

## **Minutes of the 25th Council of Experts Concerning the Follow-up of Market Restructuring**

**Date:** Wednesday, January 14, 2026 11:00 AM - 13:00 PM

**Place:** Tokyo Stock Exchange 15th Conference Room

**Attendees:** see member list

**Watanabe, Director, Listing Department, TSE:**

We would now like to commence the 25th Council of Experts Concerning the Follow-up of Market Restructuring.

Mr. Kanda is not present today.

Now, we would like to move on to the agenda. First, let us explain about the agenda.

**Ikeda, Senior Manager, Listing Department, TSE:**

Thank you for gathering.

We have three documents for you today.

In Document 1, we would like to share with you a collection of case studies we published at the end of last year regarding "Management That Is Conscious of Cost of Capital and Stock Price" and listed companies in the Growth Market. For example, if you have any suggestions on how we should inform companies, how we should show case studies, what we should do next time, et cetera, we would appreciate it.

In Document 2, since it is the beginning of the year, and since we have been working on a wide range of initiatives, we would like to have a discussion on what policies we will pursue this year. We would very much appreciate your various opinions.

In Document 3, we would like to share with the members of this council the status of the discussion on the parent-subsidiary listing in the study group that is proceeding in parallel with this council, as it is very relevant.

That is all.

**Watanabe, Director, Listing Department, TSE:**

Now, we would like to explain the materials.

First, let us explain about Document 1, Publication of Case Study Compilations.

**Monden, Senior Manager, Listing Department, TSE:**

Let me explain about Document 1, Publication of Case Study Compilations.

Page two is about "Management That Is Conscious of Cost of Capital and Stock Price." In order to further encourage effective efforts by companies, we once again published a collection of case studies last December.

There are two main contents, the first of which is "Case Studies of Companies' Initiatives Toward Issue Resolution."

This report was prepared in response to the many comments we have received from companies that are facing challenges such as changing internal awareness and understanding and utilizing the cost of capital, and to serve as a reference for solving such issues.

Specifically, we interviewed six companies, mainly those that were featured in our collection of good practices the year before last, and they provided us with internal materials and other information to summarize the process of their efforts.

Second, we published the 2025 edition of the "Examples of Initiatives That Were Well Received by Investors."

The 2024 edition included case studies from a total of 56 companies in both the Prime and Standard Markets, and we have received requests from companies to continue updating this collection of case studies.

Therefore, we have collected the most recent feedback from new institutional investors and have included 33 companies as case studies for the year 2025.

The 2025 edition of the case studies features an increasing number of specific examples of balance sheet management and cash allocation policies for optimal allocation of management resources. This is a topic of great interest to companies and has been the focus of discussion in the revision of the Corporate Governance Code. In the 2.5 years that have passed since the request was made, we have seen an increase in the number of cases where a company has continuously analyzed issues and engaged in dialogue with investors to brush up its efforts after the initial disclosure.

Page three, also last December, we published examples of initiatives by Growth Market-Listed Companies.

Regarding the Growth Market, as shown on the left side of the slide, last September we published a compilation of "investors' expectations for Growth Market-listed companies" and the other side of that compilation, "mindset of executives who are not aligned with investors' expectations." In this collection of case studies, we present 11 companies that we believe, based on feedback from institutional investors and people involved in startups, are meeting these expectations.

Today, as appendix, we have distributed to you a set of case studies that we published last December. Here is a brief overview.

First, Appendix 1 through 5 are a set of case studies on "Management That Is Conscious of Cost of Capital and Stock Price."

The usage guide in Appendix 1 and the "Key Points Considering the Investors' Point of View" in Appendix 2 have been partially updated to match the published case studies. No major changes have been made to the content, so I will skip the explanation.

Appendix 3 is the "Case Studies of Companies' Initiatives Toward Issue Resolution," which has been prepared in a new format.

Page one summarizes the purpose and use of the case studies.

In the "key issues faced by companies" section below, we have suggested four major issues: changing mindsets and spreading awareness within the company, identifying and effectively using cost of capital, setting a capital policy, and information disclosure. This document summarizes case studies of companies that have worked to resolve those issues.

The table of contents on page two shows the names of the six companies selected, the key points of their efforts, and to which issues the case studies are tied.

The third and succeeding pages are examples of specific initiatives.

The structure is as follows: The first slide of each case study introduces the company profile, initial issues and background, and changes in indicators before and after the initiatives, while the following slides introduce specific details and results of the initiatives, including the voices of company personnel and internal documents.

I will not go into details but will introduce the key points of each case study. ITOKI from page three reorganized its IR department and created a system to incorporate the investor perspective within the company, including workshops for internal use. At the same time, through dialogue with investors, it worked to understand the cost of capital and build a story to improve P/B ratios.

SANYO SHOKAI from page six launched its IR system from almost zero. Even with limited resources, it first disclosed its initiatives and then brushed up its efforts step by step through dialogue with investors.

From page nine, Ajinomoto reformed its internal mindset, which had been focused on the amount of sales and profits, by holding study sessions on management with an awareness of capital efficiency, making commitments to the market, and creating an FP&A organization.

TOA CORPORATION from page 13 has improved its P/B ratio to around 1x through share buybacks and other initiatives. Under such circumstances, investors' interest has shifted from short-term business performance and shareholder returns to medium- and long-term growth strategies. In order to meet such investors' expectations, it has updated its growth strategy based on investors' perspectives.

Kanro from page 17 is a company that has been implementing ROIC management since the revision of the CG Code in 2018. This slide introduces the background of the implementation, the efforts to spread the system to the field level, and the annual operation schedule.

DAIHATSU INFINEARTH from page 21 raised internal awareness of the need to enhance corporate value through executive study sessions and briefings by the president himself to front-line employees, and even after the disclosure of initiatives, the company brushed up its efforts based on investor feedback.

These are the contents of the case studies in problem solving. It is assumed that companies will use this as a reference when attempting to solve similar problems.

Appendix 4 and 5 are the 2025 editions of the case studies in the same format as the year before last.

In Appendix 4, a collection of case studies in the Prime Market, we have divided the companies into three categories by size, as in the previous case studies.

I would like to present case studies of the trend that I mentioned earlier. See, for example, the THK case study on page 17.

As shown in this slide, the company clearly stated its goal of "Achieving ROE As Soon As Possible," and presented specific measures to improve operating income and medium- to long-term capital policies.

Please see page 19 for the capital policy. As shown in the upper left-hand corner, the company's balance sheet management emphasizes capital efficiency, specifying the required level of equity capital at around JPY300 billion, and outlines specific policies for reducing cash and deposits and using debt.

In addition, as shown on the lower right, the capital allocation policy includes a breakdown of the investment amount and specifics on where the investment will be made. Investors have commented on the company's ability to persuade them to realize their goals and other positive aspects of the company.

For an updated example of efforts, please see the case study of NIPPON EXPRESS HOLDINGS on page 37.

This is an example of how the company brushed up its efforts in light of the situation where P/B ratios remained below 1x even after the management plan was formulated.

See page 38 for specifics. The company is brushing up its efforts based on investors' expectations, such as accelerating the sale of low-profit real estate and policy holdings and adding growth investments such as M&A, after reassessing the issues through time series analysis of ROE and PER and industry comparisons.

