

Status Update and Future Initiatives Regarding “Action to Implement Management That is Conscious of Cost of Capital and Stock Price”

Listing Department
Tokyo Stock Exchange

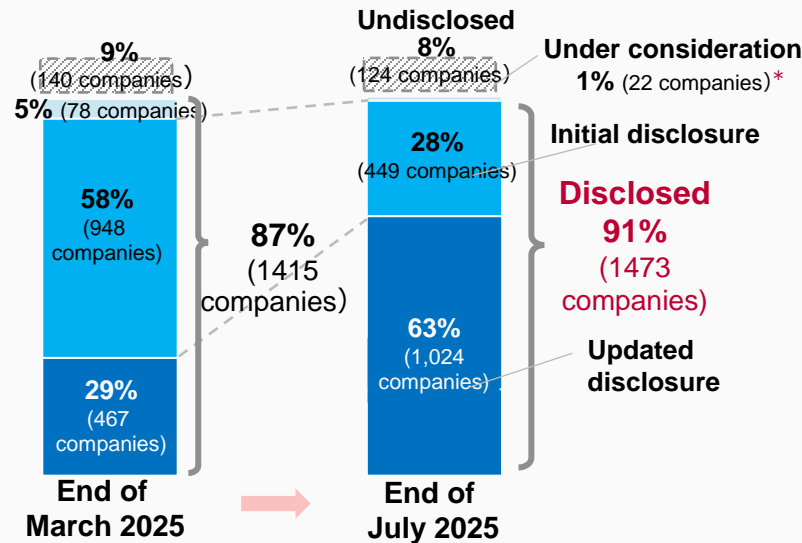
September 2, 2025



Situation in Third Year Since Request

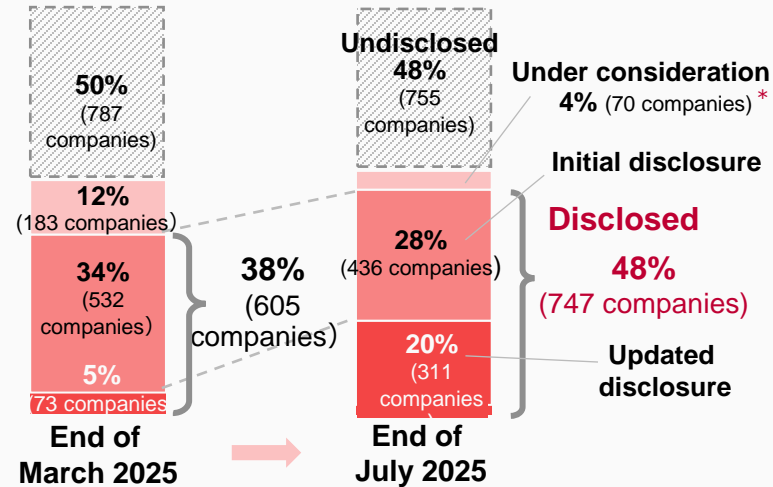
Status of Recent Disclosures

Prime Market



⇒ The main disclosure activity in the Prime Market is updates, with over 90% of companies having disclosed information and over 60% having updated it.

Standard Market



⇒ In the Standard Market, although there has been an increase in companies making initial disclosures and updates recently, approximately half of companies still remain in the “undisclosed” category.

Note: Starting from January 2025, the inclusion period for “under consideration” on the List of Companies That Have Disclosed Information is six months, and companies that exceed this period are classified as “undisclosed.” (Prime: 36 companies, Standard: 113 companies)

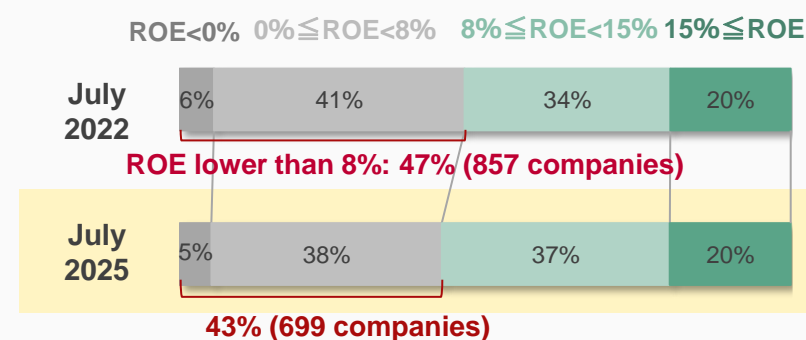
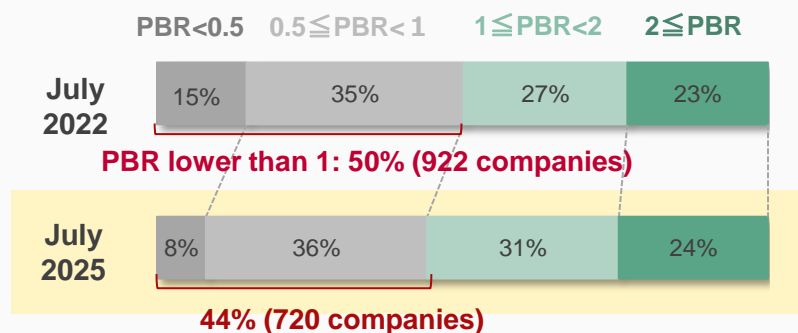
Changes in the Distribution of PBR and ROE

- ◆ Companies with PBRs below 1x accounted for 44% (-6 pt) of companies in the Prime Market and 59% (-5 pt) in the Standard Market.
- ◆ Companies with ROE below 8% accounted for 43% (-4 pt) of companies in the Prime Market and 59% (-4 pt) in the Standard Market.

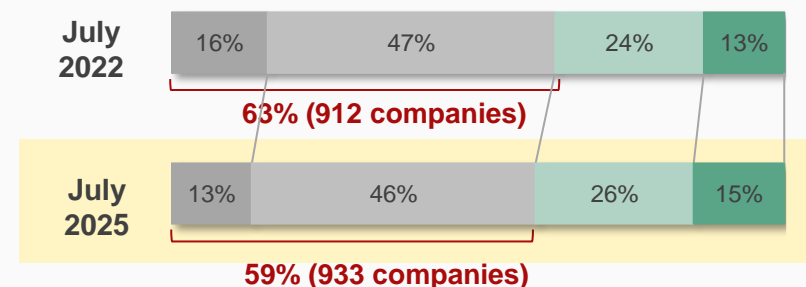
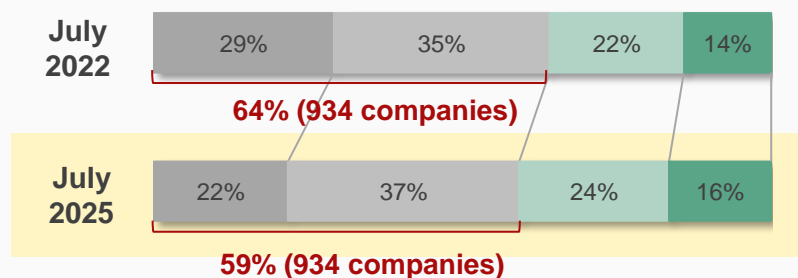
Change in PBR Distribution by Market Segment

