

Future Initiatives for Management That Is Conscious of Cost of Capital and Stock Price & Future Initiatives for Growth Market Reform

Listing Department
Tokyo Stock Exchange, Inc.

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1. Encouraging Action to Implement Management That Is Conscious of Cost of Capital and Stock Price (Acceleration of Initiatives)

Key Comments From Previous Follow-up Meeting (1)

Overall policy

- ✓ As TSE's reform enters its third year, **it is crucial to design flagship initiatives and determine how to present them going forward** to sustain and strengthen the momentum of reform. The key will be to conduct interviews with market stakeholders while also monitoring developments overseas.
- ✓ In an inflationary environment, the risk-free rate rises and, as a natural reaction, the cost of capital does as well. Companies must therefore achieve profit growth that exceeds those levels. **It is important to emphasize a tone and nuance that highlights greater awareness of the cost of capital as well as corporate growth under inflation.** As part of tone-setting, it may be a good idea to adjust expectations toward companies accordingly.
- ✓ The Prime Market has become polarized: of the roughly 1,600 listed companies, about 300 attract investment from overseas investors, while the **remaining 1,300 have yet to demonstrate sufficient appeal as investment targets.** Among those 1,300 are companies that should be considered among Japan's most prominent. As the **reform of the Prime Market moves into its second stage, discussions should focus on how to make these companies targets for investment.**
- ✓ Companies that have successfully addressed their challenges have identified and improved their true strengths—in other words, **they have effectively generated their own goodwill.** It is **important to intentionally and strategically build such intangible assets,** and discussion is needed on how this should be reflected in stock price valuation. This should be recognized as a **key objective of growth investment.**

Approaching companies that have made disclosures

- ✓ It is not enough to simply look at the disclosure rate or whether disclosure has been made. **Providing effective feedback on the results, monitoring whether the management cycle is functioning properly for the next steps, and following up based on the status of dialogue with investors should help raise the overall level.** Based on the outcomes of strategies and resource allocations, it will be necessary to accelerate and support efforts to determine how companies should engage in dialogue with investors.
- ✓ Although more than 90% of companies have already made disclosures, some, as a formality, only provide disclosures that are just extensions of past growth strategies, while others disclose initiatives that are not aligned with investors' perspectives. Such companies **need to reassess investor expectations by speaking with investors and analyzing their own stock price,** in addition to aligning with the Corporate Governance Code.
- ✓ Both companies and investors are paying close attention to the revisions to the Corporate Governance Code, which should be used as a key driver. **Companies should accelerate their deliberations regarding the desired balance sheet, cash allocation, and business portfolio in alignment with the Corporate Governance Code.**
- ✓ Although case study compilations on management that is conscious of cost of capital and stock price have been published, **highlighting companies that demonstrate broader positive changes** would be useful for promoting overall initiatives.
- ✓ To monitor whether the case study compilations are gaining sufficient traction, it would be beneficial to **track the number of views.**

Key Comments From Previous Follow-up Meeting (2)

Engagement with executives

- ✓ The case study compilations should not only be communicated to corporate staff but also **be presented in a way that highlights the managerial benefits so that executives can understand that they are directly relevant**. Real examples from other companies and the process of trial and error are expected to significantly enhance executives' motivation.
- ✓ It is crucial that executives themselves read the case study compilation aimed at resolving issues. While showing the process is important, it would be beneficial to consider **ways to help executives grasp the essence of how their mindset changes, how they engage with the market, and what reforms have led to positive outcomes**.
- ✓ **It would be beneficial to gather feedback from various levels of the organization, including executives, and incorporate it into the case study compilations. It remains important to ensure that the entire organization—companies, management, frontline staff, and others involved—proceeds together as one.**

Measures to enhance effectiveness of dialogue

- ✓ In the case study compilation on resolving issues, there was a case study in which questions received from investors began to change. **As more companies become capable of resolving issues, investors' sources of dissatisfaction should also shift. It is important for companies to clearly communicate the purpose clearly—that being conscious of stock price and cost of capital ultimately leads to increased investment from investors, enabling companies to make further growth investments, thereby realizing a win-win relationship.** The intent of the request does not need to change, but it would be beneficial to articulate the goals and the positive outcomes that can be achieved.
- ✓ The effective implementation of the Corporate Governance Code has become a major topic. **If TSE can clearly present concrete examples, framed as a narrative, of how such efforts have contributed to enhancing medium- to long-term corporate value, it will also help correct short-termism.** It would be beneficial if this initiative could be pursued in a well-coordinated manner.
- ✓ Given the extent of companies' efforts, **it may also be necessary to conduct separate interviews with institutional investors** to understand how they have supported market reforms and corporate disclosures, and **so that they can share their initiatives as well.**
- ✓ While the performance of issuers in capital markets has improved, **investors appear to be lagging behind.** Just as TSE has spent time working to enhance corporate performance, **it is reasonable to expect that investors' performance will also improve if they continue their efforts in a steady and disciplined manner.**