Appendix 5 is a collection of Standard Market case studies.

Compared to the Prime Market, there are fewer companies on the list. However, the efforts expected by investors, such as analysis of the current situation, identification of issues, and subsequent goal-setting and consideration of initiatives, are being carefully promoted. We had the impression that an increasing number of companies are promoting initiatives that are comparable to those of good practice companies of the same size in the Prime Market.

Above are the case studies on "management that is conscious of cost of capital and stock prices." The last Appendix 6 is a collection of case studies of Growth Market-listed companies.

Page two describes how to use it and other information. As you can see below, we would like companies to first check the "investors' expectations for Growth Market-listed companies" and "mindset of executives who are not aligned with investors' expectations," which are reiterated in the first half of the document. Afterwards, we hope that companies will view the case studies in the latter half of the document as examples of how such expectations have been met and consider or brush up on their approaches.

In the first half of the document from page three, for example, the top of page four, which describes the first expectation, shows the management mindset that is not aligned with investors' expectations. The left-hand side of the page is the same as last September, but with commentary, and the right-hand side provides examples of initiatives that have met these expectations.

Page 11 and beyond provide examples of specific initiatives. Page 12 lists the 11 companies listed in case studies and the points they cover.

I would like to present two case studies. For example, here are some of the points where BuySell Technologies from page 39 has met investors' expectations: First, as shown in this slide, the company has shown its competitive advantage and market size with specific figures. In addition, as shown on page 41, the report clearly presents future growth targets, and then presents the strategies, initiatives, KPIs, et cetera leading up to these targets as a coherent growth story, along with substantial quantitative information.

The clear capital allocation policy, including growth investments, shown on page 42, and the aggressive M&A strategy to achieve inorganic growth, shown on page 43, are also points that have been evaluated as promising initiatives.

Also, go back to page 29 and see the example of CanBas.

The company is a drug discovery company that continues to incur losses due to upfront investment and is a company in an industry that is generally difficult for investors to evaluate. However, the company understands these characteristics, and based on this understanding, it carefully explains its business model and value evaluation approach, as shown here and in the next slide.

As shown on page 31, even as the company continues to lose money, it is aggressively raising funds and investing in growth after communicating its equity story to investors. In addition, as shown on page 32, the management team is taking the initiative in actively disseminating information using a variety of tools. These points have also been evaluated as promising initiatives.

The above is the contents of the collections of case studies we published at the end of last year regarding "Management That Is Conscious of Cost of Capital and Stock Price" and listed companies in the Growth Market.

We have already notified all listed companies of the materials through Target. In the future, we would like to introduce this at seminars for companies so that those documents are further disseminated among managers and others.

Those have already been made public, but we would appreciate any comments on how to make them known, how to show them, and what to do next time.

That's all from me.

**Watanabe, Director, Listing Department, TSE:**

We would like to receive any comments you may have. What do you think?

**Kumagai, member:**

Thank you very much for your comprehensive compilation of materials covering a variety of cases. I believe this will be an extremely useful resource as "management with an awareness of cost of capital and stock price" is moving from the disclosure to the implementation phase.

I would like to comment on two points regarding the content and use of the materials. First, regarding the content of Document 1 Appendix 3, "Case Studies of Companies' Initiatives Toward Issue Resolution," this may be a matter for further discussion in the next issue, but I believe it is extremely important to include a highly complete executive summary at the beginning of the document. I think it would be a much more user-friendly document for companies if the entire picture could be grasped in a short time by looking only at that part. Given that top management's decisions are one of the major driving forces behind the transformation of companies in the case studies, I believe that the structure should be such that even extremely busy managers can grasp the key points in a short time.

Secondly, it would be even more meaningful if not only company personnel were informed of the use of the document, but also if management were able to utilize it in making business decisions. I believe that it is important to inform the public not in terms of institutional theory or requirements, but in a way that brings management benefits to the forefront and allows management to see it as their own business.

In particular, real-life case studies and trial-and-error processes by other companies in the same industry and in the same region can be expected to greatly motivate managers. I think it is also useful to devise ways to create and communicate publications from diverse perspectives such as these.

**Koike, member:**

Thank you very much for the very useful documents.

In particular, the collection of case studies of companies' efforts to solve problems and the investors' evaluation of their efforts is extremely concise and we were very impressed by it. I also think it is really wonderful that some companies with a market capitalization of about JPY10 billion in the Growth Market have a firm grasp of their own problems and are willing to get their message out.

On the other hand, I believe there are many companies that have not yet gotten around to it. I think the challenge for such companies is the process of how many people have done what, for example, before producing an output, and what kind of places have been consulted to produce the output as well as within the company.

Therefore, I think it is a good idea to mention it in the same document. Alternatively, I think it would be easier for the reader to visualize what kind of activity institutional investors have taken as a result of the output, if you also provide information in the future on how shareholders have increased, market capitalization has increased, and so on.

If companies are making such efforts, I think it is also incumbent on institutional investors, as those involved in the marketplace, to address how they have supported market reform or corporate disclosure.

Therefore, I felt that it may be necessary to conduct a separate interview to find out what institutional investors think about this matter and how they are working on it, and to share the results.

**Sampei, member:**

Thank you very much for compiling the documents. I think the case studies are now considerably extensive and varied.

Of these, the number of companies listed in Appendix 3, a collection of case studies of companies' initiatives toward issue resolution, is small, at 6 companies. However, I think the titles of each page are very catchy and important, and the content is very intriguing.

For example, on page three, it says, "The market determines a stock's price," which I have been told by many company managers. There is a starting point that though I thought so. Also, as noted on page 5, the market valuation is improving and trust is building, which means that there are less gaps in the conversation.

Also, on page 9, it mentions management reforms to deemphasize amounts and emphasize rates and efficiencies. This is also often said by investors, and on the corporate side, most of the indicators of mid-term management plans are still monetary values. Once again, I think this document gives us a good idea of what the important points were.

I think what is written on page 14 may be the most important thing. It is very important that in the lower right-hand corner, it states that they have noticed changes in the questions they receive from investors.

As the stage of a company changes, so do the investors who come up to it with interest. In this way, investors who previously had only a short-term or value perspective will now have a long-term perspective as growth-type investors enter the market, and their questions will change. This company has realized that.

In fact, the changes in indicators in the lower right corner of page 13 shows that the stage has indeed changed. I think it is very important to note that as your position or stage changes, the investors you attract will change, and the questions they ask will also change. I believe that if this is widely communicated, companies will be more motivated. This time, page 14 resonated with me the most.

On page 17, it is noted that the market valuation has improved as a result of investor support. Also pages 19 and 23 are interesting. The fact that these companies provided internal documents that are not publicly available to the public to the TSE hearing indicates that there is a strong engagement between the TSE and the respective companies. I think this document shows that these activities are very meaningful.

Meanwhile, at the bottom of page 1 of Appendix 3, the main issues are color-coded and arranged as if they were in four quadrants, and the indicators are also considered in four quadrants. Therefore, the two appear to be related, which could lead to confusion. Since this has nothing to do with the four quadrants, I think it might be better to put them in order from the top.