Change in ROE Distribution by Market Segment

Prime

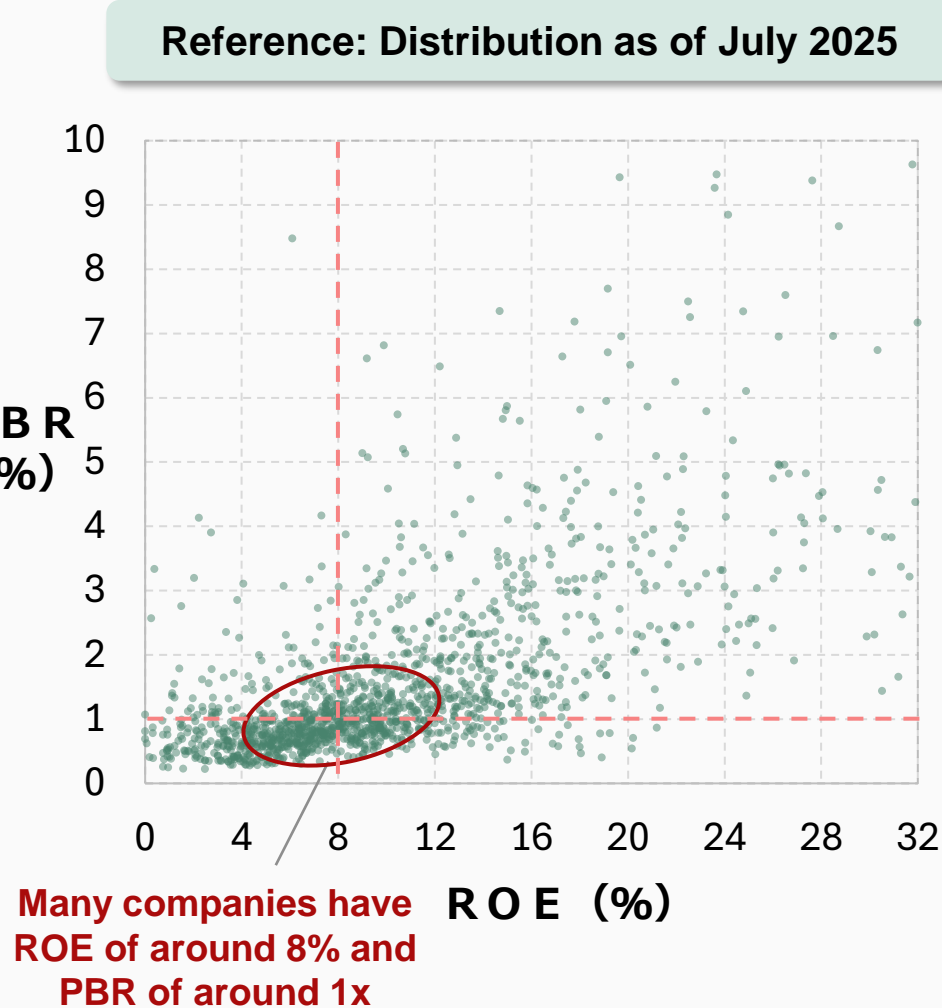
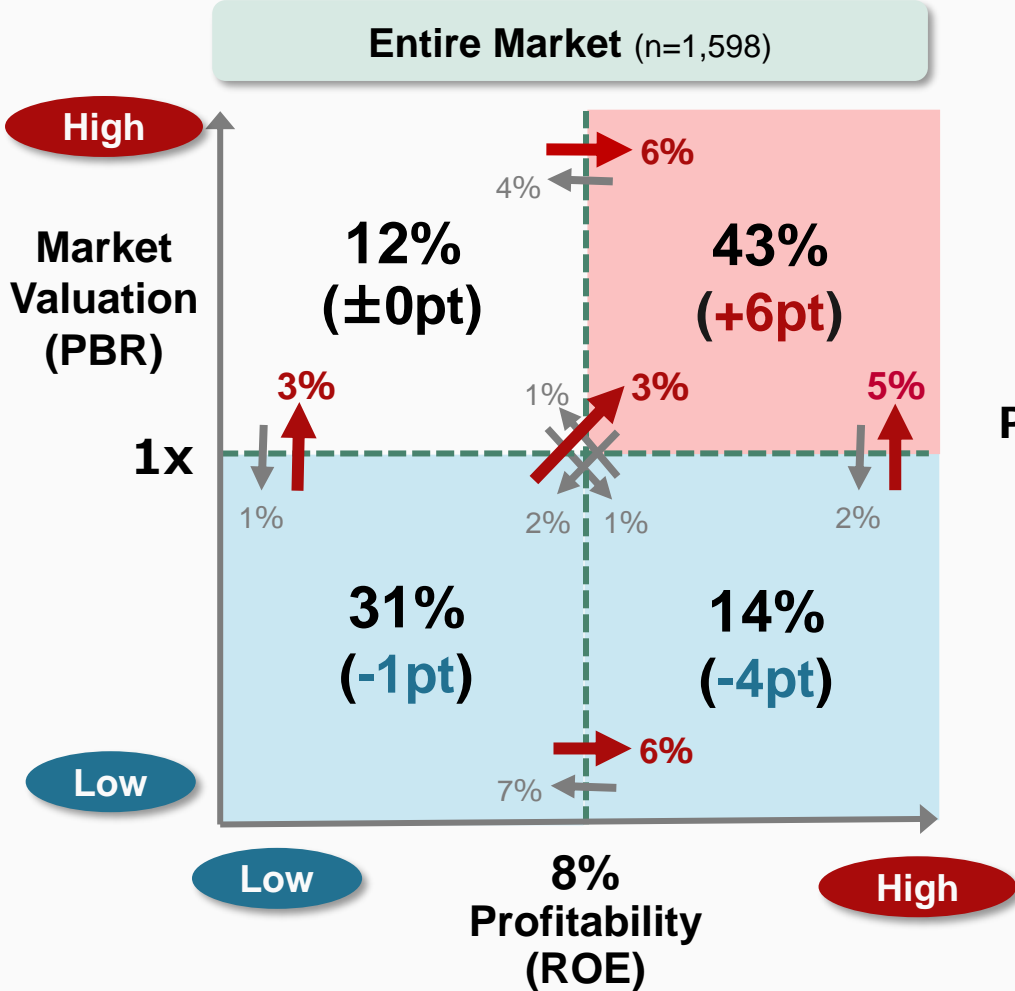


