation of energy-saving performance in emerging countries, which in turn has led to the spread of our high-efficiency inverter machines.
- The company is actively pursuing a market expansion strategy through such rule formation.

#### Corporate Voices

#### Axis of Decision Making for IP and Technology Disclosure

- The decision to release patents and technologies to the public is made at the discretion of top management after much internal debate and discussion. Starting in 2011, in sequence, patents related to the refrigerant R32 were released globally free of charge in order to promote the conversion of refrigerants around the world.
- In the discussion of decisions, discussions are conducted from the perspectives of "whether it contributes to business growth" and "whether contributing to solving environmental and social issues will enhance our corporate value in the future."

## General comment

- The company has continued to increase its corporate value through sustained high performance over a long period of time.
- In order to respond in a timely manner to technological and demand changes in the semiconductor market, the company takes specific measures in all areas, including R&D, procurement and manufacturing, sales, and maintenance services, while closely identifying and dealing with risks, including those related to the environmental impact and supply chain.

## Evaluation by point of view

## Values and Long-term Strategies

Although this is a rapidly changing field, the company has clearly articulated a vision of increased resolution with TSV (CSV in Tokyo Electron).

## Implementation on strategy

To ensure the effectiveness of its long-term vision, the company is taking steps to develop new products in a timely manner and unique technologies, both of which are essential to the semiconductor industry. In addition, the company has identified issues in detail and addressed them in order to establish a sustainable supply chain.

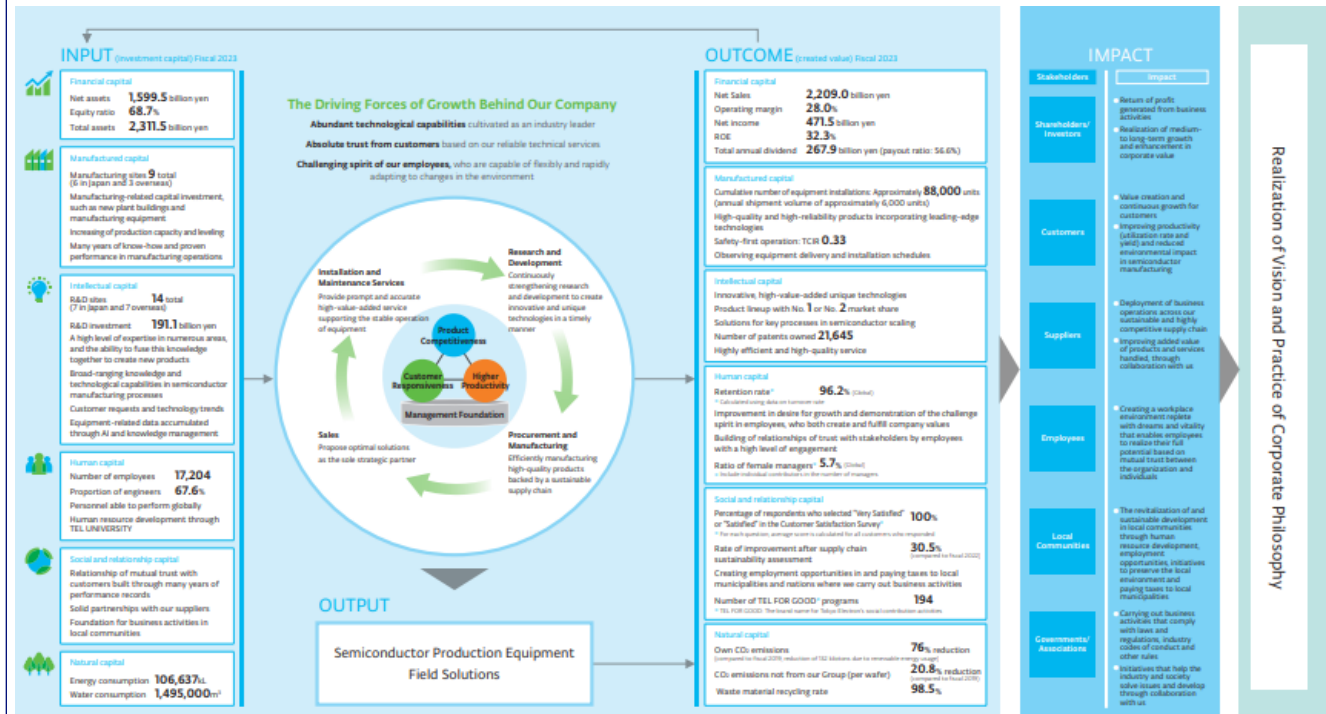
## KPI Governance

The company has set detailed and appropriate KPIs in each field. A system is in place to frequently review strategies and KPIs.

## Substantive dialogue and engagement

The CEO and staff with expertise in each topic engage directly with investors.

## Value Creation Story





# Tokyo Electron Limited

## Distinctive Efforts

### 1 Values and Long-term Strategies

#### 2-2.1.2. Differentiating factors

### Ensure competitive advantage based on required requirements

- In the semiconductor industry, where the pace of technological innovation is rapid, the company aims to “develop equipment with the highest performance to realize technological innovations” and “build solid relationships of mutual trust with customers,” and it has identified specific requirements for achieving these goals.
- The company has set KPI targets, such as the number of patents held in the semiconductor manufacturing equipment industry, and has actually achieved them.
- The company is focusing on strengthening its human capital, including its compensation system, in order to realize management that emphasizes technological capabilities and customer responsiveness.

#### Corporate Voices

#### Definition of required requirements

- As we enter the era of DX, where big data drives society, semiconductors are an indispensable part of society and their market is expected to expand further. In order to continuously develop our business as a semiconductor production equipment manufacturer and increase our corporate value over the medium to long term, we must continue to provide the best products with innovative technologies and the best technical services with high added value by utilizing our expertise in various fields. We reconfirmed the requirements required to ensure that this is put into practice.
- The requirements were discussed by members of sustainability-related departments, IR Department and related departments of management strategy review, based on information obtained through past communication with customers and investors, as well as on the experience accumulated to date.

#### Corporate Voices

#### Maintain differentiating factors

- In order to continuously grow the business and increase profits over the medium to long term, the creation of superior and innovative technologies is extremely important as a differentiating factor. For this reason, we intend to continue to invest aggressively in R&D and to further strengthen the human capital that supports this investment.

#### Requirements for semiconductor production equipment manufacturer



# Tokyo Electron Limited

## Distinctive Efforts

### 2 Implementation strategy

#### 3.7.1 Investments in technology (intellectual capital)

### Strengthen research and development capabilities to realize our vision

- In order to continuously create the best products necessary for technological innovation in semiconductors and bring them to the market in a timely manner, the domestic and overseas development bases, business divisions, and Corporate Innovation Division are collaborating to create highly unique technologies.
- The company emphasizes "Shift Left" approach, in which it invests resources such as technology, human resources, and expense in the early stages of the product development process. By understanding customer needs at an early stage and reflecting them in technological development, the company proposes superior products that contribute to the creation of customer value.
- The company also has a long-term focus on joint research and development with domestic and international consortiums and academia, and promotes collaboration in various areas of semiconductor technology on a global basis.



### 3 Implementation strategy

#### 3.1 Strategy for ESG integration

### Responding to environmental risks throughout the value chain

- Through the "E-COMPASS" environmental initiative, the company is working to achieve net zero emissions by 2040 in its supply chain, including its own.

#### Corporate Voices

#### Cooperative stance with suppliers toward Scope 3 reduction

- In order to reduce emissions from Category 1 "Purchased Products and Services," we emphasize our commitment to sharing objectives through partnerships with business partners and working together to improve corporate value for both parties.
- We are striving to further promote initiatives throughout the supply chain by recognizing suppliers that make significant contributions to E-COMPASS, including emissions reduction initiatives, with awards and certifications such as "Environmental Partners" and "Green Partners."



## TOKYO OHKA KOGYO CO., LTD.

\*October 2022–September 2023 average

## General comment

- To respond to the rapidly changing supply, demand, and needs of the semiconductor industry by focusing its management resources around its technological competitive advantage in photoresists, the company has clearly articulated its strategy of being close to its customers and is implementing it, including an awareness of its regional portfolio.
- Risks are also clearly identified and addressed for resources, water, and soil, which have an impact in the semiconductor manufacturing process.

## Evaluation by point of view

## Values and Long-term Strategies

The company has begun disclosing its social impact and is expanding its contact with sustainability.

## Implementation on strategy

The company has a proven track record in the field of photoresists, and its R&D strategy has been formulated from a medium- to long-term perspective. Considering these factors, it can be said that there is a high degree of confidence that the company will have a competitive advantage in the foreseeable future.

## KPI Governance

Although a company with an Audit and Supervisory Committee, it is attempting to separate execution and supervision within the board of directors by delegating some of the authority for business execution decisions to the representative director.

## Substantive dialogue and engagement

Agenda selection is conducted and responders are determined based on investor demographics and objectives.

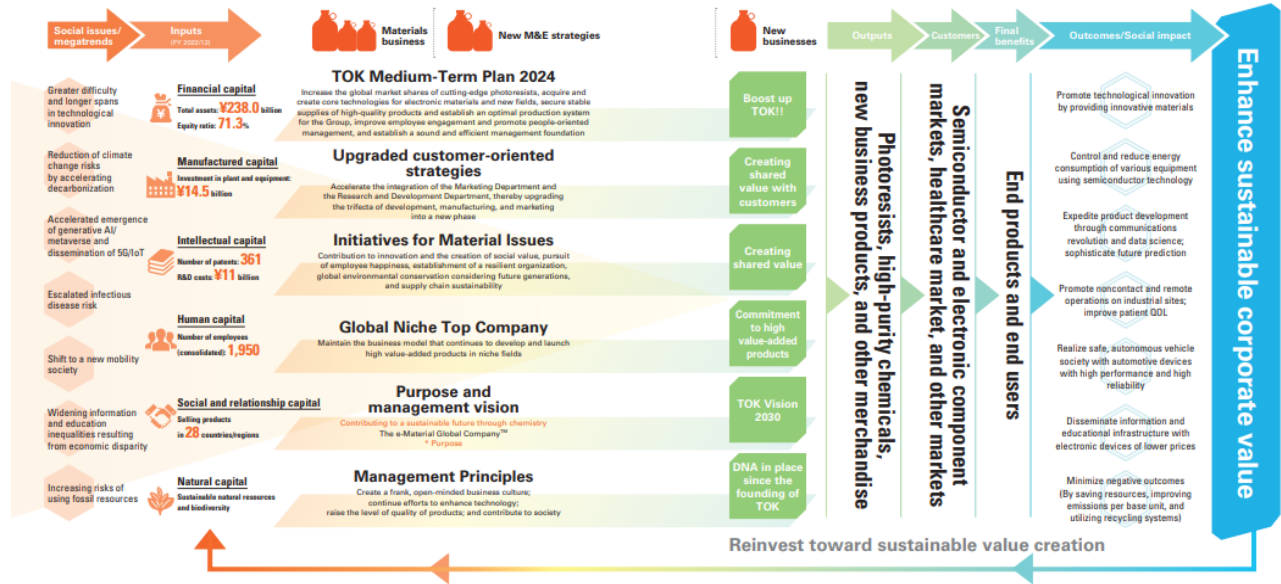
## Value Creation Story



## VALUE CREATION PROCESS

## TOK's Sustainable Value Creation Process

As the VUCA tendencies continue to intensify, TOK has formulated the management vision—The e-Material Global Company™—that contributes to a sustainable future through chemistry and under which the Group boosts the activities to achieve the TOK Vision 2030 based on the new TOK Medium-Term Plan 2024 launched in 2022. As a global niche top company, TOK contributes to the resolution of social issues based on the specified purpose by leveraging the robust customer base established in Japan and overseas.