The other thing is a collection of case studies of Growth Market-listed companies on Appendix 6. I also went to a meeting of Growth Market-listed companies at the end of the year and had many interactions with them. The seven gaps are very important and I hope to see more examples in the future. I think this is a very important message.

On top of that, you want companies to read this, right? And yet, I think the title is from the investor's perspective. For example, there are seven items in Chapter 1 on page one of Appendix 6, all of which are investor expectations.

But on the left side of page three of Document 1, we see pairs of management's mindset that are not aligned with investor expectations and management's mindset. I believe that if you want the corporate side or management to see this, it might be better to put the management mindset out there first.

Similarly, in each case study, expectations from the investor's side come first. It would be more natural to list management's mindset first, followed by investor expectations, and then list the companies that are meeting those expectations.

Nevertheless, thank you for gathering so much information and making this case study compilation worth reading.

**Okina, member:**

I, too, think that the very comprehensive collection of case studies on problem solving and the first collection of case studies of the Growth Market are very good. As Mr. Kumagai mentioned earlier, it is very important for management to read the case studies for problem solving.

As Mr. Sampei just mentioned, it is also important to show the process of how this approach was taken. However, I think it would be good if the essence of how the mindset has changed, how they are facing the market, and what kind of reforms they are undertaking to achieve positive results can be conveyed to management in the future.

The case studies of Growth Market also include examples of 11 companies, which give a very good overview of their efforts. As more and more of such companies gradually come into the market and are introduced, I believe the Growth Market will attract more attention. So, I would like to ask you to continue this.

**Uchida, member:**

The materials are very comprehensive, and I believe it took a lot of work to gather and compile so much information. It is really great and I am impressed too.

In the future, as has been commented, it would be good to pick up more feedback from various levels of the issuer, including corporate management, and encompass it in the case studies.

I have the impression that this meeting is inevitably investor opinion driven. I am aware that the TSE is very careful in its approach to the corporate side, as it has also conducted a survey of the corporate side.

I think it is important to continue to make this an activity that moves the whole group, including companies, managers, field personnel, or employees of companies away from here. I hope you carefully take measures.

**Matsumoto, member:**

I think the material is very excellent.

I very much agree with what Mr. Koike said at the end. The TSE has been working on this initiative for a number of years and it is getting very good. I believe that companies are responding and working much better, and the performance of issuers in the capital markets is improving.

But on the other hand, I think the investor side is lagging behind. The starting point now is that the investor is right, but unfortunately, very often the performance of the operation does not beat the index, and the performance on the part of the investor must be improved at the same time.

This is not the TSE's matter, but probably the FSA's matter. As a result of the TSE's efforts over such a long period of time, the performance of the companies has improved, and the performance of the capital market has improved. So, I think that if investors continue to make solid efforts, we can expect to see an increase in performance. I strongly hope that the FSA will do this.

**Nagami, member:**

I likewise think that, in general, this is an excellent material, both in quality and quantity.

From a different perspective from you all, I would like to comment on the collection of case studies of Growth Market-listed companies on Appendix 6. Companies in the Growth Market publish a "Business Plan and Growth Potential Matters" at the time of listing and once a year after listing, and I believe that the PDCA cycle is very well implemented. I also believe that investors and non-investors are looking at this material quite a bit, and I think this is a very good initiative.

In conjunction with Appendix 6, I think it might be a good idea to request that perspectives 1 through 7 be incorporated more directly into this material. I think similar requests to that have naturally already been made, but I think communication will be smoother if you indicate the perspective you would like to see directly incorporated. I also think that the issuer will be able to more smoothly understand what to include. It would be greatly appreciated if you could reflect this in the "Business Plan and Growth Potential Matters" and utilize it in the PDCA process.



**Kuronuma, member:**

I agree with the other members, and I am just thinking that each of your opinions is plausible.

I think it is particularly significant that you have published this collection of case studies of companies' efforts to solve problems and of companies' efforts in the Growth Market. The collection of case studies of companies' efforts to resolve issues is significant in that it is a public announcement of efforts to improve corporate value and the final stage of "management that is conscious of capital and stock price" and in order to turn the cycle around.

In addition, the collection of case studies of the Growth Market-listed companies' efforts makes companies aware of the existence of a gap with investors' expectations, and as other members mentioned, I think it is a useful reference material, especially for Growth Market-listed companies, when considering how to proceed with growth investments, et cetera.

In fact, we do not ask companies in the Growth Market for the "Management That Is Conscious of Cost of Capital and Stock Price," but of course we want the Growth Market to grow, and the continued listing criteria will be raised, and growth will be necessary. Therefore, I think it is extremely important for the TSE to back up these efforts.

**Sampei, member:**

I think it would be good if the secretariat could also monitor the number of views, as there are many different types of case studies and some very important ones have come up.

I think there are so many followers of the follow-up meeting. So, perhaps some of them will see the minute of this follow-up meeting today, learn about the case studies, and start looking at them.

Will it just end once it is opened or will it spread rapidly? If it is not spreading, we can consider how to spread it more, et cetera. So, I think it would be good to monitor the number of views.

There is no need to publish the number of views, but it would be nice to know if this is spreading well as a review for us.

**Watanabe, Director, Listing Department, TSE:**

Thank you very much.

Next, we will explain our policies and initiatives for 2026 in Document 2.

**Ikeda, Senior Manager, Listing Department, TSE:**

Based on the feedback we received in the preliminary briefing, we have made a few corrections and additions to some of the information. I would be happy to explain them to you.

First, page three is the overall policy. We have been promoting various initiatives with your input.

Relatively speaking, we are now approaching the discussion of the Standard Market and the pro-market, and the media has focused on the fact that the most important theme of the year will be the reform of the Standard Market. We will proceed with that discussion as described as the third item.

Page five compares the number of listed companies, market capitalization, and trading value by market. The number of listed companies in the Prime Market is gradually decreasing and is now below 1,600. The number of companies in the Standard Market is now around 1,570, and it is expected that the number of companies in both markets will reverse in the future.

Looking at the market capitalization in the middle, the Prime Market's market capitalization as a percentage of the total market is quite large. Therefore, I think it is important for the market as a whole, and the Japanese economy as a whole, to grow this area by focusing on "management that is conscious of the cost of capital and stock prices," which we have been promoting so far.

Please return to page three. As you can see around the middle, while we will continue to discuss the Standard Market, et cetera, we will continue to focus on the important issue of promoting "management that is conscious of the cost of capital and stock prices" in the Prime Market in particular. This is the general overview.

As mentioned as the sub-items, the Corporate Governance Code is scheduled to be revised this year, and it is expected that the focus will be on redirecting management resources to investment in growth, and that perspectives such as business portfolio review will be incorporated into the Code. We would like to continue the discussion, using this as an opportunity for further promotion.

I would be happy to add later on the concerns about short-termism on both sides.

Regarding the Growth Market reforms, the review of the continued listing criteria itself was implemented last year. However, it is important to create a growth environment for 2030, regardless of whether the company has a market capitalization of JPY10 billion or not. So, we hope to continue to promote efforts to improve the overall situation.

