Results of Survey of Institutional Investors on Companies Demonstrating Meaningful Progress

August 12, 2026

Listing Department

Tokyo Stock Exchange, Inc.

Overview of Investor Survey Results

- From June 12 to July 24, 2026, we conducted a survey of domestic and overseas institutional investors regarding **companies demonstrating meaningful progress in the area of management that is conscious of cost of capital and stock price**.

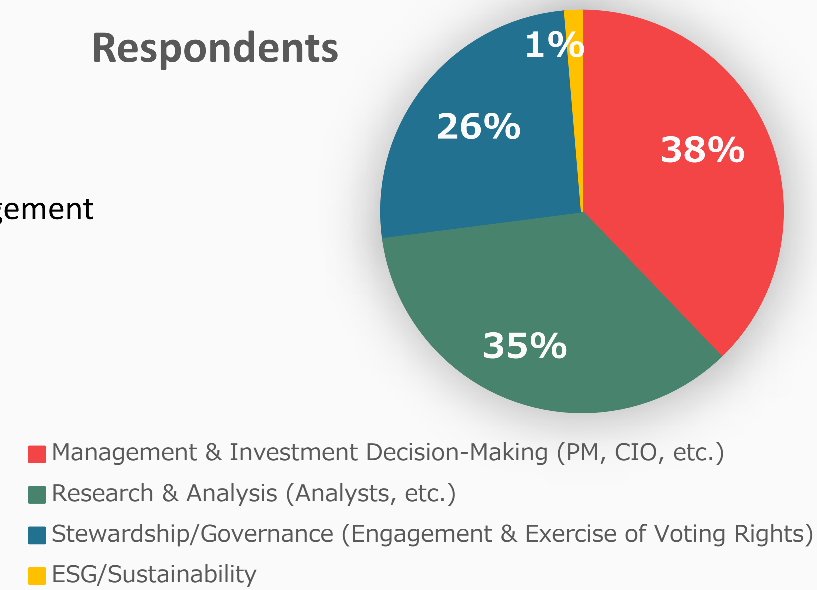
⇒ We received responses from **74 investors (43 institutional investors)** who evaluated the progress of initiatives of a total of **300 companies**

Investors Who Contributed Responses

(Alphabetical order)

- Allianz Global Investors Japan
- Amova Asset Management
- Amundi Japan
- Asahi Life Asset Management
- Asset Management One
- Asset Value Investors
- Cadira Capital Management
- Capital International
- Chronus Capital Advisors
- Daiwa Asset Management
- Dalton Advisory
- Dalton Investments
- Edwall Management
- Grantham Mayo Van Otterloo
- ICHIYOSHI ASSET MANAGEMENT
- Impax Asset Management
- Indus Capital Advisors
- Kaname Capital
- Kyushu Mirai Investments
- Lazard Japan Asset Management
- Meiji Yasuda Asset Management
- Mitsubishi UFJ Asset Management
- Mitsubishi UFJ Trust and Banking
- Neuberger Berman
- Nippon Life Insurance
- Nomura Asset Management
- Norinchukin Zenkyoren Asset Management
- Pictet Asset Management (Japan)
- Simplex Asset Management
- Sompo Asset Management
- SPARX Asset Management
- Sumitomo Mitsui DS Asset Management
- Sumitomo Mitsui Trust Asset Management
- The Juroku Bank
- Tiger Pacific capital
- Tokio Marine Asset Management
- Verdad Advisers
- Wellington Management

Respondents



*Only investors who consented to the publication of their company names are listed.

Overview of Institutional Investor Survey on Companies Demonstrating Meaningful Progress

Overview of Survey Items

1. **From the perspective of management that is conscious of cost of capital and stock price, please identify companies that are demonstrating meaningful progress and the aspects you evaluate highly for those companies.**

   - ✓ **Please provide up to ten companies for each of the following four categories, based on market segment and size**: (1) Prime Market, market capitalization of JPY 100 billion or more; (2) Prime Market, less than JPY 100 billion; (3) Standard Market, JPY 10 billion or more; (4) Standard Market, less than JPY 10 billion**.**
   - ✓ As perspectives for evaluation, you may refer to the updated request (key points for taking action)* published by TSE in April. However, you are not limited to these points. **Please name companies whose initiatives demonstrate meaningful progress, as well as companies that are pursuing excellent initiatives you would like other companies to adopt, from the perspective of enhancing medium- to long-term corporate value.**

   * **Key Points for Actions to Advance Initiatives** (https://www.jpx.co.jp/english/equities/follow-up/uorii50000004sse-att/vk0khi000001czd0.pdf)
   (1) Is the medium- to long-term management policy (vision and growth trajectory) clearly presented?
   (2) Does the company clearly indicate how it will use capital (in terms of allocation and priorities) to realize its vision?
   (3) Are the assets it holds in an optimal state for value creation?
   (4) Are discussions and oversight being carried out at the board level for items (1) through (3)?

   - ✓ Do not worry about strictly following the market capitalization categories, as TSE will reclassify companies before publication**.**

2. If you have any **expectations for further improvements from Japanese companies in terms of enhancing medium- to long-term corporate value, or anything you would like to see from the exchange or other related parties toward improving the appeal of the Japanese market**, please tell us here.

3. Regarding **companies who are still considering but have not yet started disclosure** due to lack of resources or expertise, TSE's policy going forward is to **encourage them to take the first step of disclosure before gradually improving through engagement with investors. Please tell us here if you have information you would like to see disclosed as the first step for those companies. Please also provide any examples of companies (gradual improvement) that could be helpful** for those companies to reference.