# TOKYO OHKA KOGYO CO., LTD.

## Distinctive Efforts

### 1 Values and Long-term Strategies

#### 2-1.1. The intended future state of providing long-term value to society

### Quantification of the value provided to society

- TOK Vision 2030, which aims to provide long-term value to society, is to "realize a sustainable future," and has identified "information terminals," "cloud computing," "sensing & IoT," and "green energy" as areas of growth for the semiconductor industry.
- The report quantitatively shows what value the company's products bring to semiconductor manufacturers with respect to social issues tied to the above areas, and what social impact can be expected to be created as a result of such value.

### Corporate Voices

#### Background of Social Impact Calculation

- We took the opportunity of setting a new policy to strengthen our carbon neutrality efforts to work on the calculation of social impact in order to visualize how our products contribute to solving the energy problem.
- Although it was difficult to calculate the social impact of semiconductor materials due to their distance from the final product, we discussed the calculation formulas, including those for the calculation, with the help of an outside organization.

### Corporate Voices

#### Benefits from clarification of value provided

- In conducting recruitment interviews, we have noticed an increase in the number of students and mid-career job applicants who are interested in our company's social contributions. We have been able to more easily promote the value we provide, and this has contributed to the improvement of our brand power in recruiting.

### Expected Social Impact

Social issues (examples)	Solutions and value chain	Expected social impact
Widening economic disparity due to digital divide	<b>[TOK] Development and provision of thick-film KrF excimer laser photoresists</b> [Semiconductor manufacturers and device manufacturers] Cost reduction per byte with increased layers of 3D-NAND Production and marketing of low-price smartphones	Provision of information and educational infrastructure to <b>4 million people</b> in developing countries <sup>*1</sup>
Increasing power consumption due to the rapid expansion of data centers	<b>[TOK] Development and provision of EUV photoresists</b> [Semiconductor manufacturers and device manufacturers] Reduction of power consumption per computational session by logic semiconductors Reduction of power consumption at data servers	Reduction of global power consumption by about <b>0.3%</b> <sup>*2</sup> (forecast 2030)
Economic loss due to increased deaths from traffic accidents	<b>[TOK] Development and provision of image sensor photoresists</b> [Semiconductor manufacturers and device manufacturers] Advancement and mass production of automotive image sensors Increased production of ADAS vehicles	Reduction of annual deaths from traffic accidents by about <b>30,000</b> <sup>*3</sup> (about 2% of the total)
Improving efficiency of renewable energy systems	<b>[TOK] Development and provision of photoresists for next-generation power semiconductors</b> [Semiconductor manufacturers and device manufacturers] Advancement and mass production of next-generation power semiconductors Improved efficiency of EVs and wind/hydropower generation systems	Reduction of global power consumption by about <b>0.4%</b> <sup>*4</sup> (forecast 2030)

# TOKYO OHKA KOGYO CO., LTD.

## Distinctive Efforts

### 2 Implementation strategy

#### Promotion System for Innovation Creation

3.5. Establishment/promotion of organizational processes and support systems to achieve innovation

- The company has developed a "customer-oriented strategies" to identify customer needs at an early stage, leading to seamless development, manufacturing, and supply, and its social and relational capital in Taiwan, Korea, and other countries continues to expand.
- The Sales Strategy Department and Strategic Alliances Department work together to keep abreast of mid- to long-term technology trends.



#### Corporate Voices

##### Research and collaboration system to keep up with the technological evolution of semiconductors

- The Sales Strategy Department and Strategic Alliance Department are mainly engaged in collecting information on recent trends of technological change and technology information looking 10 years or more into the future, and are efficiently collecting information with a view to strengthening existing businesses and developing new fields.
- Information researched by the Sales Strategy Department and Strategic Alliance Department is promptly linked to the Development Division, and development projects are updated in response to technological evolution.

### 3 Implementation strategy

#### Strengthening human capital as a starting point for innovation

3.5. Establishment/promotion of organizational processes and support systems to achieve innovation

- Under the materiality "Pursuit of happiness in personnel," the following systems are in operation to strengthen sales and development personnel.
  - TOK SHINKA AWARD: Awarded for business achievements that contribute to the development of the company in fields other than technology and development
  - Executive Fellow System: Treat people with outstanding abilities and achievements on the same level as executives.
  - Performance Reward System: Linking basic patents and earnings, and providing monetary rewards to patent holders based on earnings.  
\*In the case of long-run development, the basic patent holder often leaves the development of the product when the product is launched.



# Japan Airlines Co., Ltd.

## Distinctive Efforts

### 1 Values and Long-term Strategies

#### Materiality Identification Process

- A flow is established to analyze opportunities and risks and identify materiality in terms of sustainability opportunities and risks from the understanding of social issues.
- Flexibly review and redefine materiality in response to changes in the external environment, while redefining the value to be created by the business.

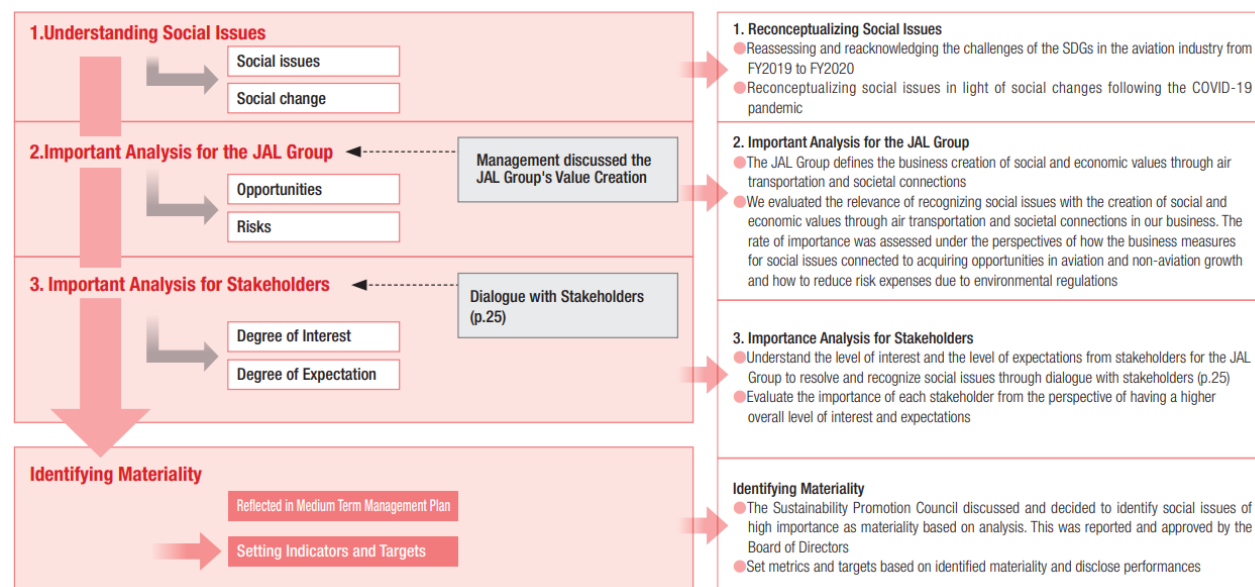
#### Corporate Voices

**Reestablish the value and materiality to be created by the business based on changes in the external environment.**

- Until FY2022, 22 issues in four areas related to full-service carrier business with an awareness of the SDGs were defined as materiality.
- However, lessons learned from the "evaporation" of airline demand due to Corona led to a thorough discussion among management from the fall of 2010 to the summer of 2011, and the decision was made to create social and economic value through business by creating "connections and relationships" through "mobility". In addition, the materiality of the value to be created through the business was also reviewed with the approval of the Board of Directors. We will continue to review and redefine materiality flexibly in response to changes in the external environment.

### 1.2. Identification of important issues and materialities for the provision of long-term value to society

#### Flow to Materiality Identification



# Japan Airlines Co., Ltd.

## Distinctive Efforts

### 2 KPI & Governance

#### Executive compensation system linked to KPIs

- We have established performance evaluation indicators linked to ESG strategy, business strategy, and financial strategy, which are the three pillars of management strategy in our mid-term management plan.

##### Corporate Voices

##### Design of Executive Compensation Helps Promote Sustainability

- The design of executive compensation is very conducive in promoting sustainability.
- As the best example, we received the world's top score in the aviation sector of the DJSI, and we feel that tying executive compensation to ESG and CO2 initiatives is effective from a governance perspective. In addition, we have seen a change in the awareness of sustainability in the design of goals among department managers and lower level frontline employees.

### 5.7. Compensation policies

	Performance-linked Bonus <sup>*1</sup>	Performance-linked Remuneration
Fluctuation range (assuming 100 at the time of achievement of the performance target)	The amount paid varies by 0 to 150	The number of shares to be paid fluctuates by 0 to 150 <sup>*2</sup>
Performance indicators and percentages		
Performance evaluation period	One year	Three years
	Financial goal	Non-financial goal

### 3 Substantive dialogue and engagement

### 6.4 Action after substantive dialogue, etc.

#### Identifying and improving management issues through investor dialogue

- Management issues have been identified through dialogue with investors, and improvements have been made repeatedly. Awareness of investors' opinions has fallen to non-IR directors and frontlines.

##### Corporate Voices

##### Identifying management issues through dialogue and implementing improvements

- We have been holding IR Days since 2018 and have invited directors other than those in charge of IR to participate and talk with investors. As a result, we feel that we have gained a better understanding of investors' thoughts and needs. In addition, the board members have become more aware of investors' opinions, and this awareness has been carried over to the frontline.
- We became strongly aware of ESG because we were asked many ESG-related questions at IR meetings, which also led to our current policy of placing ESG as a pillar of our strategy.

Total Number of Events for Institutional Investors				
	FY2019	FY2020	FY2021	FY2022
Earnings Announcement・Medium Term Management Plan Announcement for Institutional Investors	4	4	4	4
Events for Institutional Investors	4	3	3	3
IR Day	1	1	1	1
Facility Tour	1	0	0	0
CEO Small Meeting・CFO Small Meeting	2	2	2	2
Conference hosted by Securities Companies	9	9	11	12
Total Number of Interviews with Institutional Investors (Total)				
	FY2019	FY2020	FY2021	FY2022
Interviews with Domestic Investors	167	209	188	162
Interviews with Overseas Investors	219	262	164	230
Total	386	471	352	392
Interviews by Management	63	173	91	112
President	16	42	12	17
Vice-president	0	0	1	7
CFO・Senior VP of Finance & Accounting	43	68	74	86
Others <sup>*1</sup>	4	63	4	2
*1 Includes interviews with the Chairperson				
Internal Feedback Conducted				
	FY2019	FY2020	FY2021	FY2022
Feedback conducted at the Board of Directors Meeting <sup>*2</sup>	4	4	4	4



## General comment

- The company has implemented a number of transformations, including a review of its business portfolio, the dissolution of its parent-subsidary listing, and a reform of its strategy regarding human capital.
- The diverse business portfolio realigned with global opportunities and risks, Lumada easy to understand as a story, plus a board diversity and human resources strategy consistent with a comprehensive, time-tested sustainability strategy.