As for the transitional measures for the continued listing criteria described at the bottom, we hope to continue to follow up on companies as the improvement period will end in March of this year.

As for specific topics for the future, as shown on page 4, we hope to continue discussing the themes you see this year, with a focus on further accelerating the promotion of "management that is conscious of cost of capital and stock price." I hope to share some of that overall feeling.

On page six, we reprinted a summary of the issues to be discussed at the follow-up meetings in January 2023. For example, we reiterated relatively important keywords such as promoting metabolism and innovation, increasing productivity through the exchange and merging of production factors, and taking various initiatives to increase productivity.

Page seven and the following reference materials will be revisited based on this discussion. The explanation will be omitted.

Page eight and beyond are about specific initiatives. Regarding "Management That Is Conscious of Cost of Capital and Stock Prices," please refer to the disclosure status on page 10.

The Prime Market is on the left and the Standard Market is on the right. The disclosure rate itself remains relatively high. In the Prime Market, 93% of the companies disclosed, and in the Standard Market, about half of the companies disclosed.

We are asking companies in both the Prime and Standard Markets to disclose this information, and as such, the Prime Market, where most companies had implemented it, and the Standard Market, where half of the companies are not responding, will be in different phases. So, I hope we can consider future measures with such status in mind.

Please return to page nine. As for the Prime Market, as mentioned in the second point, we would like to consider focusing on having companies that have already disclosed their efforts to brush up on the details of their initiatives.

This may be linked to the revision of the Corporate Governance Code. In addition, as we have seen in the case studies, more and more companies are gradually making positive changes, such as disclosing capital allocations, et cetera We are considering introducing such companies to further accelerate our efforts. We hope to discuss these issues in the future.

Regarding the second item, we have introduced about 50 Prime Market companies in this case study collection, and we have heard that this has had a very positive effect, such as increased investor interest. However, the number of companies to be included in the case studies is about 50 out of 1,600.

Whether or not we will continue to introduce case studies as we have in the past, we would like to consider whether we can highlight companies that are showing positive change in some way to show investors and provide incentives for companies to take action.

Third, regarding the 10% of undisclosed companies. A list of undisclosed companies is attached for your reference. This document is not publicly available, although we can identify companies that have not yet disclosed their information because the list of disclosed companies is publicly available.

Since we are only making a request, I don't think we can force these companies to disclose. If you have any suggestions as to how to approach this in the future, we would appreciate it.

This list includes companies with sufficiently high P/B ratios. Some of those companies may not think it is necessary to follow the request, and I think the situation differs from company to company. I would be grateful if you could give us your opinion.

Please see the bottom half of page nine. Inevitably, from the corporate side, we hear voices and concerns that questions from investors and conversations in engagements are based on a short-term perspective.

On the other hand, investors also say that what they want management to talk about is their vision for future growth, but they are not told much about it. Thus, I think there have always been voices that there is a gap between the two sides.

Page 11, the original purpose of the request is very important in the phase in which various things have developed, and we will make that known again. Or, if you have any comments on this, such as whether there are areas that need to be revisited due to a slight change in stage, I would appreciate it.

The item at the bottom of page 9 was added after the preliminary explanation. As Mr. Sampei mentioned earlier, I think it is very important to note that the conversation with investors has changed from a short-term perspective to a long-term perspective through the improvement of their initiatives. So, we have also added that we will actively introduce these examples.

Page 12 is a slide of the discussion on the revision of the Corporate Governance Code. Only the first meeting was held, and this is the document from that meeting. We hope to report more on this in the future.

Pages 13 and 14 are also additional data based on feedback received in the preliminary explanation. Updated stock price differences between companies listed in the case studies and those that have disclosed and those that are under consideration but not yet disclosed.

The trend remains the same, and the gap between companies that are actively engaged and those that are not is becoming quite large. We would like to continue to use this material because we think it is easier to convey the situation when this kind of data is presented, especially to management.

There is a relatively large difference between the two in the Prime Market and a much larger difference in the Standard Market on page 14. So, we think this is important data.

From page 15 onward, we discuss Growth Market reforms.

On page 16, we present our current status and future policies. The check mark under item 1 is the voice of managers of start-up companies that are currently listed on the Growth Market.

As we are reviewing the continued listing criteria and asking companies to brush up their growth strategies for high growth, we are seeing an increasing number of companies taking a positive approach, as we mentioned earlier in the case studies. On the other hand, we continue to hear from companies, especially those with small market capitalization, that their efforts are not progressing well because, as mentioned earlier in the discussion of the seven gaps, there is a gap between the market's evaluation and their own.

In light of this, as mentioned in the second item, we hope to continue to support such companies by providing good examples and making them visible to investors.

The third item cites the creation of the benefits of being listed on the Growth Market. In exchanging opinions with management, we have heard relatively many comments about the difficulty of complying with the reviewed continued listing criteria, and not many comments about what specific measures would be useful. We hope to continue to exchange ideas with managers and create benefits for the Growth Market.

The fourth and fifth items are about IPOs. As per the fourth item, regarding the comments that IPOs will become more difficult due to the revision of continued listed criteria, we continue to communicate that we are not raising the continued listed criteria for new IPOs and explain the underwriting stance of securities companies.

On the other hand, as pointed out in the previous explanation, the number of IPOs has been the focus of much attention in the press, but the Exchange is not particularly concerned about the number of IPOs as a market management policy, and will continue to make it clear that it is good to promote IPOs that are aiming for high growth.

Page 17 and beyond are supplemental data. First, page 17 shows changes in the Growth Market index.

Page 18 is IPO trends. In addition to the number of companies, we have attached for your reference the market capitalization of the IPO companies at the time of their listing on the Growth Market, based on what you indicated in our preliminary explanation.

Page 19 shows the number of IPOs per quarter. This has now recovered to the same level as last year.

Page 20 provides an example of how Nomura Securities is taking a stance on underwriting in response to the recent revision of continued listed criteria. They said that they are not changing their stance on the occasion of this review of continued listed criteria, but are continuing their policy of supporting growing IPOs as a whole. This point is often discussed and I believe it is important, so we introduce the comment.

Pages 21 and 22 are materials distributed to listed companies yesterday.

Earlier, Mr. Nagami also talked about updating the materials on matters related to business plans and growth potential. We believe that by creating a special page that lists these items for investors to easily understand, we can increase dialogue between companies and investors, and we hope to move forward with this starting in February. On page 22, you will find information on eligible companies and application procedures. We hope to report on status in a timely manner.

Page 23 introduces the new index published last December.

From page 24 onward, we discuss Growth Market reforms. We have discussed this several times so far. We will present the specifics at the meeting in the next month or so and would appreciate your input. In this document, we have included only the major directions as a reconfirmation.

The top two items on page 25 are reaffirmations for future discussion of the Standard Market concept. There is often a discussion about how to define the Standard Market. A diverse range of companies are listed on this market, and it is expected that the number of companies will be the largest in the future.

As shown in the second point, the market is quite diverse, with some companies being listed as they were when the OTC market used to exist, while others have recently IPO'd or moved from the Prime or Growth Markets.