1. Companies Demonstrating Meaningful Progress as Evaluated by Investors

Companies Demonstrating Meaningful Progress as Evaluated by Investors (Summary)

Categories

Prime Market—market cap. of JPY 100 billion or more

205 companies | Maximum 7 votes

List of companies p. 6-9

Prime Market—market cap. less than JPY 100 billion

55 companies | Maximum 3 votes

List of companies p. 10

Standard Market

40 companies | Maximum 3 votes

List of companies p. 11

*Categorized based on market capitalization as of July 24, 2026

Key Points Raised by Investors

1 Clarification of and progress in capital allocation policies

- Clarify capital allocation policies, including the balance between growth investments and shareholder returns
- Expand both growth investments and shareholder returns through the reduction of cross-shareholdings and inefficient assets, as well as cash generation through improved profitability etc.

2 Progress in business portfolio reform

- Promote fundamental business portfolio reform, including the withdrawal from, divestiture of, and restructuring of low-profit and non-core businesses
- Prioritize the allocation of management resources to high-growth, high-value-added sectors etc.

3 Progress in management practices focused on cost of capital and capital efficiency

- Identify cost of capital and present both a capital profitability target that exceeds it and specific measures for improvement
- Manage ROIC, WACC, and other metrics by business segment and utilize them in investment decisions and capital allocation etc.

4 Strong leadership from top management and the board of directors

- Ensure that top management takes an active role in enhancing corporate value and implementing structural reforms, in addition to carrying out bold business portfolio reforms and capital policies
- Enhance the effectiveness and transparency of reforms through oversight by the board of directors and outside directors, as well as through open dialogue with investors etc.

5 Progress in information disclosure and IR, and improvement of initiatives through dialogue

- Change approach to investors and expand information disclosure, IR activities, and dialogue opportunities
- Continuously improve disclosures and initiatives related to business strategy, capital policy, and other matters based on feedback and market expectations obtained through dialogue etc.

Specific investor comments for each company are provided in the appended Excel file.

Companies Whose Progress Is Highly Evaluated by Investors (1)

Prime | JPY 100 billion or more

Prime Market—market cap. of JPY 100 billion or more

(Descending order by vote count and securities code)

Code	Company Name	Sector	Votes
6481	THK CO.,LTD.	Machinery	7
6501	Hitachi,Ltd.	Electric Appliances	7
6503	Mitsubishi Electric Corporation	Electric Appliances	6
9065	SANKYU INC.	Land Transportation	5
3941	Rengo Co.,Ltd.	Pulp & Paper	4
6861	KEYENCE CORPORATION	Electric Appliances	4
8439	Tokyo Century Corporation	Other Financing Business	4
8801	Mitsui Fudosan Co.,Ltd.	Real Estate	4
2875	TOYO SUISAN KAISHA,LTD.	Foods	3
3099	Isetan Mitsukoshi Holdings Ltd.	Retail Trade	3
4004	Resonac Holdings Corporation	Chemicals	3
4061	Denka Company Limited	Chemicals	3
4205	ZEON CORPORATION	Chemicals	3
5333	NGK Corporation	Glass & Ceramics Products	3
5393	NICHIAS CORPORATION	Glass & Ceramics Products	3
5805	SWCC Corporation	Nonferrous Metals	3
6361	EBARA CORPORATION	Machinery	3
6367	DAIKIN INDUSTRIES,LTD.	Machinery	3
6758	SONY GROUP CORPORATION	Electric Appliances	3
6762	TDK Corporation	Electric Appliances	3
7453	RYOHIN KEIKAKU CO.,LTD.	Retail Trade	3
7936	ASICS Corporation	Other Products	3
8058	Mitsubishi Corporation	Wholesale Trade	3
9007	Odakyu Electric Railway Co.,Ltd.	Land Transportation	3
1893	PENTA-OCEAN CONSTRUCTION CO.,LTD.	Construction	2
1926	RAITO KOGYO CO.,LTD.	Construction	2
1969	Takasago Thermal Engineering Co.,Ltd.	Construction	2
2264	MORINAGA MILK INDUSTRY CO.,LTD.	Foods	2
2579	Coca-Cola Bottlers Japan Holdings Inc.	Foods	2

Code	Company Name	Sector	Votes
2802	Ajinomoto Co.,Inc.	Foods	2
3407	ASAHI KASEI CORPORATION	Chemicals	2
4099	SHIKOKU KASEI HOLDINGS CORPORATION	Chemicals	2
4188	Mitsubishi Chemical Group Corporation	Chemicals	2
4544	H.U. Group Holdings,Inc.	Services	2
5101	The Yokohama Rubber Company,Limited	Rubber Products	2
5331	NORITAKE CO.,LIMITED	Glass & Ceramics Products	2
5332	TOTO LTD.	Glass & Ceramics Products	2
5334	Niterra Co.,Ltd.	Glass & Ceramics Products	2
5482	AICHI STEEL CORPORATION	Iron & Steel	2
5706	Mitsui Kinzoku Company,Limited	Nonferrous Metals	2
5929	Sanwa Holdings Corporation	Metal Products	2
6098	Recruit Holdings Co.,Ltd.	Services	2
6383	DAIFUKU CO.,LTD.	Machinery	2
6448	BROTHER INDUSTRIES,LTD.	Electric Appliances	2
6465	HOSHIZAKI CORPORATION	Machinery	2
6645	OMRON Corporation	Electric Appliances	2
6701	NEC Corporation	Electric Appliances	2
6752	Panasonic Holdings Corporation	Electric Appliances	2
7013	IHI Corporation	Machinery	2
7278	EXEDY Corporation	Transportation Equipment	2
7532	Pan Pacific International Holdings Corporation	Retail Trade	2
7747	ASAHI INTECC CO.,LTD.	Precision Instruments	2
7846	PILOT CORPORATION	Other Products	2
7911	TOPPAN Holdings Inc.	Other Products	2
7912	Dai Nippon Printing Co.,Ltd.	Other Products	2
7972	ITOKI CORPORATION	Other Products	2
7981	TAKARA STANDARD CO.,LTD.	Other Products	2
8001	ITOCHU Corporation	Wholesale Trade	2

Companies Whose Progress Is Highly Evaluated by Investors (2)

Prime | JPY 100 billion or more

Prime Market—market cap. of JPY 100 billion or more (cont.)