## Evaluation by point of view

**Values and Long-term Strategies**

The company, which originally grew as "Hitachi of Technology," has defined its mainstay of management as "data and technology," and its strategy reflects both consistency and change from the past. The materiality and goals are consistent with the mid-term management plan.

**Implementation strategy**

A major reshuffling of the business portfolio has been achieved over the past decade. With Lumada as a starting point, each strategy is developed interchangeably and is expected to be highly feasible with the necessary quantification.

**KPI & Governance**

The board members are international, their skills are balanced, and the system is strengthened, including supervisory functions.

**Substantive dialogue and engagement**

Strategic dialogue with top investors.

## Value Creation Story

### The Value Creation Process

#### Our Advantages and Resources<sup>\*1</sup>

##### Global and diverse organization and human capital

DEI promotion for diverse human resources	
Compensation structure supporting growth mindset	
Global top-tier board	
Overseas employee ratio	59%
Ratio of female executive and corporate officers	11%
Ratio of non-Japanese executive and corporate officers	20%
Digital talent	83,000
Engagement score	69.5

##### Global assets capturing technology trends

Three business segments matching trends	
Four strategic cross-sector functions	
Overseas regional headquarters capturing global markets	
Global asset ratio <sup>*2</sup>	70%

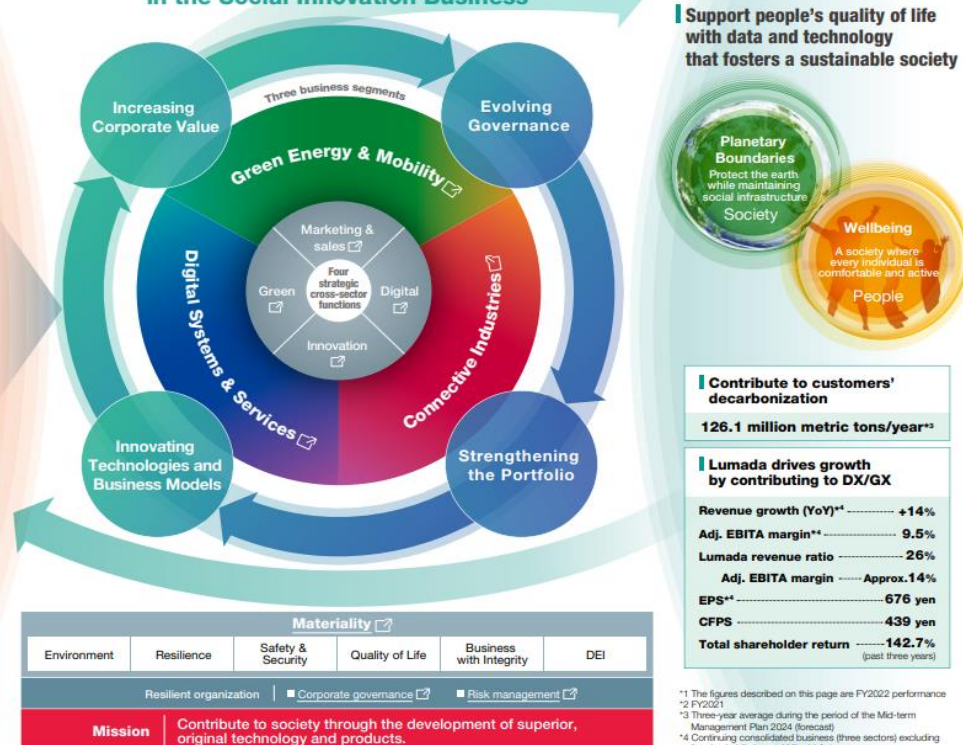
##### Innovating technologies

Back-cast corporate R&D that develops the next Lumada solutions	
Start-up investments	
R&D investments	316.2 billion yen
Investments in start-ups	300M\$ in total

##### Unique business model

Lumada's customer co-creation framework	
One Hitachi framework that enables approach to global customers	
Lumada use cases	1,330
Solutions	202
Lumada Innovation Hub Tokyo	
Number of visitors	15,000
Collaborative creation cases with customers	75
Alliance program partners	62

### Sustainable Growth in the Social Innovation Business



### Creative Value

Support people's quality of life with data and technology that fosters a sustainable society



#### Contribute to customers' decarbonization

126.1 million metric tons/year<sup>\*3</sup>

#### Lumada drives growth by contributing to DX/GX

Revenue growth (YoY) <sup>*4</sup>	+14%
Adj. EBITA margin <sup>*4</sup>	9.5%
Lumada revenue ratio	26%
Adj. EBITA margin	Approx. 14%
EPS <sup>*4</sup>	676 yen
CFPS	439 yen
Total shareholder return	142.7% (past three years)

<sup>\*1</sup> The figures described on this page are FY2022 performance

<sup>\*2</sup> FY2021

<sup>\*3</sup> Three-year average during the period of the Mid-term Management Plan 2024 (forecast)

<sup>\*4</sup> Continuing consolidated business (three sectors) excluding listed subsidiaries and Hitachi Astemo

## Distinctive Efforts

### 1 Values and Long-term Strategies

2-1.1. The intended future state of providing long-term value to society / 2-3.3. Response to changes in the business environment

#### Setting a vision / Responding to changes in the business environment

- "Supporting People's Quality of Life with Data and Technology that Fosters a Sustainable Society" is the goal of the 2024 Mid-Term Management Plan. It is set from the perspective of how to strengthen the single-purpose "Social Innovation Business" based on the superiority of IT x OT x Products.
- Three areas ("Green," "Digital," and "Connective") have been identified as the business portfolio, based on the assumption of long-term technological trends. This reflects the Company's stance of recognizing changes in the business environment as soon as they occur and continuing to grow by responding appropriately and reforming its business model.

#### Corporate Voices

##### Unique competitive advantages

- Our strength is that we have many businesses, technologies, and techniques for each of the three areas of IT, OT, and Products, as well as the ability to support the entire value creation process for our clients by turning to our own four areas of Digital Engineering, System Integration, Connected Products, and Managed Services ("Lumada").

### 2 KPI & Governance

5.3. Skills and diversity of CEOs and top management / 5.4. Skills and diversity of non-executive directors

#### Oversee and evaluate executive skills and strategic decision-making within the Board of Directors

- Directors must possess qualities such as experience and knowledge in a global and diverse range of fields, excellent character, execution skills, and a mindset that listens to dialogue with capital markets, all of which are appropriate to lead the Company's management as it expands its social innovation business globally.
- The importance of execution, in particular, has been recognized in the structural reforms that the Company has undertaken to date, including the delisting of its subsidiaries.

#### Corporate Voices

##### Actively invite independent directors appropriate to the promotion of the strategy

- By demonstrating our ability to implement management through past structural reforms and our strong will for constant reform, we have attracted interest from people with various knowledge and skills who are active worldwide.
- We are aiming to realize higher quality management by taking the opinions of independent directors seriously and incorporating them into strategies through in-depth discussions. Through these efforts, we continue to gain the support of independent directors.

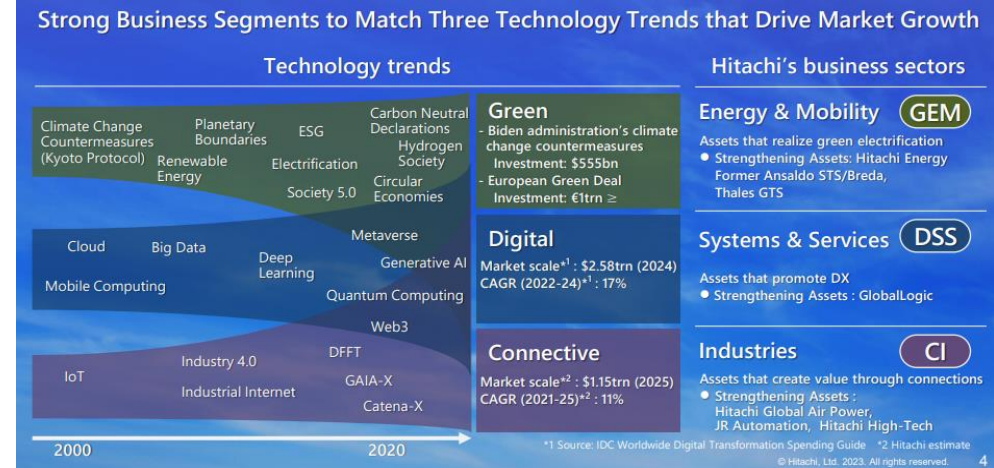


### 3 Implementation strategy

#### 3.3. Business portfolio management strategies,

## Portfolio Management Strategy

- The company is continuously strengthening its portfolio with the aim of becoming a global leader in "Social Innovation Business."
- While transferring business assets that have little relevance to the Social Innovation Business, the company focused on acquiring assets necessary for the global expansion of the Social Innovation Business in the Green, Digital, and Connective fields.  
(Green: ABB's Power Grids Business, Digital: GlobalLogic, Connective: Hitachi High-Technologies, etc.)
- Through large-scale global M&As, the company has expanded its resources, including human resources and customer assets that create business in each region, and has realized solutions to customer issues in each region.



### Corporate Voices

#### Reasons why we were able to achieve portfolio transformation (1) ~ Consistency with our values ~

- At the time of the Lehman Brothers collapse, we launched the axis of "social innovation business" and by making it our single-purpose, it became possible to replace the portfolio in terms of whether it is necessary to realize the "social innovation business".
- Even for businesses that are deemed necessary, we also consider whether they can grow more if we work on them in-house or outside our company.

### Corporate Voices

#### Reasons why we were able to achieve portfolio transformation (2) ~ Governance ~

- There has traditionally been a large number of independent directors, and a global and diverse board of directors has supported portfolio transformation through active discussions.
- They discuss in considerable depth important company matters, such as large M&A projects, to enhance the quality of their planning. The Board of Directors is functioning effectively by actively exchanging opinions and stimulating discussion without any discernment.

## General comment

- The company has achieved a transformation to shift its focused business areas to Healthcare and Advanced Materials while generating cash through Imaging and Business Innovation. The company's long-term strategy, business model, and goals are consistent, and its DX strategy and intellectual property strategy are aggressive. The company is expected to be an SX brand as it will achieve its FY2023 KPI one year ahead of schedule while continuously transforming itself by reviewing materiality in response to changes in the external environment, etc.

## Evaluation by point of view

### Values and Long-term Strategies

The company demonstrates its competitive advantage through a system that continues to produce "innovations" and a lineup of proprietary technologies that originate in the research and development of silver halide photography.

### Implementation strategy

The linkage between R&D and business is oriented with respect to IP strategy, which is an important source of innovation.

### KPI Governance

Nonfinancial indicators are incorporated into executive compensation.

### Substantive dialogue and engagement

The content of dialogue with investors is reflected in initiatives. Outside directors also participate in IR activities.

## Value Creation Story



# FUJIFILM Holdings Corporation

## Distinctive Efforts

### 1 Values and Long-term Strategies

## Portfolio management and aggressive investment execution to ensure competitive advantage

- The company is aggressively investing in the market where its proprietary technologies can be utilized and grow by obtaining funds from businesses that are positioned as cash-cow businesses that support profits.
- Sustainable growth is achieved through business portfolio management.