Therefore, I think it would be a good idea to consider the concept in the future, based on the fact that the market itself is diverse.

However, in the preliminary explanation, we received some comments that while it is good to have a diverse range of companies, it would be nice if investors could get a better grasp of the characteristics of the companies. Based on this, we have added the second point.

As stated in the third and following points, we need to place more emphasis on the fact that listed companies, even in the Standard Market, need to protect minority shareholders and to increase corporate value with shareholders and investors in mind. So, I hope we can proceed with a typology in the future.

The fourth point is another item that was added based on your comments in the preliminary explanation. We have also heard that there is a movement toward IPOs on the Standard Market or inducing IPOs on the Standard Market, as IPOs on the Growth Market have become perhaps a little more difficult to obtain at the moment.

Of course, it is wonderful that companies are aiming for an IPO on the Standard Market, and we hope that they will do so. However, we do not think it is good for the so-called "IPO goal" to be mass-produced in the Standard Market. We think it may be necessary to emphasize a little that they should firmly aim to increase corporate value even after listing.

Page 26 is a restatement of the previous document. We would appreciate your input on the specifics at the meeting in the next month or later.

Finally, we report on the end of the improvement period for the continued listed criteria. Please see page 29.

At present, there are 161 companies that are not in compliance with the criteria. A graph of the end of the improvement period is included on the right. Each fiscal year, sequentially, each company will reach the end of its improvement period. In this coming March, 48 companies will be affected.

The Exchange believes that it is important to ensure that all shareholders and investors are made aware of the situation, as described on page 31. In addition to the Exchange's website, we plan to publicize it with the cooperation of securities firms and to place several more advertisements in the Nihon Keizai Shimbun and other newspapers in the future. We hope to continue to promote awareness through the media in this way.

**Watanabe, Director, Listing Department, TSE:**

We would like to receive your opinion in two parts.

First, we would appreciate your opinions regarding the general policies or "Management That Is Conscious of Cost of Capital and Stock Prices."

**Kumagai, member:**

Thank you very much for summarizing this year's topics and ideas. I think each of the topics listed on page four is appropriate.

First, I would like to comment on the general policies and "Management That Is Conscious of Cost of Capital and Stock Price." The first point is about the overall reform of the TSE. As the TSE enters its third year of reform, I believe that it is important to focus on and launch measures that will be the centerpiece of future reforms so that the momentum of reform is maintained and strengthened. The biggest point will be to conduct interviews with market participants and to keep abreast of overseas initiatives for consideration.

The revision of the Corporate Governance Code is being watched closely by both companies and investors, and it is vital to make this one of the drivers. As for the connection between the Corporate Governance Code and "Management That Is Conscious of Cost of Capital and Stock Price," the "Redirection of Management Resources to Investment in Growth" is a topic. In conjunction with the Corporate Governance Code, companies should accelerate their deliberations regarding the balance sheet, cash allocation, and business portfolio to which they should aspire.

As I mentioned on Document 1, I believe it is extremely important to consider how to make effective use of it when making management decisions. Many of the decisions to review a business portfolio, for example, must be difficult ones, and it is important to make it function as the basis for such decisions. Another point that I feel is not fully recognized in our contacts with companies is that implementation of the Corporate Governance Code, or if not, an explanation of why, is stipulated in the "Items to be complied with" section of the Code of Corporate Conduct, and that action is prepared in the event of violation. I think it is necessary to make this known again.

The second point is about the Prime Market. Thank you very much for taking the time to reflect on the comments we provided during the preliminary briefing. I believe it is critical to address both disclosed and undisclosed entities. Although more than 90% of the companies have already disclosed their efforts, there are some companies that only formally disclose initiatives that are an extension of their existing growth strategies, and some that disclose initiatives that are out of step with investors' viewpoints. Such companies need to rethink investor expectations through dialogue with investors and analysis of their own stock prices, in addition to linking with the Corporate Governance Code.

As an example, Kazuhiko Tomiyama, CEO of Japan Platform of Industrial Transformation, classifies companies into "G-type companies," such as major manufacturers operating in the global economy, and "L-type companies," which operate in the domestic local economy, pointing out that "L-type companies" have more

room for growth. Investors focus on the extent of change in a company's growth and the direction and vector of that change, so I believe it is extremely important to take appropriate measures for undisclosed companies with large growth potential.

**Sampei, member:**

First, the fifth item on page nine lists complaints from both companies and investors. I think this is precisely the flip side of my earlier comment about the change in investor questions cited in the TOA CORPORATION case study.

As you explained earlier, there are about 50 companies out of 1,600 that are seeing positive changes, which means that most companies are still experiencing this kind of dissatisfaction. I believe this landscape will change as more companies are able to solve problems.

So, I think we should send out more messages like that. What should they be aware of stock prices and cost of capital for? I think it is important to convey the message that as a result of doing so, investors will invest more and more and they will be able to invest more and more in growth, and that their objective is to achieve a kind of win-win relationship and co-creation.

In that sense, regarding the purpose of the request on page 11, I don't think there is any need to change anything about the purpose of this request itself. I hope we can include here where we are going and what good things we are trying to achieve.

Similar to what is discussed in the case study of TOA CORPORATION, I found the same information in the CEO's message in IHI's Integrated Report 2025. It describes how as the CEO interacted with investors, their questions changed, they asked more questions about the future, and gaps in the dialogue were reduced. Such cases may still be few, but I think it is important to pick them up and communicate them.

Page nine states about the remaining 10% of undisclosed companies, and there is a page listing them, but the situation varies. For example, if you ask a company why it has not disclosed, the answer is likely to be, "It is not required because it is a request."

Or some of the companies on the list have very high ROE and double-digit P/B ratios. So, the answer might be, "We have already achieved enough results and are highly regarded by investors; therefore, they understand how we are trying to improve our corporate value, and there is no need to dare to explain it separately."

If so, it may be possible for the TSE to ask these undisclosed companies to explain their reasons. If the company has already produced results and thinks they are well understood by the market, they may explain that way. For companies that still have not responded, I think there could be a way to publicize this as "no response," meaning that the company has not responded to the hearing of the TSE.

For companies that have very high ROE and P/B ratios, investors may read the explanation and understand that there is no need to disclose. On the other hand, if the company does not respond, it will be clear that there is a problem with the company.

There is one other point that I think we need to discuss regarding the purpose of the request on page 11, although this should not be done right now. In many cases, companies that have been able to solve problems have improved by identifying what their real strengths are, such as by identifying which strengths are important to them and must be retained, focusing on those strengths, and discontinuing things that are not important to them.

In other words, they are properly creating self-founding goodwill. This should not be recorded for financial accounting purposes and will not appear on the balance sheet. But I think we need to have a good discussion sometime about the importance of intentionally and strategically forming such intangible assets, and how they come into the stock valuation. That is an important goal or effect of growth investment with various boosts.

When the term "balance sheet" is put on the page, I think only the accounting financial statements come to mind, but I think we must also essentially picture the intangible assets that are outside of the balance sheet.

It would be good to expand the purpose of the request in that way. However, it is difficult to write in such a way that the intent is conveyed in short sentences, so I believe it is necessary to discuss such issues once.