Standard



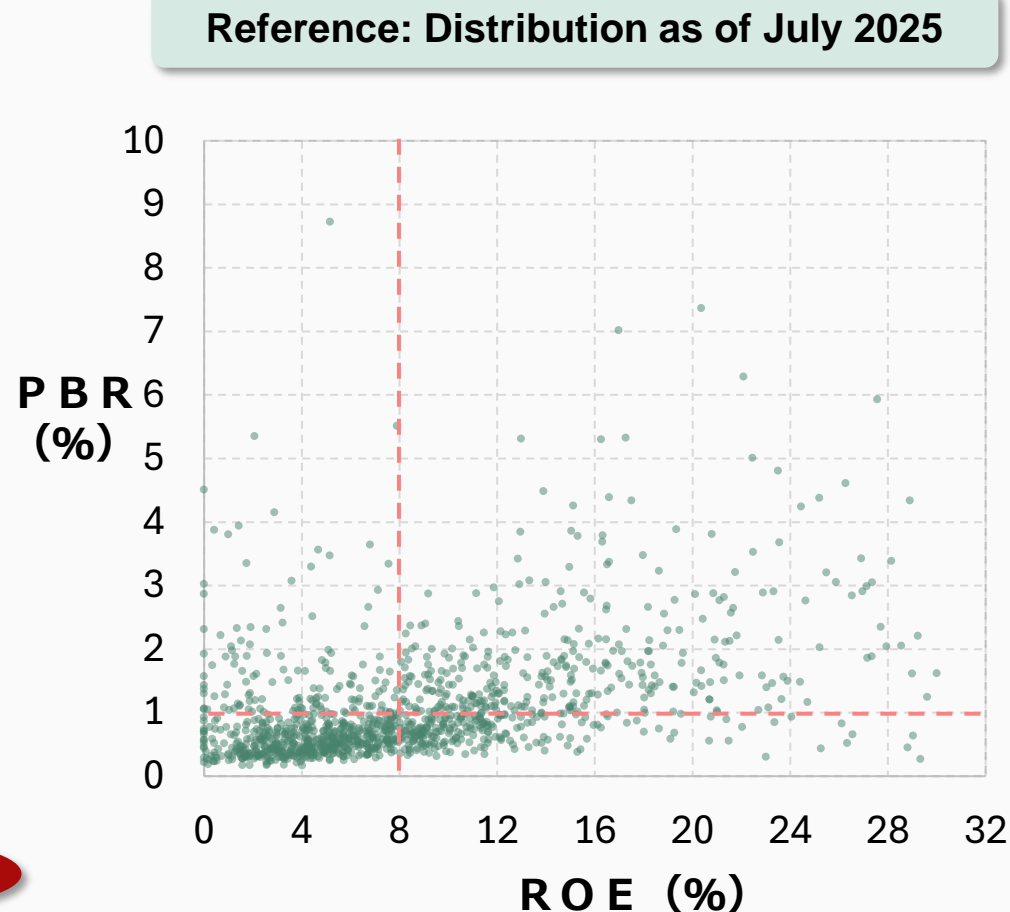
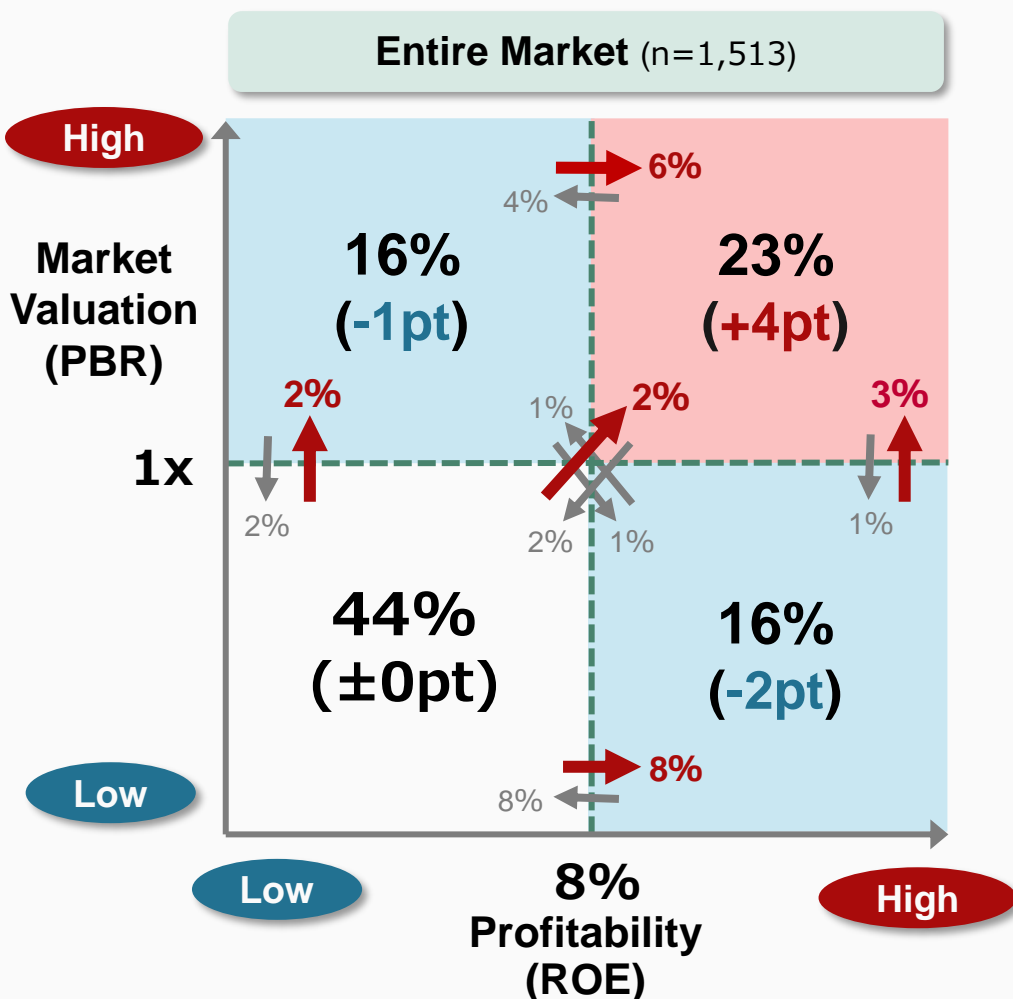
Changes in Market Valuation and Profitability (Prime Market)

- ◆ Changes in PBR and ROE of listed companies before and after the request (from July 2022 to July 2025) are as follows.
 - The ratio (%) of the four quadrants represents the distribution as of July 2025, with the numbers in parentheses and arrows indicating changes from July 2022 to July 2025.