Approaching companies that have yet to disclose

- ✓ It is extremely important to **take appropriate action toward companies that have yet to disclose** and have significant room for improvement.
- ✓ **One possible approach is to request that** companies that have yet to disclose **explain their reasons for non-disclosure.** For companies with exceptionally high ROE or PBR, investors may conclude, upon reviewing the explanation, that no further action is necessary. Conversely, if a company does not provide a response, that fact itself will raise questions.

Future Initiatives for Management That Is Conscious of Cost of Capital and Stock Price (Proposal)

(1) Acceleration of investment in growth areas

- To support companies in examining how to effectively utilize management resources, such as investment in growth areas, we will provide reference materials including information on investors' expectations in line with the timing of Corporate Governance Code revisions. [Summer 2026 -]

(2) Support for initiatives conducted by companies (ongoing)

- As a way to motivate companies to engage proactively, we will highlight companies that are demonstrating meaningful changes by conducting an investor survey on such companies and the nature of their changes. The results will be aggregated by market segment, company size, sector, etc., and top-performing companies will be published. [April–June 2026]
- Based on the above survey results and investor interviews, we will update the case study compilations. [Fall–Winter 2026]
- We will engage with executives through seminars for executives that have utilized the case study compilations and other events. [Ongoing]

(3) Share perspectives between companies and investors

- We will conduct a survey of companies regarding examples where dialogue with investors has contributed to progress in their initiatives, as well as their requests to investors. Using the results, we will encourage both companies and investors to engage in more constructive dialogue. [April–June 2026]
- To enhance companies' understanding of investors, we will distribute a series of interviews with domestic and overseas institutional investors, introducing matters such as their investment criteria and expectations for investee companies. [Spring 2026 -]

(4) Request explanations from Prime Market-listed companies that have not disclosed

- For Prime Market-listed companies that have not disclosed, we will request that they disclose their reasons for not making disclosures and their policy going forward. [Summer 2026 -]

*It is not intended to force or mandate the disclosure of "management that is conscious of cost of capital and stock price."

2. Continuation of Growth Market Reform

Key Comments From Previous Follow-up Meeting

Encouragement to take action to achieve high growth

- ✓ As inflation pushes up the risk-free rate and, consequently, the cost of capital, **companies listed on the Growth Market must aim for even higher growth than those on the Prime Market**. With this in mind, **it is necessary to adjust tone setting accordingly**.
- ✓ Regular disclosure of “Matters Relating to Business Plans and Growth Potential” is a valuable PDCA initiative for companies. If **companies are asked to more directly incorporate the seven viewpoints under “Investors’ Expectations for Growth Market-Listed Companies,”** communication between companies and investors is likely to become smoother.

Benefits of listing on the Growth Market & support measures

(Benefits of listing on the Growth Market)

- ✓ Considering the **original intent**, **one of the benefits of listing on the Growth Market is the ability to obtain a higher valuation**. While this will not happen immediately, once the market is predominantly composed of companies that remain in the Growth Market with the intention of achieving high growth, **it is worth considering building the foundation for conveying the benefit that “investors in the Growth Market invest with that expectation, and therefore higher valuations are justified.”**

(Case study compilation)

- ✓ **To make it clear how the disclosures were developed, it may be helpful to include the process that led to the disclosures**. In addition, **providing information such as what actions institutional investors took due to the disclosures, whether shareholders increased, whether market capitalization grew, etc.** would make it easier for readers to visualize the impact.
- ✓ **The seven items under “investors’ expectations” and “executives’ mindset that is not aligned with investors’ expectations” are extremely important. It would be beneficial to increase the number of case studies going forward as this will also help bring more attention to the Growth Market.**
- ✓ The document currently presents investor expectations first, but **if the intended audience is companies**, it may be better to **begin with the executives’ mindsets that are not aligned with investors’ expectations, followed by the investors’ expectations themselves**, and then show examples of how companies are responding.

(JPX Start-Up Acceleration 100 Index)

- ✓ Rather than merely serving as a provider of indices, placing greater emphasis on **using the index as a tool for promoting mindset reform among growth companies and enhancing their information provision**, it could help drive changes in corporate awareness. Over the long term, this may enable such companies to achieve sufficient liquidity and market capitalization to become attractive investment targets.

(Growth Market special page)

- ✓ As a reference material to be used in future considerations, it may be useful to **compile the growth rates of the companies that have been featured on the page** and conduct comparative analyses against other companies.