(Descending order by vote count and securities code)

Code	Company Name	Sector	Votes
8015	TOYOTA TSUSHO CORPORATION	Wholesale Trade	2
8035	Tokyo Electron Limited	Electric Appliances	2
8233	Takashimaya Company,Limited	Retail Trade	2
8252	MARUI GROUP CO.,LTD.	Retail Trade	2
8366	THE SHIGA BANK,LTD.	Banks	2
8524	North Pacific Bank,Ltd.	Banks	2
8876	Relo Group,Inc.	Services	2
9020	East Japan Railway Company	Land Transportation	2
9022	Central Japan Railway Company	Land Transportation	2
9104	Mitsui O.S.K.Lines,Ltd.	Marine Transportation	2
9401	TBS HOLDINGS,INC.	Information & Communication	2
9532	OSAKA GAS CO.,LTD.	Electric Power & Gas	2
9602	TOHO CO.,LTD	Information & Communication	2
1332	Nissui Corporation	Fishery, Agriculture & Forestry	1
1333	Umios Corporation	Fishery, Agriculture & Forestry	1
1515	Nittetsu Mining Co.,Ltd.	Mining	1
1605	INPEX CORPORATION	Mining	1
1721	COMSYS Holdings Corporation	Construction	1
1801	TAISEI CORPORATION	Construction	1
1802	OBAYASHI CORPORATION	Construction	1
1803	SHIMIZU CORPORATION	Construction	1
1812	KAJIMA CORPORATION	Construction	1
1944	KINDEN CORPORATION	Construction	1
1961	SANKI ENGINEERING CO.,LTD.	Construction	1
1980	DAI-DAN CO.,LTD.	Construction	1
2175	SMS CO.,LTD.	Services	1
2222	Kotobuki Spirits Co.,Ltd.	Foods	1
2229	CALBEE,Inc.	Foods	1
2267	YAKULT HONSHA CO.,LTD.	Foods	1

Code	Company Name	Sector	Votes
2269	Meiji Holdings Co.,Ltd.	Foods	1
2270	MEGMILK SNOW BRAND Co.,Ltd.	Foods	1
2371	Kakaku.com,Inc.	Services	1
2432	DeNA Co.,Ltd.	Information & Communication	1
2501	SAPPORO BREWERIES LIMITED	Foods	1
2503	Kirin Holdings Company,Limited	Foods	1
2768	Sojitz Corporation	Wholesale Trade	1
3002	GUNZE LIMITED	Textiles & Apparels	1
3064	MonotaRO Co.,Ltd.	Retail Trade	1
3086	J.FRONT RETAILING Co.,Ltd.	Retail Trade	1
3101	TOYOBO CO.,LTD.	Chemicals	1
3104	Fujibo Holdings,Inc.	Textiles & Apparels	1
3107	Daiwabo Holdings Co.,Ltd.	Wholesale Trade	1
3132	MACNICA HOLDINGS,INC.	Wholesale Trade	1
3382	Seven & i Holdings Co.,Ltd	Retail Trade	1
3402	TORAY INDUSTRIES,INC.	Textiles & Apparels	1
3569	SEIREN CO.,LTD.	Textiles & Apparels	1
3626	TISI Inc.	Information & Communication	1
3635	KOEI TECMO HOLDINGS CO.,LTD.	Information & Communication	1
3861	Oji Holdings Corporation	Pulp & Paper	1
3863	Nippon Paper Industries Co.,Ltd.	Pulp & Paper	1
4062	IBIDEN CO.,LTD.	Electric Appliances	1
4091	NIPPON SANSO HOLDINGS CORPORATION	Chemicals	1
4183	Mitsui Chemicals,Inc.	Chemicals	1
4208	UBE Corporation	Chemicals	1
4272	NIPPON KAYAKU CO.,LTD.	Chemicals	1
4452	Kao Corporation	Chemicals	1
4502	Takeda Pharmaceutical Company Limited	Pharmaceutical	1
4543	TERUMO CORPORATION	Precision Instruments	1

Companies Whose Progress Is Highly Evaluated by Investors (3)

Prime | JPY 100 billion or more

◆ Prime Market—market cap. of JPY 100 billion or more (cont.)

(Descending order by vote count and securities code)

Code	Company Name	Sector	Votes
4631	DIC Corporation	Chemicals	1
4666	PARK24 Co.,Ltd.	Real Estate	1
4676	FUJI MEDIA HOLDINGS,INC.	Information & Communication	1
4684	OBIC Co.,Ltd.	Information & Communication	1
4689	LY Corporation	Information & Communication	1
4704	Trend Micro Incorporated	Information & Communication	1
4901	FUJIFILM Holdings Corporation	Chemicals	1
4902	KONICA MINOLTA,INC.	Electric Appliances	1
4911	Shiseido Company,Limited	Chemicals	1
5019	Idemitsu Kosan Co.,Ltd.	Oil & Coal Products	1
5032	ANYCOLOR Inc.	Information & Communication	1
5233	TAIHEIYO CEMENT CORPORATION	Glass & Ceramics Products	1
5301	TOKAI CARBON CO.,LTD.	Glass & Ceramics Products	1
5411	JFE Holdings,Inc.	Iron & Steel	1
5463	Maruichi Steel Tube Ltd.	Iron & Steel	1
547A	Muninova Holdings Inc.	Other Financing Business	1
5631	The Japan Steel Works,Ltd.	Machinery	1
5714	DOWA HOLDINGS CO.,LTD.	Nonferrous Metals	1
5741	UACJ Corporation	Nonferrous Metals	1
5802	Sumitomo Electric Industries,Ltd.	Nonferrous Metals	1
5830	Iyogin Holdings,Inc.	Banks	1
5901	Toyo Seikan Group Holdings,Ltd.	Metal Products	1
5991	NHK SPRING CO.,LTD.	Metal Products	1
6178	JAPAN POST HOLDINGS Co.,Ltd.	Services	1
6268	Nabtesco Corporation	Machinery	1
6368	ORGANO CORPORATION	Machinery	1
6370	Kurita Water Industries Ltd.	Machinery	1
6457	GLORY LTD.	Machinery	1
6504	FUJI ELECTRIC CO.,LTD.	Electric Appliances	1