Changes in Market Valuation and Profitability (Standard Market)

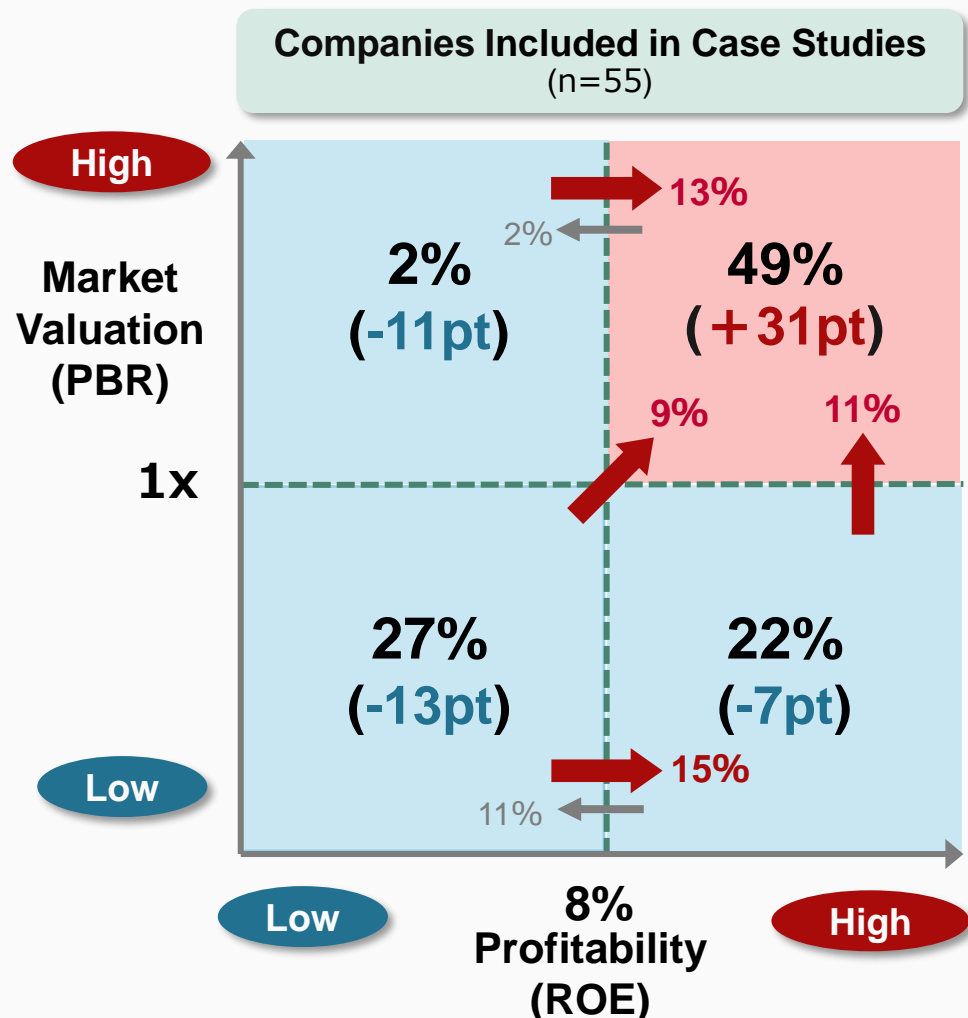
- ◆ Changes in PBR and ROE of listed companies before and after the request (from July 2022 to July 2025) are as follows.
 - The ratio (%) of the four quadrants represents the distribution as of July 2025, with the numbers in parentheses and arrows indicating changes from July 2022 to July 2025.



Changes in Market Valuation and Profitability (for Companies Included in Case Studies)

- ◆ Changes in PBR and ROE of listed companies before and after the request (from July 2022 to July 2025) and main initiatives are as follows.

- The ratio (%) of the four quadrants represents the distribution as of July 2025, with the numbers in parentheses and arrows indicating changes from July 2022 to July 2025.



Main Initiatives of Companies Included in Case Studies

- Merger and acquisitions, investment for growth
 - Review of business portfolio
 - Formulation of medium to long-term capital policy
 - Enhancement of information disclosure and IR activities
 - Review of goals based on dialogue
 - Revision of executive compensation
 - Sale of cross-shareholdings
 - Implementation of shareholder returns
- ⇒ In the future, conduct in-depth analysis when updating key points and case studies

- ◆ Below is the main feedback from mostly active international and domestic institutional investors (about 200 investors), with whom we have exchanged opinions since the beginning of the year.

*The red text indicates updated sections.

(Positive feedback regarding changes at companies)

- I sense a change in management's awareness. It has better understanding of not only the cost of capital but also the concepts of ROIC and WACC. It is commendable that a common protocol between shareholders and companies has been formed. (Domestic investor)
- Interest in cost of capital and stock prices among Japanese companies has increased to a level that was unimaginable a few years ago. In addition, many companies are placing more emphasis on dialogue with investors, and the quality of IR and dialogue is steadily improving. (Overseas investor)
- When the request was first announced, I thought the enthusiasm would die down after about a year, but actually I feel that sustained change is occurring. Japanese stocks have been undervalued for some time, but now I have the impression that the quality of companies is improving. (Overseas investor)
- Management is becoming more aware and is also considering investors more when making management decisions and disclosing information. In addition, industry leaders are taking action in various different sectors, creating a trend for other companies to follow suit. (Overseas investor)
- Companies with market cap of several billion yen are also changing their mindset, with some beginning to formulate medium- to long-term capital policies. These companies are also likely to see results in the future, albeit with a slight delay. (Management Consulting)

(Opinions on effectiveness of initiatives)

- Positive changes include companies disclosing ROE targets, capital allocation policies, and efforts to improve balance sheet efficiency. The issue going forward is the feasibility of these plans, and we would like to see a concrete roadmap for the next five years that outlines how to enhance corporate value. (Domestic investor)
- In order to increase allocation to Japanese stocks, it is necessary not only to disclose efforts to improve capital efficiency, but also to confirm that ROE and ROIC are actually improving. (Overseas investor)

(Opinions on the need to raise corporate awareness)

- Although progress is being made at many companies, there are still companies that feel secure as long as their ROE exceeds 8% and their PBR exceeds 1x, and the gap between companies that are making efforts and those that are not is widening, which is a major issue. (Domestic investor)
- Companies that have room for further improvement must not stop at just slightly improving their PBR and ROE. Companies should not be satisfied with that, but should aim higher and higher. (Overseas investor)

*The red text indicates updated sections.