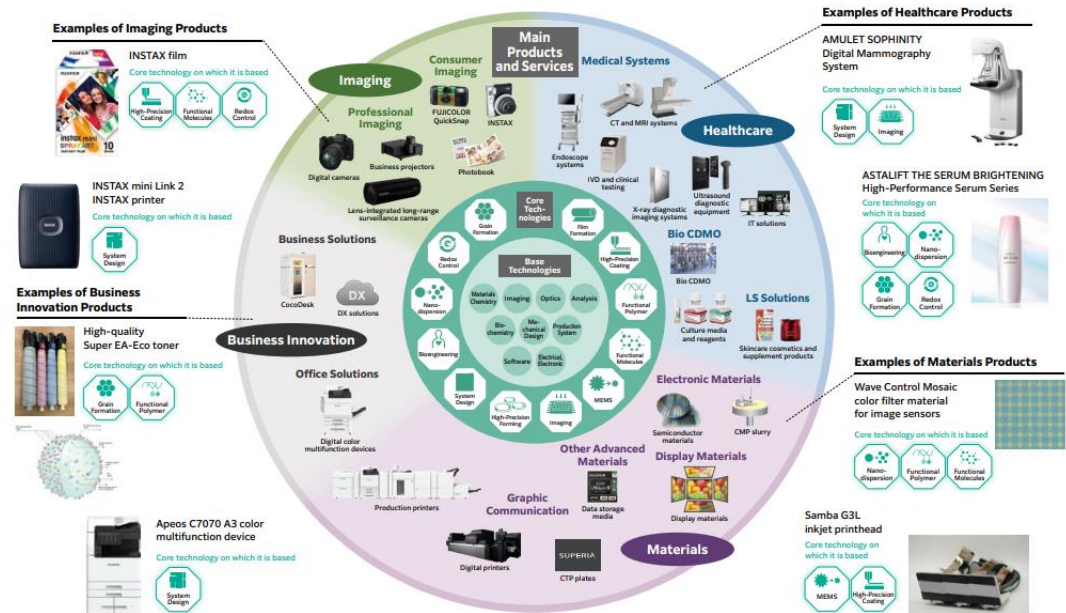
### Corporate Voices

## Determine growth areas and make aggressive investments

- In strengthening the business portfolio, Healthcare and Advanced Materials are positioned as the core growth areas. Other businesses include Business Innovation and Imaging, which are positioned as cash-cow and support the profit side of the business, and we are investing funds in growth areas.
- In the current mid-term plan (VISION2023), we aim to achieve sales of over 3.5 trillion yen in FY2030, with healthcare accounting for half of this portfolio, and in addition to Medical Systems (medical devices and services), the Bio-CDMO business will be the core of the portfolio. The growth rate of the biopharmaceutical and CDMO markets is extremely high, and there is insufficient production capacity to fulfill future demand in the overall market, so we are aggressively making capital investments while allocating cash across segments. At the same time, we will continue to invest in new technologies to further strengthen this business.

2-2.2. Essential elements for ensuring competitive advantage

## Fujifilm Group Business Domains and Proprietary Technologies





# FUJIFILM Holdings Corporation

## Distinctive Efforts

### 2 Implementation strategy

#### 3.6. Investment in human capital, human resources strategy

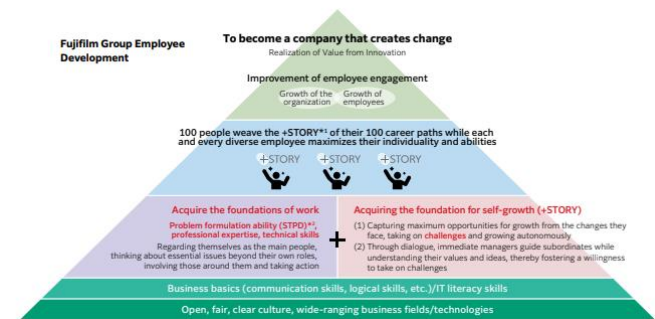
## Human Resource Development Strategies to Achieve the Goals

- In order to realize its vision, the company focuses on human resource strategies and promotes initiatives to encourage the growth of employees and the organization and to increase engagement by promoting human resource development, diversity, and health management in an open, fair, and clear corporate culture.

### Corporate Voices

**Fostering basic skills that can be applied to any business or field and promoted on one's own.**

- It is important to develop human resources who can respond agilely to changes in business structure and operate in new areas. The emphasis is on developing human resources with the basic skills to apply past experience to advance in any business. Therefore, it is necessary for all employees to acquire the ability to set out essential issues common to all businesses. This is achieved through the STPD (See-Think-Plan-Do) method.

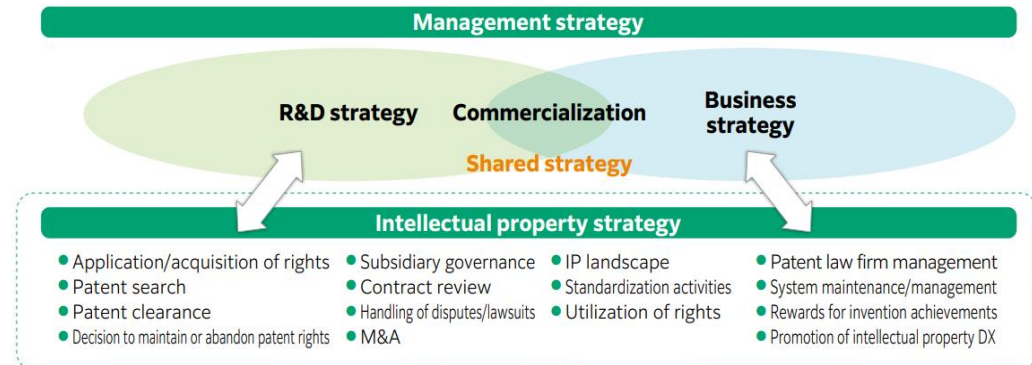


### 3 Implementation strategy

#### 3.7. Investment strategy to secure and strengthen intangible assets, etc., including intellectual property

## Intellectual Property Strategies to Achieve the Goals

- The Company focuses on proactive intellectual property activities that lead to competitive advantage, maximization of business revenues, etc.
- For more than 10 years, the company has been actively involved in international standardization activities, including (1) formulation of IP landscapes and (2) participation in international rule making at the International Organization for Standardization and the International Electrotechnical Commission.
- The information obtained through these activities is shared and utilized as "intelligence" with business units and research centers, and plays a role in business and development activities.



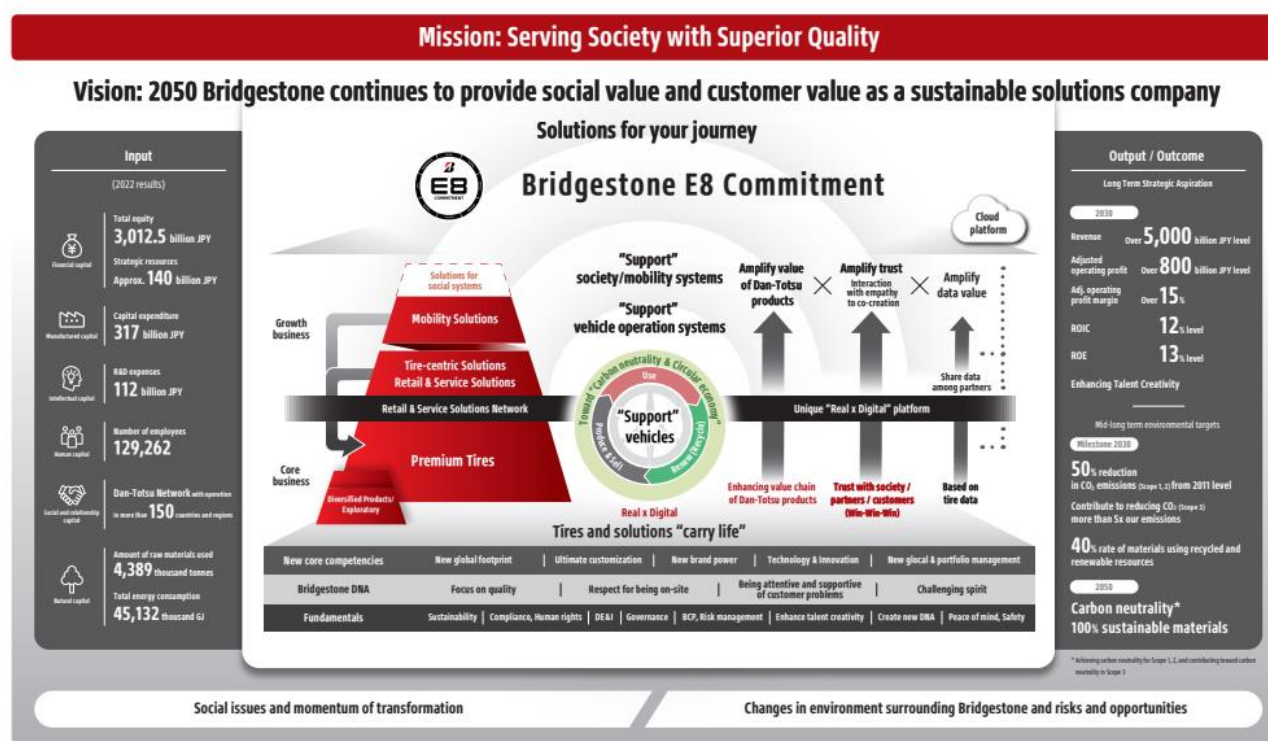
## General comment

- The mission, vision, materiality and long-term strategy are consistent. In the implementation strategy, the company considers the linkage between business strategy, capital strategy, talent strategy, and intellectual property strategy, as well as the consistency with the long-term strategy.
- The company has identified priority items in sustainability; some excellent disclosures in organizing and analyzing risks and opportunities, such as integrated disclosure of TNFD; the portfolio management and various strategies using ROIC are also linked to priority items, and improvements can be seen numerically.

## Evaluation by point of view

Values and Long-term Strategies	The company has set the 2030 Long Term Strategic Aspiration and has developed three-year business plans through backcasting, which are then elevated to the overall strategy.
Implementation strategy	The company has a unified business and capital strategy, and has established financial evaluation and exit management for each business portfolio.
KPI Governance	There is a governance structure in place to closely observe the progress of the Mid Term Business Plan.
Substantive dialogue and engagement	Independent Directors participate in individual dialogues with investors.

## Value Creation Story



# BRIDGESTONE CORPORATION

## Distinctive Efforts

### 1 Values and Long-term Strategies

2-1.1. The intended future state of providing long-term value to society

## Clarify the company's vision and the values it provides, with sustainability at its core

- The company places sustainability at the core of its management and aims to create social and customer value through its business.
- The company has embodied the social and customer value it provide through the corporate commitment - "Bridgestone E8 Commitment," and is utilizing it as the axis of value creation.

### Corporate Voices

#### Placing Sustainability at the Core of Management

- Under the leadership of top management, we have placed sustainability at the core of our management, and have integrated and unified sustainability and management / business strategies.
- In order to sustainably create social and customer value toward the realization of our Vision for 2050, we are identifying sustainability priority items while recognizing risks and opportunities, incorporating them into our business plans, and implementing and promoting them.