**Nagami, member:**

I feel nothing is wrong in the overall direction or agenda design. On that premise, I think the summary of discussions you made in 2023 on page six is a good statement that serves the public interest very well.

However, from the perspective of corporate management, the external environment has changed considerably from the situation at the time it was created and now three years have passed since then. There are two major changes: one is inflation and the other is AI.

It would get very long if I started talking about AI, so I will spare you. Regarding inflation, in an era of inflation, the risk-free rate will rise and the cost of capital will naturally rise. Therefore, we must achieve profit growth that exceeds that.

I believe that we are now in an era where the tone and nuances of disclosure of the cost of capital and the requirement for companies to be more aware of the cost of capital and corporate growth under inflation are becoming very important.

I don't mean to imply that you should change any major direction, but I think you could change your expectations of companies a bit with regard to tone-setting.

In addition, Growth Market-listed companies must naturally aim to grow even faster than the growth in the Prime Market, which is higher than the risk-free rate. I think it would be better to change the tone setting for it.

The exchanges cannot cover all of these, but I believe this will lead to the use of cash in inflation, pricing of services in listed companies, et cetera, creating a virtuous circle in the economy. So, I hope that the Exchange can incorporate such a message in order to better contribute.

**Okina, member:**

In addition to the issues discussed on page 12 regarding the Corporate Governance Code, another major theme at the first meeting was the substantiation of the Code. I believe it is important to evolve corporate governance in a substantive sense, not a formal one.

I think "substance" can mean many different things. I believe that one of the implications of this is that it is important for governance to function in a way that produces results that lead to medium- and long-term improvements in corporate value.



I believe that the current reform of the TSE is a good example of how to do this. For example, in the collection of case studies on problem solving, the companies that have succeeded in adding earning power and meeting market expectations by devising capital allocation and other measures are in the upper right-hand corner of the four quadrants.

If the TSE can show such concrete examples as stories firmly, I think it will help correct the short termism. I hope you can link your thoughts well.

In the request for management to be conscious of the cost of capital and stock prices, something very important has already been said in the year 2023. It has been requested from the beginning that companies aim for sustainable growth, and I think it is very important that we continue to say this.

I have the same opinion as Mr. Sampei about undisclosed companies in the Prime Market. It might be a good idea to request those companies to explain why they do not make disclosures.

Some of the companies are performing poorly, but others have high P/B ratios and ROE indicators. I think it is a good idea to start with an approach that asks them to disclose the reasons for this, and then consider how to deal with companies that still do not respond to this.

**Koike, member:**

I feel no feeling of strangeness in the overall framework at all.

I would like to comment on the reform of the Prime Market. Overall, I assess that corporate actions are making quantitative progress, with about 90% or more making disclosures and 60% making updates.

On the other hand, from our perspective, we have the impression that the Prime Market is polarized. The top 300 to 400 companies account for about 80% of the market capitalization. When foreign investors invest in Japan, they invest in such top-tier companies with excellent management and information disclosure.

It is good to see that 300 of the 1,600 companies are now eligible for investment by international investors. But, conversely, 1,300 companies are in the Prime Market but have not shown themselves to be attractive as investment targets. This is perhaps the second stage of Prime Market reform.

I believe there are about 30 companies with a market capitalization of JPY100 billion or more that have not yet made disclosure. I think it is important to get these companies to explain, as Mr. Sampei mentioned. However, among the remaining 1,300 companies, there must be a promising company representing Japan, which is a treasure trove of investment targets. Rather than asking 30 companies to disclose, how to reform the remaining 1,300 companies and how to get companies to change. I believe this is the Japanese stock market's generousness and an important point regarding how it can attract foreign risk money. Therefore, I believe that the next stage of the Prime Market reform would be better to discuss what should be done to target these companies.

**Uchida, member:**

I am concerned about the disclosure rate of the Standard Market, but looking at the distribution of market capitalization by market segment, I agree with the idea of a general approach without being biased toward the Growth or Standard Market.

As I have said before at this council, at the outset of the request, it seemed to me that we began with what they could think and do if they wanted to do it. Shareholder returns and other measures are matters that are relatively easy to review.

However, 2.5 years have passed since the request and we are now in the implementation phase of the strategy. I think most companies have a mid-term planning cycle of about two or three years. Two years have passed, and finally the results and achievements of what they have disclosed in the past will now begin to emerge.

What did that lead to? The PDCA cycle is used to make necessary revisions according to the actual results, and companies enter the stage of making decisions that are difficult to make in a short period of time, such as withdrawing from a business.

Therefore, rather than simply evaluating the disclosure rate or whether or not a company has made disclosure, I think it would contribute to raising the overall level if the results are fed back to companies, monitored to ensure that the next management cycle is running smoothly, and followed up based on the status of dialogues with investors and other factors.

What kind of dialogue will you have with investors based on the results of the strategies and resource allocations that have been implemented? We need to accelerate and support these points.

**Kuronuma, member:**

First, the overall policy indicates that each of the market reforms will be pursued. Among other things, I understand that it says that TSE will focus on reforming the Prime Market, which has the largest market capitalization. I agree with you on that policy.

As for the relationship with the Corporate Governance Code. The Code has one objective: to increase corporate value. I believe that the TSE has the tools to receive the most interest from such an increase in corporate value and to encourage listed companies to do the same.

Therefore, while it is important for the TSE to keep pace with the revision of the Governance Code, I believe it is also important for the TSE to come up with its own measures to enhance corporate value at the same time.

As for the promotion of "management that is conscious of cost of capital and stock prices," the case study compilations have been published. But I think it would be useful to highlight companies that are seeing a little broader positive change in some way to promote the overall effort.

I did not have any good ideas on how to approach the 10% of undisclosed companies. However, as Mr. Sampei and Ms. Okina said, it is very useful to ask for disclosure of the reason for undisclosed, and I am in favor of it.

**Matsumoto, member:**

I think the overall direction is good.

I think the summary of discussion on page 6, especially the first half, is very on target. But as the second point, it says that they can exchange factors of production, et cetera, but I don't think this can be done by TSE alone.

I believe the Ministry of Economy, Trade and Industry is the main entity to do this. The entire country is trying to raise productivity and stock prices through these efforts, and I believe that the government will need to consider and respond to this issue. I would like to ask the Ministry of Economy, Trade and Industry, which is present here as an observer, to do that.

**Ministry of Economy, Trade and Industry:**

Although I am an observer, I would like to say a few words. As Mr. Matsumoto mentioned, the second point, "increasing productivity by exchanging factors of production and by implementing M&As with other companies," is something we have been discussing in this follow-up meetings in the past.

METI's Committee on New Direction and its Subcommittee on Value Creation Management are currently discussing this issue, as well as how to encourage growth investment in the future, together with the capital market. I hope that we can continue to discuss this issue in a more aligned manner.

**Watanabe, Director, Listing Department, TSE:**

Thank you very much.

Next, we would like to receive your comments on the third item, Growth Market reform, the fourth item, Exploring How to Make the Standard Market More Attractive, and the fifth item, Informing Investors of the End of the Improvement Period to Meet the Continued Listing Criteria, if you have any comments on these issues.