(Challenges and suggestions for the future)

- Through our dialogue with corporate managements, we feel that **while managements' understanding of the cost of capital has improved, their awareness of how to reflect this in their management is still weak**. For example, **drastic management decisions, such as withdrawing from unprofitable businesses using ROIC or allocating resources to growing businesses, have not been made**. The key is **how management acts, so please continue to encourage them to implement drastic measures**. (Domestic investor)
- Many companies are considering shareholder returns the starting point for improving capital efficiency, and **share buybacks seem to be on the rise**. While good as a means of paying out surplus cash, **ad hoc shareholder return measures no longer make sense in the context of share price**. I would like to see companies **continue to invest in their core business to enhance corporate value over the medium to long term, and be aware that they should start by carefully considering the balance sheet they are aiming for and their cash allocation policy**. (Overseas investor)
- We believe that companies have been successful to the extent that they have begun to set capital allocation policies and ROE targets, but we believe that **performance-linked executive compensation is the key to inducing action to achieve these company's goals**. For Japanese companies in particular, **stock-based or other performance-related compensation counts for only a small percentage or small fixed amount of total executive compensation**. (Overseas investor)
- **Companies are now entering the phase of implementing their disclosed plans, so it is important to update their disclosures**. Rather than disclosing the results only once plans are complete and targets achieved, **it is necessary to appropriately disclose progress during updates, analyze progress, and explain recovery measures to investors as necessary**. (Overseas investor)
- Although a little late, **some companies are now beginning to make new growth investments and set medium- to long-term goals**. However, **there is much room for improvement, as in some cases growth investments are focused on improving short-term profit and loss rather than enhancing medium- to long-term corporate value, and goal setting is not linked to initiatives or lacks a coherent narrative**. (Domestic investor)
- Two years have passed since the request was made, and **it should be possible to compare how individual companies have changed**. **Highlighting in some way companies that have made improvements would be a positive message to Japanese companies and institutional investors**. (Overseas investor)
- **Gap case studies provide a summary of the key issues, and we use them in our engagements**. What was previously viewed as the sole opinion of our company is now understood by companies as something that other investors are thinking about as well. Now there is wide recognition that good case studies are being published, the next step would be to **provide incentives for companies to aim for inclusion in them**. (Overseas investor)

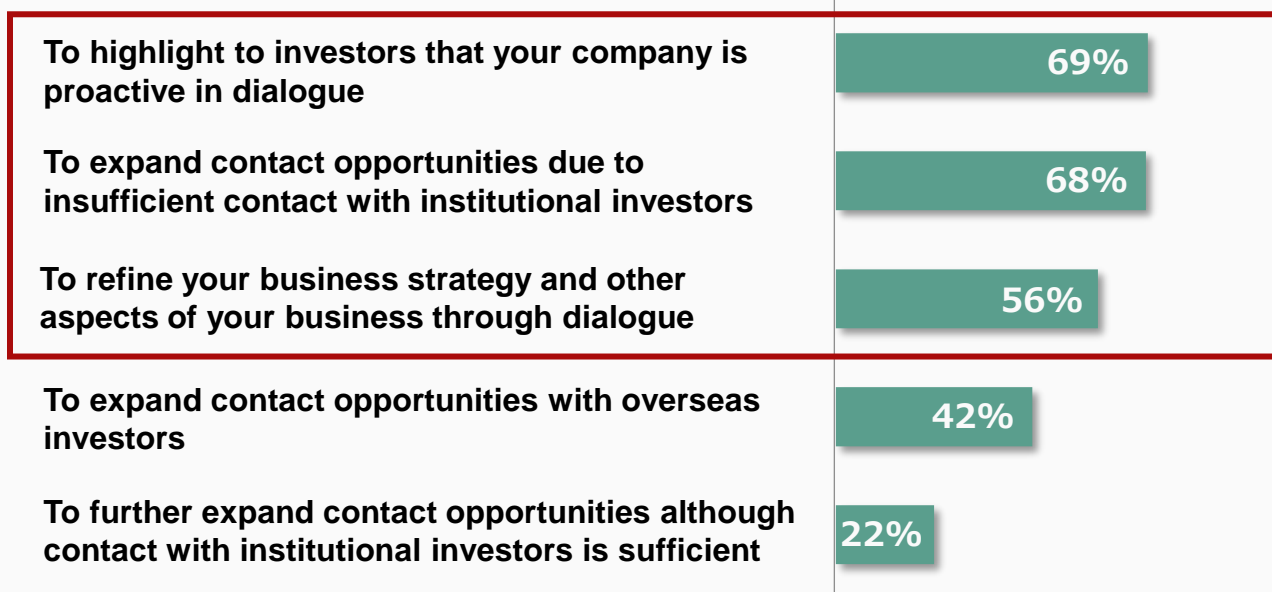
Follow-up on Indicating Companies That Wish to be Contacted by Institutional Investors

Results of Survey for Listed Companies (1)

- ◆ As of January 2025, companies that have applied that they “wish to have more active contact from institutional investors” are indicated on the List of Companies That Have Disclosed Information.
- ⇒ A survey was conducted targeting the 310 companies that applied, to evaluate effectiveness.
 - ✓ Responses received from 218 companies (response rate: over 70%)

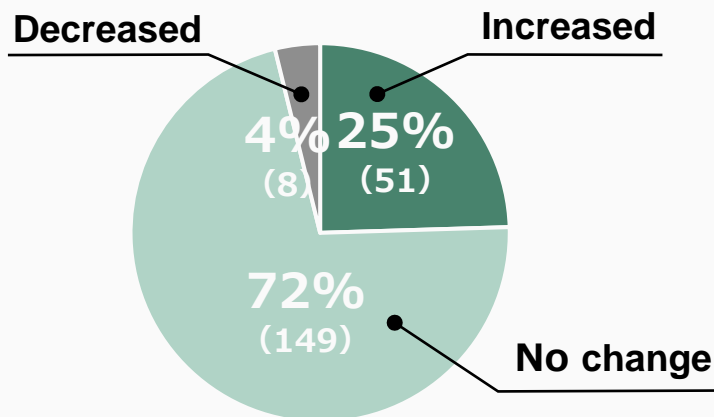
Q. Please provide the reasons for your application

(n=218, multiple responses allowed)