Code	Company Name	Sector	Votes
6586	Makita Corporation	Machinery	1
6617	TAKAOKA TOKO CO.,LTD.	Electric Appliances	1
6702	Fujitsu Limited	Electric Appliances	1
6723	Renesas Electronics Corporation	Electric Appliances	1
6728	ULVAC, Inc.	Electric Appliances	1
6857	ADVANTEST CORPORATION	Electric Appliances	1
6914	OPTEX GROUP Company,Limited	Electric Appliances	1
6971	KYOCERA CORPORATION	Electric Appliances	1
6988	NITTO DENKO CORPORATION	Chemicals	1
7182	JAPAN POST BANK Co.,Ltd.	Banks	1
7267	HONDA MOTOR CO.,LTD.	Transportation Equipment	1
7269	SUZUKI MOTOR CORPORATION	Transportation Equipment	1
7276	KOITO MANUFACTURING CO.,LTD.	Electric Appliances	1
7282	TOYODA GOSEI CO.,LTD.	Transportation Equipment	1
7283	AISAN INDUSTRY CO.,LTD.	Transportation Equipment	1
7296	F.C.C.CO.,LTD.	Transportation Equipment	1
7649	SUGI HOLDINGS Co.,LTD.	Retail Trade	1
7701	Shimadzu Corporation	Precision Instruments	1
7735	SCREEN Holdings Co.,Ltd.	Electric Appliances	1
7744	Noritsu Koki Co.,Ltd.	Precision Instruments	1
7826	FURUYA METAL CO.,LTD.	Other Products	1
7832	Bandai Namco Holdings Inc.	Other Products	1
7976	MITSUBISHI PENCIL COMPANY,LIMITED	Other Products	1
8031	MITSUI & CO.,LTD.	Wholesale Trade	1
8050	SEIKO GROUP CORPORATION	Precision Instruments	1
8057	UCHIDA YOKO CO.,LTD.	Wholesale Trade	1
8086	NIPRO CORPORATION	Precision Instruments	1
8113	UNICHARM CORPORATION	Chemicals	1
8154	KAGA ELECTRONICS CO.,LTD.	Wholesale Trade	1

Companies Whose Progress Is Highly Evaluated by Investors (4)

Prime Market—market cap. of JPY 100 billion or more (cont.)

(Descending order by vote count and securities code)

Code	Company Name	Sector	Votes
8174	NIPPON GAS CO.,LTD.	Retail Trade	1
8179	ROYAL HOLDINGS Co., Ltd.	Retail Trade	1
8219	AOYAMA TRADING Co.,Ltd.	Retail Trade	1
8273	IZUMI CO.,LTD.	Retail Trade	1
8306	Mitsubishi UFJ Financial Group,Inc.	Banks	1
8354	Fukuoka Financial Group,Inc.	Banks	1
8358	Suruga Bank Ltd.	Banks	1
8360	The Yamanashi Chuo Bank,Ltd.	Banks	1
8386	The Hyakujushi Bank,Ltd.	Banks	1
8411	Mizuho Financial Group,Inc.	Banks	1
8591	ORIX CORPORATION	Other Financing Business	1
8604	Nomura Holdings, Inc.	Securities & Commodity Futures	1
8750	Daiichi Life Group,Inc.	Insurance	1
8766	Tokio Marine Holdings,Inc.	Insurance	1
8802	Mitsubishi Estate Company,Limited	Real Estate	1
9069	SENKO Group Holdings Co.,Ltd.	Land Transportation	1
9072	NIKKON Holdings Co.,Ltd.	Land Transportation	1
9075	FUKUYAMA TRANSPORTING CO.,LTD.	Land Transportation	1
9142	Kyushu Railway Company	Land Transportation	1
9267	Genky DrugStores Co.,Ltd.	Retail Trade	1
9301	Mitsubishi Logistics Corporation	Warehousing & Harbor Transportation Services	1
9412	SKY Perfect JSAT Corporation	Information & Communication	1
9435	HIKARI TSUSHIN,INC.	Information & Communication	1
9503	The Kansai Electric Power Company,Incorporated	Electric Power & Gas	1
9507	Shikoku Electric Power Company,Incorporated	Electric Power & Gas	1
9531	TOKYO GAS CO.,LTD.	Electric Power & Gas	1
9678	KANAMOTO CO.,LTD.	Services	1
9831	YAMADA HOLDINGS CO.,LTD.	Retail Trade	1
9843	Nitori Holdings Co.,Ltd.	Retail Trade	1
9960	TOTECH CORPORATION	Wholesale Trade	1
9983	FAST RETAILING CO.,LTD.	Retail Trade	1

Companies Whose Progress Is Highly Evaluated by Investors (5)

Prime | Less than JPY 100 billion

Prime Market—market cap. less than JPY 100 billion

(Descending order by vote count and securities code)