**Kumagai, member:**

I will make one brief point. For the Standard and Growth Markets, the way forward could be as described in the description. However, there is a concern that if the discussion concentrates on individual issues, it will become tilted toward the micro level, and the macro-objective of sustainable development of the Japanese economy will be somewhat lost.

As discussed earlier and written on page six, I believe that it is essential to have a thorough discussion from a broad perspective, taking into account the deliberations and responses of the METI and other government agencies, regarding the promotion of metabolism and innovation in industry and society, and the creation of a framework to promote productivity improvement by exchanging of production factors and M&As with other companies.

**Matsumoto, member:**

The Standard Market accounts for 3% of the total, both in terms of market capitalization and trading value. So, no matter how much effort we put into this, the effect on improving the overall market will be limited. On the other hand, since these companies are publicly traded, any disclosure or minority shareholder protection issues would be a concern or negative impact on the TSE's overall quality control.

What you said earlier about the diversity of companies should be considered a given is exactly right. In this context, I think it is a good idea to focus on protecting minority shareholders anyway.

**Koike, member:**

We have discussed the Standard Market quite a bit, and I myself have commented in the past that it would be better to create some kind of clear concept. However, as you explained earlier, I think it must be difficult to design an established concept for this market.

On the other hand, there is a wide variety of companies listed on this market, and I believe that there are a great many good companies and treasures to be found as investments.

But there is also the fact that we do not get around to discovering the stocks or obtaining information. I believe that it is necessary to have a well-defined typological concept and to have companies make a good disclosure according to the typological categories and issues.

Then, we would ask companies to thoroughly make disclosures or thoroughly explain the reasons for their choice of the Standard Market. At the same time, investors naturally want companies to ensure the protection of minority shareholders and governance functions mentioned by Mr. Matsumoto. In some cases, I believe that a review of the listing criteria may need to be discussed from this perspective.

As for the Growth Market, I think the document is fine. I especially ask that you consider the use of the new index (JPX Start-Up Acceleration 100).

If we were to set up our own fund using this index, it probably does not have much business potential at present from a liquidity standpoint, since its market capitalization is less than JPY50 billion.

On the other hand, if you would not simply provide and publish the index, but rather if the index could be used as a tool to raise awareness and disseminate information between companies in the Growth Market, by actively communicating information to the 100 companies that comprise the index and placing high expectations on those to lead the Growth Market in the future, I believe that this will encourage companies to change their mindset. I believe that in the future, the constituent companies will have sufficient liquidity and market capitalization to serve as investment targets. I believe that the use of this index is very key.

**Nagami, member:**

Regarding the Standard Market, I am comfortable with the concept of the market with diverse companies. Based on this premise, I believe that minority shareholder protection is important, as does Mr. Matsumoto. In other words, I think it is important to guarantee liquidity, and I think it is important to continue to monitor this on a constant basis. Liquidity is the most important factor to ensure that those who want to buy or sell are well protected as minority shareholders. So, I think we can focus on that monitoring and measures to increase liquidity.

**Kuronuma, member:**

I think it is a very good initiative to start listing and visualizing companies that are engaged in management aimed at high growth with regard to Growth Market initiatives. I also felt that it would be good to disclose information on an application basis and not through a review process.

A diverse range of companies are expected to be listed on the Standard Market. Therefore, I think it is fine to proceed with the measures without characterizing the market and without thinking that they can only stay there if they are such a company.

On the other hand, I believe that it is compatible to categorize companies by their attitude toward corporate value enhancement, such as those that are proactive and those that are not, and to take measures accordingly, as these do not dictate the nature of the market.

Let me ask you a question. The material of future approaches previously discussed is reprinted on page 26. It says that a future approach for companies that have little awareness of the need to improve their corporate value is to ensure "liquidity (public availability of shares)."

I would appreciate it if you could provide a supplemental explanation of what exactly you envision doing. Maybe what Mr. Nagami just pointed out is the answer to this.

**Ikeda, Senior Manager, Listing Department, TSE:**

Thank you very much.

This is an idea for a preliminary step to what exactly we are going to do. We would like to discuss specifics in the future. As Mr. Nagami just mentioned, if stocks cannot be bought or sold in the first place, it is necessary to consider the issue from the standpoint of liquidity.

On the other hand, there are issues such as the lack of progress in disclosing "management that is conscious of cost of capital and stock price" in companies with parent companies or owners. To address this, I think an approach of public availability will be necessary.

This document is more of a presentation of the issue of whether to consider the issue of public availability and corporate ownership as an approach, rather than using the average daily trading value and other factors as an approach.

After that, we believe that specifics will need to be discussed in the future, for example, whether to set standards or to request and encourage something other than a standard.

**Kuronuma, member:**

Understood.

I think that you mean it should be discussed in the future. Do you mean that there could be some criteria for liquidity? Does this mean that public availability is linked to some kind of disclosure?

**Ikeda, Senior Manager, Listing Department, TSE:**

I think we also need to consider what kind of approach to take to what kind of standpoint.

**Kuronuma, member:**

Understood. Thank you very much.

**Sampei, member:**

First, as for the third item on page 16, the creation of advantages of listing on the Growth Market. Considering its original form, it would be beneficial to be listed on the Growth Market to obtain a higher valuation.

When a company graduates from this market and goes to the Prime Market, investors with Prime Market valuations in mind will not give the company a very high valuation. However, in the Growth Market, the company can actually target higher valuations.

If not immediately, once the revision of the continued listing criteria has been completed and the market mainly consists of companies that are willing to stay in the Growth Market, the merits of remaining in the Growth Market, in which they can recognize high valuations because investors invest with such intentions, could be communicated to the investors as a way to create right conditions.

I also think that the fifth point, "not focus on the number of companies making IPOs," is a very important message and will need to be clearly communicated.

In addition, on page 23, the Acceleration 100 Index is described, where the sales growth rate of 20% or more is indicated as one of growth criteria.

Until now, there has been no clear answer to the question of how much is "high" when it comes to achieving high growth. I think this criterion could be seen as one guide. I don't think that the TSE is indicating this guideline in that sense, but I think that it could be a guideline for those who see it.

At the same time, on pages 21 and 22, the TSE also introduces a measure to encourage investors to visit the TSE website to learn more about companies that they are willing to disclose information.

If so, I am also interested in what the aggregate growth rate of the companies listed here would be. I guess we will have to think about this again when we gradually see that is higher or lower than that of the companies in the Acceleration 100 Index and how much of a gap there is between the two. I have no conclusion now, but would like to keep a watchful eye on the situation.

I feel that page 25, Standard Market is a market that accepts a wide variety of companies, is quite a good description. We have had a very difficult time trying to clarify the concept, and we have also had trouble with the fact that clarification would exclude companies that do not align with that. If you say this is the kind of concept, then that'll be fine.

However, as Mr. Matsumoto mentioned, as a publicly listed company, it is their responsibility to aim to increase corporate value and properly protect minority shareholders as a minimum commitment.

In that sense, I would very much like to hear clearly the reasons for choosing this market, as Mr. Koike mentioned earlier. I also think that you could approve a new listing, after also confirming their commitment to be conscious of the share price and cost of capital.