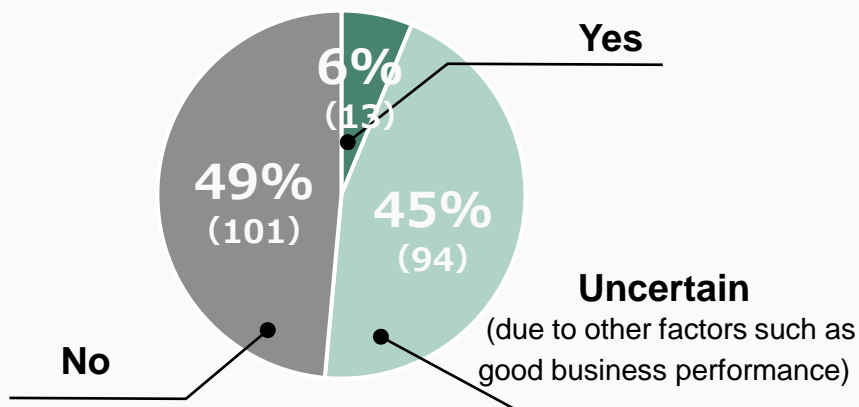
Results of Survey for Listed Companies (2)

Q. Did contact from institutional investors increase or decrease after publication?



* Compiled from 208 companies' responses more than one month after publication.

Q. Do you feel that publication is effective?



Additional comments from companies that selected they are uncertain about the effectiveness of publication

- While the number of meetings is increasing, it is difficult to determine whether this is due to being listed in the List of Companies That Have Disclosed Information or other factors (such as enhanced IR activities or good business performance).
- The number of meetings with institutional investors has increased by nearly 50 per year, but because of other initiatives, we only know for sure that two of those investors actually contacted us because we were on the list.

(Reference) Results of interviews with institutional investors

⇒ Institutional investors utilize the list for various purposes.

- We use the list and have met with several companies. However, it is important that companies disclose information related to their growth potential, as that is what we use to decide on which companies to research. We do not meet with companies simply because they are on the list. (Overseas investor)
- It depends on the concept of the fund we manage and the fund manager, but we sometimes use the list as one of our screening criteria when replacing stocks in our investable universe. (Domestic investor)
- As an engagement fund, we do not want to spend time engaging with companies that are unfriendly to investors. So, we greatly appreciate being able to see which companies are proactive in dialogue, and we use this as a reference for stock picking. (Overseas investor)
- As contrarian investors, we find it more interesting to screen companies that do not wish to be contacted. (Overseas investor)
- It is worth having the contact request item on the list for those investing in small and mid cap stocks, but many companies that wish to be contacted have low liquidity, and there are many companies that investors do not end up researching or meeting with. (Domestic investor)

Results of Survey for Listed Companies (3)

Measures Expected of TSE

(Creating opportunities for dialogue with institutional investors)

- **Dialogue events with institutional investors** are very informative, and we hope TSE will continue them. **Not only did we gain a deeper understanding of institutional investors' thinking, but the events also led to concrete progress, such as face-to-face meetings.**
- **We would like to see more dialogue events with institutional investors.** They are so popular that they fill up quickly and there are never any cancellations, so it is difficult to get a place.
- We would like to see **dialogue events with institutional investors focused on small and medium-sized companies.**

(More detailed good / gap case studies)

- We would like to see **more detailed examples of initiatives and disclosures by other companies, as well as good practices, and continuous updates.** (many responses)
- We would like to see more detailed **case studies of small and medium-sized companies.**
- We would like to continue to receive information on **gap cases between institutional investors and companies.**

(Improvements to the List of Companies That Have Disclosed Information)

- **We would like to see more items added to the list.** (selling points, reference materials, etc.)

(Reference) Results of interviews with institutional investors

⇒ Institutional investors also expect improvements to the List of Companies That Have Disclosed Information.

- **The focus is shifting** from whether or not information is disclosed **to the details of the initiatives themselves, so it would be good if investors could compare the initiatives of different companies side by side on the list.** (Domestic investor)
- Currently, companies disclose information in various different documents, such as medium-term management plans and financial results briefings, so **it would be useful for both investors and companies if there was an overview of each company's initiatives in one place.** (Management Consulting)

Future TSE Initiatives

Current Status and Future Direction (Proposal)

- ◆ **There is a clear difference emerging in the response of listed companies;**
 - **In the Prime Market, the disclosure rate has exceeded 90%, with the main disclosure activity being updates. TSE will provide practical information tailored to support companies that are in the implementation phase of their initiatives, such as updates to key points and case studies.**
 - **In the Standard Market, although some companies are starting to make initial disclosures and updates, it remains a challenge that around half of companies have still not made disclosures, despite it being more than two years since the request.**

- ◆ **Also, as companies progress in their initiatives, there has been feedback from institutional investors that many companies feel reassured if they exceed an ROE of 8% and a PBR of 1x, so there needs to be awareness-raising to encourage companies to aim higher.**

- ◆ **From the viewpoint of promoting communication with institutional investors, TSE will continue to provide support to deepen understanding of institutional investors while, in accordance with company and investor needs, also improving the list of companies that have disclosed information.**

Specific Measures (1) : Updates to Key Points and Case Studies

- ◆ **Update key points and case studies** from the following perspectives, with the aim of publishing them from November to early December.

Cases Where Companies Are Not Aligned With Investor's Perspectives



Step 1. Compare the misalignments likely to occur depending on your company's situation and use them to analyze your company's initiatives.

Lv.1

- Analysis and evaluation of the current situation is only superficial
- Disclosures are just a list of initiatives
- Requests for dialogue are denied without legitimate reason

Lv.2

- Misalignments in companies' evaluation of their current situation
- Insufficient consideration given to ideal balance sheets and capital allocation policies
- Target setting is not in line with investors' perspectives
- Analysis of issues and consideration of additional responses are not considered flexibly

Lv.3

- Insufficient focus is given to downsizing or withdrawing from unprofitable business
- Performance-linked executive compensation is not necessarily an incentive for medium- to long-term improvements in corporate value
- Disclosure of dialogue implementation status lacks specificity

① Add latest case studies based on company size

Key Points and Case Studies Considering The Investor's Point of View



Step 2. Use the key points and examples provided to promote initiatives that take into consideration investors' perspectives.

□ Explanation of Key Points Considering The Investor's Point of View



- ② **Add elements such as the 'before and after' of companies that have made improvements through their initiatives, and the 'review process' detailing how they overcame challenges.**
- ⇒ **Share knowledge, experiences, and perspectives on aiming high** through seminars and roundtable discussions.