Code	Company Name	Sector	Votes
4220	RIKEN TECHNOS CORPORATION	Chemicals	3
2060	FEED ONE CO.,LTD.	Foods	2
6264	Marumae Co.,Ltd.	Machinery	2
8011	SANYO SHOKAI LTD.	Textiles & Apparels	2
8157	TSUZUKI DENKI CO.,LTD.	Information & Communication	2
9536	SAIBU GAS HOLDINGS CO.,LTD.	Electric Power & Gas	2
1852	ASANUMA CORPORATION	Construction	1
2108	Nippon Beet Sugar Manufacturing Co.,Ltd.	Foods	1
2207	MEITO CO.,LTD.	Foods	1
2594	KEY COFFEE INC	Foods	1
2734	SALA CORPORATION	Retail Trade	1
2975	Star Mica Holdings Co.,Ltd.	Real Estate	1
3036	ALCONIX CORPORATION	Wholesale Trade	1
3182	Oisix Inc.	Retail Trade	1
3193	Eternal Hospitality Group Co.,Ltd.	Retail Trade	1
3608	TSI HOLDINGS CO.,LTD.	Textiles & Apparels	1
3946	TOMOKU CO.,LTD.	Pulp & Paper	1
4022	Rasa Industries,Ltd.	Chemicals	1
4027	TAYCA CORPORATION	Chemicals	1
4109	STELLA CHEMIFA CORPORATION	Chemicals	1
4116	Dainichiseika Color & Chemicals Mfg.Co.,Ltd.	Chemicals	1
4212	Sekisui Jushi Corporation	Chemicals	1
4290	Prestige International Inc.	Services	1
4318	QUICK CO.,LTD.	Services	1
4526	RIKEN VITAMIN CO.,LTD.	Foods	1
4565	Nxera Pharma Co.,Ltd.	Pharmaceutical	1
4577	Daito Pharmaceutical Co.,Ltd.	Pharmaceutical	1
4611	Dai Nippon Toryo Company,Limited	Chemicals	1
4709	ID Holdings Corporation	Information & Communication	1

Code	Company Name	Sector	Votes
5121	FUJIKURA COMPOSITES Inc.	Rubber Products	1
5208	Arisawa Mfg.Co.,Ltd.	Chemicals	1
6062	CHARM CARE CORPORATION	Services	1
6196	Strike Group Co.,Ltd.	Services	1
6240	YAMASHIN-FILTER CORP.	Machinery	1
6328	EBARA JITSUGYO CO.,LTD.	Machinery	1
6369	TOYO KANETSU K.K.	Machinery	1
6381	ANEST IWATA Corporation	Machinery	1
6779	NIHON DEMPA KOGYO CO.,LTD.	Electric Appliances	1
6809	TOA CORPORATION	Electric Appliances	1
6859	ESPEC CORP.	Electric Appliances	1
7236	T.RAD Co., Ltd.	Transportation Equipment	1
7245	DAIDO METAL CO.,LTD.	Transportation Equipment	1
7246	PRESS KOGYO CO.,LTD.	Transportation Equipment	1
7606	UNITED ARROWS LTD.	Retail Trade	1
7725	INTER ACTION Corporation	Precision Instruments	1
7839	SHOEI CO.,LTD.	Other Products	1
7914	Kyodo Printing Co.,Ltd.	Other Products	1
7979	SHOFU INC.	Precision Instruments	1
7989	TACHIKAWA CORPORATION	Metal Products	1
8093	Kyokuto Boeki Kaisha,Limited	Wholesale Trade	1
8715	Anicom Holdings,Inc.	Insurance	1
8771	eGuarantee,Inc.	Other Financing Business	1
9274	KPP GROUP HOLDINGS CO.,LTD.	Wholesale Trade	1
9470	GAKKEN HOLDINGS CO.,LTD.	Information & Communication	1
9837	MORITO CO.,LTD.	Wholesale Trade	1

Companies Whose Progress Is Highly Evaluated by Investors (6)

Standard

Standard Market

(Descending order by vote count and securities code)

Code	Company Name	Sector	Votes
5161	NISHIKAWA RUBBER CO.,LTD.	Rubber Products	3
2805	S&B FOODS INC.	Foods	2
4347	Broadmedia Corporation	Services	2
5992	CHUO SPRING CO.,LTD.	Metal Products	2
6226	Moriya Transportation Engineering and Manufacturing Co.,Ltd.	Machinery	2
7716	NAKANISHI INC.	Precision Instruments	2
1717	Meiho Facility Works Ltd.	Services	1
1723	NIHON DENGI CO.,LTD.	Construction	1
1811	THE ZENITAKA CORPORATION	Construction	1
1904	TAISEI ONCHO CO.,LTD.	Construction	1
1905	TENOX CORPORATION	Construction	1
1981	KYOWANISSEI CO.,LTD.	Construction	1
2782	Seria Co.,Ltd.	Retail Trade	1
3698	CRI Middleware Co.,Ltd.	Information & Communication	1
3943	OHISHI SANGYO CO.,LTD.	Pulp & Paper	1
4119	Nippon Pigment Holdings Company Limited	Chemicals	1
4464	SOFT99corporation	Chemicals	1
5013	Yushiro Inc.	Oil & Coal Products	1
5210	Nihon Yamamura Glass Co.,Ltd.	Glass & Ceramics Products	1
5304	SEC CARBON,LIMITED	Glass & Ceramics Products	1
5388	KUNIMINE INDUSTRIES CO.,LTD.	Glass & Ceramics Products	1
5449	OSAKA STEEL CO.,LTD.	Iron & Steel	1
6023	DAIHATSU INFINEARTH MFG.CO.,LTD.	Transportation Equipment	1
6137	KOIKE SANSO KOGYO CO.,LTD.	Machinery	1
6246	Techno Smart Corp.	Machinery	1
6357	Sansei Technologies,Inc.	Machinery	1
6675	SAXA,Inc.	Electric Appliances	1
6867	LEADER ELECTRONICS CORPORATION	Electric Appliances	1
6927	Helios Techno Holding Co.,Ltd.	Electric Appliances	1