**Watanabe, Director, Listing Department, TSE:**

Thank you very much.

Next, we will explain the status of initiatives on such matter as parent-subsidary listings on Document 3.

**Yamawaki, Manager, Listing Department, TSE:**

I will explain the Document 3.

This is a presentation of the discussions and initiatives of the separately held study group on dependent listed companies. If you have any comments or suggestions, we would be happy to hear them.

First, page two is a general overview of initiatives.

The TSE has long been gradually improving the listing system for parent-subsidary listings from the perspective of protecting minority shareholders, in light of the potential conflict-of-interest structure between parent companies and minority shareholders.

In addition, in recent years, investors have become increasingly interested in the nature of parent-subsidary listings from the perspective of group management, which is how the parent company should optimize the group as a whole, in light of our request for "Management That Is Conscious of Cost of Capital and Stock Price." We are currently approaching the issue from both perspectives.

To begin, regarding group management, we asked companies to consider and explain the significance of taking the form of a parent-subsidary listing again in 2023, taking account of the perspective of investors, from the viewpoint of improving corporate value and capital efficiency.

On the other hand, some investors have pointed out that there is still a large gap between their expectations and the content of corporate disclosure, and this is an issue that should continue to be handled in the future.

In addition, from the viewpoint of protecting minority shareholders, we have begun discussions on additional improvements to the listing system.

From page three onward, you will see the facts on which the premise is based.

As shown on page four, the number of listed subsidiaries has been decreasing year by year due to the number of companies becoming wholly owned subsidiaries or being sold to other companies, and is currently around 200 companies.

On the other hand, as shown on page five, the number of listed companies that have a quasi-controlling shareholder (excluding parent company) holding between 20% or more but less than 50% of the listed company's shares has increased to nearly 1,000 due to post-listing capital tie-ups and other factors.

Even in cases where the ownership percentage is less than a majority, a reasonable degree of influence may exist through the dispatch of directors or the conclusion of agreements for the prior approval of important decisions. Even for companies with such controlling relationships, investors have pointed out challenges from the perspective of group management and minority shareholder protection.

Page six shows the status of appointment of independent directors at listed subsidiaries. Since the last revision of the Corporate Governance Code, the appointment of independent directors has been progressing, with a majority or more than one-third of directors being independent directors.

From page seven onward is the promotion of disclosure regarding group management, et cetera

Page eight is the history to date. As I mentioned at the beginning of this meeting, in December 2023, we requested companies to consider and disclose the nature of parent-subsidiary listings from the perspective of improving corporate value and capital efficiency once again.

On the other hand, as shown on page nine, in many cases, companies' disclosures explain the rationale for listing a subsidiary only in the abstract, such as improving the morale of the subsidiary's employees or enhancing its credibility with business partners, which leaves a gap with investor expectations.

Last February, we compiled these gaps and introduced them to the listed companies again as an investor's perspective.

Please skip to page 11. At the end of last year, we presented case studies that, in contrast, received a certain level of positive feedback from investors to help companies further their considerations.

On page 12 and beyond is the status of the discussion on the review of the listing system.

Page 13 is the direction of the study.

As indicated in the upper row, the main points are to have the subsidiary's management be more conscious of minority shareholders and to ensure the effectiveness and independence of the independent directors who oversee the subsidiary's management. Issues 1) through 3) in the bottom row have been raised.

The first is the analysis and disclosure of the percentage of approval or disapproval of minority shareholders in the election of directors, described from page 14 onward.

Pages 15 and 16 show the distribution of minority shareholders' approval or disapproval of proposals for the election of directors of subsidiaries. There are a certain number of proposals that have less than 50% of minority shareholders in favor, or less than 80% in favor, which is considered a significant number of oppositions in the UK Governance Code.

On the other hand, we recognize that even if minority shareholders express their concerns in this manner, it is difficult for them to engage in dialogue with investors.

In light of this, as shown on page 17, from the viewpoint of encouraging dialogue and initiatives with minority shareholders, we are considering requiring disclosure of the ratio of minority shareholders' votes for and against proposals for the election of directors of listed subsidiaries, and if a significant number of votes were cast against, what feedback was received from shareholders on the reasons for their opposition, and, based on that, whether there is a need to take additional action.

As shown on page 18, another point of contention is whether the mandate should cover companies with a controlling major shareholder in addition to listed subsidiaries. It has been suggested that the scope should not be limited to subsidiaries, but should also include cases where a major shareholder has a substantial majority of the voting rights when taking into account the ratio of voting rights exercised.

Page 20 onward is about the review of the independence criteria.



Specifically, on page 21, the issue is whether the TSE's independence criteria require independence from major shareholders other than the parent company.

Currently, persons related to a major shareholder that is not the parent company are not denied independence. As the related parties of major shareholders are marked as "disclosure required" in the table below, we request an explanation of the relevant status.

Page 22 shows the current appointment status. The number of companies that appoint the business executives of major shareholders as independent directors is limited to about 70 companies.

On the other hand, there have been instances where investors have expressed concern because a company has designated a person associated with an equity-method affiliate in which it holds more than 40% of shares as an independent director.

Specifically, as indicated on page 23, we are considering that the independence criteria require independence from major shareholders other than the parent company.

Regarding the scope of major shareholders in such cases, as described on page 25, it is already a practical standard in the voting standards of institutional investors not to recognize the independence of related parties of shareholders who hold 10% or more of the voting rights of the company.

As shown on page 26, 10% is also the main threshold for listed companies to develop their own independence criteria. Based on these considerations, we envision that specific discussions on the system will be held in the future.

Finally, for your information, on page 28 is the schedule for the future. We will specifically be discussing proposals for review at a study group of quasi-controlled listed companies later this month.

At the same time, we hope to follow up on the fairness assurance in going private situations after the review of the corporate code of conduct, which was conducted last July. We hope to continue to report on the status of these discussions at our next meeting.

That's all from me.

**Watanabe, Director, Listing Department, TSE:**

We would like to receive any comments you may have.

**Matsumoto, member:**

Regarding independence, this may be a new perspective: I believe that in Japanese practice, if a rule called the independence criteria is created and it is decided that this type of person is independent, he/she may be treated as independent in all situations, including, for example, special committees.

On the other hand, in the US and other countries, the concept of conflict of interest is much broader than that of special interest under Japanese corporate law, and I believe that the existence of conflict of interest is determined on a case-by-case basis. For example, even an independent director may not participate in deliberations and resolutions in a certain matter because of a conflict of interest.

Considering human resource issues, et cetera, if the independence criteria are made too strict, it is possible that the group may not be able to designate as independent directors those who are effective in discussing general management issues among the group.

On the other hand, however, minority shareholder protection will not be fulfilled if the conflict of interest is not properly considered. For this reason, we should consider dividing the definition of "independence" according to the content of the agenda, as in the United States.

In fact, we have seen cases where independent directors who appear to have conflict and interest are participating in deliberations and resolutions. I think that discussion is useful to properly prevent such things.

**Watanabe, Director, Listing Department, TSE:**

Thank you very much.

With that, we would like to conclude this meeting.

Thank you very much. We are looking forward to having a valuable discussion next time.

[END]