### Corporate Voices

#### Established "E8" as the axis of value creation to materialize the vision.

- The Bridgestone E8 Commitment (shown on the right) was established as an axis of value creation that embodies our vision and "the axis to drive management while earning the trust of future generations". We are widely activating the commitment to our global employees.
- Embodying activities in each global workplace to realize the eight "E's". Expanding the co-creation of social and customer value both within and outside our company, including with partners, and promoting activities globally to realize our vision.

Bridgestone 3.0 Journey

### Vision

Toward 2050, Bridgestone continues to provide social value and customer value as a sustainable solutions company.

### Bridgestone E8 Commitment

Energy	Committed to the realization of a carbon neutral mobility society.
Ecology	Committed to advancing sustainable tire technologies and solutions that preserve the environment for future generations.
Efficiency	Committed to maximizing productivity through the advancement of mobility.
Extension	Committed to nonstop mobility and innovation that keeps people and the world moving ahead.
Economy	Committed to maximizing the economic value of mobility and business operations.
Emotion	Committed to inspiring excitement and spreading joy to the world of mobility.
Ease	Committed to bringing comfort and peace of mind to mobility life.
Empowerment	Committed to contributing to a society that ensures accessibility and dignity for all.

# BRIDGESTONE CORPORATION

## Distinctive Efforts

### 2 Implementation strategy

#### 3.6. Investment in human capital, human resources strategy

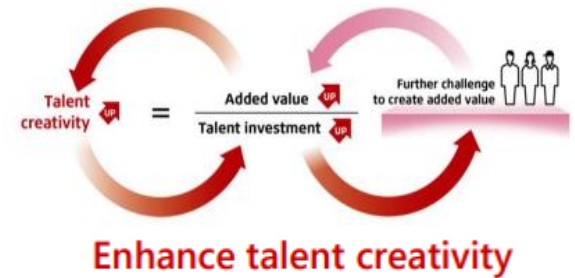
### Human capital strategies to achieve the goals

- The company has set forth a human capital strategy that aims to build a group of talents to support its business portfolio, and has organized measures using talent creativity as an indicator.

#### Corporate Voices

**In addition to promoting initiatives to enhance talent creativity work to improve productivity to realize continuous talent investment**

- Accelerating efforts with a common global axis based on the KPI of "talent creativity," with the basic idea of strengthening talent investment, increasing added value, and creating a virtuous cycle of value creation.
- The company is also working to change its corporate culture by focusing on creating new DNA and promoting culture change in conjunction with value creation through the "Bridgestone E8 Commitment".



### 3 Implementation strategy

#### 5.5. Monitoring strategic decisions

### Devices for establishing appropriate supervision and monitoring systems

- The Board of Directors confirms the progress of the medium-term business plan based on the Mid-Long Term Business Strategy.

#### Corporate Voices

**Regularly review and discuss the progress of business execution with expert personnel**

- The global management team meets quarterly to discuss management issues, including the progress of execution and challenges related to initiatives. The deliberations are shared with the Board of Directors by the CEO at the subsequent Board meeting.
- The Board of Directors is consisted with diverse areas of expertise, including sustainability and global business. For example, in the case of sustainability, we engage in discussions with Board Chair, who is an Independent Director and an expert on sustainability. These discussions aim to assess our initiatives from an external perspective and determine the appropriate timing and themes to be discussed and addressed in relation to sustainability during the Board of Directors meeting.

Name	Executive Officers / Non-executive Directors / Outside and Independent Directors	Tenure as Director (Years)	Nominating Committee	Audit Committee	Compensation Committee	Sustainability	Capital, Personnel and Organizational Strategy	Global Experience	Technologies and Innovation	Finance and Accounting	Legal Affairs and Risk Management	Management Experience at Other Companies
Shuichi ISHIBASHI	Representative Executive Officer	3										
Masahiro HIGASHI	Representative Executive Officer	2										
Akira MATSUDA	Internal / Non-executive	—										
Tsuyoshi YOSHIMI	Internal / Non-executive	4										
Yuri OKIWA	Outside / Independent	9										
Yukari KOBAYASHI	Outside / Independent	—										
Yojiro SHIBA	Outside / Independent	5										
Yoko SUZUKI	Outside / Independent	5										
Scott Trevor DAVIS	Outside / Independent	12										
Yasuhiko NAKAJIMA	Outside / Independent	—										
Kenichi MASUDA	Outside / Independent	7										
Kenzo YAMAMOTO	Outside / Independent	7										



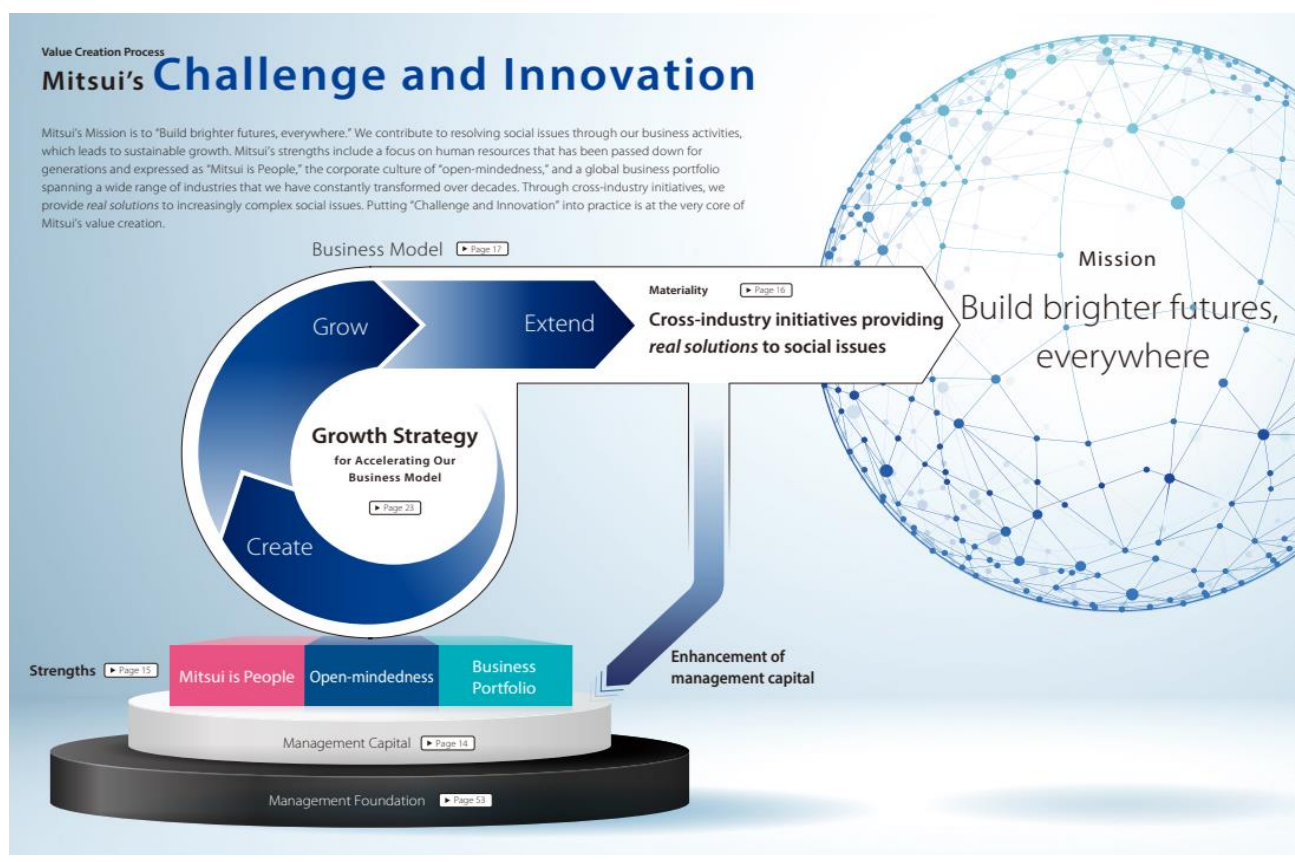
## General comment

- Implementation of its strategies in many areas, such as human resource strategies, DX, and re-structuring of business portfolios, are steadily underway to determine how to actually advance the business.
- The company is transforming its portfolio in anticipation of global social issues, and its business portfolio and materiality are well connected.

## Evaluation by point of view

Values and Long-term Strategies	<p>We appreciate the alignment of the story of Transition, Creation, and Solutions with the goal of a long-term, global perspective based on sustainability.</p> <p>The axis around which the company's business is conducted is set.</p>
Implementation strategy	<p>A sufficiently viable business portfolio strategy has been developed.</p> <p>We commend the company for linking its global human resource strategy with business process transformation through DX and increasing its effectiveness in improving productivity.</p>
KPI Governance	<p>A system for setting KPIs and reviewing strategies in a flexible manner has been sufficiently established.</p>
Substantive dialogue and engagement	<p>The dialogue with investors is managed appropriately according to the agenda setting.</p>

## Value Creation Story



# MITSUI & CO., LTD.

## Distinctive Efforts

### 1 Values and Long-term Strategies

Establish a business model that will serve as the foundation for long-term, sustainable corporate value based on the vision of the company

### 2-2. Business model

- Through the process of "Create," "Grow," and "Extend," the company is building a business model to "provide real solutions to social issues across industries" by growing a single business into a group of businesses that span across industries.
- The Energy Solution Business Unit was established to accelerate our unique, multidisciplinary, and agile approach that brings together knowledge from different business domains. The Energy Solution Business Unit is a hub that facilitates collaboration among business units, and by combining knowledge, business experience, and partners from various industries, multiple projects are being executed to achieve a decarbonized society.

#### Corporate Voices

**Providing cross-industry real solutions to social issues" due to low barriers between organizations**

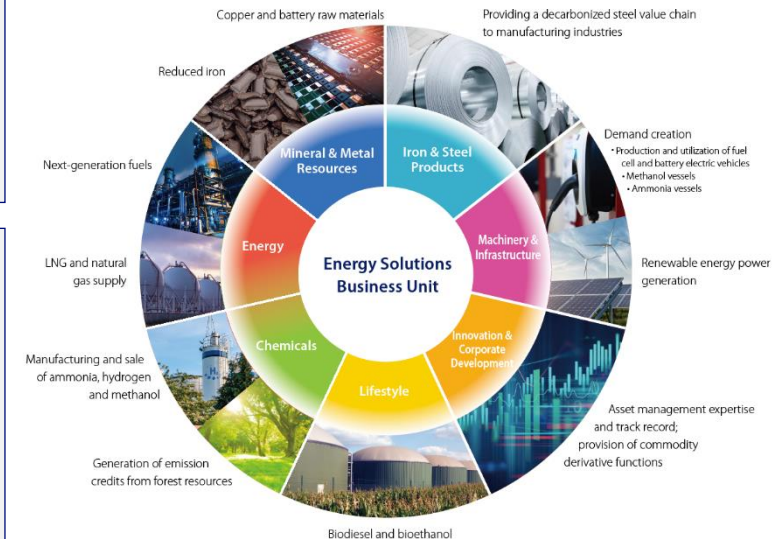
- In areas where a cross-industry approach is required, we will take advantage of the low barriers between business units and regions, which is one of our strengths, to respond flexibly and agilely in cooperation.
- In allocating human resources, we have established a system that enables the selection of necessary personnel from the entire group based on the knowledge and intentions of employees using a company-wide HR data platform.