Code	Company Name	Sector	Votes
7213	LECIP HOLDINGS CORPORATION	Transportation Equipment	1
7235	TOKYO RADIATOR MFG.CO.,LTD.	Transportation Equipment	1
7460	YAGI & CO.,LTD.	Wholesale Trade	1
7564	WORKMAN CO.,LTD.	Retail Trade	1
7795	KYORITSU CO.,LTD.	Other Products	1
7908	KIMOTO CO.,LTD.	Chemicals	1
8085	NARASAKI SANGYO CO.,LTD.	Wholesale Trade	1
8117	CENTRAL AUTOMOTIVE PRODUCTS LTD.	Wholesale Trade	1
9171	Kuribayashi Steamship Co.,Ltd.	Marine Transportation	1
9362	HYOKI KAIUN KAISHA,LTD.	Warehousing & Harbor Transportation Services	1
9753	IX Knowledge Incorporated	Information & Communication	1

2-1. Further Improvements Expected From Japanese Companies

Further Improvements Expected From Japanese Companies (1)

◆ Opinions regarding **further improvements expected** from Japanese companies **from the perspective of enhancement of corporate value in the medium to long term**

Enhance management that is conscious of cost of capital and stock price and make it more substantive

- ✓ While there has been significant progress in companies' efforts regarding management that is conscious of cost of capital and stock price, some companies appear to be **undertaking this initiative merely in response to our request without fully understanding its long-term significance**. **In some cases, disclosures remain largely a formality**, with companies simply setting targets such as PBR above 1x or ROE of 8%.
- ✓ Cost of capital should be understood as the hurdle rate for sustaining a business. PBR of 1x and ROE of 8%, which are the targets for many companies, should be regarded only as starting points. **Investors expect companies to raise their ambitions and pursue the sustained expansion of equity spreads that exceed their cost of capital.**
- ✓ Companies should not merely present numerical targets. They must also continuously disclose the timing and progress of **concrete measures such as business strategies aimed at achieving those targets, business portfolio reviews, growth investments, capital allocation, and shareholder returns**.
- ✓ While many companies still **place considerable emphasis on shareholder returns and see the improvement of capital efficiency achieved through balance sheet reduction as the end goal**, what will be required going forward is a **transformation of their business structure to sustainably generate revenue that exceeds the cost of capital**. To achieve this, it is crucial to **execute growth investments with discipline**.
- ✓ Some companies also appear to **focus excessively on earnings growth while giving insufficient consideration to capital efficiency**. Investors expect companies to **focus on their balance sheets** and work to improve capital efficiency, including by **reviewing their asset holdings**.
- ✓ Although the concept of the cost of capital has become more widely understood, it is also important for companies to **analyze market valuations, identify the factors behind their current valuation levels, and continuously implement initiatives aimed at improving their stock price**.

Clarification of medium- to long-term management policies

- ✓ More companies should **highlight management's vision for enhancing corporate value over the medium to long term and communicate clear messages to investors.**
- ✓ **Companies that fail to effectively communicate how their medium- to long-term vision, ESG initiatives, and non-financial capital, such as human capital and intellectual property, contribute to enhancing corporate value tend to receive lower market valuations.** Investors expect **companies to provide high-quality disclosures that clearly convey their future potential.**
- ✓ Confidence in the effectiveness of management strategies can be strengthened by visualizing the business portfolio along two dimensions—ROIC-WACC spread by business segment and future top-line growth prospects—while also **presenting an implementation plan for portfolio reform, explanations of investments in growth areas, and projected returns on growth investments that exceed hurdle rates, together with regular progress updates demonstrating actual results**.

Further Improvements Expected From Japanese Companies (2)

Appropriate allocation of management resources

- ✓ **Growth investments and shareholder returns should not be viewed as a simple either-or choice. Rather, decisions should be made based on a comparison between the expected returns on investments and the cost of capital. Investors expect companies to pursue growth investments that generate returns exceeding their cost of capital** without being overly influenced by short-term stock price fluctuations, **and to appropriately allocate the cash generated between shareholder returns and reinvestment**, thereby enhancing corporate value over the medium to long term.
- ✓ Companies should demonstrate a clear commitment to **their growth investment approach, including their decision-making framework, areas in which they choose not to invest and those where they can leverage competitive advantages, plans for securing human resources, and the methods used to evaluate and internally manage ROIC.**
- ✓ Before deciding to provide returns to shareholders due to a lack of growth investment opportunities, companies should also consider **forward-looking investments from a long-term perspective, such as investments in intangible assets**.
- ✓ **Surplus capital should be returned to shareholders.** Cash on hand at listed companies remains at elevated levels and continues to be one factor hindering ROE improvements among Japanese companies. Companies are encouraged to **present clear, credible, and highly predictable shareholder return policies** while utilizing metrics such as DOE.
- ✓ Companies should undertake **a fundamental review of their business portfolios. If profitability exceeding cost of capital is not expected, all management options, including divestiture or withdrawal, should be considered from the perspective of the best-owner principle, and the company's policy should be clearly communicated.**
- ✓ It is important to **explain the progress of post-merger integration—including divestiture of unprofitable businesses, the contribution to profits from acquisitions in growth and new areas, and its impact on the improvement of capital efficiency—and to demonstrate that the optimal allocation of management resources is leading to an increase in corporate value.**
- ✓ If we can engage in dialogue focused on **what type of balance sheet and business portfolio will result from continuing annual cash allocation, and whether these are likely to maximize ROIC while keeping cost of capital in check**, investor confidence in the medium- to long-term outlook will increase.