Future Initiatives for Growth Market Reform (Proposal)

(1) Follow-up on previous encouragement to take action for high growth

- When companies make their periodic updates to “Matters Relating to Business Plans and Growth Potential,” **we remind them of “Investors’ Expectations for Growth Market-Listed Companies” and Requests Related to Action to Achieve “Management That Strives for High Growth,”** (published September 2025) **on an individual basis.** [Started]
- **We will monitor the number of companies featured on the Growth Market special page as a KPI to track progress of companies’ actions.** After a certain period has passed, **we will follow up on corporate initiatives, disclosure status, and investors’ assessments.** [Summer 2026]
 - As of the end of January 2026, 94 companies have applied to be featured on the Growth Market special page.

(2) Collect executives’ opinions to develop benefits for listing on the Growth Market

- **We will conduct a survey (and interviews)** to gain a clearer understanding of the issues and needs of companies that are actively engaged in advancing the development of concrete measures. [April–May 2026]

(3) Support companies making active efforts (ongoing)

- **For Growth Market-listed companies, we will continue hosting seminars that utilize compilations of good examples and holding events for engaging in dialogue with institutional investors.** [Ongoing]
- **For the “JPX Start-Up Acceleration 100 Index,” we will conduct promotional activities targeting both investors and companies.** [In succession]
- **We will update the case study compilations (including additional examples related to initiatives’ processes).** [Fall 2026]

(Reference) Launch of Growth Market Special Page

On February 6, 2026, we launched a **special page** that lists up disclosures on “Matters Relating to Business Plans and Growth Potential” from Growth Market-listed companies that are actively working to achieve high growth. This page provides an overview of these companies and their initiatives.

- As of the end of January 2026, **94 companies** have applied to be featured on the Growth Market special page.
- * This page features companies that are taking actions based on “Requests Related to Action to Achieve ‘Management That Strives for High Growth’” (September 26, 2025) and wish to be featured on the page.

Example of special page

<https://clientportal.jpx.co.jp/ClientPortalEN/s/growth>

List of growth strategy disclosures for companies actively working to achieve “management that aims for high growth.”

In this page, we list disclosures of “Matters Relating to Business Plans and Growth Potential” from Growth Market-listed companies that are actively working to achieve management that aims for high growth and have applied to be featured on this page.

Showing 6 of 6 items

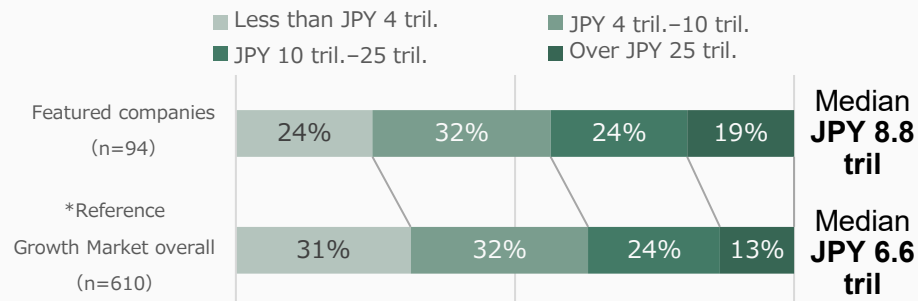
	Date	Code	Company Name	Industry	Fiscal Year End	Date of Listing (TSE)	Disclosure Document	Related Info
New	2025-11-13	1111	***** Co.	Chemicals	Mar.	2021-3-9	Business Plan and Growth Strategy Materials	Detail
New	2025-11-10	2222	***** Ltd.	Metal Products	Sep.	2019-12-8	Business Plan and Growth Strategy Materials	Detail
New	2025-11-7	3333	***** Co.,Ltd.	Wholesale Trade	Mar.	2022-4-3	Business Plan and Growth Strategy Materials	Detail
	2025-10-30	4444	***** Inc.	Retail Trade	Feb.	2015-12-13	Business Plan and Growth Strategy Materials	Detail
	2025-10-29	5555	***** Corp.	Pharmaceutical	Dec.	2019-2-5	Business Plan and Growth Strategy Materials	Detail
	2025-10-16	6666	***** Plc.	Services	Mar.	2025-4-1	Business Plan and Growth Strategy Materials	Detail

Main functions

- Displays disclosures of “Matters Relating to Business Plans and Growth Potential” released within the past year
- Highlights companies that have made disclosures within the past week
- Allows sorting by disclosure date, code, or company name
- From the linked pages, users can check stock price trends, past disclosure documents, and other information

Breakdown of posted companies

Distribution by market capitalization



Distribution by sector