#### Corporate Voices

**Cross-industry solutions backed by diversity and commitment of board members**

- We seek experience and skills in corporate management from our board members, and in particular, we expect our external directors to provide input of diverse knowledge that our internal personnel do not have, and we have people with management experience in a variety of industries and business sectors.
- External directors are also asked to actively participate in board meetings, and opportunities are provided for briefings to share internal information on matters handled by the board in order to bridge internal and external information gaps.

### Energy Solution Business Unit



## Distinctive Efforts

### 2 Implementation strategy

#### Portfolio Management Strategy

- Our portfolio of high-quality, broad industry-spanning businesses provides cross-industry real solutions to social issues and is a source of our competitiveness.
- In the portfolio management process, each project is evaluated not only based on quantitative criteria (consolidated IRR, return on investments, loans and guarantees, and risk/return ratio), but also from a qualitative perspective, and the probability of the "Three Key Strategic Initiatives" which are the priority allocation of management resources in the Medium-term Management Plan, and the business model, "business clusters formation," are also the axis of judgment, and are expected to contribute to the realization of the company's vision.

### 3.3. Business portfolio management strategies, including exit strategies

#### Corporate Voices

#### Use of ROIC in Portfolio Review

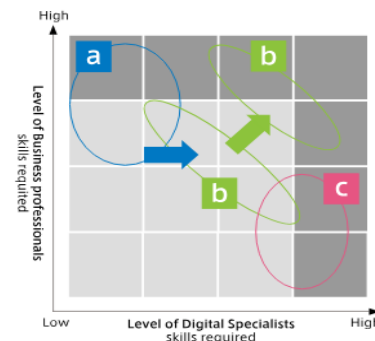
- The ROIC of each business unit is subdivided by business area, and the analysis is based on comparisons in the past, present, and future.
- We do not compare ROIC across business units because industry average of ROIC levels differ for each business model.
- Awareness of capital efficiency took root in business units, leading to voluntary actions to improve capital efficiency through asset recycling and other measures.

### 3 Implementation strategy

#### DX Human Resource Strategy for DX Strategy Realization

- The DX strategy is built on the following two elements
  - DX Business Strategy  
Aiming to strengthen our business by creating new value by combining the power of digital with the data held by our business sites.
  - DD Management Strategy  
Use of data to achieve quick and accurate decision making
- We have defined the three types of human resources needed to execute the DX strategy, assigned appropriate roles and positions to each of them, and developed different human resource strategies to secure them.

### 3.4. Improving company positions within the value chain, DX promotion



#### a Business Professionals

- Those who possess industry OT (knowledge, skills, and experience)
- Organizational affiliation: Business units and corporate
- Raise the base level of DX literacy and train superusers through providing companywide DX basic training

#### b DX Business Professionals

- Those who are highly knowledgeable about both business and digital, capable of creating the overall design of a business model or service, and who can generate ideas based on understanding of consumer/customer needs
- Organizational affiliation: Integrated Digital Strategy Div., IT & Communications, and other Business Units
- Development target: 100 people globally (3-year cumulative)

#### c DX Technology Professionals

- Those who can provide high-level DX technology (data science, security, UI/UX, etc.)
- Organizational affiliation: Integrated Digital Strategy Div., DX company that we have invested in, subsidiaries, external DX vendors
- A certain number of data scientists will be produced in-house

## General comment

- In addition to the medium-term business plan based on the vision until 2026, the direction of each implementation strategy is clearly indicated based on the ROESG, and a consistent implementation strategy is being executed to achieve the goal centered on the ROESG.

## Evaluation by point of view

**Values and Long-term Strategies**

Each element of the value creation story is in place. The value created and positioning are set based on the risks and opportunities of future society.

**Implementation strategy**

Regarding human capital and DX, the strategic policies necessary to realize the vision and the strategies necessary to achieve the goals have been concretized; KPIs such as ROE and ESG indicators have achieved their targets and feasibility can be evaluated.

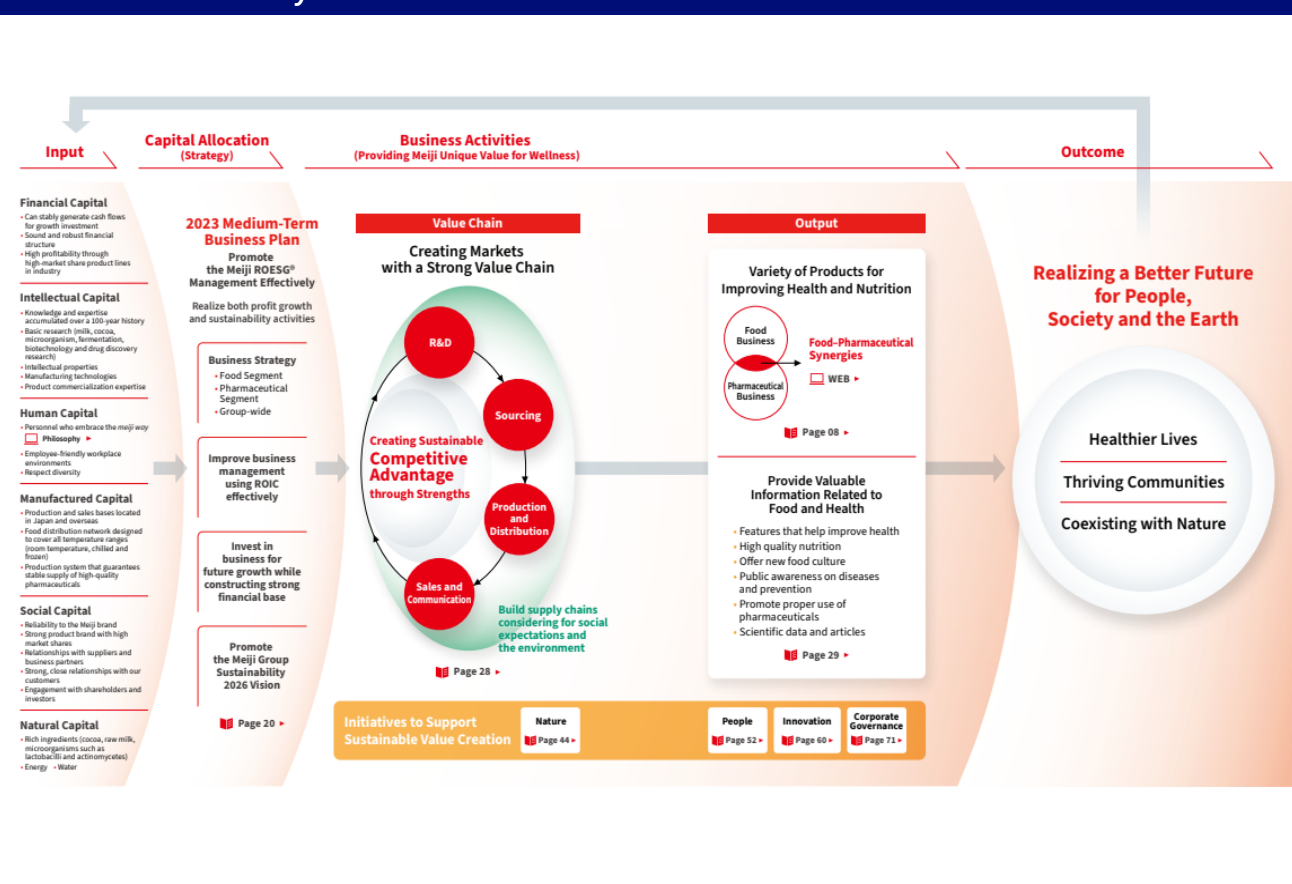
**KPI Governance**

The Meiji ROESG is one of the items that determines performance-based executive compensation. In addition, non-financial KPIs tied to the business are set to address materiality and manage progress.

**Substantive dialogue and engagement**

A mechanism exists for CEOs and outside directors to respond to dialogue, to elicit dialogue content in line with objectives, and to reflect dialogue content in initiatives.

## Value Creation Story



# Meiji Holdings Co., Ltd.

## Distinctive Efforts

### 1 KPI & Governance

#### Unique KPIs that contribute to corporate value creation

- In order to realize its vision, the company has established "Meiji ROESG" as its top-level management indicator, consisting of three elements: "ROE," which indicates earning power, "achievement of ESG goals" and "indicators unique to Meiji".
- The "Meiji Essence Targets" consist of six items: five items that are highly relevant to the business areas to be focused on in the mid-term plan, and an employee engagement score.

#### Corporate Voices

##### Effect of "Meiji ROESG" setting

- Investors who place importance on ESG have a high evaluation of Meiji ROESG based on their understanding of it. In particular, while many companies only promote ESG initiatives, Meiji ROESG is highly evaluated for its efforts to consider business growth and sustainability as a set, and even ROE.
- The establishment of ROESG will help employees feel that they are making a contribution to society through visual indicators, which will lead to increased motivation. Many of Meiji's products have the potential to contribute to society, and are therefore a good match with the Meiji ROESG.

#### Corporate Voices

##### Establishment of the "Indicators unique to Meiji"

- It was set through a contentious discussion along with the establishment of the medium-term business plan. It is envisioned to be updated as appropriate based on customer and market feedback.
- Investors have pointed out that it is difficult to see the contribution of the Meiji Group to "extend healthy life expectancy," "amount of protein intake," and "vaccination rate for influenza vaccines," and we intend to revise these in the next mid-term business plan.

#### 4.2. Designing linkages between corporate value creation and the company's own KPIs

### Meiji ROESG



#### ESG Indicators

The Meiji Group is oriented toward growth in the global marketplace. Therefore, we selected the following three international evaluation indicators.

- **MSCI ESG Ratings**  
ESG ratings calculated by MSCI, a financial service firm in the U.S., based on information disclosed by companies
- **DJSI**  
An ESG investment index developed by U.S.-based S&P Dow Jones Indices and RobecoSAM, a Swiss investment advisory company
- **FTSE4Good**  
An ESG investment index announced by FTSE International, a subsidiary of the London Stock Exchange

We also emphasize our commitment to coexisting with nature. Therefore, we selected CDP scores, which use of a variety of environmental stewardship progress indices.

- **CDP (Climate Change), CDP (Water Security)**  
An information disclosure program provided by CDP, an international non-profit organization headquartered in the U.K., regarding environmental activities conducted by major global companies

#### Indicators Unique to Meiji

We aim to enhance corporate value by simultaneously growing profits and conducting sustainability activities. Therefore, we selected the following five items that are highly relevant to the focused business areas in the 2023 Medium-Term Business Plan.

- Extend healthy life expectancy
- Amount of protein intake
- Vaccination rate for influenza vaccines
- Sales growth rate for health-conscious products, nutritional products with added value, products for a super-aged society
- Success in and supply of vaccine and therapeutic agent for COVID-19

We selected the employee engagement score based on the idea that human capital is the driving force behind both business and ESG activities.