Optimization of asset holdings

- ✓ **In addition to clarifying the appropriate level of cash and deposits to be held,** investors expect companies to provide more detailed explanations regarding both **assets and liabilities on the balance sheet, including a review of investment securities holdings, an assessment of underutilized assets in non-core businesses, and the potential for utilizing its debt capacity.**
- ✓ With respect to cross-shareholdings, meeting the reduction target should not be considered the end goal. Instead, companies should aim to reduce holdings to zero in principle and refrain from effectively maintaining such holdings by reclassifying them as pure investment holdings. **If the retention of cash and deposits is justified on the grounds of risk tolerance, the required level should be quantitatively assessed and disclosed.**

Further Improvements Expected From Japanese Companies (3)

Enhancing investor engagement and disclosures

- ✓ Companies should **place greater emphasis on engagement with institutional investors** and consider **establishing dedicated IR departments and conducting one-on-one meetings.** In such engagements, companies should **proactively seek feedback and constructive criticism** from investors.
- ✓ Further enhancement of **global IR activities** is also encouraged.
- ✓ With respect to medium-term management plans and similar initiatives, it is important to **continuously disclose progress. If revisions are made, companies should clearly present an analysis of the factors behind the revisions as well as the revised policies and plans.**
- ✓ **Consistency and comparability of disclosure information** are essential for assessing long-term corporate value enhancement. Companies should maintain consistency in business segments and KPIs. **If changes are made to segments or indicators, the rationale behind the changes and how they relate to historical figures should be clearly explained.**

Strengthening governance and improving board effectiveness

- ✓ In addition to the planning department, **senior management must also play a proactive role in enhancing corporate value and effectively function as the final decision-making body**.
- ✓ **To ensure that the board of directors engages in meaningful discussions** regarding management decisions on growth investments and other strategic matters, companies must **secure personnel with skills and experience** in corporate management, corporate finance, and capital markets.
- ✓ **The introduction of long-term incentive compensation and compensation linked to capital efficiency indicators (ROE and ROIC) and total shareholder return (TSR), thereby structurally aligning the interests of shareholders and management**, is the most effective mechanism for ensuring the execution of business plans. Investors also expect **enhanced disclosure regarding compensation systems.**
- ✓ **Outside directors are expected to oversee the board of directors as representatives of minority shareholders. Companies should expand opportunities for dialogue between shareholders and outside directors and encourage outside directors to share their perspectives from an independent standpoint.**
- ✓ **Disclosures regarding governance matters, including the CEO nomination process**, should be further enhanced.

2-2. Expectations for the Exchange and Related Parties

Expectations for the Exchange and Other Related Parties (1)

◆ Opinions regarding expectations for exchanges and other related parties to **enhance the appeal of Japanese markets**

Deepening market reforms and enhancing listing frameworks

- ✓ TSE should encourage companies to **further enhance disclosures related to management that is conscious of cost of capital and stock price**.
- ✓ The initiatives undertaken by **companies with relatively small market capitalizations (less than JPY 100 billion)** should also be reevaluated.
- ✓ TSE should establish an **information infrastructure that enables the market to appropriately assess the effectiveness of corporate initiatives** by conducting follow-ups that link disclosed information with actual performance indicators such as ROIC and PBR.
- ✓ Efforts should go beyond addressing low PBR levels and **focus on strengthening the earning power of Japanese companies**. From the perspective of making strong companies even stronger, growth-related indicators should be introduced into the continued listing criteria for companies with larger market capitalizations.
- ✓ **There are concerns that companies may become overly focused on stock prices and short-term earnings.** The common practice of announcing full-year earnings forecasts at the beginning of the fiscal year may also be increasing pressure to deliver short-term results. It may be necessary to **consider how to improve disclosure practices while striking a balance between short-term outlooks and medium- to long-term growth strategies.**
- ✓ There are instances where executives who fail to pursue growth investments remain in their positions, or where necessary investments are hindered by inefficient industry structures. It is necessary to **establish a market environment that encourages appropriate management turnover and industry restructuring**. **The composition of the board of directors and the shareholder base are fundamental elements of governance.** It is important to **ensure that the majority of the board consists of independent directors** and to **promote the sale of shares held by founding families, parent companies, and other controlling shareholders** through mechanisms such as free-float requirements.
- ✓ Directors of listed companies should be required to undergo a **minimum level of board training** covering governance, capital policy, and sustainability.
- ✓ **As a means of improving the quality of outside directors**, consideration should be given to the establishment of soft rules related to the appointment of outside directors and the introduction of mandatory training programs organized by TSE.
- ✓ For listed companies where founding families effectively hold veto rights, **frameworks should be developed to strengthen governance and optimize the structure of the shareholder base so that the views of minority shareholders are appropriately reflected**. Companies should also deepen their understanding of the **importance of minority shareholder protection**.
- ✓ While parent-subsidiary listings have been declining, **the number of listed affiliates accounted for under the equity method has not decreased significantly. There are many companies where corporate governance is ineffective due to the presence of stable shareholders, and initiatives to promote the dissolution of such capital relationships are needed.**
- ✓ **The significance of listing and the standards expected of listed companies** should be more clearly defined so that **companies fully recognize the responsibilities and costs** associated with listing. A neutral regulatory framework should be established so that companies for which maintaining a listing does not contribute to the enhancement of corporate value can consider exit options, such as going private.
- ✓ Progress is expected in **initiatives that contribute to enhancing the corporate value of growth companies.**

Expectations for the Exchange and Other Related Parties (2)

Deepening market reforms and enhancing listing frameworks (cont.)

- ✓ TSE should **carry out index reforms, such as those related to TOPIX**, in order to eliminate the passive structure under which companies are included in an index simply by being listed, resulting in automatic capital inflows. **Index discipline is a more powerful driver of change in corporate behavior than any request.**
- ✓ Even in cases where activist investors or major institutional investors hold more than 15% of a company's outstanding shares over an extended period, those shares are still treated as tradable shares. Consideration should be given to revising the rules to better reflect the actual situation, for example, by treating shares held for a certain period as non-tradable shares.