Case Studies

③ Reflect the latest feedback from investors

- E.g. ✓ Update initiatives** (✗ It is unclear whether disclosed initiatives are progressing; there is no analysis of progress or explanation of recovery strategies)
- ✓ **Growth Investment** (✗ Plans are overly focused on short-term P&L improvements, lacking supplementary data to support feasibility)
- ✓ **Medium- to long-term goals** (✗ Goals are set without explanations or narratives linking them to the initiatives required to achieve them)

Specific Measures (2) : Promotion of Communication with Institutional Investors

◆ **Improvement of the List of Companies That Have Disclosed Information** (a support tool for listed companies actively engaging in disclosure) [Details to be announced by September, with implementation scheduled for the beginning of next year]

- **Make companies' initiatives easily visible and easier for investors to understand** by adding to the list not only whether or not they disclose information but also the details of their disclosures
 - ✓ **Benefits for companies** : Can utilize the disclosure section as a platform to promote themselves to investors and easily reference other companies' initiatives
 - ✓ **Benefits for investors** : Can easily reference and compare the initiatives of different companies side by side

(Image of the list of companies that have disclosed information)

List of Companies that Have Disclosed Information in Accordance with "Action to Implement Management that is Conscious of Cost of Capital and Stock Price"

As of MM DD, 2025

| Sector code | Sector | Market segment | Securities code | Company name | Disclosure status | | Date of disclosure update (MM/DD/YY) | disclosure content | Wish to have more active contact from institutional investors | | | English disclosure |
|-------------|--------|----------------|-----------------|--------------|--|---|--------------------------------------|------------------------|---|--------------------------------------|---------------------------------------|--------------------|
| | | | | | Disclosure status in compliance with the request | Change in disclosure status from last month | | | Application status | Start Date of Publication (MM/DD/YY) | Where to contact | |
| **** | ***** | Prime | 1111 | aaaaa | Disclosed | | 6/30/25 | 当社は資本効率性を重視した経営のもと・・・ | | | | |
| **** | ***** | Prime | 2222 | bbbbb | Disclosed | From unlisted to "disclosed" | | 2025年6月の取締役会にて、現状分析・・・ | ✓ | 1/15/25 | XX Department, YY Section | Available |
| **** | ***** | Standard | 3333 | ccccc | Disclosed | | 4/11/25 | 当社は、資本コストや株価を意識した・・・ | ✓ | 3/14/25 | XX Department (composed of 4 members) | |
| **** | ***** | Standard | 4444 | ddddd | Under consideration | | | 持続的な成長と中長期的な企業価値の・・・ | | | | |
| **** | ***** | Standard | 5555 | eeeee | Disclosed | | | 適時開示資料（掲載リンク）において・・・ | | | | |

Publish the disclosure content related to "action to implement management that is conscious of cost of capital and stock price" in each company's Corporate Governance report
* Japanese only

◆ **Provision of opportunities for dialogue with and understanding of institutional investors** [Ongoing]

- TSE has been holding **dialogue sessions** between companies and institutional investors, as well as **consultation sessions to understand institutional investors' investment policies** and the IR activities they expect from listed companies. Continue to focus on these efforts because **there continues to be a strong demand from companies.**

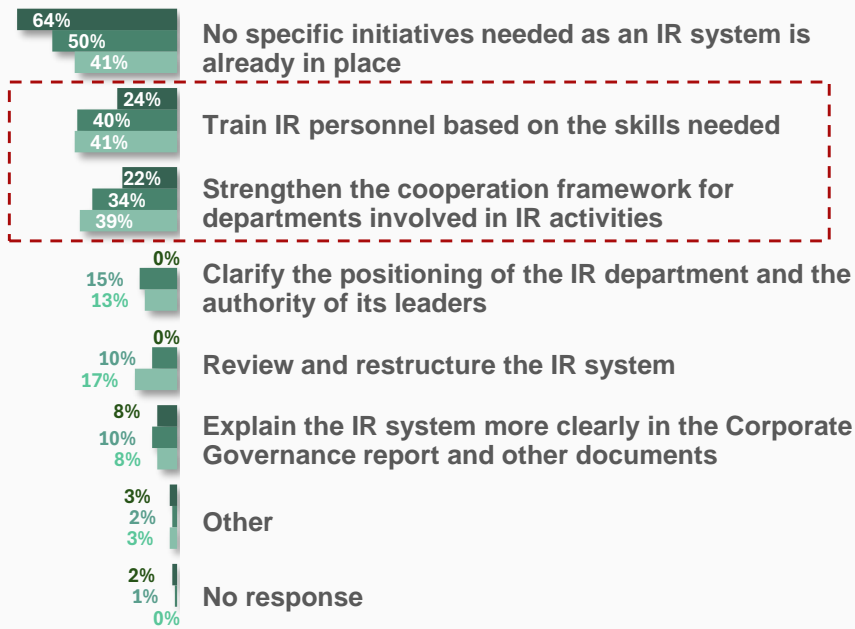
Appendix

(Ref.) Initiatives and Challenges of Listed Companies in Response to the Mandatory Establishment of IR Systems (Survey Results of Japan Investor Relations Association)

- ◆ Since the mandatory establishment of IR systems in July, there has been a clear trend among small and medium-sized companies of initiating or strengthening IR-related initiatives, such as training IR personnel and enhancing the cooperation framework for departments involved in IR activities.
- ◆ Challenges in strengthening IR systems include “Difficulties in setting KPIs for the IR department and measuring their effectiveness”, “Inadequate IR personnel training or career advancement” and, especially for small cap stocks, that “Low analyst coverage and short-termism of investors remain unresolved.”

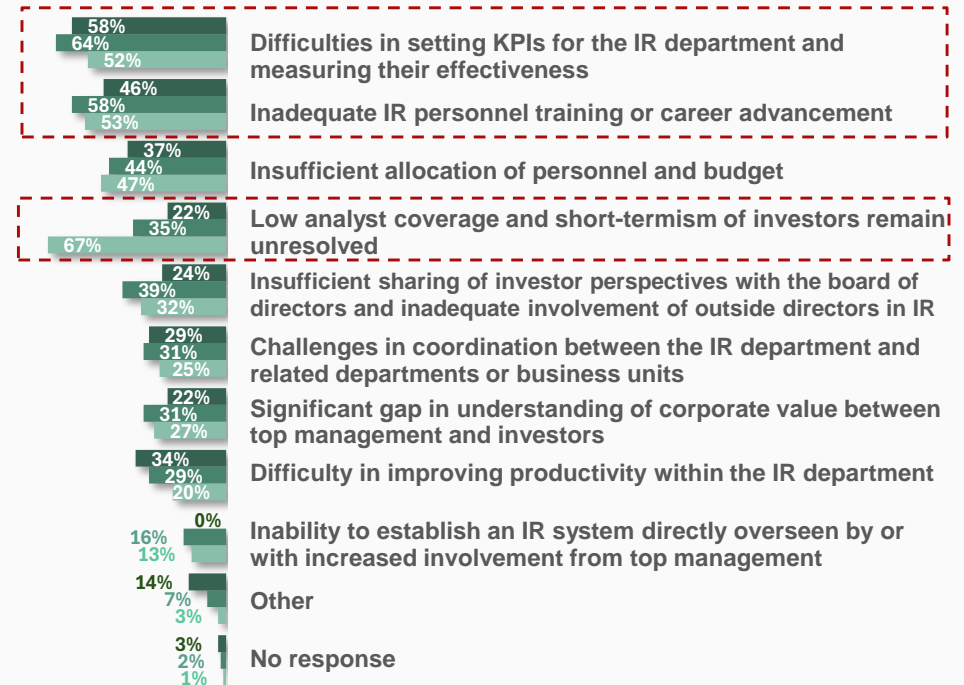
Q. Initiatives started or strengthened in response to the mandatory establishment of IR systems (multiple responses allowed)