- Employee engagement score



# Meiji Holdings Co., Ltd.

## Distinctive Efforts

### 2 Implementation strategy

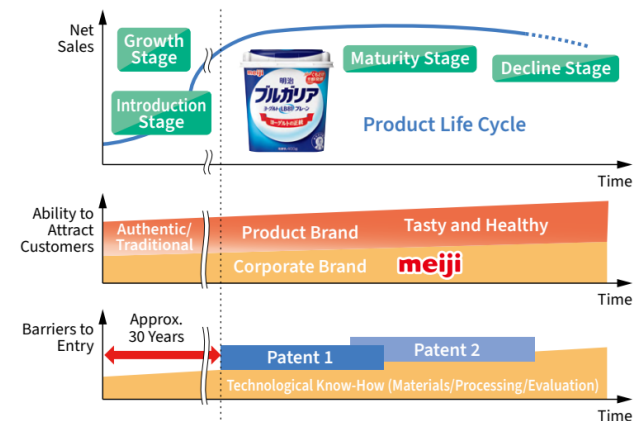
#### Brand Value Enhancement Strategies

- The company is improving brand value over the long term by interrelating "patents/technological know-how" and "trademarks" for major products in the food segment, whose product life cycles range from "growth phase" to "maturity phase" over a long period of time.

#### Corporate Voices

##### Improvement brand value over the long term of Meiji Bulgaria Yogurt

- Since its launch in 1973, "Meiji Bulgaria Yogurt LB81" has established a brand image of "authentic, traditional yogurt." However, after obtaining a patent for its manufacturing process about 30 years after its launch, the brand image has evolved to "power of nature" and "tasty and healthy. We are raising the barriers to entry, increasing customer attraction, and continuously improving the brand value.



### 3 Substantive dialogue and engagement

#### Reflecting the content of the dialogue in initiatives

- Dialogues with shareholders are summarized in reports and shared with the Management Committee and the Board of Directors, and a system for internal feedback is in place.

#### Corporate Voices

##### Background and Benefits of Disclosure of Dialogue Content

- The disclosure of dialogue content was initiated voluntarily based on examples of other companies' implementation. We believe that the benefits of disclosure include the ability to appeal to investors that there are no gaps in their perceptions, and to ensure transparency. In addition, viewing of in-house financial results briefings is mandatory for managers, in order to foster a healthy awareness of crisis.

### 3.7.2. Investment in brand and customer loyalty

### 6.4. Action after substantive dialogue, etc.

#### Constructive Dialogue with Shareholders

##### Status of Dialogue in FY2022

###### (1) Main themes of the dialogue

- Progress of KPIs set forth in the 2023 Medium-Term Business Plan (Meiji ROESG\*)
- FY2022 Results and FY2023 Plans
- Capital policy (capital expenditures, shareholder returns, etc.)
- ESG activity policies and initiatives

###### (2) Main interests and concerns of shareholders

- Food segment: Impact of cost increases in raw materials and energy costs, and measures to address them
- Pharmaceutical segment: Status of COVID-19 vaccine R&D and the impact of the NHI drug price revisions
- Overseas business
- Sustainability procurement, biodiversity, human capital, DX, etc.

###### (3) Major issues that the Company recognizes as issues through dialogue with shareholders

- Food segment: Minimize decrease in sales volume due to price hikes
- Pharmaceutical segment: Engage in COVID-19 vaccine development
- Aggressive investment in overseas business and accelerate business expansion
- Providing stable and continuous shareholder returns, conducting share buyback
- Further promotion of sustainability management, integrate financial and non-financial information (pursue Trade-On)
- Create synergy between food and pharmaceuticals

###### (4) Status of feedback

- Dialogue content is summarized in the IR monthly report, which is then reported by the director in charge of IR to the Executive Committee and the Board of Directors
- After being reported to management, the IR monthly report is then distributed to all employees. Shareholder and investor opinions are widely shared within the Meiji Group

# UNICHARM CORPORATION

\*October 2022-September 2023 average

## General comment

- In the "Kyo-sei Life Vision 2030," the company clearly outlines the direction in which it intends to go. It clearly explains that demographics and demand are closely related (e.g., countries and regions with large numbers of infants and elderly people), and that this is at the center of the company's business strategy. At the same time, the company clearly explains its efforts to address social and environmental issues that impact its business, such as sanitation issues and recycling of used diapers.

## Evaluation by point of view

### Values and Long-term Strategies

The report explains in detail the process of formulating the vision of a "symbiotic society" and its consistency with the company's direction.

### Implementation strategy

Although the business environment was uncertain in the Corona Disaster, the PDCA cycle has been established for each strategy regarding social issues in addition to financial aspects.

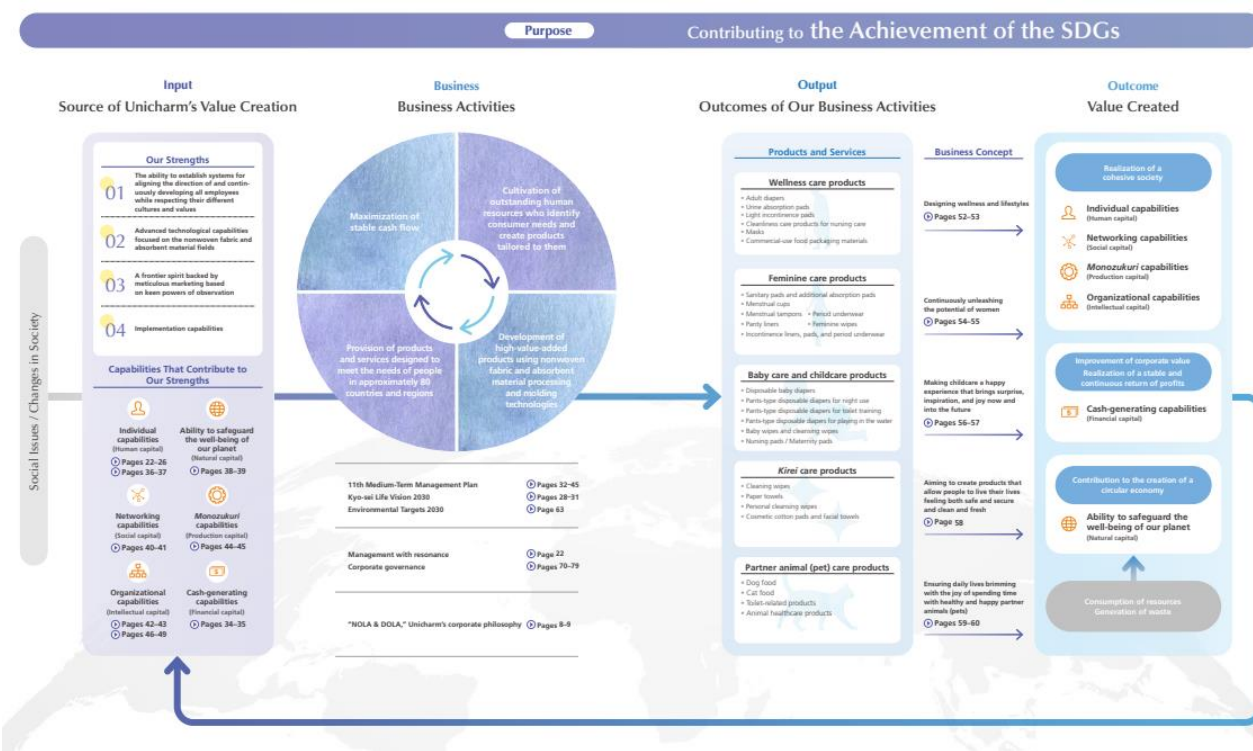
### KPI Governance

The company has an audit committee system, with the Nominating Committee and Compensation Committee chaired by independent outside directors.

### Substantive dialogue and engagement

The company has an idea of what type of investor is best suited for the company and sets the agenda according to the investment style and engages in dialogue.

## Value Creation Story





# UNICHARM CORPORATION

## Distinctive Efforts

### 1 Values and Long-term Strategies Spreading Values

#### 1.1. Significance of defining values

- To realize the ideal image, management and the field are taking actions that unite management and the field through "Resonance Management" and "OODA-Loop" methods.

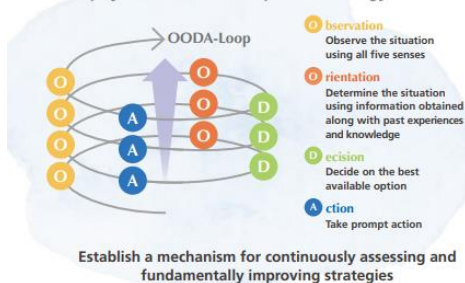
### Resonance Management and the OODA-Loop Method



#### What is resonance management?

- › A system that allows employees to communicate closely with each other and learn from each other's perspectives and ideas, including management's perspective on management policies and strategies and the wisdom of employees working on the front lines, thereby creating proactive action by each individual toward company-wide goals.

#### Philosophy of the OODA Loop Methodology



#### OODA-Loop Method

- › A system to constantly review and drastically change the "way of doing things itself" by repeating in a loop the process of quickly detecting changes through observation of the current situation, making appropriate judgments and decisions, and putting them into action.

#### Corporate Voices

#### By "Management of Resonance." Instill values and promote employee growth

- Every Monday, general managers and above at all GLOBAL locations gather in the same online meeting to share their wisdom on pressing issues. Using about 15 minutes at the beginning of that meeting, Takahara, the president, gives a speech on the issues about once a month, and the other executive officers give a speech about once every six months.
- In this speech, the general managers are imprinted with various words on what Unicharm should be working on now. This is followed by propagation from the general managers to the section managers, and from the section managers to the scrum members, and a mechanism whereby the issues raised by President Takahara and other executives are communicated to the frontlines.
- Through this system, awareness of company-wide issues and efforts to resolve them are communicated to all employees, and ultimately we follow up to the point where each and every employee on site incorporates into their daily work what the "symbiotic society" we are aiming for is and how we must view things, think, and act. We are following up to the point of incorporating these ideas into the daily work of each individual onsite.

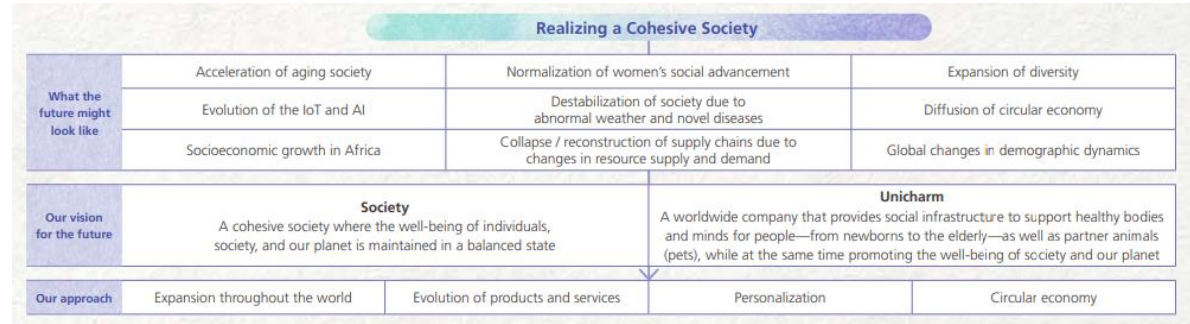
# UNICHARM CORPORATION

## Distinctive Efforts

### 2 Values and Long-term Strategies Backcasting to set the goal

#### 2-1.1. The intended future state of providing long-term value to society

- Based on the envisioned image of society in 2050, the ideal future image ("Symbiotic Society" and "Unicharm" as the ideal social image) is defined.
- Four necessary approaches are derived from the ideal future vision from a backcasting perspective.