Support for listed companies

- ✓ While activist involvement often serves as a catalyst for improvements in governance and disclosure, TSE should also **support efforts to encourage corporate initiatives through ongoing dialogue with listed companies**.
- ✓ **To promote more substantive discussions at board meetings,** TSE should **take the lead in establishing a framework to monitor the quality of disclosures and provide feedback.**
- ✓ To raise the overall standard of the market, **it is important** not only to **highlight best practices from companies that are taking advanced initiatives, but also to present model cases that can serve as practical examples for companies that have struggled to make progress.** There should be **more proactive and effective engagement with companies whose responses to TSE's requests remain insufficient.**
- ✓ Management that is conscious of cost of capital and stock price is valued by shareholders and investors. By improving profitability and achieving growth, **companies can attract talented individuals and business partners, thereby strengthening the foundation for sustainable growth. It is important to highlight model cases that demonstrate this virtuous cycle.**
- ✓ TSE should **provide support for global IR activities.**

Enhancing literacy and awareness throughout the market

- ✓ A **support system** should be put in place **to help enhance the knowledge level of market participants.**
- ✓ To promote smooth dialogue with investors, TSE should **make further enhancements to training programs on cost of capital for corporate IR professionals**.
- ✓ **There are occasions when the media argues that strengthening shareholder returns hinders corporate growth investment, so it is necessary to proactively present well-founded counterarguments to this narrative.**
- ✓ TSE should **promote dialogue between outside directors and shareholders**, for example, by distributing a white paper that encourages such engagement.
- ✓ TSE seems to be increasingly taking the initiative to share information not only with companies but also with investors and is providing more opportunities to solicit their opinions. These **steady efforts—carefully listening to stakeholders' opinions and deepening collaboration throughout the investment chain—are the driving force behind enhancing the credibility and appeal of the Japanese market**. TSE should continue to promote these opportunities for open dialogue.

3. Disclosure Items Expected as a First Step

Disclosure Items Expected as a First Step

◆ Many respondents pointed to the following two actions as **important first steps for companies that have yet to begin making such disclosures:**

① Companies should analyze their cost of capital, profitability (ROE, ROIC, etc.), and market valuation (stock price and PBR), and **clearly articulate management's understanding of the issues they currently face**.

② While **quantitative targets or a fully developed action plan are not necessarily required from the outset** to address these challenges, companies should **communicate their policy for addressing them and demonstrate the commitment of top management to working toward improvement**.

Specific comments

- ✓ **Rather than presenting detailed numerical targets**, companies should **disclose in plain language how management views the company's cost of shareholders' equity, capital profitability, and market valuation.** Specifically, **companies should disclose: (1) their assessment of cost of shareholders' equity and trends in ROE, ROIC, and PBR; (2) internal factors (growth prospects, profitability, financial strategy, IR activities, etc.) and external factors (business environment, regulations, etc.) that may be contributing to a PBR below 1x; and (3) the plan for improvements being discussed by the board of directors.** As the starting point for dialogue, **companies must convey that the board recognizes cost of capital and stock price as management issues and has begun discussing them.**
- ✓ As a first step in disclosure, **companies are not expected to provide detailed analyses or fully developed initiatives**. Rather, it is important to disclose **the level or range of cost of capital** as recognized by the company, **the principal assumptions used in its calculation, and their current assessment of indicators such as ROE, ROIC, and PBR. Companies should also explain the challenges involved in achieving profitability that exceeds cost of capital, as well as the measures under consideration and the timetable for reviewing and implementing those measures.**
- ✓ **Even a short disclosure of several pages** can be valuable to investors if it candidly explains **management's views on market valuation and capital efficiency, together with the priorities management has established to improve them.**
- ✓ Companies should objectively disclose their **current PBR and ROE levels, as well as trends over the past several years. Doing so demonstrates that management has an accurate understanding of the company's current situation and signals to the market that management is paying close attention to the stock market and investor perspectives.**
- ✓ **The level of cost of capital as recognized by the company and the basis for that determination** should be disclosed. **A detailed CAPM-based calculation is not required.** It is sufficient to provide a rationale such as **having made an estimate based on dialogue with investors, shareholder composition, and the nature of business risks.** Companies should also **explain, in their own words, any gap between this recognition and market valuation.**
- ✓ **Even if quantitative targets cannot be presented at the outset, companies should set out a qualitative policy that identifies their priority issues and a plan for making improvements. It is sufficient, initially, to clarify what management intends to prioritize**, whether it be improving profitability, enhancing asset efficiency, optimizing the balance sheet, strengthening shareholder returns, or other priorities.
- ✓ It is essential **for companies to communicate, in their own words, both their medium- to long-term vision (direction) and the strong commitment of top management to achieving it. A willingness to use that as the foundation for dialogue with investors regarding concrete measures for the future is the most meaningful first step.**

Future Initiatives

Future Initiatives

Publish list of companies demonstrating meaningful progress

- Compile a list of companies, vote counts, and evaluation comments, organized by sector, market segment, and market capitalization category (Prime Market—market cap. of JPY 100 billion or more, Prime Market—market cap. less than JPY 100 billion, Standard), and publish it on the JPX website
- Introduce survey results to investors (institutional and retail) through various tools
- Provide feedback to listed companies regarding results

Practical support regarding disclosure to be made as a first step

- Based on the first steps mentioned by investors (such as identifying current challenges), conduct interviews to determine the type of support that would enable companies to begin their initiatives
- Taking into account the requests from companies, publish examples of disclosures from companies that have taken their first step, publish simplified guides and other materials, and conduct company visits

Consideration of additional measures based on feedback from institutional investors

- Consider additional measures to substantially implement and enhance management that is conscious of cost of capital and stock price
  (Clarification of medium- to long-term management policies, appropriate allocation of management resources, enhancement of disclosures and dialogue with investors, improvement of the effectiveness of the board of directors, etc.)
- Continue conducting this survey next fiscal year and beyond.

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