Large cap (n=59) Mid cap (n=125) Small cap (n=88)



Q. Challenges in strengthening IR systems (multiple selections allowed)

Large cap (n=59) Mid cap (n=125) Small cap (n=88)



Source: Excerpt from the results of a survey conducted by the Japan Investor Relations Association for its member companies in July 2025

(<https://www.jira.or.jp/news/detail?id=258&category=2> / survey results in Japanese only) (Graph modified by TSE)

(Ref.) Changes in Components of PBR, ROE and PER (Prime Market)

$$\begin{array}{ccccc} \text{PBR} & = & \text{ROE} & \times & \text{PER} \\ \frac{\text{Market Cap}}{\text{Net Assets}} & = & \frac{\text{Net Profit}}{\text{Net Assets}} & \times & \frac{\text{Market Cap}}{\text{Net Profit}} \end{array}$$

| | | | | | |
|-----------|--|---|--|---|--|
| July 2022 | $\frac{667 \text{ trillion yen}}{587 \text{ trillion yen}}$ 1.1 | = | $\frac{50 \text{ trillion yen}}{587 \text{ trillion yen}}$ 8.4% | × | $\frac{667 \text{ trillion yen}}{50 \text{ trillion yen}}$ 13.5 |
| July 2023 | $\frac{826 \text{ trillion yen (+24\%)}}{621 \text{ trillion yen (+6\%)}}$ 1.3 | = | $\frac{51 \text{ trillion yen (+3\%)}}{621 \text{ trillion yen (+6\%)}}$ 8.3% | × | $\frac{826 \text{ trillion yen (+24\%)}}{51 \text{ trillion yen (+3\%)}}$ 16.1 |
| July 2024 | $\frac{978 \text{ trillion yen (+47\%)}}{697 \text{ trillion yen (+19\%)}}$ 1.4 | = | $\frac{59 \text{ trillion yen (+19\%)}}{697 \text{ trillion yen (+19\%)}}$ 8.5% | × | $\frac{978 \text{ trillion yen (+47\%)}}{59 \text{ trillion yen (+19\%)}}$ 16.6 |
| July 2025 | $\frac{971 \text{ trillion yen (+46\%)}}{715 \text{ trillion yen (+22\%)}}$ 1.4 | = | $\frac{64 \text{ trillion yen (+30\%)}}{715 \text{ trillion yen (+22\%)}}$ 9.0% | × | $\frac{971 \text{ trillion yen (+46\%)}}{64 \text{ trillion yen (+30\%)}}$ 15.1 |

Note 1: Data obtained from QUICK and processed by TSE.

Note 2: Market capitalization and net assets are based on data as of July 1, 2025, and current net profit is based on the most recent actual data as of July 1, 2025.

Note 3: The percentages in parentheses compare the figures to those as of July 1, 2022.

(Ref.) Changes in Components of PBR, ROE and PER (Standard Market)

$$\begin{array}{ccccc} \text{P B R} & = & \text{R O E} & \times & \text{P E R} \\ \frac{\text{Market Cap}}{\text{Net Assets}} & = & \frac{\text{Net Profit}}{\text{Net Assets}} & \times & \frac{\text{Market Cap}}{\text{Net Profit}} \end{array}$$

| | | | | | |
|-----------|--|---|--|---|--|
| July 2022 | $\frac{18 \text{ trillion yen}}{21 \text{ trillion yen}}$ 0.8 | = | $\frac{1.1 \text{ trillion yen}}{21 \text{ trillion yen}}$ 5.3% | × | $\frac{18 \text{ trillion yen}}{1.1 \text{ trillion yen}}$ 15.9 |
| July 2023 | $\frac{20 \text{ trillion yen (+14\%)}}{22 \text{ trillion yen (+5\%)}}$ 0.9 | = | $\frac{1.4 \text{ trillion yen (+25\%)}}{22 \text{ trillion yen (+5\%)}}$ 6.3% | × | $\frac{20 \text{ trillion yen (+14\%)}}{1.4 \text{ trillion yen (+25\%)}}$ 14.5 |
| July 2024 | $\frac{25 \text{ trillion yen (+38\%)}}{25 \text{ trillion yen (+18\%)}}$ 1.0 | = | $\frac{1.6 \text{ trillion yen (+45\%)}}{25 \text{ trillion yen (+18\%)}}$ 6.5% | × | $\frac{25 \text{ trillion yen (+38\%)}}{1.6 \text{ trillion yen (+45\%)}}$ 15.1 |
| July 2025 | $\frac{26 \text{ trillion yen (+44\%)}}{26 \text{ trillion yen (+21\%)}}$ 1.0 | = | $\frac{1.7 \text{ trillion yen (+52\%)}}{26 \text{ trillion yen (+21\%)}}$ 6.7% | × | $\frac{26 \text{ trillion yen (+44\%)}}{1.7 \text{ trillion yen (+52\%)}}$ 15.1 |

Data excludes about 180 companies that switched their market segment from Prime to Standard in October 2023

| | | | | | |
|-----------|---|---|---|---|--|
| July 2025 | $\frac{23 \text{ trillion yen (+30\%)}}{23 \text{ trillion yen (+6\%)}}$ 1.0 | = | $\frac{1.6 \text{ trillion yen (+39\%)}}{23 \text{ trillion yen (+6\%)}}$ 6.9% | × | $\frac{23 \text{ trillion yen (+30\%)}}{1.6 \text{ trillion yen (+39\%)}}$ 15.0 |
|-----------|---|---|---|---|--|

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Note 2: Market capitalization and net assets are based on data as of July 1, 2025, and current net profit is based on the most recent actual data as of July 1, 2025.

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