### 3 implementation strategy Human Resource Strategies to Achieve the Goals

#### 3.6. Investment in human capital, human resources strategy

- In order to thoroughly develop products that match the local culture and living environment, it is necessary to localize management, and active recruitment and skill development of local personnel is indispensable. Currently, local initiatives are accelerating the development of "resonant human resources," and "resonant human resources" are steadily being nurtured in various regions around the world.

#### Corporate Voices

#### Structure and culture that continues to build strong individuals and organizations

- The phrase "planner = doer," which means to think independently and act on one's own initiative, has taken root in our company. A system of weekly PDCA cycles, in which employees think and act on their own work on their own initiative, has permeated us, and has enabled us to increase the number of employees who can move spontaneously even when business conditions or what needs to be done change, regardless of the country or region.

	Requirements for Becoming a Scrum Leader	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Strategy Development Capabilities	Create the OGISM (A) table unaided	Japanese personnel train local employees to be instructors	Local employees learn from local instructors in the Human Resource Division how to provide instruction on creating the OGISM (A) table	Local instructors teach local employees how to create the OGISM table	The number of local instructors and the number of trainee instructors increases	The number of local instructors and the number of trainee instructors increases
Strategy Implementation Capabilities	Conduct weekly scrum strategy meetings effectively in accordance with the OODA Loop methodology	Two local employees are trained to be instructors in the Egypt Human Resources Division	The first batch of four local instructors is trained, bringing the total number to six	A second batch of eight instructors is trained, bringing the total number to 14	A third batch of 18 instructors is trained, bringing the total number to 32	A fourth batch of 27 instructors is trained, bringing the total number to 59
	Make full use of The Unicharm Way in daily activities	Two local instructors in the Egypt Human Resources Division learn the OODA Loop Methodology	The Human Resources Division starts applying the OODA Loop methodology	The two local instructors from the Human Resources Division provide individual training for the first batch of four local instructors on how to apply the OODA Loop methodology	OODA Loop methodology study sessions begin (second batch of instructors) Weekly scrum strategy meetings are held (first batch of instructors)	Implementation and operation of OODA Loop methodology study sessions begins (third batch of 18 instructors)
		Build understanding of MVV and create divisional MVV (Human Resources Division members in Egypt)	Two employees from the Human Resources Division provide OGISM (A) table study sessions to teach established methods for making citations	The sales and marketing divisions hold regular study sessions on The Unicharm Way	The Unicharm Terminology is reflected in all training materials. Program to explain the UTMSS begins (Manufacturing Division)	Regular study sessions are held for new members of the Human Resources Division (leader development)

**(Reference) Outline of "SX Brand 2024" offer**

## Outline of the SX Brand 2024 Offer

- The following is overview of the SX Brand 2024 application process: In the SX Brand screening process, the value creation stories of the applicant companies are reviewed based on the Guidance for Collaborative Value Creation 2.0 framework.

[Reference] Guidance for Collaborative Value Creation 2.0 :

[https://www.meti.go.jp/policy/economy/keiei\\_innovation/kigyokaikei/Guidance2.0.pdf](https://www.meti.go.jp/policy/economy/keiei_innovation/kigyokaikei/Guidance2.0.pdf)

Item	Contents
Target Company	All companies listed on Prime, Standard, and Growth markets of Tokyo Stock Exchange as of October 2, 2023 (approximately 3,800 companies)
Application Period	October 2, 2023 (Monday) 10:00 Start November 30, 2023 (Thursday) 16:00 Deadline (strictly enforced)
How to apply	Download the electronic file (Excel format) of the SX survey form from the METI website ( <a href="https://www.meti.go.jp/policy/economy/keiei_innovation/kigyokaikei/sxbrands.html">https://www.meti.go.jp/policy/economy/keiei_innovation/kigyokaikei/sxbrands.html</a> ) After inputting your answers, submit the form to the FY2023 SX Brand Evaluation Committee Secretariat via e-mail.

# Composition of the SX Questionnaire and items to be included

- The SX Survey Form was designed to determine whether the applicant companies were able to **construct a value creation story through a series of selective and descriptive items**. To this end, the SX survey form was designed from the four perspectives of **"values and long-term strategy," "execution strategy," "KPIs and governance," and "substantive dialogue and engagement"** that make up the value creation story.
- The questionnaire also asked respondents to provide references to integrated reports, annual reports, and other documents.

## 1. Values and long-term strategy

**"Values"** are the **axis for determining the actions to be taken by a company and each employee to solve social issues**. It is important for a company to express its unique values and, based on these values, to **consider which social issues to be solved as "important issues" in the context of sustainable value creation for the company**.

**"Long-term strategy"** can be constructed by integrating the **formulation of a vision to identify** long-term social trends, the **construction and transformation of a business model** that will serve as the pillar of realization, and the analysis of **risks and opportunities** that should be taken into consideration. Companies should **build their** long-term strategies in an **integrated manner with their values and key issues**, based on an understanding and analysis of risks and opportunities, in order to show how they can create sustainable value in response to changes in the industrial structure and business environment.

## 2. Execution Strategy

The **"execution strategy"** is a **foot- and mid- to long-term strategy to materialize and realize the long-term strategy** by maintaining and strengthening the company's resources and relationships with its stakeholders. Companies are required to formulate their execution strategies based on **an analysis and evaluation of their financial position and operating results**, as well as **an analysis of long-term risks and opportunities**.

## 3. KPIs and Governance

**"KPIs"** are **indicators that show how much value is created** by long-term strategies and execution strategies, **and how management analyzes and evaluates that value**. It is **important for** companies to manage the progress and evaluate the results of their strategies using KPIs to **refine and improve their strategies and revise them as necessary**.

**"Governance"** is a **mechanism or function that disciplines a company to** steadily formulate, promote, and verify its strategies and to **sustainably increase its corporate value**. Companies are required to **develop a** governance structure that disciplines corporate behavior **so that it is effective and sustainable**.

## 4. Substantive dialogue and engagement

**"Substantive dialogue and engagement"** is a **collaborative process in which a company and its investors engage in an interactive dialogue to refine the overall picture of the company's value creation story and its various components**. It is important for companies and investors to **co-create sustainable corporate value** while deepening substantive dialogue and engagement.

## (Reference) Descriptive item questions

- The descriptive items of the SX questionnaire consisted of the following questions.
- While there is no upper limit to the number of words, a total of 10,000 words was set as a guideline.

1. How do you envision the **megatrends of future social issues**, which are both **risks and opportunities** for your company on a **long-term time horizon**, and what social issues have you identified as **critical issues based on your company's values? How do you set your "vision" by backcasting from the future and forecasting from your competitive advantage and strength**, and how do you build a **"business model" that will serve as the pillar to realize your vision?** How do you reflect **your analysis of risks and opportunities** in setting your "vision" and building your "business model"? Please provide an overview of these.
2. In order to materialize and realize your long-term strategy, from the viewpoint of **bridging the gap between your "aspirations" and the current state of your company**, have you formulated foot and mid-to-long term strategies such as **human resource strategy, DX strategy, business portfolio strategy, intangible asset investment strategy including intellectual property, capital policy (capital allocation plan, investment plan, etc.)?** Please provide a summary of these strategies.
3. In order to realize the "vision" and strategies based on it, what kind of **governance structure do you have in place**, and **what kind of KPIs do you set to manage the progress of your strategies?** Do you plan to revise the **"vision" and strategies based on it appropriately in response to changes in the external environment?** Please provide an outline.
4. Do you set up an **agenda for dialogue with investors, taking into account important issues?** Has **the company** set up a representative **(CEO/President, outside director, IR staff, etc.) according to the attributes of the investors and the purpose of the dialogue?** Does **the company review its initiatives and systems** based on suggestions obtained through dialogue, etc., and **explain the progress and results of the review to investors?** Please provide a summary.
5. In order for us to determine the feasibility of the above, please provide an overview of your initiatives over the past 5 to 10 years (initiatives leading to the content described in 1.2. above). Please describe how your company's **cost of capital (WACC, cost of equity)** and return on **capital (ROIC, ROE)** have been determined, how you have analyzed and evaluated them and their **market valuation (stock price, PER, PBR)**, and what **strategies** you have developed and **implemented** to improve them, as far as they have been considered in the past. Please describe to what extent this has been considered in the past



# Evaluation Perspectives on Descriptive Items

- The review was based on the following four main evaluation points evaluation items for the content of the descriptive items.

## Secondary Screening Points

### (1) Values and long-term strategies

Does the company identify **key issues** based on its own **values from the mega-trends of future social issues** that represent both **risks** and **business opportunities** for the company over the long term time horizon? Has the company established its **"vision" by backcasting from the future and forecasting from** its own **competitive advantages and strengths, taking into account the critical issues**, and has it **developed a "business model"** that will serve as a pillar for the realization of the vision? In addition, does the company reflect the **analysis of risks and opportunities** in setting its "vision" and building its "business model"?

### (2) Execution strategy

In order to materialize and realize the long-term strategy, from the viewpoint of **bridging the gap between the "Aspirational Image" and the current image of the company**, has the company formulated a **human resource strategy, DX strategy, business portfolio strategy, intangible asset investment strategy including intellectual property, capital policy (capital allocation plan, investment plan, etc.), etc.**?

### (3) KPIs and Governance

In order to effectively promote long-term and sustainable enhancement of corporate value, has the company **established a governance structure** to appropriately oversee the "vision" and strategies based on it, and **set KPIs to measure the progress of these strategies**? Through these measures, does the company **steadily establish and implement its vision and strategies based on that vision**, while appropriately reviewing them **in response to changes in the external environment and other factors**?

### (4) Substantive dialogue and engagement

**Has the company set up an agenda** and engaged in dialogue **based on key issues**? Has the company **set up a representative (CEO/president, outside director, IR staff, etc.) according to the attributes of the investors and the purpose of the dialogue**? Does **the company review its initiatives and systems** based on suggestions obtained through dialogue, etc., and **explain the progress and results of the review to investors**?

## Feasibility

Based on **past initiatives and transformations (track record)**, are **(1) values and long-term strategy, (2) implementation strategy, and (3) KPIs and governance sufficiently feasible**? Particular emphasis is placed on **management and business transformation\*** (especially **management and business transformation beyond the 1x P/B ratio barrier**) initiatives.

\*Not limited to the recombination of business portfolios by conglomerate companies, but also includes business transformation by single-business companies.

# SX Brand Evaluation Committee Member List

(Chairperson)

■ Kunio Ito                      Director of CFO Education and Research Center, Hitotsubashi University

(Commissioner)

■ Joji Iguchi                      Executive Officer, Chief Corporate Governance Officer  
Nissay Asset Management Corporation

■ Katsuya Kikuchi              ESG Specialist, Tokio Marine Asset Management Co., Ltd.

■ Toru Terasawa                Executive ESG Advisor, Stewardship Group,  
Investment Division, Asset Management One Co., Ltd.

■ Minoru Matsubara            Chief Sustainability Officer, Responsible Investment Department  
Resona Asset Management Co., Ltd

■ Chie Mitsui                    Senior Researcher, Data Analyst, Nomura Research Institute, Ltd.

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